



**WINLAND ELECTRONICS, INC. ANNOUNCES  
FOURTH QUARTER 2007 FINANCIAL RESULTS**

CONTACT: Thomas P. de Petra  
Interim Chief Executive Officer  
(507) 625-7231  
<http://www.winland.com/>

Cameron Donahue  
Hayden Communications  
(651) 653-1854

**MANKATO, Minn. / March 20, 2008 / PR Newswire** / Winland Electronics, Inc. (Amex: WEX), a leading designer and manufacturer of custom electronic control products and systems, today announced financial results for the fourth quarter and year ended December 31, 2007.

Net sales for the fourth quarter were \$7.5 million, a decrease of 18.8 percent compared to \$9.2 million reported for the fourth quarter of 2006. The decrease was primarily due to lower sales from Winland's major customer, Select Comfort, offset in part by increased sales to existing and new customers.

Gross profit for the fourth quarter was \$1.2 million, or 16.0 percent of sales, down from the \$1.5 million or 16.1 percent of sales for the fourth quarter of 2006. Decreased gross profit was primarily due to the reduction in sales for the quarter.

Operating expenses were \$1.4 million in the fourth quarter compared to \$1.3 million for the fourth quarter of 2006. The Company accrued \$197,000 in the fourth quarter of 2007 for the severance package payable to its former Chief Executive Officer on January 2, 2008.

Winland incurred a loss from operations of \$189,000 for the fourth quarter 2007 compared to income from operations of \$132,000 for the same period of 2006. Fourth quarter net income was \$7,000, or \$0.00 per basic and fully diluted share (based on 3.6 million basic and fully diluted shares), compared to net income of \$51,000, or \$0.01 per basic and fully diluted share (based on 3.6 million basic and fully diluted shares) for the same period last year.

For the year ended December 31, 2007, net sales decreased 8.4 percent to \$34.7 million from \$37.9 million for the full year of fiscal 2006. Gross profit was \$4.8 million, or 13.8 percent, compared to gross profit of \$6.5 million, or 17.1 percent for the full year of fiscal 2006. Total operating expenses were \$5.4 million, up 13.6 percent compared to \$4.8 million for 2006 due, in large part, to an increase in research and development expense related to investments in Winland's proprietary line of products. The Company incurred an operating loss of \$620,000 compared to income from operations of \$1.7 million in the same period last year. The net loss was \$263,000, or \$(0.07) per basic and fully diluted share (based on 3.6 million basic and fully shares) compared to net income of \$1.0 million, or \$0.29 per basic and \$0.28 per fully diluted share (based on 3.6 million and 3.7 million basic and fully diluted shares, respectively) for the full year of fiscal 2006.

Stockholders' equity was \$10.4 million as of December 31, 2007 consistent with 2006. The Company completed the fourth quarter 2007 with \$7.0 million in working capital, a current ratio of 3.1 to 1 and cash of \$1,152,000. At December 31, 2007, Winland had no balance outstanding on its bank revolving line-of-credit agreement compared to \$1.9 million outstanding at December 31, 2006.

Thomas de Petra, Winland's Interim Chief Executive Officer, commented, "2007 was a disappointing year. The biggest setbacks were in our EMS business, which has accounted for approximately 88-90 percent of our sales in recent years. Subsequent to year end, we took a hard look at root cause issues related to manufacturing, operations, information systems, materials and inventories. As a result, during the first quarter of 2008, we launched a major internal restructuring that aligns the strongest members of our team to improved processes and initiatives and a growth culture for the company's future. This restructuring resulted in five team-driven initiatives and new leadership positions for four skilled and experienced individuals."

Mr. de Petra continued, "We started in the area of supply chain management with the hiring of a senior level executive in that area. He brings high level experience from both the EMS and OEM perspectives of our business, and has been charged with bringing world-class supply chain management practices to Winland. Next, we reorganized manufacturing and operations with new leadership from within the company. These talented individuals are leading teams on specific initiatives designed to improve production processes and quality, reduce waste, and better integrate new customers and new products into manufacturing. Other initiatives are being taken to improve access to data and analytics in support of more robust program management and quotation capabilities."

