

Electro-Sensors, Inc. Announces First Quarter 2018 Financial Results

Minnetonka, Minnesota (May 10, 2018) – 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, 2018.

- **First quarter revenue of \$1,716,000, up 2.8% from prior year quarter**
- **Gross Margin of 53.4%**
- **Cash and investments of approximately \$8.3 million**

Unaudited; in thousands, except per share data

	Q1 FY18	Q1 FY17	Change
Net Sales	\$ 1,716	\$ 1,670	2.8 %
Gross Margin	53.4 %	53.9 %	-5 bps
Operating Loss	\$ (281)	\$ (143)	-96.5 %
Operating Loss Margin	(16.3)%	(8.7)%	-7.6 bps
Loss Before Income Taxes	\$ (256)	\$ (132)	-93.9 %
Loss Per Share (diluted)	\$ (.06)	\$ (.02)	-200.0 %

Net sales for the 2018 first quarter increased 2.8% to \$1,716,000 from \$1,670,000 in the prior-year quarter. The increase was primarily due to increased HazardPRO™ product sales and system orders, led by increased sales into Canada.

“We continue to be encouraged by the excellent customer feedback on our HazardPRO wireless hazard monitoring systems,” said David L. Klenk, Electro-Sensors’ president. “Furthermore, these satisfied customers are in many cases returning for HazardPRO system upgrades and hazard monitoring expansions at additional facilities.”

A full analysis of results for the period ended March 31, 2018 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.

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Electro-Sensors, Inc.
Consolidated Statements of Income
For the Quarter Ended March 31, 2018 and 2017 (unaudited)
(in thousands except share and per share amounts)

	<u>Three Months Ended March 31</u>	
	<u>2018</u>	<u>2017</u>
Sales	\$ 1,716	\$ 1,670
Cost of goods sold	<u>800</u>	<u>771</u>
Gross profit	916	899
Operating expenses	<u>1,197</u>	<u>1,042</u>
Operating loss	(281)	(143)
Non-operating income	<u>25</u>	<u>11</u>
Loss before income taxes	(256)	(132)
Benefit from income taxes	<u>(54)</u>	<u>(48)</u>
Net loss	<u>\$ (202)</u>	<u>\$ (84)</u>
Loss per share – diluted	\$ (0.06)	\$ (0.02)
Average shares outstanding - diluted	3,395,521	3,395,521

Electro-Sensors, Inc.
Consolidated Balance Sheets
March 31, 2018 and December 31, 2017
(in thousands)

	<u>March 31</u> <u>2018</u>	<u>December 31</u> <u>2017</u>
Assets	(unaudited)	
Current Assets		
Cash and investments	\$ 8,351	\$ 8,719
Trade receivables, net	855	902
Inventories	1,579	1,552
Other current assets	289	186
Total current assets	<u>11,074</u>	<u>11,359</u>
Deferred income tax asset, long-term	163	182
Intangible assets, net	741	800
Property and equipment, net	1,058	1,074
Total assets	<u>\$ 13,036</u>	<u>\$ 13,415</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Contingent earn-out	\$ 0	\$ 150
Accounts payable and accrued expenses	528	558
Total current liabilities	<u>528</u>	<u>708</u>
Stockholders' equity		
Common stock	339	339
Additional paid-in capital	2,008	2,004
Retained earnings	10,143	10,352
Other comprehensive gain	18	12
Total stockholders' equity	<u>12,508</u>	<u>12,707</u>
Total liabilities and stockholders' equity	<u>\$ 13,036</u>	<u>\$ 13,415</u>

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:

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