



# 2011 Annual Meeting of Shareholders

June 10, 2011

# Annual Meeting Agenda

---

- 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 approve the 2011 Stock Option and Incentive Plan
- To transact any other business which may properly come before the meeting or any adjournment thereof.

# 2010 Management Report

# Safe Harbor Statement

---

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, 2010. 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.

# 2010 Management Report

---

- Business Review
- Financial Results
- SCI's Markets

# Business Review

---

## Photonics

- Product demand increased during the year
- Fluctuating prices for high value raw material

## Solar

- Reduction of government-based solar subsidies, especially in Europe.
- Long sales cycle, especially for new products and materials.
- Initial entry into global markets

# Business Review

---

## Market Conditions

- Uneven recovery in global economy
- Purchasing patterns by solar manufacturers

## SCI product trials/qualifications

- Customers are in North America, Europe and Asia
- Increased commitment to internally-financed solar R&D

## Investments

- Scale-up of manufacturing capabilities
  - Over \$225,000 in new equipment
  - Leased \$193,000 of production equipment

## Debt reduction

- Paid \$452,000 of principal toward outstanding loans and leases.

# Business Review

---

## Financing

- Huntington Bank, N.A.
  - Revolving Note \$ 500,000
  - Promissory Note (Bridge loan) 840,000
  - \$1,340,000
  
- Loan approvals from State of Ohio agencies:
  - Ohio Air Quality Development Authority \$1,400,000
  - Ohio Department of Development 166 Direct Loan 700,000
  - \$2,100,000

## Cash Flows

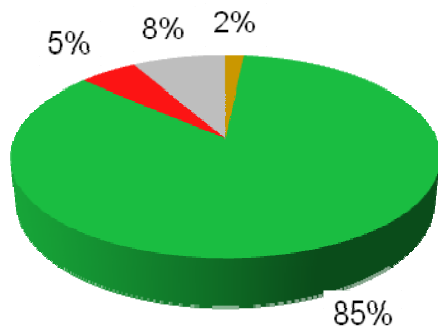
- Cash from operations \$ 561,000



# Comparative Net Sales Mix

2005

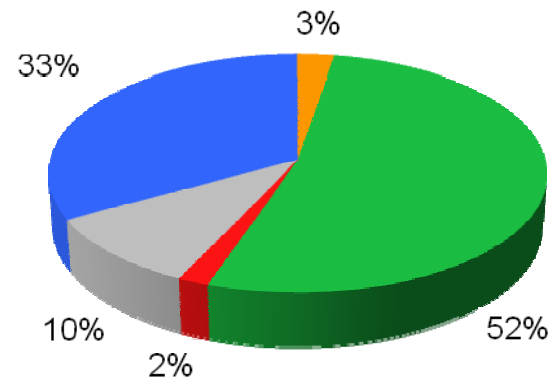
\$3.5 million



■ HTS ■ Photonics ■ TFB ■ Contract

2010

\$8.9 million



■ HTS-Other ■ Photonics ■ TFB ■ Contract ■ Solar

# 2010 Financial Results

Dollars in millions, except per share amounts

	<u>2010</u>	<u>2009</u>	<u>2010/2009</u>
Total revenue	\$8.9	\$8.0	+11%
Product revenue	8.0	7.0	+14%
Contract research revenue	0.9	1.0	-10%
Gross profit	\$2.3	\$1.9	+21%
Gross profit margin	25.5%	23.3%	+2.2 pts.
Income (loss) applicable to common shares	\$0.00	\$(0.15)	+\$0.15
Net cash provided by operating activities	\$0.6	\$0.3	+\$ 0.3
EBITDA	\$0.6	\$(0.03)	+\$0.6
Adjusted EBITDA	\$0.8	\$0.4	+\$0.4
Cash at year-end	\$1.5	\$1.1	+37%

# Grants and Awards

---

		<u>Initial Amount</u>	<u>Expected Completion</u>
<u>Accelerate Time-to-Market</u>			
ODOD	Commercialize advanced technology for high power density rotatable ceramic sputtering targets.	\$ 775,400	March 2012
ODOD	Grant to commercialize additional products for Thin Film Solar industry	\$ 700,000	March 2011
<u>Further Research</u>			
U.S. DOE	Two-year Phase II Small Business Innovation Research (SBIR) contract concerning Homogenous BSCCO-2212 Round Wires for Very High Field Magnet.	\$ 650,000	August 2011
U.S. DOE	Phase II of a Small Business Innovation Research to Increase Jc Performance in BSCCO-2212 Round Wire for Very High Field Magnets”	\$ 750,000	March 2011

# SCI's Markets

Automotive



Solar Cell



Working with materials that involve light

Flat Panel Display



Energy Efficient Glass



Lighting



# SCI's Markets

---

## Thin Film Battery

- Much slower growth than anticipated five years ago.
- Companies engaged in thin film battery market continue to receive investment capital.
- There have been recent signs of scaling to production levels.

