

6,000,000,000 people

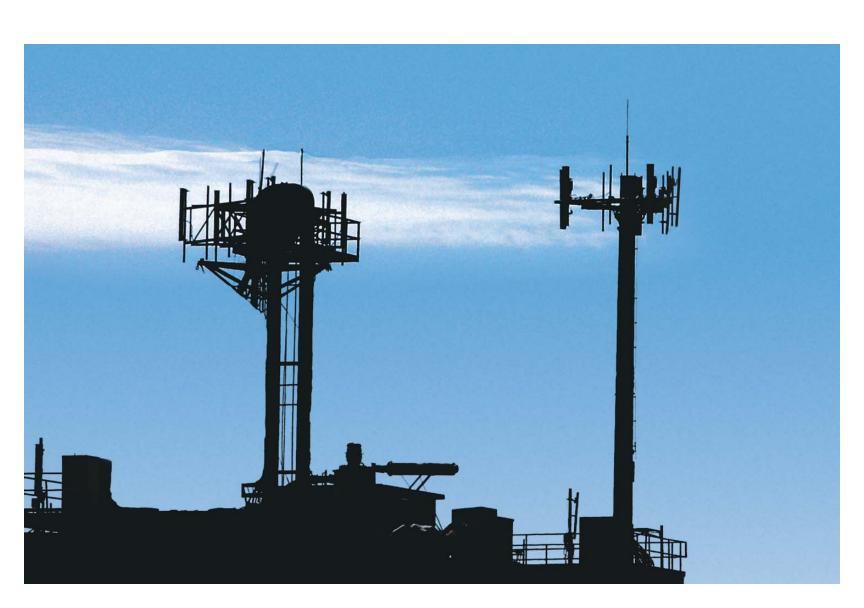


1,000,000,000

mobile users

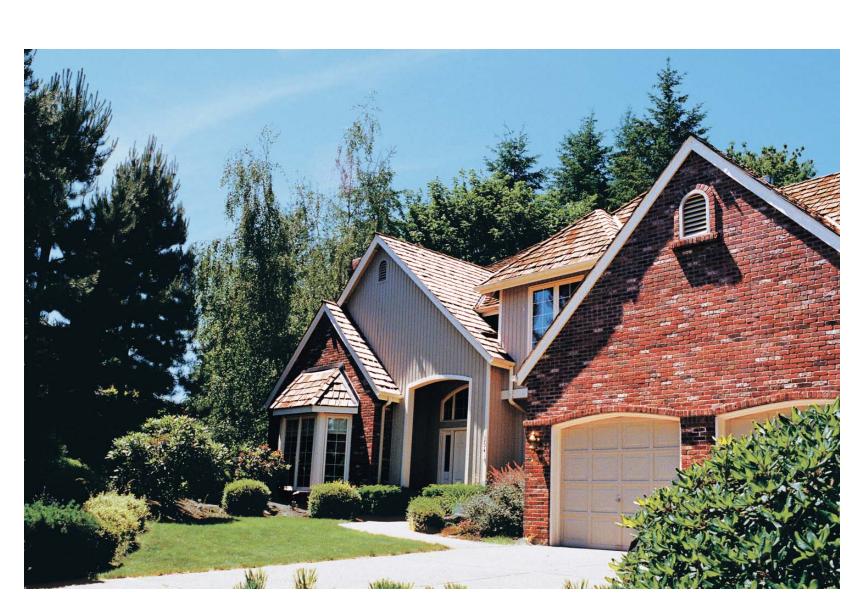


1,000,000 cell towers



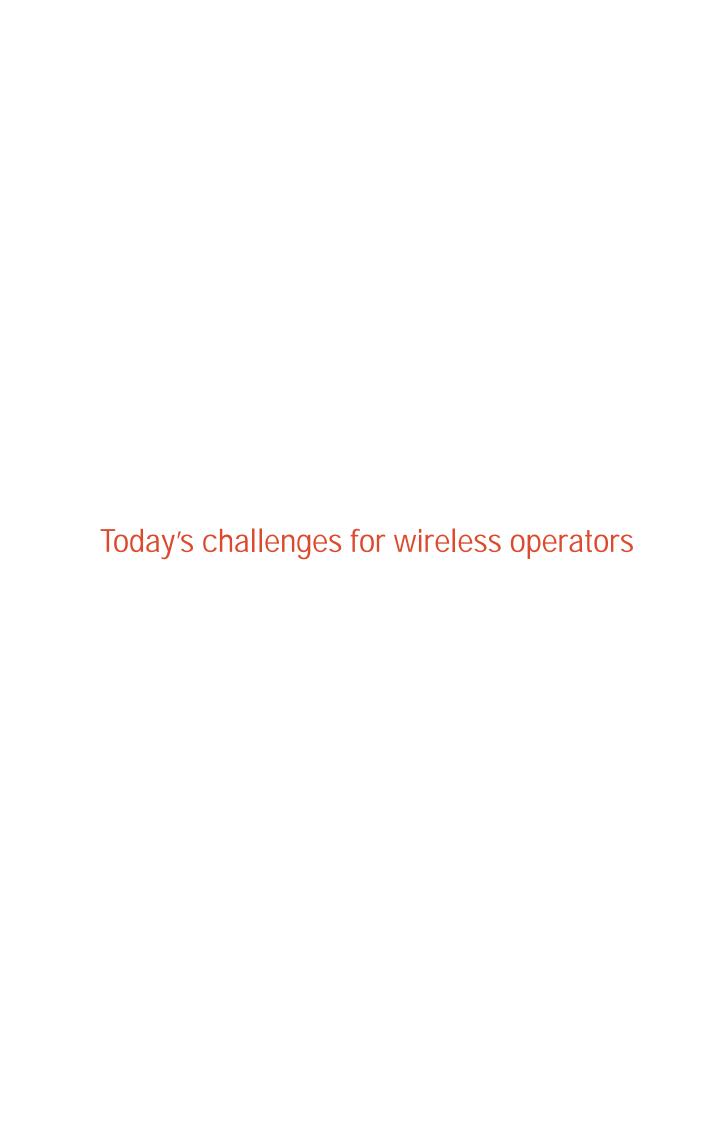
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person having trouble making a call home



ł	As widespread acceptance of wireless technology has increased, so has the number of problems in making a simple phone call.

Increased interference and dead zones that lead to dropped and blocked calls all result in lower customer satisfaction.

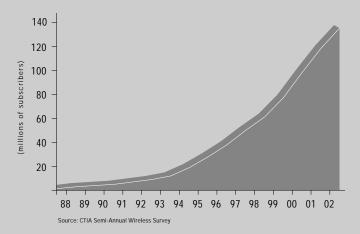


Wireless Operators: Success Has Its Consequences

Wireless operators have invested heavily in their networks in recent years. In the United States alone, according to the Cellular Telecommunications & Internet Association (CTIA), from mid-1997 until mid-2002, cumulative capital investment in the wireless industry increased more than \$80 billion to a total of more than \$118 billion. During this five-year span, operators accomplished a number of remarkable achievements, including rolling out nationwide footprints and markedly increasing the number of wireless subscribers.

Today, approximately 150,000 wireless base stations are deployed across the country, collectively providing service to nearly 140 million people. Globally, nearly one million base stations now serve more than one billion wireless customers.

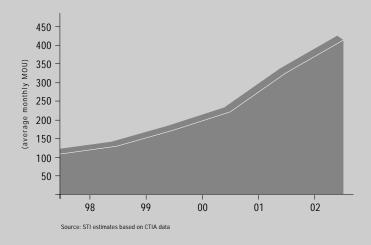
Subscribers are increasing almost 14 percent year over year.



With roughly half of the U.S. population subscribing to mobile services, and cut-rate plans inviting users to spend more and more time on their wireless devices, it comes as no surprise that the traffic, or minutes of use (MOU), has skyrocketed.

In the first half of 2002, U.S. wireless customers used almost 300 billion MOU, averaging 403 monthly minutes of use per person. Only two years prior, that figure was 228 minutes, and five years prior the average monthly usage was 110 minutes.

Average monthly minutes of use per person is up nearly 26 percent year over year.

