

## Electro-Sensors, Inc. Announces Second Quarter 2018 Financial Results

**Minnetonka, Minnesota** (August 14, 2018) – 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, 2018.

- **Quarterly revenue of \$1,780,000**
- **Gross margin of 54.6%**
- **Cash and investments of approximately \$8.5 million**

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

|                                    | <u>Q2 2018</u> | <u>Q2 2017</u> | <u>Change</u> |
|------------------------------------|----------------|----------------|---------------|
| Net Sales                          | \$ 1,780       | \$ 2,328       | -23.5%        |
| Gross Margin                       | 54.6%          | 56.9%          | -23bps        |
| Operating Income (Loss)            | \$ (75)        | \$ 336         | -122.3%       |
| Operating Income (Loss) Margin     | (4.2)%         | 14.4%          | -186bps       |
| Income (Loss) Before Income Taxes  | \$ (48)        | \$ 343         | -114.0%       |
| Earning (Loss) Per Share (diluted) | \$ (.01)       | \$ .06         | -116.7%       |

Net sales in the second quarter decreased 23.5% to \$1,780,000 from \$2,328,000 in the prior-year quarter. For the first six months of 2018, net sales decreased 12.6% to \$3,496,000 from \$3,998,000 for the first six months of the prior year. The decrease in the second quarter was primarily due to a decline in the number of system orders in both our legacy and HazardPRO™ product lines. Additionally, international sales decreased 55% predominately as a result of decreased sales into Canada, Europe, and Mexico.

“During the quarter we experienced a decline in large system orders as certain customers deferred projects previously planned for the quarter. We believe a portion of these delays were in response to record low commodity prices as well as uncertainty in international trading markets,” said Electro-Sensors President David L. Klenk.

A full analysis of results for the period ended June 30, 2018 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, 2018 and 2017 (unaudited)**  
**(in thousands except share and per share amounts)**

|                                           | <b>Three Months Ended June 30,</b> |               |
|-------------------------------------------|------------------------------------|---------------|
|                                           | <b>2018</b>                        | <b>2017</b>   |
| Sales                                     | \$ 1,780                           | \$ 2,328      |
| Cost of goods sold                        | 808                                | 1,004         |
| Gross profit                              | <u>972</u>                         | <u>1,324</u>  |
| Operating expenses                        | <u>1,047</u>                       | <u>988</u>    |
| Operating income (loss)                   | (75)                               | 336           |
| Non-operating income                      | <u>27</u>                          | <u>7</u>      |
| Income (loss) before income taxes         | (48)                               | 343           |
| Provision for (benefit from) income taxes | <u>(5)</u>                         | <u>120</u>    |
| Net income (loss)                         | <u>\$ (43)</u>                     | <u>\$ 223</u> |
| Earnings (loss) per share – diluted       | \$ (0.01)                          | \$ 0.06       |
| Average shares outstanding - diluted      | 3,395,521                          | 3,402,527     |

|                                           | <b>Six Months Ended June 30,</b> |               |
|-------------------------------------------|----------------------------------|---------------|
|                                           | <b>2018</b>                      | <b>2017</b>   |
| Sales                                     | \$ 3,496                         | \$ 3,998      |
| Cost of goods sold                        | 1,608                            | 1,775         |
| Gross profit                              | <u>1,888</u>                     | <u>2,223</u>  |
| Operating expenses                        | <u>2,244</u>                     | <u>2,030</u>  |
| Operating income (loss)                   | (356)                            | 193           |
| Non-operating income                      | <u>52</u>                        | <u>18</u>     |
| Income (loss) before income taxes         | (304)                            | 211           |
| Provision for (benefit from) income taxes | <u>(59)</u>                      | <u>72</u>     |
| Net income (loss)                         | <u>\$ (245)</u>                  | <u>\$ 139</u> |
| Earnings (loss) per share – diluted       | \$ (0.07)                        | \$ 0.04       |
| Average shares outstanding - diluted      | 3,395,521                        | 3,402,731     |

**Electro-Sensors, Inc.**  
**Balance Sheets**  
**June 30, 2018 and December 31, 2017**  
**(in thousands)**

|                                             | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---------------------------------------------|--------------------------|------------------------------|
| <b>Assets</b>                               | <b>(unaudited)</b>       |                              |
| <b>Current Assets</b>                       |                          |                              |
| Cash and investments                        | \$ 8,515                 | \$ 8,719                     |
| Trade receivables, net                      | 823                      | 902                          |
| Inventories                                 | 1,640                    | 1,552                        |
| Other current assets                        | 189                      | 186                          |
| Total current assets                        | 11,167                   | 11,359                       |
| Deferred income tax asset, long-term        | 181                      | 182                          |
| Intangible assets, net                      | 683                      | 800                          |
| Property and equipment, net                 | 1,061                    | 1,074                        |
| Total assets                                | \$ 13,092                | \$ 13,415                    |
| <b>Liabilities and Stockholders' Equity</b> |                          |                              |
| <b>Current Liabilities</b>                  |                          |                              |
| Current maturities of note payable          | \$ 0                     | \$ 150                       |
| Accounts payable and accrued expenses       | 617                      | 558                          |
| Total current liabilities                   | 617                      | 708                          |
| <b>Stockholders' equity</b>                 |                          |                              |
| Common stock                                | 339                      | 339                          |
| Additional paid-in capital                  | 2,010                    | 2,004                        |
| Retained earnings                           | 10,100                   | 10,352                       |
| Other comprehensive income                  | 26                       | 12                           |
| Total stockholders' equity                  | 12,475                   | 12,707                       |
| Total liabilities and stockholders' equity  | \$ 13,092                | \$ 13,415                    |

## **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-)

Twitter: [twitter.com/ESIsensors](https://twitter.com/ESIsensors)

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