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

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**Form 10-K**

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

**For the fiscal year ended December 31, 2025**

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

**Commission file number 000-09587**

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**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
<b>Common Stock</b>	ELSE	<b>Nasdaq Capital Market</b>

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 \$5,500,000 based upon the closing price of its common stock as reported on The Nasdaq Stock Market® on June 30, 2025.

The number of shares outstanding of the registrant's Common Stock, \$0.10 par value, on March 27, 2026 was 3,532,423.

**ELECTRO-SENSORS, INC.**  
**Form 10-K for the Year Ended December 31, 2025**

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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 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](http://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 2025, we shipped product to 21 countries, including sales through distributors in the following countries; Canada, Mexico, Brazil, Chile, United Kingdom, Egypt, 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 2025. 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 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 more established brand recognition, 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 has generally stabilized, we occasionally experience unexpected price increases and delivery delays requiring us to intervene and remediate. 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 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, 2025, the Company had 38 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 ability to periodically introduce 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](http://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;
- offset impacts to our business, including our personnel, related to real or perceived uncertainty surrounding regulatory and immigration enforcement efforts in our geographical area;
- 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 2026.

**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 March 23, 2026, we had 52 shareholders of record who held 914,714 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 2025 financial statements. We did not repurchase any common stock during the years ended December 31, 2025 and 2024.

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.

	<b>Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Net sales	100.0 %	100.0 %
Cost of goods sold	49.2	51.1
Gross profit	50.8	48.9
<b>Operating expenses</b>		
Selling and marketing	17.2	15.4
General and administrative	23.9	22.7
Research and development	9.7	10.8
Total operating expenses	50.8	48.9
Operating income (loss)	0.0	0.0
<b>Non-operating income</b>		
Interest expense	(0.1)	0.0
Interest income	3.5	4.7
Total non-operating income, net	3.4	4.7
Income before income taxes	3.4	4.7
Income tax expense (benefit)	0.4	(0.1)
Net income	3.0 %	4.8 %

The following paragraphs discuss the Company’s performance for years ended December 31, 2025 and 2024.

#### Comparison of 2025 vs 2024 (dollars in thousands)

##### *Net Sales*

Net sales for 2025 were \$10,142, an increase of \$769, or 8.2%, from \$9,373 in 2024. The increase was primarily driven by higher sales of wired sensing products utilized across a broad-base of applications and HazardPRO™ wireless systems utilized in industrial automation applications. International sales, as a percentage of net sales, remained at 12% as compared to 2024.

### ***Gross Profit***

Gross profit for 2025 increased \$575, or 12.5%, to \$5,157 from \$4,582 in 2024. Gross margin in 2025 was 50.8% compared to 48.9% in 2024. The increase in gross margin was primarily due to an increase in average selling prices implemented during 2025 to partially offset increased material costs. 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 \$569, or 12.4%, to \$5,155 in 2025 from \$4,586 in 2024, and increased as a percentage of net sales to 50.8% from 48.9%. The increase in operating expense dollars was primarily due to additional headcount, unreimbursed sales tax, and stock-based compensation related to the acceleration of vesting of equity awards for a retired board member.

- Selling and marketing expenses increased \$301, or 20.9%, to \$1,742 in 2025 from \$1,441 in 2024, and increased as a percentage of net sales to 17.2% from 15.4%. The increase was primarily due to higher compensation and benefits due to the hiring of executive and regional sales leadership, and variable compensation due to the increase in net sales.
- General and administrative expenses increased \$290, or 13.6%, to \$2,422 in 2025 from \$2,132 in 2024, and increased as a percentage of net sales to 23.9% from 22.7%. The increase in general and administrative expense dollars was primarily due to an increase in unreimbursed sales tax and stock-based compensation resulting from the acceleration of vesting of equity awards for a retired board member.
- Research and development expenses decreased \$22, or 2.2%, to \$991 in 2025 compared to \$1,013 in 2024, and decreased as a percentage of net sales to 9.7% from 10.8%. The decrease was primarily due to a decrease in compensation and benefits due to lower employee headcount; partially offset by an increase in engineering costs related to product development and enhancements.

### ***Operating Income (Loss)***

Operating income was \$2 in 2025 compared to an operating loss of \$4 in 2024, an increase of \$6, or 150.0%. The increase was primarily the result of higher net sales and gross margin, partially offset by an increase in expenses for compensation related to hiring additional sales leadership, unreimbursed sales tax and stock-based compensation from the accelerated vesting described above.

### ***Non-Operating Income***

Non-operating income decreased \$95 to \$345 in 2025 from \$440 in 2024, primarily as a result of lower interest income earned as a result of lower 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 Statements of Operations. Realized gains and losses are determined on the basis of the specific securities sold.

### ***Income Taxes***

Income tax expense was \$41 in 2025 compared to an income tax benefit of \$10 in 2024. The increase in tax expense was primarily due to a decrease in deferred tax assets related to stock-based compensation and 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 \$306 in 2025 compared to \$446 in 2024, a decrease of \$140, or 31.4%. Basic and diluted earnings per share were \$0.09 and \$0.13 in 2025 and 2024, 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 \$10,545 and \$9,948 at December 31, 2025 and 2024, respectively. Working capital was \$13,468 at December 31, 2025 compared to \$12,922 at December 31, 2024. The increases were due primarily to cash generated from operations.

