



SCI Engineered Materials, Inc. 2018 Annual Meeting of Shareholders

June 7, 2018

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, 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 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.

Intellectual Property Overview

MARKET

Photonics

Thin Film Solar

Transparent Electronics

PATENTS

Better Thermal
Conductive Bonding
(Provisional Application)

AZO as TCO in Display

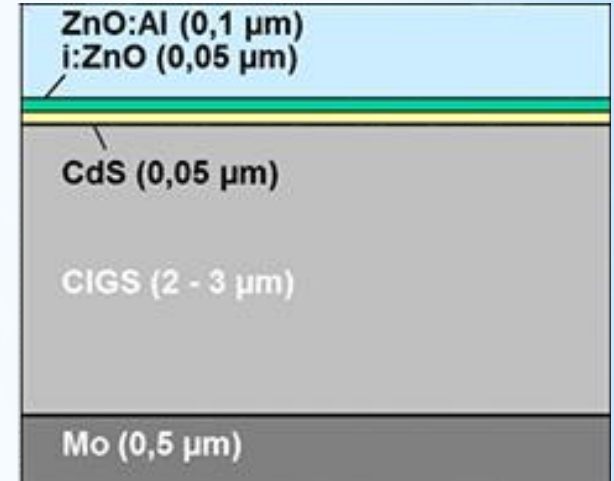
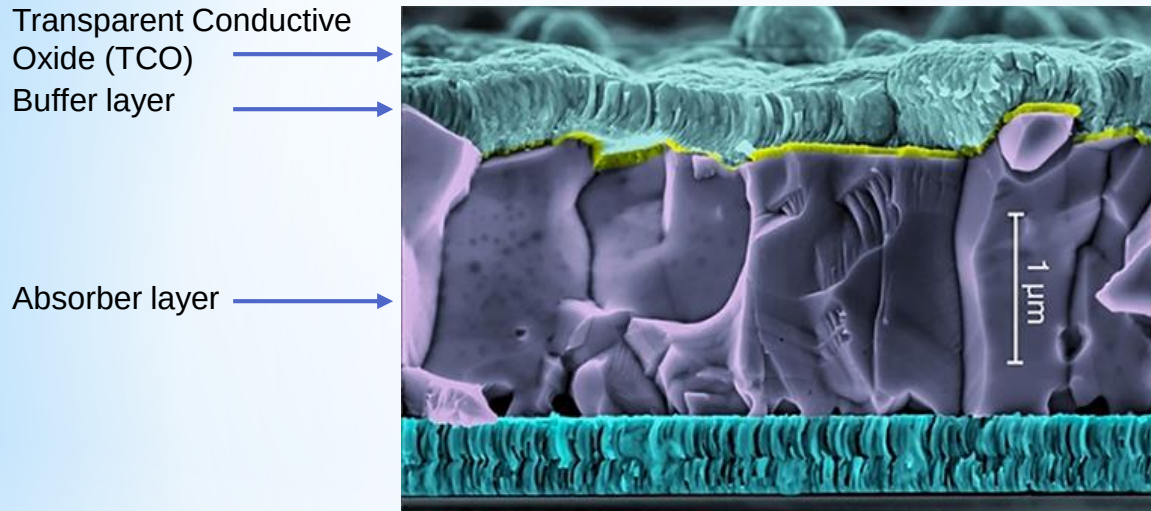
RECENT DEVELOPMENTS

ZnS

(Zn,Mg) Ox, ZnOS

AZO/GZO

(Zinc Magnesium)Oxide (Zn,Mg)Ox), Zinc Oxide Sulfur (ZnOS)



Source: W. Witte et. al., Status of current research and record cell efficiencies, Vol. 26, No. 1, 2014

- Case Western Reserve University completed initial evaluation of (Zn,Mg)Ox) with different composition thin films.

