SERVOTRONICS, INC.

2020 Form 10-K

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-K

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

or

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

For the fiscal year ended December 31, 2020
Commission File No. 1-07109

SERVOTRONICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**16-0837866**
(State or other jurisdiction of incorporation or organization)	*(I. R. S. Employer Identification No.)*

1110 Maple Street
Elma, New York 14059
(Address of principal executive offices) (zip code)
(716) 655-5990
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Stock	SVT	NYSE American

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 Section 15(d) of the 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 Securities Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

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

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

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 Section 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. ☐

Based on the closing price of the Common Stock on June 30, 2020 $7.56 (the last day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting stock held by non-affiliates of the registrant was $12,053,718.

As of March 1, 2021, the number of $.20 par value common shares outstanding was 2,478,507.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2020 Annual Meeting of Shareholders are incorporated by reference in Part III.

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PART I

Item 1. Business

General

Servotronics, Inc. and its subsidiaries (collectively the “Registrant” or the “Company”) design, manufacture and market advanced technology products consisting primarily of control components and consumer products consisting of knives and various types of cutlery and other edged products.

The Company was incorporated in New York in 1959. In 1972, the Company was merged into a wholly-owned subsidiary organized under the laws of the State of Delaware, thereby changing the Company’s state of incorporation from New York to Delaware.

The Company’s shares currently trade on the New York Stock Exchange (NYSE American) under the symbol SVT.

Covid-19 Pandemic

The global COVID-19 coronavirus pandemic and related impacts adversely affect and may continue to adversely affect business, financial condition, results of operations, liquidity and cash flow. The extent to which the COVID-19 pandemic will continue to impact our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, scope and severity of the pandemic. These factors could, among other things, continue to disrupt (i) purchasing, contracting and payment behaviors of our customers and their end-users; (ii) our operations, including our manufacturing activities, the shipment of our products, and the performance of our suppliers and service providers; and (iii) liquidity and cash flow.

The commercial aerospace industry, in particular, has been significantly disrupted, both domestically and internationally. The pandemic has had a significant adverse impact on our business in 2020. The impact of COVID-19 is fluid and continues to evolve, and the shape and speed of recovery for the commercial aerospace industry remains uncertain. There is significant uncertainty with respect to when the commercial transport market, will recover, and whether and at what point capacity will return to and/or exceed pre-COVID-19 levels.

We took immediate action to minimize the spread of COVID-19 in our workplaces and reduce costs. Since the early days of the pandemic, we have been following the guidance from the U.S. Center for Disease Control (“CDC”) and the New York State Department of Health to protect our employees and prevent the spread of the virus within our facilities. Some of the actions implemented include: social distancing, appropriate personal protective equipment; facility deep cleaning; flexible work-from-home scheduling; pre-shift temperature screenings, and restrictions on facility visitors and unnecessary travel. Actions to reduce costs included: (1) reducing our workforce to align operations with customer demand; (2) delaying non-essential capital projects and minimizing discretionary spending and (3) suspension of certain benefit programs.

Products

Advanced Technology Products

The Company designs, manufactures and markets a variety of servo-control components which convert an electrical current into a mechanical force or movement and other related products. The principal servo-control components produced include torque motors, electromagnetic actuators, hydraulic valves, pneumatic valves and similar devices, all of which perform the same general function. These are sold principally to the commercial aerospace, aircraft and government related industries, as well as medical and industrial markets.

To fill most of its orders for components, the Company must either modify a standard model or design a new product in order to satisfy the customer’s particular requirements. The Company also produces unique products based on specifications provided by its customers. The Company produces under long-term contracts and other types of orders.

The Company may from time to time produce metallic seals of various cross-sectional configurations. These seals fit between two surfaces, usually metal, to produce a more secure and leak-proof joint. The Company manufactures these seals to close tolerances from standard and special alloy steels. Ductile coatings are often applied to the seals in order to increase their effectiveness.

The Company has also produced other products of its own and/or of a given design to meet customers' requirements.

