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, 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.

Class	Outstanding as of February 12, 2003
Common Stock, par value $.01 per share	21,184,170

AMERICAN SUPERCONDUCTOR CORPORATION

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Part I. Financial Information

Item 1. Financial Statements

AMERICAN SUPERCONDUCTOR CORPORATION
Consolidated Balance Sheets

	December 31, 2002	March 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,570,602	$ 37,170,927
Accounts receivable	5,819,512	7,583,505
Inventory	13,729,715	13,212,831
Prepaid expenses and other current assets	1,078,423	708,079
Total current assets	36,198,252	58,675,342
Property, plant and equipment:		
Land	4,021,611	4,244,611
Construction in progress - building and equipment	17,230,566	79,685,813
Building	51,069,773	-
Equipment	44,823,697	24,939,124
Furniture and fixtures	3,944,497	3,833,016
Leasehold improvements	6,246,444	6,226,267
	127,336,588	118,928,831
Less: accumulated depreciation	(26,042,746)	(21,209,230)
Property, plant and equipment, net	101,293,842	97,719,601
Long-term marketable securities	8,141,412	31,028,683
Long-term inventory	3,250,000	3,787,000
Goodwill	1,107,735	1,107,735
Other assets	5,489,239	5,476,563
Total assets	$155,480,480	$ 197,794,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 10,458,178	$ 20,784,931
Deferred revenue	273,480	1,056,806
Total current liabilities	10,731,658	21,841,737
Long-term deferred revenue	3,250,000	3,787,000
Commitments		
Stockholders' equity:		
Common stock, $.01 par value Authorized shares-50,000,000; issued and outstanding 21,184,170 and 20,497,514 at December 31, 2002 and March 31, 2002, respectively	211,842	204,975
Additional paid-in capital	360,837,758	357,781,718
Deferred compensation	(407,906)	(318,199)
Deferred contract costs	(12,869)	(121,167)
Accumulated other comprehensive income	13,133	95,641
Accumulated deficit	219,143,136)	(185,476,781)
Total stockholders' equity	141,498,822	172,166,187
Total liabilities and stockholders' equity	$155,480,480	$ 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 December 31, 2002	Three Months Ended December 31, 2001	Nine Months Ended December 31, 2002	Nine Months Ended December 31, 2001
Revenues:				
Contract revenue	$ 116,163	$ 686,148	$ 405,540	$ 1,980,248
Product sales and prototype development contracts	2,635,330	2,846,994	9,685,481	6,468,402
Total revenues	2,751,493	3,533,142	10,091,021	$ 8,448,650
Costs and expenses:				
Costs of revenue-contract revenue	93,439	679,462	431,254	1,962,297
Costs of revenue-product sales and prototype development contracts	5,945,594	3,543,088	16,046,294	7,921,223
Research and development	6,021,365	6,833,411	17,848,242	20,292,534
Selling, general and administrative	3,496,173	4,022,442	10,252,225	11,363,391
Total costs and expenses	15,556,571	15,078,403	44,578,015	41,539,445
Operating loss	(12,805,078)	(11,545,261)	(34,486,994)	(33,090,795)
Interest income	193,364	684,427	819,585	3,857,499
Other income (expense), net	(2,975)	(23,089)	1,054	188,840
Net loss	$(12,614,689)	$(10,883,923)	$(33,666,355)	$(29,044,456)
Net loss per common share				
Basic and Diluted	$ (0.60)	$ (0.53)	$ (1.63)	$ (1.42)
Weighted average number of common shares outstanding				
Basic and Diluted	21,000,191	20,454,652	20,702,858	20,387,626

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

AMERICAN SUPERCONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001	Nine Months Ended December 31, 2002	Nine Months Ended December 31, 2001
Net loss	$ (12,614,689)	$ (10,883,923)	$ (33,666,355)	$ (29,044,456)
Other comprehensive income (loss)				
Foreign currency translation	3,237	(768)	21,761	12,273
Unrealized gain (loss) on investments	(26,972)	(248,403)	(104,269)	(425,017)
Other comprehensive income (loss)	(23,735)	(249,171)	(82,508)	(412,744)
Comprehensive loss	$ (12,638,424)	$ (11,133,094)	$ (33,748,863)	$ (29,457,200)

