AMERICAN SUPERCONDUCTOR CORP /DE/
Form 10-K
June 06, 2018

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

Form
10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to
Commission file number 000-19672

American
Superconductor
Corporation
(Exact Name of
Registrant as
Specified in Its
Charter)

Delaware	04-2959321
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)
114 East Main Street Ayer, Massachusetts	01432
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code:
(978) 842-3000
Securities registered pursuant to Section 12(b) of the Act:
Common Stock, $0.01 par value, Nasdaq Global Select Market
Securities
registered
pursuant to
Section 12(g)
of the Act:
None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý
Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant on September 30, 2017, based on the closing price of the shares of Common Stock on the Nasdaq Global Select Market on that date ($4.54 per share) was $92.3 million.

Number of shares outstanding of the registrant's Common Stock, as of June 1, 2018 was 20,978,113.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the annual meeting of stockholders scheduled to be held on July 27, 2018, to be filed with the Securities and Exchange Commission (the "SEC"), are incorporated by reference in answer to Part III of this Form 10-K.

AMERICAN SUPERCONDUCTOR CORPORATION
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This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements in this Annual Report that relate to future events or conditions, including without limitation, the statements in Part I, "Item 1A. Risk Factors" and in Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and located elsewhere herein regarding industry prospects, our addressable markets, capabilities and potential uses of our products, or our prospective results of operations or financial position, may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Such forward-looking statements represent management's current expectations and are inherently uncertain. There are a number of important factors that could materially impact the value of our common stock or cause actual results to differ materially from those indicated by such forward-looking statements. Such factors include the important factors discussed under the caption "Risk Factors" in Part 1. Item 1A of this Form 10-K for the fiscal year ended March 31, 2018, which among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. Any such forward-looking statements represent management's estimates as of the date of this Annual Report on Form 10-K. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this Annual Report on Form 10-K.

PART I

Item 1. BUSINESS

Overview

American Superconductor Corporation (together with its subsidiaries, "AMSC®" or the "Company") was founded on April 9, 1987. We are a leading provider of megawatt-scale solutions that lower the cost of wind power and enhance the performance of the power grid. In the wind power market, we enable manufacturers to field highly competitive wind turbines through our advanced power electronics products, engineering, and support services. In the power grid market, we enable electric utilities, industrial facilities, and renewable energy project developers to connect, transmit and distribute power through our transmission planning services and power electronics, and superconductor-based products. Our wind and power grid products and services provide exceptional reliability, security, efficiency, and affordability to our customers.

Our wind and power grid solutions help to improve energy efficiency, alleviate power grid capacity constraints and increase the adoption of renewable energy generation. Demand for our solutions is driven by the growing needs for renewable sources of electricity, such as wind and solar energy, and for modernized smart grids that improve power reliability, security, and quality. Concerns about these factors have led to increased spending by corporations as well as supportive government regulations and initiatives on local, state and national levels, including renewable portfolio standards, tax incentives, and international treaties. We estimate that today's total annual addressable global market for our wind and grid solutions exceeds $6.0 billion.

We segment our operations into two market-facing business units: Wind and Grid. We believe this market-centric structure enables us to more effectively anticipate and meet the needs of wind turbine manufacturers, power generation project developers and electric utilities.

- Wind. Through our Windtec Solutions™, our Wind business segment enables manufacturers to field wind turbines with exceptional power output, reliability, and affordability. We supply advanced power electronics and control systems, license our highly engineered wind turbine designs, and provide extensive customer support services to wind turbine manufacturers. Our design portfolio includes a broad range of drive trains and power ratings of 2 megawatts ("MW") and higher. We provide a broad range of power electronics and software-based control systems that are highly integrated and designed for optimized performance, efficiency, and grid compatibility.
- Grid. Through our Gridtec Solutions™, our Grid business segment enables electric utilities and renewable energy project developers to connect, transmit and distribute power with exceptional efficiency, reliability, security and affordability. We provide planning services that allow us to identify power grid congestion, poor power quality, and other risks, which help us determine how our solutions can improve network performance. These services often lead to sales of our grid interconnection solutions for wind farms and solar power plants, power quality systems and transmission and distribution cable systems. We also sell ship protection products to the U.S. Navy.

Financial information about our segments can be found in Note 18, "Business Segments" of the notes to consolidated financial statements included herein.

Our fiscal year begins on April 1 and ends on March 31. When we refer to a particular fiscal year, we are referring to the fiscal year beginning on April 1 of that same year. For example, fiscal 2017 refers to the fiscal year beginning on April 1, 2017. Other fiscal years follow similarly.

Competitive strengths

We believe our competitive strengths position us well to execute on our growth plans in the markets we serve.

- Unique Solutions for the Wind and Grid Markets. We believe we provide wind turbine manufacturers with a unique and integrated approach of wind turbine design and engineering, customer support services and power electronics and control systems. We also believe we are the only company in the world that is able to provide transmission planning services, grid interconnection and voltage control systems as well as superconductor-based transmission and distribution systems for power grid operators. This unique scope of supply provides us with greater insight into our customers' evolving needs and greater cross-selling opportunities.
- Differentiated Technologies. Our PowerModule™ power converters are based on proprietary software and hardware combinations and are used in a broad array of applications, including our D-VAR® grid interconnection and voltage

control systems, as well as our wind turbine electrical control systems. Our proprietary Amperium® superconductor wire was engineered to allow us to tailor the product via laminations to meet the electrical and mechanical performance

requirements of widely varying end-use applications, including power cables and fault current limiters for the Grid market.

- Scalable, Low-Cost Manufacturing Platform. Our manufacturing of proprietary wind turbine electrical control systems and power electronics products are primarily assembly operations with minimal fixed costs. We can increase the production of these products at costs that we believe are low relative to our competitors. Our proprietary manufacturing technique for Amperium superconductor wire is modular in nature, which allows us to expand manufacturing capacity at a relatively low incremental cost.
- Robust Patent Position and Engineering Expertise. As of March 31, 2018, we owned more than 380 patents and patent applications worldwide (including international counterparts to U.S. patents), and had rights through exclusive and non-exclusive licenses to approximately 115 additional patents and patent applications worldwide. We believe our technology and manufacturing knowledge base, customer and product expertise and patent portfolio provide a strong competitive position.

Strategy

Building on these competitive strengths, we plan to focus on driving revenue growth and enhancing our operating results through the objectives defined below.

- Provide Solutions from Power Generation to Delivery. From the generation source to the distribution system, we focus on providing best-in-class engineering, support services, technologies and solutions that make the world’s power supplies smarter, cleaner and stronger.
- Focus on “Megawatt-Scale” Power Offerings. Our research, product development, and sales efforts focus on megawatt-scale offerings ranging from designs of power electronics for large wind turbine platforms to systems that stabilize power flows, integrate renewable power into the grid and carry power to and from transmission and distribution substations.
- Pursue Emerging Overseas Markets and Serve Key Markets Locally. We focus our sales efforts on overseas markets that are investing aggressively in renewable energy and power grid projects. As part of our strategy, we serve our key target markets with local sales and field service personnel, which enables us to understand market dynamics and more effectively anticipate customer needs while also reducing response time. We currently serve target markets such as Australia, China, India, South Africa, United Kingdom, and the United States.
- Product Innovation. We have a strong record of developing unique solutions for megawatt-scale power applications and will continue our focus on investing in innovation. Recently, our product development efforts have included our Resilient Electric Grid (“REG”) system for the electricity grid, ship protection systems for the U.S. Navy, and D-VAR Volt Var Optimization (“VVO”).

Market opportunities

We provide solutions that address three key drivers of our business:

- the evolving electric grid;
- the electrification of the Naval fleet; and
- the global demand for renewable energy.

Wind market overview

According to GlobalData, a research firm, approximately 52 Gigawatts ("GW") of wind generation capacity were added worldwide in 2017, as compared to 55 GW in 2016. GlobalData anticipates that more than 53 GW of additional capacity will be added in 2018.

According to GlobalData, annual wind installations in India for calendar 2017 were 1.8 GW and for calendar 2018 are estimated to be 2.9 GW.

Several factors are expected to drive the future growth in the wind power market, including substantial government incentives and mandates that have been established globally, technological improvements, turbine cost reductions, the development of the offshore wind market, and increasing cost competitiveness with existing power generation technologies. Technological advances, declining turbine production cost and fluctuating prices for some fossil fuels continue to increase the competitiveness of wind versus traditional power generation technologies.

Our solutions for the wind market

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We address the challenges of the wind power market by designing and engineering wind turbines, providing extensive support services to wind turbine manufacturers, and manufacturing and selling critical components for wind turbines.

- Electrical Control Systems. We provide full electrical control systems ("ECS") or a subset of those systems ("core electrical components") to manufacturers of wind turbines designed by us. Our ECS regulate voltage, control power flows and maximize wind turbine efficiency, among other functions. To date, we have shipped enough core electrical components and complete ECS to power over 16,000 Megawatts ("MW") of wind power. We believe our ECS represent approximately 5-10% of a wind turbine's bill of materials. We believe that the annual total addressable market for ECS is approximately $3.5 billion of which the annual addressable market in India is expected to approach $400 million.
- Wind Turbine Designs. We design and develop entire state-of-the-art onshore and offshore wind turbines with power ratings of 2 MWs and higher for manufacturers who are in the business of producing wind turbines or who plan to enter the business of manufacturing wind turbines. These customers typically pay us licensing fees, and in some cases royalties for wind turbine designs, and purchase from us the core electrical components or complete electrical control systems needed to operate the wind turbines.
- Customer Support Services. We provide extensive customer support services to wind turbine manufacturers. These services range from providing designs for customers' wind turbine manufacturing plants to establishing and localizing their supply chains and training their employees on proper wind turbine installation and maintenance. We believe these services enable customers to accelerate their entry into the wind turbine manufacturing market and lower the cost of their wind turbine platforms.

Our approach to the wind energy markets allows our customers to use our world-class turbine engineering capabilities while minimizing their research and development costs. These services and our advanced electrical control systems provide our customers with the ability to produce standardized or next-generation wind turbines at scale for their local market or the global market quickly and cost-effectively. Our team of highly experienced engineers works with clients to customize turbine designs specifically tailored to local markets while providing ongoing access to field services support and future technological advances.

Grid market overview

It is widely believed that the electricity grid in the U.S. is in need of modernization through a technology upgrade if it is to maintain reliability and adapt to the changing market needs. In fact, a report written by The White House in 2013 and titled, "Economic Benefits of Increasing Electric Grid Resilience to Weather Outages" found that economic damage from weather-related power outages averaged between $18 and $33 billion per year between 2003 and 2012 – and went as high as $75 billion in 2008 and $52 billion in 2012, as a result of damage caused by Hurricanes Ike and Sandy, respectively. Furthermore, the electric grid is also vulnerable to equipment failure, acts of terror, and threats to cyber security. Recent events and the dependence on the safety, security, and economy of the electricity grid have prompted broad recognition worldwide of the need to modernize and enhance the reliability and security of power grids.

Power grid operators worldwide face various challenges, including:

- Stability. Power grid operators are confronting power quality and stability issues arising from intermittent renewable energy sources and from the capacity limitations of transmission and overhead distribution lines and underground cables.
- Reliability. Traditional transmission lines and cables often reach their reliable voltage stability limit well below their thermal threshold. Driving more power through a power grid when some lines and cables are operating above their voltage stability limit during times of peak demand can cause either unacceptably low voltage in the power grid (a brownout) or risk of a sudden, uncontrollable voltage collapse (a blackout).
- Capacity. The traditional way to enable increases in power grid capacity without losing voltage stability is to install more overhead power lines and underground cables. However, permitting new transmission and distribution lines can take 10 years or more due to various public policy issues, such as environmental, aesthetic, and health concerns. In urban and metropolitan areas, installing additional conventional underground copper cables is similarly challenging, since many existing underground corridors carrying power distribution cables are already filled to their physical capacity and cannot accommodate any additional conventional cables. In addition, adding new conduits requires excavation to expand existing corridors or create new corridors, which are costly and disruptive undertakings.

Efficiency. Most overhead lines and underground cables use traditional conductors such as copper and aluminum, which lose power due to electrical resistance. At transmission voltage, electrical losses average about 7% in the United States and other developed nations, but can exceed 20% in some locations due to the distance of the line, quality of conductor, and the power grid's architecture and characteristics, among other factors.

- Security. Catastrophic equipment failures caused by aging equipment, physical and cyber threats, and weather related disasters can leave entire sections of an urban environment without power for hours or days. It can be difficult to recover

from extended power outages in urban load centers, worsening situations where the personal safety of residents and the economic health of business are threatened.

Our solutions for the grid market

We address these challenges in the grid market by providing services and solutions designed to increase the power grid's capacity, reliability, security and efficiency. We also provide advanced ship protection equipment for the U.S Navy in this segment as each Navy ship can be thought of as having its own power grid. Our solutions include:

- Superconductor Wire and Applications. Conventional conductors of electricity, such as aluminum and copper wire, lose energy due to resistance. Using a compound of yttrium barium copper oxide ("YBCO"), we manufacture and provide high-temperature superconductor ("HTS") wire that can conduct many times more electricity than conventional conductors with minimal power loss. We have developed full system solutions that we sell and expect to continue to sell directly to customers. This business model leverages our applications expertise, drives value beyond the wire and enables us to recognize revenue and take ownership over the marketing and sales of the full systems. These systems include:
  - Resilient Electric Grid ("REG") Systems. Our REG system has two primary applications that increase the reliability and the capacity of the urban infrastructure. For applications focused on reliability improvement, the REG cable is best used in a "ring" or "loop" configuration to interconnect nearby urban substations. This enables urban utilities to share transmission connections and excess station capacity, while controlling the high fault currents that naturally result from such interconnections, providing protection against the adverse effects that follow the loss of critical substation facilities in urban areas. We believe a utility installing our REG system could double its reliability (e.g. N-1 to N-2, or greater) by networking substations, which is a solution utilities would generally not consider when using conventional technology due to the disruptive nature and economic disadvantages of conventional technology in urban settings. For applications focused on capacity improvement, the REG cable can be used in a "branch" configuration. In this application, the REG cable connects an existing large urban substation with a new, much smaller, and more simplified substation within the city at a lower cost. The smaller urban substation does not need large power transformers and takes up much less space, thereby significantly reducing real estate, construction, and other related costs in the urban area. The key component to the REG system is a breakthrough cable system that combines very high power handling capacity with fault current limiting characteristics, features that are attributable to our proprietary HTS wire, which we believe allows leaking, aged oil-cooled cables to be replaced with environmentally benign, nitrogen cooled cables. Assuming all urban substations in major cities in the U.S. could be connected with our REG system, we believe the total annual addressable market is approximately $1.0 billion to $2.0 billion.
  - Ship Protection Systems. The primary focus of our ship protection systems ("SPS") has been degaussing systems. These systems reduce a naval ship's magnetic signature, making it much more difficult for a mine to detect and damage a ship. Traditionally made of heavy copper wire, degaussing is required on all U.S. Navy combat ships. Our HTS advanced degaussing system is lightweight, compact, and often outperforms its conventional counterpart. This HTS system is estimated to enable a 50 to 80 percent reduction in total degaussing system weight, offering significant potential for fuel savings or options to add different payloads. The core components of a degaussing system are transferable to other applications being targeted for ship implementation. We are also continuing to work on expanding HTS technology into the fleet through a variety of applications for power, propulsion, and protection equipment. Our SPS has been designed into the San Antonio class of amphibious assault vessels. We are also seeking opportunities to propagate SPS throughout the surface fleet, creating a relatively long-term revenue steam. We estimate that the total addressable market for HTS-based, ship protection systems for the marine market to be between $70.0 million and $120.0 million per year between the years 2020 and 2025.
- FACTS Systems. Flexible alternating current transmission system – or FACTS – is a system that consists of power electronics and other static components used for controlling power flow and voltage in the AC transmission system. FACTS products aim to increase controllability and power transferability of a network, which allows more effective utilization of existing assets, and reduces the need for new transmission lines and facilities to increase electricity availability. Our FACTS sales process begins with our group of experienced transmission planners working with power grid operators, renewable energy developers, and industrial system operators to identify power

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grid constraints and determine how our solutions might improve network performance. These services often lead to sales of grid interconnection solutions for wind farms and solar power plants, power quality systems for utilities and heavy industrial operations and transmission and distribution cable systems. Our transmission planners work with our customers on the following solutions:

- D-VAR® Systems. The power that flows through AC networks comprises both real power, measured in watts, and reactive power, measured in Volt Amp Reactive ("VARs"). In simple terms, reactive power is required to support voltage in the power network. D-VAR systems can provide the reactive power needed to stabilize voltage on the grid. These systems also can be used to connect wind farms and solar power plants to the power grid seamlessly as well as to protect certain industrial facilities against voltage swells and sags. We estimate the annual addressable market for FACTS systems such as D-VAR (excluding D-VAR VVO "VVO") to be approximately $600 million.
- D-VAR® VVO. We believe D-VAR VVO will allow us to enter the market for products to serve the distribution power grid. VVO is designed to be a direct-connect 15 kilovolt class power quality system for a utility's distribution network to optimally control voltage as distribution networks are increasingly impacted by distributed generation, such as roof top and community solar. We believe VVO has the potential to save utilities time and money by avoiding costly options to increase the reliability and resiliency of the distribution grid and to allow utilities to build a "plug 'n play" network to serve the demands of modern energy consumers. The intended target markets of VVO are electric distribution grids incorporating distributed generation, including where utility grid modernization attributes such as the following are applicable: mandated efficiency upgrades, mass adoption of rooftop solar, community solar, utility-owned micro-girds, variable load conditions on the distribution grid and voltage regulations alternatives. AMSC estimates the annual addressable market for VVO to be approximately $600 million.

- We are also offering full system solutions through a collaboration with industry leader Nexans:
  - Stand-alone Fault Current Limiters. Used in substations, superconductor fault current limiters ("SFCLs") act as surge protectors for the power grid. SFCLs can help protect the grid by reducing the destructive nature of faults, extending the life of existing substation equipment and allowing utilities to defer or eliminate equipment replacements or upgrades. Together with Nexans, we offer SFCLs for medium voltage alternating current ("AC") networks.

Core Technologies

Superconductors

Our second generation ("2G") HTS wire technology helps us address the smart grid infrastructure market opportunity by providing components and solutions designed to increase the power grid's capacity, reliability, security and efficiency. Our wire, known as Amperium wire, conducts electricity with zero resistance below about -297 degrees Fahrenheit. Additionally, our 2G wire has the ability to switch to a resistive state whenever a fault current exceeds a predetermined value. This characteristic is a key enabler to our REG system. The technology can be used in many applications including electricity transmission cables, superconducting generators and degaussing systems for naval vessels. Superconductor power cables, which are a class of high-capacity, environmentally-benign, and easy-to-install transmission and distribution cables, address power grid capacity issues by increasing the thermal limit of existing or new corridors. Superconductor power cables are cylindrically shaped systems consisting of HTS wires (which conduct electricity) surrounded by electrical insulation encased in a metal or polymeric jacket.

