Annual Report
2012

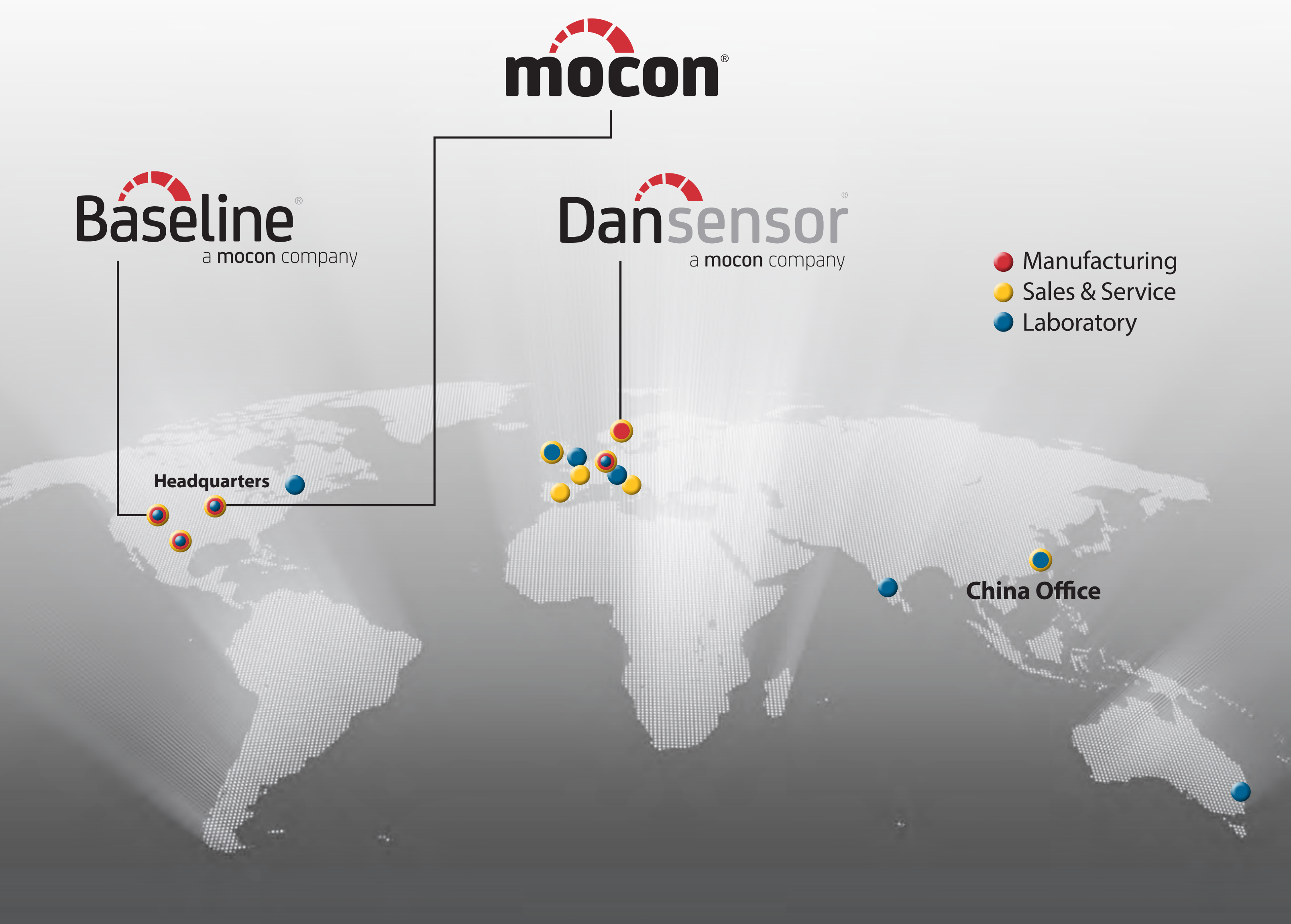
Products and Technology for Today with an Investment in the Future

mocon®

About the Company

MOCON, Inc. (Nasdaq symbol MOCO) is a leading provider of detectors, instruments, systems and consulting services to research laboratories, manufacturers' quality control and safety departments in the healthcare, pharmaceutical, food and beverage, packaging, environmental, oil and selected gas and other industries worldwide.

The Company currently has installations in 79 countries, representing six continents. In addition to its Minneapolis, Minnesota headquarters, MOCON has U.S. facilities in Colorado and Texas, as well as wholly-owned and operating locations in Denmark, Germany, France, Italy, Spain and China to better serve global needs. Its multilingual professionals are able to provide direction in many native languages. MOCON's international footprint is further supported by an extensive network of over 100 distributors.



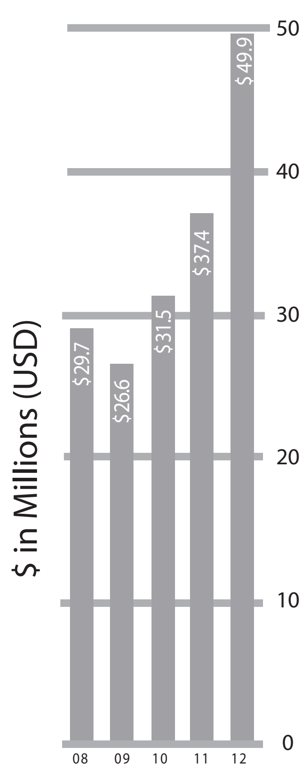
Financial Highlights

(In thousands, except per share data)

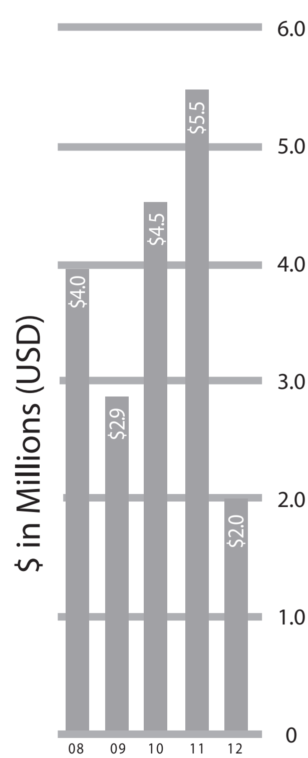
Year Ended December 31	2012*	2011	2010	2009	2008
Operations Data:					
Sales	$ 49,941	$ 37,361	$ 31,549	$ 26,638	$ 29,696
Net income	$ 2,002	$ 5,451	$ 4,518	$ 2,910	$ 4,059
Net income per share:					
Basic	$ 0.37	$ 1.02	$ 0.87	$ 0.54	$ 0.73
Diluted	$ 0.35	$ 0.98	$ 0.84	$ 0.53	$ 0.72
Cash dividends declared per share	$ 0.42	$ 0.40	$ 0.38	$ 0.36	$ 0.34
Balance Sheet Data:					
Current assets	$ 26,913	$ 23,357	$ 19,399	$ 23,706	$ 22,357
Total assets	$ 57,220	$ 39,705	$ 34,339	$ 30,327	$ 32,953
Current liabilities	$ 16,494	$ 6,140	$ 5,632	$ 4,088	$ 4,464
Noncurrent liabilities	$ 6,845	$ 325	$ 298	$ 257	$ 271
Stockholders' equity	$ 33,881	$ 33,240	$ 28,409	$ 25,982	$ 28,218

*Includes the results of the Dansensor business acquired April 2, 2012.

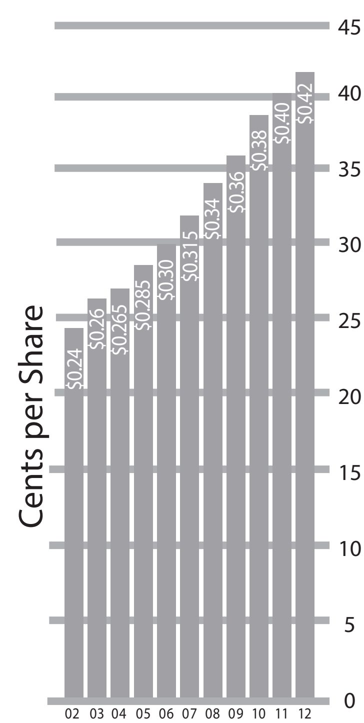
Sales



Net Income



Dividends



Letter to Shareholders

The year 2012 was one of investment for the Company, with aim to position us strongly for continued success. Sales for 2012 totaled $49.9 million, an increase of 34% compared to $37.4 million during 2011. Net income and diluted earnings per share were $2.0 million and $0.35, respectively, for the year ended December 31, 2012, compared to $5.5 million and $0.98 for the same period in 2011.

Historically Strong Financial Performance

MOCON has been known for historically strong financial performance and consistently increasing dividends. Organic growth in 2010 and 2011 was especially strong, at 18% both years. During 2012, the Company took steps to increase revenue even faster and establish itself as a market leader in additional markets with the Dansensor acquisition. While revenue increased to an all time record, our profitability was reduced and profit margins were lower than our historical averages as a result of this acquisition. We believe that this strong revenue growth, increased market share and addition of experienced management will lead us back to the financial performance our shareholders have come to expect from MOCON. Our goals continue to be organic growth where possible, with an occasional strategic acquisition, partnership, or investment as demonstrated this past year.

We continue to be shareholder focused, with a proven track record of growth, profits, dividends, and increasing market capitalization. Our management team is focused on optimizing the various financial metrics that will help us profitably grow in our three business segments.

With the addition of Dansensor, we have added experienced management in the Package Testing Products and Services area of our business. A stronger presence in Europe enhances our already strong global business with approximately 60% of revenue now coming from outside the United States.

New Additions to the Management Team and the Board of Directors

Early in 2013, the Company hired Donald DeMorett to the newly created position of Chief Operating Officer. Mr. DeMorett has been a member of MOCON's Board of Directors since 2006. He has a lengthy background in manufacturing and the packaging industry that strengthens our team.

During 2012, two of our long time Board members, Dean Chenoweth and J. Leonard Frame, retired. Subsequently, the Company added two new professionals possessing solid experience directly related to growth areas for the Company. We are pleased to welcome Bradley Goskowicz and David Ward. Mr. Goskowicz is currently the Chief Executive Officer of Microbiologics, Inc. a private company that is a leading provider of biomaterials used for quality control in microbiology laboratories in the food, water and pharmaceutical markets. Mr. Ward is currently a General Manager of Cargill Process Optimizers, a provider of technical services and software that assists many of the largest food and beverage companies to improve their efficiencies worldwide. Each of these experienced executives brings a set of skills in a major growth market where our company excels, namely the food packaging and processing industry, and the health care and medical device market.

Well Positioned for Growth with People, Products and Technology

Revenue Growth and Business Drivers

We are seeing promising opportunities in all of our market segments and are pleased with our product and technology positioning. Increasing concerns from companies and increasing government regulation in the following areas are business drivers for MOCON.

- Improved food and beverage safety for consumers
- Better food distribution and preservation in developing countries
- Increased oil and gas exploration
- Environmental and other "green" initiatives
- Improved safety for workers

To capitalize on these trends, the Company is now structured into three business segments: Permeation Products and Services, Package Testing Products and Services, and Industrial Analyzers and Other Products. MOCON has long been the global leader in providing innovative permeation testing instrumentation for the food, beverage and pharmaceutical industries. The Company now is also the market leader in Modified Atmosphere Packaging (MAP) testing which is a growing market in the food and pharmaceutical industries. The Company's Industrial Analyzer segment competes in a variety of markets and is a preferred vendor in the oil and gas exploration field, as well as in the testing for purity of carbon dioxide used in carbonated beverages.

These three business segments have experienced targeted research and development and sales and service focused on growth and profitability.

