

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 5, 2004

CAPSTONE TURBINE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	001-15957	95-4180883
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. Employer Identification No.)

21211 Nordhoff Street, Chatsworth, California 91311
(Address of principal executive offices)

(818) 734-5300

(Registrant's telephone number, including area code)

Item 12. Results of Operations and Financial Condition

On February 5, 2004, Capstone Turbine Corporation (the "Company") announced via a press release the Company's financial results for the third quarter of its fiscal year 2004. A copy of the Company's press release is attached hereto as Exhibit 99.1. This Form 8-K and the attached exhibit are provided under Item 12 of Form 8-K and are furnished to, but not filed with, the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAPSTONE TURBINE CORPORATION
(Registrant)

Date: February 5, 2004

By: /s/ Karen Clark

Karen Clark
Chief Financial Officer

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Exhibit Index

Exhibit Number

Description of Document

99.1	Press Release of Capstone Turbine Corporation, dated February 5, 2004, reporting its fiscal 2004 third quarter results.
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Capstone Turbine Announces Fiscal Third Quarter Results

CHATSWORTH, Calif.--(BUSINESS WIRE)--Feb. 5, 2004--Capstone Turbine Corporation (Nasdaq:CPST) (www.microturbine.com), the world's leading microturbine power systems manufacturer, today reported results for its third fiscal quarter ended December 31, 2003.

Revenue for the quarter was \$3.3 million as compared with \$3.6 million in the period a year ago. Capstone's CEO, John Tucker, said, "Our performance was off versus expectations due to some adjustments in deliveries to accommodate our customers' needs. However, we had a good order rate of 4.3 megawatts and we exited the quarter with 6.2 megawatts of product in backlog."

For the third quarter of fiscal 2004, Capstone's net loss was \$11.6 million, or (\$0.14) per share compared to a net loss of \$20.7 million or (\$0.26) per share during the third quarter of fiscal year 2003.

Providing an update on the Company's progress, Tucker commented, "We are continuing to enhance the depth and talent in the organization. Since last quarter, we have recruited Vice Presidents for Quality, Service and Business Development as well as for two key sales positions, The Americas and International. We continue to attack our key priorities of improving the robustness of our products, enhancing customer service and integrating the design and manufacturing process. Furthermore, we have initiated our strategic planning process which will establish a three-year roadmap for improved performance."

Tucker continued, "We have been active in pursuing several new opportunities that pose long-term prospects for the business. These new prospects span from biogas installations in Europe, to numerous projects that integrate our microturbines into larger power-packs. These power-packs range from 240-kilowatts used by UTC Power, a division of United Technologies Corporation, in their Pure Comfort 240, a combined cooling and power product; to 270-kilowatts, soon to be installed in support of the Ground Mid-Course Defense Project, to an 840-kilowatt package being developed for industrial and remote power use in Nigeria. Additionally, our distributors continue to develop exciting opportunities for Capstone MicroTurbines(TM) and we will be considering these opportunities in our strategic planning evaluations."

In summary, Tucker concluded, "We are making significant progress on our targeted priorities and, with the development of our strategic plan, we look forward to charting a positive course for Capstone's future."

Third Quarter Financial Highlights

Gross loss in the third quarter of the fiscal year was \$3.1 million, compared to \$12.4 million for the same period a year ago. Last year's third quarter included a \$5.0 million charge for the partial impairment of the recuperator core manufacturing facility and a \$3.6 million charge to adjust the warranty reserve balance. In the current period, the Company recorded \$1.2 million in warranty costs related to accommodations made to Japanese distributors.

Research and development ("R&D") costs were \$3.0 million in the period compared to \$2.0 million in the third fiscal quarter of 2003. Costs in fiscal 2003 were reported net of \$1.5 million in contract offsets. While R&D spending decreased \$0.5 million between periods, the lack of contract reimbursement offsets in the current period resulted in an increase in reported R&D costs of \$1.0 million. Capstone reported that it has suspended billing the Department of Energy ("DOE") for the AMTS program, which funds development of Capstone's C200 product, because of a current lack of committed funding. The Company noted, however, that it intends to resume billings under the program when the DOE receives additional funding appropriations for the project.

Selling, general and administrative expenses decreased to \$5.7 million from \$6.8 million a year ago reflecting lower spending rates in the current period.

