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# NEWS RELEASE

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**For Immediate Release**  
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## **IKONICS ANNOUNCES 24% INCREASE IN EARNINGS ON RECORD 2006 SALES.**

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, announced today record sales and earnings for the year 2006. Sales increased by 7% over 2005 to \$14,889,000 and earnings by 24% to \$1,124,000, or \$0.55 per diluted common share. For the fourth quarter sales increased by 9% over the same quarter of 2005 to \$3,744,000 and earnings by 22% to a record \$393,000, or \$0.19 per diluted share.

Bill Ulland, Ikonics CEO, said, "I am pleased with our performance in 2006 both in our financial results but also with the foundation we have laid for future growth."

"The acquisition of the image mate line of screen print products in late December 2006 will contribute to future growth for our Chromaline Screen Print Products and Export divisions; IKONMetal is gaining market acceptance, particularly in the signage industry; we are making good progress on the industrial applications of our abrasive etching technology; and we continue to be encouraged by our investment in digital imaging technology," said Ulland.

This press release contains forward-looking statements regarding sales, expenses, net earnings, and new products that involve risks and uncertainties. The Company's actual results could differ materially as a result of domestic and global economic conditions, competitive market conditions, acceptance of new products, the ability to identify and make suitable acquisitions, as well as the factors described in the Company's Form 10-KSB, Forms 10-QSB and other reports on file with the SEC.

# IKONICS Corporation

## CONDENSED STATEMENTS OF OPERATIONS

For the Three Months and Twelve Months Ended December 31, 2006 and 2005

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>12/31/06</b>	<b>12/31/05</b>	<b>12/31/06</b>	<b>12/31/05</b>
Net Sales	\$ 3,743,608	\$3,438,442	\$ 14,888,912	\$ 13,971,217
Costs and expenses net of interest income	<u>3,212,318</u>	<u>3,012,583</u>	<u>13,299,147</u>	<u>12,715,048</u>
Income before income taxes	531,290	425,859	1,589,765	1,256,169
Federal and state income taxes	<u>138,249</u>	<u>104,071</u>	<u>466,000</u>	<u>348,000</u>
Net income	<u>\$ 393,041</u>	<u>\$ 321,788</u>	<u>\$ 1,123,765</u>	<u>\$ 908,169</u>
Earnings per common share-diluted	<u>\$ 0.19</u>	<u>\$ 0.16</u>	<u>\$ 0.55</u>	<u>\$ 0.46</u>
Average shares outstanding-diluted	2,038,499	2,001,988	2,027,916	1,986,885

## CONDENSED BALANCE SHEETS

As of December 31, 2006 and 2005

	<b>12/31/06</b>	<b>12/31/05</b>
<b>Assets</b>		
Current assets	\$ 8,229,210	\$7,728,358
Property, plant and equipment, net	991,920	951,565
Investment in non-marketable equity securities	988,910	450,790
Intangible assets	485,421	279,086
Deferred taxes	<u>48,000</u>	<u>61,000</u>
	<u>\$10,743,461</u>	<u>\$9,470,799</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 879,362	\$ 992,294
Long term debt	-	-
Stockholders' equity	<u>9,864,099</u>	<u>8,478,505</u>
	<u>\$10,743,461</u>	<u>\$9,470,799</u>

## CONDENSED STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2006 and 2005

	<b>12/31/06</b>	<b>12/31/05</b>
Net cash flows provided by operating activities	\$ 1,075,722	\$ 980,047
Net cash flows used in investing activities	(1,282,655)	(422,562)
Net cash flows provided by financing activities	<u>223,047</u>	<u>117,127</u>
Net increase in cash and cash equivalents	16,114	674,612
Cash and cash equivalents at beginning of year	<u>3,412,072</u>	<u>2,737,460</u>
Cash and cash equivalents at end of year	<u>\$ 3,428,186</u>	<u>\$3,412,072</u>