Consumer Products

The Company designs, manufactures and sells a variety of edged products, tools and specialty consumer products for domestic and international distribution. These products include a wide range of cutlery items such as steak, carving, bread, butcher and paring knives for household use and for use in restaurants, institutions and private industry, as well as equipment and gear including fixed and folding knives for hunting, fishing and camping. The Company also sells knives and tools to the U.S. Government, related agencies, and allied foreign governments. These products include machetes, bayonets, axes, strap cutters, and other tools that are designed primarily for military and rescue/first-responder use, but are viable in commercial markets as well. The Company also produces and markets other edged products such as various specialty tools, putty knives, linoleum sheet cutters, field knives and SciMed items including scalpels and micro-spatulas. The Company manufactures its products from stainless and high carbon steels, titanium, or synthetic materials in numerous styles, designs, models and sizes. Substantially all of the Company's commercial related products are intended for the moderate to premium priced markets. The Company also provides plastic fabrication, metal fabrication and other engineering, design, and OEM/white-label manufacturing services to regional customers. This includes the production of a wide range of machined, engineered, and/or molded consumer and industrial products and components.

Sales, Marketing and Distribution

Advanced Technology Products

The Company's Advanced Technology Group (ATG) products are marketed throughout the United States and in select foreign markets. Products are primarily non-seasonal in nature. These products are sold to the United States Government, government prime contractors, government subcontractors, commercial manufacturers and end-users. Sales are made primarily by the Company's professional staff.

The Company's prime contracts and subcontracts with the United States Government, government subcontractors, and commercial manufacturers are subject to termination at the convenience of the customer. In the event of such termination, the Company is ordinarily entitled to receive payment for its costs and profits on work done prior to termination. Since the inception of the Company's business, less than 1% of its contracts have been terminated for convenience. The Company's sales of advanced technology products are composed primarily of a small group of customers. We have a significant concentration of business with two major customers; Customer A and Customer B. Sales to Customer A accounted for 22.3% of consolidated sales in 2020 and 35.0% of consolidated sales in 2019. Sales to Customer B accounted for 26.6% of consolidated sales in 2020 and 19.8% of consolidated sales in 2019. In both 2020 and 2019 we had a concentration of sales to Customer A and Customer B representing approximately 48.9% of our consolidated sales. Two commercial aircraft accidents led to the grounding by the Federal Aviation Administration and other regulators of the Boeing 737 MAX aircraft. Approximately 27% of the 2019 units shipped to Customer B and approximately 13% of ATG total units shipped in 2019 support the Boeing 737 MAX aircraft production. Approximately 17% of the 2020 units shipped to Customer B and approximately 6% of ATG total units shipped in 2020 support the Boeing 737 MAX aircraft production. There was a significant decline of 61% in shipments to Customer B for the Boeing 737 MAX and a 38% decline in shipments to Customer B as compared to the same period in 2019. Customer A is 4% and Customer B is 81% of our drop in revenues in 2020 as compared to 2019.

As a result of the slowdown in demand for our products, we implemented several cost reduction programs. We delayed our 2021 merit increases and initiated reduced work schedules across the company and implemented permanent census reductions.

The loss of either of these customers or a significant reduction in business with them would significantly reduce our sales and earnings. See Note 1, Business Description and Summary of Significant Accounting Policies – Concentration of Credit Risks, of the accompanying consolidated financial statements for information related to sales concentrations.

Consumer Products

The Company's consumer products are marketed throughout the United States and in select foreign markets. Consumer sales are moderately seasonal. Sales are direct to consumer, through national and international distributors, and through retailers such as big box, hardware, supermarket, variety, department, discount, gift, drug, outdoors and sporting stores. The Company's Consumer Products Group (CPG) also sells its knives and tools (principally machetes, bayonets, survival knives and kitchen knives) to various branches of the United States Government. Additionally, the Company provides OEM and white label product design and manufacturing services to a regional customer base across a wide range of consumer and commercial industries. No single customer of the CPG represented more than 10% of the Company's consolidated sales in 2020 or 2019. The Company sells its products and manufacturing services through its own sales resources, independent manufacturers' representatives and electronic commerce.