As of December 31, 2003, Capstone had \$111.7 million in cash and cash equivalents, with no long-term debt. The company's cash

utilization was \$8.2 million in the current quarter compared to a use of \$4.0 million in the same period a year ago. This change primarily reflects \$4.0 million in proceeds from sale of stock a year ago.

Conference call

The company will host a conference call today, Thursday, February 5, at 2:00 p.m. Pacific Time, to further review the company's third fiscal quarter results. Access to the live broadcast and a replay of the webcast will be available until May 5, 2004 through the Company's web site: www.microturbine.com.

About Capstone Turbine

Capstone Turbine Corporation (www.microturbine.com) (Nasdaq:CPST) is the world's leading producer of low-emission microturbine systems. In 1998, Capstone was the first to offer commercial power products utilizing microturbine technology, the result of more than ten years of focused research. Capstone Turbine has sold and shipped more than 2,500 commercial production Capstone MicroTurbine(TM) systems to customers worldwide. These award-winning systems have logged more than 5 million hours of operation.

This press release contains "forward-looking statements," as that term is used in the federal securities laws, about Capstone's business, with regard to its ability to address its market challenges, identify and successfully develop the market opportunities with strong potential, develop and implement a successful business strategy, improve the robustness of its products, improve its customer service, and drive change in the business. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause Capstone's actual results to be materially different from any future results expressed or implied in such statements. Such factors include, but are not limited to:

- 1) Market acceptance and trends;
- 2) The ability to enhance the quality and reliability of Capstone's products;
- 3) The limited operating history characterized by net losses;
- 4) The abilities of new management to effect beneficial changes;
- 5) The ability of the Company to develop and/or retain the distribution channels necessary to support planned sales;
- 6) The ability of Capstone to successfully execute its production and marketing plans; and
- 7) Other factors detailed in the Company's filings with the Securities and Exchange Commission.

Capstone cautions readers not to place undue reliance on these statements, which speak only as of the date of this release. 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 release or to reflect the occurrence of unanticipated events.

"Capstone Turbine Corp." is a registered trademark of Capstone Turbine Corporation. All other trademarks mentioned in this press release are the property of their respective owners.

CAPSTONE TURBINE CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2003	March 31, 2003
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Assets		
Current Assets:		
Cash and cash equivalents	\$111,719,000	\$132,584,000
Accounts receivable, net of allowance for doubtful accounts and sales returns		

of \$508,000 at September 30, 2003 and \$414,000 at March 31, 2003	2,406,000	3,748,000
Inventory	9,149,000	12,121,000
Prepaid expenses and other current assets	1,719,000	1,341,000
	-----	-----
Total current assets	124,993,000	149,794,000
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Equipment and Leasehold Improvements:		
Machinery, equipment, and furniture	21,136,000	23,914,000
Leasehold improvements	8,499,000	8,480,000
Molds and tooling	4,345,000	4,365,000
	-----	-----
	33,980,000	36,759,000
Less accumulated depreciation and amortization	17,749,000	16,857,000
	-----	-----
Total equipment and leasehold improvements, net	16,231,000	19,902,000
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Non-Current Portion of Inventory	4,783,000	4,412,000
Intangible Asset, net	1,761,000	1,961,000
Other Assets	472,000	578,000
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Total	\$148,240,000	\$176,647,000
	=====	=====
 <i>Liabilities and Stockholders' Equity</i>		
<i>Current Liabilities:</i>		
Accounts payable	\$2,282,000	\$2,156,000
Accrued salaries and wages	1,725,000	1,472,000
Other accrued liabilities	1,888,000	1,117,000
Accrued warranty reserve	6,725,000	6,657,000
Deferred revenue	1,077,000	1,253,000
Current portion of capital lease obligations	808,000	1,411,000
	-----	-----
Total current liabilities	14,505,000	14,066,000
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Long-Term Portion of Capital Lease Obligations	105,000	736,000
Other Long-Term Liabilities	1,185,000	1,277,000
Commitments and Contingencies	--	--
 <i>Stockholders' Equity:</i>		
Common stock, \$.001 par value; 415,000,000 shares authorized; 83,791,753 shares issued and 83,240,545 shares outstanding at December 31, 2003; 81,700,735 shares issued and 81,248,782 shares outstanding at March 31, 2003	84,000	82,000
Additional paid-in capital	529,652,000	527,188,000
Accumulated deficit	(396,238,000)	(366,281,000)
Less: Deferred stock compensation	(540,000)	--
Less: Treasury stock, at cost; 551,208 shares at December 31, 2003; 451,953 shares at March 31, 2003	(513,000)	(421,000)
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Total stockholders' equity	132,445,000	160,568,000
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Total	\$148,240,000	\$176,647,000
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CAPSTONE TURBINE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended
December 31,