Currently, power cables are made primarily using copper wires. Power cables incorporating our Amperium wire are able to carry up to 10 times the electrical current of copper cables of the same diameter. These cable systems also bring efficiency advantages. Traditional cable systems heat up due to the electrical resistance of copper, causing electrical losses. Electrical losses at transmission voltage average about 7% in the United States and other developed nations, but can exceed 20% in some locations due to the distance of the line and the power grid's architecture and characteristics, among other factors. Conversely, HTS materials can carry direct current ("DC") with 100% efficiency and AC with nearly 100% efficiency when they are cooled below a critical temperature. As a result, AC HTS power cables lose significantly less power to resistive heating than copper cables, and DC HTS power cables have no energy losses due to resistive heating.

PowerModule Power Converters

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Our family of PowerModule power electronic converters incorporates power semiconductor devices that switch, control and move large amounts of power faster and with far less disruption than the electromechanical switches historically used. While today our PowerModule systems are used primarily in our ECS and D-VAR systems, they also have been incorporated into electric motor drives, distributed and dispersed generation devices (micro-turbines, fuel cells, and photovoltaics), power quality solutions, batteries, and flywheel-based uninterruptible power supplies.

Research and Development

Our research and development expenses were $11.6 million, $12.5 million and $12.3 million in fiscal 2017, fiscal 2016 and fiscal 2015, respectively.

Customers

We have designed wind turbines for, or licensed wind turbine designs to, more than 10 wind turbine manufacturing customers including Inox Wind Limited ("Inox") in India. We have also served over 100 customers in the grid market since our inception, including American Electric Power, Long Island Power Authority, Bonneville Power Administration, M.A. Mortensen Company, Florida Power & Light, and Renewable Energy Systems, LLC in the United States, EDF Group in France, Korean Electric Power Corporation in Korea, SSE plc in the United Kingdom, Consolidated Power Projects (Pty) Ltd in South Africa, and Ergon Energy in Australia. We serve customers globally through a localized sales and field service presence in our core target markets. Additionally, our sales personnel in the United States are supported by manufacturers' sales representatives.

Facilities and Manufacturing

Our primary facilities and their primary functions are as follows:

- Ayer, Massachusetts — Corporate headquarters, superconductors research, development and manufacturing, FACTS product engineering and manufacturing
- Pewaukee, Wisconsin — Power electronics and controls research and development
- Klagenfurt, Austria — Wind turbine engineering
- Timisoara, Romania — Electrical Control System and PowerModule power converter manufacturing

Our global footprint also includes sales and/or field service offices in Australia, China, Germany, India, and the United Kingdom.

The principal raw materials used in the manufacture of the Company’s products are nickel, silver, yttruim, copper, brass, and stainless steel. Major components are insulated gate bi-polar transistors (IGBTs), heatsinks, inductors, enclosures, transformers, and printed circuit boards. Most of these raw materials are available from multiple sources in the United States and world markets. Generally, the Company believes that adequate alternative sources are available for the majority of its key raw material and purchased component needs, however, the Company is dependent on a single or limited number of suppliers for certain materials or components.

Sales and Marketing

Our strategy is to serve customers locally in our core target markets through a direct sales force operating out of sales offices worldwide. In addition, we utilize manufacturers’ sales representatives in the United States to market our products to utilities in North America. The sales force also leverages business development staff for our various offerings as well as our team of wind turbine engineers and power grid transmission planners, all of whom help to ensure that we have an in-depth understanding of customer needs and provide cost-effective solutions for those needs. In fiscal 2017, 2016 and 2015, Inox accounted for 27%, 59% and 62% of our total revenues, respectively, and no other customer accounted for more than 10% of our total revenues in each of those fiscal years.

The portion of total revenue recognized from customers located outside the United States was 64%, 78% and 85% for fiscal 2017, 2016 and 2015, respectively. Of the revenue recognized from customers outside the United States, we recognized 42%, 75% and 73% from customers in India for fiscal 2017, 2016 and 2015, respectively. For additional financial information, see the notes to consolidated financial statements included herein, including Note 18, “Business Segments”.

Our foreign operations, particularly our operations in India and other emerging markets, expose us to a variety of risks. For a discussion of additional risks associated with our foreign operations, see Item 1A, "Risk Factors – We have operations in, and that depend on sales in, emerging markets, including India, and global conditions could negatively affect our operating results or limit our ability to expand our operations outside of these markets. Changes in India's political, social, regulatory and economic environment may affect our financial performance."

Backlog

We had backlog at March 31, 2018 of approximately $43.6 million considering the most updated information known as of the date of this filing, from government and commercial customers, compared to $65.6 million at March 31, 2017. Current backlog represents the value of contracts and purchase orders received for which delivery is expected during the next twelve months based on contractually agreed-upon terms. The year-over-year decrease in backlog is driven by lower backlog in the Wind business unit. See Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operation", for further discussion of the strategic agreements entered into with Inox.

Competition

We face competition in various aspects of our technology and product development. We believe that competitive performance in the marketplace depends upon several factors, including technical innovation, range of products and services, product quality and reliability, customer service and technical support.

Wind

We face competition from companies offering power electronic converters for use in applications for which we expect to sell our PowerModule products. These companies include ABB, Hopewind, Semikron, Vacon, and Xantrex (a subsidiary of Schneider Electric).

We face competition from companies offering various types of wind turbine electrical system components, which include ABB, Ingeteam, Mita-Teknik, and Woodward. We also face indirect competition in the wind energy market from global manufacturers of wind turbines, such as Gamesa, General Electric, Suzlon, and Vestas.

We face competition for the supply of wind turbine engineering design services from design engineering firms such as Aerodyn.

Grid

We face competition from other companies offering FACTS systems similar to our D-VAR products. These include static var compensators ("SVCs") from ABB, General Electric, AREVA, Mitsubishi Electric, and Siemens; adaptive VAR compensators and STATCOMs produced by ABB and Siemens; Dynamic voltage restorers ("DVRs") produced by companies such as ABB; and flywheels and battery-based uninterruptable power supply ("UPS") systems offered by various companies around the world.

We face competition both from suppliers of traditional utility solutions and from companies who are developing HTS wires. We also face competition for our Amperium wire from a number of companies in the United States and abroad. These include Superconductor Technologies and Superpower (a subsidiary of Furukawa) in the United States; Fujikura and Sumitomo in Japan; SuNAM in South Korea; BASF Corporation in Europe ("BASF"), Innova and Shanghai Creative Superconductor in China; and SuperOx in Russia. With our HTS-based REG product, we are offering a new approach that provides alternatives to utilities for power system design. Therefore, we believe that we compete with traditional approaches such as new full-sized substations, overhead and underground transmission, and urban power transformers.

We believe we are currently the only company that can offer HTS-based SPS products that have been fully qualified for use aboard U.S. Navy surface combatants. Therefore, the primary competition for our SPS products is currently coming from defense contractors that provide the copper-based systems that our lighter, more efficient HTS versions have been developed to replace. Companies such as L3, Excelis, Raytheon, and Textron have the bulk of the copper-based business today. However, over time, as the HTS-based SPS proliferate to the fleet, companies that have the capability to manufacture and/or package HTS wire into robust, turn-key systems will likely attempt to duplicate our products, and thus additional competition is expected from more traditional HTS competitors such as those listed above.

Many of our competitors have substantially greater financial resources, research and development, manufacturing and marketing capabilities than we do. In addition, as our target markets develop, other large industrial companies may enter these fields and compete with us.

Patents, licenses and trade secrets

Patent Background

An important part of our business strategy is to develop a strong worldwide patent position in all of our technology areas. Our intellectual property ("IP") portfolio includes both patents we own and patents we license from others. We devote substantial resources to building a strong patent position. As of March 31, 2018, we owned (either solely or jointly) 90 U.S. patents and had 9 U.S. patent applications on file. We also hold licenses from third parties covering more than 40 issued U.S. patents and patent applications. Together with the international counterparts of each of these patents and patent applications, we own over 380 patents and patent applications worldwide, and have rights through exclusive and non-exclusive licenses to approximately 115 additional patents and patent applications. We believe that our current patent position, together with our ability to obtain licenses from other parties to the extent necessary, will provide us with sufficient proprietary rights to develop and sell our products. However, for the reasons described below, we cannot assure you that this will be the case.

Despite the strength of our patent position, a number of U.S. and foreign patents and patent applications of third parties relate to our current products, to products we are developing, or to technology we are now using in the development or production of our products. We may need to acquire licenses to those patents, contest the scope or validity of those patents, or design around patented processes or applications as necessary. If companies holding patents or patent applications that we need to license are competitors, we believe the strength of our patent portfolio will significantly improve our ability to enter into license or cross-license arrangements with these companies. We have already successfully negotiated cross-licenses with several competitors. We may be required to obtain licenses to some patents and patent applications held by companies or other institutions, such as national laboratories or universities, not directly competing with us. Those organizations may not be interested in cross-licensing or, if willing to grant licenses, may charge unreasonable royalties. We have successfully obtained licenses related to HTS wire from a number of such organizations with royalties we consider reasonable. Based on historical experience, we expect that we will be able to obtain other necessary licenses on commercially reasonable terms. However, we cannot provide any assurance that we will be able to obtain all necessary licenses from competitors on commercially reasonable terms, or at all.

Failure to obtain all necessary patents, licenses and other IP rights upon reasonable terms could significantly reduce the scope of our business and have a material adverse effect on our results of operations. We do not now know the likelihood of successfully contesting the scope or validity of patents held by others. In any event, we could incur substantial costs in challenging the patents of other companies. Moreover, third parties could challenge some of our patents or patent applications, and we could incur substantial costs in defending the scope and validity of our own patents or patent applications whether or not a challenge is ultimately successful.

Wind and Grid Patents

We have received patents and filed a significant number of additional patent applications on power quality and reliability systems, including our D-VAR products. Our products are covered by almost 60 patents and patents pending worldwide on both our systems and power converter products. The patents and applications focus on inventions that significantly improve product performance and reduce product costs, thereby providing a competitive advantage. One invention of note allows for a reduction in the number of power inverters required in the system by optimally running the inverters in overload mode, thereby significantly reducing overall system costs. Another important invention uses inverters to offset transients due to capacitor bank switching, which provides improved system performance.

Under our Windtec Solutions™ brand, we design a variety of wind turbine systems and license these designs, including expertise and patent rights, to third parties for an upfront fee, plus in some cases, future royalties. Our wind turbine designs are covered by more than 30 patents and patents pending worldwide on wind turbine technology. We have patent coverage on the unique design features of our blade pitch control system, which ensures optimal aerodynamic flow conditions on the turbine blades and improves system efficiency and performance. The pitch system includes a

patented SafetyLOCK™ feature that causes the blades to rotate to a feathered position to prevent the rotor blades from spinning during a fault.

We recognize the importance of IP protection in China and believe that China is steadily moving toward recognizing and acting in accordance with international norms for IP. As such, we have incorporated China in our patent strategy for all of our various products. Nevertheless, we recognize that the risk of IP piracy is still higher in China than in most other industrialized countries, and so we are careful to limit the technology we provide through our product sales in China. While we take the steps

necessary to ensure the safety of our IP, we cannot provide any assurance that these measures will be fully successful. For example, see Part I, Item 3, “Legal Proceedings,” for more information regarding legal proceedings that we have undertaken against Sinovel Wind Group Co., Ltd (“Sinovel”) alleging the illegal use of our intellectual property.

HTS Patents

Since the discovery of high temperature superconductors in 1986, rapid technical advances have characterized the HTS industry, which in turn have resulted in a large number of patents, including overlapping patents, relating to superconductivity. As a result, the patent situation in the field of HTS technology and products is unusually complex. We have obtained licenses to patents and patent applications covering some HTS materials. We currently have non-exclusive rights to a fundamental U.S. patent (U.S. 8,060,169 B1) covering 2G and similar HTS wire and applications and may elect in the future to allow our rights under this license to lapse. However, we may have to obtain additional licenses to HTS materials and, upon expiration of U.S. 8,060,169, to the materials covered by such patent.

We are focusing on the production of our Amperium wire, and we intend to continue to maintain a leadership position in 2G HTS wire through a combination of patents, licenses and proprietary expertise. In addition to our owned patents and patent applications in 2G HTS wire, we have obtained licenses from (i) MIT for the MOD process we use to deposit the YBCO layer, and (ii) Alcatel-Lucent on the YBCO material. During fiscal 2015, we entered into a Joint Development Agreement (“JDA”) and licensed certain of our HTS manufacturing process technology to BASF. Under the JDA, we agreed with BASF to develop a new solutions-based deposition technology for the interface layers of our Amperium wire. Should this development effort be successful, any newly developed intellectual property as a result of the JDA will be owned by BASF, but we will have the right to incorporate this new technology into our manufacturing process on a royalty-free basis. Alternatively, we could purchase HTS wire directly from BASF should they decide to manufacture and sell HTS wire. If alternative processes become more promising in the future, we also expect to seek to develop a proprietary position in these alternative processes.

We have more than 243 patents and patents pending covering applications of HTS wire, such as HTS fault current limiting technology including our fault current limiting cable, HTS rotating machines and ship protection systems. Since the superconductor rotating machine and the fault current limiting cable applications are relatively new, we are building a particularly strong patent position in these areas. At present, we believe we have the world’s broadest and most fundamental patent position in superconductor rotating machines technology. We have also filed a series of patents on our concept for our proprietary fault current limiting technology. However, there can be no assurance that that these patents will be sufficient to assure our freedom of action in these fields without further licensing from others. See Part I, Item 1A, “Risk Factors,” for more information regarding the status of the commercialization of our Amperium wire products.

Trade Secrets

Some of the important technology used in our operations and products is not covered by any patent or patent application owned by or licensed to us. However, we take steps to maintain the confidentiality of this technology by requiring all employees and all consultants to sign confidentiality agreements and by limiting access to confidential information. We cannot provide any assurance that these measures will prevent the unauthorized disclosure or use of that information. For example, see Part I, Item 3, “Legal Proceedings,” for more information regarding legal proceedings that we have filed against Sinovel alleging the illegal use of our intellectual property. In addition, we cannot provide any assurance that others, including our competitors, will not independently develop the same or comparable technology that is one of our trade secrets.

Employees

As of March 31, 2018, we employed 247 persons. None of our employees is represented by a labor union.

In April 2017, we announced that our board of directors had approved a plan to reduce our global workforce by approximately 8%, effective April 4, 2017. The majority of the affected employees were located at our Massachusetts office location. The purpose of the workforce reduction was to reduce operating expenses to better align with our current revenues.

Available information

Our internet address is www.amsc.com. We are not including the information contained in our website as part of, or incorporating it by reference into, this document. We make available, free of charge, through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such materials with, or furnish such materials to, the SEC.

We intend to disclose on our website any amendments to, or waivers of, our Code of Business Conduct and Ethics that are required to be disclosed pursuant to the SEC or Nasdaq rules.

Executive officers of the registrant

The table and biographical summaries set forth below contain information with respect to our executive officers as of the date of this filing:

Name	Age	Position
Daniel P. McGahn	46	President, Chief Executive Officer and Director
John W. Kosiba, Jr.	45	Senior Vice President, Chief Financial Officer and Treasurer

Daniel P. McGahn joined us in December 2006 and has been chief executive officer and a member of our board of directors since June 2011. He previously served as president and chief operating officer from December 2009 to June 2011, as senior vice president and general manager of our AMSC Superconductors business unit from April 2008 until December 2009, as vice president of our AMSC Superconductors business unit from March 2007 to April 2008 and as vice president of strategic planning and development from December 2006 to March 2007. From 2003 to 2006, Mr. McGahn served as executive vice president and chief marketing officer of Konarka Technologies. We believe Mr. McGahn's qualifications to sit on our board of directors include his extensive experience with our company, including serving as our president since 2009, experience in the power electronics industry and strategic planning expertise gained while working in senior management as a consultant for other public and private companies.

John W. Kosiba, Jr. was appointed senior vice president, chief financial officer and treasurer effective April 4, 2017. Mr. Kosiba joined us as managing director, finance operations, in June 2010. He then served as vice president, finance operations, from September 2011 to May 2013. Prior to his appointment as senior vice president and chief financial officer, Mr. Kosiba served most recently as senior vice president, Gridtec solutions and finance operations, where he was responsible for (i) overseeing finance and accounting operations, budgeting, strategic planning and financial planning and analysis for the company, and (ii) managing the day-to-day business operations of our Gridtec solutions' business segment. From January 2008 until June 2010, Mr. Kosiba served as division director and controller of Amphenol Aerospace, a division of Amphenol Corporation and a manufacturer of interconnect products for the military, commercial aerospace and industrial markets. In this role, Mr. Kosiba was responsible for overseeing finance, accounting, budgeting, audit and all aspects of financial planning and analysis for the division.

Item 1A. RISK FACTORS

Risks Related to Our Financial Performance

We have a history of operating losses, which may continue in the future. Our operating results may fluctuate significantly from quarter to quarter and may fall below expectations in any particular fiscal quarter.

We have recorded net losses in each of the last three fiscal years, including a net loss of $32.8 million for the fiscal year ended March 31, 2018, and it is unlikely that we will be profitable in fiscal 2018. We cannot be certain that we will regain profitability in the future.

There is currently substantial uncertainty in our business, which makes it difficult to evaluate our business and future prospects. In addition, our operating results historically have been difficult to predict and have at times fluctuated from quarter to quarter due to a variety of factors, many of which are outside of our control. As a result of all of these factors, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. In addition, we have in the past, and may continue to, provide public guidance on our expected operating and financial results for future periods. Such guidance is comprised of forward-looking statements subject to the risks and uncertainties described in this Annual Report and in our other public filings and statements. Our actual results may not always be in line with or exceed the guidance we have provided. If our revenue or operating results fall below the expectations of investors or any securities analysts that follow our company in any period or we do not meet our guidance, the trading price of our common stock would likely decline.

Our operating expenses do not always vary directly with revenue and may be difficult to adjust in the short term. As a result, if revenue for a particular quarter is below our expectations, we may not be able to proportionately reduce operating expenses for that quarter, and therefore such a revenue shortfall would have a disproportionate effect on our operating results for that quarter.

We have a history of negative operating cash flows, and we may require additional financing in the future, which may not be available to us.

As of March 31, 2018, we had approximately $34.2 million of cash, cash equivalents, and restricted cash, and during the fiscal year ended March 31, 2018, we used $24.8 million in cash for our operating activities. We have experienced substantial net losses, including a net loss of $32.8 million for the fiscal year ended March 31, 2018. From April 1, 2011 through the date of this Annual Report, our various restructuring activities have resulted in a substantial reduction of our global workforce, including our announcement in April 2017 that we were reducing our global workforce by approximately 8%. We plan to continue to closely monitor our expenses and, if required, will further reduce operating costs and capital spending to enhance liquidity.