During 2012 we were driven to organize the Company to take advantage of our expanded management expertise and our product portfolio, thereby resulting in the top-line growth we are aggressively pursuing in our markets.

Management Team:
Top from the left: Alan Traylor, Business Manager, MOCON, Franz Sturm, Managing Director, Lippke - Europe, Daniel Mayer, Executive Vice President and C.T.O., MOCON, Jesper Bilde, Managing Director, Dansensor, Robert Forsberg, V.P. MOCON, President, Baseline-MOCON, Douglas Lindemann, Vice President and General Manager, MOCON
Bottom from left: Darrell Lee, Vice President and C.F.O., MOCON, Robert Demorest, Chairman, President and C.E.O., MOCON, Donald DeMorett, C.O.O., MOCON

Providing Solutions and Creating Technological Value for Customers.

The Company's product portfolio is strong and continues to incorporate innovation and technological advances addressing the needs of customers. Several product areas have new leading-edge technologies and advanced software improvements. With nearly 95 patents in force and 60 more pending, the Company continues its emphasis on new product development. We have a robust pipeline of next-generation solutions to assist our customers. We offer unique leading technology which provides solutions to critical aspects of our customers' businesses - now and in the years ahead.

Looking Forward

We enjoy a large installed base of satisfied instrument owners world-wide. MOCON remains financially strong and we know how to create a good value for our investors. We are committed to corporate governance, accountability and the highest standards of quality in the products and services we provide. We thank you for your continued trust, partnership and support.

Sincerely,

Robert L. Demorest
Chairman, President and Chief Executive Officer
April 9, 2013

MOCON is the world's leader in the development and manufacture of test and measurement systems for permeability of barrier materials. These include oxygen permeation (OTR), water vapor permeation (WVTR), and carbon dioxide permeation (CO_2 TR) testing instruments. These products are used by food and beverage, pharmaceutical, medical and packaging industries worldwide.

Our customers use these systems to develop new materials, design packaging, assess package integrity, perform shelf life evaluation, reduce package costs, and assure the safety and quality of their products.

Globally over 12,000 new food and beverage products are launched each year*, with an additional 10,000 beauty and personal care, household, health and hygiene and pet products. In almost all cases, these require new barrier packaging assessments.

MOCON's business is to provide unique solutions to these companies, not only as an instrument manufacturer, but also as a research and quality assurance consultant. We maintain the largest permeation testing laboratory in the world, and offer laboratory and consulting services in all applicable markets.

Spanning the Globe to Help our Customers

With our products in use in 79 countries, MOCON is well known for its capability to assist customers developing new products, and those dealing with quality and cost issues with existing products.

The AQUATRAN® Model 2 was designed for ultra sensitive moisture permeation applications for solar cells, OLED displays (flat panel and big screen TVs), and packaging where accuracy and extreme sensitivity are necessary. This instrument is ideally suited for developers, manufacturers and converters of ultra-high barrier films and coatings, as well as packagers using ultra-high barrier films to help extend product shelf life.

Also introduced was the OpTech® product line incorporating a non-invasive method of measuring oxygen concentration in sealed packages. This hand-held unit is the ideal multi-purpose analyzer for food, beverage, pharmaceuticals and medical device applications where measuring oxygen and understanding its effect on product and product shelf life is critical.

*Source: Mintel Global New Products Database (GNPD) 2012

Permeation Test Systems
Laboratory Testing Services
Material Testing
Shelf Life Studies
Contract Consulting
Odor / Aroma Analysis
Package Design



Package Test Systems
Headspace
Leak Detection
Burst & Seal Strength
Gas Mixing
Dissolved Oxygen
Transportation Studies

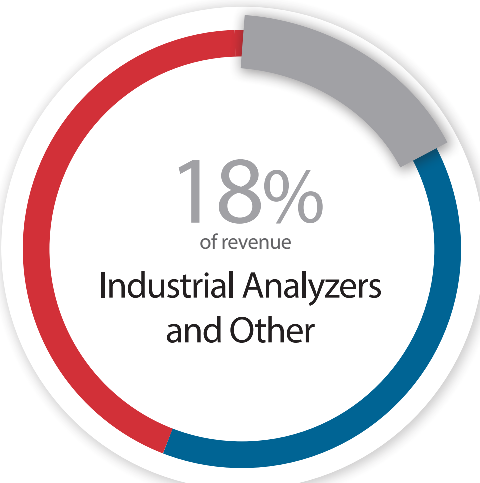
Our Company, with the addition of Dansensor, is now the world's largest developer and manufacturer of package testing systems to assess package integrity, package safety, seal strength, leak testing and headspace analysis. This new business unit makes us a "one stop shop" for food companies utilizing Modified Atmosphere Packaging (MAP), which involves flushing food packages with inert gases prior to sealing. In the past, fresh foods were packaged in bags, boxes, or packs containing "air," with a general composition of 79% nitrogen and 21% oxygen. MAP technology allows the packaging of fresh foods in specialized gas atmospheres. The first use of this technology was in the mid 20th century when elevated levels of carbon dioxide were used during transport of some bulk meats and fruit to extend their shelf life. MAP technology today is commonly used in fresh and processed foods sold by retailers around the world. Food is different - and so is the gas composition used to pack different food products. Red meat needs high oxygen to maintain the red color, bread requires low oxygen to avoid mold, and vegetables often need a three-gas mixture. This proven MAP technology is a safe and easy way to extend the shelf life of perishable products, without the use of preservatives or other artificial chemicals.

A Variety of Packaging Applications

MOCON offers a variety of leading edge technologies developed to ensure that the gas mixture is correct, and to test that sealed packages contain the right mixture, and do not leak. Certain instruments reduce the amount of gas needed and lower cost, and other units offer on-line gas analysis for improved quality assurance applications.

Other package testing instruments are used to evaluate the headspace composition in a package, while others are designed to check for leaks or seal strength. MOCON offers bench top, hand-held and portable designs to address the various needs of customers.

The recently introduced MAP Check™ 3 gas analyzer provides a smarter way to control the MAP process. The required gas target percentage is very precise and stops the all-too-common practice of operators being too generous with the gas, not realizing its effect on production costs. For most manufacturers, this translates into a decreased gas consumption of 20-50%, with a big increase in reliability and efficiency.



OEM Sensors
On-Line and
Toxic Gas Monitoring
Water Analysis
Microbial Detection
Products

MOCON's Industrial Analyzer Business Unit manufactures toxic gas monitoring systems, air quality testing equipment, and custom gas analyzers and detectors for a variety of industrial users including oil and gas exploration, and carbonated beverage and analysis applications.

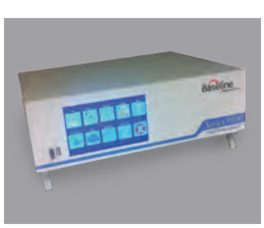
This sector addresses applications in many industrial markets. Indoor air quality testing ensures employees are safe and in compliance with OSHA norms. Our toxic gas monitors are among the most reliable in the industry. Air quality testing is crucial to ensure a safe working environment. Detection of trace impurities in specialty gases is critical - for carbonated beverage bottlers, industrial gas manufacturers, distributors and end users - all concerned with product quality and safety.

Markets with Targeted Technologies

Our BevAlert® on-line carbon dioxide purity analyzer protects from adverse recalls due to possible CO_2 contamination. Recent recalls in production from major beverage manufacturers have prompted beverage companies to focus on the quality of the CO_2 they use in their carbonated beverages. The carbonated beverage industry is consequently budgeting for future installation of CO_2 purity analyzers worldwide.

The PetroAlert® targets users in oil and gas exploration. This system combines the excellent selectivity of gas chromatography with the sensitivity, broad dynamic range, and hydrocarbon identification of a flame ionization detector (FID), by providing fast analysis of C1-C5 hydrocarbons required in mud logging for oil and gas exploration. It offers the improved accuracy achieved using FID based gas detection systems, widely recognized as the industry standard by the majority of oil and gas companies for mud logging.

MOCON's GreenLight® series of microbial detection systems, in conjunction with our partner, Luxcel Biosciences Limited, of Cork, Ireland offers food producers the ability to screen incoming ingredients and/or outgoing processed product for live bacteria. This technology obtains results ten times faster than traditional methods, at a screening cost much lower than current techniques.



Selected Quarterly Financial Data (Unaudited)

(In thousands, except per share data)

	Quarter 1st	2nd	3rd	4th
2012				
Sales	$ 9,183	$ 13,199	$ 12,306	$ 15,252
Gross profit	$ 5,809	$ 6,334	$ 6,713	$ 8,478
Net income (loss)	$ 821	$ (142)	$ 493	$ 830
Net income (loss) per share:				
Basic	$ 0.15	$ (0.03)	$ 0.09	$ 0.15
Diluted	$ 0.14	$ (0.03)	$ 0.09	$ 0.15
2011				
Sales	$ 9,075	$ 9,082	$ 9,463	$ 9,741
Gross profit	$ 5,815	$ 5,580	$ 5,977	$ 6,096
Net income	$ 1,317	$ 1,224	$ 1,517	$ 1,393
Net income per share:				
Basic	$ 0.25	$ 0.23	$ 0.28	$ 0.26
Diluted	$ 0.24	$ 0.22	$ 0.27	$ 0.25

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 Stockholder Matters

As of March 11, 2013, there were approximately 290 record shareholders of 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 fiscal periods indicated, the high and low sales 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.

	2012			2011		
Q	High	Low	Dividend	High	Low	Dividend
1st	$20.15	$15.75	$0.105	$14.77	$11.97	$0.10
2nd	$17.85	$15.07	$0.105	$15.49	$13.91	$0.10
3rd	$15.95	$14.27	$0.105	$17.67	$12.20	$0.10
4th	$15.23	$14.00	$0.105	$17.00	$13.76	$0.10

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, statements regarding MOCON's expected growth and financial position, and other statements that can otherwise be identified by words such as "will," "may," "expect," "believe," "anticipate," "estimate," "continue," or other similar expressions. All 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, uncertainties relating to competition and technological change, worldwide economic and political stability, setbacks in product development programs, slower-than-anticipated customer acceptance of new products, dependence on certain key industries, risk associated with MOCON's acquisition strategy and international operations, and other factors set forth in MOCON's Annual Report on Form 10-K for the year ended December 31, 2012 and other filings with the Securities and Exchange Commission.

Company Headquarters

MOCON, Inc.
7500 Mendelssohn Avenue North
Minneapolis, Minnesota 55428 USA
763-493-6370

Independent Registered Public Accounting Firm

KPMG LLP
Minneapolis, Minnesota

Legal Counsel

Oppenheimer Wolff & Donnelly LLP
Minneapolis, Minnesota

Market Makers

Wedbush Securities Inc.
UBS Securities LLC
Merrill Lynch, Pierce, Fenner & Smith Inc.
Citadel Securities LLC
M.S. Howells & Co.

Investor Relations Contact

Shareholders and prospective investors are welcome to call or write MOCON with questions or requests for information. Inquiries should be directed to Investor Relations at the Company Headquarters address.

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 23, 2013 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: 800-468-9716

Board of Directors

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

Donald N. DeMorett
Chief Operating Officer
MOCON, Inc.

Daniel W. Mayer
Executive Vice President
and Chief Technology Officer
MOCON, Inc.

Richard A. Proulx
Independent Consultant

Tom C. Thomas
Partner
Pillsbury Winthrop Shaw
Pittman LLP

Robert F. Gallagher
Adjunct Professor
University of St. Thomas

Bradley D. Goskowicz
Chief Executive Officer
Microbiologics, Inc.

