

**SCI Engineered Materials. Inc.**  
**25<sup>th</sup> Anniversary**  
**and**  
**Annual Meeting of Shareholders**

# Annual Meeting Agenda

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- To elect five directors of the Company, each to serve for terms expiring at the next Annual Meeting of Shareholders

Robert J. Baker, Jr.  
Walter J. Doyle  
Robert H. Peitz

Daniel Rooney  
Edward W. Ungar

- To transact any other business which may properly come before the meeting or any adjournment thereof.

# Management Review

# Safe Harbor Statement

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This presentation and subsequent discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but are not limited to, all statements regarding intent, beliefs, expectations, projections, forecasts, and plans of the Company and its management, and other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings, including the Company's Annual Report on Form 10-K for the year ended December 31, 2011. One or more of these factors have affected, and could in the future affect, the Company's projections. Therefore, there can be no assurances that the forward-looking statements included in this presentation will prove to be accurate. In light of the significant uncertainties in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company, or any other persons, that the objectives and plans of the company will be achieved. All forward-looking statements made in this presentation are based on information presently available to the management of the Company. The Company assumes no obligation to update any forward-looking statements.

# Overview

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- Founded in 1987 as Superconductive Components, Inc. and changed name to SCI Engineered Materials, Inc. in 2007
- Initially focused on R & D with high temperature superconducting materials and devices
- Developed manufacturing capabilities to produce advanced ceramic compositions for sputtering targets
- Manufacture products for diverse global markets
- Continue to leverage manufacturing capabilities, intellectual property and proprietary knowledge into complementary growth markets

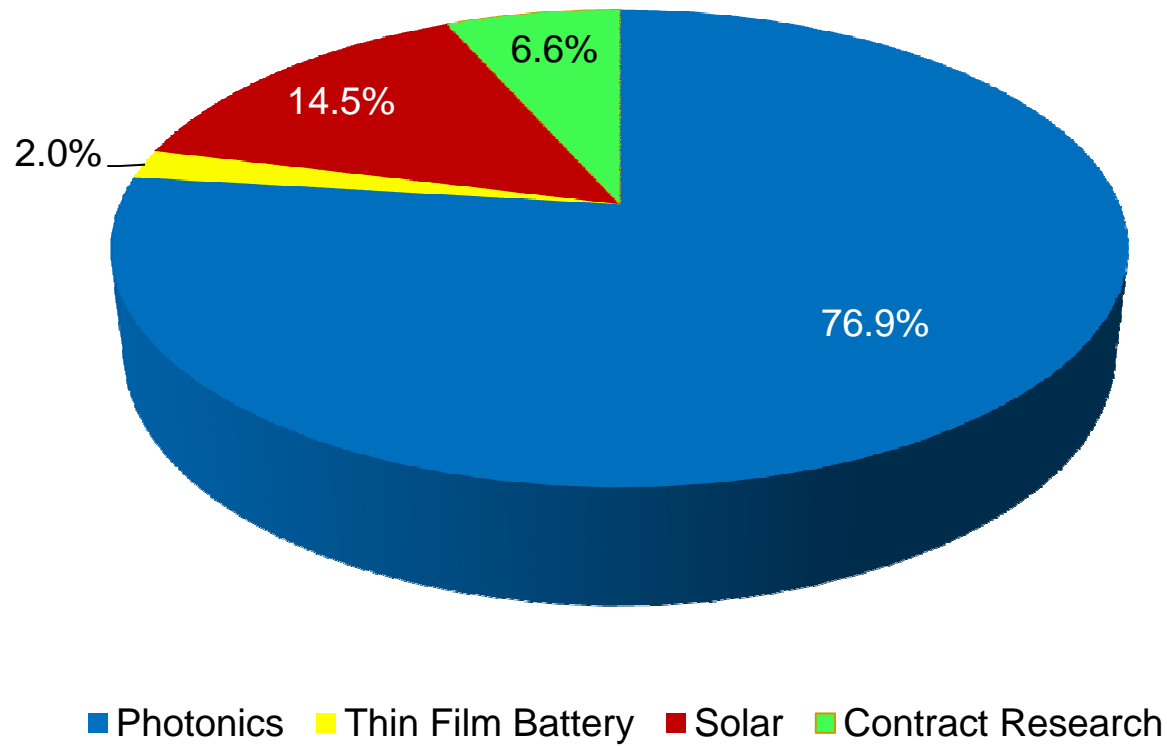
# Discussion Topics

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- Business
  - 2011 Revenue Mix
  - End Market Applications
  - Markets
  - Solar Industry Update
  
