

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) July 6, 2005

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)

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:

- ☐ 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 240.14.a-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 July 6, 2005, Capstone Turbine Corporation (the "Company") announced via a press release information regarding the Company's financial results for 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 the 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 July 6, 2005 containing financial

information for the fiscal year ended March 31, 2005.

2

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: July 6, 2005

By: /s/ Karen Clark

Karen Clark
Chief Financial Officer

3

<i>Exhibit Number</i>	<i>Description of Document</i>
-----	-----
99.1	Press release of the Registrant dated July 6, 2005 containing financial information for the fiscal year ended March 31, 2005.

4

Capstone Turbine Announces Fiscal-Year 2005 Results

CHATSWORTH, Calif.--(BUSINESS WIRE)--July 6, 2005--Capstone Turbine Corporation(R) (Nasdaq:CPST) (www.microturbine.com) reported results for its fiscal year 2005 in its Form 10-K filed with the Securities and Exchange Commission on June 29, 2005.

"We are pleased with the progress we made in fiscal 2005 to build Capstone," said John Tucker, President and CEO of Capstone. "A year ago, we developed our strategic plan for transitioning Capstone into a cash flow positive and profitable company. In the first year of executing on that plan, we made progress in all of our identified initiatives. Focusing our marketing efforts and growing business in our targeted markets was one key element of the plan. The growth in orders, with fiscal 2005 orders more than 190% of the order rate recorded in fiscal 2004, demonstrates our initial success in penetrating these targeted markets. This success came in part from our work to rationalize our channels and to create a more tailored approach to the targeted markets. In fiscal 2005, approximately 90% of our sales were still generated by our distributors and dealers."

Tucker continued, "A key enabling factor to our market success came from the improvements we made in our product robustness. As a result of these improvements, we are more confident today that customers' applications of Capstone MicroTurbines(R) will produce positive performance for their businesses. The improvements also resulted in an ability to lower our standard warranty costs by one-third for new sales. We are very pleased that more than 9 million operating hours have been accumulated for Capstone MicroTurbines. We look forward to the continuing growth in the run-time hours for our products." In announcing Capstone's expanded fuel capabilities for its C60 microturbines, Tucker said, "We believe the additions we have made to the operating fuels for our model C60 microturbines, gaseous propane and compress natural gas, and our expected introduction of a C60 biogas model in late fall of this year, will provide even greater appeal to our target markets."

"Our success has come in part from our expanded market presence," said Tony Hynes, Vice President of Sales and Service for Capstone. "In fiscal 2005, we opened a field service office in Japan to support our distributors and end users in that region. We also opened sales and service offices in New York and Italy. Our Italian office, which serves as our European headquarters, has already reported orders for fiscal year 2006 of more than 7 megawatts. This represents roughly the same level of business in Europe, in just over three months in fiscal 2006, as Capstone has received from Europe since its first sales of microturbines in 1998. We are delighted at the success our regional presence has delivered." Further, Hynes announced, "As a result of the success we have had with our local presence, we are opening Capstone Mexico and are exploring the possibility of an office in Boston. Our new office in New York has already produced 2.4 megawatts of new orders since it opened in December 2004. We believe our prospects are very strong for continuing business growth in the Northeastern United States."

Year-to-date orders in fiscal 2006 reported by Capstone were 9.8 megawatts and backlog as of July 6th stands at 17.1 megawatts. "This level represents more megawatts in backlog today than Capstone shipped in all of fiscal 2005," said Tucker. "The investments we made in building our business in fiscal 2005 are already paying off in fiscal 2006. With our tremendous early successes in fiscal 2006, we are closing in on our targeted sales level for the year. We expect that further changes we are making in the business, such as our new National Sales Representative agreement with WESCO Distribution that we announced earlier today, and additional developments we expect to announce soon, will provide us even more momentum in our targeted markets."

In summarizing Capstone's revisit of its three-year strategic plan, Tucker said, "We reconfirmed our target markets of CHP/CCHP, Resource Recovery, Power Reliability and Remote Power when we revisited our strategic plan. Our approach to our distribution channels, combining sales through distributors and dealers, as well as

direct sales and lead generation by sales representatives, was also reaffirmed. Our goals for fiscal 2006 include doubling our sales as compared with fiscal 2005, reaching a positive gross margin and reducing our cash burn. We continue to target reaching cash flow positive in our fiscal year 2007 that ends March 31, 2007."

Capstone's financial highlights for fiscal 2005 included sales of \$17.0 million, up \$4.4 million from \$12.6 million reported for fiscal 2004. The majority of the increase in sales reflected higher demand for the Company's C60 model microturbines. Backlog at the end of fiscal 2005 was 10.8 megawatts, reflecting backlog at the beginning of the year of 6.5 megawatts, orders during the period of 20.8 megawatts and shipments of 16.5 megawatts.

The reported gross loss was \$6.9 million for fiscal 2005, an improvement of \$9.9 million from the \$16.8 million loss reported in fiscal 2004. Lower warranty costs accounted for the change between periods.