## High Temperature Superconductor

- We continued to enhance SCI's HTS capabilities during 2010.
- Developments going forward will be driven by government grants/awards or third-party funding.

# SCI's Markets

---

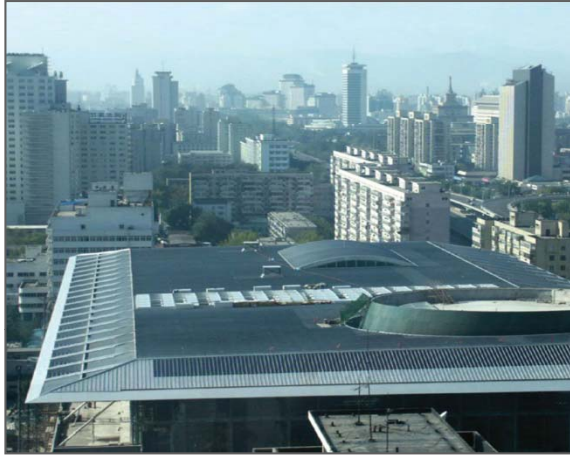
## Photonics

- Sales have returned to a reasonable level after declining sharply in the first half of 2009.
- Currently SCI's largest product lines serving:
  - automotive industry
  - lighting applications

## Solar

- TCO sales are growing rapidly
- Several product trials/qualifications
- Significant installations planned