Cash generated from operating activities was \$662 in 2025 compared to \$129 in 2024, an increase of \$533. The increase was primarily due to an increase in accounts payable and accrued expenses; partially offset by a decrease in deferred tax assets and a smaller increase in inventories. The increase in accounts payable is primarily due to the timing of payments. The increase in accrued expenses is due to the unreimbursed sales tax, timing of payroll and variable sales compensation primarily resulting from the increase in net sales. The decrease in deferred tax assets is primarily due to the deduction of research and development expenses that were previously capitalized for tax purposes. The smaller increase in inventories is due to the timing of component receipts.

Cash used in investing activities in 2025 was \$65, compared to \$51 in 2024. The cash used in both periods was for the purchase of office equipment.

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 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 generally stabilized, we occasionally see unexpected price increases and delivery delays requiring us to intervene and remediate. 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. Current supply chain dynamics may have a negative effect on the efficiency of our operations, our customer base, and the domestic or worldwide economy. Changes in general economic and financial conditions, inflationary pressures, the potential for economic recession in the U.S., tariffs and trade restrictions, including the imposition of new and higher tariffs on imported goods, the uncertainty of evolving tariffs, and retaliatory tariffs implemented by other countries on U.S. goods may have a negative impact on our business and results of operations. We continually monitor and attempt to remediate the impact of market forces as they occur. However, we may not be able to fully remediate or offset costs, all of which could have a material negative impact on our business and results of operations.

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, 2025, 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 Statements of Operations.

***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, 2025 and 2024, and the related statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, 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 30, 2026

PCAOB ID: 542

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

	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,545	\$ 9,948
Equity securities	56	56
Trade receivables, less allowance for credit losses of \$11 and \$11, respectively	1,404	1,309
Inventories, net	2,028	1,964
Other current assets	248	197
Income tax receivable	72	0
<b>Total current assets</b>	<b>14,353</b>	<b>13,474</b>
<b>Deferred income tax asset</b>	<b>464</b>	<b>501</b>
<b>Property and equipment, net</b>	<b>885</b>	<b>910</b>
<b>Total assets</b>	<b>\$ 15,702</b>	<b>\$ 14,885</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 254	\$ 146
Accrued expenses	631	365
Accrued income taxes	0	41
<b>Total current liabilities</b>	<b>885</b>	<b>552</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Common stock par value \$0.10 per share; authorized 10,000,000 shares; 3,482,423 and 3,449,021 shares issued and outstanding, respectively	348	344
Additional paid-in capital	2,534	2,360
Retained earnings	11,935	11,629
<b>Total stockholders' equity</b>	<b>14,817</b>	<b>14,333</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 15,702</b>	<b>\$ 14,885</b>

See Notes to Financial Statements

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

	<u>Years Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
<b>Net sales</b>	<b>\$ 10,142</b>	<b>\$ 9,373</b>
<b>Cost of goods sold</b>	<b>4,985</b>	<b>4,791</b>
<b>Gross profit</b>	<b>5,157</b>	<b>4,582</b>
<b>Operating expenses</b>		
Selling and marketing	1,742	1,441
General and administrative	2,422	2,132
Research and development	991	1,013
<b>Total operating expenses</b>	<b>5,155</b>	<b>4,586</b>
<b>Operating income (loss)</b>	<b>2</b>	<b>(4)</b>
<b>Non-operating income (expense)</b>		
Interest expense	(6)	0
Interest income	351	440
<b>Total non-operating income, net</b>	<b>345</b>	<b>440</b>
<b>Income before income taxes</b>	<b>347</b>	<b>436</b>
<b>Income tax expense (benefit)</b>	<b>41</b>	<b>(10)</b>
<b>Net income</b>	<b>\$ 306</b>	<b>\$ 446</b>
<b>Net income per share data</b>		
<b>Basic</b>		
Net income per share	\$ 0.09	\$ 0.13
Weighted average shares	3,460,611	3,435,040
<b>Diluted</b>		
Net income per share	\$ 0.09	\$ 0.13
Weighted average shares	3,475,828	3,435,040

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>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
<b>Balance, December 31, 2023</b>	3,428,021	\$ 342	\$ 2,230	\$ 11,183	\$ 13,755
Restricted stock units vested	21,000	2	(2)		0
Stock-based compensation expense			132		132
Net income				446	446
<b>Balance, December 31, 2024</b>	<u>3,449,021</u>	<u>\$ 344</u>	<u>\$ 2,360</u>	<u>\$ 11,629</u>	<u>\$ 14,333</u>
Restricted stock units vested	31,500	4	(4)		0
Stock options exercised	1,902	0			0
Stock-based compensation expense			178		178
Net income				306	306
<b>Balance, December 31, 2025</b>	<u>3,482,423</u>	<u>\$ 348</u>	<u>\$ 2,534</u>	<u>\$ 11,935</u>	<u>\$ 14,817</u>