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

AMERICAN SUPERCONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31, 2002	Nine Months Ended December 31, 2001
Cash flows from operating activities:		
Net loss	$ (33,666,355)	$ (29,044,456)
Adjustments to reconcile net loss to net cash used by operations:		
Depreciation and amortization	5,648,377	3,803,135
Deferred compensation expense	103,733	79,550
Deferred warrant costs	148,263	206,178
Stock compensation expense	7,189	17,580
Changes in operating asset and liability accounts:		
Accounts receivable	1,763,993	4,756,380
Inventory - current and long-term	169,456	(4,241,327)
Prepaid expenses and other current assets	(348,583)	(389,918)
Accounts payable and accrued expenses	(10,326,753)	1,630,709
Deferred revenue - current and long-term	(1,320,326)	247,756
Net cash used by operating activities	(37,821,006)	(22,934,413)
Cash flows from investing activities:		
Purchase of property and equipment	(6,644,076)	(50,344,596)
Purchase of long-term marketable securities	(770,000)	-
Sale of long-term marketable securities	23,553,002	37,890,477
Increase in other assets	(627,537)	(1,308,840)
Net cash (used in) provided by investing activities	15,511,389	(13,762,959)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	709,292	1,369,277
Net cash provided by financing activities	709,292	1,369,277
Net decrease in cash and cash equivalents	(21,600,325)	(35,328,095)
Cash and cash equivalents at beginning of period	37,170,927	89,063,299
Cash and cash equivalents at end of period	$ 15,570,602	$ 53,735,204
Supplemental schedule of cash flow information:		
Noncash issuance of common stock	$ 456,422	$ 97,130
Noncash purchase of NST Inventory (See Footnote 2.)	149,340	-
Noncash purchase of NST Property Plant & Equipment	1,763,680	-
Noncash purchase of NST patent assets	200,000	-
Noncash issuance of common stock - NKT Holding	$ 2,113,020	-

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 $116,163 and $686,148 for the three months ended December 31, 2002 and 2001, respectively. For the nine months ended December 31, 2002 and 2001, contract revenue was $405,540 and $1,980,248, respectively. In addition, the Company recorded prototype development contract revenues on U.S. Navy contracts of $1,540,552 and $1,425,300, which are included under "Revenues - Product sales and prototype development contracts", in the three months ended December 31, 2002, and 2001, respectively. For the nine months ended December 31, 2002 and 2001, prototype development contract revenue on U.S. Navy contracts was $5,856,893 and $3,264,038, 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 December 31,		Nine Months Ended December 31,	
	2002	2001	2002	2001
Research and development expenses	$1,996,274	$2,832,160	$6,526,009	$5,745,319
Selling, general and administrative expenses	$ 297,473	$ 573,655	$ 949,009	$1,461,525

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 December 31, 2002 and 2001 and the financial position at December 31, 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.

On October 31, 2002, the Company acquired from NKT Holding A/S substantially all of the assets of Nordic Superconductor Technologies A/S (NST), a subsidiary of NKT Holding, in exchange for 546,000 shares of the Company's common stock valued at $2,113,020. NKT Holding has agreed to hold these shares for at least two years. NST had developed and marketed HTS wire to customers in Europe, Asia, and North America. The Company did not assume any debt or other liabilities in the transaction. No NST employees were retained by the Company. The net cash impact to the Company of this acquisition was essentially zero. The assets acquired were fixed assets valued at $1,763,680, patents valued at $200,000, and inventory valued at $149,340. These asset purchases are excluded from the "Changes in operating asset and liability accounts" and "Cash flows from investing activities" sections in the Consolidated Statements of Cash Flows for the period ended December 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:

Basic Earnings Per Share ("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 December 31, 2002 and 2001, common equivalent shares of 4,970,255 and 3,379,770 were not included in the calculation of diluted EPS as their effect was antidilutive. For the nine months ended December 31, 2002 and 2001, common equivalent shares of 4,857,036 and 2,187,545 were not included for the calculation of diluted EPS as their effect was antidilutive.

