
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 000-09587

ELECTRO-SENSORS, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or
organization)

41-0943459

(IRS Employer Identification No.)

6111 Blue Circle Drive

Minnetonka, Minnesota 55343-9108

(Address of principal executive offices, including zip code)

(952) 930-0100

(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ELSE	Nasdaq Capital Market

Securities registered under Section 12(g) of the Exchange Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under §404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates (persons other than officers, directors, or holders of more than 5% of the outstanding stock) of the registrant was approximately \$6,500,000 based upon the closing price of its common stock as reported on The Nasdaq Stock Market® on June 28, 2024.

The number of shares outstanding of the registrant's Common Stock, \$0.10 par value, on March 18, 2025 was 3,449,021.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information called for by Part III of this Form 10-K is incorporated by reference from the registrant's Definitive Proxy Statement, which will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

ELECTRO-SENSORS, INC.
Form 10-K for the Year Ended December 31, 2024

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PART I

Item 1. Business.

Introduction

Electro-Sensors, Inc. (“we,” “us,” “our,” the “Company” or “ESI”) manufactures and sells industrial production monitoring and process control systems.

In addition, we may periodically make strategic investments in other businesses and companies, including investments that we believe would facilitate the development of technology complementary to our existing products or investments that we believe present good opportunities for the Company and its shareholders.

ESI was incorporated in Minnesota in July 1968. Our executive offices are located at 6111 Blue Circle Drive, Minnetonka, Minnesota, 55343-9108. Our telephone number is (952) 930-0100.

Products

We manufacture a complete line of monitoring and control systems for a wide range of industrial machine applications. The systems measure machine production and operation rates, as well as regulate the speed of related machines in production processes.

Our goal is to develop meaningful annual updates to our products.

We have a sales agreement with Motrona GmbH, a German control and interface devices manufacturer, under which we have the right to distribute Motrona products in the United States. These products interface with our products on various applications for motion monitoring.

Speed Monitoring Systems

Our speed monitoring systems compare revolutions per minute or speed against acceptable rates as determined by our customers. These systems vary in complexity, from simple systems that detect slow-downs or stoppages, to sophisticated systems that warn of deviations from precise tolerances and that permit various subsidiary operations to be determined through monitoring shaft speed.

Our speed monitoring systems also include a line of products that measure production counts or rates, such as number of parts, gallons per minute, or board feet. These speed monitoring systems include alarm systems, tachometers, and other devices that translate impulses from the sensors into alarm signals utilized by our customers.

We have several products used in drive control systems that regulate the speed of motors on related machines in a production sequence to ensure that the performances of various operations are coordinated. The products consist of a line of digital control products for motors that require a complete closed loop PID (Proportional Integral Derivative) control. The closed loop controllers coordinate production speed among process motors and reduce waste.

Temperature Application Products

Our main temperature applications include bearing, gear box, and motor temperature monitoring sensors. These sensors alert an operator when the temperature exceeds or is less than a specified temperature.

Position Application Products

We also offer production monitoring devices that include a belt alignment and slide gate position monitor. The belt alignment monitor is used to determine if a belt is tracking correctly. The slide gate position monitor is used in plant operations to provide feedback of the position of a slide gate.

Vibration Monitoring Products

Our vibration monitors alert operators when the vibration of a machine in a production system exceeds or is less than a specified level.

Tilt Switches

A tilt switch is designed to alert the operator when a storage bin or production system reaches a certain capacity.

Hazard Monitoring Systems

Electro-Sentry We offer the Electro-Sentry 1™ and Electro-Sentry 16™ hazard monitoring systems, which integrate our sensors for monitoring temperature, belt alignment, and shaft speed with programmable control logic to create a complete hazard monitoring system. These systems enable our customers to locate which part of their material handling system is operating incorrectly, typically in less than ten seconds.

HazardPRO™ We market our wireless hazard technology monitoring system under the HazardPRO product name. This integrated hazard monitoring system captures and displays key information in an intuitive format allowing the user to quickly and comprehensively understand the status and history of the user's processes. The simple but powerful interface provides insight into a customer's internal operations as they strive to maximize safety and facility runtime, while minimizing costs associated with unscheduled maintenance and unplanned downtime. The HazardPRO system has been approved for use in hazardous dust environments by a third-party nationally recognized testing laboratory.

The HazardPRO site system manager software efficiently collects data from all sensors in a customer's monitoring system, with effective wireless monitoring across a widely dispersed area. This product line includes a complete antenna pair mounting system for easy and accurate customer installation.

We expect to continue to expend resources to develop new products and to market new and existing products for use in a wide variety of monitoring applications.

Our corporate website, www.electro-sensors.com, provides significant product application information for our existing and prospective customers and our sales partners. Information on our website is not incorporated by reference herein and is not a part of this Form 10-K.

Marketing and Distribution

We sell our products primarily through both our internal sales team and a number of manufacturer's representatives and distributors, both nationally and internationally. In 2024, we had international sales through distributors in the following countries; Canada, Mexico, Brazil, Chile, Peru, Columbia, United Kingdom, Germany, Ukraine, Egypt, United Arab Emirates, South Africa, India, Australia, China, the Republic of Korea, Vietnam, Malaysia, Philippines, Thailand, and Singapore. Sales to customers outside the United States represented approximately 12% of revenues in 2024. We sell our products under the Electro-Sensors, Inc. brand as a range of products from simple sensors to complex integrated monitoring systems. Our customers operate in a wide range of industries, including grain/feed/milling, bulk materials, manufacturing, food products, ethanol, power generation, and other processing industries.

We continue to explore new industries and applications within the industries we serve to expand sales and may also consider acquiring compatible businesses or product lines as part of our growth strategy. In addition, we may make strategic investments that we believe present good opportunities for the Company and its shareholders.

In addition to enhanced operational safety, we believe that a wide variety of organizations could achieve significant savings in both time and materials by adding production monitoring and drive control technology to existing processes to coordinate the operation of related machines and help prevent costly downtime. We sell our products into both the "retro-fit" market and into new manufacturing or processing systems.

We advertise in national industrial periodicals that cover a range of industries and attend several local, national and international industry tradeshows throughout the year. We also use our corporate website and other related industry websites for advertising and marketing purposes.

Competition

We face substantial competition in the sale of our production monitoring sensors and systems from a broad range of industrial and commercial businesses. Among our competitors are 4B Components Ltd., Maxi-Tronic, Inc., Siemens Corporation, and Ag Growth International Inc. (AGI). We believe our competitive advantages include our products' superior design and quality, and that our products are sold as ready-to-install units that can be used in a wide range of applications. Our major challenges include the fact that several of our competitors are larger, may have better established names, have a broader range of sensing instruments, and have larger sales forces and capital resources.

Suppliers

We purchase parts and materials for our systems from various manufacturers and distributors. In some instances, these materials are manufactured in accordance with our proprietary designs. Multiple sources of these parts and materials are generally available, and we typically do not depend on any single source for these supplies and materials. While we believe that our supply chain began to stabilize this year, we occasionally experience unexpected price increases and delivery delays. To meet these challenges, we seek additional sources for components and modify product designs to accommodate new components that are more readily available at competitive prices. There is no guarantee that we will continue to be successful in modifying these designs and sourcing alternative components and material. As a result, we could experience significant delays in receiving certain components needed to make timely customer deliveries, as well as increased costs that erode gross margins. We continue to closely monitor lead times and availability of components. We are continually assessing our inventory levels and may take actions as necessary to minimize disruptions to our supply chain such as maintaining larger levels of inventories than we have in the past, but these actions may not be successful if significant disruptions occur.

Customers

We do not depend upon a single or a few customers for 10% or more portion of our sales.

Patents, Trademarks and Licenses

The Company relies on a combination of patent, trademark, and trade secret laws to establish proprietary right in its products.

We have registered the name “Electro-Sensors” as a trademark with the U.S. Patent and Trademark Office (“USPTO”), Reg. No. 1,142,310. We believe this trademark has been and will continue to be useful in developing and protecting market recognition for our products. We established the HazardPRO trademark during 2014 and intend to register this trademark.

We hold six patents relating to our production monitoring systems. We believe strongly in protecting our intellectual property and have a long history of obtaining patents, when available, in connection with our research and product development programs. We also rely upon trade secrets and proprietary know-how.

We seek to protect our trade secrets and proprietary intellectual property, including know-how, in part, through confidentiality agreements with employees, consultants, and other parties. However, we cannot ensure these agreements will not be breached, that we would have adequate remedies for any breach, or that our trade secrets will not otherwise become known or independently developed by competitors.

Seasonality

Generally, the Company experiences seasonality in the sale of its products with the second and third calendar quarters historically the strongest.

Business Development Activities

We continue to seek growth opportunities, both internally through our existing portfolio of products, technologies and markets, as well as externally through technology partnerships or related-product or business acquisitions. In addition, we may make strategic or other investments that we believe present opportunities for the Company and its shareholders. The Company's Board of Directors has established a special committee and continues to explore business development and other strategic alternatives.

Governmental Approvals

Although we are not required to obtain governmental approval of our products, we choose to obtain certain third-party certifications to meet customer needs and may expand market opportunities in certain industries.

Effect of Governmental Regulations

We do not believe that any existing or proposed governmental regulations will have a material effect on our business.

Research and Development

We invest in research and development programs to develop new products and to integrate state-of-the-art technology into our existing products. We undertake development projects based upon the identified specific needs of the markets we serve. Our "Management's Discussion and Analysis of Financial Condition and Results of Operations" section further describes our research and development expenditures.

Our future success depends in part upon our ability to develop new products in our varying segments. Difficulties or delays in our ability to develop, produce, test, market, and deliver new products could have a material adverse effect on future sales growth.

Compliance with Environmental Laws

Compliance with federal, state and local environmental laws has only a nominal effect on current or anticipated capital expenditures and has had no material effect on earnings or on our competitive position.

Human Capital

As of December 31, 2024, the Company had 40 employees, all of whom are full-time and based in the United States. We consider our relations with our employees to be good. None of our employees are currently represented by a labor union.

The Company views its employees and culture as keys to its success. The Company aims to attract and retain qualified personnel and provides wages and benefits that are competitive locally to reward employees for performance. The Company values innovation, inclusion and diversity, safety, and engagement as we believe these are keys to attract, develop, and retain the best talent.