See Notes to Financial Statements

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

	<u>Years Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities</b>		
<b>Net income</b>	<b>\$ 306</b>	<b>\$ 446</b>
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	89	92
Deferred income taxes	37	(146)
Stock-based compensation expense	178	132
Change in reserve for inventory obsolescence	10	0
Loss on disposal of fixed assets	1	0
Change in:		
Trade receivables	(95)	(26)
Inventories	(74)	(213)
Other current assets	(51)	(18)
Accounts payable	108	(145)
Accrued expenses	266	42
Income taxes payable/receivable	(113)	(35)
Net cash from operating activities	<u>662</u>	<u>129</u>
<b>Cash flows used in investing activities</b>		
Purchase of property and equipment	(65)	(51)
Net cash used in investing activities	<u>(65)</u>	<u>(51)</u>
<b>Net increase in cash and cash equivalents</b>	<b>597</b>	<b>78</b>
Cash and cash equivalents, beginning	9,948	9,870
Cash and cash equivalents, ending	<u>\$ 10,545</u>	<u>\$ 9,948</u>
<b>Supplemental cash flow information</b>		
Cash paid during the year for income taxes	\$ 114	\$ 171
Cash paid during the year for interest	<u>\$ 6</u>	<u>\$ 0</u>

See Notes to Financial Statements

**ELECTRO-SENSORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2025 AND 2024**  
**(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 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 \$7,985 and \$7,980 as of December 31, 2025 and 2024, 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, 2025 AND 2024**  
**(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. Gross trade receivables at January 1, 2024 were \$1,294.

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 Operations. 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 Company has adopted the practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating expected credit losses on these assets. The allowance for credit losses was \$11 at both December 31, 2025 and 2024.

As of December 31, 2025 the Company had one customer that exceeded 10% of the accounts receivable balance. As of December 31, 2024, 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 Statements of Operations 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 Statements of Operations 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, 2025 and 2024.

**ELECTRO-SENSORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2025 AND 2024**  
**(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, 2025 and 2024 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, 2025 AND 2024**  
**(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 \$39 and \$42 in 2025 and 2024, respectively.

**Research and development**

Expenditures for research and development are expensed as incurred. The Company incurred expenses of \$991 and \$1,013 in 2025 and 2024, 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. 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 \$340 and \$311 at December 31, 2025 and 2024, 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, 2025 AND 2024**  
**(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, 2025 and 2024, options to purchase 147,367 and 185,000 weighted average common shares, respectively, have been excluded from the diluted weighted average shares because their effect would be anti-dilutive. In addition, for the years ended December 31, 2025 and 2024, 49,916 and 84,000 restricted stock units, respectively, have been excluded from the calculation because their effect would be anti-dilutive.

The terms of the stock option and restricted stock unit grants allow acceleration of vesting upon a change in control of the Company, which increases the number of shares outstanding and dilutes the earnings per share.

The following information presents the Company's computations of basic and diluted EPS for the periods presented in the Statements of Operations.

	<u>Income</u>	<u>Shares</u>	<u>Per share amount</u>
<b>2025:</b>			
Basic EPS	\$ 306	3,460,611	\$ 0.09
Effect of dilutive stock options		15,217	0.00
Diluted EPS	<u>\$ 306</u>	<u>3,475,828</u>	<u>\$ 0.09</u>
<b>2024:</b>			
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>

**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, 2025, the Company had one stock-based compensation plan.

Our equity incentive plan permits optionees to engage in "cashless exercise" or "net exercise" of stock options. In these transactions, the holder does not pay a cash purchase price. Instead, the Company reduces the number of shares issued by a value equal to the aggregate exercise price and applicable tax withholding, based on the fair market value of the common stock on the date of exercise. During the year ended December 31, 2025, a retired non-employee director exercised options for 25,000 shares via a cashless exercise (or net share exercise), resulting in 1,902 net shares being issued and no cash proceeds to the Company.

**ELECTRO-SENSORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2025 AND 2024**  
**(in thousands except share and per share amounts)**

**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 Standards**

In December 2023, the FASB issued ASU No. 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The updates in this ASU are effective for annual periods beginning after December 15, 2024. The adoption resulted in disclosure changes only.

In July 2025, the FASB issued ASU No. 2025-05 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivables and Contract Assets. The amendments in this ASU provide public business entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset when estimating expected credit losses for current trade receivables arising from transactions accounted for under Topic 606. For all public business entities, ASU 2025-05 is effective for annual periods and interim periods beginning after December 15, 2025; early adoption is permitted. The Company adopted this standard on December 1, 2025. The adoption did not have a material impact on the Company's financial statements.

**ELECTRO-SENSORS, INC.**  
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**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 Operations 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
<b>December 31, 2025</b>				
Equity Securities	54	2	0	56
<b>Total Investments, December 31, 2025</b>	<u>\$ 54</u>	<u>\$ 2</u>	<u>\$ 0</u>	<u>\$ 56</u>
<b>December 31, 2024</b>				
Equity Securities	54	2	0	56
<b>Total Investments, December 31, 2024</b>	<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, 2025**

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

**December 31, 2024**

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

The equity securities owned by the Company have an undeterminable market 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, 2025 and 2024.

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**Note 4. Inventories**

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

	December 31,	
	2025	2024
Raw Materials	\$ 1,309	\$ 1,334
Work In Process	353	301
Finished Goods	386	339
Reserve for Obsolescence	(20)	(10)
<b>Total Inventories</b>	<b>\$ 2,028</b>	<b>\$ 1,964</b>

**Note 5. Property and Equipment, Net**

The following is a summary of property and equipment:

	December 31,	
	2025	2024
Autos	\$ 63	\$ 63
Equipment	262	260
Furniture and Fixtures	461	432
Building	1,412	1,373
Land	415	415
	<b>2,613</b>	<b>2,543</b>
Less Accumulated Depreciation	1,728	1,633
<b>Total Property and Equipment</b>	<b>\$ 885</b>	<b>\$ 910</b>

Depreciation expense for the years ended December 31, 2025 and 2024 was \$89 and \$92, respectively.

