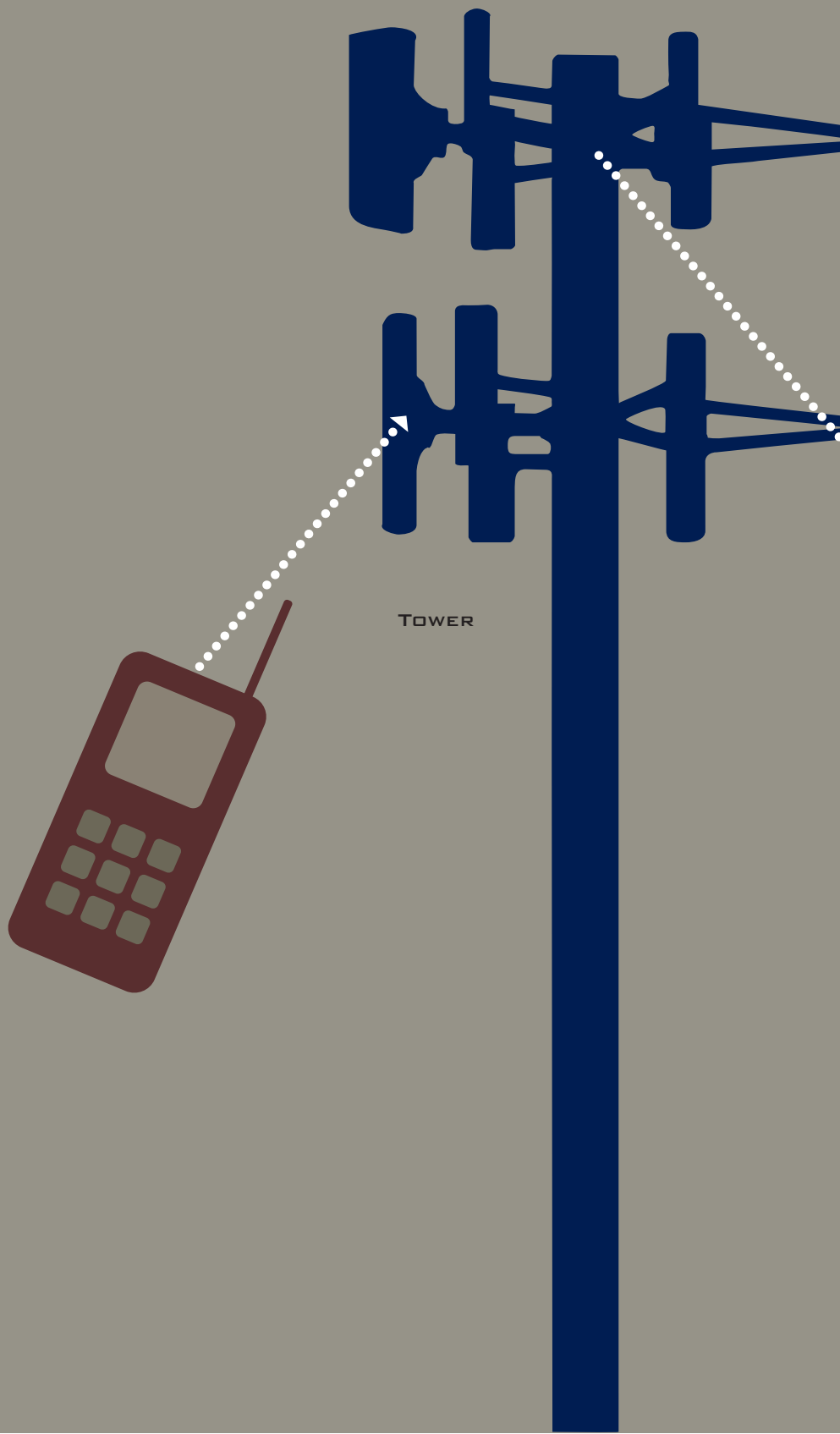


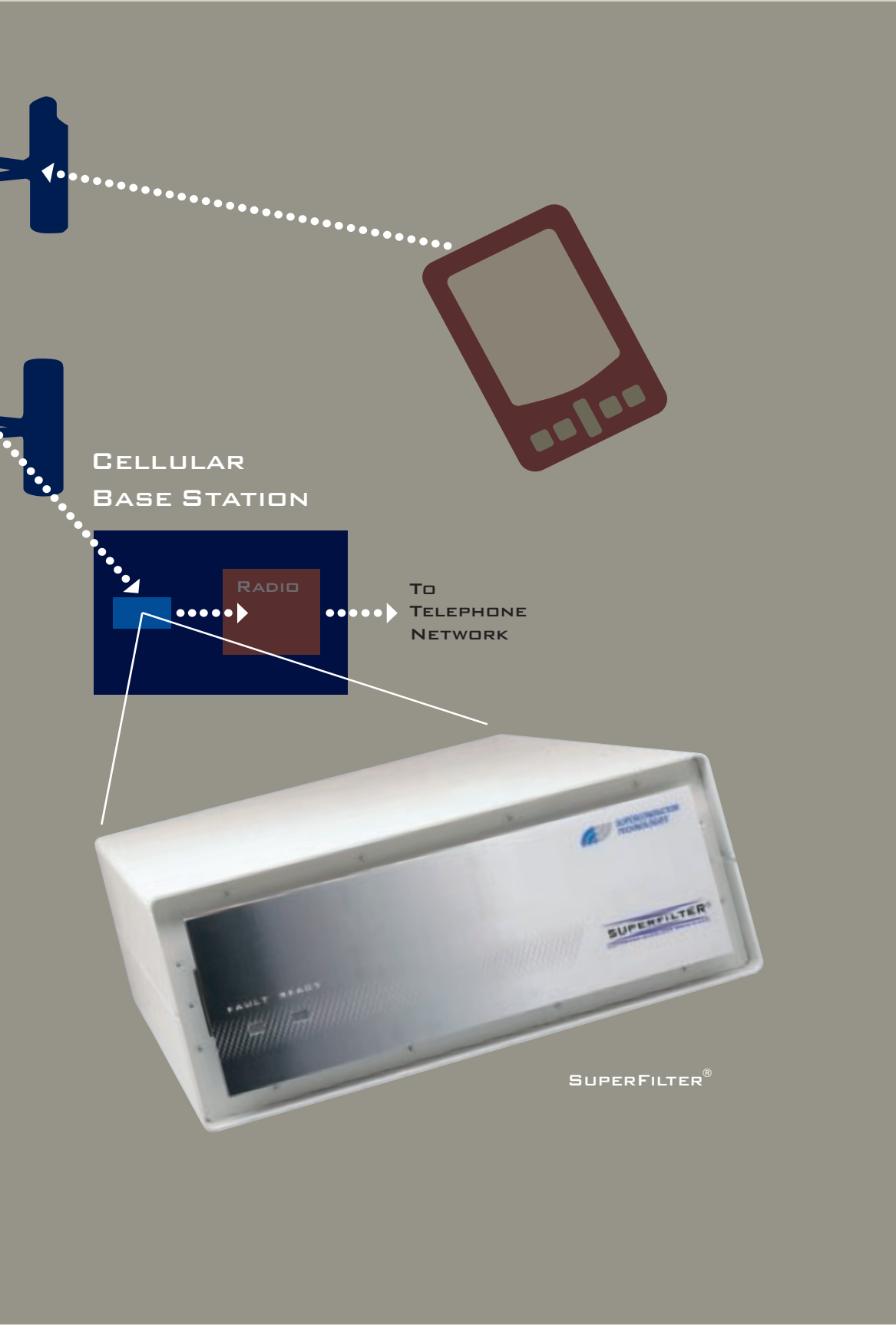


Improving the Quality of
Wireless
Communications



ON THE COVER:

STI's newest member of the SuperFilter® family, the 3G platform, features the industry's lowest power consumption of less than 100 watts and a new space-saving profile. It is targeted to become the most cost effective HTS platform in the 3G environment. At less than half the size of the standard SuperFilter®, the 3G breaks STI's own record for the smallest platform in the HTS industry.



Superconductor Technologies Inc. designs, manufactures and sells highly selective and sensitive radio frequency filters for the base stations of wireless telecommunications providers. Our SuperFilter® TWO-Pak and SuperFilter® SIX-Pak Systems use proprietary superconducting technology and are designed to eliminate the trade off between selectivity and sensitivity. This enables wireless service providers to enhance customer satisfaction and increase their subscriber base by improving the quality of voice and data transmissions of their networks.

Improving the Quality of
Wireless
Communications

SUPERFILTER®

1999 was a pivotal year for Superconductor Technologies Inc. (STI). It marked the continuing maturation of our product deployment and served as a springboard for the significant accomplishments that will define STI's leadership

role in the next century.

