

AMERICAN SUPERCONDUCTOR CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2017	March 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,784	\$ 39,330
Accounts receivable, net	7,956	19,264
Inventory	17,462	18,512
Prepaid expenses and other current assets	2,703	5,778
Restricted cash	795	457
Total current assets	<u>55,700</u>	<u>83,341</u>
Property, plant and equipment, net	43,438	49,778
Intangibles, net	301	854
Restricted cash	165	934
Deferred tax assets	407	96
Other assets	233	315
Total assets	<u>\$ 100,244</u>	<u>\$ 135,318</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,490	\$ 23,156
Note payable, current portion, net of discount of \$19 as of March 31, 2017 and \$42 as of March 31, 2016	1,481	2,624
Derivative liabilities	1,923	3,227
Deferred revenue	14,323	12,000
Total current liabilities	<u>32,217</u>	<u>41,007</u>
Note payable, net of discount of \$133 as of March 31, 2016	—	1,367
Deferred revenue	7,631	9,269
Deferred tax liabilities	125	63
Other liabilities	45	63
Total liabilities	<u>40,018</u>	<u>51,769</u>
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, \$0.01 par value, 75,000,000 shares authorized; 14,713,839 and 14,107,126 shares issued at March 31, 2017 and 2016, respectively	147	141
Additional paid-in capital	1,017,510	1,011,813
Treasury stock, at cost, 97,529 and 51,506 shares at March 31, 2017 and 2016, respectively	(1,371)	(881)
Accumulated other comprehensive (loss) income	(503)	660
Accumulated deficit	(955,557)	(928,184)
Total stockholders' equity	<u>60,226</u>	<u>83,549</u>
Total liabilities and stockholders' equity	<u>\$ 100,244</u>	<u>\$ 135,318</u>

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

AMERICAN SUPERCONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Fiscal Year Ended March 31,		
	2017	2016	2015
Revenues	\$ 75,195	\$ 96,023	\$ 70,530
Cost of revenues	64,352	74,041	67,442
Gross profit	10,843	21,982	3,088
Operating expenses:			
Research and development	12,540	12,303	11,878
Selling, general and administrative	25,688	28,861	29,217
Arbitration award expense	—	—	8,987
Restructuring and impairments	—	779	5,366
Amortization of acquisition related intangibles	157	157	157
Total operating expenses	38,385	42,100	55,605
Operating loss	(27,542)	(20,118)	(52,517)
Change in fair value of derivatives and warrants	1,304	(228)	3,963
Gain on sale of minority interests	325	3,092	—
Interest expense, net	(383)	(1,037)	(1,882)
Other income (expense), net	65	(2,457)	1,596
Loss before income tax expense (benefit)	(26,231)	(20,748)	(48,840)
Income tax expense (benefit)	1,142	2,391	(184)
Net loss	\$ (27,373)	\$ (23,139)	\$ (48,656)
Net loss per common share			
Basic	\$ (1.98)	\$ (1.76)	\$ (5.74)
Diluted	\$ (1.98)	\$ (1.76)	\$ (5.74)
Weighted average number of common shares outstanding			
Basic	13,804	13,178	8,477
Diluted	13,804	13,178	8,477

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AMERICAN SUPERCONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	Fiscal Year Ended March 31,		
	2017	2016	2015
Net loss	\$ (27,373)	\$ (23,139)	\$ (48,656)
Other comprehensive (loss) gain, net of tax:			
Foreign currency translation (losses) gains	(1,163)	968	(2,147)
Total other comprehensive (loss) gain, net of tax	(1,163)	968	(2,147)
Comprehensive loss	<u>\$ (28,536)</u>	<u>\$ (22,171)</u>	<u>\$ (50,803)</u>

