



C200 MicroTurbine

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PowerGen International
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Safe Harbor Statement

During the course of this presentation, we may make projections or other forward-looking statements regarding future events or financial performance of the Company within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including:

- reference to the potential market for our products;
- future results of operations;
- sales expectations;
- manufacturing improvements and cost reductions;
- The reliability, low emissions and energy efficiency of our products;
- our business initiatives and relationships with third parties and related expanded market opportunities;
- the advantages of our products over our competitors;
- the maintenance advantages of our products;
- compliance with certain government regulations;
- new products and product platforms, including our C200 and C1000 products; and
- the value and savings to be realized by our customers.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties which may cause Capstone's actual results to be materially different from future results predicted or implied in such statements, including:

- our expectations about expansion into additional markets;
- new applications of our products may not be realized;
- certain strategic business initiatives may not be sustained and may not lead to increased sales;
- we may not be able to reduce costs, improve customer satisfaction, or increase our cash flow or profitability;
- our release of new products such as the C200 and C1000 may be delayed or new products may not perform as we expect;
- We may not be able to comply with all applicable government regulations;
- we may not be able to obtain or maintain customer, distributor and other relationships that result in an increase in volume and revenue; and
- we may not be able to retain or develop distributors or dealers in our targeted markets, in which case our sales would not increase as expected and product quality expectations may not be met.

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Capstone History

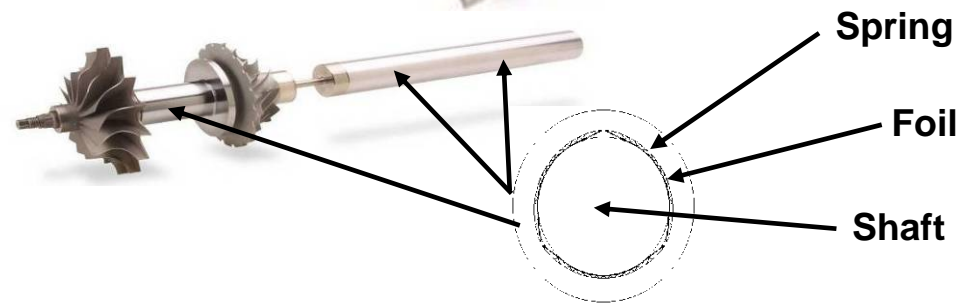


- **Established in 1988**
- **Early Stage**
 - First successful test in a hybrid vehicle application
 - Sale of the first commercial Microturbine system
- **Capstone Initial Public Offering**
 - Listed on the NASDAQ exchange (ticker: CPST) in June 2000
- **Commercialization Stage**
 - C30 and C60 products are launched and operating in the field
 - Over 4,000 units shipped with over 19 million operating hours
 - Mean Time Between Failures (MTBF) of 14,000 hours for the C60 Series and over 15,000 hours for the C30
 - Development of sales, service and distribution channel
 - Repositioned as Green technology
 - Introduction of C200 and C1000 products



Capstone's Microturbine

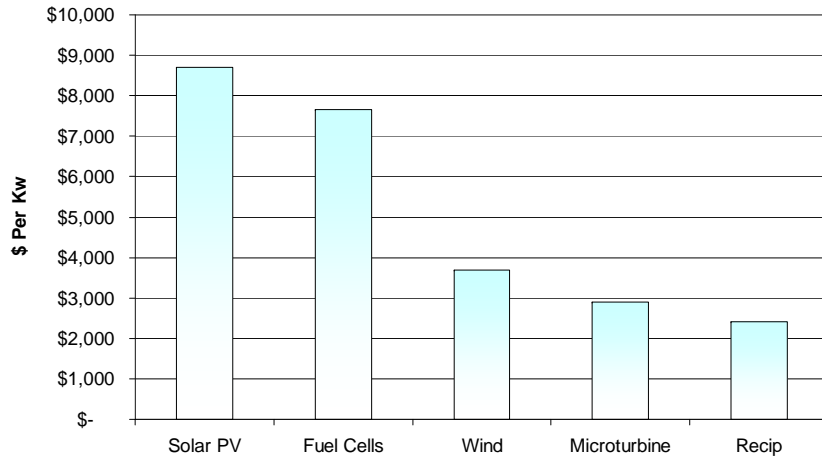
- Over \$100M invested in product development
- 95 U.S. Technology Patents
 - Air bearing technology
 - One moving part
 - No coolants, oils or grease
- Flexible and economic technology
 - Flexible configuration
 - Lightweight & small footprint
 - Multi-fuel capability
 - Cost competitive positioning
- Capstone value proposition
 - Low total cost of ownership
 - Ultra low emissions
 - High reliability
 - Minimal scheduled maintenance