4. Accounts Receivable:

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

	December 31, 2002	March 31, 2002
Accounts Receivable (billed)	$ 2,108,001	$ 3,076,361
Accounts Receivable (unbilled)	$ 3,831,899	$ 4,549,144
Less: Allowance for Doubtful Accounts	(120,388)	(42,000)
Net Accounts Receivable	5,819,512	7,583,505

5. Inventories:

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

	December 31, 2002	March 31, 2002
Raw materials	$ 2,741,040	$ 1,545,327
Work-in-progress	9,421,267	10,046,359
Finished goods	1,567,408	1,621,145
	$ 13,729,715	$ 13,212,831

6. Long-term Inventory and Deferred Revenue:

Long-term inventory of $3,250,000 represents SMES units that were delivered in fiscal 2001 to one of our customers, Wisconsin Public Service Corporation ("WPS") for a total payment of $3,787,000, less $537,000 recorded as revenue in the quarter ended December 31, 2002. As the sale of these units is subject to certain return and buyback provisions which expire from 2002 to 2009, the Company is deferring recognition of the revenue related to the remaining $3,250,00 in sales until the applicable buyback provisions lapse. Long-term deferred revenue of $3,250,000 represents the $3,787,000 cash payment received from WPS related to this transaction, less $537,000 recorded as revenue in the third quarter of fiscal 2003.

The buyback provisions, which are subject to a minimum 6-month written notice requirement, began to lapse in the quarter ended December 31, 2002, until which time WPS had 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 recorded $537,000 of revenue and an equal amount of cost of revenue in the quarter ended December 31, 2002, as the buyback price transitioned from $3,787,000 to $3,250,000. The Company also recorded a $537,000 reduction in long-term inventory and long-term deferred revenue.

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 government cost-sharing agreements of $171,068 and $120,349 for the three months ended December 31, 2002 and 2001, respectively. For the nine months ended December 31, 2002 and 2001, government cost sharing funding was $428,036 and $439,591, respectively. 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.

8. Restructuring and other charges:

In the fourth quarter of fiscal 2002 (ended March 31, 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 December 31, 2002 status are summarized below:

	Total Restructuring & other charges	Cash Payments	Other Adjustments	Balance as of December 31, 2002
Workforce Reduction	$ 1,548,897	$ 1,476,024	---	$ 72,873
Consolidation of facilities, fixed asset write-offs, & other charges	4,117,161	416,501	2,881,004	819,656
Inventory Write-down	3,464,275	---	2,207,237	1,257,038
Allowance for Doubtful Accounts	727,028	---	727,028	---
Pirelli License	4,009,890	2,289,390	1,720,500	---
	$ 13,867,251	$ 4,181,915	$ 7,535,769	$ 2,149,567

The Company currently anticipates payments for the restructuring activities and other charges to be completed within fiscal 2003 (ending March 31, 2003), except for certain long-term contractual obligations such as facility lease payments through the third quarter of fiscal 2004. Of the remaining balance of $2,149,567, $843,792 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, generators, synchronous condensers and specialty magnets.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Electric Motors and Generators business segment is developing and commercializing electric motors, generators, and synchronous condensers based on HTS wire. Its primary focus, for motors and generators, is on ship propulsion. This business introduced a new product, SuperVAR(TM), in January 2003.

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

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2002	2001	2002	2001
Revenues				
HTS Wire	$ 480,759	$ 2,014,978	$ 1,072,746	$ 3,985,491
Electric Motors and Generators	1,090,552	1,425,300	4,230,696	3,264,038
Power Electronic Systems	1,180,182	92,864	4,787,579	1,199,121
Total	$2,751,493	$ 3,533,142	$10,091,021	$ 8,448,650

