



ABOUT MOCON



OUR VISION

“To increase the quality and safety of the environment and the products we consume”

OUR MISSION

“We provide unparalleled solutions by developing state-of-the-art test and measurement instruments and services on which our customers can depend”

On the cover:

The many markets MOCON serves have needs concerning safety, purity, freshness and material costs.

MOCON is in the business of measurement. We provide the world's most comprehensive range of premium instruments and services to customers in six business areas:

- Food & Beverage
- Packaging & Consumer goods
- Environmental & Safety
- Healthcare
- Industrial & Energy
- Technology

By measuring and analyzing invisible gases, our solutions deliver tangible and crucial benefits to our customers and the markets they serve. Benefits that range from ensuring superior shelf life, taste and freshness to improving hydrocarbon analysis during oil and gas exploration – and that translates into more efficient and profitable operations. Across all our business areas, the MOCON name is synonymous with high quality, accuracy and state-of-the-art technology.

A high-tech company with unique technical and intellectual properties, we maintain our leadership position by constantly refining and adding to our range of solutions. We specialize in delivering reliable comprehensive solutions to our customers' needs and maintain an industry leading level of international service and support, made possible by representation in 79 countries and a global network of more than 100 distributors.

Companies worldwide depend on our products to help them meet the highest levels of quality, reliability and safety. Our top priority is to measure up to those expectations, and a growing roster of loyal customers tells us we're succeeding.

MOCON (Nasdaq symbol: MOCO)

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)

Year Ended December 31	2016 ⁽⁴⁾	2015 ⁽³⁾	2014 ⁽²⁾	2013	2012 ⁽¹⁾
Operations Data:					
Revenue	\$ 63,311	\$ 60,754	\$ 64,475	\$ 57,108	\$ 49,941
Net income	\$ 5,000	\$ 2,972	\$ 1,536	\$ 3,641	\$ 2,002
Net income per share:					
Basic	\$ 0.86	\$ 0.52	\$ 0.27	\$ 0.62	\$ 0.37
Diluted	\$ 0.86	\$ 0.51	\$ 0.27	\$ 0.61	\$ 0.35
Cash dividends declared per share	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.42
Balance Sheet Data:					
Current assets	\$ 27,162	\$ 24,702	\$ 27,501	\$ 27,570	\$ 26,913
Total assets	\$ 48,448	\$ 47,419	\$ 52,509	\$ 58,704	\$ 57,220
Current liabilities	\$ 10,715	\$ 9,600	\$ 15,449	\$ 16,935	\$ 16,494
Noncurrent liabilities	\$ 1,282	\$ 4,348	\$ 2,587	\$ 4,300	\$ 6,845
Shareholders' equity	\$ 36,451	\$ 33,471	\$ 34,473	\$ 37,469	\$ 33,881

1) 2012 net income includes the impact of acquisition costs of \$0.8 million.

2) 2014 net income includes a non-cash impairment charge of \$3.2 million for the investment in an affiliated company.

3) 2015 net income includes a \$1.0 million pre-tax realignment charge. 2015 revenue has been corrected to include a \$470 overstatement of revenue and cost of revenue. This immaterial revision had no impact on our reported gross profit, net income or net income per share.

4) 2016 net income includes a \$0.9 million pre-tax realignment charge.

MOCON is in the business of measurement. We provide the world's most comprehensive range of premium instruments and services in each of our three business segments:

Package Testing



Introduced in early 2017, the CheckPoint 3 handheld headspace analyzer features the latest solid-state sensor technology that enables improved accuracy at twice the speed when compared to the previous model.

Permeation



The new OX-TRAN® 2/12 incorporates increased sensitivity and improved software for customers.

Industrial Analyzers and Other



The award winning piD-TECH® series of photoionization detectors are designed for installation ease in portable or stationary gas detection equipment.

LETTER TO SHAREHOLDERS

2016 IN REVIEW

At this time last year, I was lamenting our fiscal year 2015 financial performance. Our annual revenue was down 6% from 2014, and, although our bottom line improved from 2014, it was not where we had planned, mainly due to external forces. To “right the ship,” in the face of dramatically falling euro and oil prices, “round one” of our realignment plan became necessary as we exited the year.