David J. Ward
General Manager
Cargill Process Optimizer

Executive Officers

Robert L. Demorest
Chairman, President and
Chief Executive Officer

Donald N. DeMorett
Chief Operating Officer

Daniel W. Mayer
Executive Vice President and
Chief Technology Officer

Darrell B. Lee
Vice President,
Chief Financial Officer,
Treasurer and Secretary

Douglas J. Lindemann
Vice President and
General Manager

Robert E. Forsberg
Vice President and
President
Baseline-MOCON, Inc.

Direct Stock Purchase Plan

MOCON's transfer agent, Wells Fargo Shareowner Services, administers the direct stock purchase plan, which is called the Direct Stock Purchase and Dividend Reinvestment Plan. Features of this plan include direct stock purchase and reinvestment of dividends to purchase whole or fractional shares of MOCON stock. All registered shareholders and potential investors may participate. To request information or to enroll in the plan, contact Wells Fargo Shareowner Services at 855-598-5489. You may also enroll via the internet by visiting www.shareowneronline.com and selecting "Direct Purchase Plan."

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Minneapolis, Minnesota 55428 USA
Phone: 763-493-6370
Email: info@mocon.com
Website: www.mocon.com

PART I

This annual report on Form 10-K contains or incorporates by reference not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by those sections. We refer you to the information under the heading "Part I. Item 1. Business—Forward-Looking Statements."

As used in this annual report on Form 10-K, references to "MOCON," the "Company," "we," "our" or "us," unless the context otherwise requires, refer to MOCON, Inc. and our subsidiaries.

All trademarks or trade names referred to in this report are the property of their respective owners.

ITEM 1. BUSINESS

MOCON, Inc. designs, manufactures, markets and services products, and provides consulting services, primarily in the test and measurement, analytical instrument and services markets. Our products include instruments that detect, measure and monitor gases and other chemical compounds which help our customers improve the quality of their products, as well as develop new products.

Our gas and vapor permeation instruments were first used in the food packaging industry, starting in the 1970s, to measure small amounts of moisture which can adversely affect dry cereals and other food packaging. Today our core business, the detection, measurement and analysis of vapors and gases, serves industries far beyond food packaging. Our products serve markets such as foods, beverages, pharmaceuticals and consumer products, oil and gas exploration and industrial and environmental safety. Our newest analyzers measure the parameters necessary to predict the safe shelf life of packaged foods.

Our principal business strategy is to employ our product development and technological capabilities, manufacturing processes and sales and marketing skills where we can successfully penetrate the market and become a leader in the segment. Our management team continually emphasizes product innovation, product performance, quality improvements, cost reductions and other value-adding activities. We seek growth opportunities through technological and product improvement, by acquiring and developing new products, by acquiring companies or new product lines, or by purchasing the rights to existing technologies.

MOCON, Inc. was incorporated as a Minnesota corporation in February 1966, and was initially involved in the commercialization of technology developed for the measurement of water vapor permeating through food packaging materials. Today, the key drivers in the industries we serve are food and beverage product safety and quality, improving workplace safety, supplying testing equipment for oil and gas exploration, and analyzing the quality of air both indoors and outdoors.

Our current plans for growth include continued substantial funding for research and development to foster new product development and to pursue strategic acquisitions and investments where appropriate.

Our principal executive offices and worldwide headquarters are located at 7500 Mendelssohn Avenue North, Minneapolis, Minnesota 55428 USA, and our telephone number is (763) 493-6370. Our website address is *www.mocon.com.* The information contained on our website or connected to our website is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this report.

We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the detects leaks and checks for seal integrity by applying and measuring pressure within a package. The third type pulls a vacuum on a package and looks for vacuum or gas flow changes. The principal markets for these products are packagers of sterile medical items, pharmaceuticals and food products. Our leak detection products include the LeakMatic II™ and LeakPointer II™ series of instruments.

Our gas mixers are used in the food production environment to assure that the package has been properly flushed with the correct mixture of gases. Our gas mixer products include the MAP Mix Provectus and MAP Mix 9001 on-line instruments. Our package testing products and services group accounted for 39%, 12% and 12% of our consolidated sales in 2012, 2011 and 2010, respectively.

Industrial Analyzer Products and Services and Other

Sales at our Baseline-MOCON, Inc. (Baseline) subsidiary located near Boulder, Colorado comprise the majority of sales in this segment. Baseline offers advanced gas analysis and monitoring instrumentation used in applications such as oil and gas exploration, process gas analysis, industrial hygiene and safety, environmental air monitoring and indoor air quality.

In this group, we manufacture and sell two types of gas analyzer instruments: gas chromatographs (GCs) and total hydrocarbon analyzers (THAs). These instruments are typically installed in fixed locations at the monitoring sites and perform their functions of detecting and measuring various hydrocarbons continually or at regular intervals. We also make gas sensors and detectors which are sold to original equipment manufacturers (OEMs) of mobile gas safety equipment.

Our industrial analyzer products, sensors and detectors are for use in industrial hygiene (detection of hazardous gases in the workplace), hydrocarbon gas analysis for oil and gas exploration, contaminant detection in the manufacture of specialty gases, and environmental monitoring (tracking the release, or the presence, of toxic substances). Our newest GC offering measures trace levels of contaminants in beverage grade carbon dioxide which is used to carbonate soft drinks, beer and water.

Sales of our Baseline gas analysis and monitoring products accounted for approximately 17% to 18% of our consolidated sales in each of the years 2012, 2011 and 2010. We market some of these products under the names BEVALERT®, PETROALERT®, and piD-TECH®.

Microbial Detection Products

Our microbial detection products are designed to rapidly detect microbial growth in food and beverage samples. Using the total viable count (TVC) method, our GreenLight® series of instruments perform rapid and precise measurements to determine the presence or absence of aerobic bacteria in food products or ingredients. There are two models of the GreenLight product line currently available. As of December 31, 2012, there have not been significant sales of this product line.

Our industrial analyzer products and services and other group accounted for 18%, 20% and 21% of our consolidated sales in 2012, 2011 and 2010, respectively.

Competition

We have several competitors for all of our products and services in both foreign and domestic markets. The principal competitive factors for our products and services are:

- product quality and performance;
- product reliability;
- product support; and
- price.

For information concerning our export sales by geographic area, see Note 18 of the notes to consolidated financial statements. We market products and services to research laboratories, production departments and quality control groups in the life science, medical, food, pharmaceutical, plastics, paper, electronics, oil and gas and other industries. One independent representative accounted for approximately 10% of our consolidated sales in 2010. We do not believe that the loss of any single customer would have a material adverse effect on our business or financial performance.

Backlog

As of December 31, 2012, our total backlog was $4,893,000 for all of our products as compared to $4,686,000 and $6,055,000 as of December 31, 2011 and 2010, respectively. The increase in backlog at the end of 2012 was due to the addition of Dansensor's unshipped orders, offset by a lower domestic backlog as a result of a strong fourth quarter shipping volume. We anticipate shipping substantially all of the current backlog in 2013.

Research and Development

We are committed to an ongoing engineering program dedicated to innovating new products and improving the quality and performance of our existing products. Our engineering expenses are primarily incurred in connection with the improvement of existing products, cost reduction efforts, and the development of new products that may have additional applications or represent extensions of existing product lines. None of these costs are borne directly by our customers.

We incurred expenses of $3,636,000, $2,403,000 and $2,135,000 during the fiscal years ended December 31, 2012, 2011 and 2010, respectively, for research and development (R&D) of our products. These amounts were approximately 6% to 7% of our consolidated sales for each of those three fiscal years. On an annual basis, we currently intend to spend approximately 6% to 8% of our consolidated sales on R&D in the future.

Working Capital Practices

We strive to maintain a level of inventory that is appropriate given our projected sales. Our domestic and international payment terms vary, however, generally range between 30 and 90 days. International sales are, in some cases, transacted pursuant to letters of credit.

Seasonality

Our business is not seasonal in nature.

Employees

As of December 31, 2012, we had approximately 250 full-time employees. Included in this total are approximately 25 scientists and engineers who research and develop potential new products. None of our employees are represented by a labor union, and we consider our employee relations to be satisfactory.

our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations, addressable market size estimates and business. We have identified some of these forward-looking statements with words like "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 may be contained in the notes to our consolidated financial statements and elsewhere in this Annual Report on Form 10-K, including under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses as well as matters specific to us. The following are some of the uncertainties and factors known to us that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements: successfully competing against our competitors; acceptance, endorsement, and use of our products; technological changes and product obsolescence; our ability to identify acquisition candidates and successfully integrate the operations of those acquisitions into our existing operations; the impact of worldwide economic conditions on our operations; the disruption in global financial markets and the potential impact on the ability of our counterparties to perform their obligations and our ability to obtain future financing; factors impacting the stock market and share price; ability of our manufacturing facilities to meet customer demand; reliance on single source suppliers; loss or impairment of a principal manufacturing facility; regulatory matters; timing and success of new product introductions; adequate protection of our intellectual property rights; product liability claims; and currency and other economic risks inherent in selling our products internationally.

For more information regarding these and other uncertainties and factors that could cause our actual results to differ materially from what we have anticipated in our forward-looking statements or otherwise could materially adversely affect our business, financial condition or operating results, refer to this Annual Report on Form 10-K under Part I, Item 1A, "Risk Factors."

All forward-looking statements included in this Annual Report on Form 10-K are expressly qualified in their entirety by the foregoing cautionary statements. We wish to caution readers not to place undue reliance on any forward-looking statement that speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described in this Annual Report on Form 10-K under the heading "Item 1A. Risk Factors" below, as well as others that we may consider immaterial or do not anticipate at this time. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. The expectations reflected in our forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including those described below under the heading "Item 1A. Risk Factors." The risks and uncertainties described under the heading "Item 1A. Risk Factors" below are not exclusive and further information concerning us and our business, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We assume no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our quarterly reports on Form 10-Q and current reports on Form 8-K we file with or furnish to the Securities and Exchange Commission.

Some of the markets in which we operate have experienced minimal growth in recent years, and our ability to increase our sales will depend in part on our ability to develop new products, develop new applications for our existing products or acquire complementary businesses and product lines.

We have identified a number of strategies that we believe will allow us to grow our business and increase our sales in markets experiencing minimal growth, including developing new products and technologies, entering new markets such as microbial detection, capitalizing on our relationship with Luxcel Biosciences Limited, developing new applications for our technologies, acquiring complementary businesses and product lines, and strengthening our sales force. However, we can make no assurance that we will be able to successfully implement these strategies, or that these strategies will result in the growth of our business or an increase in our sales. Acquisitions that we may find attractive may be subject to the consent of Wells Fargo Bank under our credit agreement.

If we fail to attract and retain qualified managerial and technical personnel, we may fail to remain competitive.

Our future success depends, in significant part, upon the continued service and performance of our senior management and other key personnel. We rely on knowledgeable, experienced and skilled technical personnel, particularly engineers, scientists and service personnel, to design, assemble, sell and service our products. The loss of the services of our management team, some of whom have significant experience in our industry, and other key personnel could impair our ability to effectively manage our company and to carry out our business plan. Our inability to attract or retain qualified personnel could have a significant negative effect and thereby materially harm our business and financial condition.

If future operating results of Luxcel Biosciences Limited (Luxcel) do not meet our expectations, there is the possibility that our investment in this affiliated company could be deemed to be impaired, and thus a potential write-down may be warranted.

In January 2010, we acquired a minority equity interest in Luxcel for €2,500,000 (approximately $3,625,000). This investment is carried on our consolidated balance sheet at historical cost, adjusted only for currency fluctuations. We periodically assess this equity investment for other-than-temporary impairment. If there are events or changes in circumstances that might adversely affect the value of this investment, we must assess whether the amount of this investment reflected on the balance sheet exceeds its fair value. Any write-down will reduce our reported net income and could possibly have a negative effect on our stock price. Information related to future cash flows of Luxcel is not readily available as the entity is a start-up research and development company and future cash flows are highly dependent on their ability to obtain additional funding, gain acceptance of its products in the marketplace, and obtain regulatory approvals.

