



MOCON (Nasdaq symbol: MOCO) is in the business of measurement. We provide the world's most comprehensive range of premium instruments and services in each of four business areas:

- package testing
- permeation
- industrial analyzers
- microbial detection

By measuring and analyzing invisible gases, MOCON's products deliver tangible and crucial benefits for our customers and the markets they serve. Our products provide benefits that range from improving shelf life, taste and freshness, to environmental air and water quality – and that translates into more efficient and profitable operations for our customers. Across all our business areas, the MOCON name is synonymous with high quality, accuracy and state-of-the-art technology.

As a high-tech company with unique capabilities and a substantial intellectual property portfolio, we maintain our leadership position by constantly refining and adding to our product offerings. We specialize in delivering reliable overall solutions to our customers' needs, and maintaining an industry-leading level of international service and support, made possible by facilities in seven countries and a global network of more than 75 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.

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)

Year Ended December 31	2015 ⁽³⁾	2014 ⁽²⁾	2013	2012 ⁽¹⁾	2011
Operations Data:					
Revenue	\$ 61,224	\$ 64,475	\$ 57,108	\$ 49,941	\$ 37,361
Net income	\$ 2,972	\$ 1,536	\$ 3,461	\$ 2,002	\$ 5,451
Net income per share:					
Basic	\$ 0.52	\$ 0.27	\$ 0.62	\$ 0.37	\$ 1.02
Diluted	\$ 0.51	\$ 0.27	\$ 0.61	\$ 0.35	\$ 0.98
Cash dividends declared per share	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.42	\$ 0.40
Balance Sheet Data:					
Current assets	\$ 24,702	\$ 27,501	\$ 27,570	\$ 26,913	\$ 23,357
Total assets	\$ 47,419	\$ 52,509	\$ 58,704	\$ 57,220	\$ 39,705
Current liabilities	\$ 9,600	\$ 15,449	\$ 16,935	\$ 16,494	\$ 6,140
Noncurrent liabilities	\$ 4,348	\$ 2,587	\$ 4,300	\$ 6,845	\$ 325
Shareholders' equity	\$ 33,471	\$ 34,473	\$ 37,469	\$ 33,881	\$ 33,240

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.

50 YEARS OF CONTINUOUS INNOVATION

measuring the Invisible

1963



Company founded by its first CEO, **H.L. Demorest**, a physicist who worked at General Mills, Inc. in Minneapolis. In 1964 the **IRD-2C** was introduced, the world's first instrument to dynamically measure water vapor permeation through coated papers.



1966



Company incorporated as **Modern Controls, Inc.**, known almost immediately as **MoCoN**.

1971



Introduced the **OX-TRAN® 100**, the world's first dynamic oxygen permeation measuring instrument. First international sales in 1972 to Japan and to Germany.

Still the major standard today for the measurement of WVTR (water vapor transmission rate), the **PERMATRAN-W®** was introduced in 1974.



1991

Introduction of the Next Generation of permeation instrumentation, the **OX-TRAN® 2/20** and **PERMATRAN-W® 3/30** product lines.



1983

Introduced the world's first computerized oxygen permeation measuring instrument, the **OX-TRAN® 1000**.



W.N. Mayer named CEO, President and COB upon the retirement of the founder, H.L. Demorest.

1976

Company reached **\$1M in sales** in 1976 and introduced the **VERICAP 1200**, the world's first high speed pharmaceutical capsule weighing and sorting system in 1979.



1997

Development of the **OX-TRAN® "L"**, the world's first high sensitivity instrument for ultra-high oxygen barrier measurements.



2000

R.L. Demorest named CEO, President and COB upon the retirement of W.N. Mayer.



Acquired the gas detection manufacturing company **Baseline Industries**, located in Lyons, Colorado in 2001.

2004

Acquired MOCON's main European sales and service provider, the company **Paul Lippke Handels**, located in Neuwied, Germany.



2014

Introduced the Next Generation of permeation measuring instruments, the **OX-TRAN® 2/22** and the **PERMATRAN-W® 3/34**.