(Zinc Magnesium)Oxide (Zn,Mg)Ox, Zinc Oxide Sulfur (ZnOS)



- Larger bandgap 3.5eV for (Zn,Mg)Ox vs. 2.5eV for Cadmium Sulfide (CdS) → Wider window

AZO as TCO in Transparent Electronics

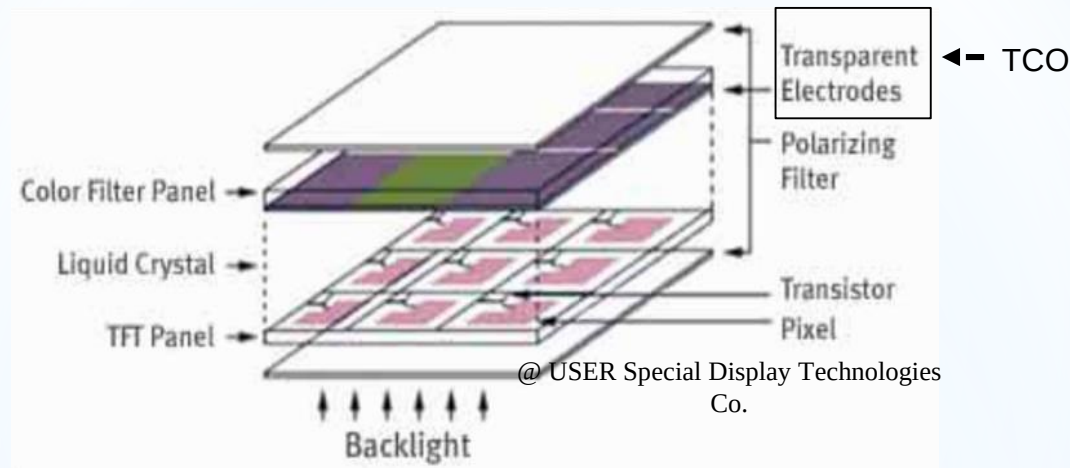
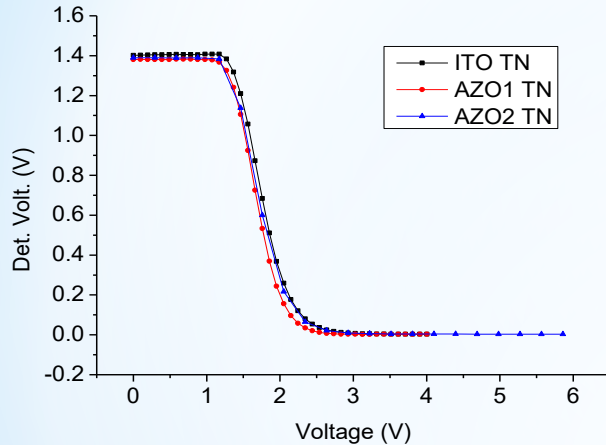


Illustration of Liquid Crystal Display Active Matrix

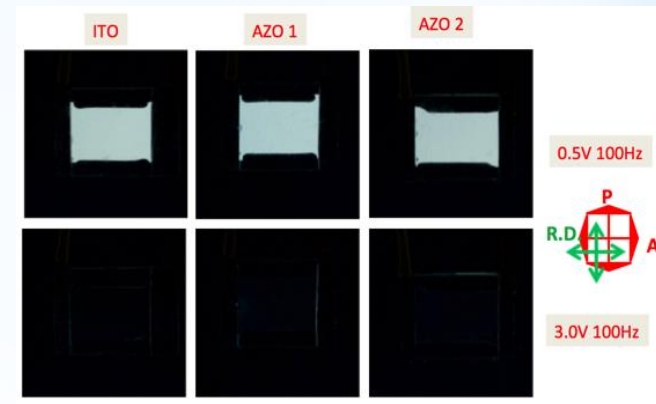
Patent Publication Number: US 2016/0041418 A1

Provides an alternative to liquid crystal and light emitting display which includes at least one Transparent Conductive Oxide (TCO) layer, which comprises a zinc oxide doped with a group III, IV,V, or transition metal dopant and sputtered from a target.