We face risks of technological changes that may render our products obsolete.

The markets for our products and services are characterized by technological change and evolving industry standards. As a result of such changes and evolving standards, our products may become noncompetitive or obsolete and we may have to develop new products in order to maintain or increase our sales. New product introductions that are responsive to these factors require significant planning, design, development and testing at the technological, product and manufacturing process levels, and we may not be able to timely develop new products. In addition, industry acceptance of new technologies that we may develop may be slow due to, among other things, existing regulations or standards written specifically for older technologies and general unfamiliarity of users with new technologies. As a result, any new products that we may develop may not generate any meaningful sales or profits for us for a number of years, if at all.

or emerging technologies and changes in customer requirements, or to devote greater resources to the promotion and sale of their products than we can. In addition, competition could increase if new companies enter the market or if existing competitors expand their product lines or intensify efforts within existing product lines. Our current products, products under development and our ability to discover new technologies may be insufficient to enable us to compete effectively with our competitors.

Our reliance upon patents, domestic trademark laws, trade secrets and contractual provisions to protect our proprietary rights may not be sufficient to protect our intellectual property from others who may sell similar products.

We hold patents relating to various aspects of our products and believe that proprietary technical know-how is critical to many of our products. Proprietary rights relating to our products are protected from unauthorized use by third parties only to the extent that they are covered by valid and enforceable patents or are maintained in confidence as trade secrets. We cannot be certain that we will be issued any patents from any pending or future patent applications owned by or licensed to us or that the claims allowed under any issued patents will be sufficiently broad to protect our technology. In the absence of patent protection, we may be vulnerable to competitors who attempt to copy our products or gain access to our trade secrets and proprietary know-how. Our competitors may initiate litigation to challenge the validity of our patents, or they may use their resources to design comparable products that do not infringe our patents. We may incur substantial costs if our competitors initiate litigation to challenge the validity of our patents or if we initiate any proceedings to protect our proprietary rights. If the outcome of any such litigation is unfavorable to us, it could have a material adverse effect on our business and results of operations. There may also be pending or issued patents held by parties not affiliated with us that relate to our products or technologies and we may need to acquire licenses to any such patents to continue selling some or all of our products. If we are required to obtain any such license in order to be able to continue to sell some or all of our products, we may not be able to do so on terms that are favorable to us, if at all.

In addition, we rely on trade secrets and proprietary know-how that we seek to protect, in part, by confidentiality agreements with our collaborators, employees and consultants. These agreements may be breached and we may not have adequate remedies for any such breach. Even if these confidentiality agreements are not breached, our trade secrets may otherwise become known or be independently developed by competitors.

We rely on our management information systems for inventory management, distribution, accounting, and other functions. If our information systems fail to adequately perform these functions or if we experience an interruption in their operation, our business and results of operations could be adversely affected.

The efficient operation of our business depends on our management information systems. We rely on our management information systems to effectively manage accounting and financial functions, order entry, order fulfillment and inventory replenishment. The failure of our management information systems to perform could disrupt our business and could result in decreased sales, increased overhead costs, excess inventory and product shortages, causing our business and results of operations to suffer. In addition, our management information systems are vulnerable to damage or interruption from natural or man-made disasters, terrorist attacks, computer viruses or hackers, power loss, or other computer systems, internet, telecommunications or data network failures. Any such interruption could adversely affect our business and results of operations.

We have spent significant resources to develop new products in the food and beverage safety and packaging industries, and we have thus far only realized minimal revenues from these products.

Over the past three years we began to market our newest BevAlert system and OpTech-O_2 analyzer. We believe that there are significant addressable markets for both of these products and while we believe both of these products are superior in many respects to other similar products being sold by our competitors, each one is new to the marketplace and may not gain the market acceptance necessary to allow us to capitalize on what we believe will be an increasing demand in the food and beverage industries for safety testing and monitoring products. While we have realized increasing sales of our BevAlert system and modest sales to date of our OpTech-O_2 analyzer, there can be no assurance that sales of these products will continue. In August 2011, we introduced the GreenLight microbial detection test instrument which determines the presence or absence of bacteria in food products or ingredients. While we believe this product represents a dramatic improvement over existing technology being used in the food industry, we have not realized significant revenues to date.

If we are not able to successfully market these products, we will not recover the significant research and development and other expenses we have incurred to bring these products to market.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We lease an aggregate of 113,175 square feet of office, engineering, laboratory and production space in Minnesota, Texas, Germany, Denmark, Spain, Italy, France and China. We believe that all of our facilities are generally adequate for their present operations and that suitable space is readily available if any of our leases are not extended.

In March 2011, we signed a 15-year lease for a property which replaced our former Minneapolis headquarters and operations center. The new lease commenced July 1, 2011 and is for a location consisting of approximately 60,000 square feet of space, also in Minneapolis, Minnesota. This space is leased until October 2025. This location is our corporate headquarters from which a portion of all reporting segments conduct operations.

Dansensor A/S and subsidiaries located in Germany, France, Spain and Italy lease an aggregate of approximately 39,000 square feet. These buildings are leased through various dates until December 2019. These properties are utilized for the operations of the Package Testing segment.

Our Texas laboratory operations occupy approximately 5,100 square feet of space in the metropolitan area of Austin, Texas. This space is leased until February 2014. This property is utilized for the operations of the Permeation segment.

Our operations located in Neuwied, Germany occupy approximately 8,075 square feet. This space is leased until July 2018. This property is utilized for the operations of the Permeation segment.

The MOCON (Shanghai) Trading Co., Ltd. operations are located in Shanghai, China, and occupy approximately 1,000 square feet. This space is leased until December 2013. This property is utilized in the operations of the Permeation segment.

In addition to our leased facilities described above, we own approximately two acres of land and a building located near Boulder, Colorado that consists of approximately 9,300 square feet of office and production space in which our Baseline-MOCON, Inc. subsidiary conducts its operations. This property is utilized for the operations of the Industrial Analyzers segment.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividends

Our common stock is quoted on the Nasdaq Global Market System under the symbol MOCO. The following table sets forth, for the fiscal periods indicated, the high and low sales prices for our common stock as reported by the Nasdaq Global Market System. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The following table also sets forth, for the fiscal periods indicated, the amount of cash dividends declared on our common stock:

	2012			2011		
Fiscal Period	High	Low	Dividend	High	Low	Dividend
1st Quarter	$20.15	$15.75	$0.105	$14.77	$11.97	$0.100
2nd Quarter	$17.85	$15.07	$0.105	$15.49	$13.91	$0.100
3rd Quarter	$15.95	$14.27	$0.105	$17.67	$12.20	$0.100
4th Quarter	$15.23	$14.00	$0.105	$17.00	$13.76	$0.100

We have paid quarterly cash dividends without interruption or decline since 1988. Cash dividends paid in 2012, 2011 and 2010 totaled $2,272,000, $2,105,000 and $1,953,000, respectively. Our Board of Directors monitors and evaluates our dividend practice quarterly, and the Board may elect at any time to increase, decrease or not pay a dividend on our common stock based upon our financial condition, results of operations, cash requirements and future prospects and other factors deemed relevant by the Board. Under the loan agreement we have with Wells Fargo Bank, we are required to maintain certain financial ratios. One of these ratios will be impacted by the amount of dividends we pay. If paying dividends at our historical rate were to cause us to be out of compliance with this ratio, or otherwise cause us to be in breach of our covenants under our loan agreement with Wells Fargo Bank, we may be required to reduce or eliminate dividends until such time as we are able to repay our loan, regain compliance with the financial ratios and other covenants in the loan agreement, or negotiate a waiver or amendment with Wells Fargo Bank.

For information concerning securities authorized for issuance under equity compensation plans, please see Part III—Item 12.

Holders

As of March 11, 2013, there were approximately 290 holders of record and approximately 3,300 beneficial holders of our common stock.

Issuer Repurchases of Equity Securities

Other than the withholding of 24,172 shares of our common stock in connection with the cashless net exercise of stock options to pay the exercise price of such options, we did not repurchase any shares of our common stock or other equity securities of MOCON registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the fourth quarter ended December 31, 2012. We currently are not authorized by our Board of Directors to make repurchases of our common stock, and we are restricted from doing so under our credit agreement with Wells Fargo Bank.

ITEM 6. SELECTED FINANCIAL DATA

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share data)				
CONSOLIDATED STATEMENT OF INCOME DATA:					
Sales	$49,941	$37,361	$31,549	$26,638	$29,696
Net income	2,002	5,451	4,518	2,910	4,059
Net income per common share:					
Basic	0.37	1.02	0.87	0.54	0.73
Diluted	0.35	0.98	0.84	0.53	0.72
Cash dividends declared per share	0.42	0.40	0.38	0.36	0.34

	As of December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
CONSOLIDATED BALANCE SHEET DATA:					
Current assets	$26,913	$23,357	$19,399	$23,706	$22,357
Total assets	57,220	39,705	34,339	30,327	32,953
Current liabilities	16,494	6,140	5,632	4,088	4,464
Noncurrent liabilities	6,845	325	298	257	271
Stockholders' equity	33,881	33,240	28,409	25,982	28,218

While these items are important in understanding and evaluating our financial results, certain trends, such as our international sales accounting for a significant portion of our revenues, and other transactions or events such as those discussed later in this Management's Discussion and Analysis, may also have a material impact on our financial results.

Critical Accounting Policies

Our significant accounting policies are described in Note 1 to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. This Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Securities and Exchange Commission has defined a company's most critical accounting policies as those that are most important to the portrayal of its financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies. Although we believe that our estimates and assumptions are reasonable, they are based upon information available when they are made. Actual results may differ significantly from these estimates under different assumptions or conditions.

Revenue Recognition

We recognize revenue when it is realized or realizable and earned. We consider revenue realized or realizable when persuasive evidence of an arrangement exists, the product has been shipped or the services have been provided to the customer, title and risk of loss of products has passed to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. Our terms are FOB shipping point with no right of return, except in rare cases, and customer acceptance of our products is not required. The revenue recognition policy does not differ among the various product lines, the marketing venues, or various geographic destinations. We do not have distributors who stock our equipment. We do not offer rebates, price protection, or other similar incentives, and discounts when offered, are recorded as a reduction in revenue. We record revenue net of sales tax charged to the customer.

Revenue for preventive maintenance agreements is recognized on a per visit basis and extended warranties on a straight-line basis over the life of the contracts.

In the first quarter 2010, we adopted ASC Topic 605 related to recognizing revenue from shipments with multiple element arrangements. This guidance provides that the overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative selling price, as demonstrated by vendor-specific objective evidence (VSOE) or third-party evidence (TPE). Where VSOE or TPE is not available, revenue will be allocated using an estimated selling price. This adoption did not have a material impact on our consolidated financial statements.

Allowance for Doubtful Accounts and Sales Returns

Our allowance for doubtful accounts and sales returns is for accounts receivable balances that are estimated to be uncollectible as well as anticipated sales returns. The reserve is based on a number of factors, including: (1) an analysis of customer accounts and (2) our historical experience with accounts receivable write-offs and sales returns. The analysis includes the age of the receivable, the financial condition of a customer or industry and general economic conditions. We believe our financial results could be materially different if historical trends are not predictive of future results or if economic

Income Taxes

In the preparation of our consolidated financial statements, management is required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax exposures together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets.