Business Segments

Business segment information is presented in Note 11, Business Segments, of the accompanying consolidated financial statements.

Intellectual Properties

The Company has rights under certain copyrights, trademarks, patents, and registered domain names. In the view of management, the Company's competitive position is not dependent on patent protection.

Research Activities

The amount spent by the Company in research and development activities during its 2020 and 2019 fiscal years was not significant, but the Company does take advantage of tax credits for research and development activities when available. Such activities are expensed as incurred.

Environmental Compliance

The cost of compliance with current environmental laws has not been material and the Company does not anticipate that it will be in the future.

Manufacturing

The Company manufactures its advanced technology products in Elma, New York and Franklinville, New York and its consumer products in Franklinville, New York.

Raw Materials and Other Supplies

The Company purchases raw materials and certain components for its products from outside vendors. The Company is generally not dependent upon a single source of supply for any raw material or component used in its operations.

Competition

Although no reliable industry statistics are available to enable the Company to determine accurately its relative competitive position with respect to any of its products, the Company believes that it is a significant factor with respect to certain of its servo-control components within its competitive market. The Company's share of the overall cutlery market is not significant.

The Company has many different competitors with respect to servo-control components because of the nature of that business and the fact that these products also face competition from other types of control components which, at times, can accomplish the desired result.

The Company encounters active competition with respect to its consumer products from numerous companies, many of which are larger in terms of manufacturing capacity, financial resources and marketing organization. Its principal competitors vary depending upon the customer and/or the products involved. The Company believes that it competes primarily with more than 20 companies with respect to its consumer products, in addition to foreign imports. To the Company's knowledge, its principal competitors with regard to cutlery include Corelle Brands Holdings, Inc., Benchmade Knife Company, Inc., Tramontina, Inc., Dexter-Russell Inc., W. R. Case & Sons Cutlery Company, Lifetime Brands, Inc., Cutco Corporation and Gerber. The Company also competes with other regional manufacturing companies for its molded plastic and metal and plastic fabrication services. To the Company's knowledge, its principal competitors with regard to manufacturing services include PM Plastics, Monarch Plastics and Ontario Plastics.

The Company markets most of its products throughout the United States and to a lesser extent in select foreign markets. The Company believes that it competes in marketing its servo-control products primarily on the basis of operating performance, adherence to rigid specifications, quality, price and delivery and its consumer products primarily on the basis of price, quality and delivery.

Employees

The Company, at December 31, 2020, had 318 employees of which 316 are full time and 2 part time employees at two locations in New York. Approximately 87% of its employees and contractors are engaged in production, inspection, packaging or shipping activities. The balance is engaged in executive, engineering, administrative, clerical or sales capacities. None are subject to a collective bargaining agreement.

Item 1A. Risk Factors

The Company is a smaller reporting company by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company owns real property as set forth in the following table with no related encumbrances:

Location	Description	Principal product manufactured	Number of buildings and type of construction	Approx. floor area (sq. feet)
Elma, New York	Corporate Headquarters and Manufacturing Facility	Advanced technology products	1-concrete block/ steel	83,000
Franklinville, New York	Office and Manufacturing Facility	Advanced technology products Cutlery products	1-tile/wood 1-concrete/metal	137,000

The Company believes that the properties are suitable and adequate for the current production capacity. The properties are appropriately covered by insurance consistent with the advice of the Company's insurance consultant.

Item 3. Legal Proceedings

See Note 9, Litigation, for information regarding legal actions. There are no other legal proceedings which are material to the Company currently pending by or against the Company other than ordinary routine litigation incidental to the business which is not expected to materially adversely affect the business or earnings of the Company.

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

(a) Market Information:

The Company's common stock is listed on the NYSE American Stock exchange and trades under the symbol SVT.

(b) Approximate Number of Holders of Common Stock

Title of class	Approximate number of record holders (as of March 1, 2021)
Common Stock, $.20 par value per share	274

(c) Dividends on Common Stock

There was no dividend declared in 2020.