- 2011 Review
  - R&D: What We Accomplished
  - Increased Capabilities
  - Funding Growth Initiatives
  - 2012 Perspective

# 2011 Revenue Mix

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# End Market Applications

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Automotive



Solar Cell



Working with materials that involve light

Energy Efficient Glass



Lighting



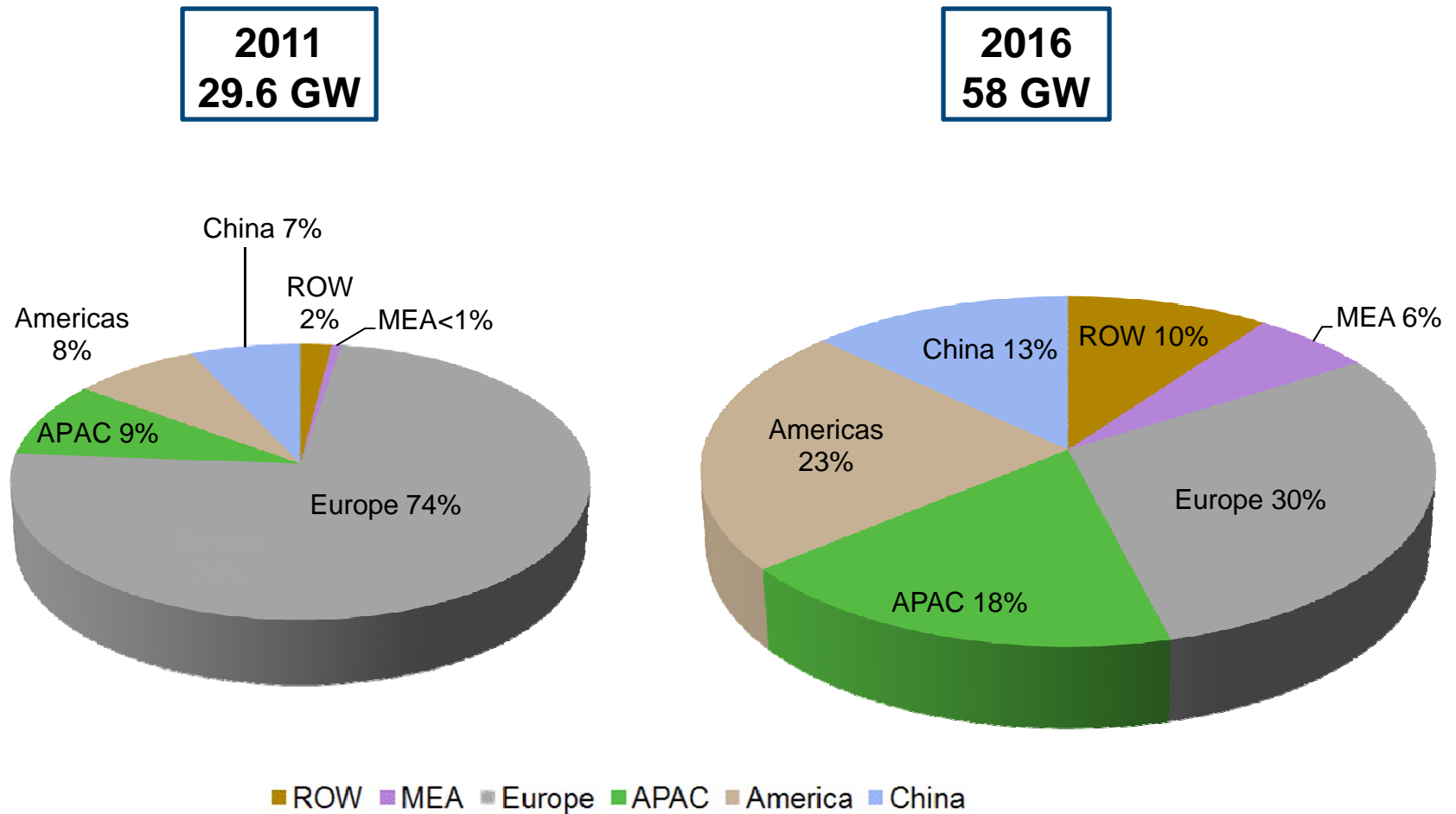


# Thin Film Battery

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- Overall demand for these materials has been low since 2008
- Increased interest for these materials, especially from customers in Asia and Europe
- A portion of the battery patent owned by Oak Ridge National Labs expired in 2011 and the remainder will expire in 2014

