

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: December 31, 1996

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 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 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

9,562,157

Class

Outstanding as of February 9, 1997

AMERICAN SUPERCONDUCTOR CORPORATION

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AMERICAN SUPERCONDUCTOR CORPORATION

CONSOLIDATED BALANCE SHEETS

	December 31, 1996 ----- (unaudited)	March 31, 1996 -----

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 754,919	\$ 4,104,703
Accounts receivable	3,729,344	1,485,628
Notes receivable	476,804	607,536
Inventory	780,694	779,428
Prepaid expenses and other current assets	288,186	226,179
	-----	-----
Total current assets	6,029,947	7,203,474
Property and equipment:		
Equipment	7,695,848	6,779,649
Furniture and fixtures	730,894	710,473
Leasehold improvements	1,717,041	1,663,806
	-----	-----
	10,143,783	9,153,928
Less: accumulated depreciation	(6,806,673)	(5,606,374)
	-----	-----
Property and equipment, net	3,337,110	3,547,554
Long-term marketable securities		
Licenses, net of amortization	16,373,775	22,257,898
Other assets	--	14,574
	4,246	4,898
	-----	-----
Total assets	\$25,745,078	\$33,028,398
	=====	=====
	December 31, 1996 ----- (unaudited)	March 31, 1996 -----

LIABILITIES AND STOCKHOLDERS - EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,134,634	\$ 1,283,558
Advance payments-related parties	48,445	--
Obligation under capital lease, current portion	--	4,478
	-----	-----
Total current liabilities	1,183,079	1,288,036
Obligation under capital lease, long term portion	--	8,995
Commitments	--	--
Stockholders - equity:		
Common stock (\$.01 par); 20,000,000 shares authorized and 9,562,157 and 9,487,277 issued and outstanding at December 31, 1996 and March 31, 1996, respectively	95,622	94,873
Additional paid-in capital	64,182,878	63,460,452
Deferred compensation	(25,480)	(50,960)
Deferred Contract Costs - Warrants	(577,169)	--
Unrealized gain (loss) on investments	(40,008)	(61,970)
Cumulative translation adjustment	(1,304)	4,602
Accumulated Deficit	(39,072,540)	(31,715,630)
	-----	-----
Total stockholders' equity	24,561,999	31,731,367

Total liabilities and stockholders' equity	\$ 25,745,078	\$ 33,028,398
	=====	=====

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

AMERICAN SUPERCONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	1996	1995	1996	1995
Revenues:				
Contract revenue	\$ 1,946,572	\$ 827,100	\$ 4,029,449	\$ 2,285,183
Prototypes and prototype development contracts	415,459	447,986	1,270,582	1,593,241
Total revenues	2,362,031	1,275,086	5,300,031	3,878,424
Costs and expenses:				
Costs of revenue	2,536,831	1,215,721	5,537,265	3,735,081
Research and development	1,549,887	1,921,997	6,061,260	4,853,286
Selling, general and administrative	251,004	956,714	1,966,921	2,837,195
Total costs and expenses	4,337,722	4,094,432	13,565,446	11,425,562
Interest income	276,648	397,500	932,892	1,227,994
Other income (expense), net	12,974	(30,778)	(24,387)	(47,818)
Net loss	\$ (1,686,069)	\$ (2,452,624)	\$ (7,356,910)	\$ (6,366,962)
Net loss per common share	(\$0.18)	(\$0.26)	(\$0.77)	(\$0.67)
Weighted average number of common shares outstanding	9,562,090	9,469,952	9,560,380	9,469,275

