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, 2002 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 X 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	21,184,170
Class	Outstanding as of November 12, 2002

AMERICAN SUPERCONDUCTOR CORPORATION

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Part I. Financial Information

Item 1. Financial Statements

AMERICAN SUPERCONDUCTOR CORPORATION
Consolidated Balance Sheets

	September 30, 2002	March 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$10,877,070	$37,170,927
Accounts receivable	7,301,107	7,583,505
Inventory	13,159,244	13,212,831
Prepaid expenses and other current assets	857,691	708,079
Total current assets	32,195,112	58,675,342
Property, plant and equipment:		
Land	4,044,611	4,244,611
Construction in progress - building and equipment	22,452,153	79,685,813
Building	51,157,910	---
Equipment	37,294,380	24,939,124
Furniture and fixtures	3,835,452	3,833,016
Leasehold improvements	6,243,110	6,226,267
	125,027,616	118,928,831
Less: accumulated depreciation	(24,090,033)	(21,209,230)
Property, plant and equipment, net	100,937,583	97,719,601
Long-term marketable securities	24,154,190	31,028,683
Long-term inventory	3,787,000	3,787,000
Goodwill	1,107,735	1,107,735
Other assets	5,406,224	5,476,563
Total assets	$167,587,844	$197,794,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$11,752,406	$20,784,931
Deferred revenue	222,815	1,056,806
Total current liabilities	11,975,221	21,841,737
Long-term deferred revenue	3,787,000	3,787,000
Commitments		
Stockholders' equity:		
Common stock, $.01 par value Authorized shares-50,000,000; issued and outstanding - 20,588,234 and 20,497,514 at September 30, 2002 and March 31, 2002, respectively	205,882	204,975
Additional paid-in capital	358,602,772	357,781,718
Deferred compensation	(442,483)	(318,199)
Deferred contract costs	(48,969)	(121,167)
Accumulated other comprehensive income	36,868	95,641
Accumulated deficit	(206,528,447)	(185,476,781)
Total stockholders' equity	151,825,623	172,166,187
Total liabilities and stockholders' equity	$167,587,844	$197,794,924

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

AMERICAN SUPERCONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Six Months Ended September 30, 2002	Six Months Ended September 30, 2001
Revenues:				
Contract revenue	$158,252	$704,671	$289,377	$1,294,100
Product sales and prototype development contracts	4,321,303	2,552,028	7,050,151	3,621,408
Total revenues	4,479,555	3,256,699	7,339,528	4,915,508
Costs and expenses:				
Costs of revenue-contract revenue	209,697	696,940	337,815	1,282,835
Costs of revenue-product sales and prototype development contracts	5,869,878	2,682,453	10,100,700	4,378,135
Research and development	5,609,542	6,724,289	11,826,877	13,459,124
Selling, general and administrative	3,292,129	3,626,385	6,756,052	7,340,948
Total costs and expenses	14,981,246	13,730,067	29,021,444	26,461,042
Operating loss	(10,501,691)	(10,473,368)	(21,681,916)	(21,545,534)
Interest income	255,415	1,356,146	626,221	3,173,072
Other income (expense), net	23,849	1,008	4,029	211,930
Net loss	$(10,222,427)	$(9,116,214)	$(21,051,666)	$(18,160,532)
Net loss per common share Basic and Diluted	$(0.50)	$(0.45)	$(1.02)	$(0.89)
Weighted average number of common shares outstanding Basic and Diluted	20,571,386	20,375,836	20,553,379	20,353,930

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

AMERICAN SUPERCONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended September 30,		Six Months Ended September 30,	
	2002	2001	2002	2001
Net loss	$(10,222,427)	$(9,116,214)	$(21,051,666)	$(18,160,532)
Other comprehensive income (loss)				
Foreign currency translation	(1,303)	14,388	18,524	13,041
Unrealized gain (loss) on investments	(75,609)	60,520	(77,297)	(176,614)
Other comprehensive income (loss)	(76,912)	74,908	(58,773)	(163,573)
Comprehensive loss	$(10,299,339)	$(9,041,306)	$(21,110,439)	$(18,324,105)

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

AMERICAN SUPERCONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended September 30, 2002	Six Months Ended September 30, 2001
Cash flows from operating activities:		
Net loss	$(21,051,666)	$(18,160,532)
Adjustments to reconcile net loss to net cash used by operations:		
Depreciation and amortization	3,369,450	2,479,210
Deferred compensation expense	69,156	53,034
Deferred warrant costs	98,842	137,452
Stock compensation expense	7,189	11,843
Changes in operating asset and liability accounts :		
Accounts receivable	282,398	3,185,772
Inventory	53,587	(3,722,780)
Prepaid expenses and other current assets	(131,088)	3,813
Accounts payable and accrued expenses	(9,032,525)	213,238
Deferred revenue - current and long-term	(833,991)	243,452
Net cash used by operating activities	(27,168,648)	(15,555,498)
Cash flows from investing activities:		
Purchase of property and equipment	(6,098,785)	(38,042,752)
Purchase of long-term marketable securities	(770,000)	---
Sale of long-term marketable securities	7,567,196	26,272,888
Increase in other assets	(418,308)	(736,540)
Net cash (used in) provided by investing activities	280,103	(12,506,404)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	594,688	696,012
Net cash provided by financing activities	594,688	696,012
Net decrease in cash and cash equivalents	(26,293,857)	(27,365,890)
Cash and cash equivalents at beginning of period	37,170,927	89,063,299
Cash and cash equivalents at end of period	$10,877,070	$61,697,409
Supplemental schedule of cash flow information:		
Noncash issuance of common stock	$ 421,845	$ 64,877

