



SCI Engineered Materials, Inc. Annual Meeting of Shareholders

Management Presentation

June 9, 2016



Safe Harbor

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, 2015. 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.



Full-Year 2015 Review

- Due to a significant decline in a key raw material cost total revenue declined 13% versus prior year
- Full-year results benefited from favorable product mix and higher gross profit margin
- Ongoing cost controls led to a 6% decrease in operating expenses versus prior year
- Total debt outstanding decreased 32%



First Quarter 2016 Review

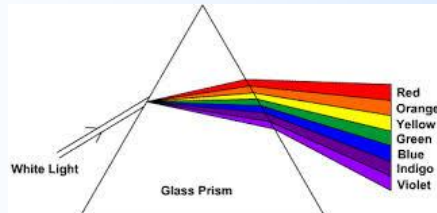
- Thin film solar sales were soft compared to Q1 2015
- Significant decline in a key raw material cost continues to impact selling prices
- Order bookings strengthened throughout the quarter
- Several new customers are conducting extensive product tests and qualification activities
- As of May 3, 2016, year-to-date thin film solar product bookings were similar to the entire year 2015



Growth Strategy

- Achieve significant sales growth from Asia
- Develop innovative products and custom solutions
- Leverage established capabilities
- Exploit niche market opportunities

Photonic



Thin Film Solar



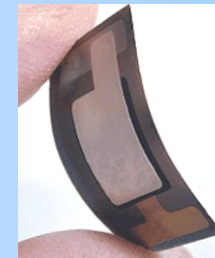
Transparent Electronics



Glass

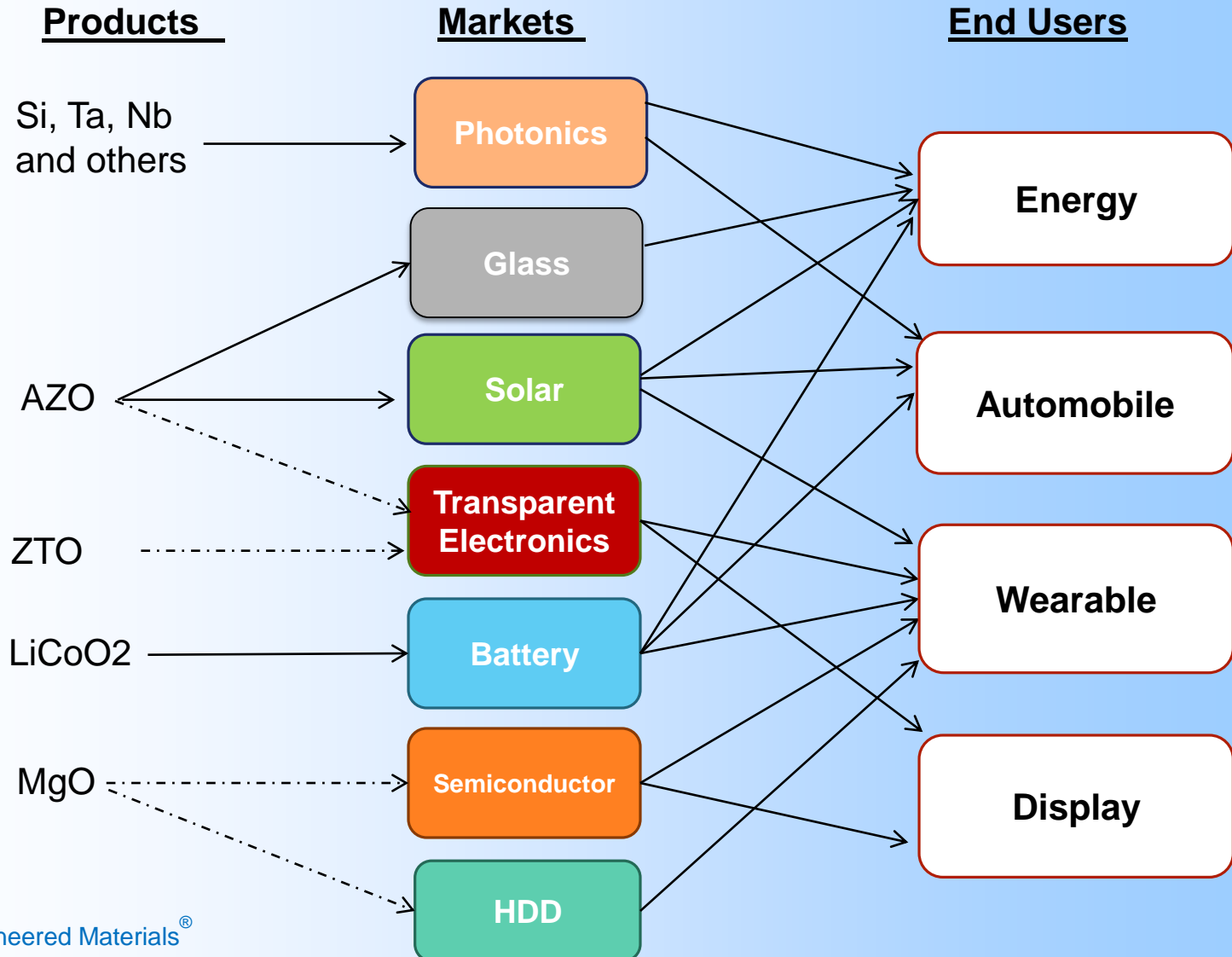


Thin Film Battery





Products/Markets/End Users





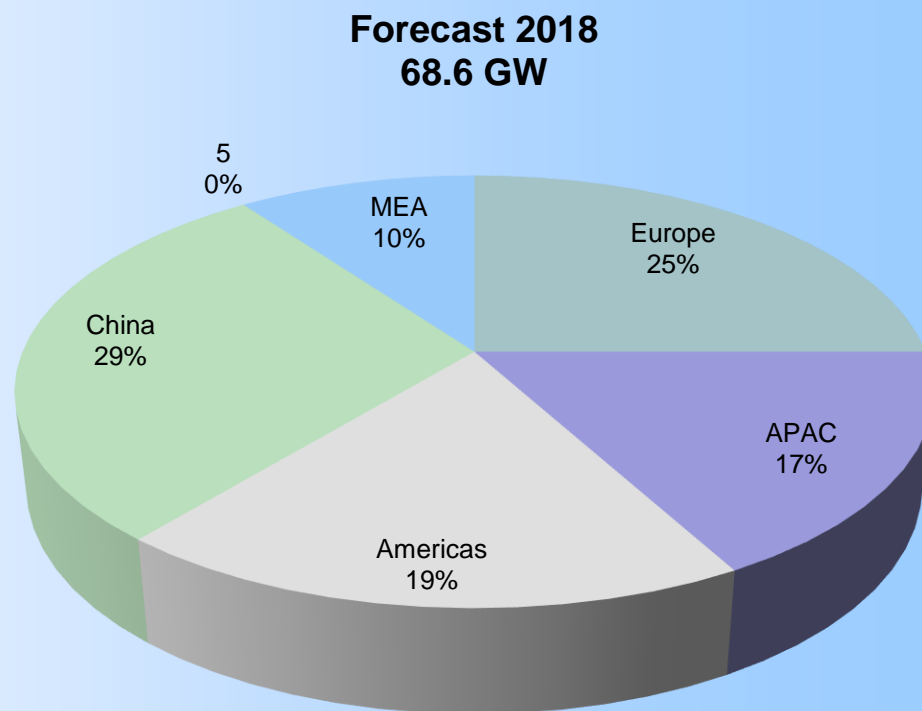
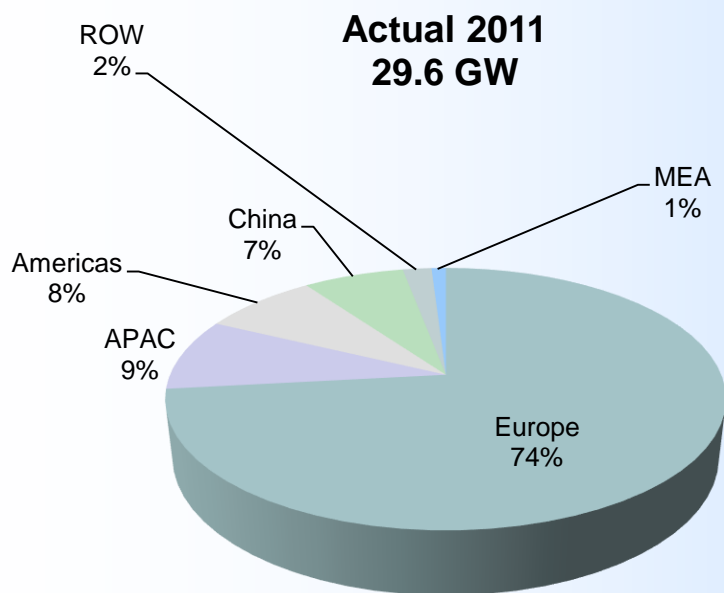
Photonics