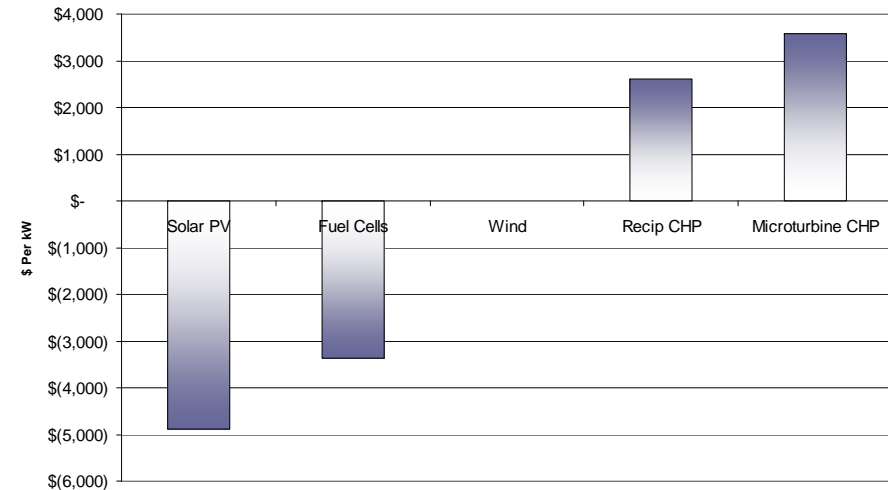
Technology Comparison



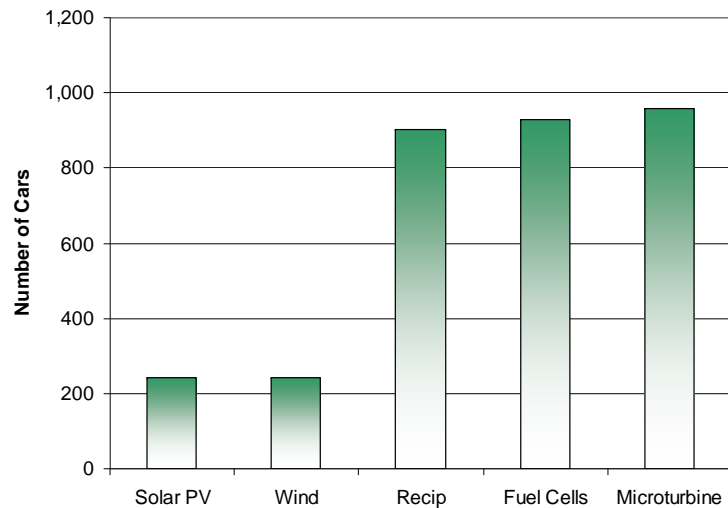
Sample Installed Cost



Sample Net Benefit of Ownership Over 10 Years



Equivalent Cars Removed (CO2) for 1 MW Project



Assumptions:

- Capstone C200 System
- Combined Heat and Power Systems
- Natural Gas Fueled
- California Emission Standards
- Initial Investment Data: CA Statewide SGIP Program Statistics through Q4 2007
- Analysis assumes no incentives