AZO as TCO in Transparent Electronics



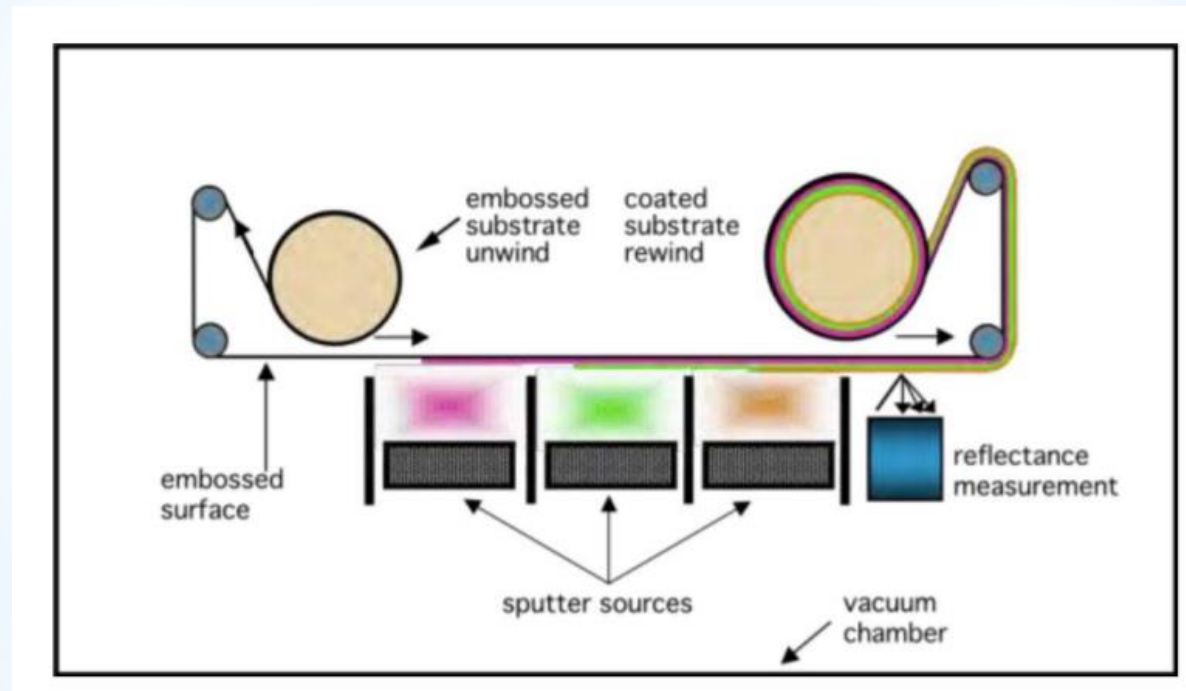
Transmittance vs. Voltage curve⁽¹⁾



Bright and dark state⁽¹⁾

- Sponsored research at Kent State University confirmed AZO as TCO in Liquid Crystal Display.
- Illustrations⁽¹⁾ using AZO as TCO in display.