# Solar Installations by Region: 2011 and 2016\*



Source: European Photovoltaic Industry Association

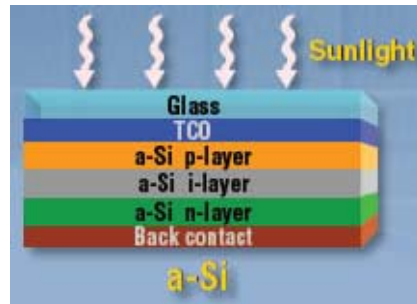
\* Estimate

# Thin Film Solar

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- Global market in early stages of growth and product adoption
- Utilize core capabilities in a rapidly growing, attractive global market
- Develop proprietary transparent conductive oxide (TCO) materials to meet customer specific needs
- Expand global marketing
- Participate in the growth of solar through current and innovative products
- SCI is positioned to benefit from future industry growth

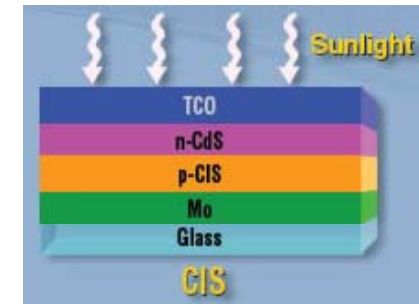
# Thin Film Solar Markets



Amorphous Silicon



Cadmium Telluride

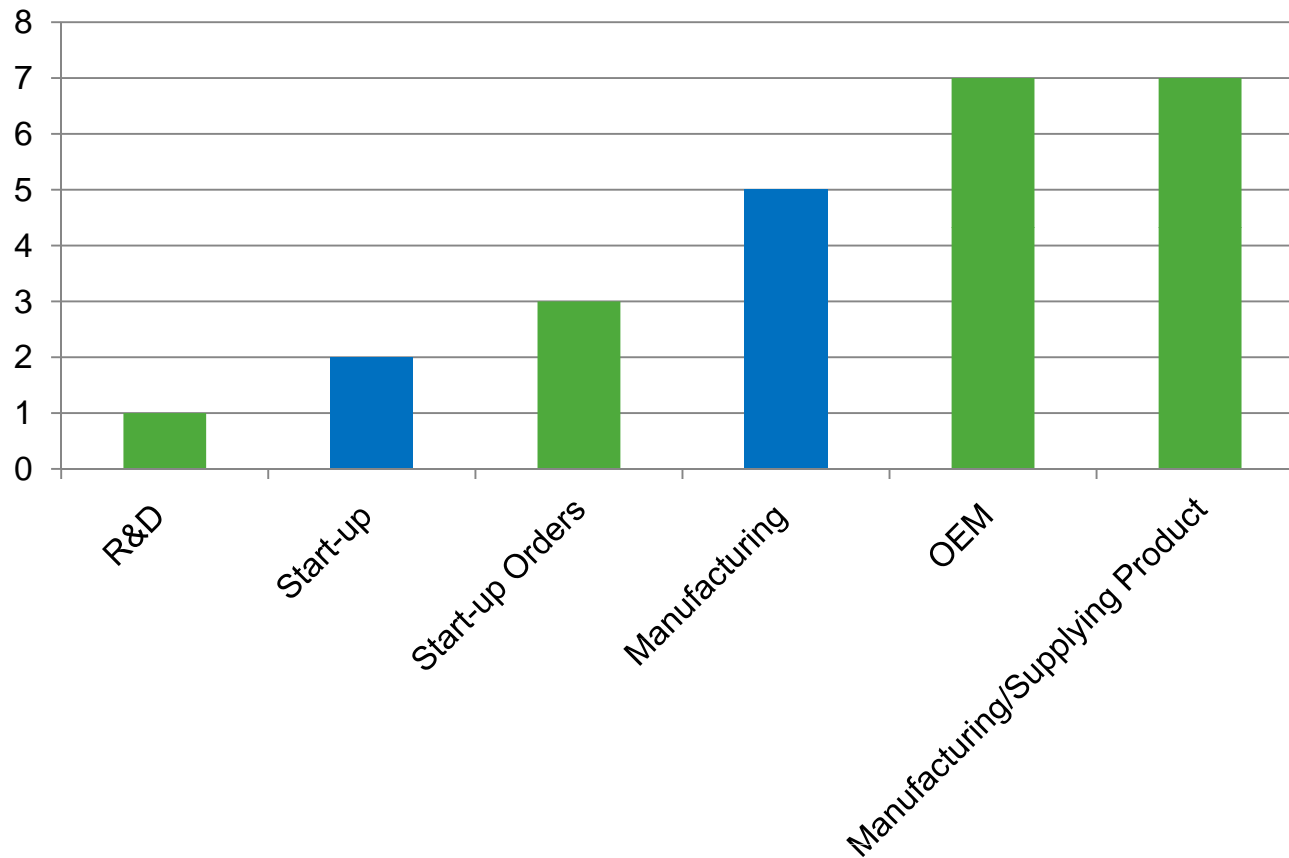


Copper Indium Gallium Selenide

- Challenging global macroeconomic factors impacting business activity
- Average selling price of solar cells declined approximately 50%
- Total solar installed was 29.6 Gigawatts (GW) of total capacity installed, an increase of more than 50% over 2010
- 3.5 GW of Thin Film Solar (TFS) installed versus 2.8 GW in 2010, most was Cadmium Telluride (CdTe)
- CdTe & CIGS are achieving higher efficiencies
  - First Solar manufactured panels with 11.7% efficiency and is targeting 15% efficiency by 2015
  - MiaSole manufactured panels with 14% efficiency
  - Efficiency of amorphous silicon (a-Si) is approximately 10%

# Stages of Product Approval

Number of customers



# Photonics

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- A multi-billion global industry with a number of attractive growth niches
- Significant customers in diverse segments with expanding product lines
- Customers value SCI's manufacturing capabilities
- Price volatility of high priced raw material causes SCI's revenues to fluctuate
- Global market was negatively impacted in 2011 by the tsunami in Japan and the flood in Thailand during 2011

# R&D: What We Accomplished

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- Approximately \$450,000 of capital invested in R&D and Quality
  - Scanning Electron Microscopy (SEM)
  - C-Scan for Rotatable Targets
  - Rotary Cathode Sputtering Unit
  