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2002	2001	2002	2001
Operating Loss				
HTS Wire	$ (7,603,612)	$ (5,021,884)	$(21,288,898)	$(15,139,187)
Electric Motors and Generators	(2,244,990)	(1,930,903)	(5,957,990)	(5,892,536)
Power Electronic Systems	(2,638,975)	(4,101,327)	(6,127,768)	(10,562,684)
Unallocated Corporate Expenses	(317,501)	(491,147)	(1,112,338)	(1,496,388)
Total	$(12,805,078)	$(11,545,261)	$(34,486,994)	$(33,090,795)

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

	December 31, 2002	March 31, 2002
HTS Wire	$ 106,316,716	$ 102,010,166
Electric Motors and Generators	4,382,157	6,424,532
Power Electronic Systems	21,069,593	21,160,616
Corporate cash and marketable securities	23,712,014	68,199,610
Total	$ 155,480,480	$ 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 Financial Accounting Standards Board ("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.

On December 31, 2002, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation -- Transition and Disclosure ("SFAS 148"). SFAS 148 amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition and annual disclosure provisions are effective for fiscal years ending after December 15, 2002. The new interim disclosure provisions are effective for the first interim period beginning after December 15, 2002. The Company has not yet determined the impact of adopting SFAS 148.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 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/or power electronic converters into fully-integrated products, such as HTS ship propulsion motors, and dynamic reactive compensation systems, which we sell or plan to sell to end users.

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. 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.

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 $3,250,000 represents SMES units that were delivered in fiscal 2001 to one of our customers, Wisconsin Public Service Corporation ("WPS") for a total payment of $3,787,000, less $537,000 recorded as revenue in the quarter ended December 31, 2002. As the sale of these units is subject to certain return and buyback provisions which expire from 2002 to 2009, we are deferring recognition of the revenue related to the remaining $3,250,000 in sales until the applicable buyback provisions lapse. Long-term deferred revenue of $3,250,000 represents the $3,787,000 cash payment received from WPS related to this transaction, less $537,000 recorded as revenue in the third quarter of fiscal 2003. The buyback provisions, which are subject to a minimum 6-month written notice requirement, began to lapse in the quarter ended December 31, 2002, until which time WPS had 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 recorded $537,000 of revenue and an equal amount of cost of revenue in the quarter ended December 31, 2002, as the buyback price transitioned from $3,787,000 to $3,250,000. We also recorded a $537,000 reduction in long-term inventory and long-term deferred revenue. 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;
- Significant negative industry or economic trends; and
- Significant advances in our technologies that require changes in our manufacturing process

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. At this point, we believe we are adequately reserved for any potential excess inventory or inventory obsolescence. Approximately $9.1 million or 66% of our inventory as of December 31, 2002, was in our Power Electronics Systems business, which announced the addition of a new product, D-VAR, during the first quarter of fiscal year 2003. The D-VAR unit does not contain a superconducting magnetic energy storage device like our other integrated power electronic solutions. We presently have approximately $3 million of inventory related to superconducting magnetic energy storage devices which we will monitor closely for estimated realizable value as we assess future sales demand in this business unit.

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 in a business combination substantially all of the assets of Integrated Electronics, LLC ("IE"), as well as IE's employees and facility lease. 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. We review goodwill at least annually or when events and changes in circumstances indicate the need for such a detailed impairment loss analysis, as prescribed by SFAS 142. To date, we have determined that goodwill is not impaired, but we could in the future determine that goodwill is impaired, which would result in a charge to earnings.

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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 December 31, 2002 were $2,751,000, a 22% decrease compared to the $3,533,000 of revenue recorded for the same period a year earlier. For the nine months ended December 31, 2002, revenues were $10,091,000, a 19% increase over the $8,449,000 of revenue recorded in the comparable period of the prior year.

The decrease in revenue of $782,000 for the quarter ended December 31, 2002, compared to the prior-year quarter, was the result of lower revenues in the HTS Wire business unit, where revenues declined by $1,534,000 from the third quarter of fiscal 2002 ($2,015,000) to the third quarter of fiscal 2003 ($481,000). This decrease was caused by lower contract revenues ($570,000), mainly with Pirelli Energy Cables and Systems, and by a decline in wire shipments and other product sales ($964,000). Pirelli provided us with $500,000 of research and development funding in the quarter ended December 31, 2001, and no funding in the quarter ended December 31, 2002, 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. HTS product sales also declined in the quarter ended December 31, 2002, compared to the same prior-year period, due to delays in the receipt of certain wire orders. However, several such wire orders are now in hand, which has improved the revenue outlook for the HTS Wire business unit in the fourth quarter of fiscal 2003.