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business:

American Superconductor Corporation (the "Company"), which was formed on April 9, 1987, is a world leader in developing and manufacturing products using superconducting materials and power electronic converters for electric power applications. The focus of the Company's development and commercialization efforts is on electrical equipment for electric utilities, transmission grid operators, industrial and commercial users of electrical power, and commercial and military ships. For large-scale applications, the Company's development efforts are focused on high temperature superconductor ("HTS") wire for use in power transmission cables, motors, and generators. The Company is also developing and commercializing electric motors and generators based on its HTS wire. For power quality and reliability applications, the Company is focused on proprietary power electronic converters that rapidly switch, control and modulate power. The Company also designs, manufactures, and sells systems based on those power electronic converters for power quality and reliability solutions. The Company operates in three business segments - HTS Wire, Electric Motors and Generators, and Power Electronic Systems.

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 $158,252 and $704,671 for the three months ended September 30, 2002 and 2001, respectively. For the six months ended September 30, 2002 and 2001, contract revenue was $289,377 and $1,294,100, respectively. In addition, the Company recorded prototype development contract revenues on U.S. Navy contracts of $2,044,730 and $975,031, which are included under "Revenues - Product sales and prototype development contracts", in the three months ended September 30, 2002, and 2001, respectively. For the six months ended September 30, 2002 and 2001, prototype development contract revenue on U.S. Navy contracts was $4,316,341 and $1,838,738, respectively.

Costs of revenue include research and development and selling, general and administrative expenses that are incurred in the performance of these development contracts.

Research and development and selling, general and administrative expenses included as costs of revenue were as follows:

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Six Months Ended September 30, 2002	Six Months Ended September 30, 2001
Research and development expenses	$2,441,988	$1,689,252	$4,529,735	$2,913,159
Selling, general and administrative expenses	$342,791	$448,070	$651,536	$887,871

2. Basis of Presentation:

The accompanying consolidated financial statements have been 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 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 September 30, 2002 and 2001 and the financial position at September 30, 2002.

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, 2002 which are contained in the Company's Annual Report on Form 10-K covering the year ended March 31, 2002.

Effective April 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," and ceased amortizing the goodwill recorded as a result of the acquisition of substantially all of the assets of Integrated Electronics, LLC ("IE") on June 1, 2000. The Company reviews its goodwill and other long-term assets at least annually or when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. If the carrying amount of the net tangible and intangible assets in a given reporting unit exceed the reporting unit's fair value, a detailed impairment loss analysis would be performed to calculate the amount of impairment, if any, as prescribed by SFAS 142.

Certain prior year amounts have been reclassified to be consistent with the current year presentation.

3. Net Loss Per Common Share:

The Company follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" which requires presentation of basic earnings per share ("EPS") and, for companies with complex capital structures, diluted EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS includes dilution and is computed using the weighted average number of common shares and dilutive common equivalent shares outstanding during the period. Common equivalent shares include the dilutive effect of stock options and warrants. For the three months ended September 30, 2002 and 2001, common equivalent shares of 4,969,150 and 2,622,421 were not included in the calculation of diluted EPS as their effect was antidilutive. For the six months ended September 30, 2002 and 2001, common equivalent shares of 4,865,047 and 2,819,430 were not included for the calculation of diluted EPS as their effect was antidilutive.

4. Accounts Receivable:

Accounts receivable at September 30, 2002 and March 31, 2002 consisted of the following:

	September 30, 2002	March 31, 2002
Accounts Receivable (billed)	$ 3,199,742	$ 3,076,361
Accounts Receivable (unbilled)	4,221,753	4,549,144
Less: Allowance for Doubtful Accounts	(120,388)	(42,000)
Net Accounts Receivable	$ 7,301,107	$ 7,583,505

5. Inventories:

Inventories at September 30, 2002 and March 31, 2002 consisted of the following:

	September 30, 2002	March 31, 2002
Raw materials	$ 2,326,849	$ 1,545,327
Work-in-progress	9,422,144	10,046,359
Finished goods	1,410,251	1,621,145
	$13,159,244	$13,212,831

6. Long-term Inventory and Deferred Revenue:

Long-term inventory of $3,787,000 represents SMES units that have been ordered and delivered to one of our customers, Wisconsin Public Service Corporation ("WPS"). As the sale of these units is subject to certain return and buyback provisions which expire from 2002 to 2009, the Company has deferred recognition of the revenue related to this sale until the buyback provisions lapse. Long-term deferred revenue of $3,787,000 represents the payment received related to this transaction.

The buyback provisions, which are subject to a minimum 6-month written notice requirement, begin to lapse on December 31, 2002, until which time WPS has the right to return all the units for the full purchase price of $3,787,000. On December 31 of each year after 2002, WPS has the right, subject to a minimum 6-month notice requirement, to sell the units back to the Company at a reduced price. Between January 1, 2003 and the next annual buyback date of December 31, 2003, the repurchase price for the units will be $3,250,000 and that price is further reduced by approximately 12% per year through December 31, 2009.