Our liquidity is highly dependent on our ability to profitably grow our revenues, control our operating costs, and secure additional financing, if required. We may require additional capital to conduct our business and adequately respond to future business challenges or opportunities, including, but not limited to, the need to develop new products or enhance existing products, maintain or expand research and development projects, collateralize performance bonds or letters of credit, and the need to build inventory or to invest other cash to support business growth. In order to raise additional capital, we may offer shares of our common stock or other securities convertible into or exchangeable for our common stock. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of each of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders.

In the event that additional liquidity is required, there can be no assurance that such financing would be available or, if available, that such financing could be obtained upon terms acceptable to us, which would have a material adverse effect on our business, financial condition and prospects.

We may be required to issue performance bonds or provide letters of credit, which restricts our ability to access any cash used as collateral for the bonds or letters of credit.

While we have been required to provide performance bonds in the form of surety bonds or other forms of security and letters of credit in the past, the size of the bonds and letters of credit was not material. In recent years, we have entered into contracts that require us to post bonds of significant magnitude and some of our suppliers have asked us to provide letters of credit. In many instances, we have been required to deposit cash in escrow accounts as collateral for

these instruments, which is unavailable to us for general use for significant periods of time. Should we be unable to obtain performance bonds or letters of credit in the future, significant future potential revenue could become unavailable to us. Further, should our working capital situation deteriorate, we would not be able to access the restricted cash to meet working capital requirements.

Changes in exchange rates could adversely affect our results from operations.

Currency exchange rate fluctuations could have an adverse effect on our revenues and results of operations, and we could experience losses with respect to hedging activities. In fiscal 2017, 64% of our revenues were recognized from sales outside of the United States. In addition, approximately 37% of our revenues in fiscal 2017 were derived under sales contracts where prices were denominated in the Euro. Unfavorable currency fluctuations could require us to increase prices to foreign customers, which could result in a lesser number of orders, and therefore lower revenues, from such customers. Alternatively, if we do not adjust the prices for our products in response to unfavorable currency fluctuations, our results of operations could be adversely affected. In addition, most sales made by our foreign subsidiaries are denominated in the currency of the country in which these products are sold, and the currency they receive in payment for such sales could be less valuable at the time of receipt as a result of exchange rate fluctuations. However, we cannot be certain that our efforts will be adequate to protect us against significant currency fluctuations or that such efforts will not expose us to additional exchange rate risks.

If we fail to maintain proper and effective internal control over financial reporting, our ability to produce accurate and timely financial statements could be impaired and may lead investors and other users to lose confidence in our financial data.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements.

We note that a system of procedures and controls, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all systems of procedures and controls, no evaluation can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple errors or mistakes. Additionally, procedures and controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override. The design of any system of procedures and controls also is based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, our systems of procedures and controls, as we further develop and enhance them, may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective system of procedures and controls, misstatements due to errors or fraud may occur and not be detected. Such misstatements could be material and require a restatement of our financial statements.

If we are unable to maintain effective internal controls, we may not have adequate, accurate or timely financial information, and we may be unable to meet our reporting obligations or comply with the requirements of the SEC or the Sarbanes-Oxley Act of 2002, which could result in the imposition of sanctions, including the inability of registered broker dealers to make a market in our common stock, or an investigation by regulatory authorities. Any such action or other negative results caused by our inability to meet our reporting requirements or to comply with legal and regulatory requirements or by our disclosure of an accounting, reporting or control issue could adversely affect the trading price of our securities and our business. Significant deficiencies or material weaknesses in our internal control over financial reporting could also reduce our ability to obtain financing or could increase the cost of any financing we obtain.

Risks Related to Our Operations

A significant portion of our revenues are derived from a single customer. If this customer’s business is negatively affected, it will adversely impact our business.

Our largest customer is Inox in India. Inox accounted for 27% of our total revenues during the fiscal year ended March 31, 2018, 59% of our revenues during the fiscal year ended March 31, 2017, and 62% of our total revenues during the fiscal year ended March 31, 2016. Revenues from Inox are supported by a supply contract to purchase, and a license to make, use and supply, wind turbine ECS. It is the Company's understanding that certain states in India have been seeking to re-negotiate recent power purchase agreements, including feed-in tariffs that are currently higher than the tariff resulting from the nation’s first wind power auction in February 2017. This has resulted in delays, working capital constraints and uncertainty for some wind energy projects in India and has negatively affected

shipments of ECS by us to Inox, resulting in lower than expected revenue in the fiscal years ended March 31, 2018 and 2017. If Inox cancels or continues not to fully perform under the supply contract or discontinues future purchases from us under the supply contract, we would likely be unable to replace the related revenues. Any of the foregoing actions would have a material adverse impact on our business, operating results and financial position.

Our financial condition may have an adverse effect on our customer and supplier relationships.

Our relationships with our customers and suppliers are predicated on the belief that we will continue to operate. Our customers, particularly in the utility industry, are generally risk averse and may not enter into sales contracts with us if there is

uncertainty regarding our ability to support working capital needs of large scale projects. This has had, and may continue to have, an adverse effect on our ability to grow our revenues. In addition, current and future suppliers may be less likely to grant us credit, resulting in a negative impact on our working capital and cash flows.

Our contracts with the U.S. government are subject to audit, modification or termination by the U.S. government and include certain other provisions in favor of the government. The continued funding of such contracts remains subject to annual congressional appropriation, which, if not approved, could reduce our revenue and lower or eliminate our profit.

As a company that contracts with the U.S. government, we are subject to financial audits and other reviews by the U.S. government of our costs and performance, accounting, and general business practices relating to these contracts. Based on the results of these audits, the U.S. government may adjust our contract-related costs and fees. We cannot be certain that adjustments arising from government audits and reviews would not have a material adverse effect on our results of operations.

Our U.S. government contracts customarily contain other provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts, including provisions that allow the government to:

- obtain certain rights to the intellectual property that we develop under the contract;
- decline to award future contracts if actual or apparent organizational conflicts of interest are discovered, or to impose organizational conflict mitigation measures as a condition of eligibility for an award;
- suspend or debar us from doing business with the government or a specific government agency; and
- pursue criminal or civil remedies under the False Claims Act, False Statements Act and similar remedy provisions unique to government contracting.

All of our U.S. government contracts can be terminated by the U.S. government for its convenience, including our contract with the Department of Homeland Security ("DHS") to deploy our REG system in Commonwealth Edison Company's ("ComEd") electric grid in Chicago, Illinois ("Project REG"). Moving to the manufacturing and construction stage of Project REG is dependent upon both DHS and ComEd agreeing to proceed following the successful completion of a detailed deployment plan. We can provide no assurance that DHS and ComEd will agree to proceed with the project. Termination-for-convenience provisions typically provide only for our recovery of costs incurred or committed, and for settlement of expenses and profit on work completed prior to termination. In addition to the right of the U.S. government to terminate its contracts with us, U.S. government contracts are conditioned upon the continuing approval by the U.S. Congress of the necessary spending to honor such contracts. Congress often appropriates funds for a program on a fiscal year basis even though contract performance may take more than one year. Consequently, at the beginning of many major governmental programs, contracts often may not be fully funded, and additional monies are then committed to the contract only if, as and when appropriations are made by the U.S. Congress for future fiscal years.

We cannot be certain that our U.S. government contracts, including our contract for Project REG, will not be terminated or suspended in the future. The U.S. government's termination of, or failure to fully fund, one or more of our contracts would have a negative impact on our operating results and financial condition. Further, in the event that any of our government contracts are terminated for cause, it could affect our ability to obtain future government contracts which could, in turn, seriously harm our ability to develop our technologies and products.

Lower prices for other fuel sources may reduce the demand for wind energy development, which could have a material adverse effect on our ability to grow our Wind business.

The wind energy market is affected by the price and availability of other fuels, including nuclear, coal, natural gas and oil, as well as other sources of renewable energy. To the extent renewable energy, particularly wind energy, becomes less cost-competitive due to reduced government targets, increases in the cost of wind energy, as a result of new regulations, and incentives that favor alternative renewable energy, cheaper alternatives or otherwise, demand for wind energy and other forms of renewable energy could decrease. Slow growth or a long-term reduction in the demand for renewable energy could have a material adverse effect on our ability to grow our Wind business.

Our success in addressing the wind energy market is dependent on the manufacturers that license our designs.

Because an important element of our strategy for addressing the wind energy market involves the license of our wind turbine designs to manufacturers of those systems, the financial benefits to us from our products for the wind energy market are dependent on the success of these manufacturers in selling wind turbines based on our designs. We may not be able to enter into marketing

or distribution arrangements with third parties on financially acceptable terms, or at all, and third parties may not be successful in selling our products or applications incorporating our products.

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

We have attracted a highly skilled management team and specialized workforce, including scientists, engineers, researchers, manufacturing, marketing and sales professionals. Hiring and retaining good personnel for our business is challenging, and highly qualified technical personnel are likely to remain a limited resource for the foreseeable future. We may not be able to hire the necessary personnel to implement our business strategy. In addition, we may need to provide higher compensation or more training to our personnel than we currently anticipate. Moreover, any officer or employee can terminate his or her relationship with us at any time.

Over the past several years, we have substantially reduced our global workforce in order to lower expenses, reorganize our global operations, and streamline various functions of the business, to match the demand for our products. In fiscal 2017, we reduced our global workforce by approximately 8%. Ongoing employee retention is challenging following these reductions in workforce and organizational changes since we also must continue to motivate employees and keep them focused on our strategies and goals. Losing the services of any of our executive officers or key employees could materially and adversely impact our business.

Failure to successfully execute the move from our former Devens, Massachusetts manufacturing facility or achieve expected savings following any move could adversely impact our financial performance.

As part of our effort to increase manufacturing efficiency, we are in the process of moving from our former manufacturing facility located in Devens, Massachusetts to our smaller-scale leased facility located in Ayer, Massachusetts. If the move is successful, we expect that our Grid products, including D-VAR® systems, VVO products, HTS wire, and ship protection system products will be produced exclusively at the new facility. Moving production to a different plant involves various risks, including the inability to commence manufacturing within the cost and timeframe estimated, damage to equipment, inability to produce a high quality product, shipping delays, and the inability to hire and to retain a sufficient number of qualified personnel. Failure to successfully implement the move of our Devens, Massachusetts facility due to these and other unforeseen risks could adversely affect our ability to meet customer demand for Grid products and could increase the cost of production versus projections, both of which could adversely impact our operating and financial results.

We may not realize all of the sales expected from our backlog of orders and contracts.

We cannot assure you that we will realize the revenue we expect to generate from our backlog in the periods we expect to realize such revenue, or at all.

In addition, the backlog of orders, if realized, may not result in profitable revenue. Backlog represents the value of contracts and purchase orders received for which delivery is expected in the next twelve months. Our customers have the right under some circumstances and with some penalties or consequences to terminate, reduce or defer firm orders that we have in backlog. In addition, our government contracts are subject to the risks described above. If our customers terminate, reduce or defer firm orders, we may be protected from certain costs and losses, but our sales will nevertheless be adversely affected and we may not generate the revenue we expect.

Although we strive to maintain ongoing relationships with our customers, there is an ongoing risk that they may cancel orders or reschedule orders due to fluctuations in their business needs or purchasing budgets.

Our business and operations would be adversely impacted in the event of a failure or security breach of our information technology infrastructure.

We rely upon the capacity, reliability, and security of our information technology hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. Any failure to manage, expand, and update our information technology infrastructure or any failure in the operation of this infrastructure could harm our business. In addition, the costs associated with updating and securing our information technology infrastructure are likely to increase as such security measures become more complex, which may harm our operating results and financial condition.

Despite our implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access and other similar disruptions. Our business is also subject to break-ins, sabotage,

and intentional

acts of vandalism by third parties as well as employees. Our business activities in China may increase our risks to such breaches. For example, a former employee of our Austrian subsidiary pled guilty in September 2011 to charges of economic espionage and fraudulent manipulation of data. The evidence presented during the trial showed that this former employee was contracted by our former customer, Sinovel Wind Group, or Sinovel, through an intermediary while employed by us and improperly obtained and transferred to Sinovel portions of our wind turbine control software source code developed for Sinovel's 1.5MW wind turbines. Moreover, the evidence shows that this former employee illegally used source code to develop, for Sinovel, a software modification to circumvent the encryption and remove technical protection measures on the PM3000 power converters in 1.5MW wind turbines in the field. Any system failure, accident, or security breach could result in disruptions to our operations. To the extent that any disruption or security breach results in a loss or damage to our data, or inappropriate disclosure of confidential information, it could harm our reputation, result in substantial remediation costs, lead to lost revenues and litigation, increase our insurance premiums and have other adverse effects on our business.

We rely upon third-party suppliers for the components and subassemblies of many of our Wind and Grid products, making us vulnerable to supply shortages and price fluctuations, which could harm our business.

Many of our components and subassemblies are currently manufactured for us by a limited number of qualified suppliers. Any interruption in the supply of components or subassemblies, or our inability to obtain substitute components or subassemblies from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers, which would have an adverse effect on our business and operating results.

We are producing certain Wind products in our manufacturing facility in Romania. In order to minimize costs and time to market, we have and will continue to identify local suppliers that meet our quality standards to produce certain of our subassemblies and components. These efforts may not be successful. In addition, any event which negatively impacts our supply, including, among others, wars, terrorist activities, natural disasters and outbreaks of infectious disease, could delay or suspend shipments of products or the release of new products or could result in the delivery of inferior products. Our revenues from the affected products would decline or we could incur losses until such time as we are able to restore our production processes or put in place alternative contract manufacturers or suppliers. Even though we carry business interruption insurance policies, we may suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies.

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

Many of the revenue opportunities for our business involve projects, such as the installation of superconductor cables in power grids and electrical system hardware in wind turbines, in which we collaborate with other companies, including suppliers of cryogenic systems, manufacturers of electric power cables and manufacturers of wind turbines. As a result, most of our current and planned revenue-generating projects involve business collaborators on whose performance our revenue is dependent. If these business collaborators fail to deliver their products or perform their obligations on a timely basis or fail to generate sufficient demand for the systems they manufacture, our revenue from the project may be delayed or decreased, and we may not be successful in selling our products.

If we fail to implement our business strategy successfully, our financial performance could be harmed.

Our future financial performance and success are dependent in large part upon our ability to implement our business strategy successfully. Our business strategy envisions several initiatives, including driving revenue growth and enhancing operating results by increasing customer adoption of our products by targeting high-growth segments with commercial and system-level products. We may not be able to implement our business strategy successfully or achieve the anticipated benefits of our business plan. If we are unable to do so, our long-term growth and profitability may be adversely affected. Even if we are able to implement some or all of the initiatives of our business plan successfully, our operating results may not improve to the extent we anticipate, or at all. In addition, to the extent we have misjudged the nature and extent of industry trends or our competition, we may have difficulty in achieving our strategic objectives. Any failure to implement our business strategy successfully may adversely affect our business, financial condition and results of operations. In addition, we may decide to alter or discontinue certain aspects of our business strategy at any time.

Our ability to implement our business strategy could also be affected by a number of factors beyond our control, such as increased competition, legal developments, government regulation, general economic conditions, or increased

operating costs or expenses.

Problems with product quality or product performance may cause us to incur warranty expenses and may damage our market reputation and prevent us from achieving increased sales and market share.

Consistent with customary practice in our industry, we guarantee our products and/or services to be free from defects in material and workmanship under normal use and service. We generally provide a one- to three-year warranty on our products, commencing upon installation. A provision is recorded upon revenue recognition to cost of revenues for estimated warranty expense based on historical experience. The possibility of future product failures or issues related to services we provided could cause us to incur substantial expenses to repair or replace defective products or re-perform such services potentially in excess of our reserves. Furthermore, widespread product failures may damage our market reputation and reduce our market share and cause sales to decline.

Many of our customers outside of the United States may be either directly or indirectly related to governmental entities, and we could be adversely affected by violations of the United States Foreign Corrupt Practices Act and similar worldwide anti-bribery laws outside the United States.

The U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws in non-U.S. jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Many of our customers outside of the United States are, either directly or indirectly, related to governmental entities and are therefore subject to such anti-bribery laws. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances strict compliance with anti-bribery laws may conflict with local customs and practices. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our business, results of operations and financial condition.

We have had limited success marketing and selling our superconductor products and system-level solutions, and our failure to more broadly market and sell our products and solutions could lower our revenue and cash flow.

To date, we have had limited success marketing and selling our superconductor products and system-level solutions. Once our products and solutions are ready for widespread commercial use, we will have to develop a marketing and sales organization that will effectively demonstrate the advantages of our products over more traditional products, competing superconductor products and other technologies. We may not be successful in our efforts to market this 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 Amperium wire, are included as a component of a larger product, such as a power cable system. By entering into marketing and sales alliances, the financial benefits to us of commercializing our products will be dependent on the efforts of others.

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

Our prior acquisitions required substantial integration and management efforts. As a result of any acquisition we pursue, management’s attention and resources may be diverted from our other businesses. An acquisition may also involve the payment of a significant purchase price, which could reduce our cash position or dilute our stockholders, and require significant transaction-related expenses.

Achieving the benefits of any acquisition involves additional risks, including:

- difficulty assimilating acquired operations, technologies and personnel;
- inability to retain management and other key personnel of the acquired business;
- changes in management or other key personnel that may harm relationships with the acquired business’s customers and employees;
- unforeseen liabilities of the acquired business;
- diversion of management’s and employees’ attention from other business matters as a result of the integration process;
- mistaken assumptions about volumes, revenue and costs associated with the acquired business, including synergies;
- limitations on rights to indemnity from the seller;
- mistaken assumptions about the overall costs of equity or debt used to finance the acquisition; and
- unforeseen difficulties operating in new product areas, with new customers, or in new geographic areas.

We cannot provide any assurance that we will realize any of the anticipated benefits of any acquisition, and if we fail to realize these anticipated benefits, our operating performance could suffer.

Risks Related to Our Markets

Our success depends upon the commercial use of high temperature superconductor ("HTS") products, which is currently limited, and a widespread commercial market for our products may not develop.

To date, there has been no widespread commercial use of HTS products. Even if the technological hurdles currently limiting commercial uses of HTS products are overcome, it is uncertain whether a robust commercial market for those new and unproven products will ever develop. To date, many projects to install superconductor cables and products in power grids have been funded or subsidized by the governmental authorities. If this funding is curtailed, grid operators may not continue to use superconductor cables and products in their projects.

In addition, we believe in-grid demonstrations of superconductor power cables are necessary to convince utilities and power grid operators of the benefits of this technology. Even if a project is funded, completion of projects can be delayed as a result of other factors.

It is possible that the market demands we currently anticipate for our HTS products will not develop and that they will never achieve widespread commercial acceptance. In such event, we would not be able to implement our strategy, and our profits could be reduced or eliminated. Even if a commercial market for our HTS products were to develop, commercial terms requested by utilities and power grid operators relating to bonding requirements, limitations of liability, warranty periods, or other contractual provisions, may not be acceptable to us, which could impede our ability to enter into contractual arrangements for the sale of our HTS products.

