Management Presentation

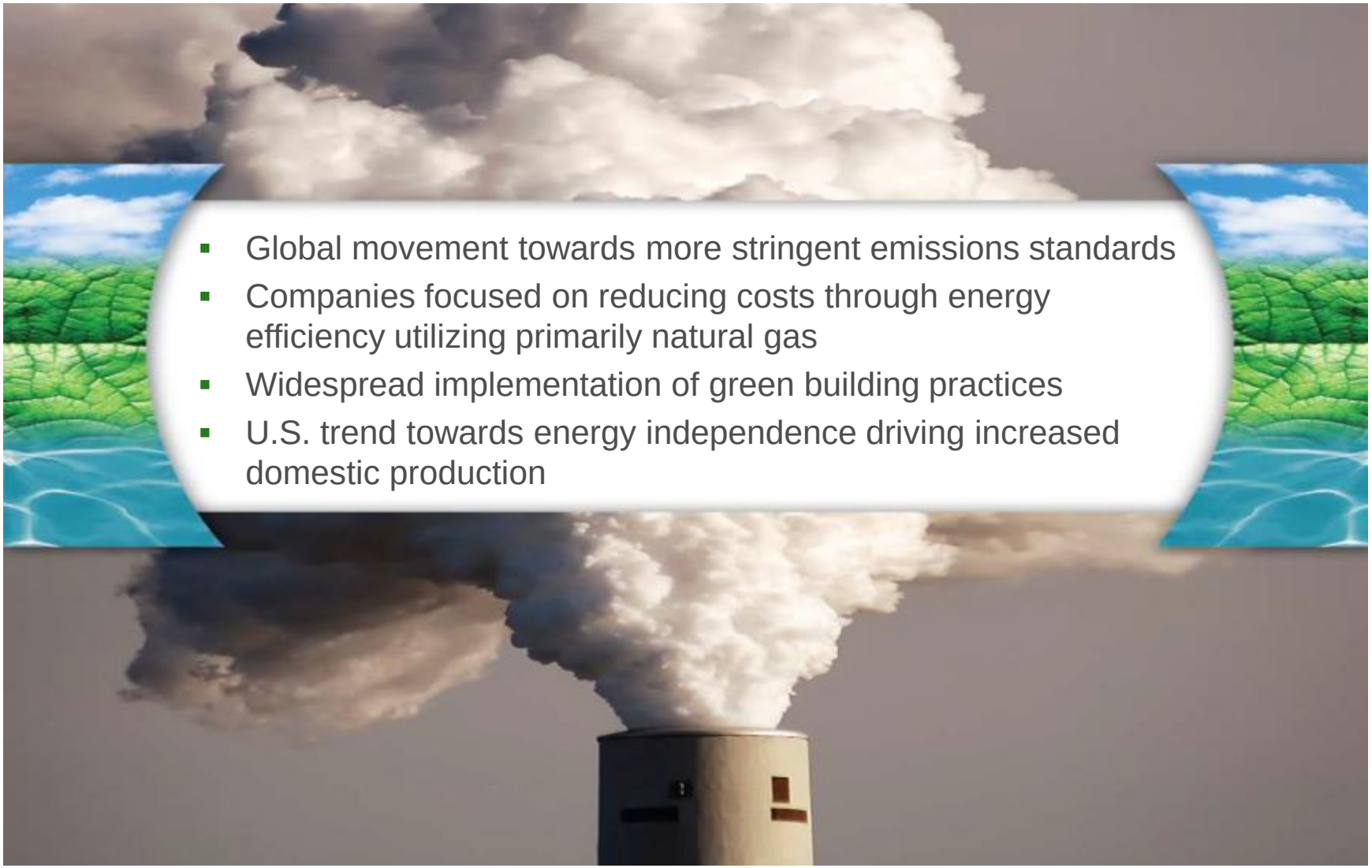
July 2012

NASDAQ: CPST

Safe Harbor Statement

This presentation contains "forward-looking statements," as that term is used in the federal securities laws, about market expansion; new product development; growth in revenue, gross margin and backlog; attaining profitability; improvement in certain key performance indicators; low cost of ownership and advantages over competing 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.

The World is Changing

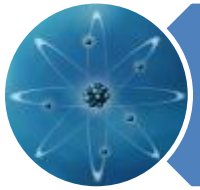


- Global movement towards more stringent emissions standards
- Companies focused on reducing costs through energy efficiency utilizing primarily natural gas
- Widespread implementation of green building practices
- U.S. trend towards energy independence driving increased domestic production

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.