The Company will record $537,000 of revenue and an equal amount of cost of revenue in the quarter ending December 31, 2002, as the buyback price transitions from $3,787,000 to $3,250,000. The Company will also record a $537,000 reduction in long-term inventory and long-term deferred revenue at that time.

WPS has not advised of their intention to sell these units back to the Company on December 31, 2002 and the Company does not expect the return of these units, which are installed on WPS's Northern Transmission Loop.

7. Cost-Sharing Agreements:

The Company received funding under a government cost-sharing agreement of $153,647 and $200,023 for the three months ended September 30, 2002 and 2001, respectively. For the six months ended September 30, 2002 and 2001, government cost sharing funding was $256,968 and $319,242, respectively. This funding was used to directly offset research and development and selling, general and administrative expenses.

8. Restructuring and other charges:

In the fourth quarter of fiscal 2002, the Company announced two events which resulted in a combined fiscal 2002 charge of $13.9 million.

In March 2002, the Company announced a series of restructuring, consolidation and cost-cutting measures to create a more streamlined and flatter organization aimed at reducing the cost structure of the Company as it drives to commercialize its technologies and products. The Company incurred an aggregate charge of $9.9 million of restructuring and other charges, of which $3.5 million was inventory-related and was classified as "Costs of revenue - product sales and prototype development contracts" and $0.7 million was related to an allowance for doubtful accounts reserve and was classified as "Selling, general, and administrative" expense. The remaining $5.7 million was shown as "Restructuring costs" on the fiscal 2002 Consolidated Statements of Operations.

In addition, the Company announced an agreement with Pirelli in February 2002 in which the Company acquired the right to sell its HTS wire to other cable manufacturers in addition to Pirelli at a cost of $4.0 million.

The restructuring charges and other charges recorded in the fourth quarter of fiscal 2002 and their corresponding September 30, 2002 status are summarized below:

	Total Restructuring & other charges	Cash Payments	Other Adjustments	Balance as of September 30, 2002
Workforce Reduction	$ 1,548,897	$1,407,588	---	$ 141,309
Consolidation of facilities, fixed asset write-offs, & other charges	4,117,161	250,441	$2,881,476	985,244
Inventory Write-down	3,464,275	---	1,881,813	1,582,462
Allowance for Doubtful Accounts	727,028	---	727,028	---
Pirelli License	4,009,890	2,289,390	1,720,500	---
	$13,867,251	$3,947,419	$7,210,817	$2,709,015

The Company currently anticipates payments for the restructuring activities and other charges to be completed within fiscal 2003 except for certain long-term contractual obligations. Of the remaining balance of $2,709,015, $1,126,553 is expected to be paid out in cash.

9. Business Segment Information:

The Company has three reportable business segments as defined by SFAS 131--HTS Wire, Electric Motors and Generators, and Power Electronic Systems.

The HTS Wire business segment develops and sells HTS wire. The focus of this segment's current development, manufacturing and sales efforts is on HTS wire for power transmission cables, motors and generators.

The Electric Motors and Generators business segment is developing and commercializing electric motors and generators based on HTS wire. Its primary focus is on ship propulsion motors and generators.

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.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2002	2001	2002	2001
Revenues				
HTS Wire	$ 374,354	$1,207,598	$ 591,987	$1,970,513
Electric Motors and Generators	1,604,295	975,031	3,140,144	1,838,738
Power Electronic Systems	2,500,906	1,074,070	3,607,397	1,106,257
Total	$4,479,555	$3,256,699	$7,339,528	$4,915,508

	Three Months Ended September 30,		Six Months Ended September 30,	
	2002	2001	2002	2001
Operating Loss				
HTS Wire	$ (6,705,307)	$ (4,998,601)	$(13,685,285)	(10,117,303)
Electric Motors and Generators	(1,950,279)	(1,962,821)	(3,713,000)	(3,961,633)
Power Electronic Systems	(1,380,787)	(2,888,797)	(3,488,793)	(6,461,357)
Unallocated Corporate Expenses	(465,318)	(623,149)	(794,838)	(1,005,241)
Total	$(10,501,691)	$(10,473,368)	$(21,681,916)	$(21,545,534)

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

	September 30, 2002	March 31, 2002
HTS Wire	$105,442,739	$102,010,166
Electric Motors and Generators	4,397,661	6,424,532
Power Electronic Systems	22,716,184	21,160,616
Corporate cash and marketable securities	35,031,260	68,199,610
Total	$167,587,844	$197,794,924

The accounting policies of the business segments are the same as those for the consolidated company, except that certain corporate expenses which we do not believe are specifically attributable or allocable to any of the three business segments have been excluded from the segment operating losses.

10. New Accounting Pronouncements:

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long Lived Assets to Be Disposed of." SFAS 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business". SFAS 144 became effective for financial statements issued for fiscal years beginning after December 15, 2001, and thus became effective for the Company on April 1, 2002. The adoption of SFAS 144 had no impact on the Company's financial statements and related disclosures.