Management reviews the deferred tax assets for recoverability on a quarterly basis and assesses the need for valuation allowances. These deferred tax assets are evaluated by considering historical levels of income, estimates of future taxable income streams and the impact of tax planning strategies. A valuation allowance is recorded to reduce deferred tax assets when it is determined that it is more likely than not that we would not be able to realize all or part of our deferred tax assets. At December 31, 2012 and 2011, we provided a valuation allowance in the amount of $76,000 and $51,000, respectively, against our net deferred tax assets.

ASC 740 requires application of a more-likely-than-not threshold to the recognition and de-recognition of uncertain tax positions. Under ASC 740, once the more-likely-than-not threshold is met, the amount of benefit to be recognized is the largest amount of tax benefit that is greater than 50% likely of being ultimately realized upon settlement. It further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the period of such a change. We have unrecognized tax benefits in the amount of $265,000 and $278,000 in 2012 and 2011, respectively, for estimated exposures associated with uncertain tax positions. However, due to the complexity of some of these uncertainties, the ultimate settlement may result in payments that are different from our current estimate of tax liabilities, resulting in the recognition of additional charges or benefits to income tax expense.

Results of Operations

The following table sets forth the relationship between various components of our results of operations, stated as a percent of sales, for fiscal years ended December 31, 2012, 2011 and 2010. Our historical financial data were derived from our consolidated financial statements and related notes included in Item 8 of this Annual Report on Form 10-K.

	Percent of Sales		
	2012	2011	2010
Sales	100.0	100.0	100.0
Cost of sales	45.3	37.2	39.3
Gross profit	54.7	62.8	60.7
Selling, general and administrative expenses	40.7	34.6	35.4
Research and development expenses	7.3	6.4	6.8
Operating income	6.7	21.8	18.5
Other income, net	0.1	0.2	2.0
Income before income taxes	6.8	22.0	20.5
Income taxes	2.8	7.4	6.2
Net income	4.0	14.6	14.3

subsidiaries in four other European countries, strengthened our worldwide position in providing solutions to customers in the MAP (modified atmospheric packaging) area.

Industrial Analyzer Products and Services and Other

Sales of our gas analyzers, sensors and detector products, which are manufactured and sold by our Baseline subsidiary, comprise the majority of sales in this segment. Baseline's sales increased 23% to $8.4 million in 2012 compared to 2011. This increase was due primarily to higher sales of gas chromatographs and hydrocarbon analyzers. These instruments were purchased primarily for use in the oil and gas exploration, environmental air quality monitoring, and CO2 purity for carbonated beverages markets. The increase in oil and gas drilling activity commensurate with higher oil prices has been a positive driver for our sales of monitoring instruments. Sales of OEM sensors and detectors also increased in 2012 compared to the prior year.

The results of our microbial detection products group are also included in this reporting segment. Sales in this group consist primarily of the GreenLight series of products which are designed to detect microbial activity in food and beverage products as well as other applications. Through 2012, sales of this product group have not been significant. Sales of our weighing and pharmaceutical products are also included in this segment and are not significant in relation to the total segment sales. Total sales of our microbial detection, weighing and pharmaceutical products amounted to $626,000 in 2012 compared to $542,000 in 2011.

Fiscal 2011 vs. Fiscal 2010

Sales for 2011 were $37.4 million, an increase of 18% compared to $31.5 million for 2010. We experienced double-digit sales growth in our three major product segments, and our domestic and international sales volume increased 18% and 19%, respectively. Despite the ongoing concerns over the economic situation in Europe, we experienced a 21% increase in sales to that region, particularly in Germany and Italy. Sales in Asia were slightly lower in 2011 compared to 2010 primarily due to a large order placed by the Chinese government in 2010 that did not repeat in 2011. We experienced significant growth in newer markets such as South America and Australia. The impact of price increases was not significant in 2011.

Permeation Testing Products and Services

Sales of our permeation testing products and services, which accounted for 68% to 67% of our consolidated sales in 2011 and 2010, increased $4.1 million, or 19% in 2011 compared to 2010. This increase in permeation sales was evident in both our domestic and foreign markets, and reflected increasing sales for newer applications in the sustainable packaging materials market, as well as the electronics industry for measurement of water vapor permeation in flexible displays, solar panels and organic light-emitting diodes (OLEDs). In total, domestic sales of permeation equipment and services increased 29%, while foreign sales showed a 20% increase. Our AQUATRAN instrument, which measures ultra-low levels of water vapor permeation, continues to be a significant contributor in this product group.

Package Testing Products and Services

Sales of our package testing products (headspace analyzers and leak detectors), which accounted for 12% of our consolidated sales in 2011 and 2010, increased $868,000, or 23% in 2011 compared to 2010. We experienced growth both domestically and internationally, as we continued to focus on strengthening our offerings in the MAP (modified atmospheric packaging) area. A major contributor to the domestic growth this year was the shipment to one customer in the coffee industry of 25 newly-designed test systems for package integrity, which equated to approximately $527,000.

consulting fees incurred in the fourth quarter 2011 related to the implementation of our new ERP system contributed to the increase.

Research and Development Expenses

Fiscal 2012 vs. Fiscal 2011

Research and development (R&D) expenses were $3.6 million and $2.4 million in 2012 and 2011, or 7.3% and 6.4% of sales, respectively. The increased expense in 2012 is primarily related to the addition of Dansensor expenses totaling approximately $918,000, which were not included in our 2011 numbers. For the foreseeable future, we intend to continue to allocate on an annual basis approximately 6% to 8% of sales to research and development. We believe continued R&D expenditures are necessary as we develop new products to expand revenue opportunities in our niche markets and remain competitive.

Fiscal 2011 vs. Fiscal 2010

R&D expenses were $2,403,000 and $2,135,000 in 2011 and 2010, or 6.4% and 6.8% of sales, respectively. The increased expense in 2011 was primarily related to the continued development of the GreenLight product line for the food safety market, and was net of approximately $175,000 received from Luxcel for collaborative research efforts.

Other Income, Net

Other income, net for 2012, 2011 and 2010 was as follows:

	Years Ended December 31,		
	2012	2011	2010
Interest income	$ 83,416	$117,680	$ 84,199
Interest expense	(308,389)	—	—
Foreign currency exchange gain (loss)	242,564	(37,276)	542,108
Other	2,921	(805)	2,605
Total other income	$ 20,512	$ 79,599	$628,912

Interest income decreased in 2012, as compared to 2011, due to lower average invested balances of cash and marketable securities, as significant cash was used to partially fund the Dansensor acquisition. The interest expense in 2012 is related to the debt incurred in connection with the Dansensor acquisition, and the foreign currency exchange gain was primarily related to revaluing the foreign currency contract and Seller Note to fair value.

Interest income increased in 2011, as compared to 2010, due to higher average invested balances of cash and marketable securities.

Included in the foreign currency exchange gain for 2010 is $562,000 relating to the re-measurement of a euro-based intercompany loan obligation to market value. The loan was settled in January 2011.

Income Tax Expense

Our provision for income taxes for 2012 was $1.4 million, or 40.8% of income before income taxes, compared to $2.8 million, or 33.6% of income before income taxes for 2011. This year over year increase in the effective tax rate was due primarily to the non-deductibility of certain expenses incurred in relation to the acquisition of Dansensor and foreign losses benefitted at rates below the U.S. statutory rate. Additionally, certain losses in foreign jurisdictions were offset by a valuation allowance due to uncertainty over future utilization of these net operating losses. Also, the current year provision does not include a research credit as the credit had not been extended as of the end of 2012.

we raise additional funds by issuing debt, we are subject to restrictive covenants that could limit our operational flexibility and higher interest expense could dilute earnings per share.

Cash Flow

Cash Flows from Operating Activities

Our primary source of funds has historically been cash provided by operating activities. Cash flow from operating activities totaled $521,000, $8.1 million and $5.2 million in 2012, 2011 and 2010, respectively. The main reasons for the decrease in 2012 were related to lower net income, an increase in trade accounts receivable due in part to strong fourth quarter shipments, and a reduction in deferred revenue due to the timing of customer prepayments. In 2011, cash provided by operating activities increased by $2.9 million compared to 2010. This increase was due primarily to higher net income, reduced trade accounts receivable and other receivables, and an increase in accrued income taxes and compensation and related expenses. Working capital requirements typically will increase or decrease with changes in the level of sales. In addition, the timing of certain accrued payments will affect the annual cash flow. Income tax payments and any employee incentive payments affect the timing of our operating cash flow as they are accrued throughout the year but paid on a quarterly, semi-annual or annual basis.

Cash Flows from Investing Activities

Cash used in investing activities totaled $10.1 million in 2012 as compared to cash used of $5.8 million and $5.9 million in 2011 and 2010, respectively. The primary reasons for cash used in 2012 were the cash paid as partial consideration for the Dansensor acquisition and purchases of property, plant and equipment, of which our new ERP system was the largest addition. The primary reasons for cash used in 2011 were the net purchases of marketable securities and purchases of property, plant and equipment. The primary reasons for cash used in 2010 were the investment of approximately $3.6 million (€2.5 million) to acquire a minority equity ownership interest in Luxcel Biosciences Limited in Ireland, and capital expenditures of $1.6 million, the majority of which related to our move to new offices in Minnesota. We do not believe that any major property, plant and equipment expenditures are required to accommodate our current level of operations.

Cash Flows from Financing Activities

Cash provided by financing activities totaled $3.4 million in 2012 due primarily to the net proceeds received from the revolving line of credit of $5.3 million, partially offset by dividends paid in the amount of $2.3 million. Cash used in 2011 was $636,000 which was due to dividends paid in the amount of $2.1 million partially offset by proceeds from the exercise of stock options. Cash used in 2010 was $1.4 million which was due to dividends paid in the amount of $2.0 million, partially offset by the exercise of stock options.

resources. As a result, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these arrangements.

Recently Issued Accounting Guidance

Offsetting Assets and Liabilities Disclosures

In December 2011, the FASB issued updated accounting guidance on disclosures about offsetting assets and liabilities. This update adds certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. The new disclosures are required for interim and annual reporting periods beginning on or after January 1, 2013. We do not expect this guidance to have a material impact on our consolidated financial statements.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB expanded the disclosure requirements with respect to changes in accumulated other comprehensive income (AOCI). Under this new guidance, companies will be required to disclose the amount of income (or loss) reclassified out of AOCI to each respective line item on the statements of earnings where net income is presented. The guidance allows companies to elect whether to disclose the reclassification either in the notes to the financial statements or parenthetically on the face of the financial statements. The new disclosures are required for interim and annual reporting periods beginning on or after January 1, 2013. We do not expect this guidance to have a material impact on our consolidated financial statements.

Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity

In March 2013, the FASB issued guidance that resolves the diversity in practice as it applies to the release of the cumulative translation adjustment into net income when a parent company either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. This update is effective for the Company beginning on or after January 1, 2014. We do not expect this guidance to have a material impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Substantially all of our marketable securities, some of which are insured by the FDIC, are at fixed interest rates and mature within two and one-half years; therefore, we believe that the market risk arising from the holding of these financial instruments is minimal. Based on our average invested cash balances during 2012, a 1% (100 basis points) decrease in the interest rate on such balances would result in a reduction in interest income of approximately $133,000 on an annual basis.

Foreign Currency Exchange Risk

Historically, in excess of 50% of our consolidated sales have been to international destinations. In our U.S. operations, we invoice most of these customers in U.S, dollars, so we do not have significant exposure to foreign currency transaction risk. In our European based operations, we have some exposure to foreign currency fluctuations as we invoice our customers primarily in euros, Danish krone and U.S. dollars. From time to time we use foreign exchange hedging contracts to reduce our exposure in these transactions. We also pay a small number of our international suppliers in their local currency which exposes us to transaction gain or loss. However, these have not resulted in material amounts in the past.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to reasonably ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this Annual Report on Form 10-K. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that material information relating to our company is made known to management, including our Chief Executive Officer and Chief Financial Officer, particularly during the period when our periodic reports are being prepared.