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


Offshore: Gulf of Mexico

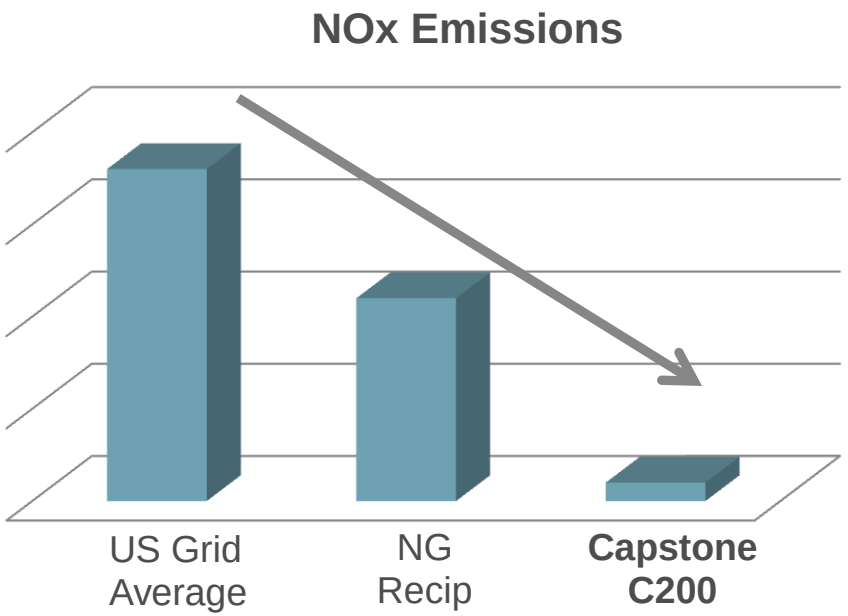

Data Center Secure Power


Landfill: France


Wastewater Treatment: Italy

Clean, Green & Reliable Energy

- Capstone emissions are less than 1/10th that of internal combustion engines
- Qualified by California Air Resources Board (CARB) – the world's highest emission standards
  - Extremely stringent emissions standard that exceeds the requirements of federal standards
  - First power generation technology to receive CARB 2008 Waste Gas Emissions certification for operation on landfill and digester gas
  - C30 HEV certified on diesel and natural gas



Source: EPA and ASME

Well positioned for global move toward increasingly stringent emissions standards