In November 2001, the Emerging Issues Task Force (EITF), a committee of the FASB, reached a consensus on EITF Issue 01-9, Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products ("EITF 01-9"). EITF 01-9 presumes that consideration, including equity instruments, from a vendor to a customer or reseller of the vendor's products is a reduction of the selling prices of the vendor's products and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement and could lead to negative revenue under certain circumstances. Revenue reduction is required unless consideration relates to a separate identifiable benefit and the benefit's fair value can be established. EITF 01-9 was applicable for the Company as of April 1, 2002. The adoption of EITF Issue 01-9 had no impact on the Company's financial statements and related disclosures.

During January 2002, the EITF reached consensus on EITF Issue 01-14, Income Statement Characterization of Reimbursements Received for `Out-of-Pocket' Expenses Incurred ("EITF 01-14"). The EITF concluded in EITF 01-14 that reimbursements received for out-of-pocket expenses incurred should be characterized as revenue in the income statement with the offsetting costs recorded as costs of revenue. Out-of-pocket expenses generally include, but are not limited to, expenses related to airfare, mileage, hotel stays, out-of-town meals, photocopies, and telecommunications and facsimile charges. EITF 01-14 was applicable for the Company as of April 1, 2002. The adoption of EITF 01-14 had no impact on the Company's financial statements and related disclosures.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. EITF 94-3 allowed for an exit cost liability to be recognized at the date of an entity's commitment to an exit plan. SFAS 146 also requires that liabilities recorded in connection with exit plans be initially measured at fair value. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early adoption encouraged. The Company does not expect the adoption of SFAS 146 to have a material impact on its financial position or results of operations.

11. Subsequent Events:

On October 31, 2002, the Company acquired substantially all of the assets of Nordic Superconductor Technologies A/S (NST), a subsidiary of Denmark's NKT Holding A/S. The Company did not assume any debt or other liabilities in the transaction. NST had developed and marketed HTS wire to customers in Europe, Asia, and North America. Under the terms of the agreement, NKT received 546,000 shares of the Company's Common Stock valued at approximately $2,100,000. NKT has agreed to hold these shares for at least two years.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

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 superconductor magnetic energy storage ("SMES") systems and ship propulsion motors, which we sell or plan to sell to end users.

Critical Accounting Policies

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. On an on-going basis, we evaluate our estimates, including those related to long-term production and research and development contracts, accounts receivable reserve requirements, inventories, investments, intangible assets, income taxes and potential warranty obligations. We base our estimates on historical experiences 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;
- Long-term inventory and deferred revenue;
- Allowance for doubtful accounts;
- Valuation of long-lived assets;
- Inventory accounting;
- Deferred tax assets; and
- Acquisition accounting.

Revenue recognition. For certain arrangements, such as contracts to perform research and development and prototype development contracts, we record revenues using the percentage of completion method, measured by the relationship of costs incurred to total estimated contract costs. We follow this method since reasonably dependable estimates of the revenue and costs applicable to various stages of a contract can be made. 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 performance in prior periods 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.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

We recognize revenue from product sales upon shipment, installation or acceptance, where applicable, provided persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured, or for some programs, on the percentage of completion method of accounting. When other significant obligations remain after products are delivered, revenue is recognized only after such obligations are fulfilled.

Long-term inventory and deferred revenue. Long-term inventory of $3,787,000 represents SMES units that have been ordered and delivered to one of our customers, Wisconsin Public Service Corporation ("WPS"). As the sale of these units is subject to certain return and buyback provisions which expire from 2002 to 2009, we have deferred recognition of the revenue related to this sale until the buyback provisions lapse. Long-term deferred revenue of $3,787,000 represents the payment received related to this transaction. The buyback provisions, which are subject to a minimum 6-month written notice requirement, begin to lapse on December 31, 2002, until which time WPS has the right to return all the units for the full purchase price of $3,787,000. On December 31 of each year after 2002, WPS has the right, subject to a minimum 6-month notice requirement, to sell the units back to us at a reduced price. Between January 1, 2003 and the next annual buyback date of December 31, 2003, the repurchase price for the units will be $3,250,000 and that price is further reduced by approximately 12% per year through December 31, 2009. We will record $537,000 of revenue and an equal amount of cost of revenue in the quarter ending December 31, 2002, as the buyback price transitions from $3,787,000 to $3,250,000. We will also record a $537,000 reduction in long-term inventory and long-term deferred revenue at that time. WPS has not advised of their intention to sell these units back to us on December 31, 2002 and we do not expect the return of these units, which are installed on WPS's Northern Transmission Loop.

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.

Long-lived assets. We assess the impairment of identifiable intangibles, long-lived assets and goodwill at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- Significant negative industry or economic trends.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

When we determine that the carrying value of intangibles, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of potential impairment, we assess whether an impairment has occurred based on whether net book value of the assets exceeds related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections and market trends. When necessary, we write down an impaired asset to its estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows.

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.

Deferred tax assets. We record a 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. Likewise, should we determine that we would not be able to realize all or part of any deferred tax assets in the future, an adjustment to the deferred tax asset would decrease income in the period such determination was made.

