



Winland Reports Q3 2012 Financial Results

Mankato, Minn. /November 09, 2012 - Winland Electronics, Inc. (NYSE Amex: WEX) today reported sales of Proprietary Environmental Monitoring products of \$1.1 million for the third quarter ended September 30, 2012, an increase of \$372,000, or 48.4 percent, from the \$769,000 in the comparable period in 2011. Net loss from the quarter totaled \$114,000, or \$0.03 per share, versus a net loss of \$300,000, or \$0.08 per share, in the third quarter of 2011.

“We were pleased with our top-line results and the market acceptance our proprietary products are receiving,” said Brian Lawrence, Winland’s Chief Financial Officer and Senior Vice President. “This past quarter, the increase in sales was partly due to a significant project sale to the Company’s largest distributor. While it’s important to note that sales of our products are subject to significant fluctuations, even without the project, the customer drove a 28 percent increase in sales over the comparable quarter in 2011 and an increase of 20 percent on a sequential basis.”

Net sales for the nine months ended September 30, 2012 were approximately \$2.8 million, an increase of \$94,000 from the comparable period in 2011. The Company’s higher revenue was primarily related to increased demand from our largest distributor relative to the comparable period in 2011.

Gross margins decreased to 28.9 percent from 30.9 percent for the three months ended September 30, 2012 compared to the third quarter of 2011. This decrease in gross margin was related to change in product mix and promotional discounts given to our largest distributor. Gross margins were 28.8 percent for the nine months ended September 30, 2012 down from 29.3 percent for the same period in 2011.

The Company reported an operating loss of \$191,000 for the three months ended September 30, 2012 versus an operating loss of \$296,000 for the comparable period in 2011. The operating loss for the first nine months of 2012 narrowed to \$494,000, an improvement over the \$707,000 operating loss reported in the first nine months of 2011.

The Company continued to fund research and development activities for the three and nine months ended September 30, 2012, which totaled \$60,000 and \$194,000, respectively. These activities were for continued product development related to the EnviroAlert EA800-ip.

“During the quarter, we continued to review our current business model as part of a special project launched earlier this year,” Lawrence said. “We look forward to the completion and the analysis of the results of this project and updating our shareholders as to our future business strategies when the analysis is completed in the near future.”

About Winland Electronics

Winland Electronics, Inc. (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: that proprietary products are receiving positive market acceptance and (ii) that the Company will complete and analyze the results of the special project and will update shareholders as to the Company's future business strategies in the near future. These statements involve risks and uncertainties, known and unknown, including among other risks that (i) the proprietary products are not in fact receiving the degree of positive market acceptance that the Company currently believes and (ii) that the completion of the analysis of the special project and thus the update to the Company's shareholders as to the Company's future business strategies will not occur in the near future. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

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

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|-----------------|--|-----------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net sales | \$ 1,141 | \$ 769 | \$ 2,767 | \$ 2,673 |
| Cost of sales | <u>811</u> | <u>531</u> | <u>1,969</u> | <u>1,890</u> |
| Gross profit | <u>330</u> | <u>238</u> | <u>798</u> | <u>783</u> |
| Operating expenses: | | | | |
| General and administrative | 277 | 191 | 561 | 693 |
| Sales and marketing | 184 | 240 | 537 | 647 |
| Research and development | 60 | 103 | 194 | 150 |
| Total operating expenses | <u>521</u> | <u>534</u> | <u>1,292</u> | <u>1,490</u> |
| Operating loss | (191) | (296) | (494) | (707) |
| Other income (expenses): | | | | |
| Rental revenue | 65 | - | 196 | - |
| Interest expense | - | (6) | - | (45) |
| Other, net | 12 | 2 | 16 | 17 |
| Total other income (expense) | <u>77</u> | <u>(4)</u> | <u>212</u> | <u>(28)</u> |
| Loss from continuing operations before income taxes | (114) | (300) | (282) | (735) |
| Income tax expense | - | - | - | (9) |
| Loss from continuing operations | <u>(114)</u> | <u>(300)</u> | <u>(282)</u> | <u>(744)</u> |
| Income from discontinued operations, net of tax | - | - | - | 98 |
| Net loss | <u>\$ (114)</u> | <u>\$ (300)</u> | <u>\$ (282)</u> | <u>\$ (646)</u> |
| Loss per common share data: | | | | |
| Basic and diluted | \$ (0.03) | \$ (0.08) | \$ (0.08) | \$ (0.17) |
| Loss from continuing operations per common share data: | | | | |
| Basic and diluted | \$ (0.03) | \$ (0.08) | \$ (0.08) | \$ (0.20) |
| Income from discontinued operations per common share data: | | | | |
| Basic and diluted | \$ - | \$ - | \$ - | \$ 0.03 |
| Weighted-average number of common shares outstanding: | | | | |
| Basic and diluted | 3,701,630 | 3,701,630 | 3,701,630 | 3,700,848 |