The prior strategic investments that STI made in technology, product development, market awareness and sales channels began to bear fruit in 1999.

**SIGNIFICANT
PROGRESS DURING
1999**

Our accomplishments during 1999 were substantial. We delivered 123 SuperFilter® Systems in 1999, 40 more than were delivered in 1998. Commercial product revenue in 1999 reached \$2.1 million. More than 200

STI systems are now installed in the United States, Canada and Latin America.

The manufacturing capacity afforded by our state-of-the-art manufacturing facility, capable of producing three SuperFilter® systems a day, was responsible for the increased production of SuperFilters®.

Our manufacturing capability will contribute to achieving our goal of undisputed leadership in high temperature superconducting filters for the wireless industry. We believe that this is the only such thin film facility in

the industry at the present time able to meet current industry demand and we already have facility expansions plans in place.

**KEY CUSTOMERS
DEPLOY THE
SUPERFILTER®**

We have conducted trials with more than 30 cellular service providers, including all of the top 10 carriers in the United States, these trials have started to result in long-term relationships.

During 1999, STI's SuperFilter® became the High Temperature Superconductor (HTS) filter system of choice for

United States Cellular Corporation (USCC), one of the nation's ten largest cellular service providers. Based in Chicago, USCC manages and invests in cellular systems throughout the United States. As of December 1998, they managed systems in 145 markets from Maine to Hawaii and served

"We have experienced measurable improvements in coverage, minutes of use, and customer satisfaction since deploying the SuperFilter® in several sites. We are already planning to deploy new CDMA base stations with the new SuperFilter® II to meet the demand of our growing customer base. STI's SuperFilter® II will allow us to deliver an even higher level of service to our customers".

Chet Gadola
RF Engineer
ALLTEL



M. Peter Thomas
President and Chief Executive Officer

more than two million customers. After a systems trial experience that highlighted STI's performance, reliability and practicality, STI was able to partner with this key customer in a five year Purchase Agreement. The more than one hundred SuperFilter® systems already installed by USCC will enhance the ability of USCC to provide its customers with outstanding wireless service.

ALLTEL, one of the largest wireless communications providers in the country, providing communications services to more than 8.5 million customers in 25 states, recently selected STI as their supplier of HTS front end filter system solutions for their analog, CDMA cellular and PCS networks.

The selection culminated extensive evaluations of several competing cryogenic filter systems. ALLTEL reviewed each alternative for product performance, network impact, cost of ownership, reliability and vendor strength. Factors, which led ALLTEL to choose STI included the

Super Filter's® low power DC operation, excellent RF performance, one-person installation, and STI's experience in manufacturing and delivering volume shipments.

STI's business partnerships with these key customers indicate the continued acceptance of HTS wireless filter systems and acknowledge STI's leadership in this evolving market. As voice and data traffic over wireless networks continues to increase, enhanced sensitivity and selectivity are necessities.

SuperFilter® systems consistently demonstrate the ability to enhance network coverage, call quality, and overall network performance.

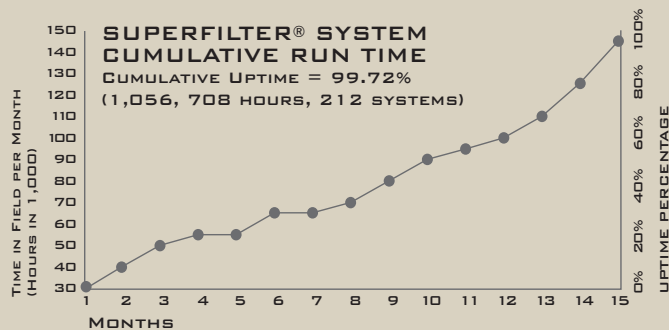
PRODUCTS AND MARKETS

STI has recently expanded its original product line with new and innovative SuperFilter® products. In February 1999, STI introduced the SuperFilter® SIX-Pak with a six-in-one design that combines all the filters and low

“Over a year ago, U. S. Cellular began testing STI's SuperFilter® system in selected areas of our network...These trials validated U. S. Cellular's decision to adopt STI's SuperFilter® technology and to accelerate deployment throughout U. S. Cellular's cell site network. This purchase agreement is the next step in allowing both companies to better forecast and plan the continuation of U. S. Cellular's deployment of STI's SuperFilters®.”