Operating expenses were \$34.2 million for the year, up \$2.1 million from the prior year. The higher spending resulted primarily from higher consulting costs for Sarbanes-Oxley compliance work, information technology systems developments and market development activities.

Capstone's net loss was \$39.4 million, an improvement of \$8.3 million from the \$47.7 million loss reported in fiscal 2004. Fiscal 2005's reported net loss was \$0.47 per share as compared with \$0.58 a year earlier.

Cash usage in the fiscal year was \$38.8 million, an increase of \$8.6 million from fiscal year's cash usage of \$30.2 million. The higher cash usage was largely attributable to cash used for inventory purchases in the current year as opposed to cash sources from inventory reductions in the prior year.

Cash and cash equivalents at the end of the year were \$63.6 million.

Conference Call

The Company will host a conference call today, Wednesday, July 6, 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(R) (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 shipped more than 3,000 Capstone MicroTurbine(R) systems to customers worldwide. These award-winning systems have logged more than 9 million hours of documented operation. An ISO 9001:2000 certified company, Capstone Turbine is headquartered in the Los Angeles area with sales and/or service centers in New York, Milan and Tokyo.

"Capstone Turbine Corporation" and "Capstone MicroTurbine" are registered trademarks of Capstone Turbine Corporation. All other trademarks mentioned are the property of their respective owners.

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, expectations of reaching cash flow positive or positive gross margin, reducing cash usage, increasing sales, penetrating target markets, the success of customers' applications, and expected results from Capstone's sales offices. 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 filings 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 CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2005	March 31, 2004
<hr/>		
Assets		
Current Assets:		
Cash and cash equivalents	\$63,593,000	\$102,380,000
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$536,000 in 2005 and \$479,000 in 2004	3,150,000	4,170,000
Inventory	11,273,000	7,893,000
Prepaid expenses and other current assets	912,000	1,099,000
Assets held for sale	80,000	--
	<hr/>	<hr/>
Total current assets	79,008,000	115,542,000
	<hr/>	<hr/>
Equipment and Leasehold Improvements:		
Machinery, equipment and furniture	18,760,000	20,877,000
Leasehold improvements	8,563,000	8,499,000
Molds and tooling	3,096,000	4,363,000
	<hr/>	<hr/>
	30,419,000	33,739,000
	<hr/>	<hr/>
Less accumulated depreciation and amortization	19,890,000	18,718,000
	<hr/>	<hr/>
Total equipment and leasehold improvements	10,529,000	15,021,000
Non-Current Portion of Inventory	3,990,000	3,936,000
Intangible Asset, net	1,427,000	1,694,000
Other Assets	236,000	352,000
	<hr/>	<hr/>
Total	\$95,190,000	\$136,545,000
	<hr/>	<hr/>
	<hr/>	<hr/>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$3,324,000	\$2,790,000
Accrued salaries and wages	1,442,000	1,664,000
Other accrued liabilities	2,472,000	2,043,000
Accrued warranty reserve	8,667,000	11,695,000
Deferred revenue	1,522,000	1,166,000
Current portion of notes payable and capital lease obligations	19,000	582,000
	<hr/>	<hr/>
Total current liabilities	17,446,000	19,940,000
	<hr/>	<hr/>
Long-Term Portion of Note Payable and Capital Lease Obligations	64,000	13,000
Other Long-Term Liabilities	1,002,000	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; 85,379,446 shares issued and 84,828,238 shares outstanding at March 31, 2005; 85,025,817 shares issued and 84,474,609 shares outstanding at March 31, 2004	85,000	85,000
Additional paid-in capital	530,931,000	530,394,000
Accumulated deficit	(453,469,000)	(414,020,000)
Less deferred stock compensation	(356,000)	(503,000)
Less treasury stock, at cost; 551,208		

shares in 2005 and 2004	(513,000)	(513,000)
Total stockholders' equity	76,678,000	115,443,000
Total	\$95,190,000	\$136,545,000

CAPSTONE TURBINE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended March 31,		Three Months Ended March 31,	Year Ended December 31,
	2005	2004	2003	2002
Net Revenues	\$16,968,000	\$12,607,000	\$2,782,000	\$19,529,000
Cost of Goods Sold	23,908,000	29,385,000	4,956,000	41,530,000
Gross Loss	(6,940,000)	(16,778,000)	(2,174,000)	(22,001,000)
Operating Expenses:				
Research and development	11,761,000	11,221,000	1,006,000	6,966,000
Selling, general and administrative	22,419,000	20,840,000	4,821,000	31,846,000
Impairment loss on marketing rights	--	--	--	15,999,000
Total operating costs and expenses	34,180,000	32,061,000	5,827,000	54,811,000
Loss from Operations	(41,120,000)	(48,839,000)	(8,001,000)	(76,812,000)
Interest Income	1,338,000	1,284,000	439,000	2,840,000
Interest Expense	(37,000)	(183,000)	(73,000)	(407,000)
Other Income, net	372,000	1,000	2,000	26,000
Loss Before Income Taxes	(39,447,000)	(47,737,000)	(7,633,000)	(74,353,000)
Provision for Income Taxes	2,000	2,000	2,000	2,000
Net Loss	\$(39,449,000)	\$(47,739,000)	\$(7,635,000)	\$(74,355,000)
Net Loss Per Share of Common Stock -- Basic and Diluted	\$(0.47)	\$(0.58)	\$(0.09)	\$(0.95)
Weighted Average Common Shares Outstanding	84,377,794	82,348,711	81,410,614	78,130,795

