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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarter Ended: September 30, 2005

Commission File Number 0-19672

American Superconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware	**04-2959321**
(State or other jurisdiction of organization or incorporation)	**(I.R.S. Employer Identification Number)**

Two Technology Drive
Westborough, Massachusetts 01581
(Address of principal executive offices, including zip code)

(508) 836-4200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☒ NO ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $.01 per share	**32,795,348**
Class	Outstanding as of November 4, 2005

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AMERICAN SUPERCONDUCTOR CORPORATION

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AMERICAN SUPERCONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET

	September 30, 2005	March 31, 2005
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,070,594	$ 38,592,032
Short-term marketable securities	27,931,817	40,628,967
Accounts receivable, net	4,984,013	5,464,726
Inventory	10,438,410	6,872,197
Prepaid expenses and other current assets	797,478	1,121,091
Total current assets	88,222,312	92,679,013
Property, plant and equipment:		
Land	4,021,611	4,021,611
Construction in progress - building and equipment	466,867	311,266
Building	34,101,734	34,101,734
Equipment	43,884,093	42,442,903
Furniture and fixtures	3,123,897	4,048,332
Leasehold improvements	6,182,876	6,182,787
	91,781,078	91,108,633
Less: accumulated depreciation	(42,967,053)	(39,769,469)
Property, plant and equipment, net	48,814,025	51,339,164
Long-term marketable securities	2,518,113	8,360,222
Goodwill	1,107,735	1,107,735
Other assets	5,134,314	5,430,940
Total assets	$ 145,796,499	$ 158,917,074
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 11,140,133	$ 13,394,690
Deferred revenue	2,308,550	2,012,030
Total current liabilities	13,448,683	15,406,720
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, $.01 par value		
Authorized shares- 100,000,000; shares issued and outstanding 32,767,485 and 32,545,156 at September 30, 2005 and March 31, 2005, respectively	327,675	325,452
Additional paid-in capital	465,193,182	463,632,864
Deferred compensation	(1,141,481)	(783,930)
Deferred contract costs - warrant	(22,574)	(25,584)
Accumulated other comprehensive loss	(108,784)	(135,477)
Accumulated deficit	(331,900,202)	(319,502,971)
Total stockholders' equity	132,347,816	143,510,354
Total liabilities and stockholders' equity	$ 145,796,499	$ 158,917,074

The accompanying notes are an integral part of the condensed consolidated financial statements.

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AMERICAN SUPERCONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended September 30,		Six months ended September 30,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Revenues:				
Contract revenue	$ 280,255	$ 459,977	$ 1,037,933	$ 655,172
Product sales and prototype development contracts	10,600,785	9,072,760	22,044,774	21,527,641
Total revenues	10,881,040	9,532,737	23,082,707	22,182,813
Costs and expenses:				
Costs of revenue-contract revenue	247,555	512,799	900,884	696,947
Costs of revenue-product sales and prototype development contracts	11,466,344	9,043,884	22,807,853	22,530,062
Research and development	3,763,859	2,047,311	7,158,945	3,636,193
Selling, general and administrative	2,599,389	2,163,816	5,760,356	4,540,824
Total costs and expenses	18,077,147	13,767,810	36,628,038	31,404,026
Operating loss	(7,196,107)	(4,235,073)	(13,545,331)	(9,221,213)
Interest income	624,119	159,813	1,233,002	303,571
Fees - abandoned debt financing	—	—	—	(35,193)
Other income (expense), net	(186,807)	(8,421)	(84,902)	(77,014)
Net loss	$ (6,758,795)	$ (4,083,681)	$ (12,397,231)	$ (9,029,849)
Net loss per common share				
Basic and Diluted	$ (0.21)	$ (0.15)	$ (0.38)	$ (0.33)
Weighted average number of common shares outstanding				
Basic and Diluted	32,765,382	27,760,281	32,748,178	27,742,476

The accompanying notes are an integral part of the condensed consolidated financial statements.

AMERICAN SUPERCONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended September 30,		Six months ended September 30,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Net loss	$ (6,758,795)	$ (4,083,681)	$ (12,397,231)	$ (9,029,849)
Other comprehensive income (loss)				
Foreign currency translation	(436)	(108)	(998)	790
Unrealized gains (losses) on investments	(15,312)	49,695	27,691	(68,605)
Other comprehensive income (loss)	(15,748)	49,587	26,693	(67,815)
Comprehensive loss	$ (6,774,543)	$ (4,034,094)	$ (12,370,538)	$ (9,097,664)

The accompanying notes are an integral part of the condensed consolidated financial statements.

AMERICAN SUPERCONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended September 30, 2005	Six months ended September 30, 2004
	(Unaudited)	
Cash flows from operating activities:		
Net loss	$ (12,397,231)	$ (9,029,849)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	3,930,774	3,884,101
Loss on disposal of PP&E and abandoned patents	51,779	192,720
Amortization of deferred compensation expense	240,368	196,530
Amortization of deferred warrant costs	3,010	5,946
Stock compensation expense	3,433	21,833
Loss on valuation of warrant	80,580	—
Changes in operating asset and liability accounts:		
Accounts receivable	480,713	3,655,940
Inventory	(3,566,213)	(5,769,656)
Prepaid expenses and other current assets	322,712	170,731
Accounts payable and accrued expenses	(2,049,293)	(938,781)
Deferred revenue	296,520	1,590,777
Net cash used in operating activities	(12,602,848)	(6,019,708)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(787,996)	(891,463)
Proceeds from the sale of property, plant and equipment	18,935	55,500
Purchase of marketable securities	(48,437,332)	(18,268,209)
Proceeds from the sale of marketable securities	67,004,282	20,305,376
Increase in other assets	(391,824)	(1,272,064)
Net cash (used in) provided by investing activities	17,406,065	(70,860)
Cash flows from financing activities:		
Additional expenses from secondary public offering	(66,060)	—
Net proceeds from issuances of common stock	741,405	1,204,841
Net cash provided by financing activities	675,345	1,204,841
Net increase (decrease) in cash and cash equivalents	5,478,562	(4,885,727)
Cash and cash equivalents at beginning of period	38,592,032	31,241,237
Cash and cash equivalents at end of period	$ 44,070,594	$ 26,355,510
Supplemental schedule of cash flow information:		
Noncash issuance of common stock	$ 529,645	$ 218,363

The accompanying notes are an integral part of the condensed consolidated financial statements.

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business and Operations

American Superconductor Corporation (the Company or AMSC) was formed on April 9, 1987. The Company is focused on developing, manufacturing and selling products using two core technologies: high temperature superconductor (HTS) wires and power electronic converters for electric power applications. The Company also assembles superconductor wires and power electronic converters into fully-integrated products, such as HTS ship propulsion motors and dynamic reactive compensation systems, which the Company sells or plans to sell to end users. The Company operates in three business segments—AMSC Wires, SuperMachines and Power Electronic Systems.

The Company has generated operating losses since its inception in 1987 and expects to continue incurring losses until at least the end of fiscal 2007. Operating losses for the fiscal years ended March 31, 2005, 2004 and 2003 have contributed to net cash used by operating activities of $9,283,107, $17,421,953 and $39,604,957, respectively, for these periods. For the six months ended September 30, 2005, net cash used by operating activities was $12,602,848.

The Company had cash, cash equivalents, short-term and long-term marketable securities of $74,520,524 as of September 30, 2005. To supplement the Company's cash available for operations, as well as for capital expenditures for the scale-up of manufacturing of second generation (2G) wire, the Company issued 4,600,000 shares of its common stock in a public equity offering in March 2005 that raised $45,540,000 (after deducting underwriting commissions and discounts but before deducting offering expenses).

The Company currently derives a portion of its revenue from research and development contracts. The Company recorded contract revenue related to research and development contracts of $280,255 and $459,977 for the three months ended September 30, 2005 and 2004, respectively, and $1,037,933 and $655,172 for the six months ended September 30, 2005 and 2004, respectively. In addition, the Company recorded prototype development contract revenue on U.S. Navy and other contracts of $2,067,436 and $3,600,352 for the three months ended September 30, 2005 and 2004, respectively, and $8,011,660 and $11,073,972 for the six months ended September 30, 2005 and 2004, respectively, which are included under "Revenues – Product sales and prototype development contracts."