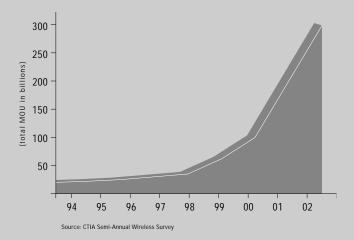


Wireless operators in the United States have been tremendously successful in many of their basic goals. However, as the operators have found, success comes with a price.

As wireless usage has risen, so too have customers' expectations. Wireless users now demand the same quality of service from their mobile devices as from their landline phones, a tough requirement to meet without the benefit of wires.

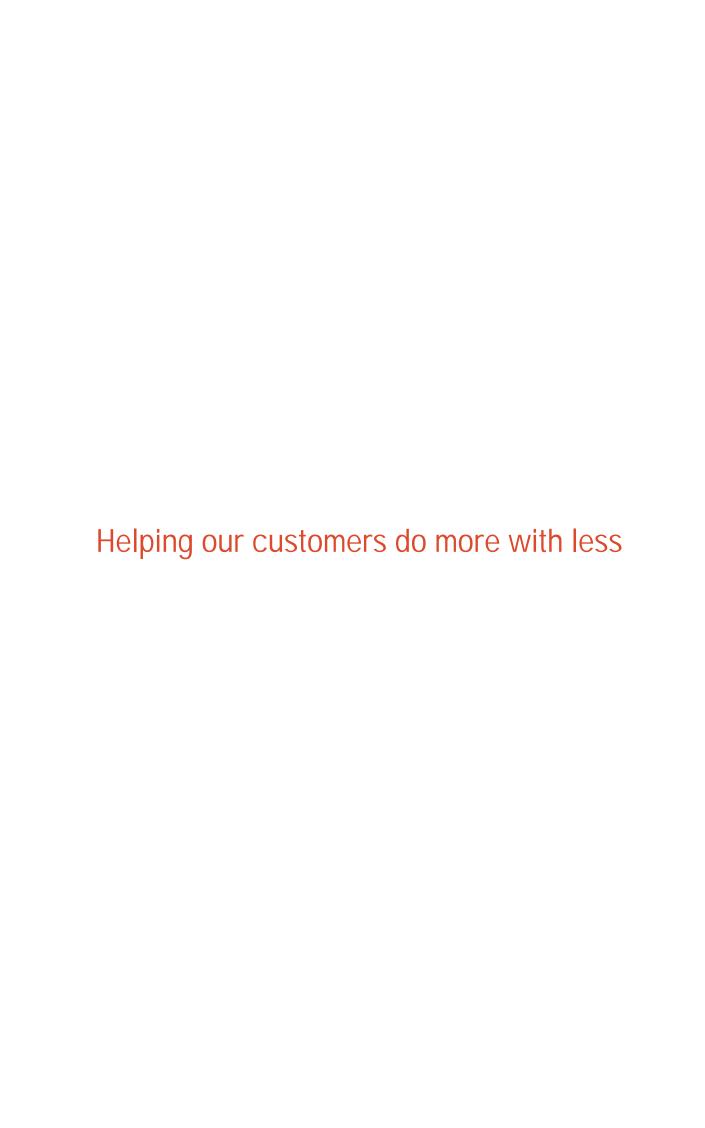
Not long ago, wireless users were satisfied if they could make calls from a car phone; now, they expect to be able to use their mobile devices anytime and anyplace, be that where they live, work, or play.

The combined effect of more subscribers and more monthly minutes used is an exponential increase in total traffic.



Greater wireless traffic has also led to an associated rise in radio frequency (RF) interference. RF interference directly contributes to a greater percentage of dropped calls, blocked calls, and origination failures – outcomes that negatively affect customer satisfaction.

In only a few short years, operators have delivered on their promise to bring wireless communications to millions of people. Future success will require that carriers find new, cost-effective ways to increase network traffic while continuously improving network performance.