Because of the high cost of new product development, Winland has adjusted the growth rate of its proprietary Critical Environmental Monitoring products from aggressive to a more moderate growth rate that is consistent with the Company's size and other objectives. As a result, the balance of investment will shift toward domestic and European marketing and sales, with less emphasis on research and development. The Company anticipates that expenditures for new product development will yield a new Critical Environmental Monitoring product which is expected to be introduced during the first half of this year. Through the balance of 2008, the Company will be managing the growth of proprietary Critical Environmental Monitoring products in a way that is minimally distracting from the aggressive growth objectives set for the EMS business.

Mr. de Petra concluded, "Our objective is for Winland to reliably support an aggressive growth strategy combining organic growth and selective acquisitions, and to expand and enhance our product and service offerings geographically. Industry data indicates significant revenue and profit opportunities in high-service, customer-intimate industry segments where low-cost, offshore providers don't align well to customer needs. With the actions being taken now, I am very encouraged about a future where we can control more of the elements of our success. This will take time, but the opportunity is now, the team is right and successful execution can deliver the rewards we all want."

### **Conference Call**

Management will conduct a conference call to discuss its financial results for the fourth quarter and year end December 31, 2007 today at 4:30 p.m. ET. Interested parties may access the call by calling 1-800-762-8795 from within the United States, or 1-480-629-9572 if calling internationally, approximately five minutes prior to the start of the call. A replay will be available through March 27, 2008 and can be accessed by dialing 1-800-406-7325 (U.S.), 1-303-590-3030 (Int'l), passcode 3856538.

This call is being web cast by ViaVid Broadcasting and can be accessed at Winland Electronics' website at <http://www.winland.com>. The web cast may also be accessed at ViaVid's website at <http://www.viavid.net>. The web cast can be accessed until April 20, 2008 on either site. To access the web cast, you will need to have the Windows Media Player on your desktop. For the free download of the Media Player please visit: <http://www.microsoft.com/windows/windowsmedia/en/download/default.asp>.

## **About Winland Electronics**

Winland Electronics is an electronic manufacturing services (EMS) company, providing product development and manufacturing expertise and innovation for more than 20 years. Winland also markets proprietary products for the security/industrial marketplace. Winland's product development offering includes program management, analog circuit design, digital circuit design, printed circuit board design and embedded software design. Winland differentiates itself from the contract manufacturer competition with its integrated product development and manufacturing services to offer end-to-end product launch capability, including design for manufacturability, design for testability, transition to manufacturing and order fulfillment. Winland's core competency is delivering time-to-market through superior program management, experience, integrated development processes, and cross-functional teams. Winland Electronics is based in Mankato, Minnesota.

## **Cautionary Statements**

Certain statements contained in this press release and other written and oral statements made from time to time by the Company do not relate strictly to historical or current facts. As such, they are considered forward-looking statements, which provide current expectations or forecasts of future events. The statements included in this release with respect to the following matters are forward looking statements; (i) our expectation to release a new Critical Environmental Monitoring product in the first half of 2008; and (ii) our expectation to support a growth strategy and enhance our product and service offering geographically. These statements involve a variety of risks and uncertainties, known and unknown, including, among others, the risks that (i) we may encounter unexpected delays in the development of a new Critical Environmental Monitoring product that causes a delay in its release; (ii) our we may encounter obstacles in our attempt to support a growth strategy and to enhance our product and service offering geographically. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

-Tables Follow-

**Winland Electronics, Inc.**  
**Balance Sheets**  
**December 31, 2007 and 2006**  
(In Thousands, Except Share Data)

<b>Assets</b>	<b>December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Current Assets</b>		
Cash	\$ 1,152	\$ 50
Accounts receivable, less allowance for doubtful accounts of \$25,000 in 2007 and \$20,000 in 2006	3,436	5,165
Refundable income taxes	389	237
Inventories	4,708	6,994
Prepaid expenses and other assets	253	364
Deferred income taxes	400	278
<b>Total current assets</b>	<b>10,338</b>	<b>13,088</b>
<b>Property and Equipment, at cost</b>		
Land and land improvements	383	383
Building	3,052	3,048
Machinery and equipment	6,798	6,863
Data processing equipment	1,128	1,003
Office furniture and equipment	466	457
<b>Total property and equipment</b>	<b>11,827</b>	<b>11,754</b>
Less accumulated depreciation	6,410	5,975
<b>Net property and equipment</b>	<b>5,417</b>	<b>5,779</b>
<b>Total assets</b>	<b>\$ 15,755</b>	<b>\$ 18,867</b>

