

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): November 04, 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, including zip code)

Registrant's telephone number, including area code: (818) 734-5300

(Former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On November 4, 2004, Capstone Turbine Corporation (the "Company") announced via a press release the Company's financial results for the second quarter of its fiscal year 2005. A copy of the Company's press release is attached hereto as Exhibit 99.1. The information furnished under Item 2.02 of this Report, including Exhibit 99.1, shall be deemed to be "filed" for purpose of the Securities Exchange Act of 1934, as amended.

Item 9.01 Financial Statements and Exhibits

99.1 Press release of the Registrant dated November 4, 2004 containing financial information for the second quarter ended September 30, 2004.

SIGNATURE

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: November 4, 2004

By: /s/ Karen Clark

Karen Clark
Chief Financial Officer

Exhibit Index

<i>Exhibit Number</i>	<i>Description of Document</i>
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99.1	Press Release of Capstone Turbine Corporation, dated November 4, 2004, reporting its fiscal 2005 second quarter results.

Capstone Turbine Announces Second Quarter Fiscal-Year 2005 Results

CHATSWORTH, Calif.--(BUSINESS WIRE)--Nov. 4, 2004--Capstone Turbine Corporation (Nasdaq:CPST) (www.microturbine.com) reported results for its second quarter of fiscal year 2005.

"This period, Capstone set a new record for its highest backlog level since 2001, with 11.3 megawatts of product," said John Tucker, President and CEO of Capstone. "We are pleased that the order rate year-to-date has been right in line with our expectations." Tucker noted, "A year ago, we shipped 11.5 megawatts of product for the full year. This year, for the first six months, we shipped 6.8 megawatts of product and have booked orders for 12.8 megawatts. We believe, based on this performance and the interest we see in the market, that we are on track to achieve our plan."

Sales for the second quarter, which totaled \$3.9 million, included 4.1 megawatts of product sales and \$0.9 million from sales of parts, accessories, service and training. The period's sales were nearly 70% stronger than in the same period a year ago when 1.9 megawatts of product were sold and parts, accessories, service and training revenues amounted to \$0.7 million. "This quarter, we reported a gross loss of \$1.7 million, which was \$0.5 million better than the \$2.2 million gross loss reported in the second quarter last year," said Karen Clark, Capstone's CFO. The improved gross loss resulted from the contribution margin from the higher sales and a \$0.8 million benefit from a warranty accrual adjustment. These were partially offset by higher production costs.

Operating expenses were \$8.1 million for the quarter, compared with \$7.0 million in the prior year's second quarter. The increase was driven primarily by increased spending for engineering personnel costs and higher costs in general and administrative for Sarbanes-Oxley compliance work, quality department staffing and recruiting costs.

Capstone's net loss was nearly identical between the second quarters this year and last year, with this period's reported net loss of \$9.1 million as compared with \$9.0 million a year ago. The per share net loss was \$0.11 in each period.

"Our cash usage for the second quarter was \$9.2 million and year-to-date we have spent \$15.9 million," Clark said. "This is on track with our stated expectations that this year's cash outflow is anticipated to be somewhat higher than we've experienced in recent years." For the last two years, Capstone has used cash of approximately \$30 million a year. A year ago, in the second quarter, cash spending was \$6.4 million. The higher spending in the current year's second quarter reflected higher operating costs, increased usage for working capital and less cash contributed by stock option exercises, partially offset by higher contribution margin from sales and favorable other income. As compared with the first quarter of this year, cash usage this period was \$2.4 million higher. Last quarter we received a benefit of collecting a \$1.8 million receivable from the government, and also had higher receipts from stock option exercises and used less cash for working capital.

Cash and cash equivalents at the end of the period were \$86.4 million.

Conference Call

The Company will host a conference call today, Thursday, November 4, at 2:00 p.m. Pacific Time. Access to the live broadcast and a replay of the webcast will be available for 90-days through the Company's website: 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 energy products utilizing microturbine technology, the result of more than ten years of focused research. Capstone Turbine has sold and shipped more than 2900 Capstone MicroTurbine systems to customers worldwide. These award-winning systems have logged more than 7 million hours of documented 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, among other items, sales expectations, achievement of objectives, and cash flow expectations. Forward-looking statements may be identified by words such as "believe," "expects," "objective," "intend," "targeted," "plan," "on track" and

similar phrases. 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. Many of these risks and uncertainties are described in our periodic filing with the Securities and Exchange Commission. Capstone cautions readers not to place undue reliance on these forward-looking 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.

