

Electro-Sensors, Inc. Announces Third Quarter 2017 Financial Results

Minnetonka, Minnesota (November 13, 2017) – Electro-Sensors, Inc. (NASDAQ: ELSE), a leading global provider of machine monitoring sensors and hazard monitoring systems, today announced financial results for the third quarter ended September 30, 2017.

- **Quarterly revenue of \$2,054,000**
- **Sales increased 11.8% compared to third quarter of 2016**
- **Gross margin of 55.2%**
- **Operating income margin of 10.8%**

Selected Financial Information (unaudited; in thousands, except per share data)

	<u>Q3 2017</u>	<u>Q3 2016</u>	<u>Change</u>
Net Sales	\$ 2,054	\$ 1,837	11.8 %
Gross Margin	55.2 %	54.5 %	70 bps
Operating Income	\$ 222	\$ 29	665.5 %
Operating Income Margin	10.8 %	1.5 %	930 bps
Income Before Income Taxes	\$ 234	\$ 35	568.6 %
Earning Per Share (diluted)	\$.04	\$.01	300.0 %

Net sales in the third quarter increased 11.8% to \$2,054,000 from \$1,837,000 in the prior-year quarter. For the first nine months of 2017, net sales increased 8.0% to \$6,005,000 from \$5,562,000 for the first nine months of the prior year. The increase in the third quarter was primarily due to an increase in the average size of large orders in both our HazardPRO™ wireless hazard monitoring systems and legacy products. Additionally, in the nine months ended September 30, 2017, the Company experienced significant growth in our international markets.

“During our third quarter we once again delivered increases in both revenue and operating income over the comparable period in the prior year. We are especially pleased that we experienced growth in both our legacy products as well as our HazardPRO wireless hazard monitoring systems,” said Electro-Sensors President David L. Klenk.

A full analysis of results for the period ended September 30, 2017 is available in the Company’s Form 10-Q, which is available on the Company’s website at www.electro-sensors.com or through the Securities and Exchange Commission’s Edgar database at www.sec.gov.

Electro-Sensors, Inc.
Statements of Income
For the Three and Nine Months Ended September 30, 2017 and 2016 (unaudited)
(in thousands except share and per share amounts)

	Three Months Ended September 30,	
	2017	2016
Sales	\$ 2,054	\$ 1,837
Cost of goods sold	920	835
Gross profit	1,134	1,002
Operating expenses	912	973
Operating income	222	29
Non-operating income	12	6
Income before income taxes	234	35
Income taxes	82	12
Net income	\$ 152	\$ 23
Earnings per share – diluted	\$ 0.04	\$ 0.01
Average shares outstanding - diluted	3,400,988	3,396,776

	Nine Months Ended September 30,	
	2017	2016
Sales	\$ 6,005	\$ 5,562
Cost of goods sold	2,648	2,452
Gross profit	3,357	3,110
Operating expenses	2,942	3,022
Operating income	415	88
Non-operating income	30	29
Income before income taxes	445	117
Income taxes	154	43
Net income	\$ 291	\$ 74
Earnings per share – diluted	\$ 0.09	\$ 0.02
Average shares outstanding - diluted	3,396,899	3,396,102

Electro-Sensors, Inc.
Balance Sheets
September 30, 2017 and December 31, 2016
(in thousands)

	September 30,	December 31,
Assets	2017	2016
	(unaudited)	
Current Assets		
Cash and investments	\$ 8,605	\$ 8,267
Trade receivables, net	1,042	770
Inventories	1,528	1,515
Other current assets	177	240
Total current assets	11,352	10,792
Deferred income tax asset, net	254	198
Intangible assets, net	858	1,035
Property and equipment, net	992	1,033
Total assets	\$ 13,456	\$ 13,058
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of note payable	\$ 142	\$ 0
Accounts payable and accrued expenses	645	543
Total current liabilities	787	543
Long-term liabilities		
Other long-term liabilities	0	195
Total long-term liabilities	0	195
Stockholders' equity		
Common stock	339	339
Additional paid-in capital	2,001	1,953
Retained earnings	10,348	10,057
Other comprehensive loss	(19)	(29)
Total stockholders' equity	12,669	12,320
Total liabilities and stockholders' equity	\$ 13,456	\$ 13,058

About Electro-Sensors

Electro-Sensors, Inc. is a leading manufacturer of machine monitoring sensors and hazard monitoring systems, the application of which span across multiple industries. We know that when it comes to monitoring your most critical production processes, your business relies on accurate and real-time information to ensure the safety of employees and protection of equipment. We understand that unexpected downtime is stressful and expensive. Preventive and predictive maintenance based on feedback gathered from your production processes can greatly reduce the chance that a catastrophic breakdown will occur. Using Electro-Sensors products provides you the confidence to know that your equipment is running properly and within safe limits, and that any deviation will be quickly identified and neutralized. We appreciate our many loyal customers who depend upon our products every day to maintain safety and help run their plants with greater efficiency, productivity, and control.

Cautionary Statement Regarding Forward Looking Statements

This press release may include statements about possible or anticipated future financial performance, business activities, plans, or opportunities. These forward-looking statements may include the words “will,” “should,” “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. Forward-looking statements reflect the company’s current views with respect to future events and financial performance and include any statement that does not directly relate to a current or historical fact. These forward-looking statements are subject to a number of factors, risks and uncertainties, including those disclosed in our periodic filings with the SEC that could cause actual performance, activities, plans, or opportunities after the date the statements are made to differ significantly from those indicated in the forward-looking statements.

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For more information please visit our website at: www.electro-sensors.com. Also look us up on:

LinkedIn: [linkedin.com/company/electro-sensors-inc-](https://www.linkedin.com/company/electro-sensors-inc-)

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