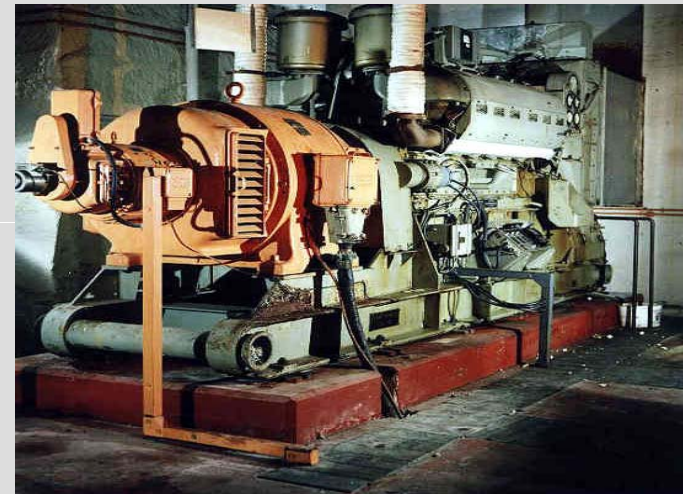
Microturbines vs Piston Engines



Capstone Microturbines



Traditional Piston Engines



Ultra low emissions – C65/C200 CARB Certified

Local air permits and exhaust cleanup required

Scheduled maintenance – Six times in 5 years

Scheduled maintenance – 160 times in 5 years

On board digital electronics

External controls without power electronics

Integrated utility protection & synchronizing

Requires external relays & control equipment

Lightweight & small footprint

More than twice the weight & footprint

Market Segments



Large Retailers



Hospitals



Telecom



Office Buildings



Hotels



U.S. Gov't



Schools



Hybrid EV



Landfills



Digesters



Waste Water Plants

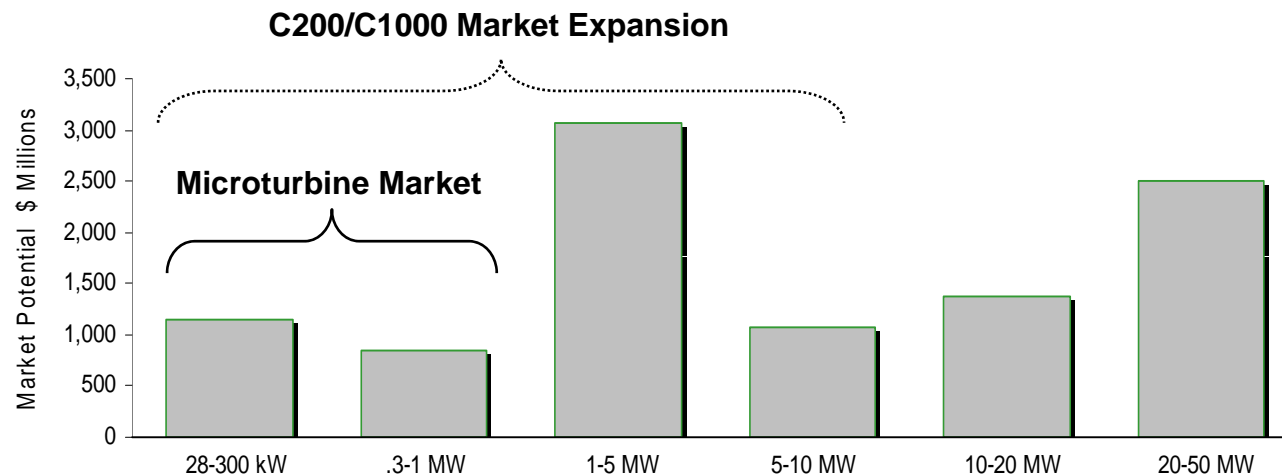


Oil & Gas

Cogeneration Market



CHP/CCHP Market Potential By Size



Source: Resource Dynamics Corporation (extrapolated based on industrial uses)

- Introduction of the C200 and C1000 increases addressable market by over approximately \$4 billion annually
- Integrated Energy Systems (IES) for Buildings: A Market Assessment prepared for the U.S. Dept. of Energy:
 - 16.8GW demand by 2010
 - Over 35.5GW demand by 2020
 - 62% straight CHP