(d) Company Purchases of Company's Equity Securities

2020 Periods	Total Number of Shares Purchased	Weighted Average Price $ Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that may yet be Purchased under the Plans or Programs (1)
January - March	9,543 (2)	$ 10.07	360	89,385
April - June	-	-	-	89,385
July - September	-	-	-	89,385
October	-	-	-	89,385
November	-	-	-	89,385
December	-	-	-	89,385
Total	9,543	10.07	360	89,385

(1) The Company's Board of Directors authorized the purchase of up to 450,000 shares of its common stock in the open market or in privately negotiated transactions. As of December 31, 2020, the Company has purchased 360,615 shares and there remain 89,385 shares available to purchase under this program. There were 360 shares purchased by the Company in 2020.

(2) Includes 9,543 shares withheld/purchased by the Company in January 2020 to satisfy statutory minimum withholding tax requirements for those participants who elected this option as permitted under the Company's 2012 Long-Term Incentive Plan.

Item 6. Selected Financial Data

The Company is a smaller reporting company by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

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

Business Overview

The aviation and aerospace industries as well as markets for the Company's consumer products continually face evolving challenges on a global basis. The operations of the Company can be affected by the trends of the economy, including interest rates, income tax laws, government regulation, legislation, and other factors. In addition, uncertainties in today's global economy, competition from expanding manufacturing capabilities and technical sophistication of low-cost developing countries and emerging markets, currency policies in relation to the U.S. dollar of some major foreign exporting countries, the effect of terrorism, difficulty in predicting defense and other government appropriations, the vitality of the commercial aviation industry and its ability to purchase new aircraft, the willingness and ability of the Company's customers to fund long-term purchase programs, volatile market demand and the continued market acceptance of the Company's advanced technology and cutlery products make it difficult to predict the impact on future financial results.

Both the ATG and CPG markets are sensitive to domestic and foreign economic conditions and policies, which may create volatility in operating results from period to period. For example, the airline industry is sensitive to fuel price increases and economic conditions. These factors directly impact the demand for aircraft production as well as the amount of repair and overhaul required on in-service aircraft.

The Company's suppliers are also subject to all the pressures and volatility being generated by the current global economic conditions. Any interruption of the Company's continuous flow of material and product parts that are required for the manufacture of the Company's products could adversely impact the Company's ability to meet the Company's customers' delivery requirements. Consistent with the evolving requirements of the aerospace industry, companies are increasingly being requested to operate under long-term agreements with their customers on the basis of fixed prices, targeted year to year price reductions and/or year to year price adjustments predicated on mutually agreed indices and/or a combination of some or all of the above described pricing arrangements and/or otherwise. Therefore, productivity improvements and cost containment strategies are continuously sought within the Company's concept of continuous improvement. The Company's products are labor intensive and as such productivity improvements are expected to have positive effects on the Company's operating results. However, increased costs for raw material, purchased parts and/or labor will have the reverse effect. Therefore, there are strong incentives to continuously improve productivity and to contain/reduce costs.

If any adverse economic events reduce the number of Airliners and/or Aircraft being produced by the Company's relevant prime contractors, the negative effects of that reduction will in turn flow down through the supply chain. Also, certain major manufacturers have successfully imposed extended payment terms to their suppliers. At times, these extended payment terms are not available to the Company when purchasing raw material such as aluminum, magnetic material, steel and/or other product support items and services. If the Company's customers delay their payments until after the extended due date or fail to pay, it could adversely impact the Company's operating results.

Maximizing the Company's operations requires continued dedicated performances from the Company's key and other personnel. In the Company's markets and business arenas there is substantial competition for the services of the highest performing individuals. Competitors, customers and other companies who may have interest in the Company's most experienced and educated/highly trained personnel (i.e., managerial, engineering and accounting/administrative) are a continuing consequence of the Company's history of successful operational performance. Any unplanned replacement of such personnel may require the hiring of new personnel on an expedited basis (provided they are available) and may temporarily interrupt the Company's operations and efforts for continuous improvement.