Costs of revenue include research and development (R&D) and selling, general, and administrative (SG&A) expenses that are incurred in the performance of these development contracts.

R&D and SG&A expenses included as costs of revenue for these development contracts were as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Research and development expenses	$ 5,380,136	$ 5,143,865	$ 12,782,496	$ 13,967,038
Selling, general and administrative expenses	$ 477,637	$ 1,061,954	$ 1,948,585	$ 3,063,930

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- (Continued)

2. Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The unaudited condensed consolidated financial statements of the Company presented herein have been prepared in accordance with the Securities and Exchange Commission's (SEC) instructions to Form 10-Q and as such do not include all of the information and note disclosures included in annual financial statements prepared in accordance with generally accepted accounting principles. Certain information and footnote disclosure normally included in the Company's annual consolidated financial statements have been condensed or omitted. The interim condensed consolidated financial statements, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the results for the interim periods ended September 30, 2005 and 2004 and the financial position at September 30, 2005.

The results of operations for the interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. The Company suggests that these interim condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements for the fiscal year ended March 31, 2005 which are contained in the Company's Annual Report on Form 10-K covering the fiscal year ended March 31, 2005.

There has been no material change to the Company's significant accounting policies from those described in the Form 10-K for the year ended March 31, 2005.

3. Stock-Based Compensation Plans and Pro Forma Stock-Based Compensation Expense

The Company applies Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans. Accordingly, no accounting recognition is given to stock options granted at fair market value until they are exercised. Upon exercise, net proceeds, including any tax benefits realized, are credited to stockholders' equity.

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which sets forth a fair-value-based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the Company has elected to continue to apply APB No. 25 to account for its stock-based compensation plan.

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- (Continued)

Had compensation cost for awards granted under the Company's stock-based compensation plan been determined based on the fair value at the grant dates consistent with the method set forth under SFAS No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," the effect on certain financial information of the Company would have been as follows:

	For the three months ended September 30,		For the six months ended September 30,	
	2005	2004	2005	2004
Net loss	$ (6,758,795)	$ (4,083,681)	$(12,397,231)	$ (9,029,849)
Add: Stock compensation expense under APB 25	116,373	101,688	240,368	196,530
Less: Stock compensation costs, net of tax, had all options been recorded at fair value per SFAS 123	(1,216,820)	(1,111,669)	(1,843,868)	(2,141,296)
Pro forma net loss	$ (7,859,242)	$ (5,093,662)	$(14,000,731)	$(10,974,615)
Weighted average shares, basic and diluted	32,765,382	27,760,281	32,748,178	27,742,476
Net loss per share, as reported	$ (0.21)	$ (0.15)	$ (0.38)	$ (0.33)
Net loss per share, pro forma	$ (0.24)	$ (0.18)	$ (0.43)	$ (0.40)

The pro forma amounts include the effects of all activity under the Company's stock-based compensation plans since April 1, 2000. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants:

	For the three months ended September 30,		For the six months ended September 30,	
	2005	2004	2005	2004
Dividend yield	None	None	None	None
Expected volatility	52.93%	50.18%	51.01%	44.65%
Risk-free interest rate	3.875%	3.0%	3.875%	3.0%
Expected life (years)	6.12	6.5	6.12	6.5

	For the three months ended September 30,		For the six months ended September 30,	
	2005	2004	2005	2004
Weighted average fair value of options granted at fair market value	$ 6.79	$ 6.42	$ 5.85	$ 6.68

The above amounts may not be indicative of future expense because amounts are recognized over the vesting period and the Company expects it will have additional grants and related activity under these plans in the future.

4. Net Loss per Common Share

Basic earnings per share (EPS) is computed by dividing net loss available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing the net loss available to common stockholders by the

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- (Continued)

weighted average number of common shares and dilutive common equivalent shares outstanding during the period, calculated using the treasury stock method. Common equivalent shares include the effect of the exercise of stock options and warrants. For the three and six months ended September 30, 2005 and 2004, common equivalent shares of 4,910,194 and 4,671,290, respectively, were not included in the calculation of diluted EPS as they were considered antidilutive.

5. Accounts Receivable

Accounts receivable at September 30, 2005 and March 31, 2005 consisted of the following:

	September 30, 2005	March 31, 2005
Accounts receivable (billed)	$ 2,736,592	$ 3,603,537
Accounts receivable (unbilled)	2,249,256	1,908,512
Less: Allowance for doubtful accounts	(1,835)	(47,323)
Net accounts receivable	$ 4,984,013	$ 5,464,726

6. Inventories

Inventories at September 30, 2005 and March 31, 2005 consisted of the following:

	September 30, 2005	March 31, 2005
Raw materials	$ 1,004,460	$ 1,092,263
Work-in-progress	4,027,285	4,398,901
Finished goods	1,776,960	1,381,033
Deferred program costs	3,629,705	—
Net inventory	$ 10,438,410	$ 6,872,197

Deferred program costs of $3,629,705 represent costs incurred in excess of approved funding as of September 30, 2005 on a program to build a 36.5 megawatt (MW) motor for the U.S. Navy. These costs were recorded as inventory as of September 30, 2005, as the expected approval of future funding sufficient to cover these deferred program costs was deemed probable. If the Company is unable to obtain approval of the expected future funding, the Company would expense the deferred program costs, but would expect to recover most if not all of these costs in accordance with the provisions of this cost-reimbursement contract.

Finished goods inventory includes the cost of products shipped to customers on contracts for which revenue is deferred until final customer acceptance.

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- (Continued)

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2005 and March 31, 2005 consisted of the following:

	September 30, 2005	March 31, 2005
Accounts payable	$ 2,772,156	$ 3,719,644
Accrued restructuring	43,172	68,234
Accrued employee stock purchase plan	234,731	233,973
Accrued expenses	5,777,593	5,006,466
Accrued litigation costs (including warrants)	1,033,920	2,653,340
Accrued management bonus	501,657	921,898
Accrued vacation	776,904	791,135
Accounts payable and accrued expenses	$ 11,140,133	$ 13,394,690

8. Commitments and Contingencies

The Company received notice on November 5, 2003 of a lawsuit filed against it on October 28, 2003 in the Court of Chancery of the State of Delaware in and for New Castle County by TM Capital Corp. ("TM Capital"), a past financial advisor to the Company, under which TM Capital claimed to be entitled to cash and equity compensation with respect to the Company's October 2003 public equity offering.

On April 4, 2005, the Company and TM Capital agreed to resolve all claims between them and entered into a settlement agreement that provides for, among other things, the April 2005 cash payment by the Company to TM Capital of $1,700,000 and the April 2005 issuance by the Company to TM Capital of a common stock purchase warrant for 200,000 shares of the Company's common stock, exercisable for a five-year term, with an exercise price of $9.50 per share (the "Warrant"). The Company valued the Warrant at $953,340 as of March 31, 2005 using the Black-Scholes valuation model.

The Company and TM Capital also entered into a registration rights agreement wherein the Company agreed to register for public resale the shares of the Company's common stock issuable upon exercise of the Warrant. In connection with the settlement, the Company recorded the liability on its balance sheet as of March 31, 2005 and the SG&A expense of $2,653,340 on its Statement of Operations for the year ended March 31, 2005.

The accrued warrant cost will continue to be classified as a current liability in accordance with Emerging Issues Task Force (EITF) Issue No. 00-19 until such time as the Warrant is exercised, and will be marked to market based primarily on the current price and expected volatility of the Company's common stock as of the end of each reporting period. The Warrant

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

was re-valued at $1,033,920 as of September 30, 2005, resulting in an expense of $80,580 for the six-month period ended September 30, 2005 (reported under Other income (expense) in the Condensed Consolidated Statements of Operations), compared to the March 31, 2005 warrant valuation of $953,340. The following Black-Scholes assumptions were used:

	September 30, 2005	March 31, 2005
Expected volatility	52.93%	46.7%
Risk-free interest rate	3.875%	4.0%
Expected life (years)	4.5	5.0

9. Cost-Sharing Arrangements

The Company has entered into several cost-sharing arrangements with various agencies of the United States government. Funds paid to the Company under these agreements are not reported as revenues but are used to directly offset a portion of the Company's R&D and SG&A expenses, and to purchase capital equipment. The Company recorded costs and funding under these agreements of $388,133 and $179,283, respectively, for the three months ended September 30, 2005 and $1,046,638 and $561,052, respectively, for the three months ended September 30, 2004. The Company recorded costs and funding under these agreements of $635,395 and $308,635, respectively, for the six months ended September 30, 2005 and $2,204,848 and $1,067,140, respectively, for the six months ended September 30, 2004. At September 30, 2005, total funding received to date under these agreements was $18,926,000.