Growth of the wind energy market depends largely on the availability and size of government subsidies, economic incentives and legislative programs designed to support the growth of wind energy.

At present, the cost of wind energy exceeds the cost of conventional power generation in many locations around the world. Various governments have used different policy initiatives to encourage or accelerate the development and adoption of wind energy and other renewable energy sources. Renewable energy policies are in place in the European Union, certain countries in Asia, including India, China, Japan and South Korea, and many of the states in Australia and the United States. Examples of government sponsored financial incentives include capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end-users, distributors, system integrators and manufacturers of wind energy products to promote the use of wind energy and to reduce dependency on other forms of energy. In the United States, various legislation and regulations designed to support the growth of wind energy have been implemented or proposed by the federal government, such as the Production Tax Credit for Renewable Energy (PTC) and the Clean Power Plan. Governments, including the U.S. government, may decide to reduce or eliminate these economic incentives, or curtail legislative programs supportive of wind energy technologies for political, financial or other reasons. Any reductions in, or eliminations of, government subsidies, economic incentives or favorable legislative programs before the wind energy industry reaches a sufficient scale to be cost-effective in a non-subsidized marketplace could reduce demand for our products and adversely affect our business prospects and results of operations.

We have operations in, and depend on sales in, emerging markets, including India, and global conditions could negatively affect our operating results or limit our ability to expand our operations outside of these markets. Changes in India's political, social, regulatory and economic environment may affect our financial performance.

We have operations in India and in recent years a significant portion of our total revenues has been derived from customers in this market. Our financial performance depends upon our ability to carry on our operations and market our products in markets such as India, as well as other emerging markets around the world. We are, and will continue to be, subject to financial, political, economic and business risks in connection with our operations and sales in these emerging markets. In addition to the business risks inherent in developing and servicing these markets, economic conditions may be more volatile, legal and regulatory systems less developed and predictable, and the possibility of various types of adverse governmental action more pronounced in emerging markets. In addition, inflation, fluctuations in currency and interest rates, competitive factors, civil unrest and labor problems could affect our revenues, expenses and results of operations. Our operations could also be adversely affected by acts of war, terrorism or the threat of any of these events as well as government actions such as controls on imports, exports and prices,

tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in the countries in which we operate or service customers. Unexpected or uncontrollable events or circumstances in any of these markets could have a material adverse effect on our financial results and cash flows.

Our financial performance could be affected by the political and social environment in India. In recent years, India has experienced civil unrest and terrorism and has been involved in conflicts with neighboring countries. The potential for hostilities between India and Pakistan has been high in light of tensions related to recent terrorist incidents in India and the unsettled nature of the regional geopolitical environment, including events in and related to Afghanistan and Iraq.

With respect to our activities in all emerging markets, we may be impacted by issues with managing foreign sales operations, including long payment cycles, potential difficulties in accounts receivable collection and, especially from significant customers, fluctuations in the timing and amount of orders. The adverse effect of any of these issues on our business could be increased due to the concentration of our business with a small number of customers. Operations in foreign countries also expose us to risks relating to difficulties in enforcing our proprietary rights, currency fluctuations and adverse or deteriorating economic conditions. If we experience problems with obtaining registrations, compliance with foreign country or applicable U.S. laws, or if we experience difficulties in payments or intellectual property matters in foreign jurisdictions, or if significant political, economic or regulatory changes occur, our results of operations would be adversely affected.

Our products face intense competition, which could limit our ability to acquire or retain customers.

The markets for our products are intensely competitive and many of our competitors have substantially greater financial resources, and research and development, manufacturing and marketing capabilities than we do. In addition, as our target markets develop, other large industrial companies may enter these fields and compete with us.

Our Wind business faces competition for the supply of wind turbine engineering design services from design engineering firms such as Aerodyn.

Our Wind business also faces competition from companies offering power electronic converters for use in applications for which we expect to sell our PowerModule products. These companies include ABB, Hopewind, Semikron, Vacon and Xantrex (a subsidiary of Schneider Electric).

Finally, our Wind business faces competition from companies offering wind turbine electrical system components, including ABB, Ingeteam, Mita-Teknik, and Woodward. We also face indirect competition in the wind energy market from global manufacturers of wind energy systems, such as Gamesa, General Electric, Suzlon and Vestas.

Our Grid business faces competition from companies offering FACTS systems similar to our D-VAR products. These include SVCs from ABB, General Electric, AREVA, Mitsubishi Electric and Siemens; adaptive VAR compensators and STATCOMs produced by ABB and Siemens; dynamic voltage restorers produced by companies such as ABB; and flywheels and battery-based UPS systems offered by various companies around the world.

Our Grid business also faces competition both from suppliers of traditional wires made from materials such as copper and from companies who are developing HTS wires.

Finally, our Grid business faces competition for our Amperium wire from a number of companies in the United States and abroad that are developing 2G HTS wire technology. These include Superconductor Technologies and Superpower (a subsidiary of Furukawa) in the United States; Fujikura, and Sumitomo in Japan; SuNAM in South Korea; BASF in Europe; Innova and Shanghai Creative Superconductor in China; and SuperOx in Russia. With our HTS-based REG product, we are offering a new approach that provides alternatives to utilities for power system design. Therefore, we believe that we compete with traditional approaches such as new full-sized substations, overhead and underground transmission, and urban power transformers.

We believe we are currently the only company that can offer HTS-based SPS products that have been fully qualified for use aboard U.S. Navy surface combatants. Therefore, the primary competition for our SPS products is currently coming from defense contractors that provide the copper-based systems that our lighter, more efficient HTS versions have been developed to replace. Companies such as L3, Excelis, Raytheon and Textron have the bulk of the copper-based business today. However, over time, as the HTS-based SPS products proliferate to the fleet, companies that have the capability to manufacture and/or package HTS wire into robust, turn-key systems will most likely attempt to duplicate our products and thus additional competition is expected from more traditional 2G HTS wire competitors such as those listed above.

As the HTS wire, superconductor electric motors and generators, and power electronic systems markets develop, other large industrial companies may enter those fields and compete with us. If we are unable to compete successfully, it

may harm our business, which in turn may limit our ability to acquire or retain customers.

Our international operations are subject to risks that we do not face in the United States, which could have an adverse effect on our operating results.

In recent years, a substantial majority of our consolidated revenues were recognized from customers outside of the United States. For example, 64% of our revenues in fiscal 2017 and 78% of our revenues in fiscal 2016 were recognized from sales outside the United States. Our international operations are subject to a variety of risks that we do not face in the United States, including:

- potentially longer payment cycles for sales in foreign countries and difficulties in collecting accounts receivable;
- difficulties in staffing and managing our foreign offices and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- additional withholding taxes or other taxes on our foreign income and repatriated cash, and tariffs or other restrictions on foreign trade or investment, including export duties and quotas, trade and employment restrictions;
- imposition of, or unexpected adverse changes in, foreign laws or regulatory requirements;
- increased exposure to foreign currency exchange rate risk;
- reduced protection for intellectual property rights in some countries; and
- political unrest, war or acts of terrorism.

In addition, the new U.S. presidential administration has withdrawn the United States from the Trans-Pacific Partnership trade agreement, is renegotiating the North American Free Trade Agreement, has imposed increased tariffs on the importation of certain products, and has made various comments suggesting the possible re-negotiation of or withdrawal from other trade agreements and the potential imposition of new import barriers. We cannot predict whether the United States or any other country will impose new quotas, tariffs, taxes or other trade barriers upon the importation or exportation of our products or gauge the effect that new barriers would have on our financial position or results of operations.

Our overall success in international markets depends, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions. We may not be successful in developing and implementing policies and strategies that will be effective in managing these risks in each country where we do business or conduct operations. Our failure to manage these risks successfully could harm our international operations and reduce our international sales, thus lowering our total revenue and reducing or eliminating our profits.

Adverse changes in domestic and global economic conditions could adversely affect our operating results.

We have become increasingly subject to the risks arising from adverse changes in domestic and global economic conditions. In recent years, the state of both the domestic and global economies has been uncertain due to the difficulty in obtaining credit, weak economic recovery, and financial market volatility. Adverse credit conditions in the future could have a negative impact on our ability to execute on future strategic activities. In addition, if credit is difficult to obtain in the future, some customers may delay or reduce purchases. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies, increased accounts receivable and inventory write-offs and increased price competition. Any of these events would likely harm our business, results of operations and financial condition.

Risks Related to Our Technologies

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely, in part, on confidentiality agreements with our employees, contractors, consultants, outside scientific collaborators and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets or independently develop processes or products that are similar or identical to our trade secrets and courts outside the United States may be less willing to protect trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

For example, based, in part, upon evidence obtained through an internal investigation and a criminal investigation conducted by Austrian authorities regarding the actions of a former employee of our Austrian subsidiary, we believe that Sinovel illegally obtained and used our intellectual property in violation of civil and criminal intellectual property laws. In July 2011, a former employee of our Austrian subsidiary was arrested in Austria on charges of economic espionage and fraudulent manipulation of data. In September 2011, the former employee pled guilty to the charges, and was imprisoned. On September 13, 2011, we

commenced a series of legal actions in China against Sinovel and other parties alleging the illegal use of our intellectual property. We cannot provide any assurance as to the outcome of these legal actions. This or future litigation with Sinovel could result in substantial costs and divert management's attention and resources, which could have an adverse effect on our business, operating results and financial condition. In addition, such proceedings may make it more difficult to finance our operations. If we are unsuccessful in this litigation and fail to maintain adequate protection of this intellectual property, our competitive business position would be adversely affected. For more information about these legal proceedings, see Part I, Item 3, "Legal Proceedings."

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

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

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

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

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

Many of our superconductor products are in the early stages of commercialization, while others are still under development. There are a number of technological challenges that we must successfully address to complete our development and commercialization efforts for superconductor products. We will also need to improve the performance and reduce the cost of our Amperium wire to expand the number of commercial applications for it. We may be unable to meet such technological challenges or to sufficiently improve the performance and reduce the costs of our Amperium wire. Delays in development, as a result of technological challenges or other factors, may result in the introduction or commercial acceptance of our superconductor products later than anticipated.

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

We expect that some or all of the HTS materials, processes and technologies we use in designing and manufacturing our products are or will become covered by patents issued to other parties, including our competitors. 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 or re-engineer our products to avoid infringement claims by the owners of these patents. It is possible that we will not be successful in contesting the validity or scope of a patent, or that we will not prevail in a patent infringement claim brought against us. Even if we are successful in such a proceeding, we could incur substantial costs and diversion of management resources in prosecuting or defending such a proceeding.

Our technology and products could infringe intellectual property rights of others, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and disrupt our business.

In recent years, there has been significant litigation involving patents and other intellectual property rights in many technology-related industries. There may be patents or patent applications in the United States or other countries that are pertinent to our products or business of which we are not aware. The technology that we incorporate into and use to develop and manufacture our current and future products, including the technologies we license, may be subject to claims that they infringe the patents or proprietary rights of others. The success of our business will also depend on

our ability to develop new technologies without infringing or misappropriating the proprietary rights of others. Third parties may allege that we infringe patents, trademarks or copyrights, or that we misappropriated trade secrets. These allegations could result in significant costs and diversion of the attention

of management. If a successful claim were brought against us and we are found to infringe a third party's intellectual property rights, we could be required to pay substantial damages, including treble damages if it is determined that we have willfully infringed such rights, or be enjoined from using the technology deemed to be infringing, or using, making or selling products deemed to be infringing. If we have supplied infringing products or technology to third parties, we may be obligated to indemnify these third parties for damages they may be required to pay to the patent holder and for any losses they may sustain as a result of the infringement. In addition, we may need to attempt to license the intellectual property right from such third party or spend time and money to design around or avoid the intellectual property. Any such license may not be available on reasonable terms, or at all. An adverse determination may subject us to significant liabilities and/or disrupt our business.

Risks Related to Our Legal Matters

We have filed a demand for arbitration and other lawsuits against our former largest customer, Sinovel, regarding amounts we contend are overdue. We cannot be certain as to the outcome of these proceedings.

On March 31, 2011, Sinovel refused to accept contracted scheduled shipments with a revenue value of approximately $65.2 million. In addition, as of March 31, 2011, we had approximately $62.0 million of receivables (excluding value-added tax) outstanding from Sinovel. We have not received payment from Sinovel for these outstanding receivables that are now past due, nor have we been notified as to when, if ever, they will accept contracted shipments that were scheduled for delivery after March 31, 2011. No payment has been received from Sinovel since early March 2011. Because Sinovel did not give us notice that it intended to delay deliveries as required under the contracts, we believe that these actions constitute material breaches of our contracts. Additionally, we believe that Sinovel illegally obtained and used our intellectual property in violation of civil and criminal intellectual property laws.

On September 13, 2011, we filed a claim for arbitration against Sinovel in Beijing, China to compel Sinovel to pay us for past product shipments and to accept all contracted but not yet delivered core electrical components and spare parts under all existing contracts with us. In addition, we have filed civil complaints in China against Sinovel alleging the illegal use of our intellectual property. Sinovel has filed counterclaims against us with the Beijing Arbitration Commission for breach of the same contracts under which we filed our original arbitration claim. Sinovel claims, among other things, that the goods supplied by us do not conform to the standards specified in the contracts and has claimed net damages in the amount of approximately 1.2 billion Chinese yuan ("RMB") (approximately $191 million). Sinovel also filed a claim with the Beijing Arbitration Commission against us for breach of the same contracts under which we filed our original arbitration claim. Sinovel claimed, among other things, that the goods supplied by us do not conform to the standards specified in the contracts and claimed damages in the amount of approximately RMB 105.0 million (approximately $17 million). As the legal proceedings continue, we and Sinovel may identify additional amounts in dispute. We cannot provide any assurance as to the outcome of these legal actions or that, if we prevail, we ultimately will be able to collect any amounts awarded. Moreover, these legal proceedings could result in the incurrence of significant legal and related expenses, which may not be recoverable depending on the outcome of the litigation. An award by the arbitration panel or court in favor of Sinovel and/or the incurrence of significant legal fees that are not recoverable could adversely impact our operating results. For more information about these legal proceedings, see Part I, Item 3, "Legal Proceedings."

We have been named as a party in various legal proceedings, and we may be named in additional litigation, all of which will require significant management time and attention, result in significant legal expenses and may result in an unfavorable outcome, which could have a material adverse effect on our business, operating results and financial condition.

We are and may become subject to various legal proceedings and claims that arise in or outside the ordinary course of business. Certain current lawsuits and pending proceedings are described under Part I, Item 3. "Legal Proceedings." The results of these lawsuits and future legal proceedings cannot be predicted with certainty. Also, our insurance coverage may be insufficient, our assets may be insufficient to cover any amounts that exceed our insurance coverage, and we may have to pay damage awards or otherwise may enter into settlement arrangements in connection with such claims. Any such payments or settlement arrangements in current or future litigation could have a material adverse effect on our business, operating results or financial condition. Even if the plaintiffs' claims are not successful, current future litigation could result in substantial costs and significantly and adversely impact our reputation and divert

management's attention and resources, which could have a material adverse effect on our business, operating results or financial condition. In addition, such lawsuits may make it more difficult to finance our operations.

Risks Related to Our Common Stock

Our common stock has experienced, and may continue to experience, significant market price and volume fluctuations, which may prevent our stockholders from selling our common stock at a profit and could lead to costly litigation against us that could divert our management's attention.

The market price of our common stock has historically experienced significant volatility and may continue to experience such volatility in the future. Factors such as our financial performance, liquidity requirements, technological achievements by us and our competitors, the establishment of development or strategic relationships with other companies, strategic acquisitions, new customer orders and contracts, and our introduction of commercial products may have a significant effect on the market price of our common stock. The stock market in general, and the stock of high technology companies, in particular, have, in recent years, experienced extreme price and volume fluctuations, which are often unrelated to the performance or condition of particular companies. Such broad market fluctuations could adversely affect the market price of our common stock. Due to these factors, the price of our common stock may decline and investors may be unable to resell their shares of our common stock for a profit. Following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. In the past, we have been subject to a number of class action lawsuits which were filed against us on behalf of certain purchasers of our common stock. If we become subject to additional litigation of this kind in the future, it could result in additional substantial litigation costs, a damages award against us and the further diversion of our management's attention.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

Our corporate headquarters and Grid manufacturing operations are located in a leased 88,000-square-foot facility in Ayer, Massachusetts. Our Wind manufacturing operations are located in a leased 62,000-square-foot facility in Timisoara, Romania.

We also occupy leased facilities located in Australia, Klagenfurt, Austria; China; India; Pewaukee, Suzhou, Wisconsin; and the United Kingdom with a combined total of approximately 63,000 square feet of space. These leases have varying expiration dates through November 2022 which can generally be terminated at our request after a six month advance notice. These locations focus primarily on applications engineering, sales and/or field service and do not have significant leases or physical presence. We believe all of these facilities are well-maintained and suitable for their intended uses.

The following table summarizes information regarding our significant leased properties, as of March 31, 2018:

Location	Supporting	Square footage	Owned/Leased
United States			
Ayer, Massachusetts	Corporate & Grid Segment	88,000	Leased
Romania			
Timisoara	Wind Segment	62,000	Leased

Item 3. LEGAL PROCEEDINGS

On September 13, 2011, we commenced a series of legal actions in China against Sinovel. Our Chinese subsidiary, Suzhou AMSC Superconductor Co. Ltd., filed a claim for arbitration with the Beijing Arbitration Commission in accordance with the terms of our supply contracts with Sinovel. The case is captioned (2011) Jing Zhong An Zi No. 0963. On March 31, 2011, Sinovel refused to accept contracted shipments of 1.5 MW and 3 MW wind turbine core electrical components and spare parts that we were prepared to deliver. We allege that these actions constitute material breaches of our contracts because Sinovel did not give us notice that it intended to delay deliveries as required under the contracts. Moreover, we allege that Sinovel has refused to pay past due amounts for prior shipments of core electrical components and spare parts. We are seeking compensation for past product shipments and

retention (including interest) in the amount of approximately RMB 485 million (approximately $77 million) due to Sinovel's breaches of our contracts. We are also seeking specific performance of our existing contracts as well as reimbursement of all costs and reasonable expenses with respect to the arbitration. The value of the undelivered components under the existing

contracts, including the deliveries refused by Sinovel in March 2011, amounts to approximately RMB 4.6 billion (approximately $732 million).

