

## Winland Reports Q4 2012 and Full Year Financial Results

**Mankato, Minn. / March 5, 2013**—Winland Electronics, Inc. (NYSE Amex: WEX) today reported sales of its Environmental Monitoring products of \$946,000 for the fourth quarter ended December 31, 2012, an increase of \$175,000, or 22.7 percent, from the \$771,000 in the comparable period in 2011.

Net income from the quarter totaled \$303,000, or \$0.08 per share, versus a loss of \$94,000, or \$0.03 per share, in the fourth quarter of 2011. The company reported a net loss of \$156,000, or \$0.04 per share, from continuing operations, a result that does not include the gain on the sale of the company's land and building, completed in the fourth quarter of 2012.

For the full-year, product sales totaled \$3,713,000, up \$269,000, or 7.9 percent, over 2011. Winland reported a net income of \$21,000, or \$0.01 per basic and diluted share, versus a \$740,000 net loss, or \$0.20 per basic and diluted share, for fiscal 2011. Excluding the one-time gain on the sale of the company's land and building, the full-year loss from continuing operations totaled \$634,000, or \$0.17 per share.

"Our environmental monitoring products, particularly our EnviroAlert series, continue to gain traction in the marketplace," said David Gagne, Winland's chief executive officer. "Again in the fourth quarter of 2012, we saw a positive year-over-year increase in sales. This is encouraging in light of our new strategic direction to offer our EnviroAlert series as part of a Software as a Service, or SaaS-based model."

Gross margins improved during the quarter to 31.0 percent, up from 28.9 percent in the third quarter and from 21.5 percent in the fourth quarter of 2011. The increase in gross margin was related to a more favorable product mix in the fourth quarter and lower promotional discounts. Gross margin for the full year was 29.4 percent, versus 27.6 percent in 2011.

Research and development expenses totaled \$91,000 for the three months ended December 31, 2012, essentially flat relative to the \$87,000 in the comparable period in 2011. For the 12-month period, R&D expenses totaled \$285,000 versus \$237,000 in 2011, an increase attributable to the continued development of the Company's EnviroAlert EA800-ip.

G&A expenses for the quarter totaled \$201,000, up from \$159,000 in the comparable period in 2011. The increase in the current quarter was attributable to increased professional fees. Overall operating expenses for the quarter declined to \$443,000, down from \$482,000 in the fourth quarter of 2011, the result of decreased sales and marketing costs, which totaled \$151,000 in the current quarter versus \$236,000 in the fourth quarter of 2011. Full-year operating expenses totaled \$1.7 million, down from

just under \$2.0 million in 2011. Details of these and other expense items can be found in the company's 10K filing with the Securities and Exchange Commission.

"Earlier this year we announced our intention to strategically focus on becoming a leading provider of real-time, cloud-based environmental monitoring solutions by implementing a SaaS business model," Gagne said. "We see a billion-dollar-plus market with a growing need, and we also believe we can become a leader in this space. With the right investments and the time to execute our plan, we believe we can increase shareholder value by tapping into this promising market."

### **About Winland Electronics**

Winland Electronics, Inc. ([www.winland.com](http://www.winland.com)) is an industry leader of critical condition monitoring devices. Products including EnviroAlert, WaterBug, TempAlert, Vehicle Alert and more are designed in-house to monitor critical conditions for industries including health/medical, grocery/food service, commercial/industrial, as well as agriculture and residential. Proudly made in the USA, Winland products are compatible with any hard wire or wireless alarm system and are available through distribution worldwide. Headquartered in Mankato, MN, Winland trades on the NYSE Amex Exchange under the symbol WEX.

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### **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) that the Company's products continue to gain traction in the marketplace; (ii) that the year-over-year increase in sales has a relation to the Company's new strategic direction to become a SaaS-based business; (iii) that the Company can become a leader in its targeted market; and (iv) that with the right investments and time, the Company can increase shareholder value. These statements involve risks and uncertainties, known and unknown, including among other risks that (i) the products are in fact gaining traction in the marketplace; (ii) that the year-over-year increase in sales has no relation to the Company's new strategic direction to become a SaaS-based business; (iii) that the Company is unable to become a leader in its targeted market; and (iv) that even with the right investments and time, the Company is unable to increase shareholder value. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