10. Business Segment Information

The Company has three reportable business segments—SuperMachines, Power Electronic Systems, and AMSC Wires.

The SuperMachines business segment develops and commercializes electric motors, generators, and synchronous condensers based on HTS wire. Its primary focus for motors and generators is on ship propulsion.

The Power Electronic Systems business segment develops and sells power electronic converters and designs, manufactures and sells integrated systems based on those converters for power quality and reliability solutions and for wind farm applications.

The AMSC Wires business segment develops, manufactures and sells HTS wire, including intercompany sales of wire to SuperMachines. The focus of this segment's current development, manufacturing and sales efforts is on HTS wire for power transmission cables, motors, generators, synchronous condensers and specialty electromagnets.

A significant majority of our sales are to U.S.-based customers. All of our revenue transactions are originated and fulfilled from the U.S.

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

The operating results for the three business segments are as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
Revenues*	**2005**	**2004**	**2005**	**2004**
SuperMachines	$ 2,271,342	$ 3,553,353	$ 8,273,300	$ 10,939,084
Power Electronic Systems	4,729,728	2,916,966	8,001,293	4,847,162
AMSC Wires	3,879,970	3,062,418	6,808,114	6,396,567
Total	$ 10,881,040	$ 9,532,737	$ 23,082,707	$ 22,182,813

* See Note 9. Cost-sharing funding is not included in reported revenues.

	Three Months Ended September 30,		Six Months Ended September 30,	
Operating profit (loss)	**2005**	**2004**	**2005**	**2004**
SuperMachines	$ (389,235)	$ (81,571)	$ (485,384)	$ (378,298)
Power Electronic Systems	(194,685)	(473,245)	(1,244,881)	(1,822,091)
AMSC Wires	(6,143,580)	(3,100,805)	(10,857,724)	(5,989,807)
Unallocated corporate expense	(468,607)	(579,452)	(957,342)	(1,031,017)
Total	$ (7,196,107)	$ (4,235,073)	$ (13,545,331)	$ (9,221,213)

The assets for the three business segments (plus Corporate cash) are as follows:

	For the Period Ended	
	September 30, 2005	**March 31, 2005**
SuperMachines	$ 5,451,975	$ 5,538,203
Power Electronic Systems	7,354,480	6,210,134
AMSC Wires	58,469,520	59,587,516
Corporate cash and marketable securities	74,520,524	87,581,221
Total	$ 145,796,499	$ 158,917,074

The accounting policies of the business segments are the same as those for the consolidated Company, except that certain corporate expenses which the Company does not believe are specifically attributable or allocable to any of the three business segments have been excluded from the segment operating income (loss). Corporate unallocated expenses include the rent and occupancy costs associated with the unoccupied portion of the Company's Westborough, MA corporate headquarters.

AMERICAN SUPERCONDUCTOR CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

11. New Accounting Pronouncements

On December 16, 2004 the FASB issued its final standard on accounting for share-based payments, SFAS No. 123R (revised 2004), Share-Based Payment (SFAS 123R), that requires companies to expense the value of employee stock options and similar awards. SFAS 123R addresses the accounting for share-based payment transactions with employees, excluding employee stock ownership plans (ESOPs) and awards made in connection with business combinations. Examples include employee stock purchase plans (ESPPs), stock options, restricted stock, and stock appreciation rights. Under SFAS 123R, the most significant change in practice would be treating the fair value of stock-based payment awards that are within its scope as compensation expense in the income statement beginning on the date that a company grants the awards to employees. The expense would be recognized over the vesting period for each option tranche and adjusted for actual forfeitures that occur before vesting. In March 2005, the SEC issued Staff Accounting Bulletin (SAB) 107. SAB 107 expresses views of the SEC regarding the interaction between SFAS 123R and certain SEC rules and regulations and provides the SEC's views regarding the valuation of share-based payment arrangements for public companies. SFAS 123R and SAB 107 are effective for the Company in the period beginning April 1, 2006. The Company is currently assessing the impact the adoption of this standard will have on its financial position and results of operations. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to financial statement recognition. However, these pro forma disclosures provide an indication of what the effect of adopting SFAS 123R would have been on the historical periods presented.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs-an Amendment of ARB No. 43, Chapter 4." This accounting standard, which is effective for annual periods beginning after June 15, 2005, requires that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges. The Company does not expect the adoption of SFAS No. 151 to have a material effect on its financial position or results of operations.

In May 2005, FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces APB No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements," and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not anticipate that the adoption of SFAS No. 154 will have a material impact on its consolidated results of operations.

AMERICAN SUPERCONDUCTOR CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

American Superconductor Corporation was founded in 1987. We are focused on developing, manufacturing and selling products using two core technologies: high temperature superconductor (HTS) wires and power electronic converters for electric power applications. We also assemble superconductor wires and power electronic converters into fully integrated products, such as HTS ship propulsion motors and dynamic reactive compensation systems, which we sell or plan to sell to end users. Current or prospective customers for our products include electric utilities, electrical equipment manufacturers, industrial power users and commercial and military shipbuilders.

Our HTS wire addresses constraints on the power grids in the U.S. and other developed countries by increasing the electric current carrying capacity of the transmission cables comprising these power grids. In addition, our HTS wire, when incorporated into primary electrical equipment such as motors and generators, can provide increased manufacturing and operating savings due to a significant reduction in the size and weight of this equipment. Also, our power electronic converters increase the quality and reliability of electric power that is transmitted by electric utilities or consumed by large industrial entities.

Our products are in varying stages of commercialization. Our power electronic converters have been sold commercially, as part of an integrated system, to utilities, manufacturers and wind farm owners since 1999. Our HTS wire has been produced commercially since the beginning of 2003, although its principal applications (power cables, rotating machines, specialty magnets) are currently in the prototype stage. Some of these prototypes are funded by U.S. government contracts, primarily with the Department of Defense and Department of Energy (DOE).

Our cash requirements depend on numerous factors, including successful completion of our product development activities, ability to commercialize our product prototypes, rate of customer and market adoption of our products and the continued availability of U.S. government funding during the product prototype phase. Significant deviations to our business plan with regard to these factors, which are important drivers to our business, could have a material adverse effect on our operating performance, financial condition, and future business prospects. We expect to pursue the expansion of our operations through internal growth and strategic alliances.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ under different assumptions or conditions.

Our accounting policies that involve the most significant judgments and estimates are as follows:

- Revenue recognition and deferred revenue;
- Allowance for doubtful accounts;
- Long-lived assets;
- Inventory accounting;
- Deferred tax assets; and
- Goodwill.

Revenue recognition and deferred revenue. For certain arrangements, such as contracts to perform research and development, prototype development contracts and certain product sales, we record revenues using the percentage of completion method, measured by the relationship of costs incurred to total estimated contract costs. We use the percentage of completion revenue recognition method when a purchase arrangement meets all of the criteria in Statement of Position 81-1. Percentage of completion revenue recognition accounting is predominantly used on long-term prototype development contracts with the U.S. government, such as the 36.5 Megawatt (MW) motor contract with the U.S. Navy. We follow this method since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made. However, the ability to reliably estimate total costs at completion is challenging, especially on long-term prototype development contracts, and could result in future changes in contract estimates. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to prior-period performance in the current period. Recognized revenues and profit or loss are subject to revisions as the contract progresses to completion. Revisions in profit or loss estimates are charged to income in the period in which the facts that give rise to the revision become known. Some of our contracts contain incentive provisions, based upon performance in relation to established targets, which are recognized in the contract estimates when deemed realizable.

We recognize revenue from product sales upon customer acceptance, which can occur at the time of delivery, installation, or post-installation, where applicable, provided persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and the collectibility is reasonably assured. When other significant obligations remain after products are delivered, revenue is recognized only after such obligations are fulfilled. The determination of what constitutes a significant post-delivery performance obligation (if any post-delivery performance obligations exist) is the primary subjective consideration we systemically evaluate in the context of each product shipment in order to determine whether to recognize revenue on the order or to defer the revenue until all post-delivery performance obligations have been completed. Customer deposits received in advance of revenue recognition are recorded as deferred revenue until customer acceptance is received. Deferred revenue also represents the amount billed to and/or collected from commercial and government customers on contracts which permit billings to occur in advance of contract performance/revenue recognition.