On October 8, 2011, Sinovel filed with the Beijing Arbitration Commission an application under the caption (2011) Jing Zhong An Zi No. 0963, for a counterclaim against us for breach of the same contracts under which we filed our original arbitration claim. Sinovel claims, among other things, that the goods supplied by us do not conform to the standards specified in the contracts and claims damages in the amount of approximately RMB 370 million (approximately $59 million). On October 17, 2011, Sinovel filed with the Beijing Arbitration Commission a request for change of counterclaim to increase its damage claim to approximately RMB 1 billion (approximately $159 million). On December 22, 2011, Sinovel filed with the Beijing Arbitration Commission an additional request for change of counterclaim to increase its damages claim to approximately RMB 1.2 billion (approximately $191 million). On February 27, 2012, Sinovel filed with the Beijing Arbitration Commission an application under the caption (2012) Jing Zhong An Zi No. 0157, against us for breach of the same contracts under which we filed our original arbitration claim. Sinovel claims, among other things, that the goods supplied by us do not conform to the standards specified in the contracts and claims damages in the amount of approximately RMB 105 million (approximately $17 million). We believe that Sinovel's claims are without merit and we intend to defend these actions vigorously. Since the proceedings in this matter are still in the early technical review phase, we cannot reasonably estimate possible losses or range of losses at this time.

We also submitted a civil action application to the Beijing No. 1 Intermediate People's Court under the caption (2011) Yi Zhong Min Chu Zi No. 15524, against Sinovel for software copyright infringement on September 13, 2011. The application alleges Sinovel's unauthorized use of portions of our wind turbine control software source code developed for Sinovel's 1.5MW wind turbines and the binary code, or upper layer, of our software for the PM3000 power converters in 1.5MW wind turbines. In July 2011, a former employee of our Austrian subsidiary was arrested in Austria on charges of economic espionage and fraudulent manipulation of data. In September 2011, the former employee pled guilty to the charges, and was imprisoned. As a result of our internal investigation and a criminal investigation conducted by Austrian authorities, we believe that this former employee was contracted by Sinovel through an intermediary while employed by us and improperly obtained and transferred to Sinovel portions of our wind turbine control software source code developed for Sinovel's 1.5MW wind turbines. Moreover, we believe the former employee illegally used source code to develop for Sinovel a software modification to circumvent the encryption and remove technical protection measures on the PM3000 power converters in 1.5MW wind turbines in the field. We are seeking a cease and desist order with respect to the unauthorized copying, installation and use of our software, monetary damages of approximately RMB 38 million (approximately $6 million) for our economic losses and reimbursement of all costs and reasonable expenses. The Beijing No. 1 Intermediate People's Court accepted the case, which was necessary in order for the case to proceed. On September 15, 2014, the Beijing No. 1 Intermediate People's Court held its first substantive hearing in the Beijing case. At the hearing, the parties presented evidence, reviewed claims, and answered questions from the court. On April 24, 2015, we received notification from the Beijing No. 1 Intermediate People's Court that it dismissed the case for what it cited was a lack of evidence. On May 6, 2015, we filed an appeal of the Beijing No. 1 Intermediate People's Court decision to dismiss the case with the Beijing Higher People's Court. On September 8, 2015, the Beijing Higher People's Court held its first substantive hearing on our appeal of the Beijing No. 1 Intermediate People's Court's dismissal of the case. At the hearing, the parties presented evidence and answered questions from the court. We are awaiting a decision from the Beijing Higher People's Court.

We submitted a civil action application to the Beijing Higher People's Court against Sinovel and certain of its employees for trade secret infringement on September 13, 2011 under the caption (2011) Gao Min Chu Zi No. 4193. The application alleges the defendants' unauthorized use of portions of our wind turbine control software source code developed for Sinovel's 1.5MW wind turbines as described above with respect to the Copyright Action. We are seeking monetary damages of approximately RMB 2.9 billion (approximately $462 million) for the trade secret infringement as well as reimbursement of all costs and reasonable expenses. The Beijing Higher People's Court has accepted the case, which was necessary in order for the case to proceed. On December 22, 2011 the Beijing Higher People's Court transferred the case to the Beijing No. 1 Intermediate People's Court under the caption (2011) Gao Min

Chu Zi No. 4193. On June 7, 2012, we received an Acceptance Notice from the Beijing No.1 Intermediate People's Court under the caption (2012) Yi Zhong Min Chu Zi No.6833. The Beijing No. 1 Intermediate Court held the first substantive hearing on May 11, 2015. On June 15, 2015, we submitted a request for the withdrawal of our complaint to the Beijing No. 1 Intermediate Court. On June 16, 2015, the Beijing No. 1 Intermediate Court granted our request. We immediately filed a civil action application to the Beijing Intellectual Property Court against the same parties and seeking the same amount of monetary damages for trade secret infringement on June 16, 2015 under the caption (2015) Jin Zhi Min Chu Zi No. 1135. On January 18, 2016, the Beijing Intellectual Property Court held its first substantive hearing on our trade secret infringement case. At the hearing, the parties presented evidence, reviewed claims and answered questions from the court. We are awaiting a decision from the Beijing Intellectual Property Court.

On September 16, 2011, we filed a civil copyright infringement complaint in the Hainan Province No. 1 Intermediate People's Court against Dalian Guotong Electric Co. Ltd. ("Guotong"), a supplier of power converter products to Sinovel, and Huaneng Hainan Power, Inc. ("Huaneng"), a wind farm operator that has purchased Sinovel wind turbines containing Guotong power converter products. The case is captioned (2011) Hainan Yi Zhong Min Chu Zi No. 62. The application alleges that our PM1000 converters in certain Sinovel wind turbines have been replaced by converters produced by Guotong. Because the Guotong

converters are being used in wind turbines containing our wind turbine control software, we believe that our copyrighted software is being infringed. We are seeking a cease and desist order with respect to the unauthorized use of our software, monetary damages of approximately RMB 1.2 million (approximately $0.2 million) for our economic losses (with respect to Guotong only) and reimbursement of all costs and reasonable expenses. The court has accepted the case, which was necessary in order for the case to proceed. In addition, upon the request of the defendant Huaneng, Sinovel has been added by the court to this case as a defendant and Huaneng has been released from this case. On November 18, 2014, the Hainan No. 1 Intermediate People's Court held its first substantive hearing in the Hainan case. At the hearing, the parties presented evidence, reviewed claims, and answered questions from the court. On June 3, 2015, we received notification from the Hainan No. 1 Intermediate People's Court that it dismissed the case for what it cited was a lack of evidence. On June 18, 2015, we filed an appeal of the Hainan No. 1 Intermediate People's Court decision to dismiss the case with the Hainan Higher People's Court. On August 20, 2015, the Hainan Higher People's Court accepted the appeal under the caption (2015) QiongZhi Min Zhong Zi No. 6. On November 26, 2015, the Hainan Higher People's Court held its first substantive hearing on our appeal of the Hainan No. 1 Intermediate People's Court's dismissal of the case. On August 17, 2016, we received notification from the Hainan Higher People's Court that it dismissed the case for what it cited was a lack of evidence. We intend to file an appeal of the Hainan Higher People's Court's decision with China's Supreme People's Court. China's Supreme People's Court has discretion to decide whether to hear the appeal.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the Nasdaq Global Select Market under the symbol "AMSC" since 1991. The following table sets forth the high and low sales price per share of our common stock as reported on the Nasdaq Global Select Market for each quarter of the two most recent fiscal years.

	Common Stock Price	
	High	Low
Fiscal year ended March 31, 2018:		
First quarter	$ 7.75	$ 3.88
Second quarter	4.98	2.89
Third quarter	4.84	3.06
Fourth quarter	6.51	3.62
Fiscal year ended March 31, 2017:		
First quarter	$ 12.50	$ 7.44
Second quarter	9.63	6.21
Third quarter	8.55	6.01
Fourth quarter	7.82	5.86

Holders

The number of holders of record of our common stock on June 1, 2018 was 262.

Dividend Policy

We have never paid cash dividends on our common stock. We currently intend to retain earnings, if any, to fund the development and growth of our business and do not anticipate paying cash dividends for the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on our common stock from March 31, 2013 to March 31, 2018 with the cumulative total return of (i) the Nasdaq Composite Index and (ii) the Nasdaq Electrical Components & Equipment Index. In prior years, we have included the Russell 2000 Index and the Russell Microcap Index as benchmark indices, however, this year we decided to include the Nasdaq Composite Index and the Nasdaq Electrical Components & Equipment Index because we no longer have access to the information provided in the Russell indices. We will not include the Russell 2000 Index and the Russell Microcap Index in the performance graph in future years.

This graph assumes the investment of $100.00 on March 31, 2013 in our common stock, the Nasdaq Composite Index and the Nasdaq Electrical Components & Equipment Index, and assumes any dividends are reinvested. Measurement points are March 31, 2013; March 31, 2014; March 31, 2015; March 31, 2016; March 31, 2017; and March 31, 2018.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among American Superconductor Corporation,
the Nasdaq Composite Index and the Nasdaq Electrical Components & Equipment Index

	Fiscal year ended March 31,					
Company/Index	2013	2014	2015	2016	2017	2018
American Superconductor Corporation	100.00	60.30	24.12	28.46	25.69	21.80
Nasdaq Composite Index	100.00	130.18	153.76	154.62	189.99	229.43
Nasdaq Electrical Components & Equipment Index	100.00	132.70	143.83	131.15	165.26	184.61

Item 6. SELECTED FINANCIAL DATA

The following selected financial data reflects the results of operations and balance sheet data for the fiscal years ended March 31, 2014 to 2018. Per share data has been restated to reflect the 1-for-10 reverse stock split effected on March 24, 2015. Our selected consolidated financial data set forth below as of March 31, 2018 and 2017 and for each of the years ended March 31, 2018, 2017 and 2016 have been derived from the audited consolidated financial statements included elsewhere herein. Our selected consolidated financial data set forth below as of March 31, 2016, 2015 and 2014 and for each of the years ended March 31, 2015 and 2014 are derived from our consolidated financial statements not included elsewhere herein. The information set forth below is not necessarily indicative of results of future operations and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data," of this Form 10-K, in order to understand further the factors that may affect the comparability of the financial data presented below.

	Fiscal year ended March 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share data)				
Revenues	$48,403	$75,195	$96,023	$70,530	$84,117
Net loss	(32,776)	(27,373)	(23,139)	(48,656)	(56,258)
Net loss per common share - basic	(1.73)	(1.98)	(1.76)	(5.74)	(8.98)
Net loss per common share - diluted	(1.73)	(1.98)	(1.76)	(5.74)	(8.98)
Total assets	88,175	100,244	135,318	133,825	168,509
Working capital	39,851	23,483	42,334	17,319	35,459
Cash, cash equivalents, marketable securities and restricted cash	34,249	27,744	40,721	24,548	49,421
Long term debt, net of discount	—	—	1,367	3,877	6,380
Stockholders' equity	52,229	60,226	83,549	79,893	112,259

Included in the net loss for the fiscal year ended March 31, 2018 was stock-based compensation expense of $2.7 million, gain on sale of our minority investment of $1.2 million, gain from the change in fair value of warrants and derivatives, and contingent consideration of $0.6 million. Included in the net loss for the fiscal year ended March 31, 2017 was stock-based compensation expense of $2.9 million, gain on sales of our minority investments of $0.3 million, and a gain from the change in fair value of warrants and derivatives of $1.3 million. Included in the net loss for the fiscal year ended March 31, 2016 was stock-based compensation expense of $3.2 million, restructuring charges of $0.8 million, gains on sales of our minority investments of $3.1 million, non-cash interest expense of $0.4 million, and a loss from the change in fair value of warrants and derivatives of $0.2 million. Included in the net loss for the fiscal year ended March 31, 2015 was stock-based compensation expense of $5.9 million, restructuring charges of $5.4 million, non-cash interest expense of $0.6 million, arbitration award expense of $9.0 million, and a gain from the change in fair value of warrants and derivatives of $4.0 million. Included in the net loss for the fiscal year ended March 31, 2014 was stock-based compensation expense of $10.7 million, restructuring charges of $3.0 million, a prepaid value added tax reserve of $1.4 million, non-cash interest expense of $7.7 million, a loss on extinguishment of debt of $5.2 million, and a gain from the change in fair value of warrants and derivatives of $1.9 million.

Item 7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

We are a leading provider of megawatt-scale solutions that lower the cost of wind power and enhance the performance of the power grid. In the wind power market, we enable manufacturers to field highly competitive wind turbines through our advanced power electronics products, engineering, and support services. In the power grid market, we enable electric utilities and renewable energy project developers to connect, transmit and distribute power through our transmission planning services and power electronics and superconductor-based products. Our wind and power grid products and services provide exceptional reliability, security, efficiency and affordability to our customers.

Our wind and power grid solutions help to improve energy efficiency, alleviate power grid capacity constraints and increase the adoption of renewable energy generation. Demand for our solutions is driven by the growing needs for renewable sources of electricity, such as wind and solar energy, and for modernized smart grids that improve power reliability, security and quality. Concerns about these factors have led to increased spending by corporations as well as supportive government regulations and initiatives on local, state, national and global levels, including renewable portfolio standards, tax incentives and international treaties.

We manufacture products using two proprietary core technologies: PowerModule programmable power electronic converters and our Amperium high temperature superconductor (HTS) wires. These technologies and our system-level solutions are protected by a broad and deep intellectual property portfolio consisting of hundreds of patents and licenses worldwide.

We operate our business under two market-facing business units: Wind and Grid. We believe this market-centric structure enables us to more effectively anticipate and meet the needs of wind turbine manufacturers, power generation project developers and electric utilities.

- Wind. Through our Windtec Solutions™, our Wind business segment enables manufacturers to field wind turbines with exceptional power output, reliability and affordability. We supply advanced power electronics and control systems, license our highly engineered wind turbine designs, and provide extensive customer support services to wind turbine manufacturers. Our design portfolio includes a broad range of drivetrains and power ratings of 2 MW and higher. We provide a broad range of power electronics and software-based control systems that are highly integrated and designed for optimized performance, efficiency, and grid compatibility.
- Grid. Through our Gridtec Solutions™, our Grid business segment enables electric utilities and renewable energy project developers to connect, transmit and distribute power with exceptional efficiency, reliability, security and affordability. We provide transmission planning services that allow us to identify power grid congestion, poor power quality, and other risks, which help us determine how our solutions can improve network performance. These services often lead to sales of our grid interconnection solutions for wind farms and solar power plants, power quality systems and transmission and distribution cable systems. We also sell ship protection products to the U.S. Navy through our Grid business segment.

Our fiscal year begins on April 1 and ends on March 31. When we refer to a particular fiscal year, we are referring to the fiscal year beginning on April 1 of that same year. For example, fiscal 2017 refers to the fiscal year beginning on April 1, 2017. Other fiscal years follow similarly.

We have experienced recurring operating losses and as of March 31, 2018 had an accumulated deficit of $988.3 million. In addition, we have experienced recurring negative operating cash flows and our Wind segment revenues decreased 70% in fiscal 2017 compared to fiscal 2016. From April 1, 2011 through the date of this filing, we have reduced our global workforce substantially, including an 8% reduction in force, primarily affecting employees in our Massachusetts facility, effective April 4, 2017. At March 31, 2018, we had cash and cash equivalents of $34.1 million. Cash used in operations for the year ended March 31, 2018 was $24.8 million.

Over the last several years, we have entered into several debt and equity financing arrangements in order to enhance liquidity. During the fiscal years ended March 31, 2013 through 2017, we have generated aggregate cash flows from financing activities of $85.2 million. In addition, on May 10, 2017, we completed an additional equity offering (the "Offering") which included a 30-day option (the "Option") to the underwriters to purchase up to an additional 600,000 shares of common stock at the public offering price, which was fully exercised. The total net proceeds to us during the

three months ended June 30, 2017 from the Offering and the Option were approximately $17.0 million, after deducting underwriting discounts and commissions and offering expenses

payable by us. The Company terminated its At Market Issuance Sales Agreement with FBR Capital Markets & Co in conjunction with the Offering.

On February 5, 2018, we entered into a Purchase and Sale Agreement (the “PSA”) with 64 Jackson, LLC (the “Purchaser”) and Stewart Title Guaranty Company (“Escrow Agent”), to effectuate the sale of certain real property located at 64 Jackson Road, Devens, Massachusetts, including the building that served as the Company’s headquarters (collectively, the “Property”), in exchange for total consideration of $23.0 million, composed of (i) cash consideration of $17.0 million, and (ii) a $6.0 million subordinated secured commercial promissory note payable to us (the "Seller Note"). Subsequently, the Seller, the Purchaser and Jackson 64 MGI, LLC (“Assignee”) entered into an Assignment of Purchase and Sale Agreement (the “Assignment Agreement”), pursuant to which the Purchaser assigned all of its rights and interests in the PSA to the Assignee and the Assignee agreed to assume all of the Purchaser’s obligations and liabilities under the PSA. The transaction closed on March 28, 2018, at which time we received, from the Assignee, cash consideration, net of certain agreed upon closing costs, of $16.9 million, and the Seller Note which bears an interest rate of 1.96%. The Seller Note is secured by a subordinated second mortgage on the Property and a subordinated second assignment of leases and rents, which constitutes continuing involvement, therefore we have deferred the gain of $0.1 million which is offset against the long-term portion of the note receivable.

In September 2017, pursuant to a stock purchase agreement (the “SPA”), we acquired all of the issued and outstanding shares of Infinia Technology Corporation ("ITC") (the “ITC Shares”) for a purchase price of approximately $3.8 million (the "Acquisition"), consisting of $0.1 million in cash and 884,890 shares of our common stock, par value $0.01 per share (the “AMSC Shares”). Under the terms of the SPA, we were obligated to file a registration statement (the “Resale Registration Statement”) covering the resale of the AMSC Shares by certain selling stockholders (the “Selling Stockholders”) no later than 10 business days following the closing of the Acquisition, and to use commercially reasonable efforts to cause the Resale Registration Statement to be declared effective by the Securities and Exchange Commission (“SEC”) as soon as practicable thereafter. Additionally, we agreed to pay the Selling Stockholders an amount in cash (the “Make Whole Payment”), if any, equal to (x) an amount equal to (i) the price per AMSC Share pursuant to the terms of the SPA, multiplied by (ii) the number of AMSC Shares sold by Selling Stockholders during the first 90 days after the effectiveness of the Resale Registration Statement, minus (y) the aggregate sales proceeds received by the Selling Stockholders from the sale of any AMSC Shares during the first 90 days after the effectiveness of the Resale Registration Statement. The Resale Registration Statement was declared effective on October 23, 2017. The contingent liability related to the Make Whole Payment was determined under a fair value option based pricing model to be $0.6 million on September 25, 2017 and was subsequently reassessed at each period end until the final amount of $0.7 million as of December 31, 2017 was determined according to the formula per the agreement. See Note 4 "Fair Value Measurements" and Note 12 "Warrants and Derivative Liabilities" of the notes to our consolidated financial statements contained herein for further discussion regarding the valuation of this liability. On January 5, 2018, we issued the Make Whole Payment to the Selling Stockholders in the amount of $0.7 million and settled the contingent liability.

