

## **SCI Engineered Materials, Inc. Reports Record Third Quarter 2008 Revenues**

COLUMBUS, Ohio (November 5, 2008) SCI Engineered Materials, Inc. (OTC Bulletin Board: SCIA), a manufacturer of ceramics and metals for advanced applications in the physical vapor deposition industry, today reported record revenues and improved financial results for the three months ended September 30, 2008.

Dan Rooney, Chairman, President and Chief Executive Officer, said, "We are very pleased with our third quarter 2008 performance, which included the highest single quarter of revenues and gross profit in the Company's history and a return to profitability for the third quarter and 2008 year-to-date periods. Investments continue to be made in equipment and people to position SCI Engineered Materials for sustained growth. During the third quarter we increased our sales and marketing activities, developed new products, and expanded our customer base. While quarterly results may continue to fluctuate we anticipate that our long-term performance will benefit from these strategic initiatives."

Mr. Rooney continued, "Thin Film Solar sales are beginning to diversify the Company's business and customer mix. These sales are expected to accelerate beginning in 2009 as we move beyond product trials and evaluation to market orders. We recently appointed CTT-Solar as our exclusive representative for the Solar industry throughout many parts of Europe. This relationship is anticipated to increase SCI Engineered Materials' visibility and our penetration in the Thin Film Solar industry. We have also increased our marketing activities in Asia. In the third quarter we received capital lease commitments to acquire approximately \$550,000 of manufacturing equipment that is anticipated to be operating in the first quarter 2009. We continue to execute our strategic plan which includes expanding our presence in markets that are a solid fit for the Company and also exhibit attractive long-term growth opportunities."

### Financial Results

#### *Revenues*

Revenues increased 55% to \$4,008,635 for the three months ended September 30, 2008 from \$2,589,938 for the third quarter 2007. This year-over-year growth was led by higher sales to Photonics which includes Thin Film Solar customers. For the nine months ended September 30, 2008, revenues declined 14% to \$7,240,088 from \$8,447,689 a year ago due to lower cost of a high value raw material. Backlog was \$2.7 million at September 30, 2008 and at June 30, 2008 compared to \$2.3 million at September 30, 2007.

#### *Gross Profit*

Gross profit and gross profit margin improved for the third quarter 2008 compared to the prior year. A 57% increase in gross profit to \$769,566 compared to the third quarter 2007 was primarily due to favorable product mix. Gross profit margin was 19.2% for the third quarter 2008

compared to 18.9% last year. For the first nine months of 2008, gross profit increased 12% to \$1,636,438 from \$1,461,381 for the same period last year despite a 14% decline in revenues. The Company's gross profit margin increased to 22.6% for the 2008 year-to-date period from 17.3% a year ago, benefiting from business mix.

### *Operating Expenses*

One of the Company's strategic priorities is to make investments in people to expand SCI Engineered Materials' capabilities to develop, manufacture and sell products globally. This increased cost is expected to yield significant benefits in future periods. Research and development expense rose 22% to \$133,066 for the third quarter 2008 from \$108,943 last year, which included costs for the development of new products as well as initial activities related to a Small Business Innovation Research award that the Company received in August 2008. For the third quarter 2008, marketing and sales expense increased 37% to \$169,524 from \$123,852 for the same period in 2007. During the past year the Company has added staff and increased travel in response to market opportunities, particularly for Thin Film Solar. General and administrative expense increased 13% to \$241,101 for the third quarter 2008 from \$213,111 a year ago. For the nine months ended September 30, 2008, research and development expense, marketing and sales expense, and general and administrative expense increased 40%, 33% and 12%, respectively, reflecting further implementation of the Company's growth strategy.

### *EBITDA*

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") increased 156% to \$323,538 for the three months ended September 30, 2008 compared to \$126,547 a year ago. For the first nine months of 2008, EBITDA declined 14% to \$373,297 from \$432,189 last year.

### *Net Interest Expense*

Net interest expense was \$21,921 for the third quarter 2008 compared to \$10,584 for the same period last year. Net interest expense was \$59,743 for the 2008 year-to-date period versus \$7,712 for the first nine months of 2007. The year-over-year increase for both periods in 2008 compared to 2007 was due to the acquisition of manufacturing equipment through leases and purchases for increased production capacity and new product lines.

### *Net Income*

Net income applicable to common shares was \$198,635, or \$0.05 per diluted share, for the third quarter of 2008 compared to \$30,011, or \$0.01 per diluted share, last year. For the nine months ended September 30, 2008, net income applicable to common shares was \$11,390, or \$0.00 per diluted share, versus \$186,706, or \$0.04 per diluted share, for the same period in 2007.

## SBIR Award

The Company announced on August 18, 2008, that it had been awarded a Phase II Small Business Innovative Research (SBIR) Grant for up to \$750,000 from the Department of Energy. This two-year contract involves further research concerning High Jc performance in BSSCO-2212, which is a leading superconducting material which has been successfully manufactured in round wire form that works in high magnetic fields over 25 Tesla. One Tesla is equal to 20,000 times the Earth's magnetic field. Negotiations concerning the final amount have not been concluded. Thus far, the Department of Energy has approved \$125,000 for continuation of the work while the contract is being finalized.

## CTT-Solar Appointment

On October 17, 2008, the Company announced it had appointed CTT-Solar (Ede, the Netherlands) as its exclusive representative for the Solar industry in 26 countries in Europe as well as Russia and Turkey. The Company has been expanding its presence in the rapidly growing Thin Film Solar market and this exclusive relationship will enhance the Company's capabilities to respond to customer needs as well as new market opportunities. CCT-Solar is recognized as a leader in introducing new technologies in high tech industries throughout Europe and Eurasia through established relationships with Solar manufacturers.

## About SCI Engineered Materials, Inc.

SCI Engineered Materials, Inc. manufactures ceramics and metals for advanced applications such as photonics including 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 fluctuation in quarterly results, Thin Film Solar sales are expected to accelerate beginning in 2009, and benefits from the appointment of CTT-Solar as the Company's exclusive representative for the Solar industry including accelerated penetration in the Thin Film Solar industry and manufacturing equipment that is expected to be operating in the first quarter 2009. 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-KSB for the year ended December 31, 2007. 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.*

	Three months ended <u>September 30, 2008</u>	Three months ended <u>September 30, 2007</u>	Nine months ended <u>September 30, 2008</u>	Nine months ended <u>September 30, 2007</u>
Net income	\$ 204,754	\$ 36,256	\$ 29,792	\$ 205,543
Interest expense (income), net	21,921	10,584	59,743	7,712
Income tax expense	-	-	-	-
Depreciation and amortization	96,863	79,707	283,762	218,934
EBITDA	<u>323,538</u>	<u>126,547</u>	<u>373,297</u>	<u>432,189</u>
Stock based compensation expense	16,236	14,312	45,873	42,938
Adjusted EBITDA	<u>\$ 339,774</u>	<u>\$ 140,859</u>	<u>\$ 419,170</u>	<u>\$ 475,127</u>

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