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## **IKONICS REPORTS 2010 RECORD SALES**

DULUTH, MN - IKONICS Corporation (NASDAQ:IKNX), a Duluth based imaging technology company, announced record sales for 2010 of \$16,517,000, a 9% increase over 2009 and earnings of \$1,114,000 or \$0.56 per share compared to a loss of \$0.16 per share in 2009. The 2009 loss was caused by the write-off of an investment in Imaging Technologies International in the third quarter of 2009.

According to Bill Ulland, Ikonics CEO, the fourth quarter of 2010 was particularly gratifying with sales up 15% and net income up 66% over the fourth quarter of 2009. Commenting further, Ulland said:

“Our fourth quarter was enhanced by the sale of a Digital Texturing (DTX) V-Jet printer, sales of DTX consumables, Micro-Machining prototypes sold to a major electronics company, and Export shipments. This is the first quarter where our new business initiatives have had a significant impact on sales and earnings. We expect that trend to continue.”

“However,” Ulland cautioned, “in the future we anticipate many of the big ticket printer sales will be made directly by our strategic partner, Colour Scanner Technology GmbH (CST), and we will make the sales of consumables.”

The arrangement with CST provides that CST manufactures, sells and services printers, which is their core strength, while IKONICS provides its proprietary consumables to the printer customers. “I believe this arrangement will facilitate the commercialization of our DTX technology and let us focus on our core competencies of fluid and substrate development. The timing of these consumables sales will be dependent on the delivery schedule of CST printers to the market,” Ulland said. Ikonics is also offering another printer model to the DTX market manufactured by ITW Transtech.

This press release contains forward-looking statements regarding sales, gross profits, net earnings, balance sheet position, and new products and businesses initiatives 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, capital expenditure requirements, the ability to control operating costs without impacting growth as well as the factors described in the Company's Form s 10-K, and 10-Q, and other reports on file with the SEC.

# IKONICS Corporation

## CONDENSED STATEMENTS OF OPERATIONS

For the Three Months and Twelve Months Ended December 31, 2010 and 2009

|  | <b>Three Months Ended</b> |                   | <b>Twelve Months Ended</b> |                     |
|--|---------------------------|-------------------|----------------------------|---------------------|
|  | <b>12/31/10</b>           | <b>12/31/09</b>   | <b>12/31/10</b>            | <b>12/31/09</b>     |
| Net sales                                | \$4,443,614               | \$3,851,241       | \$ 16,517,338              | \$15,121,617        |
| Cost of goods sold                       | <u>2,619,788</u>          | <u>2,229,117</u>  | <u>9,713,054</u>           | <u>9,054,771</u>    |
| Gross profit                             | 1,823,826                 | 1,622,124         | 6,804,284                  | 6,066,846           |
| Operating expenses                       | <u>1,331,982</u>          | <u>1,290,223</u>  | <u>5,270,045</u>           | <u>5,197,195</u>    |
| Income from operations                   | 491,844                   | 331,901           | 1,534,239                  | 869,651             |
| Gain on sale of investment               | -                         | -                 | -                          | 29,762              |
| Loss on investment                       | -                         | -                 | -                          | (918,951)           |
| Interest income                          | <u>6,009</u>              | <u>2,988</u>      | <u>19,681</u>              | <u>8,178</u>        |
| Income (loss) before income taxes        | 497,853                   | 334,889           | 1,553,920                  | (11,360)            |
| Income tax expense                       | <u>162,889</u>            | <u>132,747</u>    | <u>440,000</u>             | <u>296,000</u>      |
| Net income (loss)                        | <u>\$ 334,964</u>         | <u>\$ 202,142</u> | <u>\$ 1,113,920</u>        | <u>\$ (307,360)</u> |
| Earnings (loss) per common share-diluted | <u>\$ 0.17</u>            | <u>\$ 0.10</u>    | <u>\$ 0.56</u>             | <u>\$ (0.16)</u>    |
| Average shares outstanding-diluted       | 1,976,618                 | 1,969,420         | 1,973,447                  | 1,973,739           |

### CONDENSED BALANCE SHEETS

As of December 31, 2010 and 2009

|   | <b>12/31/10</b>     | <b>12/31/09</b>     |
|---|---------------------|---------------------|
| <b>Assets</b>                               |                     |                     |
| Current assets                              | \$ 7,811,839        | \$ 6,417,488        |
| Property, plant and equipment, net          | 5,012,933           | 5,234,244           |
| Intangible assets                           | <u>317,162</u>      | <u>345,540</u>      |
|   | <u>\$13,141,931</u> | <u>\$11,997,272</u> |
| <b>Liabilities and Stockholders' Equity</b> |                     |                     |
| Current liabilities                         | \$ 777,984          | \$ 809,186          |
| Deferred income taxes                       | 171,000             | 162,000             |
| Long term debt                              | -                   | -                   |
| Stockholders' equity                        | <u>12,192,947</u>   | <u>11,026,086</u>   |
|   | <u>\$13,141,931</u> | <u>\$11,997,272</u> |

### CONDENSED STATEMENTS OF CASH FLOW

For the Twelve Months Ended December 31, 2010 and 2009

|   | <b>12/31/10</b>    | <b>12/31/09</b>     |
|---|--------------------|---------------------|
| Net cash provided by operating activities           | \$1,601,369        | \$1,374,112         |
| Net cash used in investing activities               | (1,637,182)        | (847,420)           |
| Net cash provided by (used in) financing activities | <u>22,610</u>      | <u>(123,844)</u>    |
| Net increase (decrease) in cash                     | (13,203)           | 402,848             |
| Cash at beginning of period                         | <u>1,304,586</u>   | <u>901,738</u>      |
| Cash at end of period                               | <u>\$1,291,383</u> | <u>\$ 1,304,586</u> |