C200/C1000 MicroTurbine

Commercial Product Launch

C200 – September 08

C1000 – January 09



C200 Design Highlights

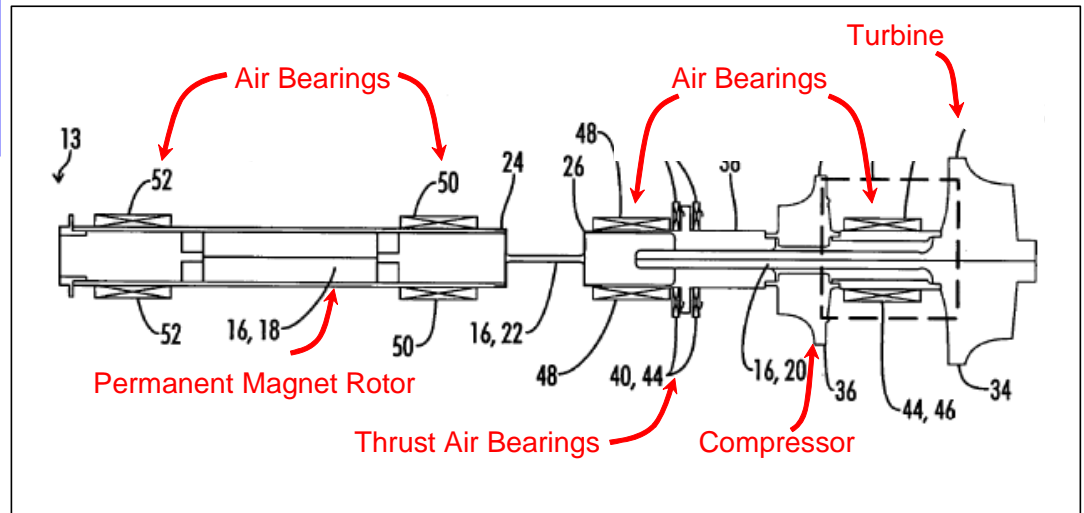
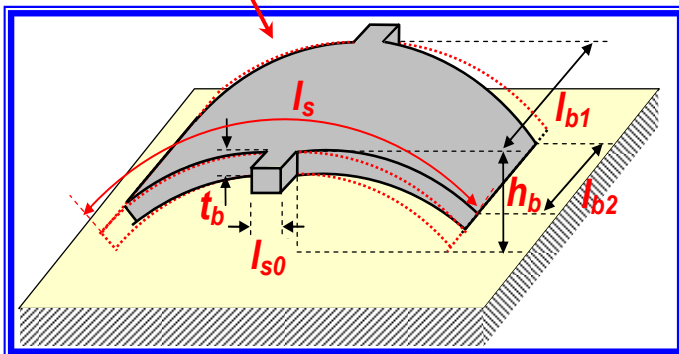
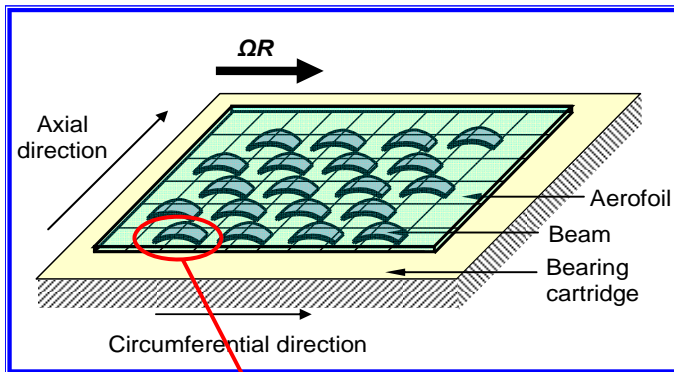
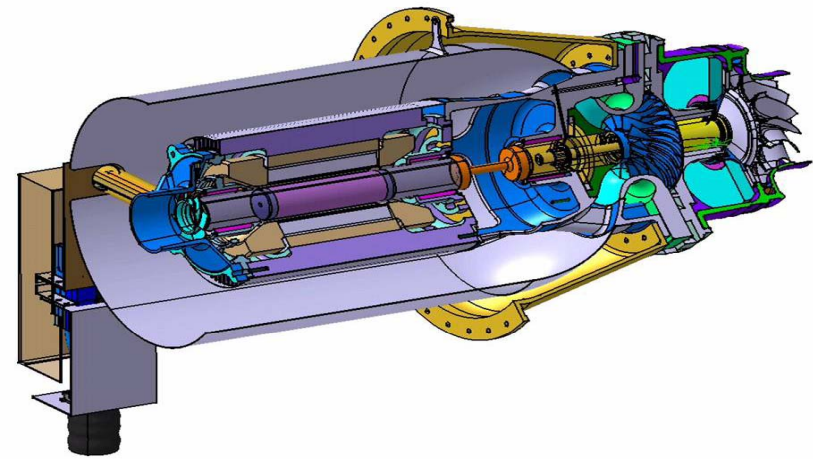