The health and safety of our employees is our top priority. We believe the Company has generally been successful implementing appropriate measures to protect employee health and safety while maintaining business continuity and high levels of service to our customers.

Our ability to maintain a competitive position and to continue to develop and market new products depends, in part, on our ability to retain key employees and qualified personnel. If we are unable to retain our key employees, or recruit and train others, our product development, marketing and sales could be adversely affected.

Fluctuations in Operating Results

We have experienced fluctuations in our historical operating results and expect to experience fluctuations in the future. These fluctuations may affect the market price of our common stock. Sales can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include: product competition and acceptance, timing of customer orders, cancellation of orders, the mix of products sold, supply chain disruptions, downturns in the markets we serve, geopolitical events, and economic disruptions such as weather-related events. In addition, we have experienced and may continue to experience increased costs for materials and labor which may impact our profitability. Because fluctuations may occur, we caution investors that results of our operations for recent periods may not accurately predict how we will perform in the future. We cannot ensure that we will achieve revenue or earnings growth.

Expending Funds for Changes in Industry Standards, Customer Preferences or Technology

Our business depends on our periodically introducing new and enhanced products and solutions to meet customer needs. Our product development efforts require us to commit financial resources, personnel and time, usually in advance of significant market demand for these products. In order to compete, we must anticipate both future demand and the technology available to meet that demand. We cannot ensure that our research and development efforts will lead to new products or product innovations that can be made available to or will be accepted by the market.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act. The Securities and Exchange Commission, or SEC, maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information that we file with the SEC electronically. Copies of our reports on Form 10-K, Forms 10-Q, Forms 8-K, and amendments to those reports may also be obtained, free of charge, electronically through our investor relations website located at <https://www.electro-sensors.com/about/investor-info> as soon as reasonably practical after we file such material with, or furnish it to, the SEC. Information on our website is not incorporated by reference into this report and should not be considered part of this document.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. We have made, and may continue to make, forward-looking statements with respect to our business and financial matters, including statements contained in this document, other filings with the Securities and Exchange Commission, and reports to shareholders. Forward-looking statements generally include discussion of current expectations or forecasts of future events and can be identified by the use of terminology such as “believe,” “estimate,” “expect,” “intend,” “may,” “could,” “will,” and similar words or expressions. Any statement that does not relate solely to historical fact should be considered forward-looking.

Our forward-looking statements generally relate to our growth strategy, future financial results, product development and sales efforts. We make forward-looking statements throughout this Annual Report, but primarily in this Item 1 and Item 7 - *Management's Discussion and Analysis of Financial Condition and Results of Operations*. These include statements relating to our beliefs and expectations and intentions with respect to (i) our growth and profitability, (ii) our marketing and product development, (iii) our ability to continue to obtain parts and materials for our products from various manufacturers and distributors in a timely manner and at reasonable prices, (iv) the value of our intellectual property, (v) our competitive position in the marketplace, (vi) the effect of governmental regulations on our business, (vii) our employee relations, (viii) the adequacy of our facilities, (ix) our intention to develop new products, (x) the possibility of us acquiring compatible businesses or product lines as part of our growth strategy, and (xi) our future cash requirements and use of cash.

Forward-looking statements cannot be guaranteed and our actual results may vary materially due to the uncertainties and risks, known and unknown, associated with these statements, including our ability to successfully develop new products and manage our cash requirements. We undertake no obligation to update any forward-looking statements. We wish to caution investors that the following important factors, among others, in some cases have affected and in the future could affect our actual results of operations and cause these results to differ materially from those anticipated in forward-looking statements made in this document and elsewhere by us or on our behalf. We cannot foresee or identify all factors that could cause actual results to differ from expected or historical results. As such, investors should not consider any list of these factors to be an exhaustive statement of all risks, uncertainties or potentially inaccurate assumptions. These factors include our ability to:

- successfully use our cash and liquid assets to develop or acquire new or complementary products or business lines to increase our revenue and profitability;
- comply with any new government regulations that may be adopted to require companies to reduce carbon emissions or to disclose their carbon footprint, including the carbon footprint of components to manufacturers;
- ensure that our operational systems, security systems and infrastructure, as well as those of third-party vendors, remain free from viruses or cyberattacks;
- quickly and successfully adapt to changing industry technological standards;
- comply with existing and changing industry regulations;
- attract and retain key personnel, including senior management;
- offset the effect of inflation on component prices and labor by increasing prices on finished products;
- offset the effect of recently announced tariffs on components by increasing prices on finished products;
- adapt to changing economic conditions and manage downturns or disruptions in the economy in general;
- keep pace with competitors, some of whom are much larger and have substantially greater resources than us;
- respond to geopolitical and macroeconomic events that are beyond our control, such as any downturn in the economy caused by (i) a government shutdown similar to those that have occurred over the past decade, (ii) sovereign monetary policy and the resulting impact on interest rates, or (iii) unrest in the Middle East and the war between Russia and the Ukraine;
- continue to procure components for our products, and maintain a steady and reliable workforce, as described below under "Supply Chain and Labor Dynamics"; and
- the fact that we cannot guarantee that the Business Development Committee our Board formed in January 2023 to explore and pursue business development and other strategic alternatives will be successful in enhancing shareholder value.

Item 1A. Risk Factors.

This item is not required for smaller reporting companies, but above under “*Forward-Looking Statements*,” we discuss some of the risk factors that are relevant to our business and operating results.

Item 1B. Unresolved Staff Comments.

None

Item 1C. Cybersecurity.

Electro-Sensors recognizes the critical importance of cybersecurity in safeguarding sensitive information, protecting our stakeholders, and maintaining customer trust. Our approach to managing cybersecurity risks includes implementing and overseeing governance practices and policies, periodic risk assessment, an incident response plan, ongoing training and awareness programs, and a commitment to continuous improvement.

Electro-Sensors’ information security is managed by our President and managers within the Company. They are collectively responsible for cybersecurity strategy, policy, standards, and processes. Our Board of Directors rely on management to bring significant cybersecurity matters impacting the Company to its attention, including with respect to material risks from cybersecurity threats. The Board is informed of cybersecurity matters on a quarterly basis and more often, as required.

A reputable firm for managed IT services provides managed IT services to Electro-Sensors. Services provided include managed device and network monitoring, patch management, security services including endpoint security and firewall management, secure email gateway and antispam, backup and recovery services, and 24/7 managed support. The Company’s external network access and email are secured with Multi-Factor Authentication. All access control requests are documented and executed by trained, authorized personnel. Recovery data is kept offsite, and credentials are not kept within the client network. All security solutions managed by the managed service provider send critical alerts to an external ticketing system, and all critical alerts are responded to by trained personnel.

In the event of a cybersecurity incident, we have an incident response plan in place. This plan includes detection, response, and communication with stakeholders. Incident response is supported by appropriate third-party experts to address, assess, and respond to the event. The plan calls for mobilization of a response team including both internal and external resources as well as communication protocols so that event information is shared on a timely basis. We are committed to providing timely and accurate information to our stakeholders in the event of a breach.

As of the date of this report, we are not aware of any breach events or cybersecurity threats that could materially affect or are reasonably likely to materially affect the Company, including our business strategy, results of operations, or financial condition. However, any future potential risks from cybersecurity threats, including but not limited to exploitation of vulnerabilities, ransomware, denial of service, supply chain attacks, or other similar threats may materially affect us, including our execution of business strategy, reputation, results of operations and/or financial condition.

Item 2. Properties.

We own and occupy a 25,400 square foot facility at 6111 Blue Circle Drive, Minnetonka, Minnesota 55343-9108. All our operations are conducted within this facility. The facility is in excellent condition and we continue to maintain and update the facility as necessary. We believe the facility will be adequate for our needs in 2025.

Item 3. Legal Proceedings.

We are not the subject of any material legal proceedings as of the date of this filing and we are not aware of any material threatened litigation.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock trades on the Nasdaq Capital Market of The Nasdaq Stock Market[®] under the symbol "ELSE."

Based on data provided by our transfer agent, as of February 27, 2025, we had 55 shareholders of record who held 834,132 shares of the Company's common stock.

At the time of this report, the Company does not intend to pay dividends in the foreseeable future.

From time to time, we may be required to repurchase our common stock as a result of Employee Stock Ownership Plan ("ESOP") obligations described in Note 9 to our 2024 financial statements. We did not repurchase any common stock during the years ended December 31, 2024 and 2023.

The information required by Item 201(d) of SEC Regulation S-K is set forth in Item 12 of this Form 10-K.

Item 6. [Reserved].

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our financial statements and related notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated due to various factors discussed under "Forward-Looking Statements" in Item 1 of this Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The following table contains selected financial information, for the years indicated, from our statements of comprehensive income expressed as a percentage of net sales.

	Years Ended December 31,	
	2024	2023
Net sales	100.0%	100.0%
Cost of goods sold	51.1	50.4
Gross profit	48.9	49.6
Operating expenses		
Selling and marketing	15.4	15.6
General and administrative	22.7	23.0
Research and development	10.8	11.4
Total operating expenses	48.9	50.0
Operating loss	0.0	(0.4)
Non-operating income		
Interest income	4.7	4.8
Total non-operating income, net	4.7	4.8
Income before income taxes	4.7	4.4
Income tax expense (benefit)	(0.1)	1.2
Net income	4.8%	3.2%

The following paragraphs discuss the Company's performance for years ended December 31, 2024 and 2023.

Comparison of 2024 vs 2023 (dollars in thousands)

Net Sales

Net sales for 2024 were \$9,373, an increase of \$818, or 9.6%, from \$8,555 in 2023. The increase was largely driven by higher sales of HazardPRO wireless sensors and systems for agricultural applications. International sales during the year increased on a percentage basis as compared to 2023, and comprised 11.5% of revenue, up from 10.3% in the prior year.

Gross Profit

Gross profit for 2024 increased \$337, or 7.9%, to \$4,582 from \$4,245 in 2023. Gross margin in 2024 was 48.9% compared to 49.6% in 2023. The decrease in gross margin was primarily due to an increase in raw material and labor costs across all product lines, partially offset by price increases introduced in the second half of 2024. We have provided additional information regarding material and labor costs in Item 1 of this Annual Report on Form 10-K.