**Note 6. Accrued Expenses**

Accrued expenses include the following:

	December 31,	
	2025	2024
Wages and Commissions	\$ 400	\$ 309
Other	231	56
<b>Total Accrued Expenses</b>	<b>\$ 631</b>	<b>\$ 365</b>

During 2025, the Company identified and recorded an accrual for unreimbursed sales tax, of which approximately \$117 originated prior to 2025.

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**Note 7. Leases**

The Company has an operating lease for office equipment on a month-to-month basis. Lease expense for each of the years ended December 31, 2025 and 2024, was \$7.

**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, 2025, under the 2013 Plan, 79,402 shares had been issued, options to purchase an aggregate of 160,000 shares were outstanding, of which options to purchase 109,000 shares were exercisable. As of December 31, 2025, the Company also had 52,500 restricted stock units outstanding. There are 308,098 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. The options vest 20% on the grant date, with an additional 20% vesting annually thereafter. There were no options granted in the year end December 31, 2025.

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 are as follows:

Dividend Yield	0.00%
Expected Volatility	25.06%
Risk Free Interest Rate	4.49%
Expected Life	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.

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In August 2025, Michael Zipoy, a non-employee director, retired from the Board. In recognition of his valuable service to the Board, the vesting of his outstanding options was accelerated. Mr. Zipoy used a cashless exercise (or net share exercise) to exercise his non-qualified stock options. The Company reduced the number of shares issued to the director by withholding shares with a fair market value equal to the aggregate exercise price. The withheld shares were returned to the plan reserve. For the year ended December 31, 2025, the director net-settled 25,000 shares, resulting in an issuance of 1,902 shares and the withholding of 23,098 shares to cover \$106 in aggregate exercise price.

There were no options exercised during the year ended December 31, 2024. The Company had 25,000 options expire during the year ended December 31, 2024.

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

	<b>Options Outstanding</b>			
	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance at December 31, 2023	175,000	\$ 4.06	6.8	
Granted	35,000	4.05	9.6	
Exercised	0			
Expired/Cancelled	(25,000)	4.39	0.0	
Balance at December 31, 2024	185,000	3.99	7.8	
Granted	0			
Exercised	(1,902)	4.25	8.8	
Expired/Cancelled	(23,098)	4.25	8.8	
Balance at December 31, 2025	<u>160,000</u>	<u>\$ 3.98</u>	<u>6.7</u>	<u>\$ 41</u>
Vested and exercisable as of December 31, 2025	<u>109,000</u>	<u>\$ 3.84</u>		<u>\$ 39</u>

As of December 31, 2025, the unrecognized compensation expense related to outstanding stock options was \$62, which the Company expects to recognize through October 2028. 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 \$53 and \$46 during the years ended December 31, 2025 and 2024, 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 August 2025, Michael Zipoy, a non-employee director, retired from the Board. In recognition of his valuable service to the Board, the vesting of his unvested restricted stock units was accelerated. In December 2025, the Company issued the shares associated with the restricted stock units.

There were no restricted stock units granted in the years ended December 31, 2025 and 2024.

The following table summarizes restricted stock unit activity for the year ended December 31, 2025:

	<u>Unvested Restricted Stock Units</u>	
	Number of Shares	Weighted- Average Grant-Date Fair Value
Unvested as of December 31, 2024	84,000	\$ 4.11
Granted	0	0.00
Vested	(31,500)	4.11
Forfeited/canceled	0	0.00
Unvested as of December 31, 2025	<u>52,500</u>	<u>\$ 4.11</u>

As of December 31, 2025, the unrecognized compensation expense related to outstanding restricted stock units was \$192, which the Company expects to recognize through August 2028. The Company recognized compensation expense in connection with the vesting of restricted stock units of \$125 and \$86 for years ended December 31, 2025 and 2024, 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, 2025. All shares held by the ESOP have been released and allocated to participants' accounts. No dividends were paid during the years ended December 31, 2025 and 2024. The ESOP had no debt to the Company at December 31, 2025 or 2024.

The Company recognized ESOP compensation expense for contributions of \$30 and \$24 to the ESOP plan for the years ended December 31, 2025 and 2024, respectively.

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, 2025, 94,434 shares of the Company’s stock, with an aggregate fair market value of approximately \$393, 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 2025 or 2024.