CAPSTONE TURBINE CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2004	March 31, 2004
	-----	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$86,433,000	\$102,380,000
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$561,000 at September 30, 2004 and \$479,000 at March 31, 2004	1,323,000	4,170,000
Inventory	9,795,000	7,893,000
Prepaid expenses and other current assets	1,115,000	1,099,000
	-----	-----
Total current assets	98,666,000	115,542,000
	-----	-----
Equipment and Leasehold Improvements:		
Machinery, equipment, and furniture	19,019,000	20,877,000
Leasehold improvements	8,533,000	8,499,000
Molds and tooling	4,471,000	4,363,000
	-----	-----
	32,023,000	33,739,000
Less accumulated depreciation and amortization	18,928,000	18,718,000
	-----	-----
Total equipment and leasehold improvements	13,095,000	15,021,000
	-----	-----
Non-Current Portion of Inventory	2,401,000	3,936,000
Intangible Asset, Net	1,559,000	1,694,000
Other Assets	352,000	352,000
	-----	-----
Total	\$116,073,000	\$136,545,000
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$3,552,000	\$2,790,000
Accrued salaries and wages	1,271,000	1,664,000
Other accrued liabilities	1,982,000	2,043,000
Accrued warranty reserve	10,775,000	11,695,000
Deferred revenue	1,310,000	1,166,000
Current portion of notes payable	19,000	582,000
	-----	-----
Total current liabilities	18,909,000	19,940,000
	-----	-----
Long-Term Portion of Notes Payable and Capital Lease Obligations	74,000	13,000
Other Long-Term Liabilities	970,000	1,149,000

Commitments and Contingencies	--	--
Stockholders' Equity:		
Preferred stock, \$.001 par value; 10,000,000 shares authorized; none issued	--	--
Common stock, \$.001 par value; 415,000,000 shares authorized; 85,285,708 shares issued and 84,734,500 shares outstanding at September 30, 2004; 85,025,817 shares issued and 84,474,609 shares outstanding at March 31, 2004	85,000	85,000
Additional paid-in capital	530,679,000	530,394,000
Accumulated deficit	(433,701,000)	(414,020,000)
Deferred stock compensation	(430,000)	(503,000)
Less treasury stock, at cost; 551,208 shares	(513,000)	(513,000)
Total stockholders' equity	96,120,000	115,443,000
Total	\$116,073,000	\$136,545,000

CAPSTONE TURBINE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2004	2003	2004	2003
Revenues	\$3,925,000	\$2,347,000	\$6,880,000	\$6,479,000
Cost of Goods Sold	5,625,000	4,551,000	10,715,000	11,290,000
Gross Loss	(1,700,000)	(2,204,000)	(3,835,000)	(4,811,000)
Operating Expenses:				
Research and development	2,919,000	2,402,000	6,333,000	4,852,000
Selling, general and administrative	5,193,000	4,643,000	10,401,000	9,319,000
Total operating costs and expenses	8,112,000	7,045,000	16,734,000	14,171,000
Loss from Operations	(9,812,000)	(9,249,000)	(20,569,000)	(18,982,000)
Interest Income	315,000	309,000	559,000	709,000
Interest Expense	(15,000)	(52,000)	(35,000)	(116,000)
Other Income	365,000	-	366,000	(1,000)
Loss Before Income Taxes	(9,147,000)	(8,992,000)	(19,679,000)	(18,390,000)
Provision for Income Taxes	-	-	2,000	-
Net Loss	\$ (9,147,000)	\$ (8,992,000)	\$ (19,681,000)	\$ (18,390,000)
Weighted Average Common Shares Outstanding	84,358,761	81,788,427	84,299,279	81,511,505
Net Loss Per Share of Common				

Stock - Basic and Diluted	\$ (0.11)	\$ (0.11)	\$ (0.23)	\$ (0.23)
	=====	=====	=====	=====

CAPSTONE TURBINE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months Ended September 30,	
	2004	2003
	-----	-----
Cash Flows from Operating Activities:		
Net loss	\$(19,681,000)	\$(18,390,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,589,000	3,217,000
Provision for doubtful accounts and sales returns	81,000	336,000
Inventory write-down/(recovery)	(181,000)	(181,000)
Provision for warranty expenses	675,000	1,626,000
Loss on disposal of equipment	30,000	217,000
Non-employee stock compensation	53,000	24,000
Employee deferred stock-based compensation	73,000	13,000
Employee and director stock compensation	4,000	314,000
Changes in operating assets and liabilities:		
Accounts receivable	2,766,000	664,000
Inventory	(186,000)	2,330,000
Prepaid expenses and other current assets	(16,000)	(752,000)
Accounts payable	762,000	(430,000)
Accrued salaries and wages and severance	(491,000)	(79,000)
Other accrued liabilities	(142,000)	179,000
Accrued warranty reserve	(1,595,000)	(2,087,000)
Deferred revenue	144,000	564,000
	-----	-----
Net cash used in operating activities	(15,115,000)	(12,435,000)
	-----	-----
Cash Flows from Investing Activities:		
Acquisition of and deposits on fixed assets	(472,000)	(679,000)
Proceeds from disposal of fixed assets	1,000	26,000
	-----	-----
Net cash used in investing activities	(471,000)	(653,000)
	-----	-----
Cash Flows from Financing Activities:		
Repayment of capital lease obligations	(589,000)	(730,000)
Exercise of stock options and employee stock purchases	228,000	1,275,000
Acquisition of treasury stock	-	(92,000)
	-----	-----
Net cash (used in)/provided by financing activities	(361,000)	453,000
	-----	-----
Net Decrease in Cash and Cash Equivalents	(15,947,000)	(12,635,000)
Cash and Cash Equivalents, Beginning of Period	102,380,000	132,584,000
	-----	-----
Cash and Cash Equivalents, End of Period	\$86,433,000	\$119,949,000
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$35,000	\$116,000
Income taxes	\$2,000	\$ -

CONTACT: Capstone Turbine Corporation
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