Prototype development contract revenues for the Electric Motors and Generators business unit also declined by $335,000 in the quarter ended December 31, 2002 ($1,090,000), compared to the prior-year quarter ($1,425,000), due to a decrease in work performed on the Navy 5-megawatt HTS ship propulsion motor program.

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These revenue declines in HTS Wire and Electric Motors and Generators business units were partially offset by a $1,087,000 increase in the Power Electronic Systems business unit, where revenues increased to $1,180,000 in the quarter ended December 31, 2002 compared to $93,000 in the prior-year period. Included in revenues for the Power Electronic Systems business unit were $450,000 of prototype development contract revenues on the Power Electronic Building Blocks (PEBB) program and $537,000 of revenue recognized on the WPS transaction, which is explained in more detail in the "Long-term inventory and deferred revenue" section of Critical Accounting Policies earlier in Management's Discussion and Analysis.

For the nine-month period ended December 31, 2002, our consolidated revenues increased by $1,642,000 compared to the first nine months of the prior year. Revenues increased by $3,589,000 in the Power Electronics Systems business unit to $4,788,000 in the nine-month period ended December 31, 2002 from $1,199,000 in the same prior-year period, primarily as a result of higher prototype development contract revenues ($1,626,000) and higher product sales ($1,962,000) as a result of two system shipments occurring in the first nine months of fiscal 2003 compared to one in the first nine months of fiscal 2002, as well as the WPS revenue recognized in the most recent quarter. We expect sales of power electronics systems will increase over the remainder of the fiscal year.

Revenues in the Electric Motors and Generators business unit also improved significantly on a year-to-date basis, increasing by $967,000 to $4,231,000 in the first nine months of fiscal 2003, compared to $3,264,000 in the same period of the prior year. This was 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 $1,578,000 of backlog on the existing Navy motor program as of December 31, 2002 and we expect additional contracts from the U.S. Navy for HTS ship propulsion motors and/or generators during the rest of this year and over the next three to four years.

These increases in revenues were partially offset by lower HTS Wire business unit revenues, which declined to $1,073,000 for the nine-month period ended December 31, 2002, compared to $3,985,000 in the nine months ended December 31, 2001. This $2,913,000 decrease was caused by lower contract revenues ($1,575,000), mainly with Pirelli Energy Cables and Systems, and by a decline in wire shipments and other product sales ($1,338,000). Pirelli provided us with $1,500,000 of research and development funding in the first nine months of fiscal 2002, and no funding in the first nine months of fiscal 2003, as a result of the discontinuance of its funding commitment in February 2002. HTS product sales also declined for the first nine months of fiscal 2003 compared to the same prior-year period, due to delays in the receipt of certain wire orders. However, several such wire orders are now in hand, which has improved the revenue outlook for the HTS Wire business unit in the fourth quarter of fiscal 2003.

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For the three months ended December 31, 2002, we recorded approximately $171,000 in funding under two government cost-sharing agreements with the U.S. Air Force and the Department of Commerce. Work on the Department of Commerce's Advanced Technology Program (ATP) began in November 2002. For the three months ended December 31, 2001, we recorded approximately $120,000 of funding under the U. S. Air Force agreement. For the nine months ended December 31, 2002, funding under government cost-sharing agreements was $428,000, compared to $440,000 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. 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 December 31, 2002 were $15,557,000 compared to $15,078,000 for the same period last year. For the nine months ended December 31, 2002, total costs and expenses were $44,578,000, compared to $41,539,000 for the same period last year.