23,000,000

run time hours and counting



2,000 units deployed and growing

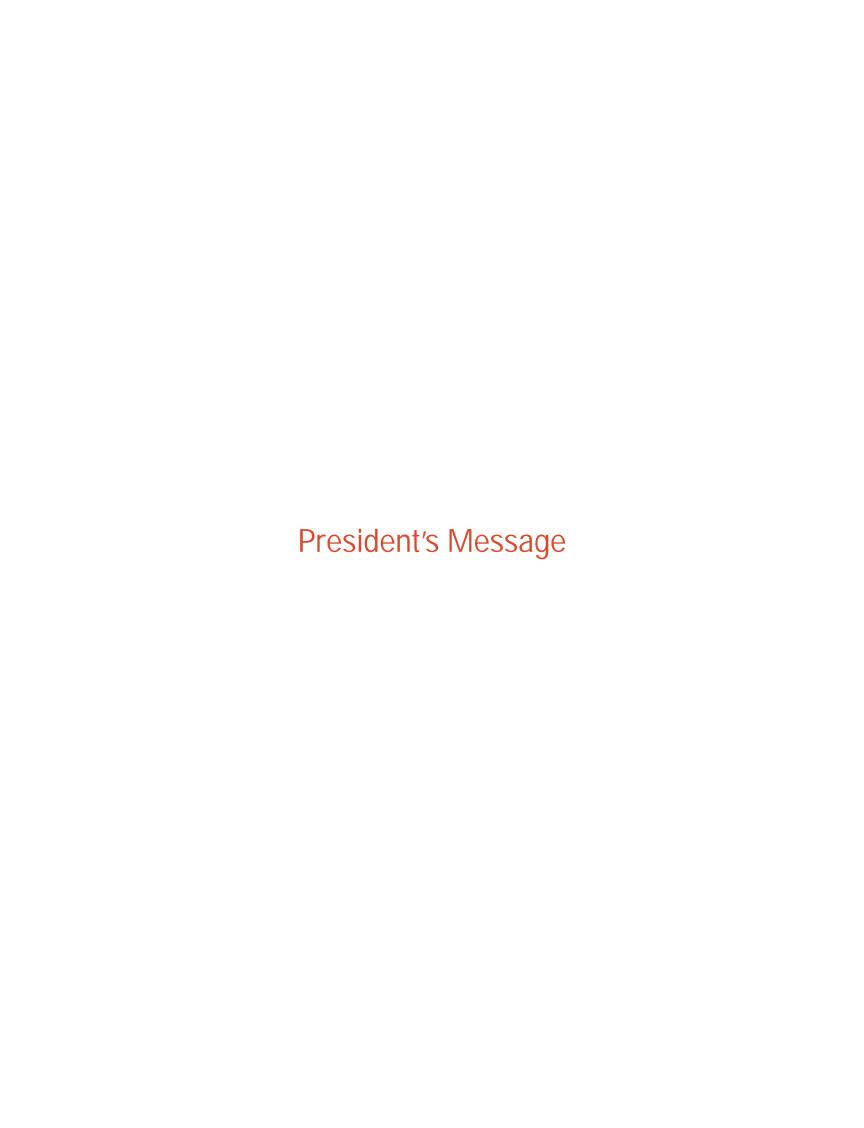


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company that's making a difference



The future is upon us and one company is poised and ready to eliminate the problems of an industry. We are the only company offering both interference protection and increased sensitivity that results in improving the quality of wireless networks.



To Our Shareholders:

The year 2002 was a watershed year for Superconductor Technologies Inc. (STI). Now in its 16th year, STI is experiencing ever-increasing market acceptance that is fueling revenue growth and bringing us closer to our goal of achieving profitability. For the 12 months ended December 31, 2002, STI achieved record revenues of \$22.4 million, an increase of more than 80 percent from the \$12.4 million reported for 2001. In 2003, we are planning to more than double our revenues. This continued rapid growth is directly attributable to key strategic moves made during 2002. These include the acquisition of Conductus, expansion of production, and introduction of new products.

With the acquisition of Conductus, Inc. during the fourth quarter of 2002, we became a stronger force within the wireless industry and remain the largest supplier of high-temperature superconducting (HTS) products to the wireless carriers. The merger expands STI's government business, adding a government products line to our existing government R&D business. In addition, we completed a \$20-million private capital investment that will provide working capital to fund our future growth.