WINLAND ELECTRONICS, INC.
CONDENSED BALANCE SHEETS
(In Thousands, Except Share Data)

| | September 30, 2012 | December 31, 2011 |
|---|-------------------------------|------------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 354 | \$ 1,031 |
| Accounts receivable, less allowance for doubtful accounts of \$7 as of September 30, 2012 and December 31, 2011 | 678 | 449 |
| Inventories | 632 | 567 |
| Prepaid expenses and other assets | 78 | 31 |
| Total current assets | 1,742 | 2,078 |
| Property and Equipment, at cost | | |
| Property and equipment | 319 | 314 |
| Less accumulated depreciation and amortization | 272 | 246 |
| Net property and equipment | 47 | 68 |
| Assets held for sale, net | 2,135 | 2,135 |
| Deferred rent receivable | 229 | 261 |
| Total assets | \$ 4,153 | \$ 4,542 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 349 | \$ 421 |
| Accrued liabilities: | | |
| Compensation | 40 | 110 |
| Other | 35 | 30 |
| Total current liabilities | 424 | 561 |
| Long-Term Liabilities | | |
| Deferred revenue | 100 | 106 |
| Total long-term liabilities | 100 | 106 |
| Total liabilities | 524 | 667 |
| Stockholders' Equity | | |
| Common stock, par value \$0.01 per share; authorized 20,000,000 shares; issued and outstanding 3,701,630 as of both September 30, 2012 and December 31, 2011 | 37 | 37 |
| Additional paid-in capital | 5,050 | 5,014 |
| Accumulated deficit | (1,458) | (1,176) |
| Total stockholders' equity | 3,629 | 3,875 |
| Total liabilities and stockholders' equity | \$ 4,153 | \$ 4,542 |

WINLAND ELECTRONICS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

| | For the Nine Months Ended | |
|---|---------------------------|----------------|
| | 2012 | 2011 |
| Cash Flows From Operating Activities | | |
| Net loss | \$ (282) | \$ (646) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 26 | 100 |
| Non-cash stock based compensation | 36 | (13) |
| Decrease in allowance for doubtful accounts | - | (3) |
| Decrease in allowance for obsolete inventory | - | (20) |
| Decrease in allowance for obsolete inventory held for discontinued operations | - | (112) |
| Loss on sale of EMS business unit | - | 14 |
| Changes in assets and liabilities: | | |
| Accounts receivables | (229) | 8 |
| Refundable income taxes | - | 277 |
| Inventories | (65) | (310) |
| Deferred rent receivable | 32 | - |
| Prepaid expenses | (47) | 16 |
| Accounts payable | (72) | 42 |
| Accrued expenses, including deferred revenue and other short-term tax liabilities | (71) | (341) |
| Net cash used in operating activities | (672) | (988) |
| Cash Flows From Investing Activities | | |
| Purchases of property and equipment | (5) | (10) |
| Sale of inventory from discontinued operations | - | 2,795 |
| Cash from sale of EMS business unit, net of transaction costs | - | 813 |
| Net cash provided by (used in) investing activities | (5) | 3,598 |
| Cash Flows From Financing Activities | | |
| Net payments on revolving credit agreement | - | (1,249) |
| Net principal payments on long-term borrowings, including capital lease obligations | - | (83) |
| Cash received from exercise of stock options | - | 2 |
| Net cash used in financing activities | - | (1,330) |
| Net increase (decrease) in cash and cash equivalents | (677) | 1,280 |
| Cash and cash equivalents | | |
| Beginning | 1,031 | 318 |
| Ending | \$ 354 | \$ 1,598 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash payments for interest | \$ - | \$ 49 |
| Cash receipts for income taxes | \$ - | \$ 209 |
| Non-cash investing activities | | |
| Receivable recorded for sale of EMS Business unit | \$ - | \$ 250 |
| Accrued transaction costs for sale of EMS business unit | \$ - | \$ 50 |