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## **SCI Engineered Materials, Inc. Reports Fourth Quarter 2013 Results**

COLUMBUS, Ohio (March 4, 2014) SCI Engineered Materials, Inc. ("SCI") (SCIA: OTCQB), 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, today reported its financial results for the three months ended December 31, 2013.

Dan Rooney, Chairman, President and Chief Executive Officer, stated, "We are pleased with the year-over-year and sequential quarter improvement in our financial performance. The increase in fourth quarter 2013 total revenue was attributable to strong sales to photonics customers compared to the same period last year. Our profitable fourth quarter results included sharply higher gross profit, income applicable to common stock of \$0.02 per diluted share and \$194,147 of cash provided by operations. Additionally, EBITDA increased approximately \$322,000 versus the fourth quarter 2012."

Mr. Rooney added, "We ended the year with solid momentum following a slow start in the first half of 2013. Our backlog at December 31, 2013, remained steady at \$3.4 million compared to September 30, 2013, which was substantially higher than the quarter-end for each of the first two quarters of last year. For the 2014 year-to-date period, the positive bookings trend that developed during the second half of 2013 has continued."

### ***Total revenue***

Total revenue for the fourth quarter 2013 increased 34% to \$2,940,008 from \$2,187,987 for the same period in 2012. This represents the highest quarterly total revenue since the third quarter 2008. Higher sales to photonics customers were particularly strong in the fourth quarter 2013. There was no contract research revenue in the fourth quarter 2013 due to the completion of government grants in the second quarter 2013 compared to \$45,006 a year ago. Backlog was \$3.4 million at December 31, 2013, compared to \$1.8 million on the same date in 2012.

### ***Gross profit***

Gross profit more than doubled to \$547,666 for the fourth quarter 2013 from \$256,810 for the same period of the prior year, principally due to higher revenue and improved product mix. Gross profit margin increased to 18.6% of total revenue for the three months ended December 31, 2013, from 11.7% the prior year.

### ***Operating expense***

Operating expense (marketing and sales, general and administrative, and R&D expenses) decreased 4% to \$453,727 for the fourth quarter 2013 from \$473,482 for the same period a year ago. This decrease was primarily due to zero bad debt expense for the fourth quarter 2013 versus \$30,000 for the same period in 2012.

### ***Income (Loss) Applicable to Common Stock***

Income applicable to common stock was \$95,720 or \$0.02 per diluted common share for the three months ended December 31, 2013, compared to a loss applicable to common stock of \$243,601 or \$0.06 per basic share for the fourth quarter 2012.

### ***EBITDA***

EBITDA (Earnings before interest, income taxes, depreciation and amortization) increased to \$254,510 for the fourth quarter 2013 from negative EBITDA of \$67,392 for the fourth quarter 2012. Adjusted EBITDA, which excludes non-cash stock based compensation, was \$288,125 for the three months ended December 31, 2013, versus negative EBITDA of \$32,797 for the same period of the prior year.

### **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](http://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 the company being cautiously optimistic about 2014 as it continues to focus efforts on profitable growth in all of its markets. 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, 2013. 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**

	<b>December 31, <u>2013</u></b>	<b>December 31, <u>2012</u></b>
Cash	\$ 622,727	\$ 630,819
Accounts receivable, less allowance for doubtful accounts	634,077	453,302
Inventories	1,709,740	815,075
Prepaid expenses	56,298	209,422
Total current assets	<u>3,022,842</u>	<u>2,108,618</u>
Property and Equipment, at cost	7,573,929	7,483,480
Less accumulated depreciation	(4,781,362)	(4,254,302)
	<u>2,792,567</u>	<u>3,229,178</u>
Other assets	55,808	66,764
<b>TOTAL ASSETS</b>	<b>\$ 5,871,217</b>	<b>\$ 5,404,560</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	<b>December 31, <u>2013</u></b>	<b>December 31, <u>2012</u></b>
Short term debt	\$ 351,689	\$ 537,937
Accounts payable	456,111	260,531
Customer deposits	1,105,655	313,745
Accrued expenses	191,487	194,218
Total current liabilities	<u>2,104,942</u>	<u>1,306,431</u>
Long term debt	1,041,526	1,220,435
Total liabilities	<u>3,146,468</u>	<u>2,526,866</u>
Commitments and contingencies		
Shareholders' equity	2,724,749	2,877,694
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,871,217</b>	<b>\$ 5,404,560</b>