Acquisition accounting. In June 2000, we acquired substantially all of the assets of Integrated Electronics, LLC ("IE"). The IE acquisition was accounted for under the purchase method of accounting. Goodwill of $1,329,282 represented the excess of the purchase price of $1,833,125 over the fair value of the acquired assets of $503,843 at June 1, 2000. The fair value of the assets acquired were accounts receivable of $52,278, inventory of $259,980 and fixed assets of $191,585. Significant judgments and estimates were involved in determining the fair market value of assets acquired and their useful lives. Different assumptions could yield materially different results.

Restructuring

In March 2002, we announced a series of restructuring, consolidation and cost-cutting measures to create a more streamlined and flatter organization aimed at reducing our cost structure as we drive to commercialize our technologies and products. The restructuring resulted in the elimination of 99 full-time employees across all business functions at our Massachusetts and Wisconsin locations. Our Power Quality and Reliability business unit, based in Middleton, WI, and our Power Electronics business unit, based in New Berlin, WI, were combined into a new business unit called Power Electronic Systems. This change leveraged personnel with similar skills in the two business units and significantly reduced the cost structure. As part of the restructuring, we also announced that we will outsource our future requirements for low temperature superconductor (LTS) magnets used in our SMES systems and as a result discontinued operations in one of our two buildings in Middleton, WI comprising approximately 27,000 square feet. Cash payments related to the workforce reduction were substantially completed in the first quarter of fiscal 2003. Exit costs related to the leased facility will be incurred over the 19-month period ending December 31, 2003. Anticipated cost savings as a result of this restructuring are estimated to be approximately $9.0 million during the fiscal year ending March 31, 2003.

Results of Operations

Total revenues during the three months ended September 30, 2002 were $4,480,000, a 38% increase compared to the $3,257,000 of revenue recorded for the same period a year earlier. For the six months ended September 30, 2002, revenues were $7,340,000, a 49% increase over the $4,916,000 of revenue recorded in the comparable period of the prior year. These increases in revenue of $1,223,000 and $2,424,000 for the three and six month periods ended September 30, 2002, respectively, compared to the prior-year periods, resulted from an increase in system shipments in our Power Electronic Systems business unit and significantly higher prototype development contract revenues in two of our three business units--Power Electronic Systems and Electric Motors and Generators.

Power Electronic Systems revenues, which include SMES systems, services power electronic converters, and prototype development contracts, were $2,501,000 in the second quarter of fiscal 2003, compared to $1,074,000 in the second quarter of fiscal 2002, an increase of $1,427,000 due primarily to two system shipments occurring in the quarter ended September 30, 2002 compared to one system shipment in the prior-year quarter. For the six months ended September 30, 2002, revenues in Power Electronic Systems were $3,607,000 compared to $1,106,000 in the same period of fiscal 2002, an increase of $2,501,000 over prior year. Power Electronic Systems revenues for the six months ended September 30, 2002 consisted primarily of two system shipments worth $1,928,000 and $1,176,000 of prototype development revenue for work performed on a U.S. Navy contract relating to the Power Electronics Building Blocks program. We expect sales of power electronics systems will continue to increase over the remainder of the fiscal year.

Revenues in the Electric Motors and Generators business unit were $1,604,000 in the second quarter of fiscal 2003, compared to $975,000 for the first quarter in fiscal 2002, an increase of $629,000. For the six months ended September 30, 2002, revenues in Electric Motors and Generators were $3,140,000 compared to $1,839,000 in the comparable period of the prior year, an increase of $1,301,000. The increases in revenue in the three and six month periods ended September 30, 2002 were the result of higher prototype development contract revenue with the U.S. Navy relating to work performed on a 5-megawatt HTS ship propulsion motor. We have

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

$2,669,000 of backlog on the existing Navy motor program as of September 30, 2002 and we expect additional contracts from the U.S. Navy for HTS ship propulsion motors and generators during the rest of this year and over the next four years.

These increases in revenues were partially offset by lower HTS Wire business unit revenues, which declined to $374,000 in the second quarter of fiscal 2003, compared to $1,208,000 in the second quarter of fiscal 2002 a decrease of $834,000. For the six months ended September 30, 2002, revenues in HTS Wire were $592,000 compared to $1,971,000 in the comparable period of the prior year, a decrease of $1,379,000, primarily as a result of lower contract revenues, mainly with Pirelli Energy Cables and Systems. Pirelli provided us with $1,000,000 of research and development funding in the first six months of fiscal 2002, and no funding in the first six months of fiscal 2003, as a result of the discontinuance of its funding commitment as part of an agreement reached with Pirelli in February 2002 that allows us to sell our HTS wire to other cable manufacturers in addition to Pirelli.

For the three months ended September 30, 2002, we recorded approximately $154,000 in funding under a government cost-sharing agreement with the U.S. Air Force. For the three months ended September 30, 2001, we recorded approximately $200,000 of funding under this agreement. For the six months ended September 30, 2002, funding under this government cost-sharing agreement was $257,000, compared to $319,000 for the comparable period of fiscal 2002. 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. We received a new $2,000,000 cost-sharing contract from the Department of Commerce's Advanced Technology Program (ATP) at the end of September for continued development of second generation HTS wire. Work on the ATP program will begin in the quarter ending December 31, 2002. Funding from government cost-sharing agreements is recorded as an offset to research and development and selling, general and administrative expenses, as required by government contract accounting guidelines, rather than as revenues.