Operating Expenses

Total operating expenses increased \$313, or 7.3%, to \$4,586 in 2024 from \$4,273 in 2023, but decreased as a percentage of net sales to 48.9% from 50.0%. The increase in operating expense dollars was primarily due to additional headcount and stock-based compensation.

- Selling and marketing expenses increased \$109, or 8.2%, to \$1,441 in 2024 from \$1,332 in 2023, but decreased as a percentage of net sales to 15.4% from 15.6%. The increase was primarily due to additional sales headcount and leadership, and variable compensation due to higher revenue.
- General and administrative expenses increased \$164, or 8.3%, to \$2,132 in 2024 from \$1,968 in 2023, but decreased as a percentage of net sales to 22.7% from 23.0%. The increase was primarily due to increased headcount and stock-based compensation expense.
- Research and development expenses increased \$40, or 4.1%, to \$1,013 in 2024 compared to \$973 in 2023, but decreased as a percentage of net sales to 10.8% from 11.4%. The increase was primarily due to additional headcount; partially offset by lower contract engineering costs related to product development and enhancements.

Operating Loss

Operating loss was \$4 in 2024 compared to \$28 in 2023, a decrease of \$24, or 85.7%. The decrease was primarily the result of higher net sales; partially offset by increased compensation expense related to additional headcount and stock-based compensation.

Non-Operating Income

Non-operating income increased \$34 to \$440 in 2024 from \$406 in 2023, primarily as a result of additional interest income earned as a result of higher interest rates on Treasury Bills.

Equity securities are stated at fair value, and unrealized holding gains and losses are reported in our statements of comprehensive income in the non-operating income section.

Realized gains and losses, including losses from declines in value of specific securities determined by management to be other-than-temporary, are included in the statement of comprehensive income. Realized gains and losses are determined on the basis of the specific securities sold.

Income Taxes

Income tax benefit was \$10 in 2024 compared to an income tax expense of \$103 in 2023. The decrease in tax expense was due primarily to an increase in the deferred tax assets related to stock-based compensation and non-deductible research and development expenses. We have provided detailed information about our income tax provision in Note 10 to the financial statements.

Net Income

We reported net income of \$446 in 2024 compared to \$275 in 2023, an increase of \$171, or 62.2%. Basic and diluted earnings per share were \$0.13 and \$0.08 in 2024 and 2023, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any off-balance sheet transactions, arrangements or obligations that have, or are reasonably likely to have, a material effect on our financial condition, changes in the financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$9,948 and \$9,870 at December 31, 2024 and 2023, respectively. Working capital was \$12,922 at December 31, 2024 compared to \$12,449 at December 31, 2023. The increases were due primarily to cash generated from operations.

Cash generated from operating activities was \$129 in 2024 compared to \$321 in 2023, a decrease of \$192. The decrease was primarily due to an increase in inventory and a decrease in accounts payable; partially offset by the increase in net income. The increase in inventory is primarily due to the timing of receipt of inventory and increased labor and material costs. The decrease in accounts payable is due to the timing of payments. The increase in net income is primarily due to increased net sales, partially offset by higher operating expenses.

Cash used in investing activities in 2024 was \$51, compared to \$70 in 2023. The cash used in both periods was for the purchase of office equipment.

Cash used in financing activities was \$6 during 2023. There was no cash flow from financing activities during 2024.

Subject to the following section, entitled "Supply Chain and Labor Dynamics," the Company believes its ongoing cash usage requirements will be primarily for capital expenditures, potential acquisitions, investments we believe present good opportunities for the Company and its shareholders, research and development, working capital, and growth initiatives. Management believes that cash on hand and any cash provided by operations will be sufficient to meet our cash requirements through at least the next 12 months.

Supply Chain and Labor Dynamics

We purchase parts and materials from various manufacturers and distributors. While we believe that our supply chain has begun to stabilize, we still occasionally see unexpected price increases and delivery delays requiring us to intervene and remediate. To meet these challenges, we are seeking additional sources for components and modifying product designs to accommodate new components that are more readily available at competitive prices. There is no guarantee that we will continue to be successful in modifying these designs and sourcing alternative components and material. As a result, we could experience significant delays in receiving certain components needed to make timely customer deliveries, as well as increased costs that erode gross margins. Current supply chain dynamics may have a negative effect on the efficiency of our operations, our customer base, and the domestic or worldwide economy. Furthermore, the labor market for qualified employees able to fill our various open positions is challenging and becoming more costly. These factors may result in delays in filling these positions and negatively impact profit margins. In addition, we may experience changes in transportation and freight availability that may make it difficult to have materials and components shipped to us, or our products shipped to customers, in a timely and cost-effective manner. While we continue to closely monitor and manage each of these activities, our actions may not be successful and may result in a negative effect on our sales and profit margins.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make decisions based upon estimates, assumptions, and factors it considers relevant to the circumstances. Those decisions include the selection of applicable accounting principles and the use of judgment in their application, the results of which affect reported amounts and disclosures. Changes in economic conditions or other business circumstances may affect the outcomes of management's estimates and assumptions.

Significant estimates, including the underlying assumptions, consist of the realizability of trade receivables, valuation of investments, deferred tax assets/liabilities, inventory, and stock compensation expense. It is at least reasonably possible that these estimates may change in the near term.

Realizability of trade receivables

We estimate our allowance for credit losses based on the credit losses expected to arise over the life of our trade receivables. We are unable to predict which, if any, of our customers will be unable to pay their open invoices at a future date. If an account becomes uncollectible and we are required to write off the balance, we would write off the balance to the allowance for credit losses. Any change in our allowance for credit losses could cause a material increase or decrease in our general and administrative expenses.

Valuation of deferred tax assets/liabilities

We estimate our deferred tax assets and liabilities based on current tax laws and rates. The tax laws and rates could change in the future to either disallow the deductions or increase or decrease the tax rates. We recognize changes in deferred tax assets and liabilities in the period in which the tax law changes become effective. Any change in our deferred tax assets or liabilities could have a material negative or positive effect on our income tax provision.

Valuation of inventory

We purchase inventory based on estimated demand of products. It is possible that the inventory we have purchased will not be used in the products that our customers need or will not meet future technological requirements. If we are unable to use the inventory in our products and it does not meet future technological requirements, we would be required to remove the items from inventory and expense the amount in cost of goods sold.

Valuation of investments

Our investments in available-for-sale securities are valued at market prices in an open market. The prices are subject to normal fluctuations that could be either negative or positive. Even though these equity securities were only valued at \$56 at December 31, 2024, changes in the value of these equity securities could affect our profitability. Treasury Bills accounted for as cash equivalents are adjusted to fair value monthly and any change is reported as interest income on the Statement of Comprehensive Income.

Valuation of stock-based compensation expense

We estimate the expected life and forfeiture rates of stock options granted when calculating the value of options using the Black-Scholes-Merton model. The actual life and forfeiture rate could differ from what we estimated. Changes in the life or forfeiture rate of stock options could have a negative or positive impact on our stock-based compensation.

Additional information regarding our significant accounting policies is provided below in Part II, Item 8, *Financial Statements and Supplementary Data – Notes to Financial Statements, Note 1, Nature of Business and Significant Accounting Policies*.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Electro-Sensors, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Electro-Sensors, Inc. (the Company) as of December 31, 2024 and 2023 and the related statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ Boulay PLLP

We have served as the Company's auditor since 2006.

Minneapolis, Minnesota
March 19, 2025

ELECTRO-SENSORS, INC.
BALANCE SHEETS
(in thousands except share and per share amounts)

	December 31,	
	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,948	\$ 9,870
Equity securities	56	56
Trade receivables, less allowance for credit losses of \$11 and \$11, respectively	1,309	1,283
Inventories, net	1,964	1,751
Other current assets	197	179
Total current assets	13,474	13,139
Deferred income tax asset	501	355
Property and equipment, net	910	951
Total assets	\$ 14,885	\$ 14,445
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 146	\$ 291
Accrued expenses	365	323
Accrued income taxes	41	76
Total current liabilities	552	690
Commitments and contingencies		
Stockholders' equity		
Common stock par value \$0.10 per share; authorized 10,000,000 shares; 3,449,021 and 3,428,021 shares issued and outstanding, respectively	344	342
Additional paid-in capital	2,360	2,230
Retained earnings	11,629	11,183
Total stockholders' equity	14,333	13,755
Total liabilities and stockholders' equity	\$ 14,885	\$ 14,445

See Notes to Financial Statements

ELECTRO-SENSORS, INC.
STATEMENTS OF COMPREHENSIVE INCOME
(in thousands except share and per share amounts)

	<u>Years Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Net sales	\$ 9,373	\$ 8,555
Cost of goods sold	<u>4,791</u>	<u>4,310</u>
Gross profit	<u>4,582</u>	<u>4,245</u>
Operating expenses		
Selling and marketing	1,441	1,332
General and administrative	2,132	1,968
Research and development	<u>1,013</u>	<u>973</u>
Total operating expenses	<u>4,586</u>	<u>4,273</u>
Operating loss	<u>(4)</u>	<u>(28)</u>
Non-operating income (expense)		
Interest expense	0	(1)
Interest income	<u>440</u>	<u>407</u>
Total non-operating income, net	<u>440</u>	<u>406</u>
Income before income taxes	436	378
Income tax expense (benefit)	<u>(10)</u>	<u>103</u>
Net income	<u><u>446</u></u>	<u><u>275</u></u>
Other comprehensive loss		
Change in unrealized value of available-for-sale securities, net of income tax	<u>0</u>	<u>(1)</u>
Other comprehensive loss	<u>0</u>	<u>(1)</u>
Net comprehensive income	<u><u>\$ 446</u></u>	<u><u>\$ 274</u></u>
Net income per share data		
Basic		
Net income per share	<u>\$ 0.13</u>	<u>\$ 0.08</u>
Weighted average shares	<u><u>3,435,040</u></u>	<u><u>3,428,021</u></u>
Diluted		
Net income per share	<u>\$ 0.13</u>	<u>\$ 0.08</u>
Weighted average shares	<u><u>3,435,040</u></u>	<u><u>3,428,021</u></u>

See Notes to Financial Statements

ELECTRO-SENSORS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands except share and per share amounts)