CAPSTONE TURBINE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2005	Year Ended March 31, 2004
Cash Flows from Operating Activities:		
Net loss	\$(39,449,000)	\$(47,739,000)

Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,181,000	6,180,000
Non-cash reversal of administrative expenses	--	--
Impairment loss on fixed assets and manufacturing license	614,000	--
Impairment loss on marketing rights	--	--
Provision for doubtful accounts and returns	57,000	280,000
Inventory write-down	744,000	931,000
(Benefit) provision for warranty expenses	(682,000)	9,749,000
Loss on disposal of fixed assets	24,000	315,000
Non-employee stock compensation	129,000	92,000
Employee and director stock compensation	251,000	528,000
Changes in operating assets and liabilities:		
Accounts receivable	963,000	(509,000)
Inventory	(4,062,000)	3,871,000
Prepaid expenses and other assets	187,000	258,000
Accounts payable	534,000	440,000
Accrued salaries and wages and other accrued and long term liabilities	60,000	890,000
Accrued warranty reserve	(2,346,000)	(4,551,000)
Deferred revenue	356,000	(247,000)
Net cash used in operating activities	(37,439,000)	(29,512,000)
Cash Flows from Investing Activities:		
Acquisition of and deposits on equipment and leasehold improvements	(1,057,000)	(1,299,000)
Proceeds from sale of equipment	3,000	28,000
Net cash used in investing activities	(1,054,000)	(1,271,000)
Cash Flows from Financing Activities:		
Repayment of capital lease obligations	(598,000)	(1,415,000)
Exercise of stock options, restricted stock award and employee stock purchases	304,000	2,086,000
Purchase of treasury stock	--	(92,000)
Net proceeds from issuance of common stock	--	--
Net cash provided by (used in) financing activities	(294,000)	579,000
Net Decrease in Cash and Cash Equivalents	(38,787,000)	(30,204,000)
Cash and Cash Equivalents, Beginning of Year	102,380,000	132,584,000
Cash and Cash Equivalents, End of Year	\$63,593,000	\$102,380,000
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	\$35,000	\$183,000
Income taxes	\$2,000	\$2,000
Three Months Ended March 31, 2003 Year Ended December 31, 2002		
Cash Flows from Operating Activities:		
Net loss	\$ (7,635,000)	\$ (74,355,000)
Adjustments to reconcile net loss to net		

<i>cash used in operating activities:</i>		
Depreciation and amortization	1,573,000	9,891,000
Non-cash reversal of administrative expenses	(1,099,000)	
Impairment loss on fixed assets and manufacturing license	--	5,016,000
Impairment loss on marketing rights	--	15,999,000
Provision for doubtful accounts and returns	220,000	215,000
Inventory write-down	243,000	4,793,000
(Benefit) provision for warranty expenses	385,000	6,175,000
Loss on disposal of fixed assets	--	102,000
Non-employee stock compensation	4,000	--
Employee and director stock compensation	210,000	1,024,000
Changes in operating assets and liabilities:		
Accounts receivable	732,000	2,907,000
Inventory	(967,000)	1,272,000
Prepaid expenses and other assets	990,000	(1,202,000)
Accounts payable	(873,000)	830,000
Accrued salaries and wages and other accrued and long term liabilities	(580,000)	683,000
Accrued warranty reserve	(634,000)	(3,406,000)
Deferred revenue	512,000	(737,000)
Net cash used in operating activities	(6,919,000)	(30,793,000)
<i>Cash Flows from Investing Activities:</i>		
Acquisition of and deposits on equipment and leasehold improvements	(271,000)	(2,515,000)
Proceeds from sale of equipment	--	--
Net cash used in investing activities	(271,000)	(2,515,000)
<i>Cash Flows from Financing Activities:</i>		
Repayment of capital lease obligations	(343,000)	(1,309,000)
Exercise of stock options, restricted stock award and employee stock purchases	22,000	280,000
Purchase of treasury stock	(215,000)	(206,000)
Net proceeds from issuance of common stock	--	3,985,000
Net cash provided by (used in) financing activities	(536,000)	2,750,000
Net Decrease in Cash and Cash Equivalents	(7,726,000)	(30,558,000)
Cash and Cash Equivalents, Beginning of Year	140,310,000	170,868,000
Cash and Cash Equivalents, End of Year	\$132,584,000	\$140,310,000
<i>Supplemental Disclosures of Cash Flow Information</i>		
<i>Cash paid during the year for:</i>		
Interest	\$73,000	\$407,000
Income taxes	\$2,000	\$2,000

CONTACT: Capstone Turbine Corporation
General Media Inquiries:
Keith Field, 818-734-5465
Investor and Investment Media Inquiries:
Cindy Martinez, 818-407-3643 (Investor Info.)