Aluminum Zinc Oxide (AZO) and Gallium Zinc Oxide (GZO) for Roll-to-Roll

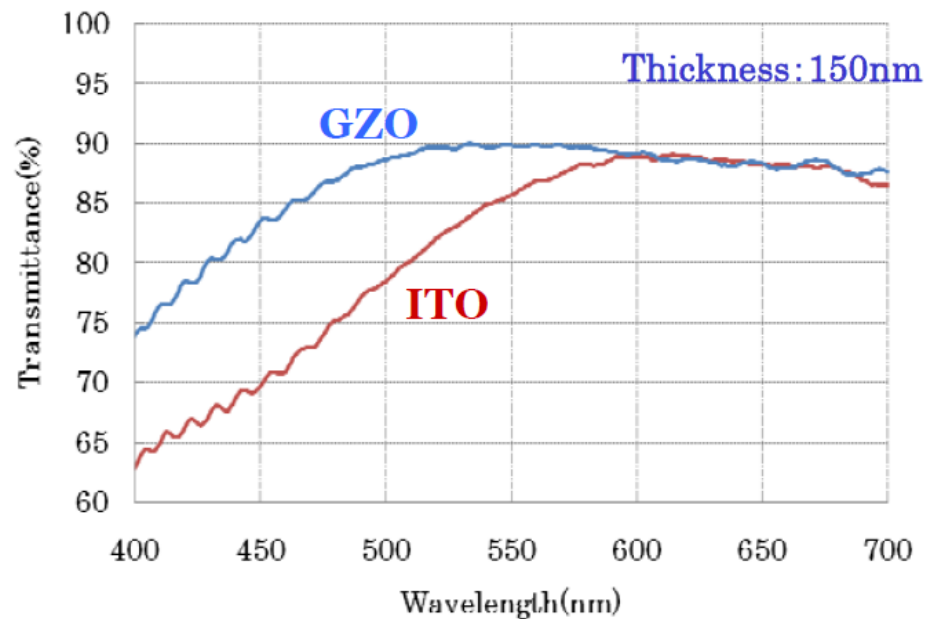


Source: www.powerelectronicstips.com

- Potentially less expensive alternative to Indium Tin Oxide (ITO) on Polyethylene terephthalate (PET).

Aluminum Zinc Oxide (AZO) and Gallium Zinc Oxide (GZO) for Roll-to-Roll

【Optical spectrum of ITO and GZO on PET】



Note: Data reported by Geomatec (Japan)

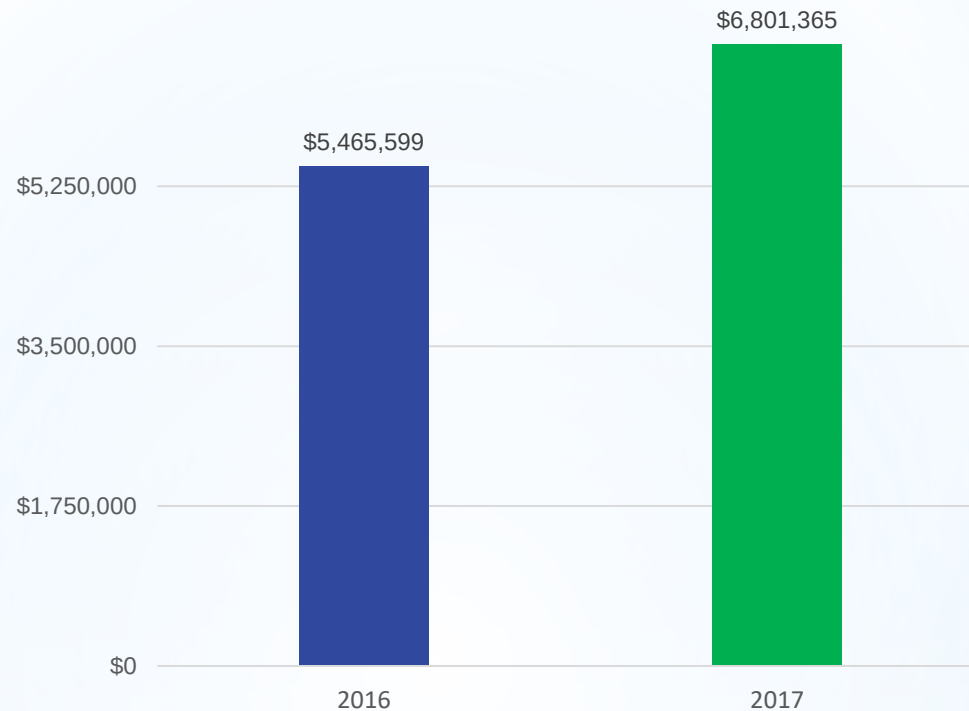
- Reported better properties than ITO on PET.
- Initial tests being conducted with customers.

Research & Development (R&D)

SCI's ongoing R&D program is focused on producing innovative, customized solutions to solve our customers' challenges and accelerating time-to-market for those products.