- SCI has manufactured photonic applications for 2 decades
- We have significant customers in diverse segments with leading market share
- Cost of high priced raw material contributes to revenue volatility



Solar Installations by Global Region

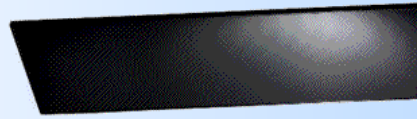
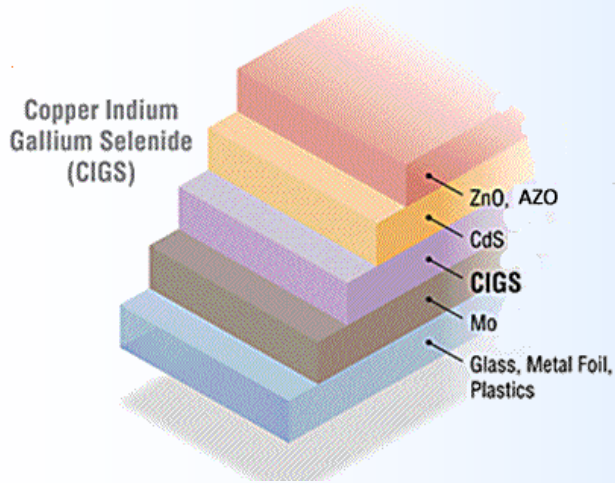


2015 Forecast ⁽¹⁾	
2015	59 GW
2016	67 GW
2017	72 GW

Source: European Photovoltaic Industry Association 2012 & 2013



Copper Indium Gallium Selenide (CIGS) Thin Film Solar



- Products are achieving 17+% efficiencies
- Several companies are expanding capacity or restarting idled production capacity
- CIGS Thin Film Solar can be applied to glass or flexible substrates
- SCI is developing proprietary TCO materials
- We are well-positioned to benefit from industry growth