We valued the Acquisition at $4.2 million (excluding Acquisition costs), using a value of $4.02 per share, which represents the closing price of our common stock on the closing date of the Acquisition plus $0.1 million in cash and $0.6 million contingent consideration for the Make Whole Payment valued as of the closing date. As a result of this transaction, ITC became a wholly-owned subsidiary and was integrated into our Grid business unit.

The results of ITC's operations are included in our consolidated results and our Grid segment reporting from the date of acquisition, September 25, 2017. Assuming the Acquisition had occurred on April 1, 2017 and 2016, the impact on our consolidated results would not have been significant.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law. ASC Topic 740 requires deferred tax assets and liabilities to be measured using the enacted rate for the period in which they are expected to reverse.The SEC staff issued Staff Accounting Bulletin No. 118, which provides guidance for companies that have not completed their accounting for the income tax effects of the Act, in the period of enactment, allowing for a measurement period of up to one year after the enactment date to finalize the recording of the related tax impacts.

Accordingly, the new 21% U.S. Federal corporate tax rate was used to remeasure the U.S. deferred tax assets and liabilities as of March 31, 2018 that will reverse in future periods. As a result of the reduction of our corporate income tax rate from 34% to 21%, we recorded a $116.3 million adjustment to our net U.S. deferred tax asset which was offset by a corresponding reduction to our valuation allowance. Our deferred tax attributes are generally subject to a full valuation allowance in the U.S. and thus, this adjustment to the attributes did not impact the tax provision. In addition, the new legislation includes a one-time transition tax in which all foreign earnings are deemed to be repatriated to the U.S. and taxable at specified rates included within the Act. We reviewed the accumulated foreign earnings aggregated across all non U.S. subsidiaries, net of foreign deficits. We believe we are in an aggregate net foreign deficit position for U.S. tax purposes and therefore not liable for the transition tax. We have made reasonable estimates and do not anticipate significant revisions to the accounting for the tax impact of the Act, but we have not completed our accounting for the tax effects of the Act at March 31, 2018. The ultimate impact may differ from our provisional estimates, possibly materially, due to additional analysis, changes in

interpretations and assumptions we have made, additional regulatory guidance that may be issued and actions we may take as a result of the Act. The accounting is expected to be completed within the one year measurement period in accordance with the measurement period guidance outlined in Staff Accounting Bulletin No. 118.

Business Goals

We intend to pursue the following goals during fiscal year 2018:

- Recognize VVO revenue from commercial sales.
- Complete long lead time order for the U.S. Navy Amphibious Transport Dock, LPD 28.
- Begin production phase of REG system for ComEd.
- Deliver initial 5.5 MW ECS units to Doosan for offshore wind power market.
- Deliver lower cost per MW tower design to Inox.
- Grow Grid sales year over year.

Results of Operations

Fiscal Years Ended March 31, 2018 and March 31, 2017

Revenues

Total revenues decreased by 36% to $48.4 million in fiscal 2017 from $75.2 million in fiscal 2016. Our revenues are summarized as follows (in thousands):

	Fiscal Years Ended March 31,	
	2018	2017
Revenues:		
Wind	$14,294	$47,269
Grid	34,109	27,926
Total	$48,403	$75,195

Revenues in our Wind business unit are derived from wind turbine electrical systems and core components, wind turbine license and development contracts, service contracts and consulting arrangements. Our Wind business unit accounted for 30% of total revenues in fiscal 2017 and 63% in fiscal 2016. Revenues in the Wind business unit decreased 70% to $14.3 million in fiscal 2017 from $47.3 million in fiscal 2016. The decrease in Wind business unit revenues was driven primarily by lower revenues from Inox in India. Such decrease in revenues was due to fewer than anticipated ECS shipments to Inox. We believe this reduction in demand has been caused by the transition in India from a local fixed tariff policy regime to a central and state government auction regime, which has had an adverse impact on the Wind industry in India. We cannot predict if and when this demand dislocation will be resolved, and to the extent resolved, how successful Inox will be under the new central and state auction regime. The decrease in revenues in our Wind segment was partially offset by an increase in license revenues.

Revenues in our Grid business unit are derived from our D-VAR product sales, HTS wire sales, government-sponsored electric utility projects, license contracts and other prototype development contracts. We also engineer, install and commission our products on a turnkey-basis for some customers. The Grid business unit accounted for 70% of total revenues in fiscal 2017 and 37% in fiscal 2016. Grid revenue increased 22% to $34.1 million in fiscal 2017 from $27.9 million in fiscal 2016. The increase in Grid revenue was primarily due to higher D-VAR system revenues, as well as higher revenue from sales to the U.S. Navy.

Cost of Revenues and Gross Margin

Cost of revenues decreased by 31% to $44.6 million in fiscal 2017, compared to $64.4 million in fiscal 2016. Gross margin decreased to 7.8% in fiscal 2017 from 14.4% in fiscal 2016. The decrease in gross margin in fiscal 2017 was driven primarily by lower revenues from Inox due to the reduction in demand as discussed above.

Operating Expenses

Research and development

Research and development ("R&D") expenses decreased by 8% to $11.6 million, or 24% of revenue in fiscal 2017, compared to $12.5 million, or 17% of revenue, in fiscal 2016. The decrease in R&D expenses is primarily the result of lower product development costs in the Grid business unit.

Selling, general, and administrative

Selling, general and administrative ("SG&A") expenses decreased by 12% to $22.6 million, or 47% of revenue in fiscal 2017 from $25.7 million, or 34% of revenue, in fiscal 2016. The decrease in SG&A expenses in fiscal 2017 was primarily due to lower employee compensation expenses, as well as decreased expenses for outside service providers.

Amortization of acquisition related intangibles

We recorded $0.2 million in both fiscal 2017 and fiscal 2016 in amortization expense related to our core technology and know-how, and trade names and trademark intangible assets.

Change in fair value of contingent consideration

The change in fair value of our contingent consideration for the Make Whole Payment on the ITC Acquisition resulted in a loss of $0.1 million in fiscal 2017. The change in the fair value was primarily driven by the change in stock price from the acquisition date through the settlement date.

Restructuring and impairment

We recorded restructuring charges of $1.5 million in fiscal 2017 comprised of $1.3 million severance pay as a result of the reduction in force announced on April 4, 2017 and $0.2 million for facility exit costs resulting from the move of the corporate office. Included in the $1.3 million severance pay, charged to operations in the year ended March 31, 2018, is $0.5 million of severance pay for one of our former executive officers pursuant to the terms of a severance agreement dated June 30, 2017. Under the terms of the severance agreement, our former executive officer is entitled to eighteen months of his base salary, which is expected to be paid by December 31, 2018. From and after January 1, 2018, at our discretion, we may settle any remaining unpaid cash severance owed to our former executive officer through the issuance of a number of immediately vested shares of our common stock, determined by multiplying the remaining unpaid cash severance owed by 120%, and then dividing by the closing stock price per share of our common stock as of the last business day prior to the issuance of the shares. Through the fiscal period ended March 31, 2018 we have not elected to settle the remaining severance obligation with our common stock. We did not incur any restructuring charges in fiscal 2016.

Operating loss

Our operating loss is summarized as follows (in thousands):

	Fiscal Years Ended March 31,	
	2018	2017
Operating loss:		
Wind	$(8,904)	$(4,174)
Grid	(18,963)	(20,476)
Unallocated corporate expenses	(4,290)	(2,892)
Total	$(32,157)	$(27,542)

Wind operating loss increased to $8.9 million in fiscal 2017 compared to $4.2 million in fiscal 2016. The increase in operating loss for fiscal 2017 was due primarily to fewer ECS shipments to Inox, partially offset by increased license revenue, as previously discussed.

Grid operating loss decreased to $19.0 million in fiscal 2017 from $20.5 million in fiscal 2016. The decrease in operating loss for fiscal 2017 is primarily due to increased revenues as discussed above, and a favorable D-VAR product mix, offset partially by $4.9 million of accelerated depreciation related to revised estimates of the useful lives of certain pieces of manufacturing equipment.

Unallocated corporate expenses in fiscal 2017 consisted of stock-based compensation expense of $2.7 million, a restructuring charge of $1.5 million, as well as $0.1 million for the change in fair value of the contingent consideration. Unallocated corporate expenses in fiscal 2016 consisted entirely of stock-based compensation expense.

Change in fair value of derivatives and warrants

The change in fair value of derivatives and warrants resulted in gains of $0.7 million in fiscal 2017 and $1.3 million in fiscal 2016. The changes in the fair value were primarily due to changes in our stock price, which is a key valuation metric for the derivative liabilities.

Gain on sale of minority interest

We recorded a gain on sale of minority interest of $1.2 million in fiscal 2017 related to receipt of payments from the prior sales of our investments in Tres Amigas and Blade Dynamics, which were fully impaired prior to the time of their sale, compared to $0.3 million in fiscal 2016, related to the receipt of a payment for the sale of our investment in Tres Amigas.

Interest income (expense), net

Interest income, net was $0.1 million in fiscal 2017 compared to interest expense, net of $0.4 million for fiscal 2016. The decrease in interest expense, net was primarily driven by lower interest expense due to the maturity of both of our term loans with Hercules Technology Growth Capital, Inc. (“Hercules”). Our term loan entered into in November 2013 matured in November 2016, and our term loan entered into in December 2014 matured in June 2017. Both term loans have been repaid in full.

Other (expense) income, net

Other expense, net was $2.8 million in fiscal 2017, compared to other income, net of $0.1 million in fiscal 2016. The increase in other expense, net was due primarily to losses from foreign currency fluctuations in fiscal 2017.

Income Taxes

We recorded an income tax benefit of $0.2 million in fiscal 2017, compared to income tax expense of $1.1 million in fiscal 2016. The decrease in income tax expense was primarily due to the release of valuation allowances of $1.1 million in fiscal 2017 as a result of the deferred tax liability purchase adjustment recorded as a result of the ITC Acquisition, for the difference in tax basis on the ITC net assets acquired.

Please refer to the “Risk Factors” section in Part I, Item 1A, for a discussion of certain factors that may affect our future results of operations and financial condition.

Fiscal Years Ended March 31, 2017 and March 31, 2016

Revenues

Total revenues decreased by 22% to $75.2 million in fiscal 2016 from $96.0 million in fiscal 2015. Our revenues are summarized as follows (in thousands):

	Fiscal Years Ended March 31,	
	2017	2016
Revenues:		
Wind	$47,269	$68,883
Grid	27,926	27,140
Total	$75,195	$96,023

Our Wind business unit accounted for 63% of total revenues in fiscal 2016 and 72% in fiscal 2015. Revenues in the Wind business unit decreased 31% to $47.3 million in fiscal 2016 from $68.9 million in fiscal 2015. The decrease in Wind business unit revenues was driven primarily by lower revenues from Inox in India. Such decrease in revenues was due to fewer than anticipated

ECS shipments to Inox, which resulted from Inox's working capital constraints, particularly in the first half of 2016, and what we then believed, based on our discussions with Inox, was a temporary demand dislocation caused by the reaction in certain states in India to a recent national wind energy auction that resulted in a record-low power purchase tariff.

The Grid business unit accounted for 37% of total revenues in fiscal 2016 and 28% in fiscal 2015. Grid revenue increased 3% to $27.9 million in fiscal 2016 from $27.1 million in fiscal 2015. The increase in Grid revenue was primarily due to higher D-VAR system revenues and higher HTS project revenues which were partially offset by lower license revenue from BASF Corporation ("BASF").

Revenues from Project HYDRA and Project REG represented 7% and 6% of our Grid business unit's revenue for fiscal 2016 and 2015, respectively. Our revenues for these projects are derived by funding from the Department of Homeland Security ("DHS"). Project HYDRA is a project with Consolidated Edison, Inc. ("ConEd") to demonstrate our REG product in ConEd's electric grid. Project REG is a project with Commonwealth Edison Company ("ComEd") to permanently install our REG product in ComEd's electric grid. This fault current limiting cable system is designed to utilize customized Amperium® HTS wire, and ancillary controls to deliver more power through the grid while also being able to suppress power surges that can disrupt service. DHS has committed 100% of the total expected funding of $29.0 million for Project HYDRA. Under Project REG, DHS is expected to invest up to $60.0 million to enable the deployment of the REG system in Chicago's electric grid. We have substantially completed the first phase of the project which among other things, has resulted in the creation of a detailed deployment plan. In the fiscal year ended March 31, 2015, DHS committed funding of $1.5 million for this phase of the project. During the fiscal year ended March 31, 2016, DHS committed funding of an additional $3.7 million, for a total of $5.2 million. This additional funding serves as a bridge between the detailed deployment plan and construction phases of the project. The period of performance to complete the engineering work extends through December 31, 2018. The final phase of the project involves the delivery of the REG system and the associated construction and deployment of the system in ComEd's grid. We will not begin this phase of the project until all parties agree to proceed. There can be no assurance that all parties will agree to proceed with the project.

Cost of Revenues and Gross Margin

Cost of revenues decreased by 13% to $64.4 million in fiscal 2016, compared to $74.0 million in fiscal 2015. Gross margin decreased to 14.4% in fiscal 2016 from 22.9% in fiscal 2015. The decrease in gross margin in fiscal 2016 was driven primarily by lower Wind revenue as discussed above.

Operating Expenses

Research and development

Research and Development ("R&D") expenses increased by 2% to $12.5 million, or 17% of revenue in fiscal 2016, compared to $12.3 million, or 13% of revenue, in fiscal 2015. The increase in R&D expenses is primarily the result of new product development expenses in our Grid segment, partially offset by lower employee compensation expenses.

Selling, general, and administrative

Selling, general and administrative ("SG&A") expenses decreased by 11% to $25.7 million, or 34% of revenue in fiscal 2016 from $28.9 million, or 30% of revenue, in fiscal 2015. The decrease in SG&A expenses in fiscal 2016 was primarily due to lower employee compensation expenses, as well as a decrease in software and license expenses.

Amortization of acquisition related intangibles

We recorded $0.2 million in both fiscal 2016 and fiscal 2015 in amortization expense related to our core technology and know-how, and trade names and trademark intangible assets.

Restructuring and impairment

We recorded restructuring and impairment charges of $0.8 million in fiscal 2015. For fiscal 2015, this consists primarily of an impairment charge of $0.7 million to fully impair our investment in Tres Amigas.

Operating loss

Our operating loss is summarized as follows (in thousands):

	Fiscal Years Ended March 31,	
	2017	2016
Operating loss:		
Wind	$(4,174)	$(1,256)
Grid	(20,476)	(14,835)
Unallocated corporate expenses	(2,892)	(4,027)
Total	$(27,542)	$(20,118)

Wind operating loss increased to $4.2 million in fiscal 2016 compared to $1.3 million in fiscal 2015. The increase in operating loss for fiscal 2016 was primarily attributable to decreased revenues as discussed above.

Grid operating loss increased to $20.5 million in fiscal 2016 from $14.8 million in fiscal 2015. The increase in operating loss for fiscal 2016 is primarily due to an unfavorable D-VAR revenue mix, lower license revenue from BASF in fiscal 2016 at 100% margin, as well as increased product development costs in fiscal 2016.

Unallocated corporate expenses in fiscal 2016 consisted entirely of stock-based compensation expense. Unallocated corporate expenses in fiscal 2015 included restructuring and impairment charges of $0.8 million and $3.2 million in stock-based compensation expense.

Change in fair value of derivatives and warrants

The change in fair value of derivatives and warrants resulted in a gain of $1.3 million in fiscal 2016 and a loss of $0.2 million in fiscal 2015. The changes in the fair value were primarily due to changes in our stock price, which is a key valuation metric on the derivative liabilities.

Gain on sale of minority interest

We recorded a gain on sale of minority interest of $0.3 million in fiscal 2016, related to the receipt of the final payment for the sale of our investment in Tres Amigas. We recorded a gain on sale of minority interests of $3.1 million in fiscal 2015, related to the sale of our investment in Blade Dynamics and the receipt of the first payment from the sale of our investment in Tres Amigas. Both of these investments were fully impaired prior to the time of their sale.

Interest expense, net

Interest expense, net was $0.4 million in fiscal 2016 compared to $1.0 million for fiscal 2015. The decrease in interest expense, net was primarily driven by lower interest expense due to the maturity of one of our term loans with Hercules in November 2016.

Other income (expense), net

Other income, net was less than $0.1 million in fiscal 2016, compared to other expense, net of $2.5 million in fiscal 2015. The decrease in other expense, net was due primarily to gains from foreign currency fluctuations in fiscal 2016.

Income Taxes

We recorded an income tax expense of $1.1 million in fiscal 2016, compared to $2.4 million in fiscal 2015. The decrease in income tax expense was driven primarily by decreases in income taxes in foreign jurisdictions and foreign withholding taxes.

Non-GAAP Measures

Generally, a non-GAAP financial measure is a numerical measure of a company’s performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure

calculated and presented in accordance with GAAP. The non-GAAP measures included in this Form 10-K, however, should be considered in addition to, and not as a substitute for or superior to the comparable measure prepared in accordance with GAAP.

We define non-GAAP net loss as net loss before gain on sale of interest in minority investments, stock-based compensation, amortization of acquisition-related intangibles, impairment charges, consumption of zero cost-basis inventory, changes in fair value of derivatives and warrants, non-cash interest expense and other non-cash or unusual charges, and any tax effects related to these items, indicated in the table below. We believe non-GAAP net loss assists management and investors in comparing our performance across reporting periods on a consistent basis by excluding these non-cash charges and other items that we do not believe are indicative of our core operating performance. In addition, we use non-GAAP net loss as a factor to evaluate the effectiveness of our business strategies. A reconciliation of GAAP to non-GAAP net loss is set forth in the table below (in thousands, except per share data):

	Year ended March 31,		
	2018	2017	2016
Net loss	$(32,776)	$(27,373)	$(23,139)
Gain on sale of interest in minority investments	(1,167)	(325)	(2,919)
Stock-based compensation	2,692	2,892	3,248
Amortization of acquisition-related intangibles	183	157	157
Impairment charges	—	—	779
Consumption of zero cost-basis inventory	(734)	(1,373)	(4,960)
Change in fair value of derivatives and warrants	(635)	(1,304)	228
Non-cash interest expense	19	156	359
Tax effect of adjustments	177	220	—
Non-GAAP net loss	(32,241)	(26,950)	(26,247)
Non-GAAP net loss per share	$(1.70)	$(1.95)	$(1.99)
Weighted average shares outstanding - basic and diluted	18,967	13,804	13,178

We incurred non-GAAP net losses of $32.2 million, or $1.70 per share, for fiscal 2017, compared to $27.0 million, or $1.95 per share, for fiscal 2016, and $26.2 million, or $1.99 per share, for fiscal 2015. The increase in non-GAAP net loss in fiscal 2017 over 2016 was driven primarily by an increase in net loss, as previously discussed, and an adjustment related to the prior sale of our minority investment in Blade Dynamics Limited in fiscal 2015, partially offset by decreased consumption of zero cost basis inventory and the gain resulting from the decreased value of the warrants and contingent consideration related to the ITC acquisition in fiscal 2017.

