

November 8, 2007



# Capstone Turbine Corporation Announces Second Quarter Fiscal 2008 Operating Results

## Second Quarter Revenue of \$7.2 Million Increased 145% from Same Period Last Year and 28% from Prior Quarter

CHATSWORTH, Calif.--

Capstone Turbine Corporation(R) ([www.microturbine.com](http://www.microturbine.com);) (NASDAQ:CPST) reported operating results for its second quarter ended September 30, 2007 in its Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 8, 2007.

### Financial Summary

Capstone's total backlog at the end of the second quarter ended September 30, 2007 was \$10.4 million of which \$7.2 million is short term (within twelve months). Total backlog increased approximately \$5.1 million, or 96% from the first quarter ended June 30, 2007 and approximately \$3.6 million, or 53% from the end of the same period last year.

Revenue for the second quarter was \$7.2 million, an increase of approximately 145% from the \$2.9 million reported for the same period last year and \$1.6 million or 28% from the prior quarter. The increase is attributable to increased sales to the North American, European and Asian markets.

The reported gross loss for the second quarter was \$0.8 million, or 10% of revenue, compared to \$2.3 million, or 79% of revenue for the same period last year. The improvement in gross loss from the prior year was because of increased total volume and higher margin C-60 series units and lower warranty and inventory charges of \$1.3 million.

Research and development costs were \$2.4 million for the second quarter, a decrease of \$0.2 million, or 6% from the same period last year. R&D expenses are reported net of benefits from cost-sharing programs such as the United Technologies Corporation ("UTC") funding. The first \$1.5 million of the \$12.0 million due from UTC was received during the second quarter of which \$115,000 was applied against R&D expense. The remaining \$1.4 million will be recognized against R&D expense in future periods. There was approximately \$0.4 million of such benefits from another source for the same period last year. Overall net expenses were lower primarily because of lower labor and consulting spending, decreased development hardware, and reduced facilities expenses.

Selling, general and administrative costs were \$5.9 million for the second quarter, a decrease of \$0.2 million, or 3% from the same period last year. The reduction is primarily because of lower labor related costs, professional services, consulting and marketing expenses offset by increased travel and facilities expenses.

Capstone's net loss was \$8.5 million, or \$0.06 per share, for the second quarter, a decrease of \$1.9 million from the \$10.4 million loss, or \$0.10 per share, reported for the same period last year.

Cash balances decreased by \$4.0 million during the second quarter of fiscal 2008. As of September 30, 2007, cash and cash equivalents were \$46.3 million. Cash used in operations was \$5.4 million for the quarter compared to \$9.9 million for the prior quarter and \$9.6 million for the same period last year.

#### Conference Call

The Company will host a conference call today, Thursday, November 8, at 1:45 p.m. Pacific Time. Access to the live broadcast and a replay of the webcast will be available for 90 days through the Investor Relations page on the Company's website: [www.microturbine.com](http://www.microturbine.com).

#### About Capstone Turbine

Capstone Turbine Corporation ([www.microturbine.com](http://www.microturbine.com))(NASDAQ:CPST) is the world's leading producer of low-emission microturbine systems, and was the first to market commercially viable microturbine energy products. Capstone Turbine has shipped thousands of Capstone MicroTurbine(TM) systems to customers worldwide. Capstone Turbine is a member of the U.S. Environmental Protection Agency's Combined Heat and Power Partnership, which is committed to improving the efficiency of the nation's energy infrastructure and reducing emissions of pollutants and greenhouse gases. A UL-Certified ISO 9001:2000 certified company; Capstone Turbine is headquartered in the Los Angeles area with sales and/or service centers in New York, Mexico City, Milan, Nottingham, Shanghai and Tokyo.

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CAPSTONE TURBINE CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share amounts)  
(Unaudited)

	September 30, 2007	March 31, 2007
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ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 46,276	\$ 60,322
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$835 at September 30, 2007 and \$789 at March 31, 2007	5,876	3,514
Inventories	18,515	21,283
Prepaid expenses and other current		

assets	1,391	1,614
Total current assets	72,058	86,733
Property, plant and equipment, net	5,619	6,256
Non-current portion of inventories	3,181	3,005
Intangible asset, net and other long-term assets	911	1,009
Total	\$ 81,769	\$ 97,003

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued expenses	\$ 5,804	\$ 5,686
Accrued salaries and wages	1,296	1,434
Accrued warranty reserve	6,017	6,554
Deferred revenue	794	937
Current portion of notes payable	13	19
Other current liabilities	1,385	--
Total current liabilities	15,309	14,630
Long-term portion of notes payable	12	27
Other long-term liabilities	515	561
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; 146,067,943 shares issued and 145,474,074 shares outstanding at September 30, 2007; 144,512,997 shares issued and 143,961,789 shares outstanding at March 31, 2007	146	145
Additional paid-in capital	622,476	619,423
Accumulated deficit	(556,130)	(537,270)
Deferred stock compensation	--	--
Treasury stock, at cost; 593,869 shares at September 30, 2007 and 551,208 shares at March 31, 2007	(559)	(513)
Total stockholders' equity	65,933	81,785
Total	\$ 81,769	\$ 97,003

CAPSTONE TURBINE CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenue	\$ 7,219	\$ 2,946	\$ 12,834	\$ 9,512
Cost of goods sold	7,975	5,282	16,063	13,084
Gross loss	(756)	(2,336)	(3,229)	(3,572)

Operating expenses:				
Research and development	2,433	2,592	5,182	5,398
Selling, general and administrative	5,910	6,061	11,803	11,976
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Total operating expenses	8,343	8,653	16,985	17,374
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Loss from operations	(9,099)	(10,989)	(20,214)	(20,946)
Interest income	646	571	1,356	1,198
Interest expense	--	(1)	--	(2)
Other income	--	--	--	1
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Loss before income taxes	(8,453)	(10,419)	(18,858)	(19,749)
Provision for income taxes	--	--	2	2
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Net loss	\$ (8,453)	\$ (10,419)	\$ (18,860)	\$ (19,751)
	=====	=====	=====	=====
Net loss per share of common stock -- Basic and Diluted	\$ (0.06)	\$ (0.10)	\$ (0.13)	\$ (0.19)
	=====	=====	=====	=====
Weighted average shares used to calculate Basic and Diluted net loss per share	145,440	103,901	144,710	103,612
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Source: Capstone Turbine Corporation