Financial Review

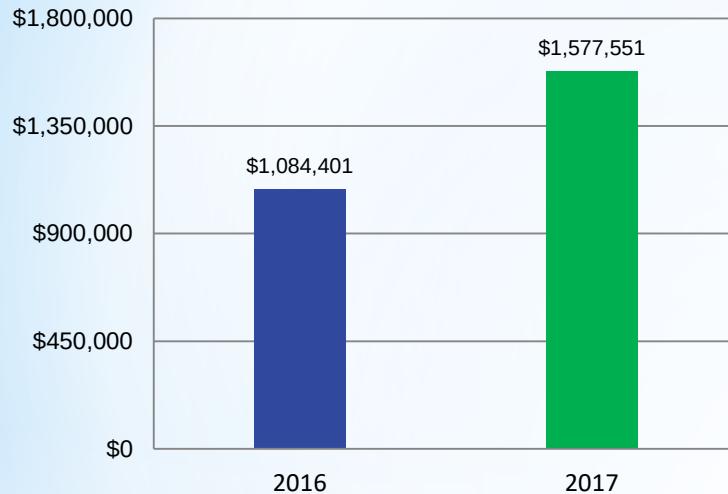
Revenue



- 2017 revenue increased 24% versus 2016.
- Order backlog was \$1.9 million at 12/31/17.

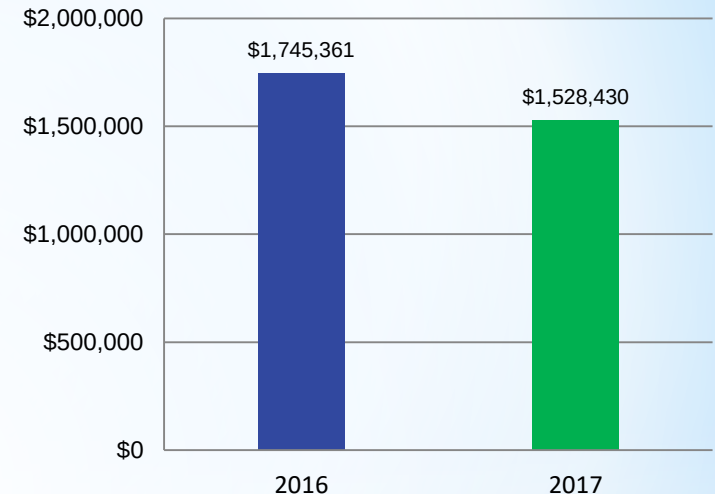
Gross Profit and Operating Expenses

Gross Profit



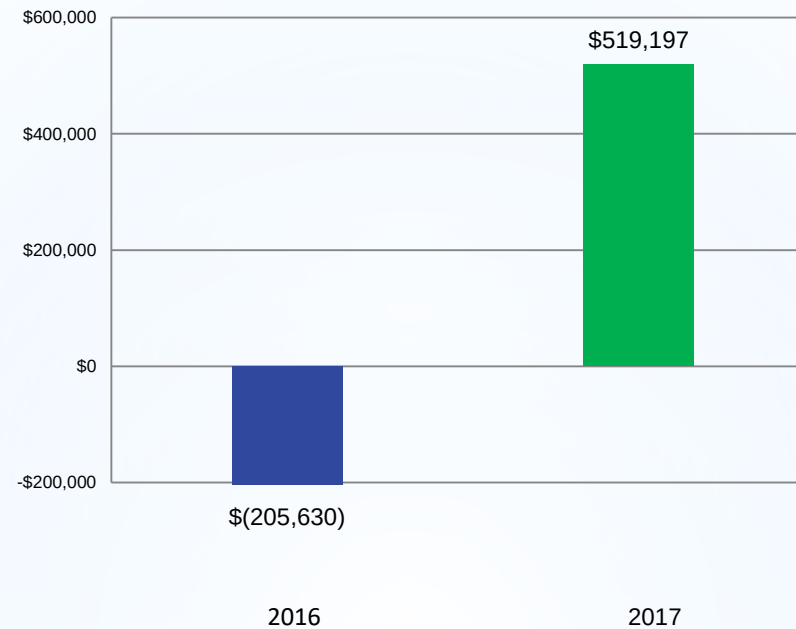
- Gross profit up 45% in 2017, principally due to revenue growth and product mix.
- Gross margin increased to 23.2% from 19.8%.