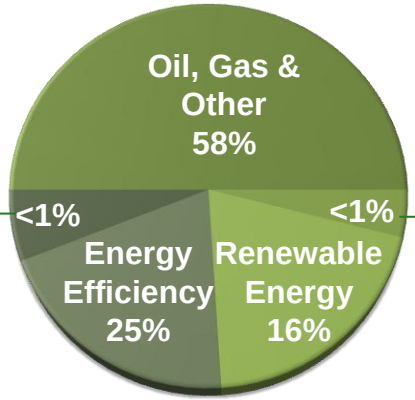
Global Market Segments

Energy Efficiency

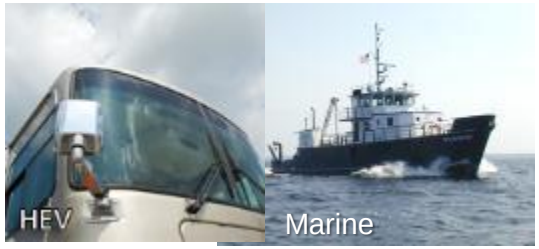
Renewable Energy

Oil, Gas & Other Natural Resources

Critical Power Supply

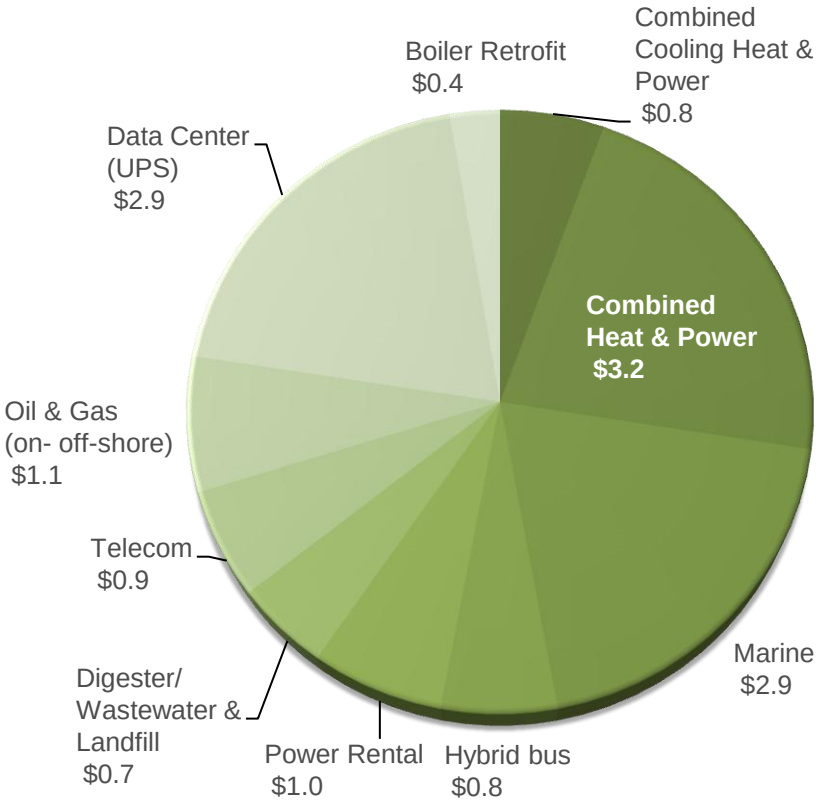


Transportation Products

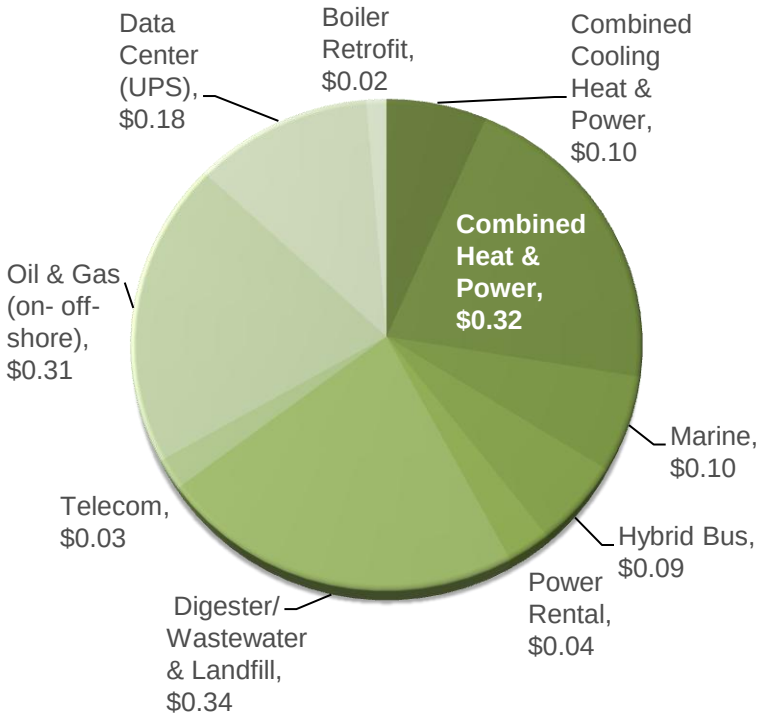


Sizing the Opportunity

Total Market Opportunity



Management's Estimate of Potential Capture



$14.6 billion market opportunity;
$1.5 billion potential capture

Broad Suite of Products

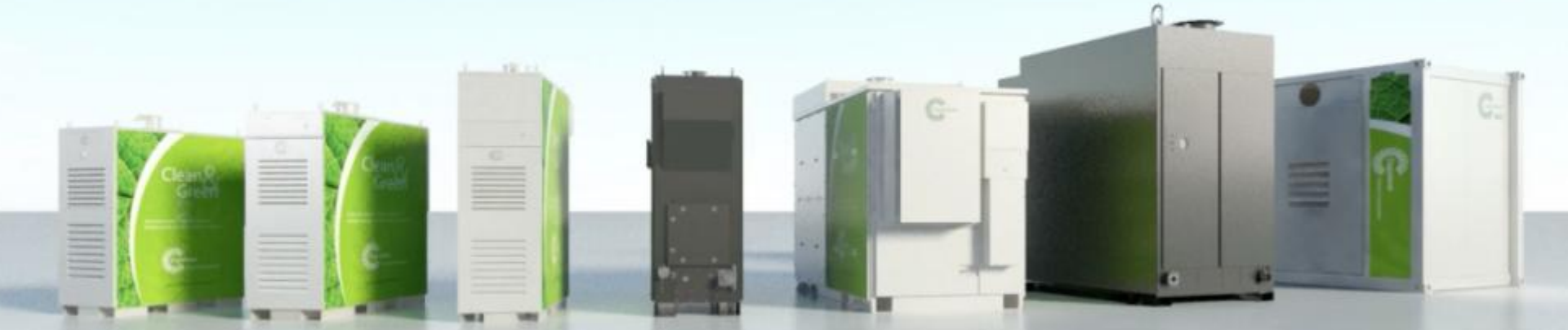
All Capstone MicroTurbines operate:

- 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

Customer Value Proposition

Capstone MicroTurbine

- **6 hrs** planned maintenance per year
- Scheduled/unscheduled maintenance **$0.015 / kW-hr**
- Average uptime **99%**

Operating Hours	Item	Action
8,000	Air/fuel filters, Igniter	Inspect, replace
20,000	Injectors, batteries	Replace
40,000	Engine/generator, injectors, batteries	Overhaul