	<u>Common Stock Issued</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2022	3,428,021	\$ 342	\$ 2,163	\$ 10,908	\$ 1	\$ 13,414
Other comprehensive loss					(1)	(1)
Stock-based compensation expense			67			67
Net income				275		275
Balance, December 31, 2023	3,428,021	342	2,230	11,183	0	13,755
Restricted Stock Units Vested	21,000	2	(2)			0
Stock-based compensation expense			132			132
Net income				446		446
Balance, December 31, 2024	<u>3,449,021</u>	<u>\$ 344</u>	<u>\$ 2,360</u>	<u>\$ 11,629</u>	<u>\$ 0</u>	<u>\$ 14,333</u>

See Notes to Financial Statements

ELECTRO-SENSORS, INC.
STATEMENTS OF CASH FLOWS
(in thousands)

	<u>Years Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Net income	\$ 446	\$ 275
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	92	94
Deferred income taxes	(146)	(99)
Stock-based compensation expense	132	67
Change in:		
Trade receivables	(26)	(122)
Inventories	(213)	(6)
Other current assets	(18)	35
Accounts payable	(145)	17
Accrued expenses	42	(27)
Income taxes payable	(35)	87
Net cash from operating activities	<u>129</u>	<u>321</u>
Cash flows used in investing activities		
Purchase of property and equipment	(51)	(70)
Net cash used in investing activities	<u>(51)</u>	<u>(70)</u>
Cash flows used in financing activities		
Payments on financing lease	0	(6)
Net cash used in financing activities	<u>0</u>	<u>(6)</u>
Net increase in cash and cash equivalents	78	245
Cash and cash equivalents, beginning	9,870	9,625
Cash and cash equivalents, ending	<u>\$ 9,948</u>	<u>\$ 9,870</u>
Supplemental cash flow information		
Cash paid during the year for income taxes	<u>\$ 171</u>	<u>\$ 115</u>
Cash paid during the year for interest	<u>\$ 0</u>	<u>\$ 1</u>

See Notes to Financial Statements

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Electro-Sensors, Inc. manufactures and markets a complete line of monitoring and control systems for a variety of industrial machinery. The Company uses leading-edge technology to continuously improve its products, with the ultimate goal of manufacturing the industry-preferred product for each market served. The Company sells these products through an internal sales staff, manufacturer's representatives, and distributors to a wide variety of industries that use the products in a variety of applications to monitor process machinery operations. The Company markets its products to customers located throughout the United States, Canada, Latin America, Europe, and Asia.

In addition, the Company may periodically make strategic investments in other businesses and companies, including investments that we believe would facilitate the development of new relationships, or technology complementary to our existing products, or other investments that we believe present good opportunities for the Company and its shareholders. See Note 2 for additional information regarding the Company's investments. The Company's investments in securities are subject to normal market risks.

Significant accounting policies of the Company are summarized below:

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates, including the underlying assumptions, consist of the realizability of trade receivables, valuation of investments, deferred tax assets/liabilities, inventory, and stock compensation expense. It is at least reasonably possible that these estimates may change in the near term.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents are invested in commercial paper, money market accounts and may, also, be invested in Treasury Bills with an original maturity of three months or less. Cash equivalents are carried at fair value. Cash equivalents were \$7,980 and \$7,926 as of December 31, 2024 and 2023, respectively.

The Company maintains its cash and cash equivalents primarily in two bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses on these accounts. The Company believes it is not exposed to significant credit risk on cash.

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

Trade receivables and credit policies

Trade receivables are uncollateralized customer obligations due under normal trade terms generally requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Customer account balances with invoices over 90 days are considered delinquent. The Company does not accrue interest on delinquent trade receivables.

Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The Company maintains an allowance for credit losses on trade receivables, which is recorded as an offset to trade receivables. Changes in the allowance for credit losses are included as a component of operating expenses in the Statements of Comprehensive Income. The Company assesses credit losses on a collective basis where similar risk characteristics exist. Receivables that do not share risk characteristics with other receivables, or where known collectability issues exist, are evaluated on an individual basis.

The allowance is based on the credit losses expected to arise over the life of the receivable (contractual term). The Company considers historical loss rates and current economic conditions. Receivables are written off against the allowance for credit losses. The allowance for credit losses was \$11 at December 31, 2024 and 2023.

As of December 31, 2024 and 2023, the Company had no customers that exceeded 10% of the accounts receivable balance.

Investments

The Company owns equity securities in two non-publicly traded companies. The estimated fair value of non-publicly traded securities is based on financial and other factors. The executive officer of the two companies is Chairman of the Board of Directors of Electro-Sensors, Inc.

Management determines the appropriate classification of securities at the date individual investments are acquired and evaluates the appropriateness of this classification at each balance sheet date.

The Company generally does not make investments in anticipation of short-term fluctuations in market price. Equity securities with readily determinable values are stated at fair value. Unrealized gains and losses on equity securities are reported in the Statement of Comprehensive Income in non-operating income.

Realized gains and losses on securities, including losses from declines in value of specific securities determined by management to be other-than-temporary, are included in the statement of comprehensive income in non-operating income. Realized gains and losses are determined on the basis of the specific securities sold. There were no other-than-temporary impairments recognized in the years ended December 31, 2024 and 2023.

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

Fair value measurements

The Company's policies incorporate the guidance for accounting for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. These policies also incorporate the guidance for fair value measurement related to non-financial items that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company currently has no non-financial or financial items that are measured on a nonrecurring basis.

The carrying value of cash equivalents, trade receivables, accounts payable, and other financial working capital items approximate fair value at December 31, 2024 and 2023 due to the short term maturity nature of these instruments.

Inventories

Inventories include material, labor and overhead and are valued at the lower of cost (first-in, first-out) or net realizable value.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided over estimated useful lives by use of the straight-line method. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require the Company to test a long-lived asset for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, the Company recognizes impairment to the extent that the carrying value of an asset exceeds its fair value. The Company determines fair value through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals.

Estimated useful lives are as follows:

	<u>Years</u>
Autos	3
Equipment	5 - 10
Furniture and Fixtures	3 - 7
Building	7 - 40

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

Revenue recognition

At contract inception, the Company assesses the goods and services to be provided to a customer and identifies a performance obligation for each distinct good or service. The transaction price for each performance obligation is determined at contract inception. Contracts, generally in the form of a purchase order, specify the product or service that is to be provided to the customer. The typical contract life is less than one month and contains a single performance obligation, to provide conforming goods or services to the customer. Certain contracts have a second performance obligation, which typically is the initialization of the HazardPRO product. For contracts with multiple performance obligations, the transaction price is allocated to each performance obligation using the relative stand-alone selling price. Stand-alone selling prices are based on observable stand-alone prices charged to customers. Product revenue is recognized at the point in time when control is transferred to the customer, which typically occurs upon shipment. Service revenue is recognized when provided to the customer, and typically takes less than a week to provide.

Advertising costs

The Company expenses advertising costs as incurred. Total advertising expense was \$42 and \$46 in 2024 and 2023, respectively.

Research and development

Expenditures for research and development are expensed as incurred. The Company incurred expenses of \$1,013 and \$973 in 2024 and 2023, respectively.

Income taxes

The Company presents deferred income taxes on an asset and liability approach to financial accounting and reporting for income taxes. The Company annually determines the difference between the financial reporting and tax bases of assets and liabilities. The Company computes deferred income tax assets and liabilities for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which these laws are expected to affect taxable income. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities, excluding the portion of the deferred asset or liability allocated to other comprehensive income (loss). Deferred taxes are reduced by a valuation allowance to the extent that realization of the related deferred tax asset is not certain. We have a valuation allowance on our deferred tax asset of \$311 and \$279 at December 31, 2024 and 2023, respectively.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. The Company recognizes income tax positions at the largest amount that is more likely than not to be realized. The Company reflects changes in recognition or measurement in the period in which the Company's change in judgment occurs.

The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

Net income per common share

Basic earnings per share (EPS) excludes dilution and is determined by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities such as options were exercised or converted into common stock. For the years ending December 31, 2024 and 2023, respectively, options to purchase 185,000 and 175,000 weighted average common shares have been excluded from the diluted weighted average shares because their effect would be anti-dilutive. In addition, for the years ended December 31, 2024 and 2023, 84,000 and 105,000, respectively, restricted stock units have been excluded from the calculation because their effect would be anti-dilutive.

The following information presents the Company's computations of basic and diluted EPS for the periods presented in the statements of comprehensive income.

	<u>Income</u>	<u>Shares</u>	<u>Per share amount</u>
2024:			
Basic EPS	\$ 446	3,435,040	\$ 0.13
Effect of dilutive stock options		0	0.00
Diluted EPS	<u>\$ 446</u>	<u>3,435,040</u>	<u>\$ 0.13</u>
2023:			
Basic EPS	\$ 275	3,428,021	\$ 0.08
Effect of dilutive stock options		0	0.00
Diluted EPS	<u>\$ 275</u>	<u>3,428,021</u>	<u>\$ 0.08</u>

Stock-based compensation

The Company records compensation expense for stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton ("BSM") model. The Company uses historical data, among other factors, to estimate the expected price volatility, the expected option life and the expected forfeiture rate. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. At December 31, 2024, the Company had one stock-based compensation plan.

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

New Accounting Standard Not Yet Adopted

The Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") *Disaggregation of Income Statement Expenses* in November 2024 and issued ASU 2025-01 in January 2025 to clarify its effective date. This ASU provides investors with more decision-useful information about a business entity's expenses. The ASU requires companies to provide detailed disclosure of specified categories underlying certain expense captions in interim and annual periods. It would provide investors with more detailed information about the types of expenses, including employee compensation, depreciation, amortization, and costs incurred related to inventory and manufacturing activities in income statement expense captions such as cost of sales; selling, general and administrative; and research and development. The ASU does not change or remove existing expense disclosure requirements and does not change requirements for presentation of expenses on the face of the income statement. It requires companies to include certain existing disclosures in the same tabular format disclosure. The ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted.

Recently Adopted Accounting Standard

In November 2023, the FASB issued ASU 2023-07 *Improvements to Reportable Segment Disclosures*. This ASU, which amends Topic 280: *Segment Reporting*, improves disclosures requirements for reportable segments and enhances disclosures for companies with single reportable segments. The Company has a single reportable segment based on the nature of its services and regulatory environment under which it operates. The nature of the business and the accounting policies of the segment are the same as described throughout Note 1. The Company's Chief Operating Decision Maker ("CODM") is its president. The CODM assesses the reportable segment's performance and allocates resources for the reportable segment based on the net income and total assets which are the same amounts in all material respects as those reported on the Statement of Comprehensive Income and Balance Sheets. The Company adopted the standard on January 1, 2024. The adoption did not have a material impact on the Company's financial statements.