Richard W. Goehring
Executive Vice President,
Engineering and Network
Operations
U. S. Cellular Corporation

Improving the Quality of
Wireless
Communications



noise amplifiers required in fully sectored cellular base stations. Like the SuperFilter® TWO-Pak, the SIX-Pak facilitates increased call minutes, lowers dropped/lost calls, improves call quality, generally improves customer service and cell site traffic, increases uplink capacity, fills coverage gaps, and extends handset battery life.

We also recently introduced our new SuperFilter II at the Cellular Telephone Industry Association conference in February. The SuperFilter II is designed for high interference environments. The current trend toward co-location of many RF sources such as Special Mobile Radio (SMR) with wireless base stations, demands superb filtering without sacrificing sensitivity.

As the movement toward 2.5G and 3G continues, we are developing a new platform that will feature the industry's lowest power consumption (less than 100 watts) and a new space saving profile (0.7 cubic feet as compared with the present 1.6 cubic feet), and is targeted to become the most cost effective HTS platform in the 3G environment.

SUPERCONDUCTING TECHNOLOGY AND THE GOVERNMENT

Government research and development programs have been vital to our overall technical leadership and have been instrumental in the technological advances we have made to date. We will continue to leverage these government sponsored technological advancements in our commercial products business.

In November 1999, officials at DARPA (Defense Advanced Research Projects Agency), notified STI that the company's proposal for the Totally Agile RF Sensor Systems (TASS) was selected for funding. The TASS program is intended to develop a

As the movement toward 2.5G and 3G continues, we are developing a new platform that features the industry's lowest power consumption, a new space saving profile that is targeted to become the most cost effective HTS platform in the 3G environment.

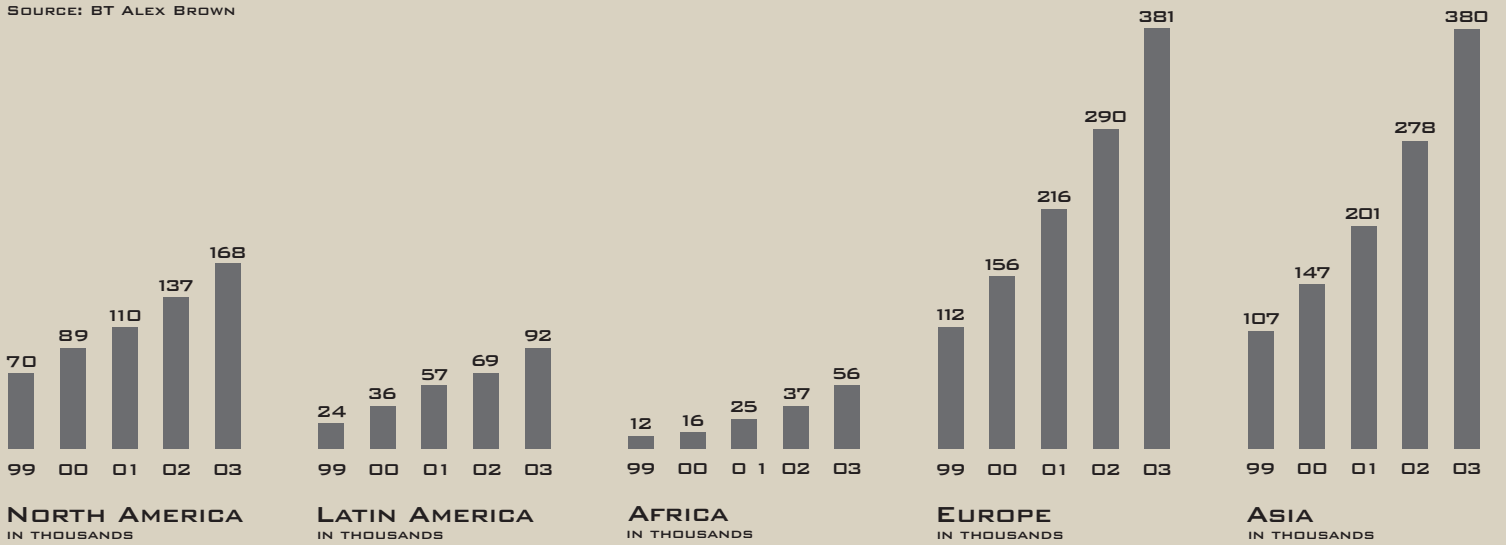
family of tunable HTS filters with very high Q values and to integrate these components into very compact, very low noise, high frequency selective systems for use in communication receivers. The primary goal of TASS is to provide electronic tunability of HTS preselector filters without degrading performance. The second objective of the program is to dramatically reduce the size and weight of HTS filter systems.