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**Note 10. Income Taxes**

The components of the income tax provision are as follows:

	Years Ended December 31,	
	2025	2024
Current:		
Federal	\$ 3	\$ 144
State	1	1
Deferred:		
Federal	37	(155)
State	0	0
<b>Total Federal and State Income Taxes</b>	<b>\$ 41</b>	<b>\$ (10)</b>

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,			
	2025		2024	
	Dollars	Percentages	Dollars	Percentages
Computed "Expected" Federal Tax Expense	\$ 73	21.0	\$ 92	21.1
Increase (Decrease) in Taxes Resulting From:				
State Income Taxes, net of Federal Benefit	1	0.2	1	0.2
R&D Credits	(4)	(1.1)	(88)	(20.2)
Effect of tax law changes	(193)	(55.6)	0	0.0
Tax net operating loss	130	37.5	0	0.0
Permanent Differences	5	1.4	4	0.9
Other	29	8.4	(19)	(4.3)
<b>Total Federal and State Income Taxes</b>	<b>\$ 41</b>	<b>11.8</b>	<b>\$ (10)</b>	<b>(2.3)</b>

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act ("OBBBA"). The OBBBA codifies certain key elements of the Tax Cuts and Jobs Act, including making permanent the 100% bonus depreciation on qualified fixed assets, making permanent the immediate deduction for domestic research and experimentation expenses, and permanently changing the limitation on the deduction of business interest expense. ASC 740 "Income Taxes," requires that the effect of changes in tax rates and laws on deferred taxes be recognized in the period in which the applicable legislation is enacted. Consequently, the Company evaluated all deferred tax balances under the newly enacted tax law and identified any other changes required to the financial statements as a result of the OBBBA.

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The components of the net deferred tax asset consist of:

	December 31,	
	2025	2024
<b>Deferred Tax Assets:</b>		
Vacation accrual	\$ 26	\$ 27
Allowance for credit losses	2	2
Stock compensation	41	52
Bonus	8	4
Depreciation and amortization	31	53
Inventory obsolescence	4	2
R&D expenses	196	392
Net loss carryforward	129	0
R&D credit carryforward	397	311
Valuation allowance	(340)	(311)
<b>Total Deferred Tax Assets</b>	<b>494</b>	<b>532</b>
<b>Deferred Tax Liabilities:</b>		
Prepaid expenses	30	31
<b>Total Deferred Tax Liabilities</b>	<b>30</b>	<b>31</b>
<b>Net Deferred Tax Asset</b>	<b>\$ 464</b>	<b>\$ 501</b>

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 2022 through 2024 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, 2025 or December 31, 2024 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 Operations 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, 2025 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, 2025. 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, 2025.

### ***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 2025 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

### Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth the principal occupations (for at least the last five years) and directorships of the Company's directors and executive officer:

<b>Name</b>	<b>Principal Occupation and Directorships</b>	<b>Age</b>	<b>Director Since</b>
David L. Klenk	President, CEO, and CFO of the Company since 2013	61	2013
Joseph A. Marino	President and CEO of Cardia, Inc. (a medical equipment manufacturer) since 1998	74	1994
Scott A. Gabbard	Retired, Finance executive from 2000 through 2021. CFO and COO of Magenic Technologies, Inc. (a software consulting organization) from April 2006 to August 2021	59	2013
Jeffrey D. Peterson	Private investor since 1998. Previously employed by John G. Kinnard and Company, a regional brokerage firm	69	2011

The Board believes the following key characteristics are important in determining that each of the Board members is qualified to serve in such a role:

Mr. Marino's executive leadership experience in building both private and public companies, including strategy formulation, execution, and investor relations;

Mr. Peterson's significant experience in the investment industry and personal connections with many regional businesses;

Mr. Gabbard's extensive management experience, expertise, and background on strategic, operational, accounting and financial matters for both public and private companies; and

Mr. Klenk's years of leadership experience with emerging technology companies, his high levels of customer and employee focus, and his demonstrated ability to lead companies through significant growth cycles.

#### 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.

## **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 our 2024 Annual Report on Form 10-K.

## **Delinquent Section 16(a) Reports**

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, the Company's directors, its executive officers, and any persons who beneficially own more than 10% of the Company's Common Stock are required to report their initial ownership of Common Stock and subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for those reports have been established, and the Company is required to disclose in this Form 10-K any failure to file by those due dates. Based upon a review of such reports furnished to the Company, or written representations that no reports were required, the Company believes that all of those filing requirements were satisfied with respect to fiscal 2025, except that Mr. Klenk did not timely file a Form 4 related to the vesting of restricted stock units in September 2025.

## **Director Nominations**

No material changes have been made to the procedures by which stockholders may recommend nominees to our Board from those that were described in our definitive proxy statement filed with the SEC on March 19, 2025.

## **Audit Committee**

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Audit Committee is currently comprised of Messrs. Marino, Gabbard (Chair), and Peterson. The Board of Directors has determined that Messrs. Gabbard, Marino, and Peterson are independent directors as defined by the listing standards of the Nasdaq Stock Market. Given his significant experience serving as a chief financial officer of companies, the Board has determined that Mr. Gabbard is an "audit committee financial expert" as defined by Item 407(d)(5)(ii) of SEC Regulation S-K. The information under the heading "Board Independence" in Item 13 below is incorporated herein by reference.

## Item 11. Executive Compensation.

### Compensation Summary

The following table summarizes information concerning the compensation awarded or paid to, or earned by, the Company's Named Executive Officer during 2025 and 2024.

Name and principal position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)(3)	Total (\$)
David L. Klenk, President, CEO, CFO	2025	271,000	40,000 (1)	0	0	43,468	354,468
	2024	258,154	20,000 (2)	0	0	38,762	316,916

- (1) Discretionary payment made under the 2025 Management Incentive Bonus Plan.
- (2) Discretionary payment made under the 2024 Management Incentive Bonus Plan.
- (3) Amounts reflect allocations to individual's account of Company contributions to the ESOP, 401(k) Plan, and standard employee benefit plans. The Company matches 100% of the first 3% of employee 401(k) Plan contributions and 50% of the next 2% of employee contributions. In 2025, standard employee benefits paid on behalf of Mr. Klenk were \$31,828 and 401(k) contributions were \$11,640. In 2024, standard employee benefits paid on behalf of Mr. Klenk were \$28,036 and 401(k) contributions were \$10,726.

