ELXSI CORPORATION REPORTS NET INCOME
FOR THE THREE MONTHS ENDED
March 31, 2016

ORLANDO, Florida – May 25, 2016 - ELXSI Corporation today announced that it reported net income of $1,963,000, or $0.53 per diluted share during the first quarter of 2016, as compared to net income of $1,279,000, or $0.38 per diluted share during the first quarter of 2015. The 2016 first quarter results included a $254,000, or $0.07 per share, gain from selling a restaurant lease.

Net income during the first quarter of 2016 was negatively impacted by the accounting standard for income taxes ("ASC 740"). The Company recorded deferred income tax expense of $1,063,000 in the first quarter of 2016. There was no deferred income tax expense in the first quarter of 2015. Excluding the impact of ASC 740, the Company would have earned $0.82 per diluted share in the first quarter of 2016 compared to $0.38 per diluted share in the first quarter of 2015, a 116% increase.

In December 2015, the Company recorded a $16,556,000 deferred tax benefit and an associated increase in the balance sheet net deferred income tax asset of $16,790,000. The deferred tax asset represented the future expected use of the Company's remaining tax loss carryforwards, tax credits and temporary deductions. In subsequent years, under ASC 740, the Company will record Federal income tax expense of approximately 34%, exceeding the alternative minimum tax paid while utilizing remaining operating loss carryforwards and credits. Therefore, future reported net income and earnings per share will be reduced by the full Federal and State tax rates compared to lower tax expense in prior years based on Federal alternative minimum and state tax rates. Assuming similar pre-tax income in the future, income tax expense will increase approximately 32% with a corresponding decrease in net income compared to prior years. However, future cash flow will not be diminished as the net operating loss ("NOL") carryforward will be available as in prior years until fully utilized.

The above was an attempt to simplify and normalize the historical trend by accelerating all of the expected value in the remaining NOL's under the assumption that they will be consumed by future expected pre-tax profit. However, it serves to distort significantly the historical comparatives in the year the deferred tax asset is recorded and the subsequent years when that asset is reduced to zero through deferred income tax expense.

Cues Division. Cues is a leading manufacturer of robotic video inspection equipment, repair equipment and asset management software for wastewater pipelines and drainage systems. The Company also provides consulting and specialty services related to pipeline markets. The business achieved record annual sales and operating income during 2015, and record first quarter sales and operating income in 2016.

During the first quarter of 2016, net sales and operating income increased 26% and 69%, respectively, compared to the same period in 2015. The operating income increased as a result of the sales increase, but was partially offset by a 5% increase in selling general and administrative expense during the first quarter of 2016 compared to the first quarter of 2015. The first quarter gross profit percentage was approximately flat compared to the same period in the prior year.

Management continues to evaluate the market for specialty inspection technology systems combining laser, sonar and digital video along with sophisticated data gathering and data processing performed by the Cues Mapping Services division. Neither segment contributed to the record results achieved by Cues during the first quarter of 2016, but the segments have registered steady improvement.

Restaurant Operations. The restaurant sales and operating income (before the gain on disposal of property and building) represented approximately 8% and 1%, respectively, of the Company totals during the first quarter of 2016.

Restaurant net sales during the first quarter of 2016 decreased $163,000, or 8.5%, from $1,914,000 in 2015 to $1,751,000 in 2016. The Restaurants recorded operating income of $281,000 in the first quarter of 2016, compared to operating income of $43,000 in the first quarter of 2015. During March 2016, the Company sold its Salem, NH lease and the associated assets for $450,000. The 2016 first quarter results were positively impacted by a $254,000 gain from that sale.

Restaurant operating (before the gain on disposal of property and building) during the first quarter of 2016 decreased $16,000, or 37%, from $43,000 in 2015 to $27,000 in 2016.

As of March 31, 2016, the Company operated four restaurants in New England. In addition, the Company leased four other properties at which the Company previously operated restaurants that are now closed and are no longer being operated by the Company because these restaurants were not profitable. The Company is currently subleasing the four remaining properties to third parties thereby reducing its financial exposure under the four lease obligations.

Corporate. As of December 31, 2015, the Company had a cash balance of $20,853,000 and no outstanding borrowings on its $6,000,000 line of credit.