Management's Report on Internal Control over Financial Reporting

MOCON's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2012. MOCON acquired Dansensor A/S during 2012, and management excluded from its assessment of internal control over financial reporting as of December 31, 2012, Dansensor's internal controls over financial reporting.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this annual report on Form 10-K and, as a part of this audit, has issued their report included in Item 8, on the effectiveness of our internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In designing and operating a control system, one must consider the potential benefits of controls relative to their costs and the reality of limited resources available to allocate to control activities, particularly in smaller companies. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any control will meet its objectives under all potential future conditions. Because of such inherent limitations in any control system, there can be no absolute assurance that control issues, misstatements, and/or fraud will be prevented or detected.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required under Item 10 of this Annual Report on Form 10-K is to be contained under the headings "Proposal One—Election of Directors—Information About Board Nominees," "Proposal One—Election of Directors—Additional Information About Board Nominees," "Corporate Governance—Information About our Board and its Committees" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of shareholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this report, such information will be filed as part of an amendment to this report not later than the end of the 120-day period.

The information concerning our executive officers is included in this Annual Report under Item 1, "Executive Officers" and is incorporated herein by reference.

During the fourth quarter 2012, we made no material changes to the procedures by which shareholders may recommend nominees to the board of directors, as described in our most recent proxy statement.

Our Code of Ethics applies to all of our officers, directors and employees, including our principal executive officer and principal financial officer, and meets the requirements of the rules and regulations of the Securities and Exchange Commission. We will disclose any amendments to, and any waivers from a provision of, our Code of Ethics on a Form 8-K filed with the Securities and Exchange Commission. We make available, free of charge and through our website, to any shareholder who requests, the charters of our board committees and our Code of Ethics. Our website is *www.mocon.com*.

To request a copy of the charters of our board committees or our Code of Ethics, write to us at:

MOCON, Inc.
7500 Mendelssohn Avenue North
Minneapolis, Minnesota 55428
Attention: Chief Financial Officer

ITEM 11. EXECUTIVE COMPENSATION

The information required under Item 11 of this Annual Report on Form 10-K is to be contained under the headings "Director Compensation," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in our definitive proxy statement to be filed with the SEC with respect to our next annual meeting of shareholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this report, such information will be filed as part of an amendment to this report not later than the end of the 120-day period.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The following consolidated financial statements of MOCON, Inc. and its subsidiaries are included herein:

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2. Financial Statement Schedule

The following financial statement schedule is included herein and should be read in conjunction with the consolidated financial statements referred to above:

Schedule II: Valuation and Qualifying Accounts S-1

3. Exhibits

The exhibits to this Annual Report on Form 10-K are listed in the Exhibit Index.

A copy of any of the exhibits listed or referred to above will be furnished at a reasonable cost to any person who was a shareholder of MOCON as of March 28, 2013, upon receipt from any such person of a written request for any such exhibit. Such request should be sent to MOCON, Inc., 7500 Mendelssohn Avenue North, Minneapolis, Minnesota 55428; Attn: Shareholder Information.

The following is a list of each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 15(a):

A. MOCON, Inc. 1998 Stock Option Plan, as amended, (incorporated by reference to our Definitive Proxy Statement on Form DEF-14A filed on April 9, 2002 (File No. 000-09273)).

B. Form of Incentive Stock Option Agreement between MOCON, Inc. and its Executive Officers under the MOCON, Inc. 1998 Stock Option Plan, as amended (incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed on December 29, 2004 (File No. 000-09273)).

C. Form of Non-Statutory Stock Option Agreement between MOCON, Inc. and its Non-Employee Directors and Executive Officers under the MOCON, Inc. 1998 Stock Option Plan, as amended (incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed on December 29, 2004 (File No. 000-09273)).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 18, 2013

MOCON, Inc.

By: /s/ ROBERT L. DEMOREST

Robert L. Demorest, *Chairman of the Board, President and Chief Executive Officer (principal executive officer)*

By: /s/ DARRELL B. LEE

Darrell B. Lee, *Vice President, Chief Financial Officer, Treasurer and Secretary (principal financial and accounting officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated and on March 18, 2013.

Signature and Title

/s/ ROBERT L. DEMOREST

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

/s/ DONALD N. DEMORETT

Donald N. DeMorett, Director

/s/ ROBERT F. GALLAGHER

Robert F. Gallagher, Director

/s/ BRADLEY D. GOSKOWICZ

Bradley D. Goskowicz, Director

/s/ DANIEL W. MAYER

Daniel W. Mayer, Director

/s/ RICHARD A. PROULX

Richard A. Proulx, Director

/s/ TOM C. THOMAS

Tom C. Thomas, Director

/s/ DAVID J. WARD

David J. Ward, Director

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
MOCON, Inc.:

We have audited the accompanying consolidated balance sheets of MOCON, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and related financial statement schedule. We also have audited MOCON, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). MOCON, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MOCON, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, MOCON, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

MOCON, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 2,415,416	$ 8,425,846
Marketable securities, current	5,495,556	4,304,912
Trade accounts receivable, less allowance for doubtful accounts of $303,839 in 2012 and $150,921 in 2011	10,407,649	4,675,464
Other receivables	244,081	101,951
Inventories	6,344,982	4,479,929
Prepaid income taxes	279,964	9,239
Prepaid expenses, other	799,124	511,299
Deferred income taxes	926,081	848,597
Total current assets	26,912,853	23,357,237
Marketable securities, noncurrent	210,440	5,799,417
Property, plant, and equipment, net	5,350,310	3,174,748
Goodwill	8,729,438	3,119,246
Investment in affiliated company	3,303,750	3,237,250
Intangible assets, net	12,381,614	909,536
Other assets	308,996	86,717
Deferred income taxes	22,370	20,360
Total assets	$57,219,771	$39,704,511
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term notes payable	$ 2,566,154	$ —
Revolving lines of credit	5,327,515	—
Accounts payable	2,893,225	1,812,779
Compensation and related expenses	3,510,272	2,313,553
Other accrued expenses	868,199	406,378
Accrued product warranties	240,621	205,506
Accrued income taxes	36,139	—
Dividends payable	579,386	543,881
Deferred revenue	472,185	857,906
Total current liabilities	16,493,696	6,140,003
Notes payable	3,926,863	—
Obligations to former employees	76,161	46,751
Deferred income taxes	2,576,396	—
Accrued income taxes	265,207	277,978
Total noncurrent liabilities	6,844,627	324,729
Total liabilities	23,338,323	6,464,732
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Capital stock—undesignated. Authorized 3,000,000 shares; none issued and outstanding in 2012 and 2011	—	—
Common stock—$0.10 par value. Authorized 22,000,000 shares; issued and outstanding 5,517,966 shares in 2012 and 5,438,810 shares in 2011	551,797	543,881
Additional paid-in capital	3,738,968	2,762,524
Retained earnings	30,217,977	30,523,405
Accumulated other comprehensive loss	(627,294)	(590,031)
Total stockholders' equity	33,881,448	33,239,779
Total liabilities and stockholders' equity	$57,219,771	$39,704,511

See accompanying notes to consolidated financial statements.

MOCON, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	For the years ended December 31,		
	2012	2011	2010
Net income	$2,001,974	$5,450,918	4,518,384
Other comprehensive loss:			
Cumulative translation adjustment	(37,263)	(328,935)	(922,163)
Comprehensive income	$1,964,711	$5,121,983	$3,596,221

See accompanying notes to consolidated financial statements.

MOCON, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2012, 2011 and 2010

	2012	2011	2010
Cash flows from operating activities:			
Net income	$ 2,001,974	$ 5,450,918	$ 4,518,384
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation expense	464,670	388,904	261,859
Change in fair value of derivative instrument	(209,370)	—	—
(Gain) loss on disposition of long-term assets	(52,024)	7,029	11,627
Depreciation and amortization	1,949,782	616,451	544,341
Deferred income taxes	(549,049)	(173,311)	(234,390)
Excess tax benefit from employee stock plans	(98,210)	(208,067)	(101,830)
Changes in operating assets and liabilities net of effects from purchase of Dansensor:			
Trade accounts receivable	(3,125,064)	967,666	(1,158,951)
Other receivables	297,177	349,008	(356,793)
Inventories	1,047,460	(356,138)	72,314
Prepaid income taxes	(158,081)	159,341	22,680
Prepaid expenses	(271,079)	(97,577)	(61,135)
Accounts payable	693,916	63,000	609,985
Compensation and related expenses	(269,619)	226,124	632,832
Other accrued expenses	(24,624)	74,854	167,022
Accrued product warranties	(55,160)	(10,000)	12,207
Accrued income taxes	(365,304)	513,614	147,113
Deferred revenue	(756,277)	133,372	138,506
Net cash provided by operating activities	521,118	8,105,188	5,225,771
Cash flows from investing activities:			
Purchases of marketable securities	(365,000)	(5,841,312)	(4,897,036)
Proceeds from maturities of marketable securities	4,763,333	1,182,707	4,389,594
Purchases of property, plant and equipment	(1,637,653)	(882,061)	(1,645,628)
Cash paid for investment in affiliated company	—	—	(3,633,909)
Payment for purchase of Dansensor, net of cash acquired	(12,764,429)	—	—
Proceeds from sale of property and equipment	171,917	713	7,590
Cash paid for patent and trademark registrations	(255,916)	(230,163)	(120,659)
Other	(3,104)	(2,769)	(3,521)
Net cash used in investing activities	(10,090,852)	(5,772,885)	(5,903,569)
Cash flows from financing activities:			
Proceeds from the revolving line of credit	7,452,850	—	—
Payments on the revolving line of credit	(2,200,000)	—	—
Proceeds from term note payable	3,500,000	—	—
Payments on term note payable and seller financed note payable	(3,550,768)	—	—
Payment of debt issuance costs	(45,118)	—	—
Proceeds from the exercise of stock options	421,680	1,260,598	454,124
Excess tax benefit from employee stock plans	98,210	208,067	101,830
Dividends paid	(2,271,896)	(2,104,739)	(1,952,872)
Net cash provided by (used in) financing activities	3,404,958	(636,074)	(1,396,918)
Effect of exchange rate changes on cash and cash equivalents	154,346	(225,631)	(363,163)
Net increase (decrease) in cash and cash equivalents	(6,010,430)	1,470,598	(2,437,879)
Cash and cash equivalents:			
Beginning of year	8,425,846	6,955,248	9,393,127
End of year	$ 2,415,416	$ 8,425,846	$ 6,955,248
Supplemental disclosures of cash flow information:			
Cash paid during the year for income taxes	$ 1,586,154	$ 2,371,164	$ 2,009,582
Cash paid during the year for interest	$ 261,211	$ 7,191	$ —
Supplemental schedule of noncash investing and financing activities:			
Dividends accrued	$ 579,386	$ 543,881	$ 500,235
Purchases of fixed assets and intangibles in accounts payable	$ 188,800	$ 923	$ 28,162
Assets acquired under capital lease	$ 57,379	$ —	$ —
Seller financed note payable for the acquisition of Dansensor	$ 6,484,413	$ —	$ —
The Company purchased all of the common shares of Dansensor for $20,081,600 on April 2, 2012. The reconciliation of cash paid and liabilities assumed is as follows:			
Fair value of assets acquired	$ 26,938,817		
Liabilities assumed	(6,857,217)		
Net acquired assets	20,081,600		
Seller financed note payable	(6,484,413)		
Cash acquired	(832,758)		
Payment for purchase of Dansensor, net of cash acquired and seller financed note payable	$ 12,764,429		

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies (Continued)

(c) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of short-term investments which are readily convertible to cash.