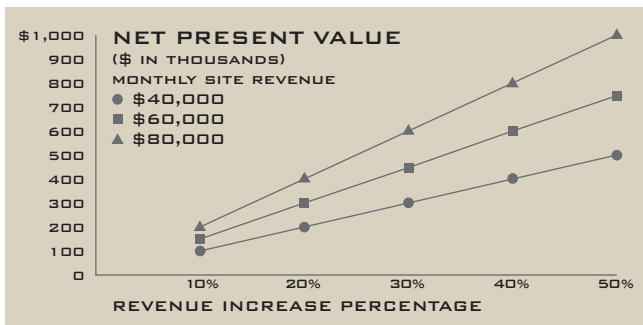


• SUPERFILTER® INSTALLATIONS

WIRELESS BASE STATIONS – GLOBAL

SOURCE: BT ALEX BROWN







The technology developed under TASS will also directly support advancements in our commercial products.

ENHANCING A SOLID INFRASTRUCTURE

As we continue to transition from a research and development company to a commercial revenue driven company, we continue to make investments in all aspects of our business, including engineering, manufacturing, and sales and marketing. To aid in our expansion efforts, we raised over \$13 million to provide us with a solid financial infrastructure to support our near term growth.

Enhancing an already sound management infrastructure, Martin S. McDermut joined the STI team as Vice President and Chief Financial Officer. He brings more than 20 years of experience in all aspects of corporate finance and treasury management. Richard M. Johnston and Joseph C. Manzinger joined STI's Board of Directors. The addition of Johnston and Manzinger, both Vice Presidents of The Hillman Company, brought exceptionally strong business experience to the Board. Additionally, several STI employees celebrated 10 years or more of employ-

ment. This mature foundation of employee technical and business skill and knowledge is the key to STI's continued success in the future.

IN CONCLUSION

We continue to be excited by the opportunities we see in the wireless communications and wireless Internet access markets and we believe we are well positioned to mine those opportunities.

We are grateful to the entire Board of Directors for its active guidance, to our employees for their service to our customers and commitment to the company, to our custom-

ers for the valued trust and to you, our shareholders, for the confidence you express through your investment in our company.

We continue to be excited by the opportunities we see in the wireless communications and wireless Internet access markets and we believe we are well positioned to mine those opportunities.

M. PETER THOMAS

President and Chief Executive Officer

Improving the Quality of
Wireless
Communications

THE FUTURE OF SUPERCONDUCTOR TECHNOLOGIES, INC.:

THE THIRD GENERATION



The wireless industry is preparing for a major revolution in purpose: a shift from a focus on voice communications to one utilizing high speed data as well. This revolution will be fulfilled through deployment of systems utilizing standards referred to in the industry as '3G' or Third Generation wireless telephone systems.

The development goals for 3G systems were many. One desire was to harmonize the existing disparate worldwide standards into one, unified standard wherein a user could have one phone for world travel. Another desire was to provide high wireless data rates of up to 384kb/s over a packet-based system, enabling wireless data devices to be connected to the network "anywhere, anytime".

However, the current 3G standard is actually a family of standards. The primary reason for the divergence is to provide an "evolutionary" path to the higher data rate services for operators and service providers who had heavily invested in their infrastructure.

Because the wireless channel does not provide a consistent channel quality, measured by signal-to-noise ratio (SNR), and because the quality of the path is more important for high-speed data transmission than for voice transmission, the 3G air interfaces must be more advanced in data delivery management. All have a common characteristic: data throughput is proportional to the channel quality. Where the

channel is noisy, the 3G air interfaces decrease the data send rate to insure that the message is delivered correctly. Higher data rate channels require better quality channels.

By significantly reducing the level of interfering signals and providing the base station receiver with a higher sensitivity, STI's Superfilter® Systems provide enhanced channel quality to 3G systems. This improvement translates directly into higher data throughput for all users. For example, if a Superfilter® System provides a 3dB (2 times) improvement to the channel quality (SNR), the resulting speed increase could be up to two times the original rate. To a service provider, this increases

the size of the cell coverage where users enjoy the highest speed connection, and increase the average data-rate. For data-intensive applications, this increase in speed may be substantial. The sensitivity increase can also decrease handset power required to establish a good link. User exposure to RF radiation decreases, which may have important health consequences.