**Winland Electronics, Inc.**  
**Balance Sheets**  
**December 31, 2007 and 2006**  
(In Thousands, Except Share Data)

<b>Liabilities and Stockholders' Equity</b>	<b>December 31,</b>	
	<b>2007</b>	<b>2006</b>
Current Liabilities		
Revolving credit agreement	\$ -	\$ 1,924
Current maturities of long-term debt	512	627
Accounts payable	1,729	2,830
Accrued expenses:		
Compensation	733	673
Other	379	323
<b>Total current liabilities</b>	<b>3,353</b>	<b>6,377</b>
Long-Term Liabilities		
Long-term debt, less current maturities	1,471	1,706
Deferred income taxes	282	255
Deferred revenue	138	146
Other long term tax liabilities	129	-
<b>Total long-term liabilities</b>	<b>2,020</b>	<b>2,107</b>
<b>Total liabilities</b>	<b>5,373</b>	<b>8,484</b>
Stockholders' Equity		
Common stock, par value \$0.01 per share; authorized 20,000,000 shares; issued and outstanding 3,640,741 shares in 2007 and 3,599,856 shares in 2006	36	36
Additional paid-in capital	4,691	4,429
Retained earnings	5,655	5,918
<b>Total stockholders' equity</b>	<b>10,382</b>	<b>10,383</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 15,755</b>	<b>\$ 18,867</b>

**Winland Electronics, Inc.**  
**Statements of Operations**  
(In Thousands, Except Share Data)

	For the three months ended December 31,		For the years ended December 31,	
	2007	2006	2007	2006
Net sales	\$ 7,492	\$ 9,186	\$ 34,746	\$ 37,945
Cost of sales	<u>6,294</u>	<u>7,704</u>	<u>29,960</u>	<u>31,440</u>
<b>Gross profit</b>	<u><b>1,198</b></u>	<u>1,481</u>	<u><b>4,786</b></u>	<u>6,505</u>
Operating expenses:				
General and administrative	724	677	2,648	2,480
Sales and marketing	472	440	1,709	1,637
Research and development	191	232	1,049	642
	<u>1,387</u>	<u>1,349</u>	<u>5,406</u>	<u>4,759</u>
<b>Operating income (loss)</b>	<u><b>(189)</b></u>	<u>132</u>	<u><b>(620)</b></u>	<u>1,746</u>
Other income (expenses):				
Interest expense	(35)	(78)	(261)	(187)
Other, net	49	1	89	9
	<u>14</u>	<u>(77)</u>	<u>(172)</u>	<u>(178)</u>
<b>Income (loss) before income taxes</b>	<u><b>(175)</b></u>	<u>55</u>	<u><b>(792)</b></u>	<u>1,568</u>
Income tax benefit (expense)	<u>182</u>	<u>(4)</u>	<u>529</u>	<u>(530)</u>
<b>Net income (loss)</b>	<u><u><b>\$ 7</b></u></u>	<u><u>\$ 51</u></u>	<u><u><b>\$ (263)</b></u></u>	<u><u>\$ 1,038</u></u>
Earnings (loss) per common share data:				
Basic	\$ 0.00	\$ 0.01	\$ (0.07)	\$ 0.29
Diluted	\$ 0.00	\$ 0.01	\$ (0.07)	\$ 0.28
Weighted-average number of common shares outstanding:				
Basic	3,635,446	3,584,296	3,615,108	3,553,062
Diluted	3,635,446	3,640,255	3,615,108	3,653,891