(d) Marketable Securities

Marketable securities at December 31, 2012 and 2011 consist of municipal bonds and certificates of deposit. The Company classifies its marketable securities as held-to-maturity due to its ability and intent to hold these securities until maturity or the call date as the case may be. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. A decline in the market value of any held-to-maturity security below cost, that is deemed other than temporary, is charged to income, resulting in the establishment of a new cost basis for the security.

(e) Accounts Receivable

Credit is granted to customers in the normal course of business. Receivables are recorded at original carrying value, which approximates fair value, less reserves for estimated uncollectible amounts and sales returns. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances, including the current economic environment. When facts and circumstances dictate, the Company may need to adjust its estimates and assumptions.

(f) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method, and market represents the lower of replacement cost or estimated net realizable value. The Company records an estimate for excess and obsolete inventory which is based on historical usage and sales history.

(g) Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation and amortization are typically computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred and significant renewals and betterments are capitalized. The present value of capital lease obligations are classified as long-term debt and the related assets are included in property, plant and equipment. Amortization of equipment under capital leases is included in depreciation expense.

(h) Goodwill and Other Intangible Assets

As of December 31, 2012 and 2011, the Company had recorded goodwill, which represents the excess of the purchase price over the fair value of assets acquired, of $8.7 million and $3.1 million, respectively. The Company tests goodwill at least annually for impairment. Approximately $5.6 million of goodwill resulting from the Dansensor acquisition recorded is within the Company's

(1) Summary of Significant Accounting Policies (Continued)

(l) Warranty

The Company records a liability for estimated warranty claims at the time of sale. The amount of the liability is based on the trend in the historical ratio of claims to sales, the historical length of time between the sale and resulting claim, new product introductions and other factors. In the event the Company determines that its current or future product repair and replacement costs exceed the Company estimates, an adjustment to these reserves would be charged to earnings in the period such determination is made.

(m) Use of Estimates

The preparation of the consolidated financial statements, in accordance with generally accepted principles in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the useful lives of property, valuation of plant and equipment, valuation of goodwill and intangible assets, valuation of derivatives, inventory reserves, allowance for doubtful accounts, uncertain tax positions and warranty reserves. Actual results could differ from those estimates.

(n) Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to offset deferred tax assets if, based on the available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized.

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Potential accrued interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense.

(o) Fair Value of Financial Instruments

The Company's financial instruments are recorded in its consolidated balance sheets. The carrying amount for cash and cash equivalents, accounts receivable, revolving lines of credit, accounts payable and accrued liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Company's term note payable and seller financed secured note payable at December 31, 2012 approximates the carrying value

(1) Summary of Significant Accounting Policies (Continued)

recognition of compensation cost for only those shares expected to vest. See Note 10 for additional information on stock-based compensation.

(u) Recently Adopted Accounting Guidance

On January 1, 2012, the Company adopted the FASB issued guidance on the presentation of comprehensive income, which requires entities to present reclassification adjustments included in other comprehensive income on the face of the financial statements and allows entities to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Adoption of this guidance did not have a material effect on our consolidated financial statements.

In September 2011, the FASB issued updated accounting guidance on the periodic testing of goodwill for impairment. This guidance allows entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the entity concludes the fair value is higher than the carrying value, then no further testing is necessary. However, if impairment is likely, the first step, which is to calculate the fair value of the reporting unit, is necessary. Additionally, the entity is required to then perform step two in measuring the impairment loss for the period. For public companies, this guidance is effective for fiscal years (and interim periods within those years) beginning after December 15, 2011, with earlier adoption permitted. The Company adopted this guidance on January 1, 2012 and it did not have a material effect on our consolidated financial statements.

(2) Business Acquisition

On April 2, 2012, the Company purchased all of the issued and outstanding shares of Dansensor pursuant to a Share Purchase Agreement (SPA) which the Company entered into with the former parent company of Dansensor, PBI Holding A/S (PBI Holding) on March 9, 2012. Under the terms of the SPA, the Company acquired Dansensor for approximately $19.2 million, net of cash acquired. Approximately $13.6 million of the purchase price was paid in cash at closing. The balance of the purchase price was paid through the issuance of the Seller Note as is more fully described in Note 16.

The acquisition has been accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. Under the acquisition method of accounting, the total purchase price is allocated to the net tangible and intangible assets acquired, based on their estimated fair values. The total purchase price was allocated to the net assets acquired based upon their estimated fair values as of the close of business on April 2, 2012 as set forth below.

(2) Business Acquisition (Continued)

The actual Dansensor net sales and net loss, which is defined as gross profit less costs of operations such as selling, general and administrative and research and development expenses, less income tax expense and costs related to the acquisition, is included in the Company's consolidated statements of income for the year ended December 31, 2012. Dansensor's actual results of operations for the nine month period April 2, 2012 through December 31, 2012, net of intercompany sales, is disclosed in the table below. The supplemental unaudited pro forma net sales and net income of the combined entity, including U.S. GAAP conversion adjustments, had the acquisition been completed as of the earliest period presented are as follows:

	Net Sales	Net Income (Loss)	Basic Earnings per Share
Dansensor results of operations since acquisition date (April 2, 2012—December 31, 2012)	$12,971,493	$(1,177,354)	$ —
Supplemental pro forma combined results of operations:			
Three months ended December 31, 2011	15,134,705	1,353,285	0.25
Fiscal year ended December 31, 2012	54,814,162	2,086,563	0.38
Fiscal year ended December 31, 2011	57,605,949	5,519,353	1.03

Material items included in the supplemental unaudited pro forma disclosures above are as follows:

	Three months Ended December 31, 2011	Fiscal Year Ended December 31, 2012	Fiscal Year Ended December 31, 2011
Amortization of intangibles	$ 277,540	$ 278,338	$1,094,301
Interest expense	79,027	106,237	377,071
Income tax effect of adjustments	(106,970)	(115,373)	(470,839)
	$ 249,597	$ 269,202	$1,000,533

A nonrecurring item related to an inventory fair value adjustment of $865,000 is included in the supplemental unaudited pro forma combined results of operations for the year ended December 31, 2012. The Company has incurred approximately $848,000 in acquisition related costs since inception of the acquisition. Approximately $812,000 of these costs were incurred during the year ended December 31, 2012 and are recorded as selling, general and administrative expenses in the consolidated statements of income as of December 31, 2012.

These pro forma condensed consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the first day of the earliest period presented, or of future results of the consolidated entities. The pro forma consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition.

(5) Property, Plant and Equipment

Property, plant and equipment at December 31, 2012 and 2011 consisted of the following:

	2012	2011	Estimated useful lives
Land	$ 200,000	$ 200,000	—
Buildings	759,281	759,281	27 years
Machinery and equipment	5,682,609	3,552,316	3 to 10 years
Office equipment	2,880,938	1,278,375	2 to 15 years
Leasehold improvements	2,226,065	1,242,996	1 to 15 years
Vehicles	477,445	288,909	3 to 5 years
Total property, plant and equipment	12,226,338	7,321,877	
Less accumulated depreciation	(6,876,028)	(4,147,129)	
Net property, plant and equipment	$ 5,350,310	$ 3,174,748	

Depreciation of property, plant and equipment was $1,042,606, $530,326 and $453,810 for the years ended December 31, 2012, 2011 and 2010, respectively.

(6) Goodwill and Other Intangible Assets

Goodwill

As of December 31, 2012 and 2011, goodwill amounted to $8,729,438 and $3,119,246, respectively. See Note 2 for discussion of the valuation techniques used to assess the fair value of the intangible assets at the acquisition date. The Company tests goodwill for impairment annually at the reporting unit level using a fair value approach, in accordance with the provisions of ASC 350, Goodwill and Other. The Company completed its annual impairment tests during the fourth quarter 2012 and 2011 and determined there was no impairment.

During April 2012, the Company acquired Dansensor which resulted in goodwill of approximately $5.6 million (see Note 2). Additionally, during fiscal 2012, the Company reorganized its business which thereby changed the reporting segments. To properly reflect the change in goodwill by reporting segment, goodwill has been allocated to the reporting segments as though the reorganization had occurred at the beginning of the year. The changes in the carrying amount of goodwill for the year ended December 31, 2012 is as follows:

	Package Testing	Permeation	Industrial Analyzers & Other	Total
Balance as of December 31, 2011	$ 366,655	$2,142,661	$609,930	$3,119,246
Acquisition	5,639,837	—	—	5,639,837
Foreign currency translation	(66,055)	36,410	—	(29,645)
Balance as of December 31, 2012	$5,940,437	$2,179,071	$609,930	$8,729,438

(7) Warranty (Continued)

Warranty provisions and claims for the years ended December 31, 2012, 2011 and 2010 were as follows:

Description	Balance at Beginning of Year	Acquired provision—Dansensor	Warranty Provisions	Warranty Claims	Balance at End of Year
Year ended December 31, 2012:					
Allowance for product warranties	$205,506	85,413	374,758	425,056	240,621
Year ended December 31, 2011:					
Allowance for product warranties	$217,819	—	227,112	239,425	205,506
Year ended December 31, 2010:					
Allowance for product warranties	$209,710	—	305,167	297,058	217,819

(8) Commitments and Contingencies

(a) Leases

The Company leases its facilities and certain equipment pursuant to operating and capital leases. The facility leases expire at various times through October 2025 and require the Company to pay operating costs, including real estate taxes. Equipment under capital lease consists of service vehicles, net of depreciation totaling approximately $60,000 as of December 31, 2012.

Rental expense for operating leases, including charges for operating costs, was $1,071,798, $629,405 and $533,828 in 2012, 2011 and 2010, respectively.

The following is a schedule of future minimum lease payments, excluding charges for operating costs, as of December 31, 2012:

Year Ending December 31:	Operating Leases	Capital Leases
2013	$1,338,804	$13,832
2014	1,026,702	14,719
2015	837,041	15,663
2016	793,375	14,760
2017	795,565	2,892
2018 and thereafter	4,305,562	—
	$9,097,049	61,866
Less amounts representing interest		2,580
Present value of minimum lease commitments		$59,286

(b) Executive Severance Agreements

The Company has a severance agreement with six of its executive officers which provides for the payment to the executive of a lump sum amount upon the occurrence of certain termination events. The payment could amount to one or two times the executive's current annual salary depending on the reason for termination.

(9) Income Taxes (Continued)

The effective income tax rate varies from the federal statutory tax rate for the following reasons:

	Percentage of pretax income for years ended December 31,		
	2012	2011	2010
Tax at statutory federal income tax rate	34.0%	34.0%	34.0%
Increases (reductions) in taxes resulting from:			
State income taxes, net of federal benefit	1.2	1.5	1.8
Change in valuation allowance	—	0.6	—
Domestic manufacturing deduction	(3.8)	(2.1)	(2.5)
Capitalized acquisition costs	3.6	—	—
Effect of foreign operations	5.9	(0.7)	(0.5)
Foreign dividend income	(1.5)	—	(2.9)
Tax-exempt interest	(0.4)	(0.2)	(0.2)
Changes in unrecognized tax benefits	(0.3)	0.3	0.6
Stock option compensation	2.5	0.3	0.7
Research credit	—	(1.0)	(1.1)
Other	(0.4)	0.9	0.2
Effective income tax rate	40.8%	33.6%	30.1%

The effect of foreign operations was unusually high in 2012 due primarily to the impact of losses which were benefitted at rates lower than the U.S. statutory rate.

(9) Income Taxes (Continued)

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	2012	2011
Balance at January 1	$244,000	$217,000
Additions based on tax positions related to the current year	5,000	77,000
Additions based on tax positions related to the prior year	—	—
Reductions due to closing of statute of limitations	(14,000)	(9,000)
Reductions based on tax positions related to the prior year	(2,000)	(41,000)
Balance at December 31	$233,000	$244,000

Included in the balance of total unrecognized tax benefits at December 31, 2012 are potential benefits of $174,000 that if recognized would affect the effective tax rate on income before income taxes. The difference between this amount and the corresponding amount of gross unrecognized tax benefits related primarily to the deferred federal benefit for state income tax related amounts.