Reclassification of Prior Year Presentation

All Treasury Bills from prior periods have been reclassified to cash equivalents for consistency with the current year presentation. The reclassification had no effect on the reported results of operations. The Statement of Cash Flows has been adjusted to reflect this reclassification.

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

Note 2. Investments

The Company has investments in common equity securities of two private U.S. companies that have an undeterminable market.

Equity securities are measured at fair value and unrealized gains and losses, if any, are reported in our Statements of Comprehensive Income in non-operating income.

The cost and estimated fair value of the investments are as follows:

	Cost	Gross unrealized gain	Gross unrealized loss	Fair value
December 31, 2024				
Equity Securities	54	2	0	56
Total Investments, December 31, 2024	<u>\$ 54</u>	<u>\$ 2</u>	<u>\$ 0</u>	<u>\$ 56</u>
December 31, 2023				
Equity Securities	54	2	0	56
Total Investments, December 31, 2023	<u>\$ 54</u>	<u>\$ 2</u>	<u>\$ 0</u>	<u>\$ 56</u>

Note 3. Fair Value Measurements

The following table provides information on those assets and liabilities measured at fair value on a recurring basis.

December 31, 2024

	Carrying amount in balance sheet	Fair Value	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Assets:					
Equity securities	56	56	0	0	56

December 31, 2023

	Carrying amount in balance sheet	Fair Value	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Assets:					
Equity securities	56	56	0	0	56

The equity securities owned by the Company are investments in two non-publicly traded companies. There is an undeterminable market for each of these two companies and the Company has determined the value based on financial and other factors, which are considered Level 3 inputs in the fair value hierarchy.

There was no change in Level 3 assets measured at fair value on a recurring basis during the years ended December 31, 2024 and 2023.

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands except share and per share amounts)

Note 4. Inventories

Inventories used in the determination of cost of goods sold are as follows:

	December 31,	
	2024	2023
Raw Materials	\$ 1,334	\$ 1,172
Work In Process	301	301
Finished Goods	339	288
Reserve for Obsolescence	(10)	(10)
Total Inventories	\$ 1,964	\$ 1,751

Note 5. Property and Equipment, Net

The following is a summary of property and equipment:

	December 31,	
	2024	2023
Autos	\$ 63	\$ 63
Equipment	260	282
Furniture and Fixtures	432	463
Right-of-Use Asset	0	30
Building	1,373	1,373
Land	415	415
	2,543	2,626
Less Accumulated Depreciation	1,633	1,675
Total Property and Equipment	\$ 910	\$ 951

Depreciation expense for the years ended December 31, 2024 and 2023 was \$92 and \$94, respectively.

Note 6. Accrued Expenses

Accrued expenses include the following:

	December 31,	
	2024	2023
Wages and Commissions	\$ 309	\$ 255
Other	56	68
Total Accrued Expenses	\$ 365	\$ 323

ELECTRO-SENSORS, INC.
NOTES TO FINANCIAL STATEMENTS
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(in thousands except share and per share amounts)

Note 7. Leases

The Company has an operating lease for office equipment on a month-to-month basis. Lease expense for the years ended December 31, 2024 and 2023, was \$7 and \$1, respectively.

The components of lease expense were as follows:

	Year Ended December 31, 2023
Finance lease cost:	
Amortization of right-of-use assets	\$ 5
Interest on lease liabilities	0
Total finance lease cost	<u>\$ 5</u>

Supplemental balance sheet information related to leases is as follows:

	December 31, 2023
Finance leases	
Property and equipment, gross	\$ 30
Accumulated amortization	<u>(30)</u>
Property and equipment, net	<u>\$ 0</u>

Note 8. Stock-Based Compensation

The 2013 Equity Incentive Plan (the “2013 Plan”) authorizes the issuance of nonqualified stock options and restricted stock units. Payment for the shares may be made in cash, shares of the Company’s common stock or a combination thereof. Under the terms of the 2013 Plan, incentive stock options and non-qualified stock options are granted at a minimum of 100% of fair market value on the date of grant and may be exercised after vesting at various times depending upon the terms of the option. All existing options expire 10 years from the date of grant or one year from the date of death. The terms of the grants require an acceleration of vesting upon a change in control of the Company.

Under the 2013 Plan, the Company is authorized to issue up to 600,000 shares through stock options and awards such as restricted stock or restricted stock units. As of December 31, 2024, under the 2013 Plan, 46,000 shares had been issued, options to purchase an aggregate of 185,000 shares were outstanding, of which options to purchase 97,000 shares were exercisable. As of December 31, 2024, the Company also had 84,000 restricted stock units outstanding. There are 285,000 additional shares available for issuance pursuant to awards that may be granted under the 2013 Plan in the future.

Stock Options

In 2024, the Company granted 25,000 non-qualified stock options to one of its non-employee board members and 10,000 non-qualified stock options to an employee. In 2023, the Company granted 25,000 non-qualified stock options each to its Chief Executive Officer and to three of its four non-employee board members. All of the options vest 20% on the grant date, with an additional 20% vesting annually thereafter.

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The weighted average assumptions made in estimating the fair value of the options on the grant date based upon the BSM option-pricing model for the year ended December 31, 2024 and 2023 are as follows:

	2024	2023
Dividend Yield	0.00%	0.00%
Expected Volatility	25.06%	25.56%
Risk Free Interest Rate	4.49%	4.35%
Expected Life	6 Years	6 Years

The Company calculates expected volatility for stock options and other awards using the Company's historical volatility as the Company believes the expected volatility will approximate historical volatility.

There were no options exercised during the years ended December 31, 2024 and 2023. The Company had 25,000 and 225,000 options expire during the years ended December 31, 2024 and 2023, respectively.

The following table summarizes the activity for outstanding incentive stock options under the 2013 Plan:

	Options Outstanding			
	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance at December 31, 2022	300,000	\$ 4.35	1.4	
Granted	100,000	4.25	9.7	
Exercised	0			
Expired	(225,000)	4.57	0.0	
Balance at December 31, 2023	175,000	4.06	6.8	
Granted	35,000	4.05	9.6	
Exercised	0			
Expired	(25,000)	4.39	0.0	
Balance at December 31, 2024	185,000	\$ 3.99	7.8	\$ 219
Vested and exercisable as of December 31, 2024	97,000	\$ 3.80		\$ 132

As of December 31, 2024, the unrecognized compensation expense related to outstanding stock options was \$115, which the Company expects to recognize over the four year vesting period. To the extent the forfeiture rate is different than we have anticipated, stock-based compensation related to the awards will be different from expectations. The Company recognized compensation expense in connection with the vesting of options of \$46 and \$38 during the years ended December 31, 2024 and 2023, respectively.

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Restricted stock units

The 2013 Plan authorizes the issuance of restricted stock units. Stock-based compensation expense is determined on the grant date based on the closing market value of our common stock. The amount of expense is calculated based on an estimate of the number of awards expected to vest at the end of each vesting period and is expensed evenly over the vesting period. In connection with the time of vesting and issuance of shares, an eligible recipient of common stock may elect to have some shares withheld by the Company to satisfy any requirement for withholding taxes.

In 2023, the Company granted 35,000 restricted stock units to its Chief Executive Officer and 17,500 restricted stock units to each of its four non-employee board members. The restricted stock units vest 20% on the first anniversary of the grant and 20% annually thereafter.

The following table summarizes restricted stock unit activity for the year ended December 31, 2024:

	Unvested Restricted Stock Units	
	Number of Shares	Weighted- Average Grant-Date Fair Value
Unvested as of December 31, 2023	105,000	\$ 4.11
Granted	0	0.00
Vested	(21,000)	4.11
Forfeited/canceled	0	0.00
Unvested as of December 31, 2024	84,000	\$ 4.11

As of December 31, 2024, the unrecognized compensation expense related to outstanding restricted stock units was \$316, which the Company expects to recognize over a period of four years. The Company recognized compensation expense in connection with the vesting of restricted stock units of \$86 and \$29 for years ended December 31, 2024 and 2023, respectively.

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Note 9. Benefit Plans

Employee stock ownership plan

The Company sponsors an employee stock ownership plan (“ESOP”) that covers substantially all employees who work 1,000 or more hours during the year. The ESOP has, at various times, secured financing from the Company to purchase the Company’s shares on the open market. When the ESOP purchases shares with the proceeds of the Company loans, the shares are pledged as collateral for these loans. The shares are maintained in a suspense account until released and allocated to participant accounts. The ESOP owns 94,434 shares of the Company’s stock at December 31, 2024. All shares held by the ESOP have been released and allocated to participants' accounts. No dividends were paid during the years ended December 31, 2024 and 2023. The ESOP had no debt to the Company at December 31, 2024 or 2023.

The Company recognized ESOP compensation expense for contributions of \$24 to the ESOP plan for each of the years ended December 31, 2024 and 2023.

In the event a terminated ESOP participant desires to sell his or her shares of the Company’s stock and the shares are not readily tradable, the Company may be required to purchase the shares from the participant at fair market value. In addition, at its election, the Company may distribute the ESOP’s shares to the terminated participant. At December 31, 2024, 94,434 shares of the Company’s stock, with an aggregate fair market value of approximately \$488, are held by ESOP participants who, if terminated, would have rights under the repurchase provisions if the Company's stock were not readily traded. The Company believes because its stock is listed on the Nasdaq Capital Market it meets the ESOP requirements and that there would not be a current obligation for it to repurchase any distributed ESOP shares.

Profit sharing plan and savings plan

The Company has a salary reduction and profit sharing plan that conforms to IRS provisions for 401(k) plans. The Company may make profit-sharing contributions with the approval of the Board of Directors. There were no profit-sharing contributions by the Company in 2024 or 2023.