Allowance for doubtful accounts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions for bad debt allowances may be required. The allowance for doubtful accounts was $2,000 and $47,000 on September 30, 2005 and March 31, 2005, respectively.

Over 80% of our total revenues in fiscal 2005 and over 60% of our total revenues in the first two quarters of fiscal 2006 were from two customers we consider to be financially stable – the U.S. government (various agencies thereof) and General Electric. For other customers, allowances for doubtful accounts are evaluated on a case-by-case basis, as necessary, considering several factors such as the age of the accounts receivable, the financial stability of the customer, discussions that may have occurred with the customer, and our judgment as to the overall collectibility of the receivable.

Long-Lived Assets. We periodically evaluate our long-lived assets for potential impairment under Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” We perform these evaluations whenever events or circumstances suggest that the carrying amount of an asset or group of assets is not recoverable. Our judgments regarding the existence of impairment indicators are based on market and operational performance. Indicators of potential impairment include:

- a significant change in the manner in which an asset is used;
- a significant decrease in the market value of an asset;
- a significant adverse change in its business or the industry in which it is sold;
- a current period operating cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the asset; and
- significant advances in our technologies that require changes in our manufacturing process.

If we believe an indicator of potential impairment exists, we test to determine whether impairment recognition criteria in SFAS No. 144 have been met. To analyze a potential impairment, we project undiscounted future cash flows over the remaining life of the asset or the primary asset in the asset group, using a probability-weighted multiple scenario approach, reflecting a range of possible outcomes. If these projected cash flows are less than the carrying amount, an impairment loss is recognized based on the fair value of the asset or asset group less any costs of disposition. Evaluating the impairment requires judgment by our management to estimate future operating results and cash flows. If different estimates were used, the amount and timing of asset impairments could be affected. We charge impairments of the long-lived assets to operations if our evaluations indicate that the carrying values of these assets are not recoverable.

Inventory accounting. We write down inventory for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of the inventory and the estimated realizable value based upon assumptions of future demand and market conditions. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required. Program costs may be deferred and recorded as inventory on contracts on which costs are incurred in excess of funding, if future funding is deemed probable.

Deferred tax assets. We have recorded a full valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we consider future taxable income and tax planning strategies in assessing the need for the valuation allowance, if management were to determine that we would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made.

Goodwill. Goodwill represents the excess of cost over net assets of acquired businesses that are consolidated. Pursuant to SFAS No. 142 “Goodwill and Other Intangible Assets,” goodwill is not amortized. In lieu of amortization, we perform an impairment review of our goodwill at least annually or when events and changes in circumstances indicate the need for such a detailed impairment analysis, as prescribed by SFAS No. 142. To date, we have determined that goodwill is not impaired, but we could in the future determine that goodwill is impaired, which would result in a charge to earnings.

Results of Operations

The Company has three reportable business segments—SuperMachines, Power Electronic Systems, and AMSC Wires.

The SuperMachines business segment develops and commercializes electric motors, generators, and synchronous condensers based on HTS wire. Its primary focus for motors and generators is on ship propulsion.

The Power Electronic Systems business segment develops and sells power electronic converters and designs, manufactures and sells integrated systems based on those converters for power quality and reliability solutions and for wind farm applications.

The AMSC Wires business segment develops, manufactures and sells HTS wire, including intercompany sales of wire to SuperMachines. The focus of this segment’s current development, manufacturing and sales efforts is on HTS wire for power transmission cables, motors, generators, synchronous condensers and specialty electromagnets.

Revenues

Total consolidated revenues increased to $10,881,000 in the quarter ended September 30, 2005 from $9,533,000 for the same prior-year period, an increase of $1,348,000 or 14%. For the six months ended September 30, 2005, total revenues were $23,083,000, a 4% increase over the $22,183,000 of revenues recorded in the comparable period of the prior year.

Revenues	For the three months ended September 30, 2005	For the three months ended September 30, 2004	For the six months ended September 30, 2005	For the six months ended September 30, 2004
SuperMachines	$ 2,271,000	$ 3,553,000	$ 8,273,000	$ 10,939,000
Power Electronic Systems	4,730,000	2,917,000	8,002,000	4,847,000
AMSC Wires	3,880,000	3,063,000	6,808,000	6,397,000
Total	$ 10,881,000	$ 9,533,000	$ 23,083,000	$ 22,183,000

The $1,348,000 increase in consolidated revenues for the quarter ended September 30, 2005 was the result of increases of $1,813,000 in the Power Electronic Systems and $817,000 in the AMSC Wires business units, partially offset by a $1,282,000 decrease in revenues at SuperMachines.

Revenues in our SuperMachines business unit decreased to $2,271,000 for the quarter ended September 30, 2005 from $3,553,000 for the quarter ended September 30, 2004. Prototype development contract revenues relating to the U.S. Navy’s 36.5 Megawatt (MW) motor program were $2,064,000 in the quarter ended September 30, 2005 and $3,070,000 in the prior-year quarter. In each quarter ended September 30, 2005 and 2004, program revenues were constrained by a limitation on funding from the Navy, coinciding with the end of the U.S. government’s fiscal year. Due to this funding limitation, $3,630,000 of program costs incurred in excess of available funding were recorded as inventory as of September 30, 2005, compared to a lower inventoried amount of $3,091,000 at September 30, 2004. These program costs were inventoried as future funding sufficient to cover these deferred costs was deemed probable. The value of the work performed on the 36.5 MW motor program (including inventoried costs) for the quarter ended September 30, 2005 was lower than the value of the work performed in the same prior-year quarter as a result of the substantial completion of engineering design work and HTS coil fabrication in the last fiscal year. Incremental funding in excess of the inventoried cost is expected to be received from the Navy in the quarter ending December 31, 2005, enabling these inventoried costs to be recorded as costs of revenue (in conjunction with revenue recognition) in our third fiscal quarter. As work continues to progress on the 36.5 MW motor, the planned third-quarter receipt of this incremental funding from the Navy is expected to allow SuperMachines to record substantially higher revenues in the third quarter of fiscal 2006 compared to the second quarter, similar to fiscal 2005. If we are unable to obtain approval of the expected future funding, we would expense the deferred program costs, but we would expect to recover most if not all of these costs in accordance with the provisions of this cost-reimbursement contract.

Revenues in our Power Electronic Systems business unit increased to $4,730,000 for the quarter ended September 30, 2005 from $2,917,000 for the same prior-year quarter, primarily as a result of a higher level of D-VAR system sales to wind farm operators and utilities in the second quarter of fiscal 2006 compared to the second quarter of fiscal 2005.

Revenues in our AMSC Wires business unit, which consist of contract revenues and product sales from HTS wire sales and the DOE-sponsored project to install an HTS power cable in the transmission grid of the Long Island Power Authority (LIPA), increased to $3,880,000 for the quarter ended September 30, 2005 from $3,063,000 for the same prior-year quarter. The increase in AMSC Wires revenues in the second quarter of fiscal 2006, compared to the same prior-year quarter, was primarily attributable to an $824,000 increase in LIPA-related revenues as a result of the beginning of HTS wire deliveries for the project. LIPA project revenues increased to $2,318,000 from $1,494,000 in the same quarter of the prior year. Wire sales to other customers increased by $214,000 to $1,323,000 in the quarter ended September 30, 2005 as a result of higher HTS wire shipments, as compared to $1,109,000 in the second quarter of fiscal 2005. This increase was offset by a $221,000 decrease in AMSC Wires contract revenues, which were $239,000 in the second quarter of fiscal 2006, compared to $460,000 in the same prior-year quarter, as a result of a lower amount of work performed on a research project with the Defense Advanced Research Projects Agency (DARPA).

For the six-month period ended September 30, 2005, total consolidated revenues increased to $23,083,000 from $22,183,000 for the same prior-year period, an increase of $900,000 or 4%.