Total costs and expenses for the quarter ended September 30, 2002 were $14,981,000 compared to $13,730,000 for the same period last year. For the six months ended September 30, 2002, total costs and expenses were $29,021,000, compared to $26,461,000 for the same period last year. "Costs of revenue - product sales and prototype development contracts" increased due to the higher level of prototype development contract revenue with the U.S. Navy in both the Electric Motors and Generators and Power Electronic Systems business units. It also increased by $1,521,000 and $2,417,000 for the three and six month periods ended September 30, 2002, respectively, as a result of increased costs (including building and equipment depreciation) related to the HTS Wire business unit's occupancy of the Devens, Massachusetts manufacturing plant and initial test production runs of multifilamentary composite wire in that facility. Finally, "Costs of revenue - product sales and prototype development contracts" increased due to the higher level of product sales in the Power Electronic Systems business unit. "Costs of revenue - contract revenue" declined proportionally with the lower level of contract revenue, particularly with regards to Pirelli.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

Adjusted research and development ("R&D") expenses, which include amounts classified as costs of revenue and amounts offset by cost sharing funding, decreased to $8,131,000 in the three months ended September 30, 2002 from $8,517,000 for the same period last year. For the six-month periods ended September 30, 2002 and 2001, adjusted R&D expenses were $16,489,000 and $16,537,000, respectively. These small decreases were primarily the result of reduced R&D spending in the HTS Wire and Power Electronic Systems business units, relating to the reduction in force implemented as part of our March 2002 restructuring. The decreases in R&D spending was partially offset by higher R&D spending, both internally and externally funded, in the Electric Motors and Generators business unit. A portion of the R&D expenditures related to externally funded development contracts has been classified as costs of revenue (rather than as R&D expenses). These amounts increased significantly in fiscal 2003 compared to fiscal 2002 as a result of the higher level of funded prototype development contract work in HTS Wire and Power Electronic Systems. Additionally, a portion of R&D expenses was offset by cost sharing funding. Net R&D expenses (exclusive of amounts classified as costs of revenues and amounts offset by cost sharing funding) decreased to $5,610,000 in the three months ended September 30, 2002 from $6,724,000 for the same period last year. For the six months ended September 30, 2002 and 2001, these amounts were $11,827,000 and $13,459,000, respectively.

Our R&D expenditures are summarized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2002	2001	2002	2001
R&D expenses per Consolidated Statements of Operations	$5,610,000	$6,724,000	$11,827,000	$13,459,000
R&D expenditures classified as Costs of revenue	2,442,000	1,690,000	4,530,000	2,913,000
R&D expenditures offset by cost sharing funding	79,000	103,000	132,000	165,000
Adjusted R&D expenses	$8,131,000	$8,517,000	$16,489,000	$16,537,000

Adjusted selling, general and administrative ("SG&A") expenses, which include amounts classified as costs of revenue and amounts offset by cost sharing funding, decreased to $3,709,000 for the three months ended September 30, 2002, compared to $4,171,000 for the same period last year. For the six-month periods ended September 30, 2002 and 2001, adjusted SG&A expenses were $7,532,000 and $8,383,000, respectively. These decreases were primarily the result of the reductions in force implemented as part of our March 2002 restructuring program, partially offset by a non-recurring $200,000 write-off of a land option at Devens that was not renewed in the second quarter of fiscal 2003. 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. Net SG&A expenses (exclusive of amounts classified as costs of revenue and amounts offset by cost sharing funding) decreased to $3,292,000 in the three months ended September 30, 2002 from $3,626,000 for the same period last year. For the six months ended September 30, 2002 and 2001, these amounts were $6,756,000 and $7,341,000, respectively.

Our SG&A expenditures are summarized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2002	2001	2002	2001
SG&A expenses per Consolidated Statements of Operations	$3,292,000	$3,626,000	$6,756,000	$7,341,000
SG&A expenditures classified as Costs of revenue	342,000	448,000	651,000	888,000
SG&A expenditures offset by cost sharing funding	75,000	97,000	125,000	154,000
Adjusted SG&A expenses	$3,709,000	$4,171,000	$7,532,000	$8,383,000

Interest income was $255,000 in the quarter ended September 30, 2002, compared to $1,356,000 for the same period in the prior year. For the six months ended September 30, 2002 and 2001, these amounts were $626,000 and $3,173,000, respectively. These decreases in interest income reflect the lower cash balances available for investment as a result of cash being used to fund our operations and to purchase property, plant and equipment, as well as lower interest rates available on our investments. Other income (expense), net in the six months ended September 30, 2002 was $4,000, compared to $212,000 in the prior-year period, which reflected investment gains from the sale of long-term marketable securities, partially offset by taxes on investment income.

We expect to continue to incur operating losses until the end of the fiscal year ending March 31, 2005 as we continue to devote significant financial resources to our research and development activities and commercialization efforts.

We expect to be party to agreements which, from time to time, may result in costs incurred exceeding expected revenues under such contracts. We 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 below for a discussion of certain factors that may affect our future results of operations and financial condition.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

Liquidity and Capital Resources

At September 30, 2002, we had cash, cash equivalents and long-term marketable securities of $35,031,000 compared to $68,200,000 at March 31, 2002. The principal uses of cash during the six months ended September 30, 2002 were $27,169,000 for the funding of our operations (including $9,033,000 to reduce our fiscal 2002 year-end accounts payable liabilities resulting from equipment purchases and restructuring and other charges incurred during the fourth quarter of fiscal 2002), and $6,099,000 for the acquisition of equipment, primarily for our HTS manufacturing facility in Devens, Massachusetts.

