

## Electro-Sensors, Inc. Announces Second Quarter 2017 Financial Results

**Minnetonka, Minnesota** (August 10, 2017) – Electro-Sensors, Inc. (NASDAQ: ELSE), a leading global provider of machine monitoring sensors and hazard monitoring systems, today announced financial results for the second quarter ended June 30, 2017.

- **Record quarterly revenue of \$2,301,000**
- **Sales increased 14.5% compared to second quarter of 2016**
- **Gross margin of 57.5%**
- **Operating income margin of 14.6%**

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

	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>Change</u>
Net Sales	\$ 2,301	\$ 2,009	14.5 %
Gross Margin	57.5 %	58.4 %	-90 bps
Operating Income	\$ 336	\$ 207	62.3 %
Operating Income Margin	14.6 %	10.3 %	430 bps
Income Before Income Taxes	\$ 343	\$ 217	58.1 %
Earning Per Share (diluted)	\$ .06	\$ .04	50.0 %

Net sales in the second quarter increased 14.5% to \$2,301,000 from \$2,009,000 in the prior-year quarter. For the first six months of 2017, net sales increased 6.1% to \$3,951,000 from \$3,725,000 for the first six months of the prior year. The increase in the second quarter was primarily due to strong sales of our HazardPRO wireless hazard monitoring systems and improved large order performance. Additionally, the Company experienced significant growth in our international markets led predominately by sales in Canada.

“We are pleased to report strong second quarter results showing significant increases in both revenue and operating income over the comparable period in the prior year. We believe customers who deferred capital expenditures late in 2016 began to place those orders in the quarter,” said Electro-Sensors President David L. Klenk.

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

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

	<b>Three Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Sales	\$ 2,301	\$ 2,009
Cost of goods sold	977	835
Gross profit	<u>1,324</u>	<u>1,174</u>
Operating expenses	<u>988</u>	<u>967</u>
Operating income	336	207
Non-operating income	<u>7</u>	<u>10</u>
Income before income taxes	343	217
Income taxes	<u>120</u>	<u>77</u>
Net income	<u>\$ 223</u>	<u>\$ 140</u>
Earnings per share – diluted	\$ 0.06	\$ 0.04
Average shares outstanding - diluted	3,402,527	3,395,521

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Sales	\$ 3,951	\$ 3,725
Cost of goods sold	1,728	1,617
Gross profit	<u>2,223</u>	<u>2,108</u>
Operating expenses	<u>2,030</u>	<u>2,049</u>
Operating income	193	59
Non-operating income	<u>18</u>	<u>23</u>
Income before income taxes	211	82
Income taxes	<u>72</u>	<u>31</u>
Net income	<u>\$ 139</u>	<u>\$ 51</u>
Earnings per share – diluted	\$ 0.04	\$ 0.01
Average shares outstanding - diluted	3,402,731	3,395,521

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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Assets</b>	<b>(unaudited)</b>	
<b>Current Assets</b>		
Cash and investments	\$ 8,313	\$ 8,267
Trade receivables, net	1,330	770
Inventories	1,478	1,515
Other current assets	120	240
Total current assets	11,241	10,792
Deferred income tax asset, long-term	258	198
Intangible assets, net	917	1,035
Property and equipment, net	1,007	1,033
Total assets	\$ 13,423	\$ 13,058
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Current maturities of note payable	\$ 142	\$ 0
Accounts payable and accrued expenses	783	543
Total current liabilities	925	543
<b>Long-term liabilities</b>		
Other long-term liabilities	0	195
Total long-term liabilities	0	195
<b>Stockholders' equity</b>		
Common stock	339	339
Additional paid-in capital	1,988	1,953
Retained earnings	10,196	10,057
Other comprehensive income	(25)	(29)
Total stockholders' equity	12,498	12,320
Total liabilities and stockholders' equity	\$ 13,423	\$ 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](http://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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