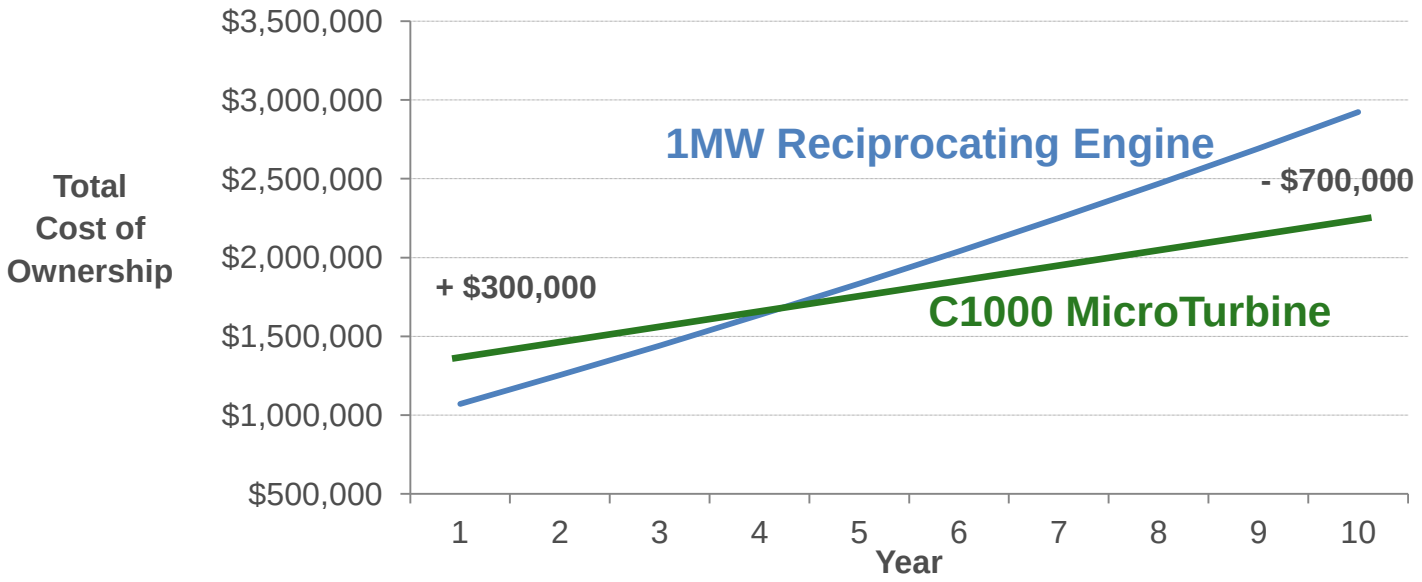
Internal Combustion Engine

- **120 hrs** planned maintenance per year
- Scheduled/unscheduled maintenance **$0.018 to $0.022 / kW-hr**
- Average uptime **82%**

Operating Hours	Item	Action
1,000 – 2,000	Air & oil filters, oil, spark plugs	Inspect, replace
1,500	Top end	Inspect
20,000	Top end	Overhaul
40,000	Bottom end	Overhaul

Significantly lower total cost of ownership:
Maintenance costs are 25% lower on average.

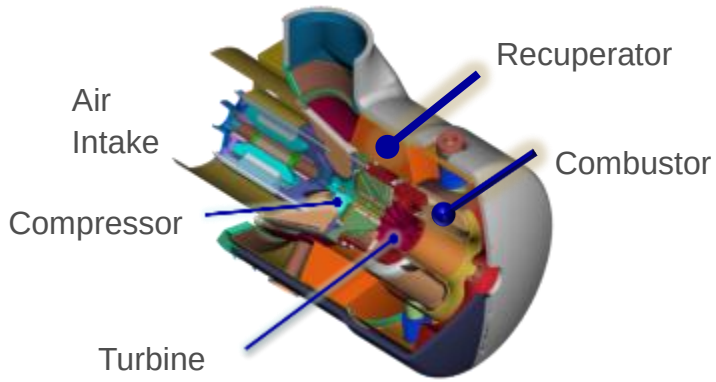
Why Capstone?



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

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

Select European Installations

Government/ Municipal:
A Capstone CR200 microturbine fueled by biogas produces heat and power for **Cossato Spolina WWTP in Italy**.

Marine:
Two Capstone C30 MicroTurbines onboard the **Argonon Type C tanker in European Inland Waterways** serve as the main electrical power supply.

Oil & Gas:
Four Capstone C65 MicroTurbines onboard the **Wintershall Q4C** provide all prime power to the manned platform in the **North Sea**.

Landfill:
Eighteen C65 MicroTurbines running on methane gas generate power and heat at **La Ciotat Landfill in France**.

Select European Installations

Agricultural:
With Capstone's microturbine technology, organic waste is converted to fertilizer that's used by **Kupferzell farms** on >100 hectares in **Germany**.

Hospitality:
Three Capstone C60 MicroTurbines generate cooling, heating, and power for **Villa Olmi Resort in Florence, Italy**.

Manufacturing:
Capstone microturbines running on methane gas generate electricity and hot water for this **paper mill in France.**

Healthcare:
The Capstone C65 cogeneration system saves **St. Joseph Hospital in Germany** over US$30,000 annually in energy costs.

Key Strategic Initiatives

- Increase sales mix toward larger units
- Generate higher gross margins through increased prices, lower costs
- Expand penetration into new and existing markets
- Improve electrical efficiency and lower emissions of products
- Strengthen brand awareness and distribution channels
- Maintain a strong balance sheet