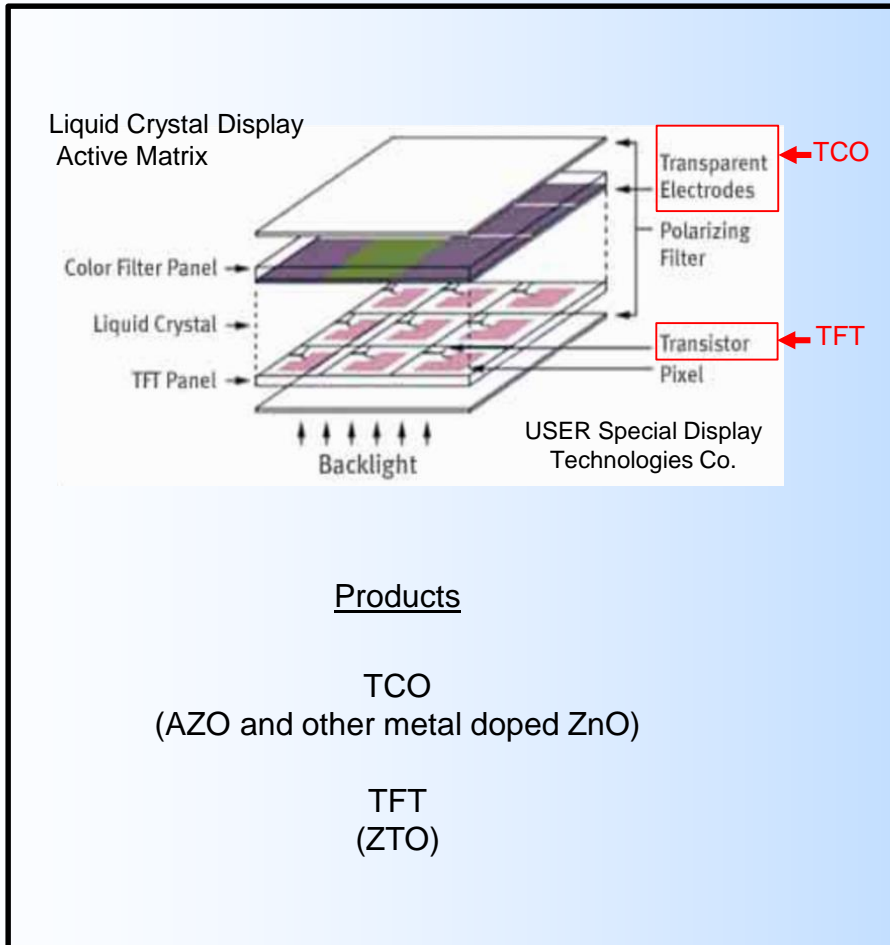
Solar: China

- Growing opportunities for CIGS products
- Global leader in photovoltaic manufacturing
- COP21 pledge includes agreement to reduce CO₂ emissions by 60-65% from 2005 levels





Growth Opportunities: Transparent Electronics



Display



Smart Phone

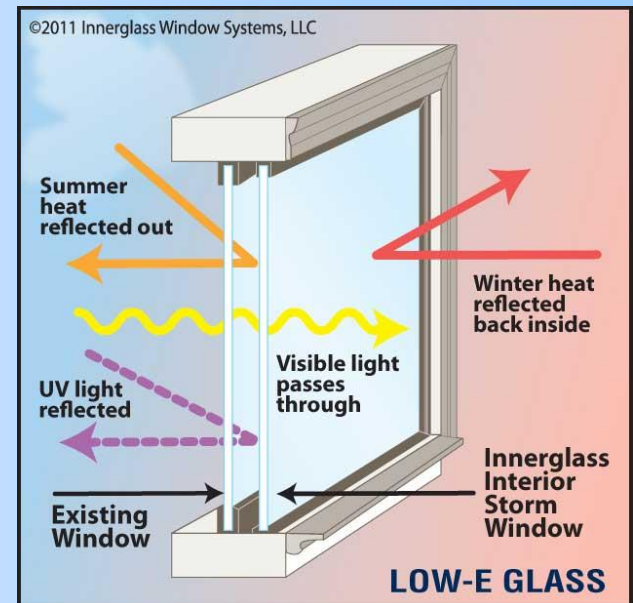


Wearable Devices



Growth Opportunities: E-glass

- AZO is used in E-glass applications as a passive layer over silver
- Newest E-glass uses 3 layers of silver and AZO to control heat gain or loss in homes and offices
- Sputtering Targets for E-glass applications usually range from 2.8 – 3.8 meters in length





Summary

- Results expected to improve in second half of 2016
- Thin Film Solar bookings are improving
- Developing innovative products and custom solutions
- Leveraging production equipment
- Pursuing additional niche market opportunities



Thank you for attending and your
continued support of SCI