Operating Expenses



- Operating expenses decreased 12% due to actions implemented beginning in the second half of 2016.
- R&D expenses slightly higher than 2016.

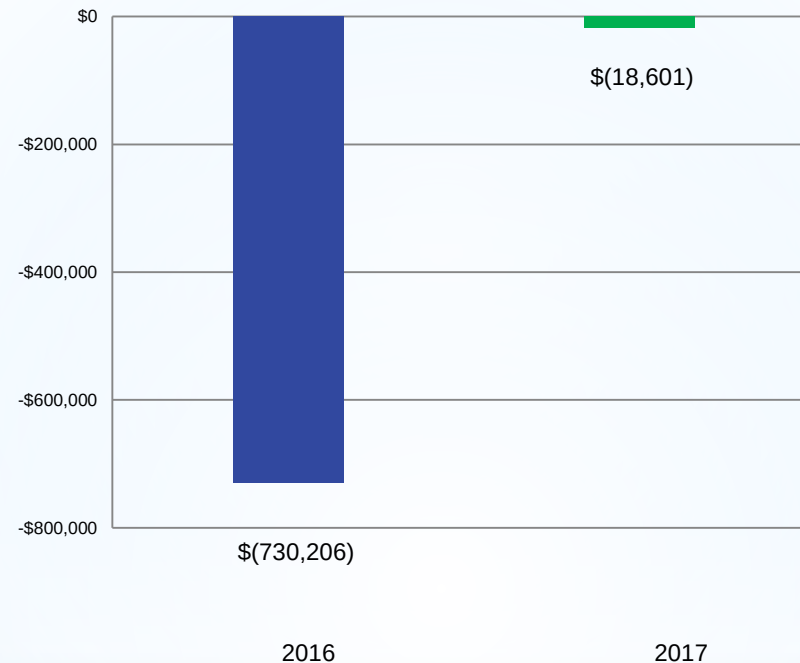
EBITDA⁽¹⁾



- EBITDA increased more than \$724,000 in 2017 to \$519,197.

⁽¹⁾ Earnings before interest, taxes, depreciation and amortization

Net Income (Loss) Applicable to Common Shares



- 2017 earnings per share were breakeven versus \$(0.18) loss in 2016.

Financial Results: First Quarter 2018 vs. 2017

Revenue	\$1,846,858		35%
Gross Profit	\$ 462,012		37%
Operating Expenses	\$ 373,799		2%
EBITDA	\$ 206,624		136%
Income applicable to common shares	\$ 0.02	vs. \$(0.01)	

Virtual Tour



Virtual Tour of Manufacturing Operations

- Powder Production
- Powder Consolidation
- Firing
- Ceramic Grinding
- Metal Machining
- Bonding
- Quality Control & Characterization Equipment
- Development



Powder Production



Powder Production: Spray Dryer





Powder Consolidation



Powder Consolidation: Auto-Loading Spray Dryer





Firing



Firing: Mid-Size Electric Kiln





Firing: Large Electric Kiln





Firing: Hot Press #5





Ceramic Grinding



Ceramic Grinding: Large Vertical Grinder





Ceramic Grinding: Computer Numerical Code (CNC) Cylinder Grinders





Ceramic Grinding: CNC Mill - End Grind





Metal Machining



Metal Machining: Metal Lathe





Metal Machining: Large CNC Mill





Metal Machining: FANUC Electrical Discharge Machining (EDM)





