ELXSI CORPORATION REPORTS NET INCOME FOR THE THREE MONTHS ENDED March 31, 2012

ORLANDO, Florida – May 18, 2012 - ELXSI Corporation today announced that it reported net income of $995,000, or $0.25 per basic and diluted share, for the three months ended March 31, 2012 compared to net income of $467,000, or $0.12 per basic and diluted share, during the same period in 2011.

Restaurant Operations. The operating income (before a gain on disposals of leased property and buildings) was $3,000 during the three months ended March 31, 2012 compared to an operating loss of ($162,000) during the three months ended March 31, 2011. Overall restaurant net sales decreased $277,000, or 12%, from $2,224,000 in the first quarter of 2011 to $1,947,000 in the first quarter of 2012. The sales decrease was primarily attributable to operating fewer restaurants in the 2012 period as a result of the previously announced restructuring program. Sales at comparable restaurants increased 2% during the first quarter of 2012 as compared to the first quarter of 2011.

As of March 31, 2012, the Company operated seven restaurants in New England; four under the "Bickford's Grille" name and three under the traditional "Bickford's" name. In addition, the Company leased four other properties at which the Company operated restaurants that are now closed and are no longer being operated by the Company because these restaurants were not profitable. The Company, however, is subleasing these four properties to third parties. During March 2012, the Company completed a transaction to exit the closed restaurant property lease in Waltham, Massachusetts and recorded a gain of $170,000.

The restaurant operations' gain on disposals of leased property and buildings was $170,000 during the first quarter of 2012 as compared to a loss of ($76,000) in the same period in the prior year. As a result, the operating income (after gain/losses on disposals of leased property and buildings) from the Company's restaurant operations increased $411,000 to income of $173,000 in the first quarter of 2012 from a loss of ($238,000) in the first quarter of 2011.

Over the last nine years, the Company has systematically closed and sold underperforming restaurants to stem its exposure to the overall difficulties in the United States casual family restaurant market. Throughout this restructuring period, the Company has incurred costs related to the downsizing.

Management believes the current core group of seven operating restaurants will significantly outperform the negative results endured over the past eight years. The trend in recent operating results of the restaurant operation continues to bear this out.

Cues Division. The Company's Cues Division is a leading manufacturer of robotic video inspection equipment, repair equipment and asset management software for wastewater and drainage systems. Both annual net sales and profit at Cues during 2011 were the highest in the division's history.

During the first quarter of 2012, the Cues Division net sales and operating income increased 7% and 40%, respectively, compared to the same period in 2011. The increase in operating income during the first quarter of 2012 was primarily related to the increase in sales and cost savings efficiencies resulting from higher production volumes during the first quarter ended March 31, 2012 compared to the same period in 2011.

The sales and production backlog at March 31, 2012 continued to be higher than at the same time in previous years. During the second quarter of 2012, Cues expects to ship a portion of the largest equipment order in its history to an international customer. The order consists of 22 vehicle mounted systems and related software and is supported by a letter of credit supplied by the customer and a credit insurance policy. Management is cautiously optimistic that actions taken to increase international staffing and dealerships will result in a significantly higher level of international sales than in past years.

The first quarter of 2012 also marked the establishment of a new business segment, "Cues Mapping Services" which will perform sophisticated data gathering using a proprietary robotic instrument which collects positioning coordinates in three dimensions and is able to populate GIS maps with this valuable data. The Company plans to market this new offering for use in all types of pipelines ranging from wastewater to gas distribution lines as well as heavy duty buried power distribution conduits. Management of this segment is comprised of several seasoned executive and staff members experienced in this field.

Corporate. Corporate operating expense increased $309,000, or approximately 202%, in the first quarter of 2012 as compared to the same period in 2011. The increase in corporate operating expense was primarily the result of accruing a management fee payable to Cadmus Corporation ("Cadmus") of approximately $99,000 per month. As previously disclosed, the monthly management fee was reinstated in July 2011 as a result of the Company achieving a certain income threshold during the second quarter ended June 30, 2011. At this time, management does not intend to pay the accrued management fee to Cadmus. The yearly management fee will discontinue if the Company's annual operating income falls below $4,000,000 in any future year, including the year ended December 31, 2012.

As of March 31, 2012, the Company's outstanding line of credit was approximately $578,000 and there was approximately $7,422,000 available for additional borrowing under the credit facility. Management believes that cash generated by operations and funds available under its credit facility will be adequate to fund operations throughout 2012 and 2013. Consolidated interest expense decreased by $7,000, or approximately 6%, to $116,000 during the first quarter of 2012 as compared $123,000 in the same period in 2011.

From late December 2011 through February 2012, the Company issued several press releases and sent several letters to stockholders in response to an unsolicited partial tender offer for up to 230,000 shares of the Company's common stock (which represented 5.73% of the Company's outstanding shares at that time) at $3.50 per share. The Company believes that approximately 40,000 shares were tendered into the offer in February 2012 with almost all of the shares from a single holder.

During the first quarter of 2012, the Company repurchased 15,437 shares of its common stock for approximately $63,000 under its previously announced program to repurchase up to $1,500,000 of its common stock on the open market and in privately negotiated transactions. The Company will continue to repurchase shares under this program from time to time and subject to market conditions. The Company believes its shares remain undervalued at current market prices.

Summary. Management expects the positive trend experienced over the last few quarter to continue as the exposure to restaurant fluctuations has been significantly diminished and the current outlook for pipe line infrastructure spending appears stable.

	Three Months Ended March 31,	
	2012	2011
	(amounts in $000's, except per share data)	
Sales	$ 13,162	$ 12,753
Gain (loss) on asset impairment for restaurant closures and lease terminations costs and sales of property and buildings	170	(76)
Operating income	1,171	649
Provision for income taxes	(60)	(47)
Net income	$ 995	$ 467
Basic and diluted earnings per common share	$ .25	$ .12
Weighted average number of shares outstanding:		
Basic	4,004	4,012
Diluted	4,007	4,012

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, 2011 and the fiscal quarter ended March 31, 2012 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.