



Contact: Robert Lentz
(614) 876-2000

The Science of Engineered Materials™

SCI Engineered Materials, Inc. Reports Improved First Quarter 2018 Results

COLUMBUS, Ohio (May 3, 2018) SCI Engineered Materials, Inc. ("SCI") (SCIA: OTCQB), a global supplier and manufacturer of advanced materials for physical vapor deposition thin film applications who works closely with end users and OEMs to develop innovative, customized solutions, today reported its financial results for the three months ended March 31, 2018.

Dan Rooney, President & CEO, stated, "We continued to build on our 2017 achievements during the first quarter of this year. Substantial increases in revenue and gross profit led to \$0.02 of income applicable to common shares versus a loss of \$(0.01) a year ago. Orders for thin film solar products accelerated throughout the quarter resulting in a quarter-end backlog that was nearly 90% higher than at 2017 year-end. Customer deposits totaled more than \$1.6 million in the first quarter 2018.

We are encouraged by developments in the global thin film solar market, led by manufacturing installations coming on line and announcements of new projects. We are actively working to extend our presence in this growing market and during the first quarter we received orders from several thin film solar production facilities. Thin film solar revenue for the first six months of this year is expected to exceed the 2017 annual amount."

Mr. Rooney continued, "We expect to be profitable in each quarter of 2018. The incremental improvement in product mix attributable to higher solar revenue will particularly benefit gross profit and net income attributable to common shares based on orders booked, deposits received and forecasts from customers."

Revenue

Revenue increased 35% to \$1,846,858 for the first quarter 2018 from \$1,371,916 for the same period last year due to higher volumes of thin film solar and photonics products, and higher pricing for photonics products attributable to increased raw material costs. Thin film solar revenue is expected to be higher in each of the remaining quarters of 2018 versus the same periods last year due to increased demand.

Order backlog was \$3.6 million at March 31, 2018, compared to \$1.9 million at 2017 year-end and on the same date last year.

Gross profit

First quarter 2018 gross profit increased 37% to \$462,012 from \$336,985 a year ago principally due to the revenue factors noted above. Gross profit margin was 25.0% and 24.6% for the first quarter of 2018 and 2017, respectively.

Operating expenses

Operating expenses (general and administrative expense, marketing and sales expense and research and development expense) were \$373,799 compared to \$365,939, an increase of 2% due to higher marketing and sales expense versus a year ago to support the Company's growth strategy.

Income (Loss) Applicable to Common Shares

Income applicable to common shares was \$71,199 or \$0.02 per diluted share, for the first quarter 2018 versus a loss of \$(46,486), or \$(0.01) per share last year.

*EBITDA**

Earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 136% to \$206,624 for the three months ended March 31, 2018, from \$87,585 for the same period last year. This increase was primarily due to first quarter 2018 net income versus a loss the prior year.

For the first three months of 2018, adjusted EBITDA, which excludes non-cash stock based compensation, was \$227,210 versus \$134,446 a year ago.

Cash and Total Debt Outstanding

Cash on hand of \$1,976,455 at March 31, 2018, increased 115% from 2017 year-end principally due to a significant increase in customer deposits.

Cash provided by operating activities increased to \$1,280,180 for the first quarter 2018 from \$136,170 the prior year. The significant increase in customer deposits was the key factor contributing to the first quarter 2018 amount, which primarily relates to orders for thin film solar products to be shipped in the second and third quarters of 2018.

At March 31, 2018, the Company's total debt outstanding was \$519,000, a 32% decrease compared to the same date last year. During the first quarter of this year the Company incurred a new capital lease obligation of approximately \$105,000 for additional manufacturing equipment to increase production capacity.

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 user and OEMs to develop innovative, customized solutions. Additional information is available at

www.sciengineeredmaterials.com or follow SCI Engineered Materials, Inc. at:

<https://www.linkedin.com/company/sci-engineered-materials.-inc>

<https://www.facebook.com/sciengineeredmaterials/>

<https://plus.google.com/107052645863884937012>

*A reconciliation of the differences between the GAAP and non-GAAP financial measure of EBITDA as used in this release with the most directly comparable GAAP financial measures is included in the financial schedules that are a part of this release. This non-GAAP financial measure is intended to supplement and should be read together with our financial results. It should not be considered an alternative or substitute for, and should not be considered superior to, our reported financial results. Accordingly, users of this financial information should not place undue reliance on this non-GAAP financial measure.