Cash, cash equivalents, and long-term marketable securities declined by $10,581,000 in the three months ended September 30, 2002 from $45,612,000 to $35,031,000. Cash was used to fund net losses of $8,282,000 (excluding depreciation and other non-cash items of $1,940,000) and to fund higher operating capital of $1,228,000 and new capital expenditures of $1,311,000. Cash use in the second quarter of fiscal 2003 was reduced by $12,007,000 or 53% from the previous quarter ended June 30, 2002, primarily as a result of reduced level of investment in operating capital and capital expenditures as shown in the following table:

Cash (Use)/generation	3 months ended September 30, 2002	3 months ended June 30, 2002	6 months ended September 30, 2002
Net loss excluding non-cash items	$ (8,282,000)	$ (9,225,000)	$ (17,507,000)
Operating capital funding:			
Receivables	$ 376,000	$ (94,000)	$ 282,000
Inventory	$ (14,000)	$ 68,000	$ 54,000
Payables/accrued liabilities	$ (1,450,000)	$ (7,583,000)	$ (9,033,000)
Deferred revenue/Other operating capital	$ (140,000)	$ (825,000)	$ (965,000)
Subtotal - increase in operating capital	$ (1,228,000)	$ (8,434,000)	$ (9,662,000)
Net Cash Used by Operating Activities	$ (9,510,000)	$ (17,659,000)	$ (27,169,000)
Capital Expenditures	$ (1,311,000)	$ (4,788,000)	$ (6,099,000)
Other Assets/Liabilities	$ 240,000	$ (141,000)	$ 99,000
Total Cash (Use)	$(10,581,000)	$ (22,588,000)	$ (33,169,000)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

For the quarter, operating capital funding requirements were used primarily to pay accounts payable and accrued liabilities which had increased at the end of last fiscal year as a result of large capital expenditures in the new Devens HTS wire manufacturing plant and restructuring costs. During the quarter, the investment in receivables declined by $376,000.

We expect to continue to make progress in reducing our rate of cash usage over the next six months via a further decline in receivables and inventory, primarily in our Power Electronics Systems business unit, where we expect to close additional orders and recognize revenue, thereby converting existing inventory into cash.

Due to scheduled billing requirements specified under certain contracts, a portion of our accounts receivable balance is unbilled. As of September 30, 2002, $4,222,000, or approximately 58%, of our receivable balance of $7,301,000, was unbilled. Included in unbilled accounts receivable is $2,624,000 due from one customer related to their joint marketing of power quality and reliability products with us. We expect to invoice most of these unbilled amounts during the next six months as work is completed on these contracts.

Goodwill of $1,108,000 at September 30, 2002 represents the excess of the purchase price paid for the acquisition of substantially all of the assets of Integrated Electronics, LLC ("IE") on June 1, 2000, over the fair value of IE's assets, less amortization taken between June 1, 2000 and March 31, 2001. Effective April 1, 2001 we adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" and ceased amortizing the goodwill acquired in the IE purchase.

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

We have potential funding commitments (excluding amounts included in accounts receivable) of approximately $8,715,000 to be received after September 30, 2002 from government and commercial customers, compared to $11,020,000 at March 31, 2002. However, these current funding commitments, including $7,483,000 on U.S. government contracts, are subject to certain cancellation provisions. Of the current commitment amount of $8,715,000, approximately 74% is potentially collectable within the next 12 months.

We believe, based upon our current business plan, that our existing capital resources will be sufficient to fund our operations until the end of fiscal 2005, at which time we expect to reach corporate-wide profitability. However, we may need additional funds sooner than anticipated 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. There can be no assurance that such funds, whether from equity or debt financing, development contracts or other sources, will be available, or available under terms acceptable to us.

To date, inflation has not had a material impact on our financial results.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

New Accounting Pronouncements

See Note 10 of the Notes to the Interim Consolidated Financial Statements for a discussion of new accounting pronouncements.

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 commercial success, revenues and available cash) 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 continue 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 fiscal 2000, fiscal 2001, fiscal 2002, and the first six months of fiscal 2003 was $17,598,000, $21,676,000, $56,985,000, and $21,052,000 respectively. Our accumulated deficit as of September 30, 2002 was $206,528,000. We expect to continue to incur operating losses until the end of fiscal 2005 and there can be no assurance that we will ever achieve profitability.

We believe, based upon our current business plan, that our existing capital resources will be sufficient to fund our operations until the end of fiscal 2005. However, we may need additional funds sooner than anticipated 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, whether from equity or debt financing, development contracts or other sources, 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.

Many of our products are in the early stages of commercialization and testing, while others are still under development. We do not believe any company has yet successfully developed and commercialized significant quantities of HTS wire or wire products. There are a number of technological challenges that we must successfully address to complete our development and commercialization efforts. For example, we face engineering challenges in producing HTS wire in longer lengths and commercial quantities. 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 may 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 very 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 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 expect to spend significant amounts on the expansion of our manufacturing capacity, and our expansion projects may not be successful.