Management Discussion

During the years ended December 31, 2020 and 2019, approximately 82% and 88%, respectively, of the Company's consolidated revenues were derived from the ATG sale of product to a small base of customers. During the years ended December 31, 2020 and 2019, approximately 18% and 12% of the Company's consolidated revenues were derived from the CPG sale of product to a large base of retail customers. There was a decrease in revenue in 2020 from 2019 of approximately $7,737,000 at the ATG and an increase in revenue of approximately $2,309,000 in shipments at the CPG.

The Company's commercial business is affected by such factors as uncertainties in today's global economy, global competition, the vitality and ability of the commercial aviation industry to purchase new aircraft, the effects and threats of terrorism, market demand and acceptance both for the Company's products and its customers' products which incorporate Company made components.

The ATG engages its business development efforts in its primary markets and is broadening its activities to include new domestic and foreign markets that are consistent with its core competencies. We believe our business remains particularly well positioned in the strong commercial aircraft market driven by the replacement of older aircraft with more fuel efficient alternatives and the increasing demand for air travel in emerging markets. Although the ATG backlog continues to be strong, actual scheduled shipments may be delayed/changed as a function of the Company's customers' final delivery determinations based on changes in the global economy and other factors.

The CPG continues to diversify its revenue streams with new commercial channels, including the addition of national retailers, international accounts, and a direct-to-consumer business line, in response to recent and ongoing reductions in military spending.

The ATG and CPG continue to respond to U.S. government procurement requests for quotes. New product development activities are ongoing along with the acquisition and development of new product lines.

See also Note 11, Business Segments, of the accompanying consolidated financial statements for information concerning business segment operating results.

Outlook for 2021

In 2021, we will continue to execute our long-term strategy as we align and focus our resources to increase growth and profitability while addressing known and unknown factors in an ever-changing global environment.

Impact of COVID-19 on the Company's Business

The COVID-19 pandemic has been, and continues to be, an unprecedented disruption in the economy and has negatively impacted, and may continue to negatively impact, the Company's business and results. The COVID-19 pandemic and accompanying economic disruption have caused delays and declines in the placement of customer orders. Accordingly, the Company experienced declines in revenue for the most recently completed fourth quarter compared to the same period of the prior fiscal year. This trend may continue in the near-term and possibly longer, including, without limitation, if the pandemic increases in size and scope, its duration is prolonged or among other matters related thereto, governmental actions, including, without limitation, business restrictions are imposed. In response to the economic and business disruption, the Company has taken actions to reduce costs and spending across the organization. The Company continues to actively monitor the COVID-19 pandemic and may take further actions, including those that may alter business operations, if required by federal, state or local authorities or otherwise determined to be advisable by management.

The Company is focused on ensuring ample liquidity to meet its business needs. To that end, during April 2020, the Company received a loan under the Paycheck Protection Program (the "PPP") established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in the aggregate principal amount of $4 million. See "Liquidity and Capital Resources" below for additional information regarding the Company's credit facility and the PPP loan.

As of the date of this Annual Report on Form 10-K, significant uncertainty exists concerning the magnitude of the impact and duration of the COVID-19 pandemic. Factors arising from the COVID-19 pandemic that have impacted, or may negatively impact, the Company's business and results, including sales and gross margin, include, but are not limited to: the Company's ability to procure materials from suppliers or to meet delivery requirements and commitments to our customers; limitations on the ability of the Company's employees to perform their work due to impacts caused by the pandemic or local, state, or federal orders that restrict the Company's operations or the operations of its customers, or require that the employees be quarantined; limitations on the ability of carriers to deliver products to the Company's facilities and customers; limitations on the ability or desire of the Company's customers to conduct their business, purchase products and services and pay for purchases on a timely basis or at all; and decreased demand for products and services.

The situation surrounding COVID-19 remains fluid. The Company is unable to determine or predict the nature, duration, or scope of the overall impact that the COVID-19 pandemic will have on the Company's business, results of operations, liquidity, or financial condition, as such impact will depend on future developments, including the severity and duration of the pandemic and government and other actions taken in response thereto, all of which are highly uncertain. Further, even after the COVID-19 pandemic subsides, the Company may continue to experience adverse impacts to its business as a result of, among other things, any economic impact that has occurred or may occur in the future and changes in customer or supplier behavior.