Corporate administrative expense decreased $230,000, or 34% in the first quarter of 2016 compared to 2015. Included in the first quarter administrative expense during both 2016 and 2015 was $399,000 and $114,000, respectively, in stock grant compensation expense for shares of Company Common Stock earned each quarter. Under the stock grant, which was effective January 1, 2014 and expires on December 31, 2018, up to 400,000 shares can be earned contingent on the Company achieving certain minimum operating income levels. Subsequent to 2015, the remaining stock grant compensation expense is $458,000 for 50,000 shares, assuming the Company achieves minimum operating income levels. The earned shares were distributable at a maximum rate of 80,000 shares per year beginning in 2015, except for the final plan year when a maximum of 160,000 shares can be distributed. During 2015, 80,000 shares were issued.

Consolidated interest expense was $77,000 and $78,000, respectively during the first quarter of 2016 and 2015. The Company intends to pay the phantom stock option plan liability during 2016, which will reduce interest expense by approximately $200,000 annually.

During the first quarter of 2016, the Company repurchased 6,674 shares of its common stock for approximately $116,000 under its previously announced programs to repurchase up to $5,000,000 of its common stock on the open market and in privately negotiated transactions. Since announcement of this program in 2012, the Company has repurchased an aggregate of 323,675 shares of its common stock for $3,540,000. The Company will continue to repurchase shares under this program from time to time subject to market conditions.

Summary. Below is a summary of the 2015 and 2014 first quarter results.

	Three Months Ended March 31,	
	2016	2015
	(amounts in $000's, except per share data)	
Sales	$ 23,253	$ 19,013
Gain for restaurant closures and lease terminations costs and sales of property and buildings	254	--
Operating income	3,352	1,451
Income tax benefit (expense)	(1,362)	(99)
Net income	$ 1,963	$ 1,279
Earnings per common share:		
Basic	$ 0.58	$ 0.38
Diluted	$ 0.53	$ 0.38
Weighted average number of common and common equivalent shares outstanding”		
Basic	3,404	3,373
Diluted	3,674	3,373

	Three Months Ended March 31, 2016		2015
	(amounts in $000's, except per share data)		
Effect of ASC 740 included in above results:			
Deferred tax expense	$ (1,063)	$	--
Diluted net deferred tax expense per share	(0.29)		--
Diluted earnings per share adjusted for the effect of ASC 740:			
Reported diluted earnings per share	0.53		--
Add effect of ASC 740 deferred tax expense per share	0.29		--
Adjusted diluted earnings per share without the effect of ASC 740	0.82		--

The Company's net book value was $18.25 per share at March 31, 2016.

The Company's common stock can be traded through the "OTC Pink" marketplace, an electronic quotation service for over-the-counter securities. The Company's financial statements for the year ended December 31, 2015 and the fiscal quarters ended March 31, 2016 are located at www.otcmarkets.com under the symbol ELXS. Contact David M. Doolittle, (407) 849-0190 ext. 211 for additional information.

This Press Release includes forward-looking statements that involves risks and uncertainties. Additional written or oral forward-looking statements may be made by or on behalf of the Company from time to time in press releases and other public announcements, or otherwise. Such statements may include, but not be limited to, projections of revenue, income, losses and cash flows, plans for future capital and other expenditures, plans for future operations, expectations with respect to the Company's restructuring activities, financing needs or plans and the adequacy of the funds available to operate the Company's business, plans relating to products or services, estimates concerning the effects of litigation or other disputes, as well as expectations and assumptions relating to any or all of the foregoing, relating to the Company, its subsidiaries and/or divisions.

Although the Company believes that its forward-looking statements are based on expectations and assumptions that are reasonable, forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted. Accordingly, no assurance can be given that such expectations or assumptions will prove to have been correct, and future events and actual results could differ materially from those described in or underlying the forward-looking statements. Among the factors that could cause future events and actual results to differ materially are: the demand for the Company's products and services and other market acceptance risks; the presence in the Company's markets of competitors with greater financial resources, the impact of competitive products and services and pricing; the loss of any significant customers or group of customers; general economic and market conditions nationally and (in the case of the Company's restaurant operations) in New England; the Company's ability to successfully restructure its restaurant operations, the ability of the Cues Division to develop new products; capacity and supply constraints or difficulties; the emergence of future opportunities; the Company's ability to meet certain covenant requirements under its borrowing agreements; the ability of the Company to utilize its deferred tax assets; the Company's ability to collect outstanding accounts receivable; and the effects of the Company's accounting policies.

The Company assumes no obligation to update its forward-looking statements or advise of changes in the expectations, assumptions and factors on which they are based.