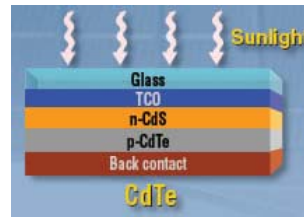
# Solar Technologies



Amorphous Silicon



Cadmium Telluride



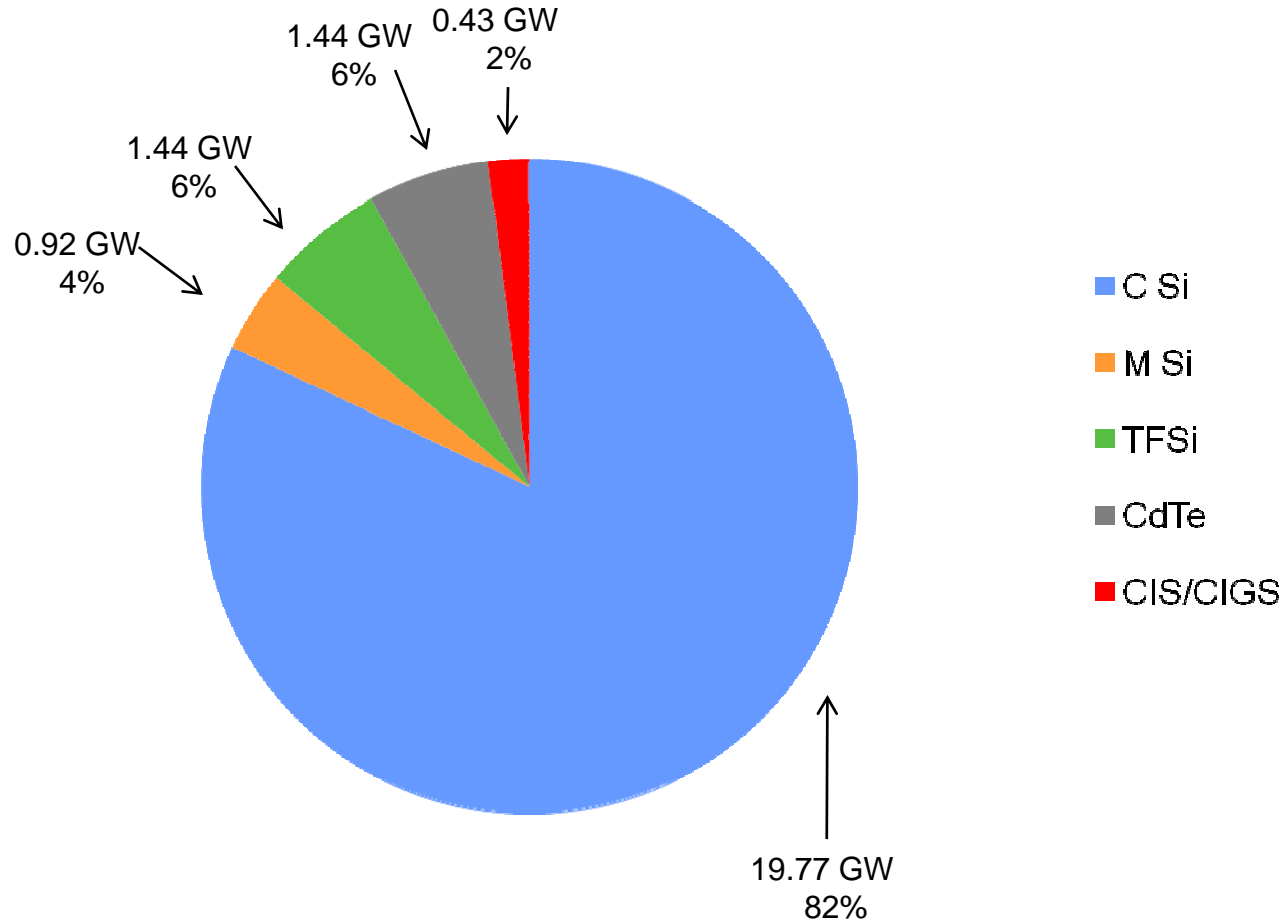
Copper Indium Gallium Selenide



SCI's TCO products can be used in each of these solar technologies.

# Solar Cell Production 2010 by Technology

Gigawatts





# Thin Film Solar Production

---

Gigawatts

2010 Installed	3.3
1Q 2011-1Q 2012 Planned Installations	<u>4.8</u>
2012 Run-rate	<u>8.1</u>

Source: *Solar Industry* June 2011

# Why Thin Film Solar?

---

	<b>Crystalline Si</b>	<b>Thin Film Solar</b>	
		<u>First Solar</u>	<u>MiaSole</u>
Efficiency	14%-15%	11.5%	14%
Cost <sup>(1)</sup>	\$1.05-\$1.15	\$0.75	<\$0.85

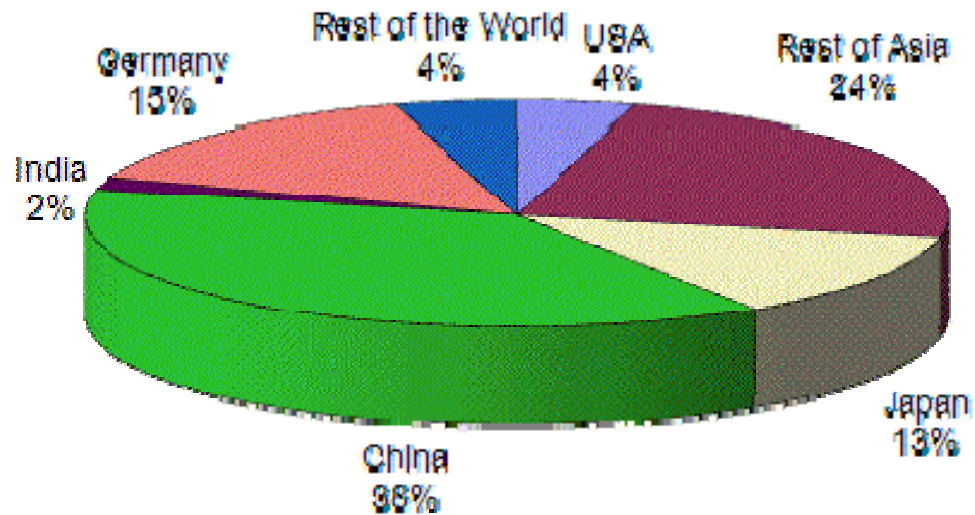
Other attributes:

- Lower weight
- Flexible

<sup>(1)</sup> per watt

# Photovoltaic Manufacturing by Region

---



Source: 2009 Industry Data

# Solar Product Trials

---

## Orders

Germany

South Korea

United States

## Ongoing Trials

China

Germany

Taiwan

United States

## New Product Trials

China

Germany

South Korea

Taiwan

United States

## Opportunities

Japan

Taiwan

United States

China

# SCI's Solar Strategy

---

- Utilize core capabilities in a rapidly growing, attractive global market.
- Continue to develop proprietary transparent conductive oxide (TCO) materials to meet customers' specific needs.
- Expand global marketing, which has resulted in additional customers and orders, as well as new trials and opportunities to become a qualified supplier.
- Participate in the growth of solar through innovative products.

# Game Changers!

---

- March** Japan lost a major portion of their energy produced from nuclear power
- April** Legislation was enacted in California requiring 33% of the state's energy requirements must come from renewable sources by 2020
- May** Italy did not revoke their ban on nuclear and will need to reformulate their policy to meet the Kyoto Accord
- May** Germany decided to shutdown all nuclear plants by 2022



SCI Engineered Materials, Inc.