Another critical investment in 2002 was the year-long, multi-million dollar expansion of our production facilities in Santa Barbara, California. This increased our manufacturing capabilities and has enabled us to further improve product quality and achieve greater economies of scale in production. This expansion could not have come at a better time. At the end of 2001, we announced an order from a major wireless carrier for 1,000 units of our SuperFilter® product. This single order equaled our entire shipments of SuperFilter products in the previous five years.

Our production ramping requirements continue in 2003. We have added several new customers and as shipments continue to increase, we are seeing a rapid payback on the 2002 investments we made in our company and its production capabilities.

During 2002 we began production of key new products in direct response to customer demand for solutions that enable them to "do more with less." Most significant was the introduction of our SuperLink™ Rx 850, which is half the size, uses one-third less power and delivers even better performance than its predecessors. Like its predecessor, SuperLink Rx provides a unique combination of interference protection and increased sensitivity, providing performance without compromise that no other technology can offer. It enables carriers to make more effective use of their existing capacity while simultaneously improving coverage and providing higher data throughput. Wireless customers experience noticeable reductions in dropped and blocked calls, and longer battery life for their mobile devices.

We also moved beyond providing hardware-only solutions during 2002. We broadened our scope of business with the formation of a strategic alliance with Heinz Corporation, a leading wireless engineering service company, to provide service offerings in support of our carrier customers. This new partnership will

help fill a market void in service and support to wireless operators. Together, STI and wireless engineering service firms can design and install solutions that will improve the quality of wireless networks, especially in today's extremely congested urban environments. In addition, the introduction of our first software modeling tool – the Interference Impact Simulator – helps carriers simulate and visualize the adverse impact interference has on their networks.

This new combination of hardware, software and services puts STI in the forefront of carrier support companies by offering simple, reliable and cost-effective solutions that can make wireless carriers more successful even during financially tough times. Our products enable carriers to expand their network capacity for a nominal incremental capital investment so that they can carry much more traffic with better clarity and fewer dropped calls. They can do this by equipping their existing base stations with our proprietary HTS products for a fraction of the cost of building more base stations – and they get tremendous performance boosts as a bonus.

As we enter 2003, our management team is confident that we have the elements in place to achieve our goals and make a positive impact in the wireless industry. We are optimistic we can increase penetration of the larger wireless carriers in the domestic U.S. marketplace as well as gain additional traction in selected international markets such as Mexico, Brazil, China and Japan.

Finally, I would like to report on a significant development in our patent dispute with ISCO International, Inc. relating to U.S. Patent No. 6,263,215 entitled "Cryoelectronically Cooled Receiver Front End for Mobile Radio Systems." On April 3, 2003, just before the printing of this Annual Report, the jury returned a unanimous verdict that ISCO's patent is invalid and unenforceable. The jury also awarded STI \$3.8 million in compensatory damages based upon a finding that ISCO engaged in unfair competition and acted in bad faith by issuing press releases and contacting our customers asserting rights under this patent. We are very pleased with the outcome of the trial, and we look forward to getting back to business as usual.

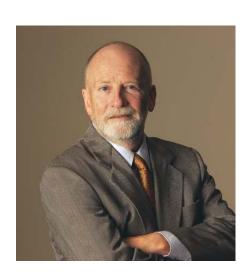
We thank our dedicated family of employees for their support in the past year and we thank our shareholders for continued faith in our progress.

Sincerely,

M. Peter Thomas

M. St. Thomas

President & Chief Executive Officer





SuperLink™Rx

The ultimate uplink.

A Changing Wireless Paradigm

The wireless telecommunications industry has grown exponentially since it began gaining market traction in the 1980's. When the early wireless pioneers initiated their "build it and they will come" strategy, they never imagined that "they" would come in droves. Coverage at any cost was the name of the game as carriers embarked on ambitious construction programs to build out the nationwide footprints needed to provide ubiquitous coverage.

The easy solution for rapid network expansion was to put up new cell sites. Network operators were a risk-averse group, but capital budgets were plentiful and "no one ever got fired for putting up a new cell site." Today, more than one billion wireless customers around the world are served by nearly one million base stations.