### Compensation of Executive Officer

Mr. Klenk does not have a written employment agreement with the Company. As of January 1, 2026, his annual salary is \$280,000 per year, and he is eligible to receive a bonus as determined by either the Board of Directors or the Compensation Committee. See "2026 Management Incentive Bonus Plan" and "2025 Management Incentive Bonus Plan" information below.

### Outstanding Equity Awards as of December 31, 2025

The following table sets forth certain information concerning outstanding option equity awards outstanding to the Named Executive Officer at December 31, 2025.

Outstanding Equity Awards at Fiscal Year-End				
Option Awards				
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option Exercise Price (\$)	Option Expiration Date
Mr. Klenk	50,000	None	3.41	2/8/2026
Mr. Klenk	15,000	10,000	4.25	8/27/2033
Stock Awards				
Name	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested (\$)		
Mr. Klenk	21,000	\$87,360		

### **2025 Management Incentive Bonus Plan**

On January 9, 2025, the Compensation Committee approved the 2025 Management Incentive Plan (the “2025 Plan”) for the Company’s President, Chief Executive Officer, and Chief Financial Officer David L. Klenk. The 2025 Plan had both annual financial performance and strategic goals. The financial performance goals were primarily based on the achievement of specified revenue levels, with additional amounts available for exceeding certain levels. The strategic goals were primarily related to initiatives related to strategic business development. The Company allocated 40% of the potential bonus to financial performance, 50% to strategic initiatives, and 10% was discretionary. If the Company achieved the specified goals, the incentive cash payment to Mr. Klenk would have been approximately 18% of his base salary. Furthermore, the Committee retained discretion under the 2025 Plan to make incentive plan cash payments in amounts higher or lower than would otherwise be required under the 2025 Plan. Although the Company did not achieve specified revenue levels, the Company did achieve net sales over \$10 million and Mr. Klenk worked extensively on business development and navigated supply and sales issues resulting from tariff and trade policy. The Compensation Committee approved a discretionary \$40,000 bonus to Mr. Klenk under the 2025 Plan.

### **2026 Management Incentive Bonus Plan**

On January 28, 2026, the Compensation Committee approved the 2026 Management Incentive Plan (the “2026 Plan”) for Mr. Klenk. The 2026 Plan has both annual financial performance and strategic goals. The financial performance goals are primarily based on the achievement of specified revenue levels, with additional amounts available for exceeding certain levels. The strategic goals are primarily related to initiatives related to strategic business development. The 2026 Plan allocates 50% of the potential bonus to financial performance, 40% to strategic initiatives, and 10% is discretionary. If the Company achieves the specified goals, the incentive cash payment to Mr. Klenk will equal approximately 21% of his base salary. Furthermore, the Committee retains discretion under the 2026 Plan to make incentive plan cash payments in amounts higher or lower than would otherwise be required under the 2026 Plan.

### **Policies and Practices Related to the Grant of Equity Awards Close in Time to the Release of Material Nonpublic Information**

We do not grant new awards of stock options, stock appreciation rights, or similar option-like instruments within four business days before or one business day after the release of a Form 10-Q, 10-K, or 8-K that discloses material nonpublic information. If we grant new awards of such options, the Board will evaluate the appropriate steps to take in relation to the foregoing.

## DIRECTOR COMPENSATION

### Compensation Summary

The following table summarizes information concerning the compensation awarded or paid to, or earned by, the Company's non-employee directors during 2025. Directors who are not employees of the Company received \$4,000 per Board meeting. The Chairman of the Board of Directors received \$24,000 per year. The Audit Committee Chair, Compensation Committee Chair, and Nominating Committee Chair each received \$12,000 per year. Each other Audit Committee member, Compensation Committee member, and Nominating Committee member received \$6,000 per year for their service on each committee. Non-employee members of the Business Development Committee each received \$12,000 per year.

Effective January 1, 2026, each non-employee board member will receive \$5,000 per Board meeting.

Directors may receive additional amounts for special committee or other Board work as determined by the Board.

### Director Compensation Table

Director Name	Fees earned or paid in cash (\$)	Option Awards (\$)(1)	Total (\$)
Joseph A. Marino	77,000	0	77,000
Scott A. Gabbard	73,000	0	73,000
Jeffrey D. Peterson	34,500	0	34,500
Michael C. Zipoy (2)	24,000	0	24,000

- (1) At December 31, 2025, Messrs. Gabbard, Marino, and Peterson each had 25,000 shares in stock option grants outstanding. Mr. Gabbard was granted options to purchase 25,000 shares in 2024. Messrs. Marino and Peterson were granted options to purchase 25,000 shares in 2023. The grants vested 20% upon the date of grant and will fully vest in four years. The option values shown are the grant date fair value computed in accordance with FASB ASC Topic 718.
- (2) In August 2025, Mr. Zipoy notified the Board that he was retiring. Mr. Zipoy served on the Board from 2012 to August 2025 and was most recently a member of the Audit, Compensation, and Nominating Committees of the Board. His positions on the committees were filled by other independent directors.