The Company does not anticipate that the total amount of unrecognized tax benefits will change significantly in the next twelve months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. Total accrued interest and penalties amounted to $33,000 and $34,000 on a gross basis at December 31, 2012 and 2011, respectively, and are excluded from the reconciliation of unrecognized tax benefits presented above.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, several state jurisdictions, China, France, Germany, Denmark, Italy, Luxembourg, Spain and the Netherlands. With limited exceptions, the Company is no longer subject to income tax examinations by taxing authorities for taxable years before 2009. In July 2011, the Internal Revenue Service completed its examination of our 2009 Federal income tax return. The audit was completed without having a material impact on our provision for income taxes. In early 2013, the State of Minnesota completed its examination of the four years 2008 through 2011 which resulted in an immaterial adjustment.

(10) Stock-Based Compensation

As of December 31, 2012, the Company has reserved 271,402 shares of common stock for options and other stock-based incentive awards that are still available for grant under the Company's 2006 stock incentive plan, and 838,662 shares for options that have been granted under either the Company's 2006 stock incentive plan or 1998 stock option plan but have not yet been exercised. The Company issues new shares of common stock upon exercise of stock options.

Under the Company's stock-based incentive plans, option exercise prices are 100% of the market value of the common stock at the date of grant, except if incentive options granted under the 1998 and 2006 plans were granted to persons owning more than 10% of the Company's stock, in which case the option price would be 110% of the market value. Exercise periods are generally for seven to ten years. Certain of the plans allow for the granting of nonqualified stock options. Upon the exercise of these nonqualified options, the Company may realize a compensation deduction allowable for income tax purposes. The after-tax effect of these tax deductions is included in the accompanying consolidated financial statements as an addition to additional paid-in capital.

(10) Stock-Based Compensation (Continued)

Information regarding the Company's stock option plans for 2010, 2011 and 2012 was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding, December 31, 2009	937,250	$ 8.84	4.2	$ 881,656
Granted	123,600	12.96		
Exercised	(134,865)	6.76		
Cancelled or expired	(13,423)	8.41		
Options outstanding, December 31, 2010	912,562	9.71	4.1	2,962,426
Granted	132,900	16.00		
Exercised	(203,801)	8.41		
Cancelled or expired	(11,875)	9.08		
Options outstanding, December 31, 2011	829,786	11.05	4.1	4,108,291
Granted	128,700	14.40	7.0	
Exercised	(108,624)	8.56		
Cancelled or expired	(11,200)	14.30		
Options outstanding, December 31, 2012	838,662	$11.84	3.9	$2,346,063
Options exercisable, December 31, 2012	628,737	$11.01	3.1	$2,256,812

The weighted average grant date fair value based on the Black-Scholes model for options granted in 2012, 2011 and 2010 was $4.18, $4.60 and $3.73, respectively. The total intrinsic value of options exercised was $794,345, $1,341,057 and $674,963 during the years ended December 31, 2012, 2011 and 2010, respectively. The aggregate intrinsic values are based upon the closing price of our common stock on the last day of the respective fiscal year.

A summary of the status of the Company's unvested option shares as of December 31, 2012 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2011	204,225	$4.00
Options granted	128,700	4.18
Options cancelled	(10,050)	4.26
Options vested	(112,950)	4.11
Unvested at December 31, 2012	209,925	$4.04

As of December 31, 2012, there was $847,922 of total unrecognized compensation cost related to unvested stock-based compensation granted under the Company's plans. That cost is expected to be recognized over a weighted-average period of 1.7 years. The total fair value of option shares vested during the years 2012, 2011 and 2010 was $464,470, $388,904 and $261,860, respectively.

(14) Investment in Affiliated Company

In January 2010, the Company acquired a minority equity ownership interest in Luxcel Biosciences Limited (Luxcel) based in Cork, Ireland. The investment of €2.5 million (approximately $3.6 million) amounted to a 16.9% equity interest in Luxcel. The Company has evaluated the cost versus equity method of accounting for its investment in Luxcel and determined that it does not have the ability to exercise significant influence over the operating and financial policies of Luxcel and, therefore, accounts for its investment on a cost basis. The Company elected not to exercise the warrants to purchase an additional 375,000 shares of Luxcel's common stock by the January, 2013 deadline. This decision was based on management's evaluation of the cash needs throughout the entire Company.

Luxcel has developed phosphorescence-based sensors that enable rapid, high-throughput screening and detection of bacterial contamination of food samples, non-invasive analysis of gas in food, beverage and pharmaceutical packaging, and one of the most specific measures of drug toxicity and metabolism within pharmaceutical research and development.

The investment in Luxcel is carried on our consolidated balance sheet at the original purchase price, adjusted for currency fluctuations. The Company believes that it is not feasible to readily estimate the fair value of its investment in Luxcel. Information related to future cash flows of Luxcel is not readily available as the entity is a start-up research and development company and future cash flows are highly dependent on their ability to obtain additional funding, gain acceptance of its products in the marketplace, and obtain regulatory approvals. The Company performed its review of Luxcel at December 31, 2012 and determined that no triggering events had occurred which would indicate that there would be an other-than-temporary impairment of our investment. Luxcel has provided reimbursement for certain research and development costs incurred by the Company in the amounts of approximately $0, $175,000 and $165,000 in 2012, 2011 and 2010, respectively, which have been reflected in the Consolidated Statements of Income as a reduction of research and development expenses.

As part of the relationship with Luxcel, we purchase sensors which accompany our instruments for sale to an end user and are required to pay a royalty to Luxcel on the sale of such instruments.

(15) Derivative Instrument

As of December 31, 2012, the Company has one foreign currency contract outstanding with a notional amount of 20.7 million Danish krone (DKK) or $3.7 million. The foreign currency contract was purchased to economically hedge the foreign currency fluctuation from the remeasurement of the third party seller financed note payable (Seller Note) which is denominated in DKK (Note 16). The foreign currency contract has various settlement dates that coincide with the Company's Seller Note payment schedule. The term of the foreign currency contract coincides with the maturity of the Seller Note which is April 2, 2015. The fair value of the contract resulted in an asset of approximately $209,000 at December 31, 2012. The change in the fair value of the contract totaling $209,000 for the year ended December 31, 2012 was recognized in other income, the current portion of the receivable is recorded in other receivables, and the long-term portion is recorded in other assets as of December 31, 2012. We had one foreign currency contract outstanding as of December 31, 2010 of which approximately $250,000 was recognized in other income for the year ended December 31, 2010.

(16) Debt (Continued)

As of December 31, 2012, the future minimum principal payments of the long-term notes payable for each fiscal year thereafter is as follows:

2013	$2,566,154
2014	2,625,561
2015	992,734
2016	305,797
2017	2,771
Total	$6,493,017

(17) Fair Value Measurements

The Company determines the fair market value of its derivative contract based on the fair value hierarchy, described below, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels within the fair value hierarchy that may be used to measure fair value:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Values generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table provides information on those assets that are measured at fair value on a recurring basis as of December 31, 2012:

		Fair Value Measurements at the end of the Reporting Period Using
Assets:	**Carrying value**	**Significant Other Observable Inputs (Level 2)**
Foreign currency contract	$209,370	$209,370

(18) Business Segments (Continued)

Segment information for the years ended December 31, 2012, 2011 and 2010 are as follows:

	Package Testing	Permeation	Industrial Analyzers and Other	Unallocated—Corporate	Consolidated
December 31, 2012					
Sales	$19,682,513	$21,235,611	$9,022,401	$ —	$49,940,525
Gross profit	8,450,145	13,682,530	5,201,242	—	27,333,917
Income before income taxes	(1,501,182)	4,369,845	511,459	—	3,380,122
Capital expenditures	800,553	842,957	221,695	—	1,865,205
Depreciation and amortization	1,432,638	401,577	115,567	—	1,949,782
Interest expense	308,389	—	—	—	308,389
Intangible assets, net	11,314,783	994,001	72,830	—	12,381,614
December 31, 2011					
Sales	$ 4,713,270	$25,303,120	$7,344,477	$ —	$37,360,867
Gross profit	2,021,484	17,389,010	4,057,803	—	23,468,297
Income before income taxes	873,092	7,726,113	(395,225)	—	8,203,980
Capital expenditures	61,048	699,392	122,544	—	882,984
Depreciation and amortization	47,353	474,044	95,054	—	616,451
Interest expense	—	—	—	—	—
Intangible assets, net	86,484	744,465	78,587	—	909,536
December 31, 2010					
Sales	$ 3,845,341	$21,203,559	$6,499,729	$ —	$31,548,629
Gross profit	1,778,899	14,214,618	3,171,103	—	19,164,620
Income before income taxes	671,692	5,803,499	(11,821)	—	6,463,370
Capital expenditures	148,012	1,252,348	263,849	—	1,664,209
Depreciation and amortization	44,331	420,985	79,025	—	544,341
Interest expense	—	—	—	—	—
Intangible assets, net	78,988	603,543	83,365	—	765,896
Total assets as of December 31, 2012	$28,798,541	$20,630,686	$4,471,779	$3,318,765	$57,219,771
Total assets as of December 31, 2011	$ 7,188,806	$25,735,107	$3,552,840	$3,227,758	$39,704,511

MOCON, INC.
EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit No.	Exhibit	Method of Filing
3.1	Restated Articles of Incorporation of MOCON, Inc.	Incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (File No. 000-09273)
3.2	Third Restated Bylaws of MOCON, Inc.	Filed herewith
10.1	Office/Warehouse Lease, dated March 9, 2010, by and between MOCON, Inc. and Minnesota Industrial Properties Limited Partnership	Incorporated by reference to Exhibit 10.4 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (File No. 000-09273)
10.2	MOCON, Inc. 1998 Stock Option Plan, as amended	Incorporated by reference to Appendix A to our Definitive Proxy Statement on Form DEF-14A filed on April 9, 2002 (File No. 000-09273)
10.3	Form of Incentive Stock Option Agreement between MOCON, Inc. and its Executive Officers under the MOCON, Inc. 1998 Stock Option Plan, as amended	Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed on December 29, 2004 (File No. 000-09273)
10.4	Form of Non-Statutory Stock Option Agreement between MOCON, Inc. and its Non-Employee Directors and Executive Officers under the MOCON, Inc. 1998 Stock Option Plan, as amended	Incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed on December 29, 2004 (File No. 000-09273)
10.5	MOCON, Inc. 2006 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 1, 2011 (File No. 000-09273)
10.6	Form of Incentive Stock Option Agreement between MOCON, Inc. and its Executive Officers under the MOCON, Inc. 2006 Stock Incentive Plan	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 23, 2006 (File No. 000-09273)
10.7	Form of Non-Statutory Stock Option Agreement between MOCON, Inc. and its Non-Employee Directors and Executive Officers under the MOCON, Inc. 2006 Stock Incentive Plan	Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on May 23, 2006 (File No. 000-09273)
10.8	Form of Executive Severance Agreement	Incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (File No. 000-09273)

Exhibit No.	Exhibit	Method of Filing
10.20	Description of Non-Employee Director Compensation Arrangements	Filed herewith
10.21	Description of Executive Officer Compensation Arrangements	Filed herewith
21.1	Subsidiaries of MOCON, Inc.	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)	Furnished herewith
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)	Furnished herewith
101.INS	XBRL Instance Document	Furnished herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Furnished herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Furnished herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Furnished herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Furnished herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Furnished herewith