SuperMachines revenues decreased by $2,666,000 to $8,273,000 in the six-month period ended September 30, 2005 from $10,939,000 for the same period last year due to the same reasons noted above: the increase in the amount of inventoried costs on the 36.5 MW motor program in connection with the Navy limitation of funding as of September 30, 2005 and the lower level of work performed on the 36.5 MW motor program as a result of the substantial completion of engineering design work and HTS coil fabrication in the prior fiscal year.

This decline in SuperMachines revenues for the six months ended September 30, 2005, compared to the same prior-year period, was more than offset by revenue increases of approximately $3,155,000 and $411,000 at Power Electronic Systems and AMSC Wires, respectively.

Revenues in Power Electronic Systems increased to $8,002,000 for the six-month period ended September 30, 2005 from $4,847,000 for the same period of the prior year as a result of a higher level of D-VAR system shipments, primarily to wind farm operators and utilities in the United States and Canada.

AMSC Wires' revenues increased to $6,808,000 for the six-month period ended September 30, 2005 from $6,397,000 for the same prior-year period, due to an $823,000 increase in LIPA-related revenues and a $217,000 increase in contract revenues, partially offset by a $629,000 decrease in non-LIPA wire sales. LIPA project revenues increased to $3,700,000 in the six months ended September 30, 2005 from $2,877,000 in the same period of the prior year as a result of the beginning of HTS wire deliveries for the project. Wire sales to other customers decreased to $2,236,000 in the six months ended September 30, 2005 from $2,865,000 in the same prior-year period due primarily to a reduction in the average selling price for our HTS wire. Contract revenues increased to $872,000 in the six months ended September 30, 2005 compared to $655,000 in the same prior-year period as a result of the beginning of work on several new second-generation (2G) wire development contracts. Wire sales in the second half of fiscal 2006 are expected to decrease from wire sales of $2,236,000 in the first half, based on existing backlog. However, LIPA project revenues are expected to increase in the second half of fiscal 2006 compared to LIPA revenues of $3,700,000 in the first half, as wire deliveries to the program are completed and subcontractor cable fabrication work ramps up.

Cost-sharing funding

In addition to reported revenues, we also received funding of $179,000 for the quarter ended September 30, 2005 under U.S. government cost-sharing agreements with the U.S. Air Force and DOE, compared to $561,000 for the quarter ended September 30, 2004, a decrease of $382,000 or 68%. For the six months ended September 30, 2005, we received cost-sharing funding of $309,000, compared to $1,067,000 for the same period of the prior year. These declines in funding were due to the fiscal 2006 conclusion of a cost-sharing program with the Department of Commerce and a lower level of funding available on the Air Force program. All of our cost-sharing agreements provide funding in support of 2G wire development work being done in the AMSC Wires business unit. We anticipate that a portion of our funding in the future will continue to come from cost-sharing agreements as we continue to develop joint programs with government agencies. Backlog as of September 30, 2005 relating to cost-sharing agreements was at $1,069,000. As required by government contract accounting guidelines, funding from government cost-sharing agreements is recorded as an offset to research and development and selling, general and administrative expenses, rather than as revenue.

Costs and expenses

Total costs and expenses for the quarter ended September 30, 2005 were $18,077,000, compared to $13,768,000 for the same period last year. Total costs and expenses for the six-month period ended September 30, 2005 were $36,628,000, compared to $31,404,000 for the same period last year.

“Costs of revenue – product sales and prototype development contracts” increased by $2,422,000 to $11,466,000 for the three months ended September 30, 2005, compared to $9,044,000 for the same period of the prior year. This increase was the result of higher costs associated with the increased level of product sales in the AMSC Wires and Power Electronic Systems business units. This was partially offset by a decrease in costs of revenue related to the lower level of prototype development contract revenues in the SuperMachines business unit and the recording of approximately $3,630,000 of contract costs as inventory at September 30, 2005, compared to the recording of approximately $3,091,000 of contract costs as inventory at September 30, 2004. These inventoried costs at September 30, 2005 are expected to be recorded as costs of revenue in the third quarter of fiscal 2006.

"Costs of revenue – product sales and prototype development contracts" increased by $278,000 to $22,808,000 in the six-month period ended September 30, 2005 from $22,530,000 for the same period of the prior year in connection with the higher levels of revenue in AMSC Wires and Power Electronic Systems, partially offset by lower costs of revenue in SuperMachines.

"Costs of revenue – contract revenue" decreased by $265,000 to $248,000 for the three months ending September 30, 2005 from $513,000 for the same period of the prior year as a result of lower contract revenues. For the six months ended September 30, 2005, "Costs of revenue – contract revenue" increased by $204,000 to $901,000 from $697,000 for the same period of the prior year as a result of higher contract revenues for the six-month period ended September 30, 2005.

Research and development

A portion of our R&D expenditures related to externally funded development contracts has been classified as costs of revenue (rather than as R&D expenses). Additionally, a portion of R&D expenses was offset by cost-sharing funding. Our R&D expenditures are summarized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2005	2004	2005	2004
R&D expenses per Consolidated Statements of Operations	$ 3,764,000	$ 2,047,000	$ 7,159,000	$ 3,636,000
R&D expenditures classified as Costs of revenue	5,380,000	5,144,000	12,782,000	13,967,000
R&D expenditures offset by cost-sharing funding	94,000	337,000	176,000	658,000
Aggregated R&D expenses	$ 9,238,000	$ 7,528,000	$ 20,117,000	$ 18,261,000

R&D expenses (exclusive of amounts classified as costs of revenue and amounts offset by cost-sharing funding) increased to $3,764,000 and $7,159,000 in the three and six months ended September 30, 2005, respectively, from $2,047,000 and $3,636,000 for the same periods last year primarily as a result of two factors: a lower percentage of the R&D cost was offset by cost-sharing funding and a higher level of internally-funded R&D spending was incurred in AMSC Wires (primarily focused on 2G wire research), SuperMachines, and Power Electronic Systems. Aggregated R&D expenses, which include amounts classified as costs of revenue and amounts offset by cost-sharing funding, increased to $9,238,000 and $20,117,000 in the three and six months ended September 30, 2005, respectively, from $7,528,000 and $18,261,000 for the same periods of the prior year, due to the aforementioned higher levels of internal R&D

expenditures in all three business units, partially offset by a higher amount of 36.5 MW motor program-related R&D costs being recorded as inventory as of September 30, 2005 compared to September 30, 2004.

Selling, general, and administrative

A portion of the SG&A expenditures related to externally funded development contracts has been classified as costs of revenue (rather than as SG&A expenses). Additionally, a portion of SG&A expenses was offset by cost-sharing funding. Our SG&A expenditures are summarized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2005	2004	2005	2004
SG&A expenses per Consolidated Statements of Operations	$ 2,599,000	$ 2,164,000	$ 5,760,000	$ 4,541,000
SG&A expenditures classified as Costs of revenue	478,000	1,062,000	1,949,000	3,064,000
SG&A expenditures offset by cost-sharing funding	85,000	225,000	133,000	409,000
Aggregated SG&A expenses	$ 3,162,000	$ 3,451,000	$ 7,842,000	$ 8,014,000

SG&A expenses (exclusive of amounts classified as costs of revenue and amounts offset by cost-sharing funding) increased to $2,599,000 and $5,760,000 in the three and six months ended September 30, 2005, respectively, from $2,164,000 and $4,541,000 for the same periods last year primarily as a result of a lower percentage of the SG&A cost being offset by cost-sharing funding or classified as costs of revenue (due primarily to the lower level of work performed on the 36.5 MW motor program). Aggregated SG&A expenses, which include amounts classified as costs of revenue and amounts offset by cost-sharing funding, decreased to $3,162,000 and $7,842,000 for the three and six months ended September 30, 2005, respectively, from $3,451,000 and $8,014,000 for the same periods last year. The lower level of aggregated SG&A expenses in the three and six-month periods ended September 30, 2005, compared to the same prior-year periods, was primarily the result of a reduction in legal expenses in the second quarter of fiscal 2006 and the higher amount of 36.5 MW motor program-related SG&A costs being recorded as inventory as of September 30, 2005 compared to September 30, 2004.

We present Aggregated R&D and Aggregated SG&A expenses, which are non-GAAP measures, because we believe this presentation provides useful information on our aggregate R&D and SG&A spending and because R&D and SG&A expenses as reported on the Consolidated Statements of Operations have been and may in the future be subject to significant fluctuations solely as a result of changes in the level of externally funded contract development work, resulting in significant changes in the amount of the costs recorded as costs of revenue rather than as R&D and SG&A expenses, as discussed above.