Liquidity and Capital Resources

We have experienced recurring operating losses and as of March 31, 2018 had an accumulated deficit of $988.3 million. In addition, we have experienced recurring negative operating cash flows and our Wind segment revenues decreased substantially in the year ended March 31, 2018 compared to the prior year period due to decreased demand from Inox. We cannot predict if and when this demand dislocation will be resolved and to the extent resolved, how successful Inox will be under the new central and state auction regime. From April 1, 2011 through the date of this filing, we have reduced our global workforce substantially, including an 8% reduction in force, primarily affecting employees in our Massachusetts facility, effective April 4, 2017. We incurred restructuring charges of $1.5 million in cash severance expenses in the fiscal year ended March 31, 2018 in connection with the workforce reduction. We are currently moving our manufacturing and administrative operations from our facility in Devens, Massachusetts to a nearby, smaller-scale leased building in Ayer, Massachusetts, which is anticipated to reduce operating costs.

Our cash requirements depend on numerous factors, including if and when the Inox demand dislocation is resolved, whether Inox is successful under the new central and state auction regime, the successful completion of our product development activities, our ability to commercialize our Resilient Electric Grid (“REG”) and ship protection system solutions, rate of customer and market adoption of our products, collecting receivables according to established terms,

and the continued availability of U.S. government funding during the product development phase of our Superconductors-based products.

At March 31, 2018, we had cash, cash equivalents, and restricted cash of $34.2 million, compared to $27.7 million at March 31, 2017, an increase of $6.5 million. Our cash and cash equivalents, and restricted cash are summarized as follows (in thousands):

	March 31, 2018	March 31, 2017
Cash and cash equivalents	$ 34,084	$ 26,784
Restricted cash	165	960
Total cash, cash equivalents, and restricted cash	$ 34,249	$ 27,744

As of March 31, 2018, we had approximately $1.4 million of cash, cash equivalents, and restricted cash in foreign bank accounts, with a majority of this cash located in Europe. The increase in total cash and cash equivalents, and restricted cash was due primarily to the equity offering in May 2017 and the sale of the Devens property in March 2018 offset by cash used in operating activities. See further discussion below.

Net cash used in operating activities was $24.8 million, $11.2 million and $4.6 million in fiscal 2017, 2016 and 2015, respectively. The increase in net cash used in operations in fiscal 2017 compared to fiscal 2016 was due primarily to an increased operating loss, and less cash collections from Inox, partially offset by usage of inventory. The increase in fiscal 2016 compared to fiscal 2015 was primarily due to non-recurring payments for customer deposits and licenses in fiscal 2015 and higher net loss for the reasons discussed above.

Net cash provided by investing activities was $16.4 million, $0.2 million and $4.9 million in fiscal 2017, 2016 and 2015, respectively. The increase in net cash provided by investing activities in fiscal 2017 compared to fiscal 2016 was due primarily to the sale of the Devens property partially offset by increased purchases of property, plant and equipment related to the Ayer facility, and proceeds received from payments due on our minority investment sales of Blade Dynamics and Tres Amigas from fiscal 2015 as well as releases of restricted cash in the fiscal year ended March 31, 2018. The decrease in net cash provided by investing activities in fiscal 2016 compared to fiscal 2015, was driven primarily by a decrease in restricted cash as well as lower proceeds related to the sale of our minority interests.

Net cash provided by/(used in) financing activities was $15.3 million, ($1.1 million) and $18.2 million in fiscal 2017, 2016 and 2015, respectively. The increase in net cash provided by financing activities in fiscal 2017 compared to fiscal 2016 was primarily due to net proceeds of $17.0 million from the issuance of 4.6 million shares of common stock in May 2017, with no such equity offering in the prior year period. See the discussion regarding the May 2017 equity offering below. The decrease in cash provided by financing activities in fiscal 2016 compared to fiscal 2015 was primarily due to net proceeds of $22.3 million from the issuance of 4.0 million shares of common stock in April 2015, compared to net proceeds of $2.5 million from sales of 379,693 shares of common stock under our At Market Issuance Sales Agreement ("ATM") with FBR Capital Markets & Co., discussed below, during the fiscal quarter ended March 31, 2017.

At March 31, 2018, we had $0.2 million of restricted cash included in current assets and at March 31, 2017, we had $0.8 million, and $0.2 million of restricted cash included in current assets and long-term assets, respectively. These amounts included in restricted cash primarily represent deposits to secure surety bonds and letters of credit for various customer contracts. These deposits are held in interest bearing accounts.

On December 19, 2014, we amended our Loan and Security Agreement (the "Term Loan") with Hercules and entered into a new term loan (the “Term Loan C”), borrowing $1.5 million (our prior $10.0 million term loan with Hercules was repaid in full at maturity on November 1, 2016). After closing fees and expenses, the net proceeds from the Term Loan C were $1.4 million. We made interest only payments on the Term Loan C until maturity on June 1, 2017, when the loan was repaid in its entirety.

In April 2015, we completed an equity offering which raised net proceeds of $22.3 million after deducting underwriting discounts and commissions and offering expenses payable by us from the sale of 4.0 million shares of our common stock at a public offering price of $6.00 per share. On October 6, 2015, 100% of the outstanding common stock of Blade Dynamics was acquired by a subsidiary of General Electric Company. After deducting transaction expenses, we received net proceeds of $2.8 million from the sale, which was recorded as a gain during the year ended March 31, 2016. On March 11, 2016, we sold 100% of our minority investment in Tres Amigas to an investor for $0.6 million. We received $0.3 million according to the terms of the purchase agreement upon closing,

which was recorded as a gain during the three months ended March 31, 2016. The final $0.3 million, which was due upon the achievement of certain agreed-upon financing conditions, was received and recorded as a gain during the third quarter of fiscal 2016. On January 27, 2017, we entered into the ATM with FBR Capital Markets & Co. During the three months ended March 31, 2017, we realized net proceeds of $2.5 million from the sale of 379,693 shares of our common

stock at an average price of $6.79 per share. No sales of our common stock were made under the ATM after March 31, 2017. On May 4, 2017, we provided to FBR Capital Markets & Co., the sales agent, a notice of termination of the ATM.

On May 5, 2017, we entered into an underwriting agreement relating to the issuance and sale (the "Offering") of up to 4.0 million shares of our common stock at a public offering price of $4.00 per share and granted a 30-day option (the "Option") to the underwriters to purchase up to an additional 600,000 shares of common stock at the public offering price. On May 10, 2017, we completed the Offering, which generated net proceeds to us from the Offering of approximately $14.7 million, after deducting underwriting discounts and commissions and offering expenses payable by us. On May 24, 2017, the underwriters notified us that they had exercised in full their Option to purchase an additional 600,000 shares of common stock in connection with the Offering. The net proceeds to us from the Option were approximately $2.3 million, after deducting underwriting discounts and commissions and offering expenses payable by us. The total net proceeds to us during the three months ended June 30, 2017 from the Offering and the Option were approximately $17.0 million, after deducting underwriting discounts and commissions and offering expenses payable by us. The Company terminated its At Market Issuance Sales Agreement with FBR Capital Markets & Co in conjunction with the Offering.

We believe we have sufficient available liquidity to fund our operations and capital expenditures for the next twelve months. In addition, we may seek to raise additional capital, which could be in the form of loans, convertible debt or equity, to fund our operating requirements and capital expenditures. Our liquidity is highly dependent on our ability to increase revenues including our ability to collect revenues under our agreements with Inox, control our operating costs, and our ability to raise additional capital, if necessary. There can be no assurance that we will be able to raise additional capital on favorable terms or at all, or execute on any other means of improving our liquidity as described above.

Legal Proceedings

We are involved in legal and administrative proceedings and claims of various types. See Part II, Item 1, “Legal Proceedings,” for additional information. We record a liability in our consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. We review these estimates each accounting period as additional information is known and adjust the loss provision when appropriate. If a matter is both probable to result in liability and the amounts of loss can be reasonably estimated, we estimate and disclose the possible loss or range of loss to the extent necessary to make the consolidated financial statements not misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in our consolidated financial statements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating transactions that are not required to be reflected on our balance sheet except as discussed below.

We occasionally enter into construction contracts that include a performance bond. As these contracts progress, we continually assess the probability of a payout from the performance bond. Should we determine that such a payout is probable, we would record a liability.

In addition, we have various contractual arrangements, under which we have committed to purchase certain minimum quantities of goods or services on an annual basis.

Contractual Obligations

Contractual obligations represent future cash commitments and liabilities under agreements with third parties. Operating leases include minimum payments under leases for our facilities and certain equipment; see Item 2, “Properties,” for more information. Purchase commitments represent enforceable and legally binding agreements with suppliers to purchase goods or services. As of March 31, 2018, we are committed to make the following payments under contractual obligations (in thousands):

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	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Non-cancellable purchase commitments	$7,209	$6,866	$343	$—	$ —
Operating leases (rent)	3,745	1,169	1,714	862	—
Operating leases (other)	51	28	23	—	—
Total contractual obligations	$11,005	$8,063	$2,080	$ 862	$ —

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board (IASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance substantially converges final standards on revenue recognition between the FASB and IASB providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The FASB has subsequently issued the following amendments to ASU 2014-09 which are all effective for annual reporting periods beginning after December 15, 2017.

•In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations, which clarifies the implementation guidance on principal versus agent considerations.

•In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance.

•In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients related to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration and the presentation of sales and other similar taxes collected from customers.

•In December 2016, the FASB issued ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, which amends certain narrow aspects of the guidance issued in ASU 2014-09 including guidance related to the disclosure of remaining performance obligations and prior-period performance obligations, as well as other amendments to the guidance on loan guarantee fees, contract costs, refund liabilities, advertising costs and the clarification of certain examples.

As of March 31, 2018, we completed our assessment of the effects of ASU 2014-09 and its amendments on our consolidated financial statements, and have implemented changes to our business processes, systems and controls to support revenue recognition and the related disclosures under this ASU effective with our adoption on April 1, 2018. Our assessment included a detailed review of representative contracts from each of our revenue streams and a comparison of our historical accounting policies and practices to the new standard. We were required to adopt the new standards on April 1, 2018, and elected to adopt retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective transition method) to all existing contracts that have remaining obligations as of April 1, 2018. Accordingly, we have elected to retroactively adjust only those contracts that do not meet the definition of a complete contract at the date of the initial application. This guidance will lead to recognizing certain revenue transactions sooner than in the past on certain contracts, as we will need to estimate the revenue we will be entitled to receive upon contract completion, and later on other contracts such as Consulting and SOW transactions, due to lack of an enforceable right to payment for performance obligations satisfied over time. Our assessment supports the determination that there are no changes in the accounting for our largest revenue stream which includes Inox Wind Ltd. as the primary customer. Across other revenue streams such as

DVAR Equipment and DVAR Turnkey the timing of revenue recognition will be affected for multiple types of contracts, primarily multiple performance obligation contracts in our Grid business unit, but those differences did not have a material impact on our consolidated financial statements. The increase to adjust opening retained earnings will be $0.1 million for the period commencing on April 1, 2018, primarily related to the recognition of the deferred gain on the sale of the 64 Jackson Road building. Additionally, the adoption of this new standard is not expected to have any tax impact on the consolidated financial statements. We did not incur significant information technology costs to modify systems currently in place.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU 2016-01 enhance the reporting model for

financial instruments to provide users of financial statements with more decision-useful information. This ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. We do not expect any significant changes to the consolidated financial statement results with the adoption of ASU 2016-01.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the effects adoption of this guidance will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in ASU 2016-13 provide more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that year. We are currently evaluating the impact, if any, the adoption of ASU 2016-13 may have on our consolidated financial statements.

In 2016, the FASB issued the following two ASU's on Statement of Cash Flows (Topic 230). Both amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that year.

•In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in ASU 2016-15 provide more guidance towards the classification of multiple different types of cash flows in order to reduce the diversity in reporting across entities.

•In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in ASU 2016-18 explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

We do not expect any significant changes to the consolidated financial statement results with the adoption of ASU 2016-15 and ASU 2016-18.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. The amendments in ASU 2016-16 improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that year. We do not anticipate any significant changes to our consolidated financial statements with the adoption of ASU 2016-16.

In January 2017, the FASB issued ASU 2017-01, Business Combinations. The amendments in ASU 2017-01 clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those periods. We adopted ASU 2017-01 effective September 30, 2017, following the acquisition of ITC. We considered these amendments in our decision to record the combination of the entities as an Acquisition. See Note 3, "Acquisitions and Related Goodwill", for further details. These impacts have been included in the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments - Equity Method and Joint Ventures. The amendments in ASU 2017-03 provide additional detail surrounding disclosures required related to adoption of new pronouncements. The ASU is effective for the periods of each related pronouncement. We are currently evaluating the impact the adoption of ASU 2017-03 may have on our

consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in ASU 2017-04 eliminated the prior requirement to perform procedures to determine the fair value at the impairment testing date of an entity's assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under the new guidelines an entity should perform its annual, or interim, goodwill impairment test by comparing

the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The ASU is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Following the Acquisition of ITC, we performed an analysis and determined that the transaction included a portion of goodwill. We have accounted for that value on our balance sheet as of March 31, 2018. See Note 3, "Acquisitions and Related Goodwill" for further details. We adopted ASU 2017-04 effective September 30, 2017. The Company performed its annual impairment test during the fourth quarter of fiscal 2017 and noted no impairment to Goodwill as of March 31, 2018.

In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20). The amendments in ASU 2017-05 clarify the scope of Subtopic 610-20, Other Income-Gains and Losses from the Derecognition of Non-financial Assets, and to add guidance for partial sales of non-financial assets. Subtopic 610-20, which was issued in May 2014 as a part of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), provides guidance for recognizing gains and losses from the transfer of non-financial assets in contracts with non-customers. We do not expect any significant changes to the consolidated financial statement results with the adoption of ASU 2017-05.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Subtopic 718) Scope of Modification Accounting. The amendments in ASU 2017-09 provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those periods. We do not expect any significant changes to the consolidated financial statement results with the adoption of ASU 2017-09.

In July 2017, the FASB issued ASU 2017-11, Earnings per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), and Derivatives and Hedging (Topic 815). The amendments in ASU 2017-11 provide guidance for freestanding equity-linked financial instruments, such as warrants and conversion options in convertible debt or preferred stock, and should no longer be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. We are currently evaluating the impact the adoption of ASU 2017-11 may have on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendments in ASU 2017-12 provide improved financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those periods. We are currently evaluating the impact the adoption of ASU 2017-12 may have on our consolidated financial statements.

We do not believe that other recently issued accounting pronouncements will have a material impact on our financial statements.

Critical Accounting Policies and Estimates

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

- Revenue recognition;
- Accounts receivable;
- Inventory;
- Valuation of long-lived assets;
- Goodwill

- Income taxes;
- Stock-based compensation;
- Contingencies;

- Product warranty;
- Debt; and
- Fair value of financial instruments.

Revenue recognition

We recognize revenue for product sales upon customer acceptance, which can occur at the time of delivery, installation, or post-installation, where applicable, provided persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Existing customers are subject to ongoing credit evaluations based on payment history and other factors. If it is determined during the arrangement that collectability is not reasonably assured, revenue is recognized on a cash basis of accounting. Certain of our contracts involve retention amounts which are contingent upon meeting certain performance requirements through the expiration of the contract warranty periods. For contractual arrangements that involve retention, we recognize revenue for these amounts upon the expiration of the warranty period, meeting the performance requirements and when collection of the fee is reasonably assured.

For certain arrangements, such as contracts to perform research and development, prototype development contracts and certain product sales, we record revenues using the percentage-of-completion method, measured by the relationship of costs incurred to total estimated contract costs. Percentage-of-completion revenue recognition accounting is predominantly used on certain turnkey power systems installations for electric utilities and long-term prototype development contracts with the U.S. government. We follow this method since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made. However, the ability to reliably estimate total costs at completion is challenging, especially on long-term prototype development contracts, and could result in future changes in contract estimates. For contracts where reasonably dependable estimates of the revenues and costs cannot be made, we follow the completed-contract method.

We enter into sales arrangements that may provide for multiple deliverables to a customer. Sales of certain products may include extended warranty and support or service packages, and at times include performance bonds. As these contracts progress, we continually assess the probability of a payout from the performance bond. Should we determine that such a payout is likely; we would record a liability. We would reduce revenue to the extent a liability is recorded. In addition, we enter into licensing arrangements that include training services.

Deliverables are separated into more than one unit of accounting when (1) the delivered element(s) have value to the customer on a stand-alone basis, and (2) delivery of the undelivered element(s) is probable and substantially in our control. In general, revenues are separated between the different product shipments which have stand-alone value, and the various services to be provided. Revenue for product shipments is recognized in accordance with our policy for product sales, while revenues for the services are recognized over the period of performance. We identify all goods and/or services that are to be delivered separately under a sales arrangement and allocate revenue to each deliverable based on the element's fair value as determined by vendor-specific objective evidence ("VSOE"), which is the price charged when that element is sold separately, or third-party evidence ("TPE"). When VSOE and TPE are unavailable, fair value is based on our best estimate of selling price utilizing a cost plus reasonable margin consistent with how we have set pricing historically for similar products and services. When our estimates are used to determine fair value, we make our estimates using reasonable and objective evidence to determine the price. We review VSOE and TPE at least annually. If we conclude we are unable to establish fair values for one or more undelivered elements within a multiple-element arrangement using VSOE, then we use TPE or the best estimate of the selling price for that unit of accounting, being the price at which the vendor would transact if the unit of accounting were sold by the vendor regularly on a standalone basis.

Our license agreements provide either for the payment of contractually determined paid-up front license fees or milestone based payments in consideration for the grant of rights to manufacture and or sell products using our patented technologies or know-how. Some of these agreements provide for the release of the licensee from intellectual property infringements past and future claims. When we can determine that we have no further obligations other than the grant of the license and that we have fully transferred the technology knowhow, we will recognize the revenue. In certain arrangements we may also agree to provide training services to transfer the technology know-how. In other license arrangements we have determined that the licenses have no standalone value to the customer and are not

separable from training services as we can only fully transfer the technology know-how through the training component. Accordingly, we account for these arrangements as a single unit of accounting, and recognize revenue over the period of its performance and milestones that have been achieved. Costs for these arrangements are expensed as incurred.

In December 2015, we entered into a set of strategic agreements valued at approximately $210.0 million with Inox, which includes a multi-year supply contract pursuant to which we will supply electric control systems to Inox and a license agreement

allowing Inox to manufacture a limited number of electrical control systems. We determined this license has standalone value to the customer and can be separated from the supply contract. The license agreement includes customer acceptance criteria to demonstrate the know-how to manufacture the electrical control systems has been fully transferred. We continue to defer revenue recognition for the allocable portion of the license until this acceptance criteria have been met.

