



FOR IMMEDIATE RELEASE

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SCI Engineered Materials, Inc. Reports First Quarter 2009 Results

COLUMBUS, Ohio (May 5, 2009) 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 an 11% increase in total revenue for the three months ended March 31, 2009 compared to the same period last year.

The first quarter 2009 results were significantly impacted by \$348,116 of non-cash expenses, including \$231,290 of stock-based compensation in accordance with the provisions of SFAS No. 123R "Share Based Payment" and \$116,826 of depreciation and amortization. The loss applicable to common shares was \$313,427, or \$0.09 per share, for the three months ended March 31, 2009 versus a loss of \$78,368, or \$0.02 per share, for the same period last year.

Dan Rooney, Chairman, President and Chief Executive Officer, said, "The increase in total revenue for the first quarter 2009 benefited from research revenue including an Ohio Department of Development Third Frontier Advanced Energy Program grant to accelerate commercialization of sputtering targets used to produce thin film solar cell panels. Additionally, Thin Film Solar sales increased in the first quarter 2009 compared to a year ago. We are actively pursuing strategies to increase our presence in this fast-growing market through SCI's core manufacturing capabilities combined with expanded global marketing and sales initiatives. These efforts are helping to diversify our customer base while also enabling us to respond to attractive growth opportunities."

Mr. Rooney added, "Our first quarter 2009 financial results reflect the impact of significant non-cash expenses and increased investment we have made in our business during the past two years to position SCI for accelerated long-term growth and profitability. Specifically, the payback from investments in Thin Film Battery and Thin Film Solar is increasing and partially offset weakness in other markets in the first quarter 2009. Some of our Thin Film Battery customers recently announced new products and increased market applications, which bodes well for this product line. During the first quarter 2009 we shipped Thin Film Solar products to current and new customers for their trial and evaluation. This is expected to lead to additional orders this year."

First Quarter 2009 Results

Total Revenue

Total revenue increased 11% to \$1,901,535 for the first quarter 2009 from \$1,713,940 for the first quarter 2008 due to higher contract research revenue for thin film solar. In December 2008 the Company was awarded a grant of approximately \$750,000 by the Ohio Department of

Development Third Frontier Advanced Energy Program to commercialize technologies used to manufacture thin film photovoltaic solar cell panels. First quarter 2009 product revenue was particularly impacted by lower demand from Semiconductor customers compared to the first quarter 2008.

Backlog was \$2.7 million at March 31, 2009 versus \$2.9 million at December 31, 2008 and \$1.5 million at March 31, 2008.

Gross Profit

Gross profit for the first quarter 2009 was almost identical to first quarter 2008, which was \$427,520 and \$429,025, respectively. For the three months ended March 31, 2009, gross profit margin declined to 22.5% of total revenue compared to 25.0% of total revenue a year ago, primarily due to the lower gross profit associated with research revenue, which is substantially below the Company's gross profit on products.

Marketing and Sales Expense

SCI continues to expand its marketing activities and sales presence in key global markets in North America, Europe and Asia. These efforts have increased the Company's sales capabilities, added new customers, and increased participation in industry specific trade shows. Particular attention is focused on the Thin Film Solar and Semiconductor markets.

For the first quarter 2009, marketing and sales expense increased to \$168,092 from \$127,386 for the same period last year. This 32% year-over-year increase was principally due to \$28,000 of non-cash stock based compensation expense as well as additional travel and costs associated with additional sales representatives.

General and Administrative Expense

General and administrative expense was \$415,324 for the first quarter 2009 versus \$258,330 for the same period in 2008, primarily due to \$173,000 of additional non-cash stock based compensation expense for the first quarter 2009 compared to \$12,000 a year ago. The Company expanded its cost control initiatives during the first quarter 2009 in response to weaker conditions in certain end markets.

Research and Development Expense

Research and development (R&D) expense rose to \$125,330 for the first quarter 2009 from \$97,763 the prior year. The first quarter 2009 results included approximately \$25,000 of non-cash compensation expense. Development efforts continue to be pursued in the Photonic, Thin Film Solar, Thin Film Battery, and Semiconductor markets as well as research related to grants awarded for specific funded projects.

EBITDA

Earnings before interest, income taxes, depreciation and amortization (EBITDA) was negative \$170,506 for the first quarter 2009 compared to EBITDA of \$32,478 a year ago. Adjusted

EBITDA, excluding stock-based compensation expense, increased to \$60,784 for the first quarter 2009 from \$46,791 for the same period in 2008.

Net Interest Expense

Net interest expense was \$26,094 for the first quarter 2009 versus \$17,772 for the same period last year. During the past year SCI increased its production capacity through the acquisition of approximately \$800,000 in equipment, which was primarily financed through capital leases. The Company received loan proceeds of \$400,000 from the Ohio Department of Development in 2008 at an annual interest rate of 3%. These proceeds were used to offset interest expense related to capital lease obligations.

In January 2009, the Company entered into a Business Loan Agreement with a regional bank for \$1 million. These funds will be used to finance SCI's working capital needs and further implementation of its growth strategy. The Company had no outstanding balance under this loan agreement at March 31, 2009.

Loss Applicable to Common Shares

The first quarter 2009 loss applicable to common shares was \$313,427, or \$0.09 per share, compared to a loss applicable to common shares of \$78,368, or \$0.02 per share, for the first quarter 2008. This year-over-year difference was due to higher non-cash expenses combined with increased operating expenses to support expanded marketing and sales activities compared to the same period last year.

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>.

Reconciliation of GAAP to Non-GAAP Measures

SCI ENGINEERED MATERIALS, INC.
Reconciliation of GAAP to Non-GAAP Measures
(unaudited)

	Three months ended <u>March 31, 2009</u>	Three months ended <u>March 31, 2008</u>
(Loss) applicable to common shares	\$ (313,426)	\$ (78,368)
Interest expense, net	26,094	17,772
Income tax expense	-	-
Depreciation and amortization	<u>116,826</u>	<u>93,074</u>
EBITDA	(170,506)	32,478
Stock-based compensation expense	<u>231,290</u>	<u>14,313</u>
Adjusted EBITDA	<u>\$ 60,784</u>	<u>\$ 46,791</u>

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 strategies to increase the Company's presence in the fast-growing Thin Film Solar market, investments to position SCI for accelerated long-term growth and profitability, expectation of additional orders beginning this year. 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, 2008. 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.

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