Even with this massive investment in infrastructure, demands on network capacity continue to grow exponentially despite slowing growth in subscribers. As a result, wireless carriers have become victims of their own success. They must continue to increase capacity, expand coverage and improve the quality of their networks, but they can no longer turn on the "money hose" to solve their problems.

Operating under severe financial constraints while customers continue to raise the bar, carriers are starting to consider new alternatives. They are taking intelligent risks and implementing cost-effective alternative technologies. In short, they are learning to "do more with less."

Implementing alternative technologies, such as high-temperature superconducting (HTS) systems from STI, will help carriers meet this growing need at a fraction of the traditional cost.



SuperLink™Tx
Superior downlink performance.

The Right Technology at the Right Time

Wireless carriers are evaluating and deploying alternative, more affordable technologies that not only make the most of existing investments but also offer enhanced interference protection and greater capacity. Wireless carriers are evaluating a variety of network enhancement products, including smart antennas, repeaters and tower-top amplifiers. Yet while each of these conventional approaches may provide part of the answer, they all involve some level of compromise.

High-temperature superconducting (HTS) products are the right technology at the right time. HTS is the only technology that provides performance without compromise, offering wireless carriers significant reductions in dropped and blocked calls, dramatic improvements in coverage and quality, and marked enhancement of data throughput. HTS is also reliable, easy to deploy, and above all, cost-effective, providing multiple benefits at a mere fraction of the cost of building additional base stations.

A recent Yankee Group report asserts that, "fundamentally, improved filtering coupled with low-noise amplification increases the coverage and capacity of wireless mobile networks. The use of superconductor devices... is certainly compelling from a technical standpoint. By essentially having a plug-and-play capability, these devices easily can be integrated into existing base stations, displacing third-party devices currently used by infrastructure vendors."

In September 2002, STI launched the SuperLink™ Rx 850, the most compact and lowest power superconducting frontend ever produced. SuperLink Rx 850 represents a significant step forward in the evolution of commercial HTS for wireless applications. Whereas early HTS competitors introduced products that were nearly the size of a refrigerator and required ten times the power, STI's SuperLink Rx 850 is approximately the size of a breadbox and uses less power than an ordinary light bulb.

STI has developed the right technology at the right time for dramatically improving the quality of wireless communications.



HTS-Ready™ Duplexer

Antenna sharing without compromise.

Poised and Ready to Deliver

Superconductor Technologies was founded in 1987 to capitalize on a breakthrough known as high-temperature superconducting (HTS) technology. Like most cutting-edge, fundamental advancements, it took significant time and R&D to develop the technology for commercial applications.

In the mid-90's, the company decided to focus on the wireless industry and brought M. Peter Thomas, a seasoned industry veteran, on board as CEO in 1997. Later that year, STI sold its first commercial system, the SuperFilter®. STI sold its 1,000th unit just over four years later in December 2001 and reached the 2,000th-unit milestone in January 2003. Our significant field experience and relentless pursuit of quality is reflected clearly in the product's demonstrated mean time between failure (MTBF) of more than 500,000 hours, also announced in January 2003.

Over the past three years, our continued investment in manufacturing capabilities has started to pay dividends. Over this period, we have driven our cost structure down by roughly 50 percent while making reliability improvements at the same time. We have been able to pass on many of these savings to our customers through reductions in price. The price that we command in the marketplace is now at a reasonable premium over conventional alternatives. This is reflected in the increasing customer acceptance and growth in our commercial revenues.

At a time when many wireless companies have cut back, we continue to invest in the expansion of functional areas serving the customer: sales, marketing and customer service and support. We also have developed proprietary tools and relationships with wireless engineering services firms in order to better serve the needs of our growing customer base.

Superconductor Technologies Inc. is poised and ready to help carriers succeed in today's difficult marketplace by doing more with less.



SuperLink[™] Solutions
Total Link[™] Enhancement.

Advanced Superconducting Technologies for the Government

Recent world events have greatly increased the U.S. government's interest in advanced technologies, particularly those of value in communications and surveillance systems. With more than 15 years experience providing superconducting products and technology development services to the government, STI is well positioned to meet this higher demand.