ELECTRO-SENSORS, INC.
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Note 10. Income Taxes

The components of the income tax provision are as follows:

	Years Ended December	
	31,	
	2024	2023
Current:		
Federal	\$ 144	\$ 201
State	1	1
Deferred:		
Federal	(155)	(99)
State	0	0
Total Federal and State Income Taxes	\$ (10)	\$ 103

The provision for income taxes differs from the amount obtained by applying the U.S. federal income tax rate to pretax income due to the following:

	Years Ended December	
	31,	
	2024	2023
Computed "Expected" Federal Tax Expense	\$ 92	\$ 79
Increase (Decrease) in Taxes Resulting From:		
State Income Taxes, net of Federal Benefit	1	1
R&D Credits	(88)	(63)
Permanent Differences	4	4
Other	(19)	82
Total Federal and State Income Taxes	\$ (10)	\$ 103

ELECTRO-SENSORS, INC.
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The components of the net deferred tax asset consist of:

	December 31,	
	2024	2023
Deferred Tax Assets:		
Vacation accrual	\$ 27	\$ 26
Allowance for credit losses	2	2
Stock compensation	52	6
Bonus	4	2
Depreciation and amortization	53	71
Inventory obsolescence	2	2
R&D expenses	392	273
R&D credit carryforward	311	279
Valuation allowance	(311)	(279)
Total Deferred Tax Assets	532	382
Deferred Tax Liabilities:		
Prepaid expenses	31	27
Total Deferred Tax Liabilities	31	27
Net Deferred Tax Asset	\$ 501	\$ 355

R&D credits can be carried forward for twenty years for federal purposes and fifteen years in Minnesota.

The Company is materially subject to the following taxing jurisdictions: U.S. and Minnesota. The tax years 2021 through 2023 remain open to examination by the Internal Revenue Service and state jurisdictions. We have no accrued interest or penalties related to uncertain tax positions as of December 31, 2024 or December 31, 2023 and uncertain tax positions are not significant.

Note 11. Contingencies

The Company sometimes becomes subject to claims against it in the ordinary course of business. There are currently no pending or threatened claims against the Company that it believes will have a material adverse effect on its results of operations or liquidity.

Note 12. Segment Information

The Company has a single reportable segment based on the nature of its services and regulatory environment under which it operates. The nature of the business and the accounting policies of the segment are the same as described throughout Note 1. The Company's Chief Operating Decision Maker ("CODM") is its president. The CODM assesses the reportable segment's performance and allocates resources for the reportable segment based on the net income and total assets which are the same amounts in all material respects as those reported on the Statements of Comprehensive Income and Balance Sheets.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The person serving as our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”). Based on this evaluation, the person serving as the Company’s principal executive officer and principal financial officer has concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2024 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Under Section 404 of the Sarbanes-Oxley Act of 2002, our management is required to assess the effectiveness of the Company’s internal control over financial reporting as of the end of each fiscal year and report, based on that assessment, whether the Company’s internal control over financial reporting is effective.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Company’s financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company’s management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2024. In making this assessment, the Company used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in “*Internal Control-Integrated Framework (2013)*.” These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company’s assessment included extensive documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting. Based on this evaluation, the person serving as the Company’s principal executive officer and principal financial officer has concluded that the Company’s internal controls were effective as of December 31, 2024.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the fourth quarter of fiscal year 2024 that were identified in connection with management’s evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information.

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None

PART III

Certain information required by Part III is incorporated by reference to the Company's Definitive Proxy Statement pursuant to Regulation 14A (the "2025 Proxy Statement") for its Annual Meeting of Shareholders to be held April 23, 2025 ("Annual Meeting").

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 401 under Regulation S-K, to the extent applicable to the Company's directors, will be set forth under the caption "Election of Directors" in the 2025 Proxy Statement and is incorporated herein by reference. The information required with respect to the Company's sole executive officer, who is also a director, will be set forth under the caption "Election of Directors."

The information required by Item 405 regarding compliance with Section 16(a), if any, will be set forth under the caption "Delinquent Section 16(a) Reports" in the 2025 Proxy Statement and is incorporated herein by reference. If there were no delinquent Section 16(a) reports during 2024, this section will be omitted from the 2025 Proxy Statement.

Code of Ethics and Business Conduct

The Company has adopted the Electro-Sensors Code of Ethics and Business Conduct (the "Code of Conduct") applicable to all officers and employees of the Company. A copy of the Code of Conduct can be obtained free of charge upon written request directed to the Company's Chief Executive Officer at the Company's executive offices. Any amendment to, or waiver from, a provision of our Code of Conduct will be posted to our website.

The information required by Item 407 regarding corporate governance will be set forth under the caption "Corporate Governance" in the 2025 Proxy Statement and is incorporated herein by reference.

Insider Trading

The Company has adopted inside trading policies and procedures governing the purchase, sale, and/or other dispositions of its securities by directors, officers, and employees that are reasonably designed to promote compliance with insider trading laws, rules, and regulations. The Company's Policy Statement on Confidential Information and Securities Trading by Electro-Sensors, Inc. Personnel is included as Exhibit 19.1 to this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The information called for by Item 402 under Regulation S-K, will be set forth under the caption "Executive Compensation" and "Director Compensation" in the Company's 2025 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information called for by Item 403 under Regulation S-K will be set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Company's 2025 Proxy Statement and is incorporated herein by reference.

The following table provides information as of December 31, 2024 about the Company’s equity compensation plans.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	290,000	\$4.03	185,000 ⁽ⁱ⁾
Equity compensation plans not approved by security holders	—	—	—
Total	290,000	\$4.03	185,000 ⁽ⁱ⁾

⁽ⁱ⁾ Shares issuable pursuant to the 2013 Equity Incentive Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 404 under Regulation S-K will be set forth under the caption “Transactions with Related Persons, Promoters and Certain Control Persons” in the 2025 Proxy Statement and is incorporated herein by reference.

The information required by Item 407(a) will be set forth in the 2025 Proxy Statement under the caption “Corporate Governance” and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 of Form 10-K and 9(e) of Schedule 14A will be set forth under the caption “Ratification of Independent Registered Public Accounting Firm” in the Company’s 2025 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Financial Statements.

Reference is made to the Index to Financial Statements appearing on Page 18 hereof.

Financial Statement Schedules.

The Financial Statement Schedules have been omitted either because they are not required or because the information has been included in the financial statements or the notes thereto included in this Annual Report.

Exhibits.

Exhibit Number	Exhibit Description
<u>3.1</u>	<u>Electro-Sensors, Inc Restated Articles of Incorporation, as amended—incorporated by reference to Exhibit 3.1 to the Company’s Form 10-Q for the quarter ended June 30, 2022</u>
<u>3.2</u>	<u>Electro-Sensors, Inc. Bylaws, as amended June 10, 2022, incorporated by reference to Exhibit 3.2 to the Form 10-Q for the quarter ended June 30, 2022</u>
<u>4.1</u>	<u>Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</u>
<u>*10.1</u>	<u>Electro-Sensors, Inc. 2013 Equity Incentive Plan incorporated by reference to Appendix A of the Company’s Proxy Statement for the Company’s 2016 Annual Meeting of Shareholders</u>
<u>*10.2</u>	<u>Form of Incentive Stock Option Agreement under the 2013 Equity Incentive Plan – incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed on April 29, 2013</u>
<u>*10.3</u>	<u>Form of Non-qualified Stock Option Agreement under the 2013 Equity Incentive Plan, as updated August 2023 – incorporated by reference to Exhibit 10.3 to the Company’s Form 10-Q filed on November 14, 2023</u>
<u>*10.4</u>	<u>Form of Restricted Stock Unit Agreement under the 2013 Equity Incentive Plan - incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on November 14, 2023</u>
<u>10.5</u>	<u>Mutual Termination Agreement, dated January 30, 2023 between Electro-Sensors, Inc. and Mobile X Global, Inc. - incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 31, 2023</u>
<u>19.1</u>	<u>Electro-Sensors, Inc. Policy Statement on Confidential Information and Securities Trading by Electro-Sensors, Inc. Personnel</u>
<u>23.1</u>	<u>Consent of Independent Registered Public Accounting Firm</u>
<u>24.1</u>	<u>Power of Attorney (see Signature page)</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>97.1</u>	<u>Compensation Recoupment Policy as adopted on October 18, 2023 - incorporated by reference to Exhibit 97.1 to the Company's Form 10-K for the year ended December 31, 2023</u>
<u>99.1</u>	<u>Letter to Shareholders dated March 19, 2025</u>
<u>99.2</u>	<u>Investor Information</u>
101	The following financial information from Electro-Sensors, Inc.’s Annual Report on Form 10-K for the annual period ended December 31, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Balance Sheets as of December 31, 2024 and 2023, (ii) Statements of Comprehensive Income for the years ended December 31, 2024 and 2023, (iii) Statements of Cash Flows for years ended December 31, 2024 and 2023, (iv) Statement of Changes in Stockholders’ Equity, and (v) Notes to Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL) and contained in Exhibit 101.
*	Management contract or compensatory plan or arrangement

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELECTRO-SENSORS, INC.
("Registrant")

By: /s/ DAVID L. KLENK

David L. Klenk
*President, Chief Executive Officer, and Chief
Financial Officer*

Date: March 19, 2025

By: /s/ GLORIA M. GRUNDHOEFER

Gloria M. Grundhoefer
Controller

Date: March 19, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

(Power of Attorney)

Each person whose signature appears below constitutes and appoints DAVID L. KLENK as his true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorney-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/David L. Klenk	President and Director (CEO and CFO)	March 19, 2025
/s/ Joseph A. Marino	Chairman and Director	March 19, 2025
/s/ Scott A. Gabbard	Director	March 19, 2025
/s/ Michael C. Zipoy	Director	March 19, 2025
/s/ Jeffrey D. Peterson	Director	March 19, 2025

**POLICY STATEMENT
ON
CONFIDENTIAL INFORMATION AND SECURITIES TRADING
BY ELECTRO-SENSORS, INC. PERSONNEL**

(January 2003)

SUMMARY

Both federal securities laws and the policy of Electro-Sensors, Inc. (“ESI” or the “Company”) prohibit transactions in Company stock at a time when you may be in possession of material information about the Company that has not been publicly disclosed. You are similarly prohibited from buying or selling the stock of Company customers or vendors when you have received, through your employment or other relationship with ESI, material non-public information about that customer or vendor. These prohibitions also apply to members of your household as well as all others whose transactions may be attributable to you. Anyone who violates these prohibitions can face staggering civil and criminal penalties.

