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SCI Engineered Materials, Inc. Reports First Quarter 2015 Results

COLUMBUS, Ohio (April 30, 2015) SCI Engineered Materials, Inc. ("SCI") (SCIA: OTCQX), a global supplier and manufacturer of advanced materials for physical vapor deposition thin film applications that works closely with end users and OEMs to develop innovative, customized solutions, today reported its financial results for the three months ended March 31, 2015.

Dan Rooney, President and Chief Executive Officer, said, "We began 2015 with solid first quarter results that included a 5% increase in revenue, a 14% increase in gross profit and net income applicable to common shares of \$0.02 per diluted share. Our performance particularly benefited from a substantial increase in sales to thin film solar customers, primarily in Asia. A few years ago we made strategic investments that have enabled us to scale our manufacturing capabilities and increase global marketing initiatives to support growth in the thin film solar market which are now making solid contributions to our improved performance. During the first quarter 2015 we invested almost \$98,000 in further R&D product initiatives."

Mr. Rooney continued, "Order bookings remained strong throughout the quarter and included a \$500,000 follow-on order from a solar customer that is expected to be shipped during the second quarter. This order reflects momentum that is building related to sales to thin film solar customers in Asia and North America. Several customers continue to conduct extensive product tests and qualification activities that are anticipated to lead to product orders in 2015."

Mr. Rooney added, "Cash was approximately \$1.7 million at March 31, 2015. Cash from operations was a record \$799,000 for the first quarter 2015 compared to \$362,000 for the same period last year. We further strengthened our balance sheet during the first three months of 2015 by reducing total debt outstanding by 8% or approximately \$113,000. During the quarter we also continued to pursue targeted R&D investments, including transparent conductive oxide and metal oxide thin film transistor products for display applications."

Total revenue

Total revenue increased to \$2,727,807 for the first quarter 2015 from \$2,592,500 for the first quarter 2014. This 5% increase was led by higher sales of transparent conductive oxide products to thin film solar customers.

Gross profit

First quarter 2015 gross profit increased 14% to \$669,405 from \$586,773 for the same period last year, benefiting from higher revenue and product mix. Gross profit margin increased to 24.5% for three months ended March 31, 2015, from 22.6% a year ago due to the increase in net revenues and product mix.

Order backlog was \$3.0 million at March 31, 2015, which included a stronger product mix compared to recent quarters. The order backlog was \$3.4 million at year-end 2014 and \$3.7 million at March 31, 2014.

Operating expense

Operating expense (including selling and administrative expense, marketing and sales expense and research and development expense) of \$550,651 for the first quarter 2015 was 1.5% above the first quarter 2014. During the first quarter 2015 the Company continued its investment in the development of new products by increasing research and development expense 14% to \$97,643 from \$85,606 for the same period last year. Selling, general and administrative expense of \$453,008 for the first quarter 2015 was similar to the \$456,831 for the first quarter 2014.

Income Applicable to Common Stock

Income applicable to common stock was \$96,478, or \$0.02 per diluted share, for the three months ended March 31, 2015, compared to \$21,234, or \$0.01 per diluted share, for the first quarter 2014.

EBITDA

EBITDA (earnings before interest, income taxes, depreciation and amortization) for the first quarter 2015 increased 28% to \$231,681 from \$180,355 for the same period last year. Adjusted EBITDA, which excludes non-cash stock based compensation, increased 27% to \$283,833 for the first quarter 2015 from \$223,828.

Cash and Debt Outstanding

Cash provided by operating activities increased 121% to \$799,314 for the three months ended March 31, 2015, from \$362,335 for the first quarter 2014.

There was \$1,680,452 of cash at March 31, 2015, which represents an increase of 66% compared to December 31, 2014.

Total debt outstanding was \$1,280,756 at March 31, 2015, representing an 8% decrease versus year-end 2014.

About SCI Engineered Materials, Inc.

SCI Engineered Materials is a global supplier and manufacturer of advanced materials for PVD thin film applications that works closely with end users and OEMs to develop innovative, customized solutions. Additional information is available at www.sciengineeredmaterials.com.