In anticipation of significantly increased demand for our products, we are completing a project to expand our HTS wire manufacturing capacity at the Devens Commerce Center in Devens, Massachusetts. We used a large portion of the net proceeds from our March 2000 stock offering to fund the construction and purchase equipment for the new HTS wire manufacturing facility in Devens. While we expect to complete this project within our estimates, the actual costs for equipment may be in excess of our expectations. In addition, we may experience start-up difficulties or other problems once the facility becomes fully operational. Finally, if increased demand for our products does not materialize, we will not generate sufficient revenue to offset the cost of establishing and operating the facility.

We have no experience manufacturing our HTS products in commercial quantities.

To be financially successful, we will have to manufacture our products in commercial quantities at acceptable costs while also preserving the quality levels we have achieved in manufacturing these products in limited quantities. This presents a number of technological and engineering challenges for us. 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 commercially acceptable costs while preserving quality. In addition, we may incur significant start-up costs and unforeseen expenses in our product design and manufacturing efforts.

We have historically focused on research and development activities and have limited experience in marketing and selling our products.

We have been primarily focused on research and development of our superconductor products. Consequently, our management team has limited experience directing our commercialization efforts, which are essential to our future success. To date, we have only limited experience marketing and selling our products, and there are very few people anywhere who have significant experience marketing or selling superconductor products. Once our products are ready for 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 and unfamiliar 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. For example, we have a marketing and sales alliance with GE Industrial Systems giving GE the exclusive right to offer our Distributed-SMES (D-SMES) and D-VAR product lines in the United States to utilities and the right to sell industrial Power Quality-SMES (PQ-SMES) systems to certain of GE's global industrial accounts. 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.

Our products face intense competition both from superconductor products developed by others and from traditional, non-superconductor products and alternative technologies.

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 products, including Sumitomo Electric Industries, 3M, Intermagnetics General, Vacuumschmelze, Fujikura, Furukawa Electric, and Innova. 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(TM), compete with a variety of non-superconductor 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(TM) includes products from Ecostar, Inverpower, Satcon, Semikron and Trace. The HTS motor and generator products that we are developing face competition from copper wire-based motors and generators, and from permanent magnet motors that are being developed. 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.

Third parties have or may acquire patents that cover the high temperature superconductor materials we use or may use in the future to manufacture our products.

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.

There are numerous patents issued in the field of superconductor materials and our patents may not provide meaningful protection for our technology.

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.

Our success is dependent upon attracting and retaining qualified personnel.

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 are particularly dependent upon the services of Dr. Gregory J. Yurek, our co-founder and our Chairman of the Board, President and Chief Executive Officer, and Dr. Alexis P. Malozemoff, our Chief Technical Officer. The loss of the services of either of those individuals could significantly damage our business and prospects.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk through financial instruments, such as investments in marketable securities, is not material.

Item 4. Controls and Procedures

a) Evaluation of disclosure controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Company's chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the 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 and are operating in an effective manner.

b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their most recent evaluation.

AMERICAN SUPERCONDUCTOR CORPORATION

PART II

OTHER INFORMATION

Item 1. Legal Proceedings
Not Applicable

Item 2. Changes in 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
At the Company's Annual Meeting of Stockholders held on July 26, 2002, the following proposals were adopted by the vote specified below.

Proposal	Votes For	Withheld Authority To Vote For Nominee
1. Election of Directors		
Gregory J. Yurek	16,349,842	800,977
Albert J Baciocco, Jr.	16,286,294	864,525
Frank Borman	16,348,992	801,827
Clayton M. Christensen	16,349,992	800,827
Peter O. Crisp	16,349,992	800,827
Richard Drouin	16,349,992	800,827
Gerard Menjon	16,286,294	864,525
Andrew G.C. Sage, II	16,286,294	864,525
John B. Vander Sande	16,286,194	864,625

	Votes For	Votes Against	Abstentions	Broker Non-Votes
2. Approval of amendments to Amended and Restated 1997 Director Plan:	15,593,810	1,369,604	187,405	None

	Votes For	Votes Against	Abstentions	Broker Non-Votes
3. Ratification of independent auditors:	16,839,092	259,843	51,884	None

PART II

OTHER INFORMATION (Continued)

Please see the Company's Proxy Statement filed with the SEC on June 25, 2002 in connection with this Annual Meeting for a description of the matters voted upon.

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

Exhibit No.

99.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 13, 2002	/s/ Gregory J. Yurek
Date	Gregory J. Yurek Chairman of the Board, President and Chief Executive Officer
November 13, 2002	/s/ Thomas M. Rosa
Date	Thomas M. Rosa Chief Accounting Officer, Corporate Controller and Assistant Secretary

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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Gregory J. Yurek

Dated: November 13, 2002

Gregory J. Yurek
Chief Executive Officer

CERTIFICATIONS

I, Stanley D. Piekos, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Stanley D. Piekos

Dated: November 13, 2002

Stanley D. Piekos
Chief Financial Officer

Exhibit 99.1

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, 2002 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, and Stanley D. Piekos, Chief Financial Officer of the Company, each 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 13, 2002

/s/ Stanley D. Piekos

Stanley D. Piekos
Chief Financial Officer
November 13, 2002