- Rotatable Bonding
  - Enables Complete Target Supply Capability
  - High Power Density Bond
  
- Launched a Photonics Product
  
- Alternative Transparent Conductive Oxide Systems
  - Solar
  - Glass
  - Advanced Lighting

# Increased Capabilities

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- Prototype Sputter Coating Lab (MRC 902 up to 12" x 12" Substrate)
  - Solar
  - Glass
  - Advanced Lighting
  
- TCO Evaluation Lab
  - Film Thickness
  - Sheet Resistance
  - Visible Light Transmission
  
- SEM microscopy for quality assurance and product development
  
- Rotary Cathode Sputtering for testing products
  - Using customer specified environments
  
- Non-destructive Product Evaluation (NDE) Capability



# Funding Growth Initiatives

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	<u>2011</u>	<u>2012*</u>
SBIR	\$621,000	\$250,000
Third Frontier		
Third Frontier		
Ohio Department of Development	\$547,000	\$540,000
Ohio Air Quality Development Authority		
Equipment leases	\$185,000	\$ -

\* Planned

# 2012 Perspective

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- Solid increase in bookings during the first quarter of 2012, led by photonics and international solar orders
- Recovery from the great recession continues to be choppy
- Investments during the past several quarters have positioned SCI to be more efficient and profitable as market conditions improve
- Outlook for the solar industry remains attractive
- Recent introduction of new product based on our prior R&D activities are anticipated to benefit our performance and penetration of niche markets
- Backlog at March 31, 2012 increased to \$2.9 million from \$1.7 million at December 31, 2011 and was \$0.3 million higher than the same date last year

# Summary

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- Improving business environment for photonics
- Advancing through stages of customer approval process
- Solar - adding new customers and products
- Solar industry challenged by sharply declining average selling prices
- Invested to add manufacturing scale and increase capabilities
- Business outlook remains attractive for SCI's end markets

