

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

Minnetonka, Minnesota (May 11, 2017) – Electro-Sensors, Inc. (NASDAQ: ELSE), a leading global provider of machine monitoring sensors and hazard monitoring systems, today announced financial results for the first quarter ended March 31, 2017.

- **First quarter revenue of \$1,650,000**
- **Gross Margin of 54.5%**
- **Cash, cash equivalents and treasury bills of approximately \$8.1 million**

Consolidated (Unaudited; in thousands, except per share data)

	Q1 FY17	Q1 FY16	Change
Net Sales	\$ 1,650	\$ 1,716	-3.8 %
Gross Margin	54.5 %	54.4 %	10 bps
Operating Loss	\$ (143)	\$ (148)	3.4 %
Operating Loss Margin	(8.6)%	(8.6)%	0 bps
Loss Before Income Taxes	\$ (132)	\$ (135)	2.2 %
Loss Per Share (diluted)	\$ (.02)	\$ (.03)	33.3 %

Net sales for the 2017 first quarter decreased 3.8% to \$1,650,000 from \$1,716,000 in the prior-year quarter. The quarterly decrease was primarily due to lower sales in the northwestern and northcentral US regions, as well as a lower number of large orders. The decrease was partially offset by growth in international sales led by increased system and OEM sales in Canada, along with stronger performance in non-agricultural general manufacturing markets.

“Although our 2017 first quarter revenue was slightly below the prior year comparable period, we are encouraged that our large order performance during the quarter increased approximately 20% as compared to the fourth quarter of 2016,” said David L. Klenk, Electro-Sensors’ president.

A full analysis of results for the period ended March 31, 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.
Consolidated Statements of Income
For the Quarter Ended March 31, 2017 and 2016 (unaudited)
(in thousands except share and per share amounts)

	<u>Three Months Ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Sales	\$ 1,650	\$ 1,716
Cost of goods sold	<u>751</u>	<u>782</u>
Gross profit	899	934
Operating expenses	<u>1,042</u>	<u>1,082</u>
Operating loss	(143)	(148)
Non-operating income, net	<u>11</u>	<u>13</u>
Loss before income taxes	(132)	(135)
Benefit from income taxes	<u>(48)</u>	<u>(46)</u>
Net loss	<u>\$ (84)</u>	<u>\$ (89)</u>
Loss per share – diluted	\$ (0.02)	\$ (0.03)
Average shares outstanding - diluted	3,395,521	3,395,521

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

	March 31 2017 (unaudited)	December 31 2016
Assets		
Current Assets		
Cash and investments	\$ 8,092	\$ 8,267
Trade receivables, net	827	770
Inventories	1,550	1,515
Other current assets	256	240
Total current assets	10,725	10,792
Deferred income tax asset, long-term	233	198
Intangible assets, net	976	1,035
Property and equipment, net	1,026	1,033
Total assets	\$ 12,960	\$ 13,058
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of contingent earn-out	\$ 195	\$ 0
Accounts payable and accrued expenses	512	543
Total current liabilities	707	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	1,970	1,953
Retained earnings	9,973	10,057
Other comprehensive loss	(29)	(29)
Total stockholders' equity	12,253	12,320
Total liabilities and stockholders' equity	\$ 12,960	\$ 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.

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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