Key Performance Indicators

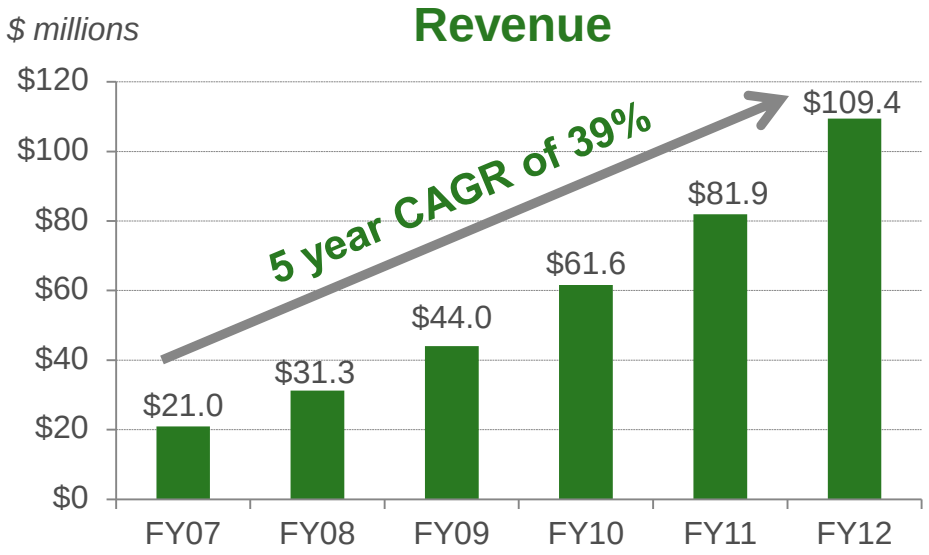
Key production rates	• Record product revenue • Increased C200 engine build to 99 units from 88 in 3Q12
Average selling prices	• $143,400 for Fiscal 2012 compared to $109,000 for Fiscal 2011
Direct materials costs	• Decreased 5 percent year-over-year for Fiscal 2012
New orders	• New orders of $122.5 million for Fiscal 2012, up 42% year-over-year
Cash	• $50.0 million in cash at March 31, 2012 compared to $34.7 million at March 31, 2011

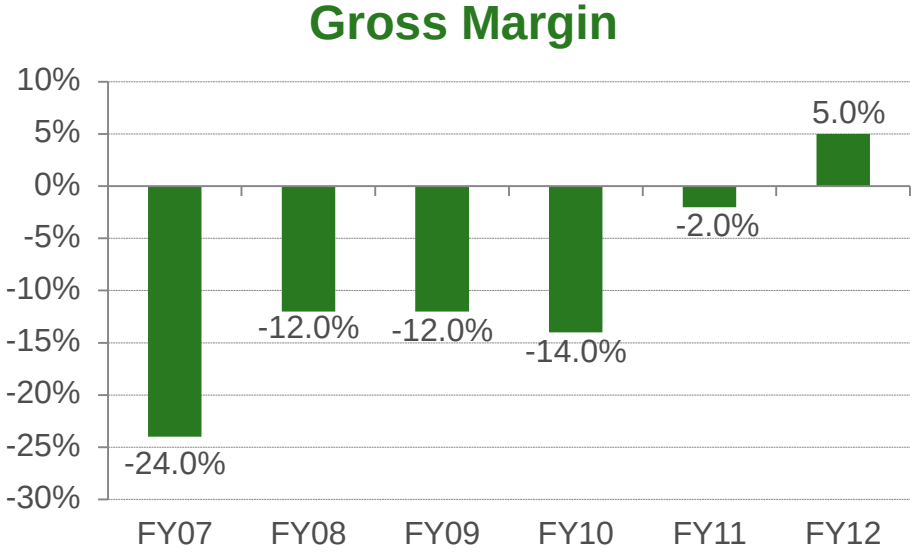
KPIs are indicating positive business trends.

Fiscal 2012 Operating Results

	Fiscal Year ended 3/31/12	Year-over-Year Change
Revenue	$109.4 M	+34%
Average revenue per unit	$143,400	+32%
Gross margin	5%	+600 bps
R&D expense	$8.2 M	+17%
SG&A expense	$28.9 M	+10%
Net loss	($18.8 M)	-51%
Cash Used in Operations	$21.4 M	-2%
Shipments (MW)	96.1	+38%