- Oil-Free Air Bearings
- Efficiency
- Emissions
- Materials



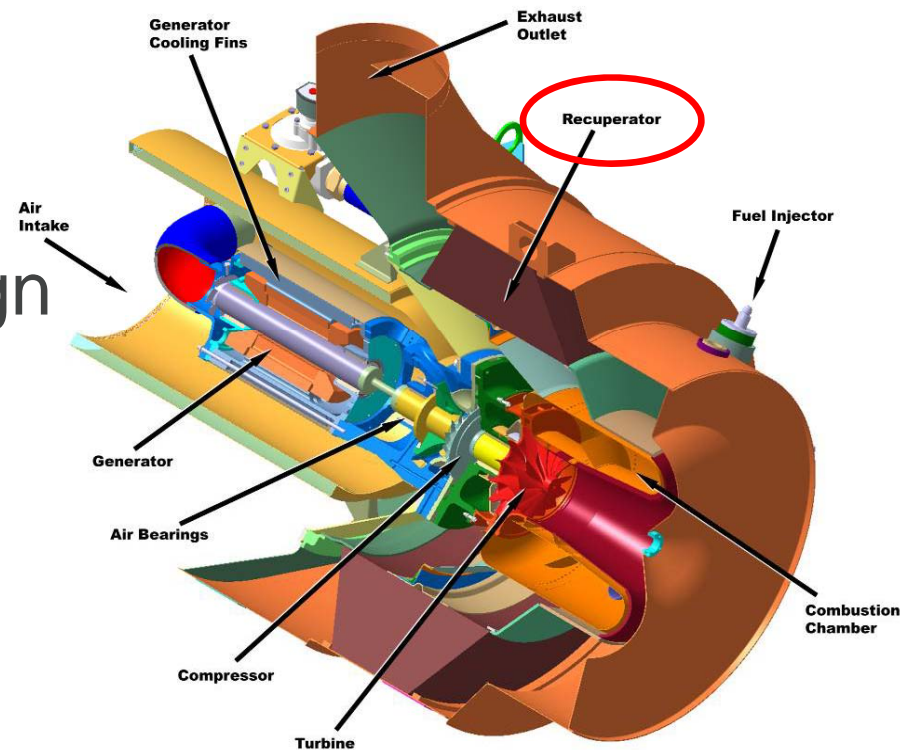
Patented Air Bearings

- >40,000 hour design life
- Low Maintenance
- High Reliability



High Efficiency

- 33% Efficiency Target Achieved
 - Most Efficient Turbine <4MW
- Recuperator is Key
 - Primary Surface Design
 - High Effectiveness
 - 80,000 hour life