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

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, as of March 23, 2026, regarding the beneficial ownership of the outstanding shares of Common Stock by persons known by the Company to beneficially own more than 5% of the outstanding shares of Common Stock, directors, the executive officer, and the Company's directors and executive officer as a group. If an individual's address is not provided, the individual's address is 6111 Blue Circle Drive Minnetonka MN 55343.

Name and Address of Beneficial Owner	Common Stock	
	Number of Shares Beneficially Owned <sup>(1)</sup>	Percent of Class
Jeffrey D. Peterson 15708 Woodknoll Lane Minnetonka, MN 55345	375,438 (2)	10.6%
Patricia N. Peterson 6005 Erin Terrace Edina, MN 55439	364,768 (3)	10.3%
Lynne E. Peterson 10254 Nottingham Trail Eden Prairie, MN 55347	350,893 (4)	9.9%
John E. Peterson 815 Buttonbush Lane Naples, FL 34108	350,893 (3)	9.9%
Paul R. Peterson 227 Cedar Drive West Hudson, WI 54016	350,893 (3)	9.9%
Caldwell Sutter Capital, Inc. Joseph F. Helmer 30 Liberty Ship Way #3225 Sausalito, CA 94965	249,025 (5)	7.0%
David L. Klenk	82,373 (6)	2.3%
Scott A. Gabbard	22,000 (7)	0.6%
Joseph A. Marino	24,500 (8)	0.7%
Officers and Directors as a Group (4 persons)	504,311	14.0%

- (1) Except as otherwise indicated, each person named has the sole power to vote and sole power to direct the disposition of all shares listed as beneficially owned by him or her. Beneficial ownership information is based on information furnished by the specified persons and is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”), as required for purposes of this Proxy Statement. Accordingly, it includes shares of Common Stock that are issuable upon the exercise of stock options exercisable within 60 days of March 23, 2026 as noted below.
- (2) Based on a Schedule 13D filed with the SEC on February 14, 2024. Includes 15,000 shares issuable upon the exercise of stock options exercisable within 60 days of March 23, 2026 and 46 shares held by the Electro-Sensors, Inc. Employee Stock Ownership Plan (“ESOP”) for the account of Mr. Peterson.
- (3) Based on a Schedule 13D filed with the SEC on February 14, 2024.
- (4) Based on a Schedule 13D/A filed with the SEC on February 21, 2024.
- (5) Based on a Schedule 13G/A filed with the SEC on February 11, 2025. Includes shares owned by Caldwell Sutter Capital, Inc. and Joseph F. Helmer. Mr. Helmer has sole voting power of 26,592 shares, the reporting parties have shared voting power of zero shares, Mr. Helmer has sole dispositive power of 16,928 shares, and the reporting parties have shared dispositive power of 232,097 shares.
- (6) Includes 15,000 shares issuable upon the exercise of stock options exercisable within 60 days of March 23, 2026 and 3,373 shares held by the Electro-Sensors, Inc. Employee Stock Ownership Plan (“ESOP”) for the account of Mr. Klenk.
- (7) Includes 15,000 shares issuable upon the exercise of stock options exercisable within 60 days of March 23, 2026.
- (8) Includes 15,000 shares issuable upon the exercise of stock options exercisable within 60 days of March 23, 2026.

The following table provides information as of December 31, 2025 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	212,500	\$3.98	160,000 <sup>(1)</sup>
Equity compensation plans not approved by security holders	—	—	—
Total	212,500	\$3.98	160,000 <sup>(1)</sup>

<sup>(1)</sup> Shares issuable pursuant to the 2013 Equity Incentive Plan.

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

#### **Transactions with Related Persons, Promoters, and Certain Control Persons**

The Company was not a party to any transactions with related persons, promoters or control persons during the last two fiscal years and is not currently contemplating any such transactions.

#### **Independence**

The Board of Directors has determined that Messrs. Gabbard, Marino, and Peterson are independent directors as defined by the listing standards of the Nasdaq Stock Market, because none of them are believed to have any relationships that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Mr. Klenk is precluded from being considered independent by Nasdaq rules since he currently serves as an executive officer of the Company.

The Board has determined that all members of the Company's Audit Committee, Compensation Committee and Nominating Committee are independent under listing standards of the Nasdaq Stock Market.

### **Item 14. Principal Accountant Fees and Services.**

The Company's Board retained Boulay PLLP as its principal independent registered public accounting firm for the year ended December 31, 2025.

#### **DISCLOSURE OF FEES PAID TO INDEPENDENT AUDITORS**

The following fees were paid to Boulay PLLP in 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Audit Fees	\$ 124,370	\$ 107,000
Audit-Related fees	0	0
Tax Fees	9,000	14,135
All Other Fees	0	0
Total	<u>\$ 133,370</u>	<u>\$ 121,135</u>

**Audit Fees** were for professional services rendered for the audit of the Company's financial statements and review of the interim financial statements included in quarterly reports and services in connection with statutory and regulatory filings or engagements.

**Audit-Related Fees** consist of the review of, and discussion with management regarding, the treatment of certain accounting matters.

**Tax Fees** were for professional services rendered for preparation of the Company's annual tax return, quarterly estimates, and state returns. Tax examination consulting is also included.