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

AMERICAN SUPERCONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended December 31,	
	1996	1995
	-----	-----
Operating activities:		
Net loss	\$ (7,356,910)	\$ (6,366,962)
Adjustments to reconcile net loss to net cash from operations:		
Depreciation and amortization	1,222,475	1,183,602
Stock compensation expense	25,480	29,664
Gain on disposal	(9,697)	--
Changes in operating asset and liability accounts:		
Accounts receivable	(2,243,716)	(510,202)
Notes receivable	130,732	74,081
Inventory	(1,266)	(109,879)
Prepaid expenses and other current assets	(62,007)	(83,506)
Accounts payable and accrued expenses	(148,924)	(51,132)
Advance payments - related parties	48,445	(605,851)
	-----	-----
Total adjustments	(1,038,478)	(73,223)
	-----	-----
Net cash used by operating activities	(8,395,388)	(6,440,185)
	-----	-----
Investing activities:		
Purchase of property and equipment, net	(1,004,627)	(945,260)
(Purchase) sale of long-term marketable securities, net	5,906,085	6,594,947
Increase in license fees and other assets	652	30,177
Payments under capital lease	(2,512)	(3,002)
	-----	-----
Net cash provided by investing activities	4,899,598	5,676,862
	-----	-----
Financing activities:		
Net proceeds from issuance of stock and warrants	146,006	18,378
	-----	-----
Net cash provided by financing activities	146,006	18,378
	-----	-----
Net (decrease) in cash and cash equivalents	(3,349,784)	(744,945)
	-----	-----
Cash and cash equivalents at beginning of period	4,104,703	1,467,284
	-----	-----
Cash and cash equivalents at end of period	\$ 754,919	\$ 722,339
	=====	=====

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

AMERICAN SUPERCONDUCTOR CORPORATION

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS:

American Superconductor Corporation (the "Company") was formed on April 9, 1987 to develop and commercialize high temperature superconductor ("HTS") wire, wire products and systems, which include multistrand conductors, electromagnetic coils, cryogenic integrated systems and power semiconductors. The Company operates in one business segment.

The Company is engaged in conducting research, developing prototypes for commercial applications and conducting sales and marketing activities. The Company derives a substantial portion of its revenue from research and development contracts. A significant portion of this contract revenue has related to development contracts with two stockholders, Inco Alloys International, Inc. ("Inco") and Pirelli Cavi S.p.A. The Company has made significant progress in developing prototypes. As the Company is moving towards commercialization of the technology, the Company has elected not to report its financial statements as a development stage enterprise.

2. BASIS OF PRESENTATION:

The accompanying consolidated financial statements are unaudited, except for those dated as of March 31, 1996, and have been prepared in accordance with generally accepted accounting principles. Certain information and footnote disclosures normally included in the Company's annual consolidated financial statements have been condensed or omitted. The interim consolidated financial statements, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for the interim periods ended December 31, 1996 and 1995 and the financial position at December 31, 1996.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year. It is suggested that these interim consolidated financial statements be read in conjunction with the audited consolidated financial statements for the year ended March 31, 1996 which are contained in the Company's Annual Report on Form 10-K for the year ended March 31, 1996.

AMERICAN SUPERCONDUCTOR CORPORATION

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Included in "Costs of Revenue" are research and development expenses of approximately \$1,756,000 and \$825,000 for the three months ended December 31, 1996 and 1995, respectively, and \$3,931,000 and \$2,709,000 for the nine months ended December 31, 1996 and 1995, respectively.

3. DEFERRED CONTRACT COSTS-WARRANTS:

In March of 1996, the Company entered into a new strategic alliance with the Electric Power Research Institute (EPRI). Under this agreement a warrant for 100,000 shares of common stock of the Company was granted to EPRI, which will become exercisable over the five year period through March 2001. In connection with the issuance of this warrant, the Company recorded an increase to additional paid-in capital and a corresponding charge to Deferred Contract Costs of approximately \$637,000 in the first quarter ended June 30, 1996. This amount will be expensed over five years. Warrant expense related to this transaction was approximately \$20,000 for the three months ended December 31, 1996 and \$ 60,000 for the nine months ended December 31, 1996.

4. NET LOSS PER COMMON SHARE:

Net loss per common share is computed based upon the weighted average number of common shares outstanding.