Material information is any information which a reasonably prudent investor would consider to be important in making a decision to buy or sell a security. It certainly includes any information which would affect the public market price for the Company’s stock. Either positive or negative information may be material. Once a public announcement has been made of the material information, you should wait at least 24 hours following the announcement before engaging in any market trade of Company stock (e.g., announcement at 10:00 a.m. on Monday, trade at 10:00 a.m. on Tuesday; announcement at 2:00 p.m. on Friday, trade at 2:00 p.m. on Monday), assuming at the time of the transaction you do not have other material information that has not been made public.

Securities laws and Company policy also prohibit disclosure of material non-public information except on a need-to-know basis. Even if you are not engaging in any stock trading activity, you must not disclose material information to others, especially to those outside the Company. This information is owned by the Company and must be protected as such. **Any questions from brokers, securities analysts or the media regarding the Company should be directed to the Chief Financial Officer.**

For further information and guidance, please refer to the entire Policy Statement set forth below or contact the Chief Financial Officer.

The Need For a Policy Statement

The Company’s stock is publicly-traded; therefore, the Company is required to take active steps to prevent violations of insider trading laws by Company personnel. Although insider trading has long been illegal, over the years Congress has expanded the enforcement authority of the Securities and Exchange Commission (“SEC”) and the Justice Department, increased substantially the penalties for insider trading, and created new potential liability for companies and other “controlling persons,” such as directors, for violations by company personnel.

We are adopting this Policy Statement to avoid even the appearance of improper conduct on the part of anyone employed by or associated with ESI (because anyone with material non-public information should be considered an “insider”). We have all worked hard to establish our reputation for integrity and ethical conduct. We cannot afford to have it damaged.

The Consequences

The consequences of insider trading violations can be disastrous:

For individuals who trade on inside information (or tip information to others):

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine (no matter how small the profit) of up to \$1 million; and
- A jail term of up to ten years.

For a company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading:

- A civil penalty of the greater of \$1 million or three times the profit gained or loss avoided as a result of the individual's violation; and
- A criminal penalty of up to \$2.5 million.

In addition, any employee or consultant who violates the Company's confidential information and securities trading policy faces discipline or even termination of employment for cause. Needless to say, any of the above consequences, even an SEC investigation that does not result in prosecution, can tarnish one's reputation and irreparably damage a career.

Our Policy

If a Company director, officer, employee or representative has material non-public information relating to the Company (so-called "inside" information of a nature that could affect its stock price or affect an investor's decision to buy or sell the Company's stock), it is our policy that neither that person nor any related person residing in the home of the individual who has inside information may buy or sell Company securities or engage in any other action to take advantage of, or to pass on to others, that information. Please note that you need not be an employee or a director to be an insider. This policy also applies to information relating to any other company, including our customers or suppliers, obtained in the course of the individual's employment or other relationship with ESI.

Transactions that on the surface may be necessary or justifiable for independent reasons (such as the need to sell Company stock to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct.

Material Information. Material information is any information that a reasonably prudent investor would consider important in a decision to buy, hold or sell stock. In short, any information that could reasonably affect the price of the stock is deemed to be material.

Examples. Common examples of information that will frequently be regarded as material include the following: sales or revenue, sales or revenue growth, bookings, bookings growth, projections of future earnings or losses; changes in previously disclosed projections where the changes have not been made public; news of a pending or proposed merger, acquisition, or tender offer; news of a significant sale of assets or the disposition of a subsidiary; changes in dividend policies, the declaration of a stock split or the offering of additional securities; changes in management; impending bankruptcy or financial liquidity problems; and, as previously indicated, the gain or loss of a substantial customer or supplier. Either positive or negative information may be material.

20/20 Hindsight. Remember, if your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any securities transaction you should carefully consider how regulators and others might view your transaction in hindsight.

Transactions By Family Members. The very same restrictions apply to your family members and others living in your household. Company personnel are expected to be responsible for compliance by their immediate family and personal household.

Disclosing Information To Others. Whether the information is proprietary information about the Company or one of its customers, or information that could have an impact on the price of Company's or its customer's stock, Company personnel must not pass the information on to others. The above penalties apply whether or not you derive any benefit from another's actions. In order to prevent unintentional disclosure, all inquiries and requests for information regarding the Company or the Company's customers (e.g., from the media, stockbrokers or securities analysts) should be referred to the Chief Financial Officer.

When Information Is Public. As you can appreciate, it is also improper for Company personnel to enter a trade immediately after ESI has made a public announcement of material information, including earnings releases. Because Company shareholders and the investing public should be afforded the time to receive the information and act upon it, as a general rule you should not engage in any transactions until at least 24 hours after the information has been released. Thus, if an announcement is made at 10:00 a.m. on Monday, 10:00 a.m. on Tuesday generally would be the first time you should trade, assuming you do not have other material information that has not been made public. If an announcement is made at 2:00 p.m. on Friday, the first time trading would be permitted would generally be at 2:00 p.m. on the following Monday. Trades may be made during the window period starting at least 24 hours following the release of earnings information and ending on the last trading day of the second month following the end of the quarter, provided you have no further material nonpublic information.

Pre-Clearance of All Trades and all Stock Option Exercises

To provide assistance in avoiding even the appearance of an improper transaction (which could result, for example, where a person engages in a trade while unaware of a pending major development), all transactions in ESI stock (stock option grants or exercises, acquisitions, dispositions, transfers, etc.) by officers, directors, general managers and other certain key financial people must be pre-cleared by the Chief Financial Officer (952-930-0100). If you contemplate a transaction, you should contact the Chief Financial Officer in advance. Transactions by the Chief Financial Officer shall be pre-cleared by the Chief Executive Officer.

Additional Discouraged Transactions

ESI strongly discourages Company personnel from engaging in any of the following activities with respect to ESI securities:

1. Trading in Company securities on a short-term basis. Any Company stock purchased in the open market must be held for a minimum of six months. (Note that the SEC's short-swing profit rule already prevents directors and executive officers from selling any Company stock within six months of a purchase.) Stock received upon exercise of a stock option granted pursuant to a Stock Option Plan which is registered with the Securities & Exchange Commission on a Form S-8 need not be held for six months. Such stock may be sold at anytime, assuming the trading window is open and you do not have any material nonpublic information.
2. Purchases on margin or short sales. Employees should not "margin" ESI stock, whether for the purchase of ESI stock or any other securities. Employees should also not "sell short" ESI stock (a "short sale" is a sale of shares which the seller does not own but expects to purchase in the future at a lower price).
3. Buying or selling puts or calls on ESI securities. Employees should not buy or sell "puts" or "calls" on ESI securities.

Rule 10b5-1 Trading Arrangements

Notwithstanding the restrictions set forth elsewhere in this Insider Trading Policy, transactions by Company personnel which satisfy the following criteria will not be prohibited:

1. The purchase or sale must occur pursuant to any of the following:
 - (a) a binding contract to purchase or sell the security;
 - (b) instructions to another person to purchase or sell the security for the instructing person's account; or
 - (c) a written plan for trading securities;

which is delivered in writing to the Company's Chief Financial Officer during a trading window defined by the Insider Trading Policy, provided the person proposing such contract, instruction or plan is not then aware of any material, nonpublic information concerning the Company and the first transaction pursuant to the contract, instruction or plan does not take place until at least 10 calendar days after delivery to the Company's Chief Financial Officer.

2. The contract, instruction or plan referenced in paragraph 1 above must comply with at least one of the following:
 - (a) The contract, instruction or plan specified the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold.

- (b) The contract, instruction or plan included a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; or
- (c) The contract, instruction or plan did not permit the person to exercise any subsequent influence over how, when, or whether to effect purchases or sales; provided, in addition, that any other person who, pursuant to the contract, instruction, or plan did exercise such influence must not have been aware of any material nonpublic information of the Company when doing so.

For purposes of the foregoing paragraphs 1 and 2, the following definitions shall apply:

- (a) “Amount” means either a specified number of shares or other securities or a specified dollar value of securities.
- (b) “Price” means the market price on a particular date or a limited price, or a particular dollar price.
- (c) “Date” means, in the case of a market order, the specific day of the year on which the order is to be executed (or as soon thereafter as is practicable under ordinary principals of best execution), or in the case of a limit order, a day of the year on which the limit order is enforced.

Additional Requirements

Company personnel who adopt a contract, instruction or plan meeting the criteria of paragraphs 1 and 2 above may not thereafter deviate from the plan or engage in any corresponding or hedging transaction or positions. Amendments to the contract, instruction or plan are permitted, however, during the trading windows provided by the Insider Trading Policy, provided at the time of such amendment the individual undertaking the amendment does not have any material, non-public information regarding the Company. Company personnel will remain responsible for all Rule 144 provisions including the volume and aggregation requirements of Rule 144. In addition, Company personnel must effect in a timely manner all filings under Section 16 of the Securities Exchange Act of 1934.

The Company may choose to publicly announce any contract instruction or plan adopted pursuant to Rule 10b5-1. Such public disclosure may be included in the Company’s proxy statement, press releases or on the Company’s web site.

Certification

Company personnel will be required on an annual basis to certify their understanding of and intent to comply with this Policy Statement.

Company Assistance

Any person who has any general questions about this Policy Statement or questions about specific transactions should contact the Chief Financial Officer. Remember, however, the ultimate responsibility for adhering to the Policy Statement and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.

Certification

The undersigned hereby certifies that he or she has read and understands, and agrees to comply with, the Company's Policy Statement on Confidential Information and Securities Trading By Electro-Sensors, Inc. Personnel, a copy of which was received by the undersigned.

Date: _____

Signature

Name (please print)

DIRECTOR AND EXECUTIVE OFFICER ADDENDUM
to
Policy Statement
on
Confidential Information and Securities Trading
by Electro-Sensors, Inc. Personnel
(January 2003)

INTRODUCTION

In addition to the provisions of the attached Policy Statement on Confidential Information and Securities Trading by Electro-Sensors, Inc. Personnel, all ESI directors, “officers” (defined similar to “executive officers”) and more-than-10% shareholders (collectively referred to as “Section 16 Individuals”) are subject to Section 16 of the Securities Exchange Act of 1934 and the rules promulgated thereunder (the “Exchange Act”). Also, each person who owns more than 5% of the outstanding stock of ESI is subject to Section 13 of the Exchange Act. In light of Sections 16 and 13, and the new SEC reporting rules under Section 16, the Company has adopted certain additional policies with respect to transactions in ESI securities by directors and executive officers.