**WINLAND ELECTRONICS, INC.**  
**STATEMENTS OF OPERATIONS**  
(In Thousands, Except Share and Per Share Data)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2012	2011	2012	2011
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>	<u>(audited)</u>
Net sales	\$ 946	\$ 771	\$ 3,713	\$ 3,444
Cost of sales	<u>653</u>	605	<u>2,622</u>	2,495
<b>Gross profit</b>	<u><b>293</b></u>	166	<u><b>1,091</b></u>	949
Operating expenses:				
General and administrative	201	159	762	852
Sales and marketing	151	236	688	883
Research and development	<u>91</u>	87	<u>285</u>	237
Total operating expenses	<u><b>443</b></u>	482	<u><b>1,735</b></u>	1,972
<b>Operating loss</b>	<b>(150)</b>	(316)	<b>(644)</b>	(1,023)
Other income (expenses):				
Interest expense	-	(9)	-	(54)
Other, net	<u>(6)</u>	<u>9</u>	<u>10</u>	<u>26</u>
<b>Total other income (expense)</b>	<u><b>(6)</b></u>	<u>-</u>	<u><b>10</b></u>	<u>(28)</u>
<b>Loss from continuing operations before income taxes</b>	<b>(156)</b>	(316)	<b>(634)</b>	(1,051)
Income tax expense	-	-	-	(9)
Loss from continuing operations	<u>(156)</u>	(316)	<u>(634)</u>	(1,060)
Income from discontinued operations, net of tax	<u>459</u>	<u>222</u>	<u>655</u>	<u>320</u>
<b>Net income (loss)</b>	<u><b>\$ 303</b></u>	<u>\$ (94)</u>	<u><b>\$ 21</b></u>	<u>\$ (740)</u>
Income (loss) per common share data:				
Basic and diluted	\$ 0.08	\$ (0.03)	\$ 0.01	\$ (0.20)
Loss from continuing operations per common share data:				
Basic and diluted	\$ (0.04)	\$ (0.09)	\$ (0.17)	\$ (0.29)
Income from discontinued operations per common share data:				
Basic and diluted	\$ 0.12	\$ 0.06	\$ 0.18	\$ 0.09
Weighted-average number of common shares outstanding:				
Basic and diluted	<b>3,701,630</b>	3,701,630	<b>3,701,630</b>	3,701,045

**Winland Electronics, Inc.**  
**Balance Sheets**  
**As of December 31, 2012 and 2011**  
(In Thousands)

	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 390	\$ 1,031
Funds held in escrow from sale of manufacturing facility, including land	2,641	-
Accounts receivable, less allowance for doubtful accounts of \$7 as of both December 31, 2012 and 2011	516	449
Inventories	884	567
Prepaid expenses and other assets	56	31
<b>Total current assets</b>	<b>4,487</b>	<b>2,078</b>
Property and Equipment, at cost		
Machinery and equipment	153	153
Data processing equipment	125	118
Office furniture and equipment	43	43
<b>Total property and equipment</b>	<b>321</b>	<b>314</b>
Less accumulated depreciation and amortization	278	246
<b>Net property and equipment</b>	<b>43</b>	<b>68</b>
Assets of discontinued operations		
Assets held for sale, net	-	2,135
Deferred rent receivable	-	261
<b>Total assets</b>	<b>\$ 4,530</b>	<b>\$ 4,542</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable	\$ 503	\$ 421
Accrued liabilities:		
Compensation	60	110
Other	30	30
<b>Total current liabilities</b>	<b>593</b>	<b>561</b>
Long-Term Liabilities of discontinued operations		
Deferred revenue	-	106
<b>Total long-term liabilities of discontinued operations</b>	<b>-</b>	<b>106</b>
<b>Total liabilities</b>	<b>593</b>	<b>667</b>
Stockholders' Equity		
Common stock, par value \$0.01 per share; authorized 20,000,000 shares; issued and outstanding 3,701,630 shares as of both December 31, 2012 and 2011	37	37
Additional paid-in capital	5,055	5,014
Accumulated deficit	(1,155)	(1,176)
<b>Total stockholders' equity</b>	<b>3,937</b>	<b>3,875</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,530</b>	<b>\$ 4,542</b>

**Winland Electronics, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2012 and 2011**  
(In Thousands)

	<b>2012</b>	<b>2011</b>
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Cash Flows From Operating Activities		
Net income (loss)	\$ 21	\$ (740)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	32	110
Non-cash stock based compensation expense (benefit)	41	(13)
Gain on sale of facility, including land	(506)	-
Decrease in allowance for doubtful accounts	-	(3)
Decrease in allowance for obsolete inventory held for discontinued operations	-	(56)
Changes in operating assets and liabilities:		
Accounts receivable	(67)	(39)
Refundable income taxes	-	277
Inventories	(317)	(455)
Deferred rent receivable	261	(261)
Prepaid expenses and other assets	(25)	56
Accounts payable	82	40
Accrued liabilities, including deferred revenue and other short-term tax liabilities	(156)	(421)
<b>Net cash used in operating activities</b>	<b>(634)</b>	<b>(1,505)</b>
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Cash Flows From Investing Activities		
Purchases of property and equipment	(7)	(10)
Sale of inventory from discontinued operations	-	2,906
Cash from sale of EMS business unit, net of transaction costs	-	1,017
<b>Net cash provided by (used in) investing activities</b>	<b>(7)</b>	<b>3,913</b>
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Cash Flows From Financing Activities		
Net repayments on revolving line-of-credit agreement	-	(1,249)
Principal payments on long-term borrowings, including capital lease obligations	-	(448)
Proceeds from issuance of common stock	-	2
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(1,695)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(641)</b>	<b>713</b>
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Cash and cash equivalents		
Beginning of year	<b>1,031</b>	318
End of year	<b>\$ 390</b>	<b>\$ 1,031</b>
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Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	<b>\$ -</b>	<b>\$ 65</b>
Cash receipts from income taxes	<b>\$ -</b>	<b>\$ 209</b>
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Non-cash investing activities:		
Funds held in escrow from sale of manufacturing facility	<b>\$ 2,641</b>	<b>\$ -</b>
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