5. COST-SHARING AGREEMENTS:

For the nine months ended December 31, 1996 the Company received funding of \$1,346,000 under Government cost-sharing agreements with Oak Ridge National Laboratory and the U.S. Department of Energy. This funding was used to directly offset research and development and selling, general and administrative expenses and to purchase capital equipment.

AMERICAN SUPERCONDUCTOR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATION FOR THE
THREE AND NINE MONTHS ENDED
DECEMBER 31, 1996 AND DECEMBER 31, 1995

Results of Operations

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Revenues during the three months ended December 31, 1996 were \$2,362,000 compared to \$1,275,000 for the same period in 1995. For the nine months ended December 31, 1996, revenues were \$5,300,000 as compared to \$3,878,000 for the comparable period in 1995. Revenues for the three and nine month periods ended December 31, 1996 were favorably affected by an increase in work performed under the Company's collaborative research agreement with Pirelli Cavi S.p.A. This increase was partially offset by a decrease in revenues from prototype sales. For the nine months ended December 31, 1995, prototype sales included revenues from a cable wire prototype which was completed during the fiscal year ended March 31, 1996. The Company expects that the prototype revenues in future quarters will fluctuate on a quarter to quarter basis.

Inco Alloys International, Inc., one of American Superconductor's materials development partners, has decided to discontinue its participation in a joint research and development program focused on metallic precursor wire technology. Effective December 31, 1996 Inco Alloys discontinued its \$1,100,000 annual funding of this program. The Company may continue to develop the metallic precursor technology which the joint program focused on.

For the third quarter and nine months ended December 31, 1996, the Company also recorded funding of \$469,000 and \$1,346,000, respectively, under several government cost-sharing agreements. Year to date funding includes \$146,000 related to work performed last fiscal year under the U.S. Department of Energy's Superconductivity Partnership Initiative contract with Reliance Electric, a Rockwell Automation business. Funding under cost-sharing agreements for the third quarter and nine months ended December 31, 1995 was \$128,000 and \$938,000, respectively. The Company anticipates that a portion of its funding in the future will continue to come from cost-sharing agreements as the Company continues to develop joint programs with government agencies. Funding from cost-sharing agreements was used to offset research and development and selling, general and administrative expenses and to purchase capital equipment. In accordance with government contract accounting guidelines, funding received under cost-sharing agreements is not included in the Company's reported revenues.

For the third quarter ended December 31, 1996 costs of revenue increased to \$2,537,000 from \$1,216,000 for the same period a year earlier. Year-to-date costs of revenue were \$5,537,000 compared to \$3,735,000 for the same period last year. These increases primarily reflect an increase in costs associated with the increase in corporate research and development contract revenues, partially offset by a decrease in costs associated with prototype revenues. Costs of revenue exceeded total revenues for the three and nine months ended December 31, 1996 due to certain prototype costs exceeding their associated revenue.

AMERICAN SUPERCONDUCTOR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATION FOR THE
THREE AND NINE MONTHS ENDED
DECEMBER 31, 1996 AND DECEMBER 31, 1995

Research and development expenses decreased to \$1,550,000 during the third quarter from \$1,922,000 in the third quarter of the prior year. The Company continued to scale up its internal research and development activities. However this increase was more than offset by certain research and development expenses related to externally funded development contracts which have been classified as costs of revenue (rather than as research and development expenses). For the first nine months of fiscal year 1997, research and development expenses were \$6,061,000 compared to \$4,853,000 for the same period last year. This increase was primarily due to the continued scale-up of the Company's internal research and development activities including the hiring of additional personnel, the purchase of materials and equipment and increases in patent processing and licensing costs. This increase was partially offset by a portion of research and development expenditures related to externally funded development contracts which has been classified as costs of revenue (rather than as research and development expenses). Research and development expenditures included as costs of revenue for the three and nine months periods ended December 31, 1996 were \$1,756,000 and \$3,931,000, respectively. For the three and nine month periods ended December 31, 1995, these costs were \$825,000 and \$2,709,000, respectively.