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Operating loss

Operating loss	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Six Months Ended September 30, 2005	Six Months Ended September 30, 2004
SuperMachines	$ (389,000)	$ (82,000)	$ (485,000)	$ (378,000)
Power Electronic Systems	(195,000)	(473,000)	(1,245,000)	(1,822,000)
AMSC Wires	(6,144,000)	(3,101,000)	(10,858,000)	(5,990,000)
Unallocated corporate expense	(468,000)	(579,000)	(957,000)	(1,031,000)
Total	$ (7,196,000)	$ (4,235,000)	$ (13,545,000)	$ (9,221,000)

The operating loss at SuperMachines increased to $389,000 and $485,000 in the three and six months ended September 30, 2005, respectively, compared to $82,000 and $378,000 in the same prior-year periods, due to higher internally-funded R&D spending and lower earned fees on the 36.5 MW program as a result of subcontractor cost overruns reducing the fee percentage rate and in connection with the lower level of prototype development contract revenues recognized.

The operating loss at Power Electronic Systems decreased to $195,000 and $1,245,000 in the three and six months ended September 30, 2005, respectively, compared to $473,000 and $1,822,000 in the same prior-year periods, primarily as a result of higher gross margins in fiscal 2006 in connection with the increased level of product sales.

The operating loss at AMSC Wires increased to $6,144,000 and $10,858,000 in the three and six months ended September 30, 2005, respectively, compared to $3,101,000 and $5,990,000 in the same prior-year periods, as a result of several factors: higher 2G-related R&D spending, less manufacturing overhead absorption due to a lower level of HTS wire production beginning in the second quarter of fiscal 2006, and lower margins on both the wire deliveries to the LIPA cable program as well as on sales of wire to other customers due to the lower average selling price in fiscal 2006.

Non-operating expenses/Interest income

Interest income increased to $624,000 and $1,233,000 in the three and six months ended September 30, 2005, respectively, from $160,000 and $304,000 for the same periods of the prior year. This increase in interest income primarily reflects the higher cash balances available for investment as a result of our March 2005 public offering of 4,600,000 shares of common stock that generated net proceeds (after deducting underwriting discounts and commissions, but before deducting offering expenses) of $45,540,000.

Fees – abandoned debt financing were $0 for the three and six months ended September 30, 2005, compared to $0 and $35,000 for the three and six months ended September 30, 2004, respectively. The prior-year fees represented various legal fees and expenses incurred in connection with a debt financing transaction that we decided not to pursue in August 2003 in favor of a public equity offering, which we completed in October 2003.

Other income (expense), net was ($187,000) in the quarter ended September 30, 2005, consisting primarily of an additional expense incurred on the revaluation of the warrant issued in April 2005 to TM Capital Corp., a past financial advisor to us, related to a litigation settlement. The litigation settlement amount of $2,653,000, consisting of a $1,700,000 cash payment made in April 2005 and a $953,000 accrued liability relating to the warrant issued for 200,000 shares of our common stock, was accrued in the fourth quarter of fiscal 2005. The accrued warrant cost will continue to be classified as a current liability in accordance with Emerging Issues Task Force (EITF) Issue No. 00-19 until such time as the warrant is exercised, and will be marked to market based primarily on the current price and expected volatility of our common stock as of the end of each reporting period. The warrant was valued at $1,034,000 as of September 30, 2005 and $846,000 as of June 30, 2005, resulting in an expense of $188,000 in the quarter ended September 30, 2005 and an expense of $81,000 for the six-month period ended September 30, 2005, as compared to the March 31, 2005 warrant valuation of $953,000.

Based on our latest operating plan, we expect to continue to incur operating losses until at least the end of fiscal year 2007 as we continue to devote significant financial resources to our commercialization efforts and to our ongoing research and development activities.

Please refer to the “Future Operating Results” section below for a discussion of certain factors that may affect our future results of operations and financial condition.

Liquidity and Capital Resources

At September 30, 2005, we had cash, cash equivalents and short and long-term marketable securities of $74,521,000 compared to $87,581,000 at March 31, 2005, a decrease of $13,060,000.

	September 30, 2005	March 31, 2005
Cash and cash equivalents	$ 44,071,000	$ 38,592,000
Short-term marketable securities	27,932,000	40,629,000
Long-term marketable securities	2,518,000	8,360,000
Total cash, cash equivalents, and short and long-term marketable securities	$ 74,521,000	$ 87,581,000

The increase in cash and cash equivalents to $44,071,000 at September 30, 2005 from $38,592,000 at March 31, 2005 was primarily the result of the proceeds realized from the net sale of marketable securities and the reclassification of certain short-term marketable securities as cash and cash equivalents on the basis of their current maturities being three months or less as of September 30, 2005, partially offset by $12,603,000 of net cash used in operating activities.

The $13,060,000 decrease in the balance of cash, cash equivalents, and short and long-term marketable securities to $74,521,000 at September 30, 2005 from $87,581,000 at March 31, 2005 was primarily the result of net cash used in operating activities of $12,603,000, which included a $1,700,000 cash payment to TM Capital in April 2005 in connection with the settlement of the TM Capital litigation.

The principal uses of cash during the six months ended September 30, 2005 were net losses of $12,397,000 and a $3,566,000 increase in inventory, due to the inventoried cost on the 36.5 MW motor program, partially offset by depreciation and amortization of $3,931,000. Other uses of cash included the purchase of capital equipment of $788,000, mostly for our 2G pre-pilot production line. These uses of cash were partially offset by proceeds from the issuance of common stock of $741,000, derived primarily from the exercise of stock options.

Cash and cash equivalents at September 30, 2005 included a $750,000 letter of credit in favor of the landlord of the building we lease at Two Technology Drive, Westborough, Massachusetts, which was originally established to provide a guarantee of rent when we renewed the lease in 2001. The letter of credit amount was reduced from $1,000,000 as of March 31, 2005 to $750,000 on June 1, 2005 and will be reduced to $500,000 on June 1, 2007. The lease will expire in May 2009.

We have generated operating losses since our inception in 1987 and expect to continue incurring losses until at least the end of fiscal 2007. Operating losses for the fiscal years ended March 31, 2005, 2004 and 2003 contributed to net cash used by operating activities of $9,283,000, $17,422,000 and $39,605,000, respectively, for these periods. For the six months ended September 30, 2005, net cash used by operating activities was $12,603,000.

Although our cash requirements fluctuate based on a variety of factors, including customer adoption of our products and our research and development efforts to commercialize our products, we believe that our available cash will be sufficient to fund our working capital, capital expenditures, and other cash requirements through at least the end of fiscal 2008.

We have potential funding commitments (excluding amounts included in accounts receivable) of approximately $18,388,000 to be received after September 30, 2005 from government and commercial customers, compared to $34,206,000 at March 31, 2005. The $15,818,000 decrease in future funding commitments from March 31, 2005 to September 30, 2005 was associated mainly with the revenues recognized in the six months ended September 30, 2005 on the 36.5 MW motor program and LIPA cable project, as work continues to progress on these multi-year contracts, which were originally awarded in February and April of 2003, respectively. These current funding commitments, including $8,239,000 on U.S. government contracts, are subject to certain standard cancellation provisions. Additionally, several of our government contracts are being funded incrementally, and as such, are subject to the future authorization and appropriation of government funding on an annual basis. We have a history of successful performance under incrementally-funded contracts with the government.

Included in our current potential funding commitment amount is $3,260,000 relating to the U.S. Navy 36.5 MW motor contract, which represents the total base program value (excluding certain potential performance-based incentive fees) of $66,611,000, plus $634,000 of approved preliminary design and detailed design review incentive fees, less the $63,985,000 of revenue recognized for the program through September 30, 2005.

Of the current commitment amount of $18,388,000 as of September 30, 2005, approximately 79% is billable to and potentially collectable from our customers within the next 12 months.

The possibility exists that we may pursue acquisition and joint venture opportunities in the future that may affect liquidity and capital resource requirements.

To date, inflation and foreign exchange have not had a material impact on our financial results.