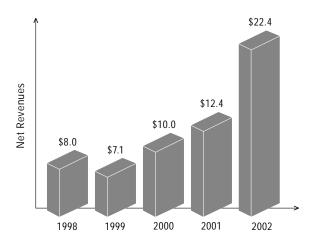
Government customers from the U.S. military, intelligence departments, and law-enforcement agencies utilize STI's superconducting products and technology development to enhance the performance of various types of specialized communications and surveillance systems. Our superconducting technology offers both enhanced RF sensitivity and strong interference rejection, benefits that are of particular value in complex radio frequency environments such as those found on board military aircraft. STI's recent acquisition of Conductus, Inc., which now operates as Superconductor Technologies' Sunnyvale Government Business & Engineering Center, has strengthened our ability to supply these types of products.

STI's government products utilize many of the same advanced technologies as found in our SuperLink™ Rx products for commercial wireless networks. Although these government products are tailored to the specialized needs of individual government customers, a significant percentage of these products are based on common platforms to allow for improved economies of scale.

At STI, we expect that continued government-related product sales and R&D will not only satisfy our government customers but also transfer to the private sector in new commercial applications and enhancements.

STI Net Revenues

(in millions)



STI Senior Management Team



Pictured from left:

Robert L. Johnson – President, STI Products Group

Martin S. McDermut – Senior Vice President, Chief Financial Officer and Secretary

M. Peter Thomas – President, Chief Executive Officer

Ken Barry – Vice President, Human Resources

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

Richard R. Conlon – Senior Vice President, Sales and Marketing

(not pictured) Charles E. Shalvoy – Executive Vice President,

Sunnyvale Government Business and Engineering Center

Corporate Information

Board of Directors

John D. Lockton Chairman of the Board of the Company Managing Director of IP Wireless, Inc.

M. Peter Thomas
President and Chief Executive
Officer of the Company

H. Vaughan Blaxter III Vice President, General Counsel and Director The Hillman Company

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

E. Ray Cotten

Retired Senior Vice President, Business Development and Chief Marketing Officer Superconductor Technologies Inc.

Dennis J. Horowitz Chairman of Audit Committee Chairman, President, Chief Executive Officer and Director Wolverine Tube, Inc.

Martin A. Kaplan Chairman of the Board JDS Uniphase, Inc. Retired Executive Vice President Pacific Telesis Group

Robert J. Majteles Managing Member Treehouse Capital, LLC

Joseph C. Manzinger Chairman of Nominating Committee Vice President and Director The Hillman Company

J. Robert Schrieffer, Ph.D.
Nobel Laureate
Chairman of the Technical Advisory
Board of the Company
Professor, Florida State University
Chief Scientist of the National High
Magnetic Field Laboratory

Charles E. Shalvoy Executive Vice President, Sunnyvale Government Business & Engineering Center

David L. Short Retired Vice President, Engineering AirTouch International

Senior Staff

M. Peter Thomas President and Chief Executive Officer of the Company

Ken Barry Vice President, Human Resources

Richard R. Conlon Senior Vice President, Sales & Marketing

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

Robert L. Johnson President, STI Products Group

Martin S. McDermut Senior Vice President, Chief Financial Officer and Secretary

Charles E. Shalvoy
Executive Vice President,
Sunnyvale Government Business
& Engineering Center

Annual Meeting

The annual meeting of shareholders will be held on May 22, 2003 at 11 a.m. at STI's Corporate Offices

Corporate Information

Corporate Offices 460 Ward Drive Santa Barbara, CA 93111 Telephone: 805-690-4500 Facsimile: 805-683-9496

Transfer Agent

Registrar and Transfer Company 10 Commerce Drive Cranford, NJ 07016

Stock Exchange Listing

Common Stock Trading NASDAQ National Market System Symbol: SCON

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Independent Auditors

PricewaterhouseCoopers LLP 350 South Grand Avenue Los Angeles, CA 90071

Investor Relations

Lippert/Heilshorn & Associates, Inc. 44 Montgomery Street San Francisco, CA 94104

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