Just one year later, I am excited to report the following:

- Our 2016 full year revenue was \$63.3 million, an increase of 4 percent from the \$60.8 million reported in 2015
- The year did not start out as strong as we hoped and, because the first half was flat, we triggered “round two” of our realignment plan. I am happy to say that it made a big difference
- We pushed the “One MOCON” theme very hard, resulting in a flatter matrixed organization – and as part of this initiative, we developed common vision and mission statements as well as stated values across the globe
- In April, we changed the name of Dansensor to MOCON Europe A/S which completes the One MOCON portion of our branding strategy. In 2015 we had previously changed the names of our German company Lippke to MOCON, GmbH and our Colorado company, Baseline, to MOCON
- Our third quarter of 2016 revenue was up by 7% over the third quarter of 2015, and our fourth quarter was up by 10% year-over-year, matching our best shipment quarter ever

- Our profitability is up substantially with fully diluted earnings per share of \$0.86 in 2016 compared to \$0.51 in 2015
- We paid off our entire credit line, and we increased our cash position, returning to our traditionally strong balance sheet

The work we started in late 2015 to improve our product cost and operating expense profile is really starting to pay dividends, as evidenced by our 2016 performance. I remain encouraged with our strong financial performance in the second half of 2016 and the healthy backlog position we held as we entered 2017.

MOVING FORWARD

We strongly believe that the work we completed in 2016 to realign the organization has well positioned us to realize our **vision**, which is *to increase the quality and safety of the products we purchase as consumers, and of our environment.*

Our **mission** is *to provide unparalleled solutions by developing state-of-the-art test and measurement instruments and services on which our customers can depend.*

Our corporate stated values are: integrity, innovation, high quality, customer focus, and respect.

With the recent addition of Mr. Maurice Janssen as our Senior Vice President of Global Sales and Marketing, along with the promotion of Mike Barto to Senior Vice President of Global Manufacturing and Engineering in late 2016, we have now completed the makeup of our executive upper management team. Mike and Maurice join Elissa and me in



leading the much flatter MOCON organization, one that is focused on achieving our goals while living up to MOCON's stated values.

For example, in the One MOCON organization, we have shifted our focus from one that is product based toward one that places more emphasis on our customers' needs. This does not mean that we will not continue developing leading edge technologies. It does mean that we are listening to the voice of our customers when defining requirements and that we have more emphasis in sales and marketing on finding solutions to our customer's problems.

In summary, the past 18 months' realignment of MOCON was the result of an incredible amount of work by our team, led by our top management group, of whom I am very proud. Today we have an experienced and highly capable group of visionary executives in our wheelhouse, and in my opinion, the best MOCON has had in years. I am optimistic about 2017 and beyond, and wish to thank our shareholders, employees, customers, suppliers and Board of Directors for their valuable support and engagement in MOCON's business.

Sincerely,

Robert L. Demorest
Chairman, President and Chief Executive Officer
April 18, 2017

EXECUTIVE TEAM

Maurice Janssen
Sr. Vice President of Global Sales and Marketing

Robert L. Demorest
Chairman of the Board, President and Chief Executive Officer of MOCON, Inc.

Elissa Lindsoe
Chief Financial Officer

Michael Barto
Sr. Vice President of Global Manufacturing and Engineering



SELECTED QUARTERLY FINANCIALS (Unaudited)

(In thousands, except per share data)

	Quarter			
	1st	2nd	3rd	4th
2016				
Revenue	\$ 14,730	\$ 15,631	\$ 16,060	\$ 16,890
Gross profit	\$ 8,104	\$ 8,771	\$ 9,198	\$ 9,584
Net income	\$ 488	\$ 789	\$ 1,964	\$ 1,759
Net income per common share:				
Basic	\$ 0.08	\$ 0.14	\$ 0.34	\$ 0.30
Diluted	\$ 0.08	\$ 0.14	\$ 0.34	\$ 0.30
2015				
Revenue	\$ 15,360	\$ 15,049	\$ 15,022	\$ 15,323
Gross profit	\$ 8,479	\$ 8,025	\$ 8,318	\$ 8,402
Net income	\$ 908	\$ 646	\$ 1,152	\$ 266
Net income per common share:				
Basic	\$ 0.16	\$ 0.11	\$ 0.20	\$ 0.05
Diluted	\$ 0.16	\$ 0.11	\$ 0.20	\$ 0.05

Note: The sum of the quarterly amounts above may not agree with annual amounts due to rounding.