Revenue & Margin Expansion

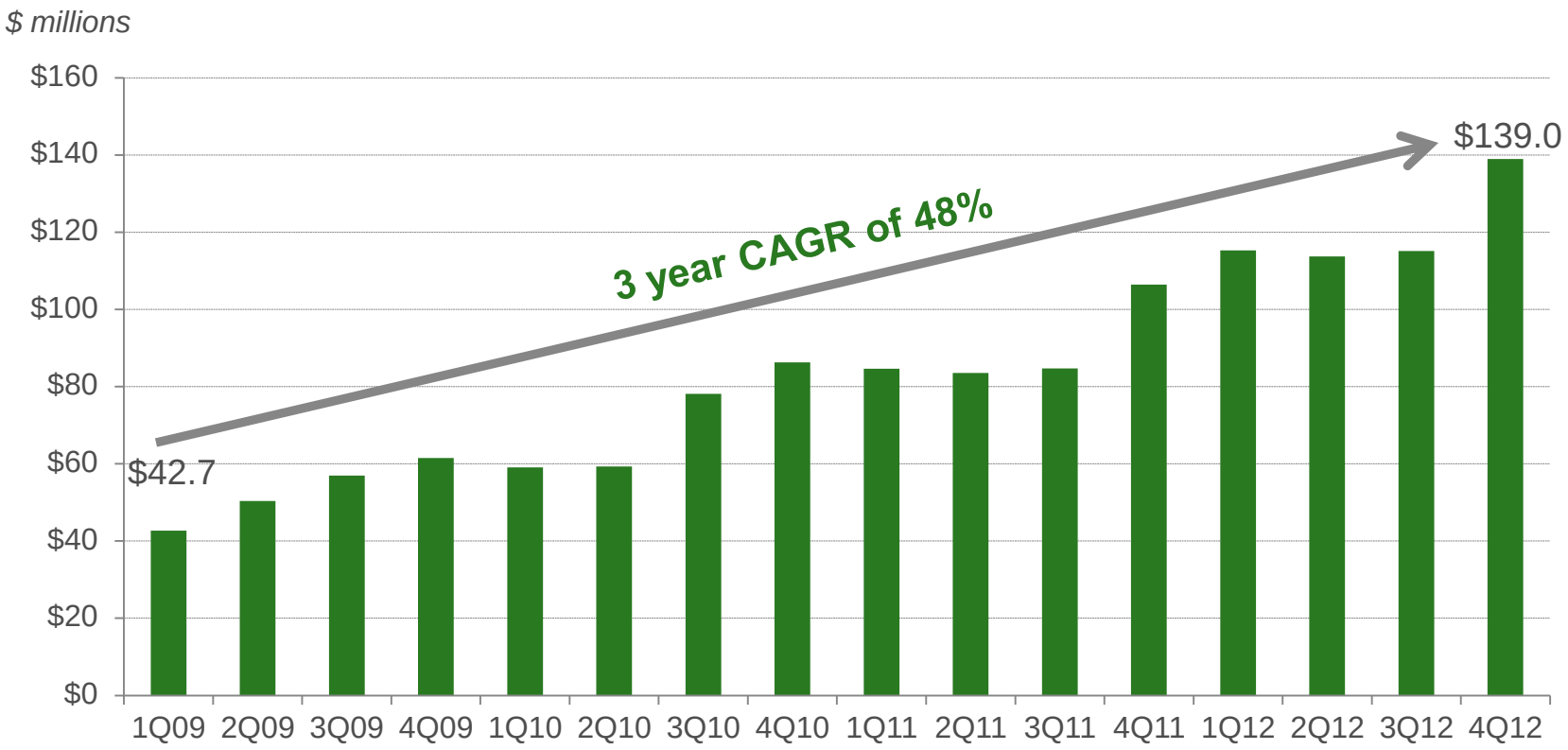




Consecutive quarterly revenue growth for last 20 quarters

Five year gross margin improvement of 29 points

Growing Product Backlog



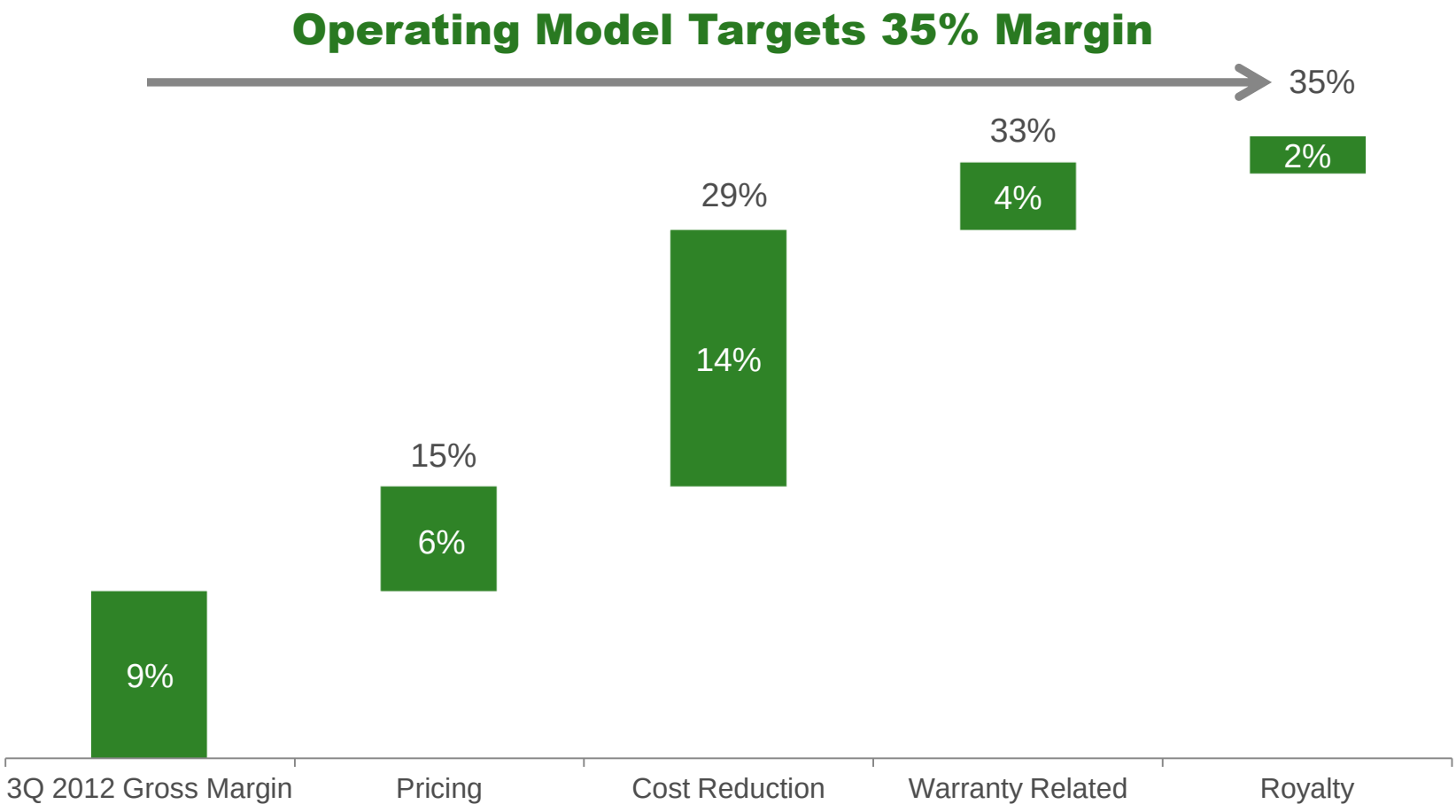
$123 million in new orders in Fiscal 2012