New Accounting Pronouncements

On December 16, 2004 the FASB issued its final standard on accounting for share-based payments, SFAS No. 123R (revised 2004), Share-Based Payment (SFAS 123R), that requires companies to expense the value of employee stock options and similar awards. SFAS 123R addresses the accounting for share-based payment transactions with employees, excluding employee stock ownership plans (ESOPs) and awards made in connection with business combinations. Examples include employee stock purchase plans (ESPPs), stock options, restricted stock, and stock appreciation rights. Under SFAS 123R, the most significant change in practice would be treating the fair value of stock-based payment awards that are within its scope as compensation expense in the income statement beginning on the date that a company grants the awards to employees. The expense would be recognized over the vesting period for each option tranche and adjusted for actual forfeitures that occur before vesting. In March 2005, the SEC issued Staff Accounting Bulletin (SAB) 107. SAB 107 expresses views of the SEC regarding the interaction between SFAS 123R and certain SEC rules and regulations and provides the SEC's views regarding the valuation of share-based payment arrangements for public companies. SFAS 123R and SAB 107 are effective for us in the period beginning April 1, 2006. We are currently assessing the impact the adoption of this standard will have on our financial position and results of operations. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to financial statement recognition. However, these pro forma disclosures provide an indication of what the effect of adopting SFAS 123R would have been on the historical periods presented.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs-an Amendment of ARB No. 43, Chapter 4." This accounting standard, which is effective for annual periods beginning after June 15, 2005, requires that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges. We do not expect the adoption of SFAS No. 151 to have a material effect on our financial position or results of operations.

In May 2005, FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces APB No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements," and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not anticipate that the adoption of SFAS No. 154 will have a material impact on our consolidated results of operations.

FUTURE OPERATING RESULTS

Various statements included herein, as well as other statements made from time to time by our representatives, which relate to future matters (including but not limited to statements concerning our future operating results or future commercial success) constitute forward looking statements and are made under the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. There are a number of important factors which could cause our actual results of operations and financial condition in the future to vary from that indicated in such forward looking statements. Factors that may cause such differences include, without limitation, the risks, uncertainties and other information set forth below.

We have a history of operating losses, and we expect to incur losses in the future.

We have been principally engaged in research and development activities. We have incurred net losses in each year since our inception. Our net loss for the six months ended September 30, 2005 was $12,397,000, and for the fiscal years ended March 31, 2005, March 31, 2004, and March 31, 2003 was $19,660,000, $26,733,000, and $87,633,000, respectively. Our accumulated deficit as of September 30, 2005 was $331,900,000. We expect to continue to incur operating losses until at least the end of fiscal 2007, and there can be no assurance that we will ever achieve profitability.

We had cash, cash equivalents and short and long-term marketable securities totaling $74,521,000 at September 30, 2005. We believe our available cash will be sufficient to fund our working capital, capital expenditures, and other cash requirements through at least the end of fiscal 2008. However, we may need additional funds if our performance deviates significantly from our current business plan, if there are significant changes in competitive or other market factors, or if unforeseen circumstances arise. Such funds may not be available, or may not be available under terms acceptable to us.

There are a number of technological challenges that must be successfully addressed before our superconductor products can gain widespread commercial acceptance, and our inability to address such technological challenges could adversely affect our ability to acquire customers for our products.

Many of our products are in the early stages of commercialization, while others are still under development. There are a number of technological challenges that we must successfully address to complete our development and commercialization efforts. We also believe that several years of further development in the cable and motor industries will be necessary before a substantial number of additional commercial applications for our HTS wire in these industries can be developed and proven. We will also need to improve the performance and/or reduce the cost of our HTS wire to expand the number of commercial applications for it. We may be unable to meet such technological challenges. Delays in development, as a result of technological challenges or other factors, may result in the introduction or commercial acceptance of our products later than anticipated.

The commercial uses of superconductor products are limited today, and a widespread commercial market for our products may not develop.

To date, there has been no widespread commercial use of HTS products. Commercial acceptance of low temperature superconductor (LTS) products, other than for medical magnetic resonance imaging and superconductor magnetic energy storage (SMES) products, has been significantly limited by the cooling requirements of LTS materials. Even if the technological hurdles currently limiting commercial uses of HTS and LTS products are overcome, it is uncertain whether a robust commercial market for those new and unproven products will ever develop. It is possible that the market demands we currently anticipate for our HTS and LTS products will not develop and that superconductor products will never achieve widespread commercial acceptance.

We have limited experience manufacturing our HTS products in commercial quantities, and failure to manufacture our HTS products in commercial quantities at acceptable cost and quality levels would impair our ability to meet customer delivery requirements.

To be financially successful, we will have to manufacture our products in commercial quantities at acceptable costs while also preserving the necessary performance and quality levels. We cannot make assurances that we will be successful in developing product designs and manufacturing processes that permit us to manufacture our HTS products in commercial quantities at acceptable costs while preserving the necessary performance and quality. In addition, we may incur significant unforeseen expenses in our product design and manufacturing efforts.

Achieving stable yields, production volume and acceptable costs in the commercial manufacturing of first generation (1G) HTS wire remains an ongoing challenge. 1G HTS wire manufacturing processes are complex and subtle and must be rigorously controlled and monitored for consistent yields and quality. The failure to manufacture a sufficient quantity of 1G HTS wire at acceptable quality levels would impair our ability to meet customer delivery commitments and adversely affect our financial performance.

We have never manufactured our 2G HTS wire in commercial quantities, and failure to manufacture our 2G HTS wire in commercial quantities at acceptable cost and quality levels would substantially limit our future revenue and profit potential.

We are in the early stages of developing our commercial-scale 2G HTS wire manufacturing processes, which, while very different from our 1G HTS wire manufacturing processes, are also extremely complex and challenging. We may not be able to manufacture satisfactory commercial quantities of 2G HTS wire of consistent quality, yield and cost. Failure to successfully scale up manufacturing of our 2G HTS wire would result in a significant limitation of the broad market acceptance of our HTS products and of our future revenue and profit potential.

We have limited experience in marketing and selling our products, and our failure to effectively market and sell our products could adversely affect our revenue and cash flow.

To date, we have limited experience marketing and selling our products, and there are few people who have significant experience marketing or selling superconductor products. Once our products are ready for widespread commercial use, we will have to develop a marketing and sales organization that will effectively demonstrate the advantages of our products over both more traditional products and competing superconductor products or other technologies. We may not be successful in our efforts to market this new technology, and we may not be able to establish an effective sales and distribution organization.

We may decide to enter into arrangements with third parties for the marketing or distribution of our products, including arrangements in which our products, such as HTS wire, are included as a component of a larger product, such as a motor. By entering into marketing and sales alliances, the financial benefits to us of commercializing our products are dependent on the efforts of others. We may not be able to enter into marketing or distribution arrangements with third parties on financially acceptable terms, and third parties may not be successful in selling our products or applications incorporating our products.

Many of our revenue opportunities are dependent upon subcontractors and other business partners.

Many of the revenue opportunities for our AMSC Wires business unit involve projects, such as the installation of HTS cables in power grids, on which we partner with other companies, including suppliers of cryogenic systems and manufacturers of electric power cables. In addition, a key element of our SuperMachines business strategy is the formation of business alliances with motor manufacturers and/or marine propulsion system integrators. As a result, most of our current and planned revenue-generating projects involve business partners on whose performance our revenue is dependent. If these business partners fail to deliver their products or perform their obligations on a timely basis, our revenue from the project may be delayed or decreased.

Our contracts with the U.S. government are subject to audit, modification or termination by the U.S. government, and the continued funding of such contracts remains subject to annual congressional appropriation which, if not approved, could adversely affect our results of operations and financial condition.

As a company which contracts with the U.S. government, we are subject to financial audits and other reviews by the U.S. government of our costs and performance, accounting and general business practices relating to these contracts. Based on the results of its audits, the U.S. government may adjust our contract-related costs and fees. No assurances can be given that adjustments arising from government audits and reviews would not have a material adverse effect on our results of operations.

