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**For Immediate Release**  
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## **IKONICS REPORTS THIRD QUARTER EARNINGS**

DULUTH, MN - IKONICS Corporation (NASDAQ:IKNX), a Duluth-based technology company, reported third quarter net earnings of \$116,000, or \$0.06 per diluted share, a 49% decrease compared to the third quarter of 2012. Sales for the third quarter of 2013 were \$4,217,000, or flat when compared to last year's third quarter.

Bill Ulland, Ikonics CEO, said "increased expenses related to the ramping up of our Micro-Machining business and the end of a long-term sound deadening mask agreement depressed both sales and net income for the quarter. Year-to-date we have invested over \$400,000 in highly productive machining equipment for Micro-Machining and have added two technical hires."

"For the quarter, our traditional Domestic and Export businesses showed good growth in sales and profits, and we remain in a strong financial condition with \$3 million in cash and short-term investments and no long-term debt," Ulland said.

The company recently acquired an exclusive license for specified markets for patented Direct To Metal (DTM) inkjet printing technology from Hueck Engraving GmbH of Germany. Commenting on the new license, Ulland said, "We view this as an opportunity to expand our Digital Texturing (DTX) business into new markets."

This press release contains forward-looking statements regarding sales, gross profits, net earnings, balance sheet position, industry trends and new products, technologies and businesses initiatives that involve risks and uncertainties. The Company's actual results could differ materially as a result of downturns in the aerospace industry, unexpected production delays by the Company's customers, lack of acceptance of new products and technologies, introduction of new products or technologies by competitors, the effects of federal budget sequestration, domestic and global economic conditions, inherent risk and uncertainty in the protection of intellectual property rights, the ability to control operating costs without impacting growth as well as the factors described in the Company's Forms 10-K, and 10-Q, and other reports on file with the SEC.

# IKONICS Corporation

## CONDENSED STATEMENTS OF INCOME (unaudited)

For the Three Months and Nine Months Ended September 30, 2013 and 2012

|                                    | <b>Three Months Ended</b> |                   | <b>Nine Months Ended</b> |                   |
|------------------------------------|---------------------------|-------------------|--------------------------|-------------------|
|                                    | <b>9/30/13</b>            | <b>9/30/12</b>    | <b>9/30/13</b>           | <b>9/30/12</b>    |
| Net sales                          | \$4,217,125               | \$4,231,235       | \$ 12,894,142            | \$ 12,787,939     |
| Cost of goods sold                 | <u>2,575,557</u>          | <u>2,478,358</u>  | <u>7,904,357</u>         | <u>7,726,216</u>  |
| Gross profit                       | 1,641,568                 | 1,752,877         | 4,989,785                | 5,061,723         |
| Operating expenses                 | <u>1,480,063</u>          | <u>1,414,472</u>  | <u>4,600,592</u>         | <u>4,455,019</u>  |
| Income from operations             | 161,505                   | 338,405           | 389,193                  | 606,704           |
| Interest income                    | <u>1,372</u>              | <u>2,572</u>      | <u>5,331</u>             | <u>9,377</u>      |
| Income before income taxes         | 162,877                   | 340,977           | 394,524                  | 616,081           |
| Income tax expense                 | <u>46,715</u>             | <u>112,865</u>    | <u>73,000</u>            | <u>207,292</u>    |
| Net income                         | <u>\$ 116,162</u>         | <u>\$ 228,112</u> | <u>\$ 321,524</u>        | <u>\$ 408,789</u> |
| Earnings per common share-diluted  | <u>\$ 0.06</u>            | <u>\$ 0.11</u>    | <u>\$ 0.16</u>           | <u>\$ 0.21</u>    |
| Average shares outstanding-diluted | 2,015,125                 | 1,993,429         | 2,010,334                | 1,990,485         |

### Condensed Balance Sheets

As of September 30, 2013 and December 31, 2012

|   | <b>9/30/13</b>      | <b>12/31/12</b>     |
|---|---------------------|---------------------|
|   | (unaudited)         |                     |
| <b>Assets</b>                               |                     |                     |
| Current assets                              | \$ 7,779,227        | \$ 7,417,041        |
| Property, plant and equipment, net          | 5,610,088           | 5,461,878           |
| Intangible assets, net                      | <u>335,046</u>      | <u>305,357</u>      |
|   | <u>\$13,724,361</u> | <u>\$13,184,276</u> |
| <b>Liabilities and Stockholders' Equity</b> |                     |                     |
| Current liabilities                         | \$ 1,090,702        | \$ 1,023,531        |
| Deferred income taxes                       | 431,000             | 366,000             |
| Long term debt                              | -                   | -                   |
| Stockholders' equity                        | <u>12,202,659</u>   | <u>11,794,745</u>   |
|   | <u>\$13,724,361</u> | <u>\$13,184,276</u> |

### CONDENSED STATEMENTS OF CASH FLOWS (unaudited)

For the Nine Months Ended September 30, 2013 and 2012

|  | <b>9/30/13</b>     | <b>9/30/12</b>      |
|--|--------------------|---------------------|
| Net cash provided by operating activities        | \$1,150,610        | \$ 566,939          |
| Net cash used in investing activities            | (1,002,547)        | (214,892)           |
| Net cash provided by financing activities        | <u>63,492</u>      | <u>30,123</u>       |
| Net increase in cash and cash equivalents        | 211,555            | 382,170             |
| Cash and cash equivalents at beginning of period | <u>967,943</u>     | <u>1,867,165</u>    |
| Cash and cash equivalents at end of period       | <u>\$1,179,498</u> | <u>\$ 2,249,335</u> |