Target Financial Model

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

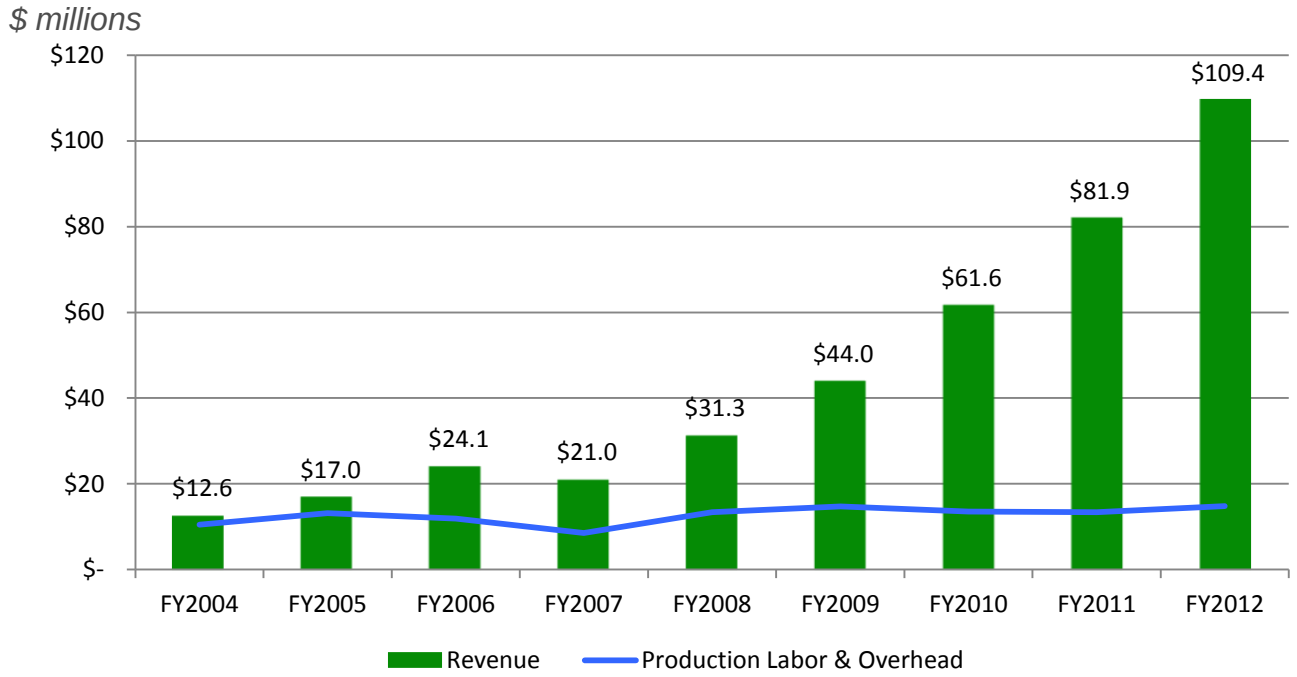
Positive operating margins to be driven by improved gross margins and operating leverage.