2012

Acquired **Dansensor**, the leading manufacturer of MAP (modified atmosphere packaging) gas measuring systems for the food industry, located in Ringsted, Denmark.



2010

Invested in new fluorescent optical gas sensing technologies by buying a stake in **Luxcel Biosciences, Ltd.**, located in Cork, Ireland.



2016 February 2016 – 50th Anniversary of MOCON



LETTER TO SHAREHOLDERS

2015 HIGHLIGHTS

- Overall revenue grew 3 percent on a Constant Currency basis
- Double digit organic growth in core businesses (Permeation and Package Testing Segments) on a Constant Currency basis
- Fully diluted earnings per share of \$0.51
- Reduced debt by \$1.6 million and maintained \$6.3 million in cash and cash equivalents

Overall 2015 revenue grew 3 percent on a Constant Currency basis. Our core businesses, Permeation and Package Testing, comprised 86 percent of our overall revenue on a Constant Currency basis and each of those segments grew 11 percent organically year-over-year. The remaining 14 percent was derived by our Industrial Analyzers and Other segment. This segment was down 27 percent year-over-year, and continues to be impacted by the soft oil and gas market.

Reported revenue decreased 5 percent as compared to 2014. Six percentage points of year-over-year decline was driven by the impact of the oil and gas industry.

Reported revenue from foreign customers accounted for 66 percent (39 percent in Europe, 27 percent outside of Europe & the U.S.A.) of total revenue for the year ended December 31, 2015 compared to 69 percent (41 percent in Europe, 28 percent outside of Europe & the U.S.A.) in 2014.

Net income was \$3.0 million, or \$0.51 per diluted share, compared to \$1.5 million, or \$0.27 per diluted share in the year ago period. 2015 includes a \$1.0 million charge

for realignment expenses while 2014 includes a \$3.2 million charge for the impairment of the investment in an affiliated company.

CELEBRATING 50 YEARS OF INNOVATION AND CUSTOMER SUPPORT

MOCON was founded in 1966 with a newly patented technology that dramatically improved the standard test method for measuring the permeation rates of water vapor through barrier packaging materials.

MOCON's new method was 10x faster, more accurate, and much easier to use than prior methods. This critical test for food manufacturers and their suppliers, especially with dry packaged consumer products like cereal, salty snacks, crackers, baked goods, and powders, ensures a product shelf life that is safe, known, and predictable.

With the additional development of a patented new way to measure oxygen permeation in 1971, which is an important test for packagers of meats, cheeses, condiments, and chips and oily snacks, the Company's products slowly became the international standard for these types of tests across multiple industries.

Then in 1980, something groundbreaking happened. With the commercial development and introduction of early polymers like polypropylene and polyethylene, food and beverage companies began to replace their long-established packaging materials with these new polymers. Traditional flexible materials like cellophane, foil, waxed glassine, coated papers, and also rigid materials like glass and metal were replaced by plastics over the next 20 years, a process that continues today.

Constant Currency Impact by Business Segment – Year Ended December 31,

(\$ in thousands)	As Reported		Year-Over-Year Growth		Currency Impact on 2015 Growth	2015 Revenue at Constant Currency	Year-Over-Year Constant Currency Growth %
	2015	2014	\$	%			
Package Testing	\$ 26,583	\$ 28,071	\$ (1,488)	-5%	\$ (4,446)	\$ 31,029	11%
Permeation	25,069	23,380	1,689	7%	(896)	25,965	11%
Industrial Analyzers and Other	9,572	13,024	(3,452)	-27%	–	9,572	-27%
Total Revenue	\$ 61,224	\$ 64,475	\$ (3,251)	-5%	\$ (5,342)	\$ 66,566	3%

MOCON's management evaluates its financial results on a constant currency basis which is calculated by adjusting the current period reported revenue to the comparative period's currency translation rate ("Constant Currency") and believes that investors may want to consider this impact on the Company's performance. The method MOCON uses to calculate Constant Currency is likely to differ from the methods used by other companies and should not be regarded as a replacement for corresponding GAAP measures. MOCON believes that this non-GAAP measure provides useful information to the Company's Board of Directors, management and investors regarding certain trends relating to its performance. MOCON's management uses this non-GAAP measure to compare the Company's performance to that of prior periods for trend analyses and planning purposes and to assess performance under compensation plans.