Selling, general and administrative expenses for the quarter ended December 31, 1996 were \$251,000 compared to \$957,000 for the same period the prior year. On a year-to-date basis, selling, general and administrative expenses were \$1,967,000 compared to \$2,837,000 for the same period a year earlier. These decreases were primarily a result of certain selling, general and administrative expenditures related to an increased level of externally funded development contracts which have been classified as costs of revenue (rather than as selling, general and administrative expenses) and certain selling, general and administrative expenses that were offset by funding received under cost-sharing agreements. Such indirect costs included in costs of revenue during the three and nine month periods ended December 31, 1996, were \$781,000 and \$1,606,000, respectively. For the three and nine month periods ended December 31, 1995, these costs were \$391,000 and \$1,026,000, respectively.

The Company's total operating expenses for the three months ended December 31, 1996 were \$4,338,000 compared to \$4,094,000 for the same period last year. Operating expenses for the first nine months of the current fiscal year were \$13,565,000 compared to \$11,426,000 for the comparable period last year.

Interest income was \$277,000 in the third quarter compared to \$398,000 for the same period in the previous year. For the nine month periods ended December 31, 1996 and December 31, 1995, interest income was \$933,000 and \$1,228,000, respectively. This decrease primarily reflects lower cash balances available for investment as a result of cash being used to fund the Company's operations and to purchase property and equipment.

AMERICAN SUPERCONDUCTOR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATION FOR THE
THREE AND NINE MONTHS ENDED
DECEMBER 31, 1996 AND DECEMBER 31, 1995

The Company expects to continue to incur operating losses for at least the next few years, as it continues to devote significant financial resources to its research, development and scale-up activities.

The Company expects to be party to agreements which, from time to time, may result in costs incurred exceeding expected revenues under such contracts. The Company may enter into such agreements for a variety of reasons including, but not limited to, entering new product application areas, furthering the development of key technologies, and advancing the demonstration of commercial prototypes in critical market applications.

Please refer to the "Future Operating Results" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1996 for a discussion of certain factors that may affect the Company's future results of operation and financial condition.

Liquidity and Capital Resources

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At December 31, 1996 the Company had cash, cash equivalents and long-term marketable securities of \$17,129,000 compared to \$26,363,000 at March 31, 1996. This decrease was primarily due to the use of \$8,395,000 to fund the Company's operations during this period. An additional \$1,005,000 was used to acquire capital equipment, primarily for research and development and manufacturing.

The Company believes that several years of further development will be necessary before HTS wires are available for any significant commercial applications. Management believes that revenues from funded development contracts and the sale of prototypes and its cash, cash equivalents and long-term marketable securities and interest thereon should provide adequate funding to meet the Company's cash requirements for its planned operations for approximately two years.

To date, inflation has not had a material impact on the Company's financial results.

AMERICAN SUPERCONDUCTOR CORPORATION

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibit 27.1 Financial Data Schedule

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN SUPERCONDUCTOR CORPORATION

February 13, 1997

Date

/s/ Ramesh L. Ratan

Ramesh L. Ratan
Executive Vice President of
Corporate Development and
Chief Financial Officer
(Principal Financial and Accounting Officer)

5
 1,000
 U.S. DOLLARS

3-MOS	9-MOS	3-MOS	9-MOS
MAR-31-1997		MAR-31-1997	
OCT-01-1996		APR-01-1996	
DEC-31-1996		DEC-31-1996	
1		1	
	755		755
16,374		16,374	
3,729		3,729	
0		0	
781		781	
6,030		6,030	
	10,144		10,144
6,807		6,807	
25,745		25,745	
1,183		1,183	
	0		0
0		0	
	0		0
	96		96
	24,466		24,466
25,745			
	25,745		
	415		1,271
2,362		5,300	
	590		1,558
2,537		5,537	
1,801		8,028	
0		0	
0		0	
(1,686)		(7,357)	
	0		0
(1,686)		(7,357)	
	0		0
	0		0
	0		0
	0		0
(1,686)		(7,357)	
(.18)		(.77)	
(.18)		(.77)	

Securities - Long Term Marketable Securities