Path to Higher Margins



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

Key Quarterly Financial Data

Key Quarterly Financial Data	Q4'12	Q3'12	Q2'12	Q1'12	Q4'11	Q4'12 Y/Y	Q4'12 Q/Q
($ in millions except gross margin, net income per share data, megawatts, units shipped and average sales price)							
(Unaudited)							
Revenue	$ 30.1	$ 27.5	$ 27.5	$ 24.3	$ 22.8	32%	9%
Gross margin (loss) %	3.0%	8.5%	6.1%	2.1%	-4.7%	+770 bps	-550 bps
Research and development	2.0	1.8	2.2	2.2	2.0	0%	11%
Selling, general and administrative	7.4	8.3	6.6	6.6	7.2	3%	-11%
Loss from operations	(8.5)	(7.8)	(7.2)	(8.3)	(10.3)	-17%	9%
Change in fair value of warrant liability	0.5	(0.8)	8.6	5.6	(18.7)	-103%	-163%
Provision (benefit) for income taxes	0.2	-	-	-	(0.2)	-200%	0%
Net income (loss)	(8.3)	(8.8)	1.3	(2.9)	(28.8)	-71%	-6%
Weighted average shares outstanding	282.9	266.0	259.4	259.4	250.2	13%	6%
Earnings (loss) per share	$ (0.03)	$ (0.03)	$ -	$ (0.01)	$ (0.12)	-75%	-11%
Stock-based compensation expense	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.5	-20%	0%
Depreciation and amortization	$ 0.9	$ 0.9	$ 0.9	$ 0.9	$ 1.0	-10%	9%
Capital expenditures	0.6	0.2	0.4	0.3	0.1	500%	200%
Cash and cash equivalents	50.0	22.9	20.3	22.1	33.5	49%	118%
See also Notes to our Condensed Consolidated Financial Statements							
Supplemental Data (Unaudited)							
Net cash (used in) provided by operating activities	4.5	(6.2)	(7.4)	(12.3)	(5.0)	-190%	-173%
-Acquisition of and deposits on equipment and leasehold improvements	(0.6)	(0.2)	(0.4)	(0.3)	(0.1)	500%	200%
= Free cash flow	3.9	(6.4)	(7.8)	(12.6)	(5.1)	-176%	-161%
New Orders	$ 48.7	$ 23.3	$ 20.8	$ 29.7	$ 40.8	19%	109%
New Orders in megawatts	56.1	26.5	20.5	33.2	44.5	26%	112%
Microturbine products shipped	149	136	172	170	168	-11%	10%
Megawatts shipped	27.1	23.5	23.6	21.9	20.5	32%	15%
Total Backlog	$ 139.0	$ 115.1	$ 113.7	$ 115.3	$ 106.4	31%	21%
Microturbine average sales price	$ 167	$ 161	$ 130	$ 122	$ 114	46%	4%

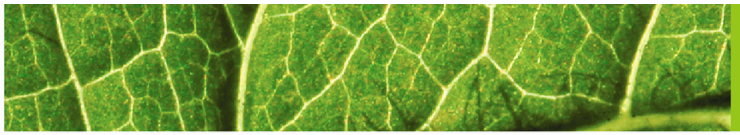
Key Quarterly Balance Sheet Data

Key Quarterly Balance Sheet Data	Q4'12	Q3'12	Q2'12	Q1'12	Q/Q
($ in millions)					
(Unaudited)					
Assets & Liabilities					
Cash and cash equivalents	$ 50.0	$ 22.9	$ 20.3	$ 22.1	$ 27.1
Accounts Receivable, net	$ 18.6	$ 25.8	$ 23.2	$ 19.9	$ (7.2)
Inventories	$ 18.9	$ 25.2	$ 23.5	$ 22.7	$ (6.3)
Inventories- noncurrent	$ 1.3	$ 1.5	$ 1.3	$ 1.2	$ (0.2)
Revolving credit facility	$ 10.4	$ 12.9	$ 12.3	$ 6.4	$ (2.5)

Analyst Coverage

- *Lazard Capital Markets*
  - *Sanjay Shresta*
- *Northland Capital*
  - *Eric Stine*
- *FBR Capital Markets*
  - *Ajay Kejriwal*
- *JMP Securities*
  - *Sean Severson*
- *Ardour Capital*
  - *Walter Nasdeo*

Capstone

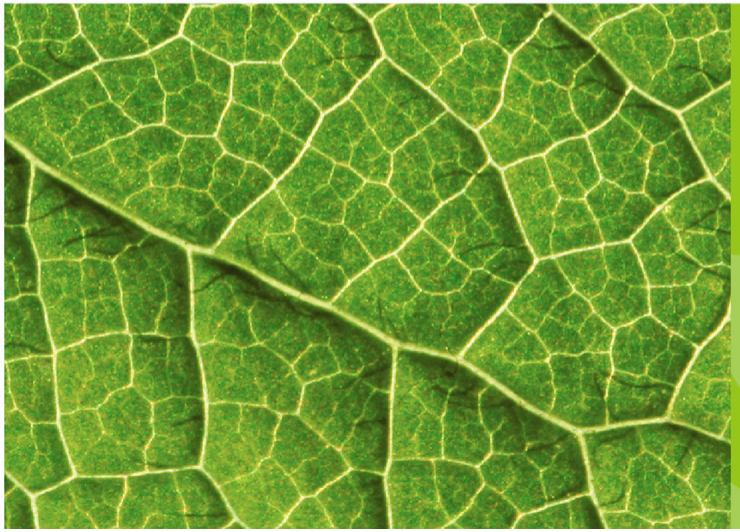


The world needs a dependable power source now more than ever.





Oil&Gas Renewable Energy Efficiency Mobile Products Critical Power



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