**All Other Fees** represent fees for any professional services not included in the first three categories listed above.

Under its Charter, the Audit Committee is required to pre-approve all audit services, as well as all non-audit services performed by the Company's independent registered public accounting firm to ensure that the provision of these non-audit services does not impair the auditor's independence. Unless a particular service has received general pre-approval by the Audit Committee in accordance with the Audit Committee's pre-approval policy, each service provided must be specifically pre-approved. Any proposed services exceeding pre-approved costs levels will require specific pre-approval by the Audit Committee.

As part of the Company's annual engagement agreement with its independent registered public accounting firm, the Audit Committee pre-approves the following:

- Audit services to be provided by the independent auditor: statutory and financial audits for the Company and audit services associated with SEC registration statements, periodic reports and other documents filed with the SEC, production of other documents issued by the independent registered public accounting firm in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to SEC comment letters.
- Consulting services provided by the independent registered public accounting firm related to the accounting or disclosure treatment of transactions or events and the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies.
- Specific non-audit services, primarily tax services. The Audit Committee does not believe that performance of these tax services impairs the auditor's independence. The Audit Committee has given the independent registered public accounting firm pre-approval for U.S. federal, state, and local tax planning and advice, U.S. federal, state, and local tax compliance, international tax planning and advice, international tax compliance, and tax planning and advice related to merger and acquisition activities. The Company's independent registered public accounting firm must inform the Audit Committee whenever it provides pre-approved service. The aggregate amount of fees for these pre-approved tax services may not exceed \$15,000 without additional explicit approval by the Audit Committee.

The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different term. The Audit Committee retains the right to periodically revise the above list of pre-approved services.

## 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

<a href="#">3.1</a>	<a href="#">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</a>
<a href="#">3.2</a>	<a href="#">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</a>
<a href="#">4.1</a>	<a href="#">Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</a>
<a href="#">*10.1</a>	<a href="#">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</a>
<a href="#">*10.2</a>	<a href="#">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</a>
<a href="#">*10.3</a>	<a href="#">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</a>
<a href="#">*10.4</a>	<a href="#">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</a>
<a href="#">19.1</a>	<a href="#">Electro-Sensors, Inc. Policy Statement on Confidential Information and Securities Trading by Electro-Sensors, Inc. Personnel – incorporated by reference to Exhibit 19.1 to the Company’s 10-K for the year ended December 31, 2024</a>
<a href="#">23.1</a>	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
24.1	Power of Attorney (see Signature page)
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">97.1</a>	<a href="#">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</a>
<a href="#">99.1</a>	<a href="#">Letter to Shareholders dated March 30, 2026</a>
<a href="#">99.2</a>	<a href="#">Investor Information</a>
101	The following financial information from Electro-Sensors, Inc.’s Annual Report on Form 10-K for the annual period ended December 31, 2025, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Balance Sheets as of December 31, 2025 and 2024, (ii) Statements of Operations for the years ended December 31, 2025 and 2024, (iii) Statements of Cash Flows for years ended December 31, 2025 and 2024, (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





**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated March 30, 2026 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, 2025. 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 30, 2026

**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 30, 2026

/s/ David L. Klenk

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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, 2025 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 30, 2026

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

March 30, 2026

Dear Shareholders:

Welcome to the Electro-Sensors 2025 Annual Report. While the year certainly had its twists and turns, Electro-Sensors stayed true to our mission of providing world-class machine monitoring sensors and hazard monitoring systems to customers around the world. In 2025, we shipped products to 21 countries for critical safety and industrial automation applications. Our customers continue to choose Electro-Sensors to monitor their mission-critical applications, relying upon our industry-leading performance, unparalleled reliability, and outstanding overall value.

We are pleased to report record annual revenue of \$10.1 million, up 8.2% over the prior year. This growth was comprised of sales increases in both our wired product families and HazardPRO™ wireless monitoring systems. Additionally, we are also encouraged by 2025 gross margins of 50.8%, rising from 48.9% in the prior year as we continued our focus on manufacturing efficiencies and strategic price adjustments. International sales remained steady during the year at 12% of revenue.

The year was not without challenges, however, as our global supply chain continued to experience disruptions in availability and pricing of key materials and components. I'm grateful to our operations team for their extraordinary efforts to keep our supplies flowing, allowing us to consistently meet our customer commitments.

While we have experienced many changes over the years, one thing that hasn't changed is our customers' reliance on us to keep their facilities running smoothly, and more importantly, their people and communities safe. With this responsibility in mind, I'm reminded of how fortunate we are to have an outstanding team of dedicated employees who continue to rise to this challenge. Our team takes this responsibility seriously, and I'm proud of them for continuing to provide legendary service and support to customers who place their trust in us. We have formed great relationships with these customers over the years, and we look forward to working closely with them in the many years to come.

Thanks also to you, our dedicated shareholders, who have supported us along the way. We sincerely appreciate your interest in Electro-Sensors and look forward to building on the robust foundation we've developed together.

Sincerely,

A handwritten signature in blue ink, appearing to read "DAVID KLENK".

David Klenk

## INVESTOR INFORMATION

### Annual Meeting

Our Annual Meeting of Shareholders will be held later this year and information about the meeting will be published on our website and in the proxy statement once the meeting date is determined. 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.*

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**