MOCON was in the right place at the right time, with the right technology – one that was widely accepted, and accredited. Why was this so important? Because all plastics permeate. All of the new materials had different gains or losses of water vapor, oxygen, and carbon dioxide from the original packages, making it necessary to test all package designs, and batches of polymer materials for permeation rates of gases. The shelf lives had all changed!

Today, due largely to the 10,000 new packaged products introduced each year, MOCON remains the global leader in this segment, with over 90% of the market share.

In the ensuing years, the Company acquired Baseline Industries of Lyons, Colorado in 2001, and Dansensor in Ringsted, Denmark in 2012. Both of these acquisitions have added superior, market leading gas detection and measurement technologies, as well as new market segments to the MOCON family of products and services.

Now, as we celebrate our 50th anniversary, MOCON, Inc. has over 250 employees on three continents, systems installed on six continents, and an impressive history of profitability, revenue growth, dividends, and stability.

We eagerly look forward to our next 50 years, with many more products and markets to enter, and thank our shareholders, employees, and especially our customers for their generous support and loyalty.

Sincerely,



Robert L. Demorest
Chairman, President and Chief Executive Officer
April 10, 2016



SELECTED QUARTERLY FINANCIALS (Unaudited)

(In thousands, except per share data)

	Quarter			
	1st	2nd	3rd	4th
2015				
Revenue	\$ 15,360	\$ 15,049	\$ 15,492	\$ 15,323
Gross profit	\$ 8,479	\$ 8,025	\$ 8,318	\$ 8,402
Net income (loss)	\$ 908	\$ 646	\$ 1,152	\$ 266
Net income (loss) per common share:				
Basic	\$ 0.16	\$ 0.11	\$ 0.20	\$ 0.05
Diluted	\$ 0.16	\$ 0.11	\$ 0.20	\$ 0.05
2014				
Revenue	\$ 15,313	\$ 15,574	\$ 16,650	\$ 16,938
Gross profit	\$ 8,389	\$ 8,722	\$ 9,562	\$ 9,441
Net income (loss)	\$ 730	\$ 1,165	\$ 1,674	\$ (2,033)
Net income (loss) per common share:				
Basic	\$ 0.13	\$ 0.21	\$ 0.30	\$ (0.36)
Diluted	\$ 0.13	\$ 0.20	\$ 0.29	\$ (0.36)

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 1, 2016 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	2015			2014		
	High	Low	Dividend	High	Low	Dividend
1st	\$17.29	\$15.86	\$0.11	\$17.43	\$15.72	\$0.11
2nd	\$17.99	\$15.90	\$0.11	\$17.12	\$15.07	\$0.11
3rd	\$16.25	\$13.03	\$0.11	\$16.44	\$14.88	\$0.11
4th	\$15.20	\$13.54	\$0.11	\$18.50	\$13.00	\$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, 2015 and other documents MOCON files with or furnishes to the Securities and exchange Commission.

BOARD OF DIRECTORS

(from left to right)

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

David J. Ward
General Manager
Cargill Process Optimizer

Kathleen Iverson
Retired Chair,
CEO of CyberOptics, Corp.

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

Daniel W. Mayer
Chief Technology Advisor
MOCON, Inc.

Donald N. DeMorett
Chief Operating Officer
MOCON, Inc.

Paul R. Zeller
CFO, Natureworks LLC

Bradley D. Goskowicz
Chief Executive Officer
Microbiologics, Inc.

Tom C. Thomas
Partner
Pillsbury Winthrop Shaw
Pittman LLP



EXECUTIVE TEAM

Robert L. Demorest
Chairman, President and
Chief Executive Officer

Donald N. DeMorett
Chief Operating Officer

Elissa Lindsoe
Chief Financial Officer



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 Wednesday, May 26, 2016 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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