Superfilters® may be thought of as providing a more robust channel, making it easier to accurately detect and interpret signals from a wireless subscriber. This directly translates into lower handset power and higher data-rates over a larger distance.

A handwritten signature in black ink, appearing to read 'David R. Chase'.

DAVID R. CHASE

*Vice President of Systems and
Applications Engineering*

Improving the Quality of
Wireless
Communications

SUPERCONDUCTOR TECHNOLOGIES INC.

BOARD OF DIRECTORS

CHAIRMAN

Glenn E. Penisten
Founder

M. Peter Thomas
President
Chief Executive Officer

Robert P. Caren, Ph.D.
Retired Corporate Vice President
Science and Engineering
Lockheed Corporation

E. Ray Cotten
Senior Vice President of
Sales and Marketing

Dennis J. Horowitz
President
Chief Executive Officer and Director
Wolverine Tube, Inc.

Richard M. Johnston
Vice President
The Hillman Company

John D. Lockton
Chairman
IPWireless, Inc.

Joseph C. Manzinger
Vice President
The Hillman Company

J. Robert Schrieffer, Ph.D.
Nobel Laureate
Chief Scientist,
National High Magnetic Field
Laboratory

CORPORATE OFFICERS

M. Peter Thomas
President
Chief Executive Officer

E. Ray Cotten
Senior Vice President of
Sales and Marketing

Robert B. Hammond, Ph.D.
Senior Vice President
Chief Technical Officer/Secretary

Martin S. McDermut
Vice President of Finance and
Administration and Chief
Financial Officer

Michael M. Eddy, Ph.D.
Vice President of Materials
Operations

Neal O. Fenzi
Vice President of Engineering

David R. Chase
Vice President of Systems and
Applications Engineering

ANNUAL MEETING

The annual meeting of shareholders
will be held May 17, 2000
at 11:00 am at the Pacifica Suites,
5490 Hollister Avenue,
Santa Barbara, CA 93111

*SuperFilter® is a registered
trademark of Superconductor
Technologies Inc. Any other
marks are properties of their
respective owners.*

CORPORATE INFORMATION

CORPORATE OFFICES
460 Ward Drive
Santa Barbara, CA 93111
Telephone 805-683-7646
Fax 805-967-0342

TRANSFER AGENT
BankBoston N.A.
c/o Equiserve
150 Royall Street
Canton, MA 02021

STOCK EXCHANGE LISTING
Common Stock Trading
NASDAQ
National Market System
Symbol: SCON

OUTSIDE COUNSEL

LEGAL COUNSEL
Guth Rothman & Christopher LLP
10866 Wilshire Boulevard
Suite 1250
Los Angeles, CA 90024

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
350 South Grand Avenue
Los Angeles, CA 90071

INVESTOR RELATIONS
Kehoe, White, Van Negriss &
Company, Inc.
766 Madison Avenue, 5th Floor
New York, NY 10021
Telephone 212-396-0606

COMMON STOCK PRICE DATA

At December 31, 1999, there were approximately 171 shareholders of record of the Company's common stock. The Company estimates that there are approximately 16,500 round lot common shareholders of beneficial interest. The Company has not paid cash dividends and does not anticipate paying cash dividends in the foreseeable future.

	<u>High</u>	<u>Low</u>		<u>High</u>	<u>Low</u>
Quarter ended March 28, 1998	\$ 3.75	\$ 2.50	Quarter ended April 3, 1999	\$ 4.63	\$ 3.25
Quarter ended June 27, 1998	\$ 6.63	\$ 3.41	Quarter ended July 3, 1999	\$ 3.88	\$ 2.19
Quarter ended September 26, 1998	\$ 6.56	\$ 4.00	Quarter ended October 2, 1999	\$ 5.50	\$ 2.63
Quarter ended December 31, 1998	\$ 5.75	\$ 3.25	Quarter ended December 31, 1999	\$ 5.22	\$ 2.69



**SUPERCONDUCTOR
TECHNOLOGIES**

460 Ward Drive
Santa Barbara
California 93111
Telephone 805-683-7646
Fax 805-967-0342
info@suptech.com
invest@suptech.com
www.suptech.com