

CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 2017	March 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 14,191	\$ 11,704
Restricted cash	5,514	5,002
Accounts receivable, net of allowances of \$6,845 at March 31, 2017 and \$8,909 at March 31, 2016	17,003	13,575
Inventories	14,538	16,126
Prepaid expenses and other current assets	3,073	2,636
Total current assets	54,319	49,043
Property, plant and equipment, net	2,115	3,537
Non-current portion of inventories	961	2,143
Intangible assets, net	651	941
Other assets	225	228
Total assets	\$ 58,271	\$ 55,892
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 14,719	\$ 13,187
Accrued salaries and wages	1,819	1,880
Accrued warranty reserve	3,766	1,639
Deferred revenue	5,050	4,368
Revolving credit facility	11,533	9,459
Current portion of notes payable and capital lease obligations	302	361
Warrant liability	2,917	—
Total current liabilities	40,106	30,894
Long-term portion of notes payable and capital lease obligations	26	74
Other long-term liabilities	158	184
Total liabilities	40,290	31,152
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Preferred stock, \$.001 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value; 515,000,000 shares authorized, 38,920,174 shares issued and 38,803,630 shares outstanding at March 31, 2017; 23,857,516 shares issued and 23,753,873 shares outstanding at March 31, 2016	39	24
Additional paid-in capital	870,457	853,288
Accumulated deficit	(850,876)	(826,955)
Treasury stock, at cost; 116,544 shares at March 31, 2017 and 103,643 shares at March 31, 2016	(1,639)	(1,617)
Total stockholders' equity	17,981	24,740
Total liabilities and stockholders' equity	\$ 58,271	\$ 55,892

See accompanying notes to consolidated financial statements.

CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Years Ended March 31,	
	2017	2016
Revenue:		
Product, accessories and parts	\$ 63,325	\$ 73,116
Service	13,844	12,095
Total revenue	<u>77,169</u>	<u>85,211</u>
Cost of goods sold:		
Product, accessories and parts	64,453	61,866
Service	10,927	10,578
Total cost of goods sold	<u>75,380</u>	<u>72,444</u>
Gross margin	<u>1,789</u>	<u>12,767</u>
Operating expenses:		
Research and development	5,388	10,152
Selling, general and administrative	20,651	27,106
Total operating expenses	<u>26,039</u>	<u>37,258</u>
Loss from operations	<u>(24,250)</u>	<u>(24,491)</u>
Other expense	(470)	(40)
Interest income	31	—
Interest expense	(536)	(640)
Change in fair value of warrant liability	1,323	—
Loss before income taxes	<u>(23,902)</u>	<u>(25,171)</u>
Provision for income taxes	19	20
Net loss	<u>\$ (23,921)</u>	<u>\$ (25,191)</u>
Net loss per common share—basic and diluted	<u>\$ (0.75)</u>	<u>\$ (1.39)</u>
Weighted average shares used to calculate basic and diluted net loss per common share	<u>32,074</u>	<u>18,162</u>

See accompanying notes to consolidated financial statements.

CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Amount			Shares	Amount	
Balance, March 31, 2015	16,590,058	\$ 17	\$837,965	\$ (801,764)	62,794	\$(1,514)	\$ 34,704
Purchase of treasury stock	—	—	—	—	40,849	(103)	(103)
Vested restricted stock awards	250,735	—	—	—	—	—	—
Stock-based compensation	—	—	2,406	—	—	—	2,406
Exercise of stock options and employee stock purchases	5,658	—	13	—	—	—	13
Stock awards to Board of Directors	92,520	—	164	—	—	—	164
Issuance of common stock, net of issuance costs	6,918,545	7	12,740	—	—	—	12,747
Net loss	—	—	—	(25,191)	—	—	(25,191)
Balance, March 31, 2016	23,857,516	24	853,288	(826,955)	103,643	(1,617)	24,740
Purchase of treasury stock	—	—	—	—	12,901	(22)	(22)
Vested restricted stock awards	96,111	—	—	—	—	—	—
Stock-based compensation	—	—	706	—	—	—	706
Exercise of stock options and employee stock purchases	10,063	—	9	—	—	—	9
Stock awards to Board of Directors	65,167	—	104	—	—	—	104
Issuance of common stock, net of issuance costs	14,891,317	15	16,350	—	—	—	16,365
Net loss	—	—	—	(23,921)	—	—	(23,921)
Balance, March 31, 2017	38,920,174	\$ 39	\$870,457	\$ (850,876)	116,544	\$(1,639)	\$ 17,981

See accompanying notes to consolidated financial statements.

CAPSTONE TURBINE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2017	2016
Cash Flows from Operating Activities:		
Net loss	\$ (23,921)	\$ (25,191)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,577	1,746
Amortization of deferred financing costs	173	172
Accounts receivable allowances	(1,525)	(1,459)
Inventory provision	1,278	1,925
Provision for warranty expenses	7,052	111
Loss on disposal of equipment	365	27
Stock-based compensation	810	2,570
Change in fair value of warrant liability	(1,323)	—
Warrant issuance expenses	421	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,903)	1,021
Inventories	1,491	5,161
Prepaid expenses and other current assets	(117)	314
Accounts payable and accrued expenses	1,405	(8,317)
Accrued salaries and wages and long term liabilities	(87)	(210)
Accrued warranty reserve	(4,925)	(1,655)
Deferred revenue	683	1,317
Net cash used in operating activities	<u>(18,546)</u>	<u>(22,468)</u>
Cash Flows from Investing Activities:		
Expenditures for property and equipment	<u>(204)</u>	<u>(1,513)</u>
Net cash used in investing activities	<u>(204)</u>	<u>(1,513)</u>
Cash Flows from Financing Activities:		
Net proceeds from (repayments of) revolving credit facility	2,074	(3,494)
Repayment of notes payable and capital lease obligations	(497)	(697)
Cash used in employee stock-based transactions	(16)	(91)
Net proceeds from issuance of common stock and warrants	20,188	12,748
Net cash provided by financing activities	<u>21,749</u>	<u>8,466</u>
Net increase (decrease) in Cash, Cash Equivalents and Restricted Cash	2,999	(15,515)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	16,706	32,221
Cash, Cash Equivalents and Restricted Cash, End of Period	<u>\$ 19,705</u>	<u>\$ 16,706</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 363	\$ 473
Income taxes	\$ 24	\$ 24
Supplemental Disclosures of Non-Cash Information:		
Acquisition of property and equipment through accounts payable	\$ 45	\$ 28
Renewal of insurance contracts which was financed by notes payable	\$ 503	\$ 477
Acquisition of property and equipment in consideration for the issuance of a note payable	\$ —	\$ 101

See accompanying notes to consolidated financial statements.