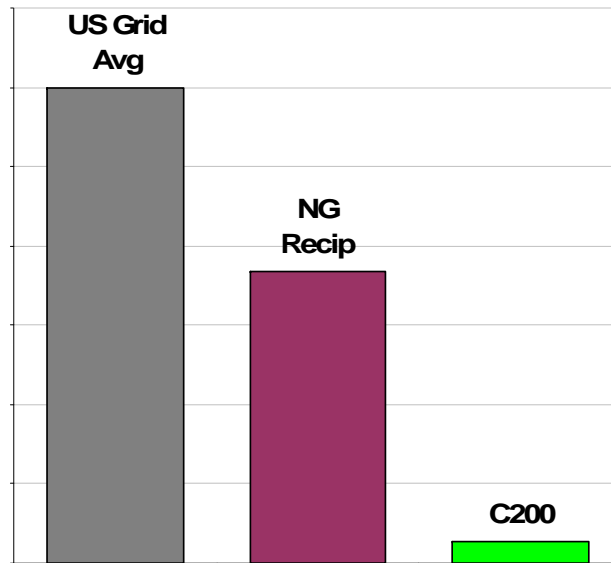


C200 Capstone MicroTurbine Engine

Ultra Low Emissions



Relative NOx Emissions

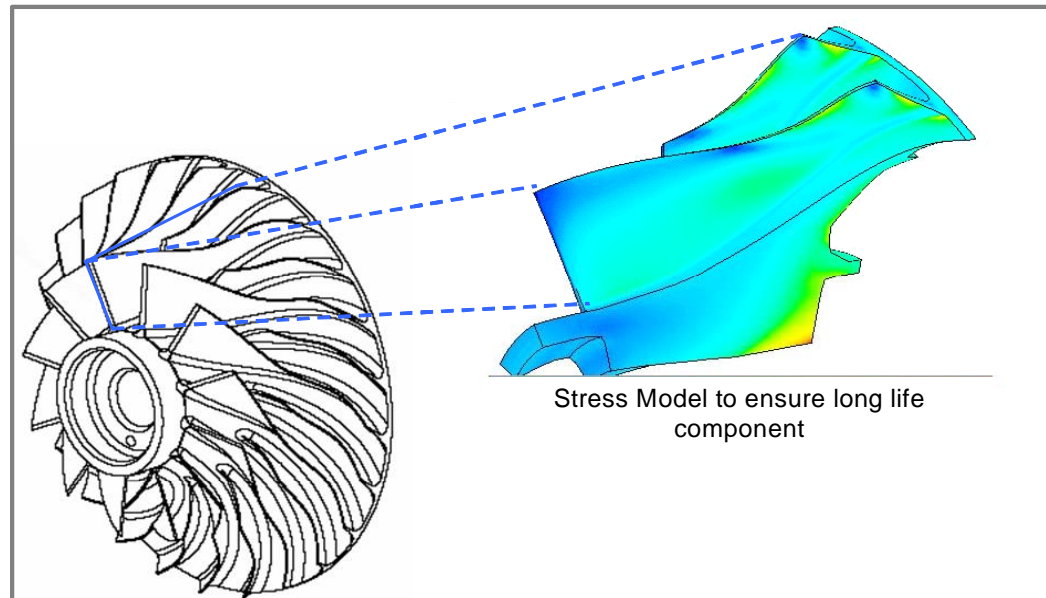


| CARB Natural Gas Emission Standard | | | | |
|------------------------------------|--------|------|------|-----------|
| | Units | 2003 | 2007 | Reduction |
| NOx | lb/MWh | 0.5 | 0.07 | 86% |
| CO | lb/MWh | 6.0 | 0.10 | 98% |
| VOC | lb/MWh | 1.0 | 0.02 | 98% |

- C200 Meets strict CARB Requirements
- Lean Premix + Passive Exhaust Catalyst
- Much Lower Than Traditional NG Reciprocating Engines

Quality Materials

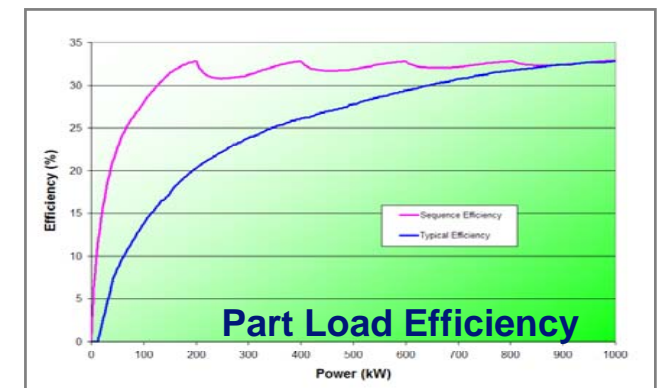
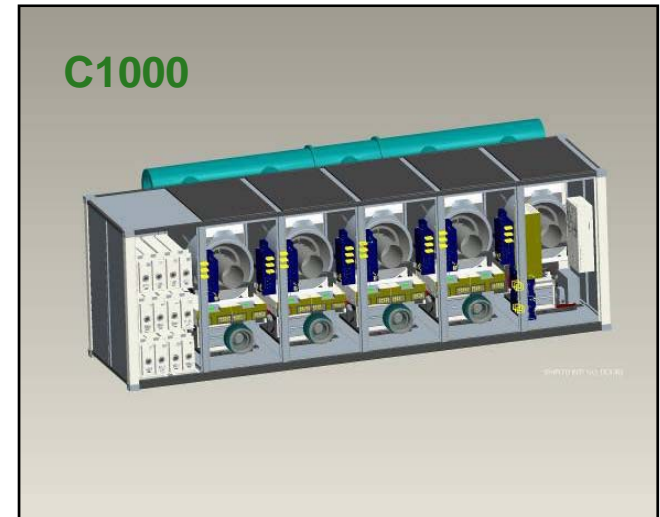
- Compressor Wheel Design
 - 60,000 rpm
 - Titanium Construction
 - Balanced for Stress/Weight/Performance



