



SCI Engineered Materials

FOR IMMEDIATE RELEASE

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SCI Engineered Materials, Inc. Reports Significantly Improved First Quarter 2010 Results

- Total revenue increased 18 percent
- Income from operations of \$188,894
- \$0.03 earnings per diluted common share

COLUMBUS, Ohio (April 29, 2010) SCI Engineered Materials, Inc. (OTC Bulletin Board: SCIA), develops and commercializes technologies and manufactures ceramics and metals for advanced applications in the physical vapor deposition industry. The company reported significantly improved financial results today for the three months ended March 31, 2010 compared to the same period last year.

Dan Rooney, Chairman, President and Chief Executive Officer, stated, "Benefiting from strong growth in total revenue and favorable product mix, SCI's gross profit for the three months ended March 31, 2010 was a first quarter record. Sales to solar customers throughout the first quarter were especially encouraging and reflected increased shipments to our growing customer base. Our results also benefited from lower operating expenses compared to the same period last year. The first quarter results, coupled with our solid backlog and growing market penetration in the solar industry, position us for improved performance during 2010."

Mr. Rooney continued, "Based on identified market opportunities, we continue to expand our production capabilities, R&D efforts as well as marketing and sales initiatives. These efforts have contributed to additional trial and qualification orders since year-end 2009 for customers in the solar industry. Successful completion of these evaluations is the first step toward possibly achieving substantial ongoing orders beginning later this year and early in 2011."

As part of our ongoing international marketing efforts in solar, during the second quarter of 2010 SCI will be an exhibitor at the International Photovoltaic Power Generation Conference and Exhibition in Shanghai, China. In late-June, we will also be participating in a trade mission to Japan sponsored by the Ohio Department of Development that is specifically focused on the photovoltaic (PV) industry and we will also attend the PVJapan 2010 Exhibition."

First Quarter 2010 Results

Total revenue

Total revenue increased 18% to \$2,241,112 for the first quarter 2010 from \$1,901,535 for the same period in 2009. Product revenue, comprised of product sales, increased 21% compared to the first quarter 2009 led by significantly higher sales to solar customers. Revenue attributable to contract research activities, which are primarily focused on improving time-to-market for products, was \$238,513 or approximately 3% below the same period a year ago.

Backlog was \$5.0 million at March 31, 2010 compared to \$2.7 million on the same date a year ago and \$5.5 million at December 31, 2009.

Gross profit

Gross profit increased 59% to \$677,702 for the first quarter 2010 from \$427,520 for the first quarter 2009. Gross profit margin rose 7.7 percentage points to 30.2% for the three months ended March 31, 2010 versus 22.5% a year ago, reflecting increased volumes, improved product mix and manufacturing efficiencies.

Operating expenses

The company's operating expenses, which include: marketing, sales, general and administrative, research and development; declined 31% to \$488,808 for the first quarter 2010 from \$708,459 a year ago primarily due to lower non-cash stock based compensation expense. Non-cash stock based compensation expenses were \$49,000 for the first quarter 2010 compared to \$224,000 for the same period last year.

Most of the company's research and development resources during the first quarter 2010 were applied to the five ongoing R&D contracts. Research and development expense for the first three months of 2010 was \$53,256 compared to \$125,330 for the same period in 2009, a decrease of 57.5%. This decline was due to lower non-cash stock based compensation expense and a lower amount of materials used for internal research.

EBITDA

Earnings before interest, income taxes, depreciation and amortization (EBITDA) were \$302,601 for the first quarter 2010 versus negative EBITDA of \$(170,220) a year ago. Adjusted EBITDA, excluding stock-based compensation expense, increased to \$356,264 for the first quarter 2010 from \$61,070 a year ago.

Interest expense, net

Interest expense was \$21,822 and \$28,588 for the three months ended March 31, 2010 and 2009, respectively. The decrease was due to the maturity of four capital leases plus more principal and less interest being applied to ongoing capital lease payments.

Income tax expense

Income tax expense for the three months ended March 31, 2010 was \$61,698 compared to \$287 for the same period last year. The deferred tax benefit of \$156,000 at December 31, 2009 was reduced by \$55,000 during the first quarter 2010 to account for usage of prior net operating losses against current year income.

Income (loss) applicable to common shares

Income applicable to common shares was \$100,355, or \$0.03 per fully diluted common share, compared to a loss applicable to common shares of \$(313,427), or \$(0.09) per common share, for the first quarter of 2009. The first quarter 2010 results particularly benefited from higher total revenues and gross profit coupled with lower non-cash expenses compared to the same period last year.

ISO 9001:2008 Registration

In April 2010 the company received ISO 9001:2008 registration, an internationally recognized quality standard. Prior to April 2010 the company was ISO 9001:2000 registered.

About SCI Engineered Materials, Inc.