In March 2016, we entered into a set of agreements to jointly develop an advanced low cost manufacturing process for second generation high temperature superconductor wire with BASF. In the joint development, our manufacturing know-how for our Amperium® superconductor wire and BASF's chemical solution deposition production technology are being combined. As part of the agreements, we also entered into a royalty-bearing, non-exclusive license under which we will provide BASF a specified portion of our second generation (2G) high temperature superconductor (HTS) wire manufacturing technology. We determined that the license rights we provide to BASF have standalone value from the ongoing joint development effort. We transferred the license rights to BASF in March 2016, recording $3.0 million of license revenues in the fiscal year ended March 31, 2016 as there were no remaining obligations associated with these rights. Any newly developed intellectual property as a result of the joint development will be owned by BASF. Should this development effort be successful, we have the right to incorporate this new technology into our manufacturing process on a royalty-free basis. BASF has also agreed to make guaranteed annual payments to us through fiscal 2017 and has an option to continue the joint development through fiscal 2018. We are recording revenue for the research and development services we are providing over the term of the arrangement.

Infrequently, we receive requests from customers to hold product being purchased from us for a valid business purpose. We recognize revenue for such arrangements provided the transaction meets, at a minimum, the following criteria: a valid business purpose for the arrangement exists; risk of ownership of the purchased product has been transferred to the buyer; there is a fixed delivery date that is reasonable and consistent with the buyer’s business purpose; the product is ready for shipment; we have no continuing performance obligation in regards to the product and the products have been segregated from our inventories and cannot be used to fill other orders received. For the fiscal year ended March 31, 2018 such transactions in revenue were $3.7 million. There were no such transactions during the fiscal years ended March 31, 2017 or 2016.

We have elected to record taxes collected from customers on a net basis and do not include tax amounts in revenue or costs of revenue.

Customer deposits received in advance of revenue recognition are recorded as deferred revenue until customer acceptance is received. Deferred revenue also represents the amount billed to and/or collected from commercial and government customers on contracts which permit billings to occur in advance of contract performance/revenue recognition.

On April 1, 2018 we adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). For further discussion regarding the changes and financial impact of adopting Topic 606 see Note 20, Recent Accounting Pronouncements.

Accounts Receivable

Accounts receivable consist of amounts owed by commercial companies and government agencies. Accounts receivable are stated net of allowances for doubtful accounts. Our accounts receivable relate principally to a limited number of customers. As of March 31, 2018, of our total receivable balance, Inox accounted for approximately 32%, and Fuji Bridex Pte Ltd accounted for approximately 17%, with no other customers accounting for greater than 10% of the balance. As of March 31, 2017, Inox accounted for approximately 52%, and SSE plc accounted for approximately 17%, of our total receivable balance, with no other customers accounting for greater than 10% of the balance. Changes in the financial condition or operations of our customers may result in delayed payments or non-payments which would adversely impact our cash flows from operating activities and/or our results of operations. As such, we may require collateral, advanced payment or other security based upon the customer history and/or creditworthiness. In determining the allowance for doubtful accounts, we evaluate the collectability of accounts receivable based primarily on the probability of recoverability based on historical collection and write-off experience, the age of past due receivables, specific customer circumstances, and current economic trends. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payment, additional

allowances may be required. Failure to accurately estimate the losses for doubtful accounts and ensure that payments are received on a timely basis could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Inventory

Inventories include material, direct labor and related manufacturing overhead, and are stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value determined on a first-in, first-out basis as the estimated selling prices in the

ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.. We record inventory when we take delivery and title to the product according to the terms of each supply contract.

Program costs may be deferred and recorded as inventory on contracts on which costs are incurred in excess of approved contractual amounts and/or funding, if future recovery of the costs is deemed probable.

At each balance sheet date, we evaluate our ending inventories for excess quantities and obsolescence. Inventories that management considers excess or obsolete are reserved. Management considers forecasted demand in relation to the inventory on hand, competitiveness of product offerings, market conditions and product life cycles when determining excess and obsolescence and net realizable value adjustments. Once inventory is written down and a new cost basis is established, it is not written back up if demand increases.

We recorded inventory reserves of $0.4 million, $1.6 million, and $2.7 million during fiscal 2017, 2016, and 2015 respectively, based on evaluating our ending inventories for excess quantities and obsolescence. We recorded an inventory reserve of approximately $63.9 million during fiscal 2010 based on our evaluation of forecasted demand in relation to the inventory on hand and market conditions surrounding our products as a result of the assumption that Sinovel and certain other customers in China would fail to meet their contractual obligations and demand that was previously forecasted would fail to materialize. If, in any period, we are able to sell inventories that were not valued or that had been reserved in a previous period, related revenues would be recorded without any offsetting charge to cost of revenues, resulting in a net benefit to our gross profit in that period. In fiscal 2017, 2016, and 2015, $0.7 million, $1.4 million, and $5.0 million respectively, were recognized as a net benefit to gross profit for inventory previously reserved in fiscal year 2010.

Valuation of long-lived assets

We periodically evaluate our long-lived assets, consisting principally of fixed and amortizable intangible assets for potential impairment. In accordance with the applicable accounting guidance for the treatment of long-lived assets, we review the carrying value of our long-lived assets or asset group that is held and used, including intangible assets subject to amortization, for impairment whenever events and circumstances indicate that the carrying value of the assets may not be recoverable. Under the held and used approach, the asset or asset group to be tested for impairment should represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The determination of our asset groups involves a significant amount of judgment, assumptions and estimates. We evaluate our long-lived assets whenever events or circumstances suggest that the carrying amount of an asset or group of assets may not be recoverable from the estimated undiscounted future cash flows.

Our judgments regarding the existence of impairment indicators are based on market and operational performance. Indicators of potential impairment include:

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

On April 3, 2017, the Board of Directors approved a plan to reduce our global workforce by approximately 8%, effective April 4, 2017 primarily in our Massachusetts facility. The Board of Directors also approved a move from our previously owned 355,000 square-foot facility in Devens, Massachusetts to a smaller facility better suited for our 2G wire process and our systems manufacturing. Since the restructuring activities impacted our Superconductor and Corporate assets group, we concluded that there were indicators of potential impairment of our long-lived assets that required further analysis for these assets groups as of March 31, 2017. We conducted assessments of the recoverability of these assets by comparing the carrying value of the assets to the pre-tax undiscounted cash flows estimated to be generated by those assets over their remaining book useful lives. Based on the calculations performed by

management, the sum of the undiscounted cash flows forecasted to be generated by certain assets were less than the carrying value of those assets. Therefore, there were indicators that certain of our assets were impaired and we performed additional analysis. An evaluation of the level of impairment was made by comparing the fair value of the definite long-lived tangible and intangible assets of its reporting units against their carrying values.

The fair values for the impacted property and equipment were based on what we could reasonably expect to sell each asset for from the perspective of a market participant. The determination of the fair value of our property and equipment includes estimates and judgments regarding marketability and ultimate sales price of individual assets. We utilized market data and approximations from comparable analyses to arrive at the fair value of the impacted property and equipment. The fair values of the amortizable intangible assets related to core technology and trade names were determined using primarily the relief-from-royalty method over the estimated economic lives of these assets from a perspective of a market participant. During the fiscal year ended March 31, 2017, we determined that the long-lived assets for the Superconductor and Corporate asset groups were not impaired as their estimated fair values exceed the carrying values. There were no indicators requiring further impairment testing on our long-lived assets during the fiscal year ended March 31, 2018.

Goodwill

Goodwill represents the excess of cost over net assets of acquired businesses that are consolidated. We perform our annual assessment of goodwill on February 28 each fiscal year and whenever events or changes in circumstances or a triggering event indicate that the carrying amount may not be recoverable. Determining whether a triggering event has occurred often involves significant judgment from management. An entity is permitted to first assess qualitatively whether it is necessary to perform a goodwill impairment test. The quantitative impairment test is required only if the entity concludes that it is more likely than not that a reporting unit’s fair value is less than its carrying amount. We determine the fair value of a reporting unit based on an income approach utilizing a discounted cash flow adjusted for entity specific factors. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity should consider the totality of all relevant events or circumstances that affect the fair value or carrying amount of a reporting unit. If the carrying value of a reporting unit’s goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded. See Note 3, "Acquisition and Related Goodwill" for further information and discussion.

We performed our annual assessment of goodwill on February 28, 2018 and noted no triggering events from the analysis date to March 31, 2018 and determined that there was no impairment to goodwill.

Income taxes

Our provision for income taxes is comprised of a current and a deferred portion. The current income tax provision is calculated as the estimated taxes payable or refundable on tax returns for the current year. The deferred income tax provision is calculated for the estimated future tax effects attributable to temporary differences and carryforwards using expected tax rates in effect in the years during which the differences are expected to reverse. All deferred tax assets and liabilities are presented as non-current in the Consolidated Balance Sheet.

We regularly assess our ability to realize our deferred tax assets. Assessments of the realization of deferred tax assets require that management consider all available evidence, both positive and negative, and make significant judgments about many factors, including the amount and likelihood of future taxable income. Based on all the available evidence, we have recorded valuation allowances to reduce our deferred tax assets to the amount that is more likely than not to be realizable due to the taxable losses that have been incurred since our inception and uncertainty around our future profitability.

Accounting for income taxes requires a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if, based on the technical merits, it is more likely than not that the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Any changes in these factors could result in the recognition of a tax benefit or an additional charge to the tax provision. We include interest and penalties related to gross unrecognized tax benefits within the provision for income taxes. See Note 13, “Income Taxes,” of our consolidated financial statements for further information regarding our income tax assumptions and expenses.

On December 22, 2017, the Act was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 34% to 21% effective for tax years

beginning after December 31, 2017 and a one-time mandatory deemed repatriation of cumulative foreign earnings. We have calculated a provisional estimate of the impact of the Act in our year end income tax provision in accordance with our understanding of the Act and guidance available as of the date of this filing. See Note 13, “Income Taxes,” of our consolidated financial statements for the results of this assessment.

Stock-based compensation

We measure compensation cost arising from the grant of share-based payments to employees at fair value and recognize such cost over the period during which the employee is required to provide service in exchange for the award, usually the vesting period. Total stock-based compensation expense recognized during the fiscal years ended March 31, 2018, 2017, and 2016 was $2.7 million, $2.9 million, and $3.2 million, respectively. For awards with service conditions only, we recognize compensation cost on a straight-line basis over the requisite service/vesting period. For awards with performance conditions, accruals of compensation cost are made based on the probable outcome of the performance conditions. The cumulative effect of changes in the probability outcomes are recorded in the period in which the changes occur.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of highly subjective assumptions, including the expected life of the share-based payment awards and stock price volatility. Management determined that expected volatility rates should be estimated based on historical and implied volatilities of our common stock. The expected term represents the average time that the options that vest are expected to be outstanding based on the vesting provisions and our historical exercise, cancellation and expiration patterns. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if circumstances change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate an expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. See Note 14, "Stockholders' Equity," of our consolidated financial statements for further information regarding our stock-based compensation assumptions and expenses.

Our adoption of ASU 2016-09 Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting on April 1, 2016 also resulted in the prospective classification of excess tax benefits as cash flows from operating activities in the same manner as other cash flows related to income taxes within the consolidated statements of cash flows. Based on the prospective method of adoption chosen, the classification of excess tax benefits within the consolidated statements of cash flows for prior periods presented has not been adjusted to reflect the change.

Contingencies

From time to time, we are involved in legal and administrative proceedings and claims of various types. We record a liability in our consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. We review these estimates each accounting period as additional information is known and adjust the loss provision when appropriate. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in our consolidated financial statements. If, with respect to a matter, it is not both probable to result in liability and the amount of loss cannot be reasonably estimated, an estimate of possible loss or range of loss shall be disclosed unless such an estimate cannot be made. We do not recognize gain contingencies until they are realized. Legal costs incurred in connection with loss contingencies are expensed as incurred. See Note 15, "Commitments and Contingencies", of our consolidated financial statements for further information.

Product Warranty

Warranty obligations are incurred in connection with the sale of our products. We generally provide a one to three year warranty on our products, commencing upon installation. The costs incurred to provide for these warranty obligations are estimated and recorded as an accrued liability at the time of sale. Future warranty costs are estimated based on historical performance rates and related costs to repair given products. The accounting estimate related to product warranty involves judgment in determining future estimated warranty costs. Should actual performance rates or repair costs differ from estimates, revision to the estimated warranty liability would be required.

Fair Value of Financial Instruments

Our financial instruments consist principally of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, accrued expenses, derivatives, warrants, and the term loans. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses due to their short term nature approximate fair value at March 31, 2018 and 2017. The estimated fair values have been determined through information obtained

from market sources and management estimates. Notes receivable fair value has been estimated based on a present value calculation using current market information for a similar term loan with similar terms. We have appropriately valued notes receivable within Level 2 of the valuation hierarchy. The fair value for the debt and warrant arrangements has been estimated by management based on the terms that we believe we could obtain in the current market for debt with the same terms and similar maturities. The warrants are subject to revaluation at each balance sheet date, and any change in fair value will be recorded as a change in fair value in other (expense) income until

the earlier of the warrants' exercise or expiration. We rely on assumptions used in a lattice model to determine the fair value of the warrants. We have appropriately valued the warrants within Level 3 of the valuation hierarchy.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We face exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as our business practices evolve and could have a material adverse impact on our financial results.

Cash and cash equivalents

Our exposure to market risk through financial instruments, such as investments in marketable securities, is limited to interest rate risk and is not material. Our investments in marketable securities consist primarily of government-backed securities and commercial paper and are designed, in order of priority, to preserve principal, provide liquidity, and maximize income. Investments are monitored to limit exposure to mortgage-backed securities and similar instruments responsible for the recent turmoil in the credit markets. Interest rates are variable and fluctuate with current market conditions. We do not believe that a 10% change in interest rates would have a material impact on our financial position or results of operations.

Foreign currency exchange risk

The functional currency of each of our foreign subsidiaries is the U.S. dollar, except for AMSC Austria, for which the local currency (Euro) is the functional currency, and AMSC China, for which the local currency (Renminbi) is the functional currency. The assets and liabilities of AMSC Austria and AMSC China are translated into U.S. dollars at the exchange rate in effect at the balance sheet date and income and expense items are translated at average rates for the period. Cumulative translation adjustments are excluded from net income (loss) and shown as a separate component of stockholders' equity.

We face exposure to movements in foreign currency exchange rates whenever we, or any of our subsidiaries, enter into transactions with third parties that are denominated in currencies other than our functional currency. Intercompany transactions between entities that use different functional currencies also expose us to foreign currency risk. Gross margins of products we manufacture in the U.S and sell in currencies other than the U.S. dollar are also affected by foreign currency exchange rate movements. In addition, a portion of our earnings is generated by our foreign subsidiaries, whose functional currencies are other than the U.S. dollar, and our revenues and earnings could be materially impacted by movements in foreign currency exchange rates upon the translation of the earnings of such subsidiaries into the U.S. dollar. If the functional currency for AMSC Austria and AMSC China were to fluctuate by 10% the net effect would be immaterial to our consolidated financial statements.

Foreign currency gains (losses), are included in net loss and were ($2.8) million, $0.1 million and ($2.3) million for the fiscal years ended March 31, 2018, 2017 and 2016, respectively.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders
of American Superconductor Corporation

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Superconductor Corporation and its subsidiaries (the Company) as of March 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2018, and the related notes and schedules (collectively, the financial statements). We also have audited the Company's internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those

policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP
We have served as the Company's auditor since 2013.
Boston, Massachusetts
June 6, 2018

AMERICAN SUPERCONDUCTOR CORPORATION
PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2018	March 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$34,084	$26,784
Accounts receivable, net	7,365	7,956
Inventory	19,780	17,462
Note receivable, current portion	3,000	—
Prepaid expenses and other current assets	2,947	2,703
Restricted cash	—	795
Total current assets	67,176	55,700
Property, plant and equipment, net	12,513	43,438
Intangibles, net	3,230	301
Note receivable, long term portion, net of discount of $337K, and net of deferred gain of $105K as of March 31, 2018	2,559	—
Goodwill	1,719	—
Restricted cash	165	165
Deferred tax assets	542	407
Other assets	271	233
Total assets	$88,175	$100,244
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$12,625	$14,490
Note payable, current portion, net of discount of $19 as of March 31, 2017	—	1,481
Derivative liabilities	1,217	1,923
Deferred revenue, current portion	13,483	14,323
Total current liabilities	27,325	32,217
Deferred revenue, long term portion	8,454	7,631
Deferred tax liabilities	110	125
Other liabilities	57	45
Total liabilities	35,946	40,018
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, $0.01 par value, 75,000,000 shares authorized; 21,138,689 and 14,713,839 shares issued at March 31, 2018 and 2017, respectively	211	147
Additional paid-in capital	1,041,113	1,017,510

Treasury stock, at cost, 165,094 and 97,529 shares at March 31, 2018 and 2017, respectively	(1,645)	(1,371)
Accumulated other comprehensive (loss) income	883	(503)
Accumulated deficit	(988,333)	(955,557)
Total stockholders' equity	52,229	60,226
Total liabilities and stockholders' equity	$88,175	$100,244

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,		
	2018	2017	2016
Revenues	$48,403	$75,195	$96,023
Cost of revenues	44,608	64,352	74,041
Gross profit	3,795	10,843	21,982
Operating expenses:			
Research and development	11,594	12,540	12,303
Selling, general and administrative	22,577	25,688	28,861
Amortization of acquisition related intangibles	183	157	157
Loss on contingent consideration	71	—	—
Restructuring and impairment	1,527	—	779
Total operating expenses	35,952	38,385	42,100
Operating loss	(32,157)	(27,542)	(20,118)
Change in fair value of derivatives and warrants	706	1,304	(228)
Gain on sale of minority interests	1,167	325	3,092
Interest income (expense), net	147	(383)	(1,037)
Other (expense) income, net	(2,800)	65	(2,457)
Loss before income tax expense (benefit)	(32,937)	(26,231)	(20,748)
Income tax (benefit) expense	(161)	1,142	2,391
Net loss	$(32,776)	$(27,373)	$(23,139)
Net loss per common share			
Basic	$(1.73)	$(1.98)	$(1.76)
Diluted	$(1.73)	$(1.98)	$(1.76)
Weighted average number of common shares outstanding			
Basic	18,967	13,804	13,178
Diluted	18,967	13,804	13,178

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

AMERICAN SUPERCONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Fiscal Year Ended March 31,		
	2018	2017	2016
Net loss	$(32,776)	$(27,373)	$(23,139)
Other comprehensive (loss) gain, net of tax:			
Foreign currency translation (losses) gains	1,386	(1,163)	968
Total other comprehensive (loss) gain, net of tax	1,386	(1,163)	968
Comprehensive loss	$(31,390)	$(28,536)	$(22,171)

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

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

	Common Stock Number of Shares	Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
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
Issuance of common stock - ESPP	40	—	174	—	—	—	174
Issuance of common stock - restricted shares	819	8	(8)	—	—		