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 including thin film solar revenue for the first six months of this year is expected to exceed the 2017 annual amount, we expect to be profitable in each quarter of 2018, incremental improvement in product mix attributable to higher solar revenue will particularly benefit gross profit and net income attributable to common shares based on orders booked, deposits received and forecasts from customers. 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, 2017. 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

	<u>March 31, 2018</u> (UNAUDITED)	<u>Dec. 31, 2017</u>
Current Assets		
Cash	\$ 1,976,455	\$ 920,802
Accounts receivable, less allowance for doubtful accounts	283,689	336,009
Inventories	812,584	617,444
Prepaid expenses	177,930	138,175
Total current assets	<u>3,250,658</u>	<u>2,012,430</u>
Property and Equipment, at cost	8,517,005	8,307,514
Less accumulated depreciation	<u>(6,540,737)</u>	<u>(6,422,448)</u>
	<u>1,976,268</u>	<u>1,885,066</u>
Other Assets	<u>51,989</u>	<u>52,078</u>
TOTAL ASSETS	<u><u>\$ 5,278,915</u></u>	<u><u>\$ 3,949,574</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Short term debt	\$ 294,841	\$ 350,605
Accounts payable	374,164	307,498
Customer deposits	1,638,682	407,956
Accrued expenses	169,780	221,976
Total current liabilities	<u>2,477,467</u>	<u>1,288,035</u>
Long term debt	<u>223,830</u>	<u>181,744</u>
Total liabilities	2,701,297	1,469,779
Commitments and contingencies		
Total Shareholders' Equity	<u>2,577,618</u>	<u>2,479,795</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 5,278,915</u></u>	<u><u>\$ 3,949,574</u></u>

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

FOR THE THREE MONTHS ENDED MARCH 31, 2018 and 2017

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	<u>2018</u>	<u>2017</u>
Revenue	\$ 1,846,858	\$ 1,371,916
Cost of revenue	<u>1,384,846</u>	<u>1,034,931</u>
Gross profit	462,012	336,985
SG&A expense	307,960	283,327
Research & Development expense	<u>65,839</u>	<u>82,612</u>
Income (loss) from operations	88,213	(28,954)
Interest	<u>7,728</u>	<u>11,494</u>
Income (loss) before provision for income taxes	80,485	(40,448)
Income tax expense	<u>3,248</u>	<u>-</u>
Net income (loss)	77,237	(40,448)
Dividends on preferred stock	<u>6,038</u>	<u>6,038</u>
INCOME (LOSS) APPLICABLE TO COMMON SHARES	\$ <u>71,199</u>	\$ <u>(46,486)</u>
Earnings per share - basic and diluted		
Income (loss) per common share		
Basic	\$ <u>0.02</u>	\$ <u>(0.01)</u>
Diluted	\$ <u>0.02</u>	\$ <u>(0.01)</u>
Weighted average shares outstanding		
Basic	<u>4,196,512</u>	<u>4,103,510</u>
Diluted	<u>4,205,638</u>	<u>4,103,510</u>

**SCI ENGINEERED MATERIALS, INC.
CONDENSED STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(UNAUDITED)**

	<u>2018</u>	<u>2017</u>
CASH PROVIDED BY (USED IN):		
Operating activities	\$ 1,280,180	\$ 136,170
Investing activities	(104,737)	(61,520)
Financing activities	<u>(119,790)</u>	<u>(28,121)</u>
NET INCREASE IN CASH	1,055,653	46,529
CASH - Beginning of period	<u>920,802</u>	<u>730,352</u>
CASH - End of period	<u>\$ 1,976,455</u>	<u>\$ 776,881</u>

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

**THREE MONTHS ENDED MARCH 31,
(UNAUDITED)**

	<u>2018</u>	<u>2017</u>
Net income (loss)	\$ 77,237	\$ (40,448)
Interest	7,728	11,494
Income taxes	3,248	-
Depreciation and amortization	<u>118,411</u>	<u>116,539</u>
EBITDA	206,624	87,585
Stock based compensation	<u>20,586</u>	<u>46,861</u>
Adjusted EBITDA	<u>\$ 227,210</u>	<u>\$ 134,446</u>