	2003	2002
Revenues	\$ 3,251,000	\$ 3,643,000
Cost of Goods Sold	6,359,000	16,049,000
Gross Loss	(3,108,000)	(12,406,000)
Operating Expenses:		
Research and development	3,034,000	2,028,000
Selling, general and administrative	5,688,000	6,779,000
Impairment loss on marketing rights	-	-
Total operating expenses	8,722,000	8,807,000
Loss from Operations	(11,830,000)	(21,213,000)
Interest Income	302,000	574,000
Interest Expense	(38,000)	(90,000)
Other Income	(1,000)	(3,000)
Loss Before Income Taxes	(11,567,000)	(20,732,000)
Provision for Income Taxes	-	-
Net Loss	\$ (11,567,000)	\$ (20,732,000)
Weighted Average Common Shares Outstanding	82,705,535	80,168,807
Net Loss Per Share of Common Stock - Basic and Diluted	\$ (0.14)	\$ (0.26)

	Nine Months Ended December 31,	
	2003	2002
Revenues	\$ 9,730,000	\$ 14,938,000
Cost of Goods Sold	17,649,000	33,981,000
Gross Loss	(7,919,000)	(19,043,000)
Operating Expenses:		
Research and development	7,886,000	5,527,000
Selling, general and administrative	15,007,000	23,486,000
Impairment loss on marketing rights	-	15,999,000
Total operating expenses	22,893,000	45,012,000
Loss from Operations	(30,812,000)	(64,055,000)
Interest Income	1,011,000	2,017,000
Interest Expense	(154,000)	(292,000)
Other Income	(2,000)	5,000
Loss Before Income Taxes	(29,957,000)	(62,325,000)
Provision for Income Taxes	-	-
Net Loss	\$ (29,957,000)	\$ (62,325,000)
Weighted Average Common Shares Outstanding	81,908,416	78,378,535
Net Loss Per Share of Common Stock - Basic and Diluted	\$ (0.37)	\$ (0.80)

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CAPSTONE TURBINE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended December 31,	
	2003	2002
Cash Flows from Operating Activities:		
Net loss	\$ (29,957,000)	\$ (62,325,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,747,000	6,808,000
Impairment loss on fixed assets and manufacturing license	--	5,016,000
Impairment loss on marketing rights	--	15,999,000
Provision for doubtful accounts and		

sales returns	280,000	90,000
Inventory write-down (recovery)	(313,000)	4,321,000
Provision for warranty expenses	3,454,000	5,328,000
Loss on disposal of equipment	243,000	65,000
Non-employee stock compensation	74,000	--
Employee and director stock compensation	462,000	759,000
Changes in operating assets and liabilities:		
Accounts receivable	1,062,000	167,000
Inventory	2,914,000	331,000
Prepaid expenses and other current assets	(378,000)	(1,027,000)
Other assets	--	100,000
Accounts payable	126,000	1,543,000
Accrued salaries and wages and deferred compensation	227,000	791,000
Other accrued liabilities	705,000	867,000
Accrued warranty reserve	(3,386,000)	(3,098,000)
Deferred revenue	(176,000)	(653,000)
	-----	-----
Net cash used in operating activities	(19,916,000)	(24,918,000)
	-----	-----
Cash Flows from Investing Activities:		
Acquisition of and deposits on fixed assets	(1,111,000)	(2,121,000)
Proceeds from disposal of fixed assets	26,000	--
	-----	-----
Net cash used in investing activities	(1,085,000)	(2,121,000)
	-----	-----
Cash Flows from Financing Activities:		
Repayment of capital lease obligations	(1,162,000)	(994,000)
Exercise of stock options and employee stock purchases	1,390,000	200,000
Net proceeds from issuance of common stock	--	3,985,000
Purchase of treasury stock	(92,000)	(206,000)
	-----	-----
Net cash provided by financing activities	136,000	2,985,000
	-----	-----
Net Decrease in Cash and Cash Equivalents	(20,865,000)	(24,054,000)
Cash and Cash Equivalents, Beginning of Period	132,584,000	164,364,000
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Cash and Cash Equivalents, End of Period	\$111,719,000	\$140,310,000
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Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

Interest	\$154,000	\$292,000
Income taxes	\$ --	\$ --

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