"Costs of revenue - product sales and prototype development contracts" increased by $2,403,000 and $8,125,000 for the three and nine month periods ended December 31, 2002, respectively. This was primarily the result of 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. Devens-related costs increased by $2,005,000 and $4,421,000 for the three and nine month periods ended December 31, 2002, respectively, compared to prior year. "Costs of revenue - product sales and prototype development contracts" also increased for the nine-month period ended December 31, 2002, compared to the same period last year, due to the higher level of prototype development contract revenues with the U.S. Navy in both the Electric Motors and Generators and Power Electronic Systems business units. Finally, these costs 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.

Adjusted research and development ("R&D") expenses, which include amounts classified as costs of revenue and amounts offset by cost sharing funding, decreased to $8,118,000 in the three months ended December 31, 2002 from $9,727,000 for the same period last year. For the nine-month periods ended December 31, 2002 and 2001, adjusted R&D expenses were $24,608,000 and $26,265,000, respectively. These 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. These decreases in R&D spending were 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 $6,021,000 in the three months ended December 31, 2002 from $6,833,000 for the same period last year. For the nine months ended December 31, 2002 and 2001, these amounts were $17,848,000 and $20,293,000, respectively.

Our R&D expenditures are summarized as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2002	2001	2002	2001
R&D expenses per Consolidated Statements of Operations	$ 6,021,000	$ 6,833,000	$17,848,000	$20,293,000
R&D expenditures classified as Costs of revenue	1,996,000	2,832,000	6,526,000	5,745,000
R&D expenditures offset by cost sharing funding	101,000	62,000	234,000	227,000
Adjusted R&D expenses	$ 8,118,000	$ 9,727,000	$24,608,000	$26,265,000

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 $3,864,000 for the three months ended December 31, 2002, compared to $4,654,000 for the same period last year. For the nine-month periods ended December 31, 2002 and 2001, adjusted SG&A expenses were $11,396,000 and $13,038,000, 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 and higher insurance premiums for liability and Directors and Officers insurance. 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 $3,496,000 in the three months ended December 31, 2002 from $4,022,000 for the same period last year. For the nine months ended December 31, 2002 and 2001, these amounts were $10,252,000 and $11,363,000, respectively.

Our SG&A expenditures are summarized as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2002	2001	2002	2001
SG&A expenses per Consolidated Statements of Operations	$3,496,000	$4,022,000	$10,252,000	$11,363,000
SG&A expenditures classified as Costs of revenue	298,000	574,000	949,000	1,462,000
SG&A expenditures offset by cost sharing funding	70,000	58,000	195,000	213,000
Adjusted SG&A expenses	$ 3,864,000	$ 4,654,000	$11,396,000	$13,038,000

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We believe that adjusted R&D expenses and adjusted SG&A expenses, which are non-GAAP (generally accepted accounting principles) financial measures, provide useful information about our aggregate R&D and SG&A spending.

Interest income was $193,000 in the quarter ended December 31, 2002, compared to $684,000 for the same period in the prior year. For the nine months ended December 31, 2002 and 2001, these amounts were $820,000 and $3,857,000, 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 nine months ended December 31, 2002 was $1,000, compared to $189,000 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.

Liquidity and Capital Resources

At December 31, 2002, we had cash, cash equivalents and long-term marketable securities of $23,712,000 compared to $68,200,000 at March 31, 2002. The principal uses of cash during the nine months ended December 31, 2002 were $37,821,000 for the funding of our operations (including $10,327,000 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 $6,644,000 for the acquisition of equipment, primarily for our HTS manufacturing facility in Devens, Massachusetts.

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Cash, cash equivalents, and long-term marketable securities declined by $11,319,000 in the three months ended December 31, 2002 from $35,031,000 to $23,712,000. Cash was used to fund net losses of $10,252,000 (excluding depreciation and other non-cash items of $2,363,000) and to fund higher operating capital of $401,000 and new capital expenditures of $545,000. Cash use in the third quarter of fiscal 2003 increased by $738,000 or 7% from the previous quarter ended September 30, 2002, primarily as a result of the increased loss, as shown in the following table:

Cash (Use)/generation	3 months ended December 31, 2002	3 months ended September 30, 2002	9 months ended December 31, 2002
Net loss excluding non-cash items	$(10,252,000)	$ (8,282,000)	$(27,759,000)
Operating capital funding:			
Receivables	$ 1,482,000	$ 376,000	$ 1,764,000
Inventory	$ 116,000	$ (14,000)	$ 170,000
Payables/accrued liabilities	$ (1,294,000)	$ (1,450,000)	$(10,327,000)
Deferred revenue/Other operating capital	$ (705,000)	$ (140,000)	$ (1,669,000)
Subtotal- increase in operating capital	$ (401,000)	$ (1,228,000)	$(10,062,000)
Net Cash Used by Operating Activities	$(10,653,000)	$ (9,510,000)	$(37,821,000)
Capital Expenditures	$ (545,000)	$ (1,311,000)	$ (6,644,000)
Other Assets/Liabilities	$ (121,000)	$ 240,000	$ (23,000)
Total Cash (Use)	$(11,319,000)	$(10,581,000)	$(44,488,000)

For the quarter and nine months ended December 31, 2002, operating capital was 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, accounts receivable declined by $1,482,000.

We expect to reduce our rate of cash usage over the next three months via a 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. We expect that our cash use for fiscal 2004 will be decreased further by a January 2003 realignment action that redeployed some technical staff and eliminated 21 positions, or approximately 7% of our workforce, mostly in the HTS Wire business unit. We estimate a small net reduction in expenses in the fourth quarter of fiscal 2003, but approximately $1,600,000 of cost savings in fiscal 2004 as a result of this reduction in force.

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Due to scheduled billing requirements specified under certain contracts, a portion of our accounts receivable balance is unbilled. As of December 31, 2002, $3,832,000, or approximately 66%, of our receivable balance of $5,820,000, 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 three months as work is completed on these contracts.

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 $6,940,000 to be received after December 31, 2002 from government and commercial customers, compared to $11,020,000 at March 31, 2002. However, these current funding commitments, including $5,655,000 on U.S. government contracts, are subject to certain cancellation provisions. Of the current commitment amount of $6,940,000, approximately 79% is potentially collectable within the next 12 months. This potential future funding commitments amount excludes several new contracts and purchase orders from the National Institutes of Health, Tennessee Valley Authority (TVA), Rayburn Country Electric Cooperative, and others announced by us in January and February of 2003.

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 2004. However, recognizing that we may need additional funds sooner than anticipated to fund current operations and to accelerate our investment in our second generation wire development program, we are currently examining options for raising additional capital to strengthen our cash position. 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.

New Accounting Pronouncements

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

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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, we expect to continue to incur losses in the future, and we may need additional funding 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 nine months of fiscal 2003 was $17,598,000, $21,676,000, $56,985,000, and $33,666,000 respectively. Our accumulated deficit as of December 31, 2002 was $219,143,000. 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 2004. However, recognizing that we may need additional funds sooner than anticipated to fund current operations and to accelerate our investment in our second generation wire development program, we are currently examining options for raising additional capital to strengthen our cash position. 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.

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. 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.

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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 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(TM) product lines in the United States to utilities and the right to sell industrial Power Quality-Industrial Voltage Restorers (PQ-IVR) to certain of GE's global industrial accounts. We also have a distribution agreement with Bridex Technologies Pte, Ltd., a power system solution integrator and technology company in Singapore, whereby Bridex markets and sells our integrated power electronic systems within Asia Pacific markets. 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
Not Applicable

Item 5. Other Information
Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) On December 31, 2002 the Company filed a Current Report on Form 8-K which reported, under Item 5 (Other Events and Required FD Disclosure), that on October 31, 2002, Clayton Christensen resigned as a member of the Board of Directors of American Superconductor Corporation. Mr. Christensen's resignation was not a result of any disagreement with the Company.

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

February 13, 2003	/s/ Gregory J. Yurek
Date	Gregory J. Yurek Chairman of the Board, President and Chief Executive Officer
February 13, 2003	/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: February 13, 2003 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: February 13, 2003 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 December 31, 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
February 13, 2003

/s/ Stanley D. Piekos

Stanley D. Piekos
Chief Financial Officer
February 13, 2003