

Mechanical Technology Announces Third Quarter 2016 Earnings

Stronger sales combined with lower costs drove significant earnings and cash improvements in third quarter

ALBANY, N.Y.-- Mechanical Technology, Incorporated (MTI or the Company) (OTCQB:MKTY), a company engaged, through its subsidiary MTI Instruments, Inc. (MTI Instruments), in the design, manufacture and sale of precision test and measurement sensors, instruments and systems that provide solutions for linear displacement, vibration measurement and system balancing and tensile measurements in markets that require the exacting measurement and control of products and processes for automated manufacturing, assembly, and consistent operation of complex machinery, announces its third quarter 2016 results and business update.

- Revenue increased by \$936 thousand for the third quarter of 2016 as compared to the same period in 2015. The increase in product revenue is attributable to the partial fulfillment of the long awaited U.S. Air Force contract for engine vibration analysis systems, accessories and maintenance combined with increased instrumentation product shipments in the U.S. and to Asia, primarily to the research and development market.
- Gross profit as a percentage of product revenue rose to 65.3% for the third quarter of 2016 from 55.9% during the third quarter of last year. This upturn was attributable to our continued focus to lower overhead costs and lower material costs associated with the change in product mix.
- Operating income was \$331 thousand for the three months ended September 30, 2016 compared to an operating loss of \$596 thousand for the three months ended September 30, 2015. The increase in operating income is primarily a result of the increase in sales and improvement in gross margin combined with decreased overhead costs.
- Cash was \$886 thousand at the end of the third quarter, an increase of \$424 thousand from December 31, 2015, a result of increased earnings combined with ongoing management control of spending, receivables and payables.

In addition, as previously announced, on October 21, 2016, Brookstone Partners (www.brookstonepartners.com), a private equity firm based in New York City, through Brookstone Partners Acquisition XXIV, LLC, acquired 3,750,000 newly issued shares of common stock of MTI for \$2.74 million. This new investment has allowed MTI's balance sheet to improve and provides MTI with additional capital for, among other things, key strategic activities.

"This is the start of a new era for MTI," commented Kevin Lynch, Chairman and Chief

Executive Officer of MTI. “We are seeing the improvements in the business from a revenue, cost and cash generation perspective. This allows us to continue our commitment to develop business organically in our core markets. With the investment and relationship with Brookstone, we have established a new foundation to grow MTI, including through acquisitions, which we have not been able to do in recent years.

“Overall, the business is stronger with the receipt of the initial orders under the U.S. Air Force contract, the beginning stages of spending in the research and development segment in Asia, and the implementation of programs mentioned in earlier releases with our Accumeasure D in the alternative energy market.

“Both the semiconductor and Asian markets, in general, continue to lag in terms of the realization of sales from earlier customer qualifications of our products. As these markets improve, we anticipate additional positive revenue and earning impacts.

“At this time, the future of MTI has multiple paths to success. We expect to exploit these opportunities to the benefit of our valued shareholders.”

About MTI

MTI is engaged in the design, manufacture, and sale of test and measurement instruments and systems through its subsidiary MTI Instruments, Inc. MTI Instrument's products use a comprehensive array of technologies to solve complex, real world applications in numerous industries including manufacturing, electronics, semiconductor, solar, commercial and military aviation, automotive and data storage. For more information about the Company, please visit www.mechtech.com.

The statement in this press release that is not historical fact, in particular, “As [the semiconductor and Asian] markets improve, we anticipate additional positive revenue and earning impacts,” constitute forward-looking statements within the meaning of federal securities laws. All forward-looking statements are made as of today, and MTI disclaims any duty to update such statements. It is important to note that the Company’s actual results could differ materially from those projected in forward-looking statements. Factors that could cause the anticipated results not to occur include: that the uncertainty of the global economy may negatively impact the anticipated improvement in these markets as well as demand for our products; variability of customer requirements resulting in cancellations, reductions, or delays; our inability to build and maintain relationships with our customers; and the other risk factors listed from time to time in the Company’s reports filed with the Securities and Exchange Commission, including, but not limited to, our annual report on Form 10-K for the year ended December 31, 2015, and our quarterly reports on Form 10-Q.

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