**SCI ENGINEERED MATERIALS, INC.**  
**STATEMENTS OF OPERATIONS**

**THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012**

	THREE MONTHS ENDED DEC. 31,		TWELVE MONTHS ENDED DEC. 31,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Product revenue	\$ 2,940,008	\$ 2,142,981	\$ 7,886,259	\$ 8,530,780
Contract research revenue	-	45,006	90,170	226,369
Total revenue	<u>2,940,008</u>	<u>2,187,987</u>	<u>7,976,429</u>	<u>8,757,149</u>
Cost of product revenue	2,392,342	1,892,549	6,363,489	6,913,807
Cost of contract research revenue	-	38,628	76,648	186,180
Total cost of revenue	<u>2,392,342</u>	<u>1,931,177</u>	<u>6,440,137</u>	<u>7,099,987</u>
Gross profit	547,666	256,810	1,536,292	1,657,162
Operating Expense	<u>453,727</u>	<u>473,482</u>	<u>1,824,382</u>	<u>1,923,471</u>
Income (loss) from operations	93,939	(216,672)	(288,090)	(266,309)
Other income (expense)	<u>7,819</u>	<u>(23,587)</u>	<u>444</u>	<u>(87,011)</u>
Income (loss) before income taxes	101,758	(240,259)	(287,646)	(353,320)
Income tax benefit (expense)	-	2,696	-	27,348
Net income (loss)	<u>101,758</u>	<u>(237,563)</u>	<u>(287,646)</u>	<u>(325,972)</u>
Dividends on preferred stock	<u>(6,038)</u>	<u>(6,038)</u>	<u>(24,152)</u>	<u>(24,152)</u>
<b>INCOME (LOSS) APPLICABLE TO COMMON STOCK</b>	<u>\$ 95,720</u>	<u>\$ (243,601)</u>	<u>\$ (311,798)</u>	<u>\$ (350,124)</u>
Earnings per share - basic and diluted				
Income (loss) per common share				
Basic	<u>\$ 0.02</u>	<u>\$ (0.06)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>
Diluted	<u>\$ 0.02</u>	<u>\$ (0.06)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>
Weighted average shares outstanding				
Basic	<u>3,848,376</u>	<u>3,823,963</u>	<u>3,839,117</u>	<u>3,814,996</u>
Diluted	<u>3,848,376</u>	<u>3,823,963</u>	<u>3,839,117</u>	<u>3,814,996</u>

**SCI ENGINEERED MATERIALS, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH PROVIDED BY (USED IN):</b>		
Operating activities	\$ 408,874	\$ 437,271
Investing activities	34,580	(587,939)
Financing activities	(451,546)	(16,582)
<b>NET DECREASE IN CASH</b>	<b>(8,092)</b>	<b>(167,250)</b>
<b>CASH - Beginning of period</b>	<b>630,819</b>	<b>798,069</b>
<b>CASH - End of period</b>	<b>\$ 622,727</b>	<b>\$ 630,819</b>

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES**

**FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012**

	Three months ended Dec. 31,		Twelve months ended Dec. 31,	
	2013	2012	2013	2012
Net (loss) income	\$ 101,758	\$ (237,563)	\$ (287,646)	\$ (325,972)
Interest, net	16,473	21,166	73,245	85,570
Income taxes	-	(2,696)	-	(27,348)
Depreciation and amortization	136,279	151,701	573,358	587,649
<b>EBITDA</b>	<b>254,510</b>	<b>(67,392)</b>	<b>358,957</b>	<b>319,899</b>
Stock based compensation	33,615	34,595	134,701	136,889
<b>Adjusted EBITDA</b>	<b>\$ 288,125</b>	<b>\$ (32,797)</b>	<b>\$ 493,658</b>	<b>\$ 456,788</b>