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AMERICAN SUPERCONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Par Value					
Balance at March 31, 2014	7,893	\$ 79	\$ 967,100	\$ (370)	\$ 1,839	\$ (856,389)	\$ 112,259
Issuance of common stock - ESPP	17	—	124	—	—	—	124
Issuance of common stock - restricted shares	301	3	(3)	—	—	—	—
Stock-based compensation expense	—	—	5,936	—	—	—	5,936
Issuance of stock for 401(k) match	35	—	392	—	—	—	392
Issuance of common stock-ATM, net of costs	375	4	5,835	—	—	—	5,839
Issuance of common stock-Hudson Bay Capital	909	9	5,216	—	—	—	5,225
Issuance of common stock to settle liabilities	94	1	1,322	—	—	—	1,323
Reverse stock split	—	—	(1)	—	—	—	(1)
Repurchase of treasury stock	—	—	—	(401)	—	—	(401)
Cumulative translation adjustment	—	—	—	—	(2,147)	—	(2,147)
Net loss	—	—	—	—	—	(48,656)	(48,656)
Balance at March 31, 2015	9,624	\$ 96	\$ 985,921	\$ (771)	\$ (308)	\$ (905,045)	\$ 79,893
Issuance of common stock - ESPP	8	—	30	—	—	—	30
Issuance of common stock - restricted shares	409	4	(4)	—	—	—	—
Stock-based compensation expense	—	—	3,248	—	—	—	3,248
Issuance of stock for 401(k) match	66	1	376	—	—	—	377
Issuance of common stock-equity offering	4,000	40	22,242	—	—	—	22,282
Repurchase of treasury stock	—	—	—	(110)	—	—	(110)
Cumulative translation adjustment	—	—	—	—	968	—	968
Net loss	—	—	—	—	—	(23,139)	(23,139)
Balance at March 31, 2016	14,107	\$ 141	\$ 1,011,813	\$ (881)	\$ 660	\$ (928,184)	\$ 83,549
Issuance of common stock - restricted shares	174	2	(2)	—	—	—	—
Stock-based compensation expense	—	—	2,892	—	—	—	2,892
Issuance of stock for 401(k) match	53	—	284	—	—	—	284
Issuance of common stock-equity offering	380	4	2,523	—	—	—	2,527
Repurchase of treasury stock	—	—	—	(490)	—	—	(490)
Cumulative translation adjustment	—	—	—	—	(1,163)	—	(1,163)
Net loss	—	—	—	—	—	(27,373)	(27,373)
Balance at March 31, 2017	14,714	\$ 147	\$ 1,017,510	\$ (1,371)	\$ (503)	\$ (955,557)	\$ 60,226

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

AMERICAN SUPERCONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended March 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net loss	\$ (27,373)	\$ (23,139)	\$ (48,656)
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation and amortization	7,519	7,972	9,554
Stock-based compensation expense	2,892	3,248	5,936
Impairment of minority interest investments	—	746	3,464
Provision for excess and obsolete inventory	1,615	2,713	1,386
Write-off prepaid taxes	—	289	—
Gain on sale from minority interest investments	(325)	(3,092)	—
Loss from minority interest investments	—	356	743
Change in fair value of derivatives and warrants	(1,304)	228	(3,963)
Reversal of Catlin legal costs	—	—	(2,220)
Non-cash interest expense	156	359	566
Other non-cash items	(940)	1,462	(2,436)
Changes in operating asset and liability accounts:			
Accounts receivable	11,143	(9,318)	(2,677)
Inventory	(815)	(782)	(1,887)
Prepaid expenses and other current assets	2,729	5,608	(2,330)
Accounts payable and accrued expenses	(7,938)	1,543	5,579
Deferred revenue	1,426	7,248	4,265
Net cash used in operating activities	(11,215)	(4,559)	(32,676)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(656)	(1,201)	(737)
Proceeds from the sale of property, plant and equipment	29	47	18
Change in restricted cash	431	2,669	2,248
Proceeds from sale of minority interests	325	3,092	—
Change in other assets	63	266	280
Net cash provided by investing activities	192	4,873	1,809
Cash flows from financing activities:			
Employee taxes paid related to net settlement of equity awards	(490)	(110)	(401)
Proceeds from the issuance of debt, net of expenses	—	—	1,422
Repayment of debt	(3,167)	(4,000)	(7,295)
Proceeds from ATM sales, net	2,527	—	5,839
Proceeds from public equity offering, net	—	22,282	9,094
Proceeds from exercise of employee stock options and ESPP	—	30	124
Net cash (used in) provided by financing activities	(1,130)	18,202	8,783
Effect of exchange rate changes on cash and cash equivalents	(393)	324	(540)
Net (decrease)/increase in cash and cash equivalents	(12,546)	18,840	(22,624)
Cash and cash equivalents at beginning of year	39,330	20,490	43,114
Cash and cash equivalents at end of year	\$ 26,784	\$ 39,330	\$ 20,490
Supplemental schedule of cash flow information:			
Cash paid for income taxes, net of refunds	\$ 992	\$ 1,723	\$ 362
Issuance of common stock to settle liabilities	399	377	1,715
Cash paid for interest	280	709	1,362

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