All of our U.S. government contracts can be terminated by the U.S. government for its convenience. Termination for convenience provisions provide only for our recovery of costs incurred or committed, settlement expenses and profit on work completed prior to termination. In addition to the right of the U.S. government to terminate its contracts with us, U.S. government contracts are conditioned upon the continuing approval by Congress of the necessary spending to honor such contracts. Congress often appropriates funds for a program on a fiscal-year basis even though contract performance may take more than one year. Consequently, at the beginning of many major governmental programs, contracts often may not be fully funded, and additional monies are then committed to the contract only if, as and when appropriations are made by Congress for future fiscal years. There can be no assurance that our U.S. government contracts will not be terminated or suspended in the future. The U.S. government's termination of, or failure to fully fund, one or more of our contracts would have a negative impact on our operating results and financial condition. Further, in the event that any of our government contracts are terminated for cause, it could affect our ability to obtain future government contracts which could, in turn, seriously harm our ability to develop our technologies and products.

Our products face intense competition both from superconductor products developed by others and from traditional, non-superconductor products and alternative technologies, which could limit our ability to acquire or retain customers.

As we begin to market and sell our superconductor products, we will face intense competition both from competitors in the superconductor field and from vendors of traditional products and new technologies. There are many companies in the United States, Europe, Japan and China engaged in the development of HTS wire, including Sumitomo Electric Industries, Intermagnetics General, European Advanced Superconductors, Nexans, Trithor, Fujikura, Furukawa Electric, Showa, THEVA, and Innova Superconductor Technology. The superconductor industry is characterized by rapidly changing and advancing technology. Our future success will depend in large part upon our ability to keep pace with advancing HTS and LTS technology and developing industry standards. Our SMES products and integrated power electronic products, such as D-VAR , compete with a variety of other products such as dynamic voltage restorers (DVRs), static VAR compensators (SVCs), static compensators (STATCOMS), flywheels, power electronic converters and battery-based power supply systems. Competition for our PowerModules™ includes products from ABB, Alstom, Siemens, Mitsubishi Electric, Ecostar, Inverpower, SatCon, Semikron and Xantrex. The HTS motor and generator products that we are developing face competition from copper wire-based motors and generators, from permanent magnet motors that are being developed, and from companies developing HTS rotating machinery including Siemens, GE, Rockwell, Alstom, Ishikawajima-Harima Heavy Industries Co., and Doosan Heavy Industries & Construction. Research efforts and technological advances made by others in the superconductor field or in other areas with applications to the power quality and reliability markets may render our development efforts obsolete. Many of our competitors have substantially greater financial resources, research and development, manufacturing and marketing capabilities than we have. In addition, as the HTS wire, HTS electric motors and generators, and power electronic systems markets develop, other large industrial companies may enter those fields and compete with us. If we are unable to compete successfully, it may harm our business, which in turn may limit our ability to acquire or retain customers.

Third parties have or may acquire patents that cover the HTS materials we use or may use in the future to manufacture our products, and our success depends on our ability to license such patents or other proprietary rights.

We expect that some or all of the HTS materials and technologies we use in designing and manufacturing our products are or will become covered by patents issued to other parties, including our competitors. If that is the case, we will need either to acquire licenses to these patents or to successfully contest the validity of these patents. The owners of these patents may refuse to grant licenses to us, or may be willing to do so only on terms that we find commercially unreasonable. If we are unable to obtain these licenses, we may have to contest the validity or scope of those patents to avoid infringement claims by the owners of these patents. It is possible that we will not be successful in contesting the validity or scope of a patent, or that we will not prevail in a patent infringement claim brought against us. Even if we are successful in such a proceeding, we could incur substantial costs and diversion of management resources in prosecuting or defending such a proceeding.

Our patents may not provide meaningful protection for our technology, which could result in us losing some or all of our market position.

We own or have licensing rights under many patents and pending patent applications. However, the patents that we own or license may not provide us with meaningful protection of our technologies and may not prevent our competitors from using similar technologies, for a variety of reasons, such as:

- the patent applications that we or our licensors file may not result in patents being issued;
- any patents issued may be challenged by third parties; and
- others may independently develop similar technologies not protected by our patents or design around the patented aspects of any technologies we develop.

Moreover, we could incur substantial litigation costs in defending the validity of our own patents. We also rely on trade secrets and proprietary know-how to protect our intellectual property. However, our non-disclosure agreements and other safeguards may not provide meaningful protection for our trade secrets and other proprietary information. If the patents that we own or license or our trade secrets and proprietary know-how fail to protect our technologies, our market position may be adversely affected.

Our success is dependent upon attracting and retaining qualified personnel, and our inability to do so could significantly damage our business and prospects.

Our success will depend in large part upon our ability to attract and retain highly qualified research and development, management, manufacturing, marketing and sales personnel. Hiring those persons may be especially difficult due to the specialized nature of our business.

We may in the future acquire complementary businesses or technologies, which may require us to incur substantial costs for which we may never realize the anticipated benefits.

We may in the future acquire complementary businesses or technologies, although we currently have no commitments or agreements and are not involved in any negotiations with respect to any specific acquisitions. If we do pursue acquisitions, management's attention and resources may be diverted from other business concerns. An acquisition may also involve a significant purchase price and significant transaction-related expenses.

Achieving the benefits of any acquisition would involve additional risks, including:

- difficulty assimilating acquired operations, technologies and personnel;
- inability to retain management and other key personnel of the acquired business;
- changes in management or other key personnel that may harm relationships with the acquired business's customers and employees; and
- diversion of management attention as a result of the integration process.

If we do pursue acquisitions, we cannot ensure that we will realize any of the anticipated benefits of any acquisition, and if we fail to realize these anticipated benefits, our operating performance could suffer.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk through financial instruments, such as investments in marketable securities, is limited to interest rate risk and is not material. Our investments in short and long-term marketable securities consist primarily of corporate debt instruments and are designed, in order of priority, to preserve principal, provide liquidity, and maximize income. Interest rates are variable and fluctuate with current market conditions. We do not believe that a 10% change in interest rates would have a material impact on our financial position or results of operation.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2005. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of September 30, 2005, the Company's chief executive officer and chief financial officer concluded that, as of such date, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

The following matters were voted upon at the Company's Annual Meeting of Stockholders held on July 28, 2005:

Proposal	Votes For	Votes Withheld
1. Election of Directors		
Gregory J. Yurek	28,533,231	368,450
Albert J. Baciocco, Jr.	28,652,502	249,179
Vikram S. Budhraja	28,642,747	258,934
Peter O. Crisp	28,620,106	281,575
Richard Drouin	28,324,079	577,602
Andrew G. C. Sage, II	28,654,162	247,519
John B. Vander Sande	26,257,678	2,644,003

	Votes For	Votes Against	Abstentions	Broker Non-Votes
2. Ratification of independent auditors	28,718,404	123,592	59,685	0

Please see the Company's Proxy Statement filed with the Securities and Exchange Commission (SEC) on June 24, 2005 in connection with the Company's Annual Meeting of Stockholders held on July 28, 2005 for a description of the matters voted upon.

Item 5. Other Information

Not Applicable

Item 6. Exhibits

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated herein by this reference.

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SIGNATURES

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 thereunto duly authorized.

AMERICAN SUPERCONDUCTOR CORPORATION

November 9, 2005	/s/ *GREGORY J. YUREK*
Date	**Gregory J. Yurek** **Chairman of the Board,** **Chief Executive Officer, and President**
November 9, 2005	/s/ *KEVIN M. BISSON*
Date	**Kevin M. Bisson** **Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)**
November 9, 2005	/s/ *THOMAS M. ROSA*
Date	**Thomas M. Rosa** **Vice President of Finance and Accounting, and Secretary (Principal Accounting Officer)**

Exhibit Index

Exhibit No.	Description
31.1	Chief Executive Officer - Certification pursuant to Rule 13a-14(a) or Rule 15d- 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer - Certification pursuant to Rule 13a-14(a) or Rule 15d- 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer - Certification pursuant to Rule13a-14(b) or Rule 15d- 14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer - Certification pursuant to Rule 13a-14(b) or Rule 15d- 14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATIONS

I, Gregory J. Yurek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Superconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

/s/ GREGORY J. YUREK

Gregory J. Yurek
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Kevin M. Bisson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Superconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

/s/ KEVIN M. BISSON

Kevin M. Bisson
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of American Superconductor Corporation (the "Company") for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gregory J. Yurek, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory J. Yurek

Gregory J. Yurek

Chief Executive Officer

November 9, 2005

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of American Superconductor Corporation (the "Company") for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Kevin M. Bisson, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin M. Bisson

Kevin M. Bisson

Chief Financial Officer

November 9, 2005