Metal Machining: Large Submerged EDM





Bonding



Bonding: Indium Bonding Table





Bonding: Large Bonding Table

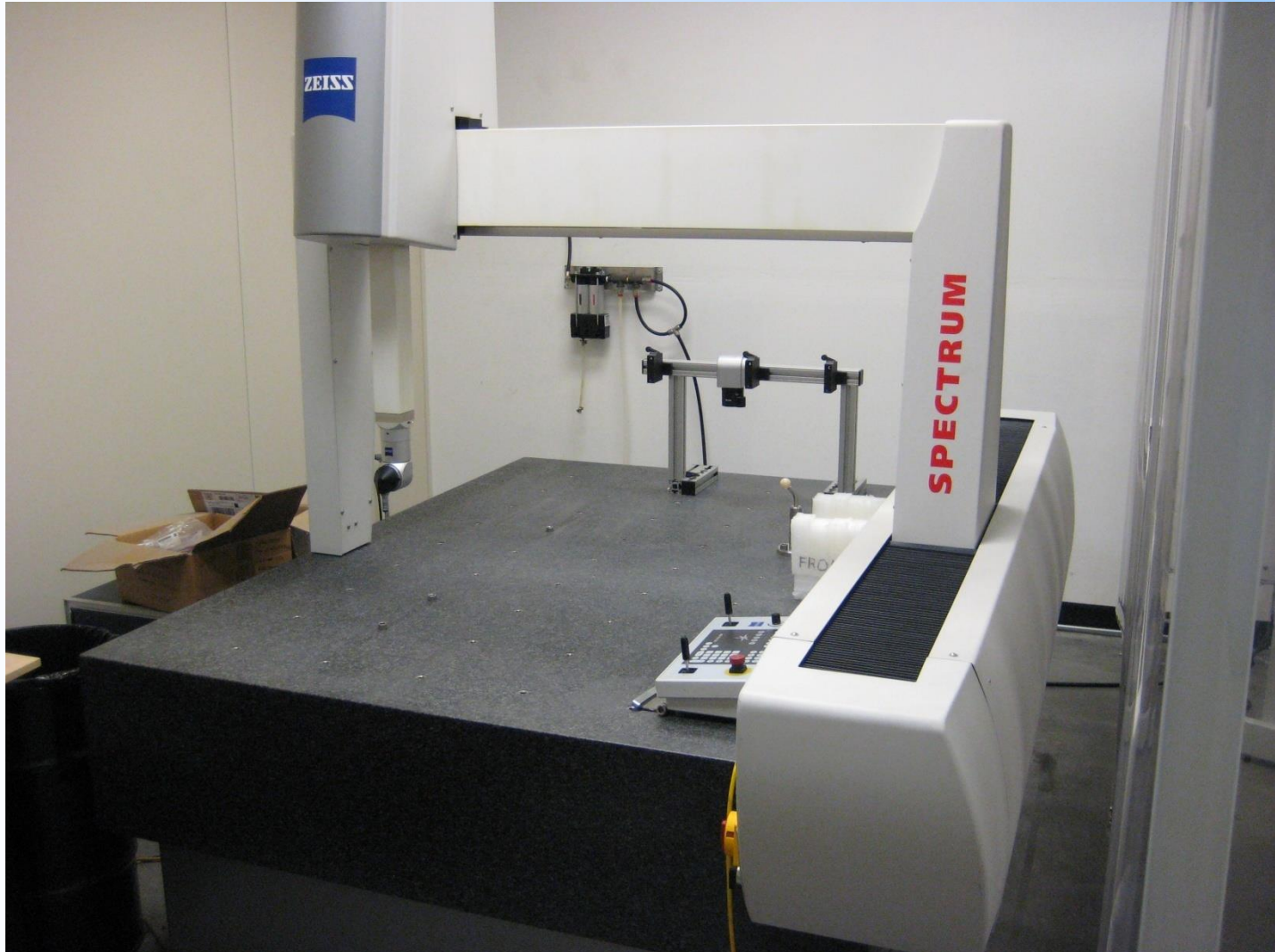




Quality Control and Characterization Equipment



Coordinate Measuring Machine





Characterization Equipment





Development



Development Coater





Research Coater





Thank you of joining us!



2 Lab Spray Dryers





Small Elevator Kilns