SECTION 16

Liability. Section 16 applies to directors, executive officers and more-than-10% shareholders of the Company. In general, Section 16(b) provides that any profit realized on a purchase and a sale of Company stock within a six-month period is recoverable by the Company. For this purpose, it does not matter whether the purchase or the sale occurs first. It is not necessary for the same shares to be involved in each of the matched transactions. Losses cannot be offset against gains. Transactions are paired so as to match the lowest purchase price and the highest sale price within a six-month period, resulting in the maximum amount of profit. Good faith on the part of the insider is no defense. If the Company itself does not press a claim, a claim for recovery of the profit may be asserted by any shareholder for the benefit of the Company.

There are many types of transactions which constitute a “purchase” or a “sale” for Section 16 purposes in addition to normal open market transactions. The receipt of an option, warrant or other right to acquire common stock (a “derivative security”) is generally a purchase unless received under plans meeting certain requirements. Many unusual corporate reorganizations may be “purchases” or “sales.” “Beneficial” ownership for Section 16 purposes may include indirect ownership, for example, through trusts or estates. In some circumstances, stock held by close relatives of a person may be considered to be owned beneficially by such person, and a purchase (or sale) by one individual may be matchable with a sale (or purchase) by his close relative to produce a recoverable profit. The provisions also apply to stock registered in a street name.

Reports. As a supplement to the profit recapture provisions of Section 16(b), Section 16(a) provides beneficial ownership reporting provisions. Reports may be due even though the reported change in beneficial ownership is not a transaction of a type which can be matched for Section 16(b) purposes.

Within 10 days of a person becoming an officer, director or 10% shareholder of an Exchange Act reporting company, such person must file an Initial Statement of Beneficial Ownership of Securities, or a Form 3, as it is more commonly known, with the SEC. A Form 3 Report is a statement by each reporting person of the amount of his or her beneficial ownership of each class of non-derivative securities (e.g., common stock) and derivative securities (e.g., options and warrants) of the Company. Generally, an individual is deemed a “beneficial owner” of a security if the individual has or shares the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the securities. Special rules apply for the application of the beneficial ownership definition to trust holdings and transactions. In stating the amount of securities owned indirectly through a partnership, corporation, trust or other entity, the reporting person may report the entire amount owned by such entity or, alternatively, his or her proportionate interest in the securities beneficially owned by that entity.

Under current rules, each insider must file his or her own individual report on Form 4 with the SEC on the second business day after most transactions, including the following:

- Purchases and sales
- Stock option exercises
- Stock option grants
- Restricted stock grants
- Other grants, awards and other acquisitions from the company previously exempted by Rule 16b-3(d)
- Dispositions to the Company that satisfy the requirements of Rule 16b-3(e), which includes (i) shares delivered to pay tax withholding amounts or an option exercise price, (ii) options surrendered in an option repricing and (iii) sales of shares
- Discretionary transactions pursuant to employee benefit plans previously exempted by Rule 16b-3(f) where you control a trade date
- Small acquisitions from the Company

A Form 5 must be filed each year (within 45 days after the end of the Company’s fiscal year) by officers, directors and 10% owners to report any exempt transactions and to report failures to file previously due reports. A primary purpose of the Form 5 is to promote compliance with Section 16 by requiring insiders to report any transactions which had not been reported during the year. At year-end officers and directors who have no Form 5 items to report will be required to provide their companies with a written representation that no Form 5 filing is due (i.e., there are no unreported transactions).

Power of Attorney. It should be noted that even if an individual is unable personally to sign a Form 4 or 5 (e.g., if you are out of town), the SEC permits the form to be signed by another without a prior or simultaneous filing of a power of attorney as long as a power is sent “as soon as practicable” thereafter. In order to enable the Company to prepare and file the Forms 4 on a timely basis, **it is imperative that you sign and return immediately the enclosed power of attorney** if you have not previously signed one.

Short Sales. In addition to the foregoing, Section 16(c) prohibits the Company’s directors, officers and more-than-10% shareholders from making “short sales” of any equity security of the Company. A “short sale” is a sale of securities which the seller does not own at the time or, if owned, securities that will not be delivered for a period longer than 20 days after the sale are prohibited.

SECTION 13

All more-than-5% shareholders of the Company are required to file initial reports under Section 13 of the Exchange Act. Follow up reports will be required if any material changes in their shareholdings occur. Those persons who are already five percent shareholders must file a Schedule 13G 45 days after the first calendar year-end when they become subject to this requirement. Additional filings on Schedule 13G are due on each succeeding February 14 if there has been a change in the reported information during the year. No filing is required where a change in the percentage of shares owned by a reporting person is caused solely by a change in the number of outstanding shares. Material changes in shareholdings in the interim will trigger additional Schedule 13D filing requirements.

ADDITIONAL PROHIBITED TRANSACTIONS

It is ESI’s policy that: (1) ESI directors and executive officers should not “margin” ESI stock, whether for the purchase of ESI stock or any other securities; and (2) the Company’s directors and executive officers should not buy or sell puts or calls with respect to ESI securities.

PRE-CLEARANCE OF ALL TRADES

To provide assistance in preventing inadvertent violations and avoiding even the appearance of an improper transaction (which could result, for example, where an officer engages in a trade while unaware of a pending major development), all transactions in ESI stock (stock option exercises or grant acquisitions, dispositions, transfers, etc.) by directors and executive officers must be pre-cleared by the Chief Financial Officer. If you contemplate a transaction, you should contact the Chief Financial Officer in advance. The Chief Financial Officer’s transactions shall be pre-cleared by the Chief Executive Officer.

ANNUAL CERTIFICATION

Directors and executive officers may be required, on an annual basis, to certify compliance with the attached Policy Statement on Confidential Information and Securities Trading by ESI Personnel and with the additional provisions of this Director and Executive Officer Addendum.

**DO NOT FORGET: ALL TRANSACTIONS IN ESI
STOCK BY DIRECTORS AND EXECUTIVE
OFFICERS MUST BE PRE-CLEARED BY
CONTACTING THE COMPANY’S
CHIEF FINANCIAL OFFICER.**

Certification

The undersigned hereby certifies that he or she has read and understands, and agrees to comply with, the Company's Policy Statement on Confidential Information and Securities Trading By Electro-Sensors, Inc. Personnel, together with the Director and Executive Officer Addendum thereto, a copy of which was received by the undersigned.

Date: _____

Signature

Name (please print)



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 19, 2025 with respect to the financial statements included in the Annual Report of Electro-Sensors, Inc. on Form 10-K for the year ended December 31, 2024. We hereby consent to the incorporation by reference in the Registration Statements of Electro-Sensors, Inc. on Form S-8 (Reg. No. 333-210944)

/s/ Boulay PLLP
Minneapolis, MN
March 19, 2025

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. Klenk, certify that:

1. I have reviewed this report on Form 10-K of Electro-Sensors Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 19, 2025

/s/ David L. Klenk

David L. Klenk
Chief Executive Officer and Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Electro-Sensors, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission (the “Report”), I, David L. Klenk, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 19, 2025

/s/ David L. Klenk
David L. Klenk
Chief Executive Officer and Chief Financial Officer

March 19, 2025

Dear Shareholders:

Greetings and welcome to the Electro-Sensors 2024 Annual Report. We appreciate your interest and continued support as we carry out our mission of supplying industry-leading machine monitoring sensors and hazard monitoring systems for global agricultural and industrial applications. For over 50 years, our customers have relied on us to guard their machines and facilities - and more importantly – protect their people. We believe this is a unique and special mission, and we have a group of passionate and dedicated employees committed to making it happen.

In 2024, we achieved record annual revenue of \$9.4 million, up 9.6% over the prior year. While revenues grew steadily in our traditional wire-based product families, we experienced even greater growth in sales of HazardPRO™ wireless hazard monitoring systems. Customers continue to choose Electro-Sensors products for their legendary quality, extreme durability, and overall favorable cost of ownership. International sales remain an important contributor to our business and grew on a percentage basis to 11.5% of revenue. We are grateful to the faithful customers who consistently purchase our products year after year, and we're excited to welcome many new customers with whom we are just beginning a relationship, one that we look forward to growing in the years ahead.

While our 2024 sales results were strong, ongoing supply chain issues made order fulfilment an increased challenge as we continued to see instability in sourcing various components and materials used in manufacturing our products. Our procurement and scheduling teams did a great job managing this dynamic situation; however, we cannot yet say the supply environment is stable and predictable. Entering 2025, we see additional headwinds in our global supply chain that will require us to carefully monitor and respond to these continuing challenges.

As you can see, we've had a busy and productive year. We have an amazing team of tenacious employees committed to solving our customers' most important business challenges. Additionally, our Board of Directors remains focused on identifying business and corporate development projects to create value for our shareholders. We look forward to building on these foundations and sharing updates with you along the way.

Thanks again for your interest in Electro-Sensors. We invite you to join our virtual annual shareholder meeting on April 23, 2025. Please see your proxy statement or visit our website (www.electro-sensors.com) for details on how to access and participate in the virtual meeting.

Sincerely,



David Klenk

INVESTOR INFORMATION

Annual Meeting

The Annual Meeting of Shareholders will be held at www.virtualshareholdermeeting.com/ELSE2025 on April 23, 2025 at 2:00 p.m. Central time. All shareholders are welcome to attend and take part in the discussion of Company affairs.

Board of Directors

David L. Klenk

President, Electro-Sensors, Inc.

Joseph A. Marino

Chairman of the Board

President, Cardia, Inc.

Scott A. Gabbard

Retired Finance Executive, Magenic Technologies, Inc.

Michael C. Zipoy

Retired Investment Executive, Feltl and Company

Jeffrey D. Peterson

Private Investor

Officers

David L. Klenk

President, Chief Executive Officer and Chief Financial Officer

Transfer Agent & Registrar

Equiniti Trust Company, LLC

48 Wall Street, Floor 23

New York, NY 10005

Auditors

Boulay PLLP

11095 Viking Drive #500

Eden Prairie, MN 55344

Counsel

Holland & Hart LLP

555 17th Street Suite 3200

Denver, CO 80202

Exchange Listing

The Nasdaq Stock Market (Capital Market)

Common Stock

Stock Trading Symbol: **ELSE**