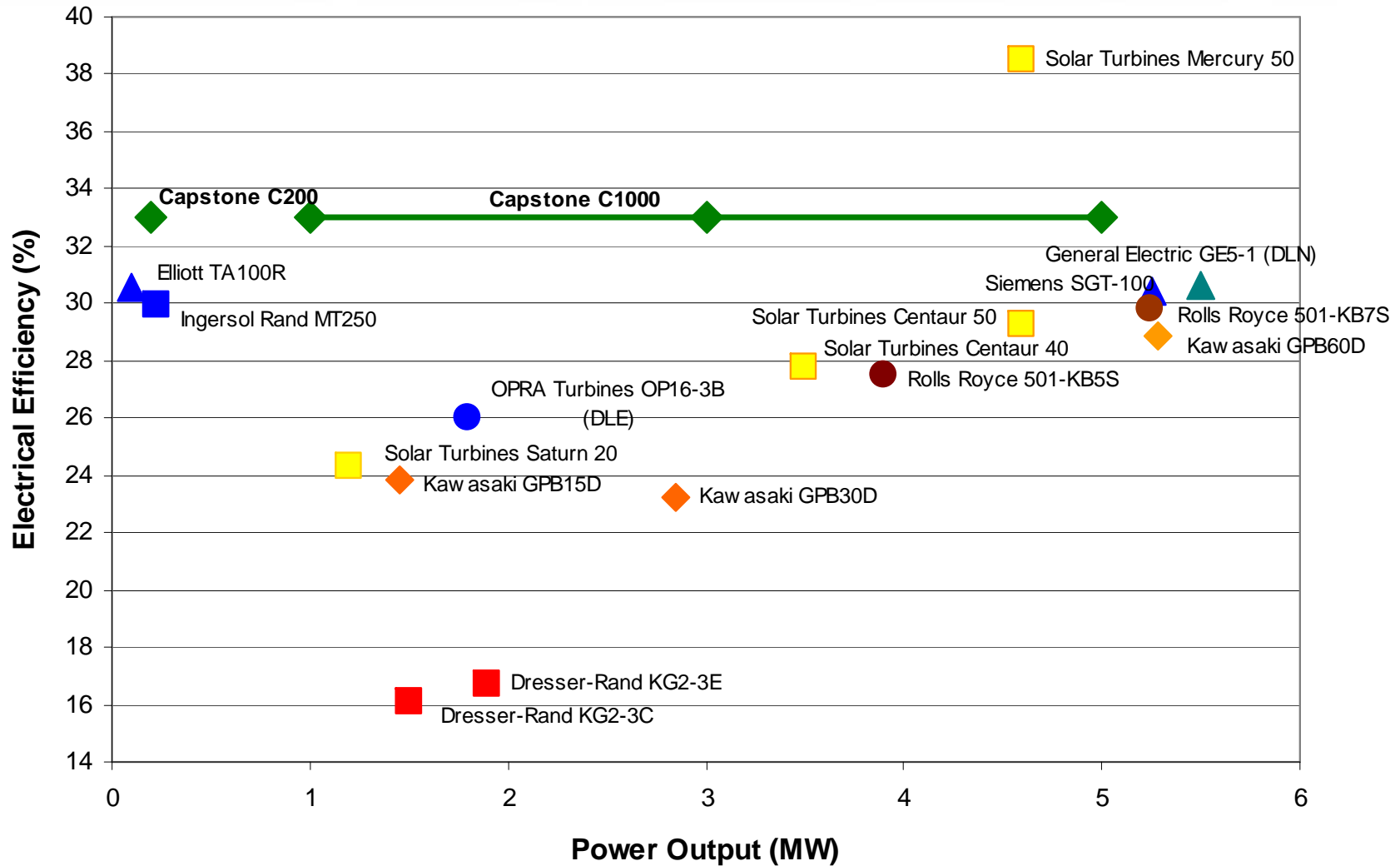


C200/C1000 Benefits

- Highest efficiency
 - Superior load matching
- Pricing competes with piston engines
- Built in redundancy
- Integrated package
 - Small footprint - 10' x 30' ISO
 - Stackable
 - Multi-pack to 10MW
- Ultra low emissions
 - 1/10th of best In class piston engine
- Low maintenance
 - High reliability



Gas Turbine Comparison



Highest Efficiency Less than 5 MW



C200 Product Benefits

- Air Bearings → High Reliability
- Low Maintenance → Lower TCO
- Low Emissions → Lower GHG





First Italian C200 Order

CORDAR IMM. S.p.A. - Biella

Waste Water Treatment Plant “Cossato Spolina” Site



- Scheduled delivery: Sept. 2008
- Population Equivalent: 520,000
- Biogas Production: 2.600 m³/day
- Electrical energy production per year: ~ 1,700,000 kWh
- Thermal energy production per year: ~ 2,300,000 kWh
- CO₂ savings: ~ 1.8 ton/year