COMMON STOCK INFORMATION:**Market for the Company's Common Stock and Related Shareholder Matters**

As of March 3, 2017 there were approximately 309 shareholders of record for the Company's common stock. The Company's common stock is quoted on the Nasdaq Global Market System under the symbol MOCO. The following table sets forth, for the periods indicated, the high and low closing prices for the Company's common stock as reported by the Nasdaq Global Market System and the amount of cash dividends declared on our common stock.

Quarter	2016			2015		
	High	Low	Dividend	High	Low	Dividend
1st	\$14.66	\$13.01	\$0.11	\$17.29	\$15.86	\$0.11
2nd	\$14.85	\$13.16	\$0.11	\$17.99	\$15.90	\$0.11
3rd	\$16.87	\$14.05	\$0.11	\$16.25	\$13.03	\$0.11
4th	\$19.65	\$15.05	\$0.11	\$15.20	\$13.54	\$0.11

Forward-Looking Statements

This report contains forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, the statements about MOCON's plans, objectives, strategies and prospects regarding, among other things, the Company's financial condition, results of operations, and business. Some of these forward-looking statements are identified with words such as "believe," "may," "could," "might," "forecast," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate" or "continue" and other words and terms of similar meaning. These forward-looking statements speak only as of the date of this report. MOCON undertakes no obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. In addition to the risks and uncertainties of ordinary business operations and conditions in the general economy and the markets in which MOCON competes, there are important factors that could cause actual results to differ materially from those anticipated by the forward-looking statements made in this report. These factors include, but are not limited to, our ability to realize the cost savings associated with the realignment plan implemented in 2015, fluctuations in foreign currency exchange rates, the terms of our credit agreement including financial covenants included therein, dependence on certain key industries, pricing and lack of availability of raw materials, crude oil pricing impact on oil exploration activities, and other factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and other documents MOCON files with or furnishes to the Securities and exchange Commission.

BOARD OF DIRECTORS



(from left to right)

Paul R. Zeller
CFO, Natureworks LLC

Robert L. Demorest
Chairman, President
and Chief Executive Officer
MOCON, Inc.

Robert F. Gallagher
Distinguished Service Faculty
University of St. Thomas

Kathleen Iverson
Retired Chair,
CEO of CyberOptics, Corp.

David J. Ward
General Manager
Cargill Process Optimizer

Tom C. Thomas
Partner
Pillsbury Winthrop Shaw
Pittman LLP

Bradley D. Goskowicz
Chief Executive Officer
Microbiologics, Inc.



EXECUTIVE TEAM



Robert L. Demorest
Chairman, President and
Chief Executive Officer

Elissa Lindsoe
Chief Financial Officer

Michael Barto
Sr. Vice President of Global Manufacturing
and Engineering

Maurice Janssen
Sr. Vice President of Global Sales and
Marketing





Company Headquarters

MOCON, Inc.
7500 Mendelssohn Avenue North
Minneapolis, Minnesota 55428 USA
763-493-6370
Email: info@mocon.com
Website: www.mocon.com

Independent Registered Public Accounting Firm

RSM US LLP
Minneapolis, Minnesota

Legal Counsel

Fox Rothschild LLP
Minneapolis, Minnesota

Common Stock

The common stock of MOCON is quoted on the Nasdaq Global Market System under the symbol MOCO.

Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, May 25, 2017 at 4:00 P.M. (CDT), at the Company Headquarters:
7500 Mendelssohn Avenue North
Minneapolis, Minnesota 55428

Form 10-K

A copy of the Company's annual report on Form 10-K accompanies this report and together they constitute MOCON's Annual Report to Shareholders.

Transfer Agent

Inquiries concerning transfer requirements, stock holdings, dividend checks and change of address should be directed to:
Wells Fargo Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120
Website: www.shareowneronline.com
Toll-free phone number: 855-598-5489

MOCON, Inc. is an Equal Opportunity/Affirmative Action Employer who is committed to seeking qualified candidates for all positions regardless of race, sex, age, religion, color, national origin, physical or mental disability, sexual orientation, marital status or status with regard to military service or public assistance.

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