SCI Engineered Materials, Inc. manufactures ceramics and metals for advanced applications such as photonics, thin film solar, thin film batteries, and semiconductors. SCI Engineered Materials is a global materials supplier with clients in more than 40 countries. Additional information is available at <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, forecasts, and plans of the Company and its management, and specifically include statements concerning

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, 2009. 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.
CONDENSED STATEMENTS OF OPERATIONS**

**THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(UNAUDITED)**

	<u>2010</u>	<u>2009</u>
PRODUCT REVENUE	\$ 2,002,599	\$ 1,655,110
CONTRACT RESEARCH REVENUE	<u>238,513</u>	<u>246,425</u>
	<u>2,241,112</u>	<u>1,901,535</u>
COST OF PRODUCT REVENUE	1,389,180	1,287,143
COST OF CONTRACT RESEARCH	<u>174,230</u>	<u>186,872</u>
	<u>1,563,410</u>	<u>1,474,015</u>
GROSS PROFIT	677,702	427,520
OPERATING EXPENSES	<u>488,808</u>	<u>708,459</u>
INCOME (LOSS) FROM OPERATIONS	188,894	(280,939)
INTEREST EXPENSE, net	<u>(20,767)</u>	<u>(26,094)</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX	168,127	(307,033)
INCOME TAX EXPENSE	<u>(61,698)</u>	<u>(287)</u>
INCOME (LOSS)	106,429	(307,320)
DIVIDENDS ON PREFERRED STOCK	<u>(6,074)</u>	<u>(6,107)</u>
INCOME (LOSS) APPLICABLE TO COMMON SHARES	\$ <u>100,355</u>	\$ <u>(313,427)</u>
EARNINGS PER SHARE - BASIC AND DILUTED		
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX PER COMMON SHARE		
Basic	\$ <u>0.05</u>	\$ <u>(0.09)</u>
Diluted	\$ <u>0.04</u>	\$ <u>(0.09)</u>
INCOME (LOSS) APPLICABLE TO COMMON SHARES PER COMMON SHARE		
Basic	\$ <u>0.03</u>	\$ <u>(0.09)</u>
Diluted	\$ <u>0.03</u>	\$ <u>(0.09)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	<u>3,711,942</u>	<u>3,562,037</u>
Diluted	<u>3,869,583</u>	<u>3,562,037</u>

**SCI ENGINEERED MATERIALS, INC.
CONDENSED BALANCE SHEETS
(UNAUDITED)**

ASSETS

	March 31, 2010 (UNAUDITED)	December 31, 2009
CURRENT ASSETS		
Cash	\$ 1,392,032	\$ 1,107,216
Accounts receivable	795,956	570,112
Inventories	1,071,162	1,031,777
Deferred taxes	101,000	156,000
Prepaid expenses	<u>1,207,603</u>	<u>977,536</u>
Total current assets	<u>4,567,753</u>	<u>3,842,641</u>
 PROPERTY AND EQUIPMENT, AT COST	 5,561,074	 5,399,326
Less accumulated depreciation	<u>(2,985,552)</u>	<u>(2,868,198)</u>
	<u>2,575,522</u>	<u>2,531,128</u>
 TOTAL OTHER ASSETS	 <u>64,467</u>	 <u>63,267</u>
 TOTAL ASSETS	 <u>\$ 7,207,742</u>	 <u>\$ 6,437,036</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2010 (UNAUDITED)	December 31, 2009
Short-term debt	\$ 436,339	\$ 425,664
Accounts payable	321,460	263,468
Customer deposits	1,481,897	1,319,455
Accrued expenses	<u>315,756</u>	<u>278,157</u>
Total current liabilities	2,555,452	2,286,744
 Long-term debt	 <u>1,020,749</u>	 <u>1,055,969</u>
 Total liabilities	 3,576,201	 3,342,713
 COMMITMENTS AND CONTINGENCIES	 <u>-</u>	 <u>-</u>
 TOTAL SHAREHOLDERS' EQUITY	 <u>3,631,541</u>	 <u>3,094,323</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 <u>\$ 7,207,742</u>	 <u>\$ 6,437,036</u>

SCI ENGINEERED MATERIALS, INC.

CONDENSED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(UNAUDITED)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	\$ 93,983	\$ 187,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	(75,086)	(60,116)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by (used in) financing activities	<u>265,919</u>	<u>(82,917)</u>
NET INCREASE IN CASH	284,816	44,181
CASH - Beginning of period	<u>1,107,216</u>	<u>1,399,050</u>
CASH - End of period	<u>\$ 1,392,032</u>	<u>\$ 1,443,231</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES		
Property and equipment purchased by capital lease	\$ 86,661	\$ 468,350
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING ACTIVITIES		
Stock based compensation	\$ 53,663	\$ 231,290

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