This press release 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, customer guidance, forecasts, and plans of the Company and its management, and specifically include statements concerning a follow-on order expected to be shipped during the second quarter of 2015, and product tests and qualification activities anticipated to lead to product orders in 2015. These forward-looking statements involve numerous risks and uncertainties, including, without limitation, 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, 2014. 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 press release 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 press release are based on information presently available to the management of the Company. The Company assumes no obligation to update any forward-looking statements.

SCI ENGINEERED MATERIALS, INC.

BALANCE SHEETS

ASSETS

	March 31, 2015 (UNAUDITED)	December 31, 2014
Current Assets		
Cash	\$ 1,680,452	\$ 1,011,956
Accounts receivable, less allowance for doubtful accounts	463,719	468,352
Inventories	1,065,086	1,678,609
Prepaid expenses	68,563	89,467
Total current assets	<u>3,277,820</u>	<u>3,248,384</u>
Property and Equipment, at cost	7,961,779	7,946,579
Less accumulated depreciation	<u>(5,313,662)</u>	<u>(5,205,675)</u>
	<u>2,648,117</u>	<u>2,740,904</u>
Other Assets	<u>44,609</u>	<u>47,426</u>
TOTAL ASSETS	<u><u>\$ 5,970,546</u></u>	<u><u>\$ 6,036,714</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Short term debt	\$ 420,580	\$ 444,105
Accounts payable	313,896	424,539
Customer deposits	1,259,386	1,281,573
Accrued expenses	233,620	208,518
Total current liabilities	<u>2,227,482</u>	<u>2,358,735</u>
Long term debt	<u>860,176</u>	<u>949,759</u>
Total liabilities	3,087,658	3,308,494
Commitments and contingencies		
Total Shareholders' Equity	<u>2,882,888</u>	<u>2,728,220</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 5,970,546</u></u>	<u><u>\$ 6,036,714</u></u>

SCI ENGINEERED MATERIALS, INC.
STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

(UNAUDITED)

	<u>2015</u>	<u>2014</u>
Revenue	\$ 2,727,807	\$ 2,592,500
Cost of revenue	<u>2,058,402</u>	<u>2,005,727</u>
Gross profit	669,405	586,773
S,G & A expense	453,008	456,831
Research and development expense	<u>97,643</u>	<u>85,606</u>
Income from operations	118,754	44,336
Other expense	<u>16,238</u>	<u>16,482</u>
Income before provision for income taxes	102,516	27,854
Income tax expense	<u>-</u>	<u>582</u>
Net income	102,516	27,272
Dividends on preferred stock	<u>6,038</u>	<u>6,038</u>
INCOME APPLICABLE TO COMMON SHARES	<u><u>\$ 96,478</u></u>	<u><u>\$ 21,234</u></u>
Earnings per share - basic and diluted		
Income per common share		
Basic	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.01</u></u>
Diluted	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.01</u></u>
Weighted average shares outstanding		
Basic	<u><u>3,940,261</u></u>	<u><u>3,855,898</u></u>
Diluted	<u><u>3,970,677</u></u>	<u><u>3,855,898</u></u>

SCI ENGINEERED MATERIALS, INC.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

	(UNAUDITED)	(UNAUDITED)	
	2015	2014	
CASH PROVIDED BY (USED IN):			
Operating activities	\$ 799,314	\$ 362,335	
Investing activities	(17,711)	(6,014)	
Financing activities	(113,107)	(69,592)	
NET INCREASE IN CASH	668,496	286,729	
CASH - Beginning of period	1,011,956	622,727	
CASH - End of period	\$ 1,680,452	\$ 909,456	

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

	(UNAUDITED)	(UNAUDITED)	
	2015	2014	
Net income	\$ 102,516	\$ 27,272	
Interest, net	15,949	15,978	
Income taxes	0	582	
Depreciation and amortization	113,216	136,523	
EBITDA	231,681	180,355	
Stock based compensation	52,152	43,473	
Adjusted EBITDA	\$ 283,833	\$ 223,828	