Results of Operations

The following table compares the Company's consolidated statements of income data for the years ended December 31, 2020 and 2019 ($000's omitted).

	Twelve Months Ended December 31,				2020 vs 2019	
	2020		2019		Dollar	% Increase
	Dollars	% of Sales	Dollars	% of Sales	Change	(Decrease)
Revenues:						
Advanced Technology	$ 40,782	81.8%	$ 48,519	87.8%	$ (7,737)	(15.9)%
Consumer Products	9,062	18.2%	6,753	12.2%	2,309	34.2%
	49,844	100.0%	55,272	100.0%	(5,428)	(9.8)%
Cost of goods sold, inclusive of depreciation and amortization	41,604	83.5%	43,146	78.1%	(1,542)	(3.6)%
Gross margin	8,240	16.5%	12,126	21.9%	(3,886)	(32.0)%
Gross margin %	16.5%		21.9%			
Selling, general and administrative	7,998	16.0%	8,883	16.1%	(885)	(10.0)%
Interest expense	180	0.4%	125	0.2%	55	44.0%
Total costs and expenses	49,782	99.9%	52,154	94.4%	(2,372)	(4.5)%
Income before income tax provision	62	0.1%	3,118	5.6%	(3,056)	(98.0)%
Income tax (benefit) provision	(38)	(0.1)%	671	1.2%	(709)	(105.7)%
Net income	$ 100	0.2%	$ 2,447	4.4%	$ (2,347)	(95.9)%

Revenue

The Company's consolidated revenues from operations decreased approximately $5,428,000 or (9.8)% for the twelve month period ended December 31, 2020 when compared to the same period in 2019. This is due to an increase at the CPG of approximately $2,309,000 or 34.2% offset by a decrease at the ATG of approximately $7,737,000 or (15.9)%.

The consolidated revenue decrease for the twelve month period ended in December 31, 2020 when compared to the same twelve month period ended December 31, 2019 is attributable to a decrease in units shipped at the ATG of approximately $8,445,000 offset by an increase in price/mix of units shipped of approximately $708,000. Additionally, there was an increase in shipments at the CPG of approximately $2,384,000 slightly offset by a decrease of approximately $75,000 in price/mix of units shipped as compared to the same period ended December 31, 2019.

Gross Margin

The Company's consolidated gross margins from operations decreased approximately $3,886,000 or (32.0)% for the twelve month period ended December 31, 2020 when compared to the same period in 2019.

Gross margin decreased in the twelve month period due to lower units shipped at the ATG of approximately $2,192,000 and an increase in costs per units shipped including the underutilization of production resources of approximately $3,353,000 as compared to the same period in 2019. This has been partially offset by an increase in gross margins at the CPG due to an increase in units shipped of approximately $393,000 and an improvement in utilization of production resources of approximately $1,266,000 in costs per units shipped in as compared to the same period in 2019.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) decreased approximately $885,000 or (10.0)% for the twelve month period ended December 31, 2020 when compared to the same period in 2019. The decrease is primarily driven by the CPG due to lower media advertising, sales support, commissions, travel, and trade show expenses of approximately $941,000 and a net increase of approximately $56,000 in all other SG&A expenditures for the ATG and CPG for the twelve month period ended December 31, 2020 compared to the same period in 2019.

Interest Expense

Interest expense increased approximately $55,000 or 44.0% primarily due to the line of credit and Paycheck Protection Program (the "PPP Loan") at the ATG for the twelve month period ended December 31, 2020 compared to the same period in 2019. See also Note 5, Long-Term Debt, of the accompanying consolidated financial statements for information on long-term debt.

Income Taxes

The Company's effective tax rate for operations was (61.3)% in 2020 and 21.5% in 2019. The effective tax rate in both years reflects federal and state income taxes, permanent non-deductible expenditures, the deduction for foreign-derived intangible income (FDII), and the federal tax credit for research and development expenditures. The decrease in the effective tax rate between 2019 and 2020 is a result of an increase in the ratio of tax benefits to net income before taxes. See also Note 7, Income Taxes, of the accompanying consolidated financial statements for information concerning income taxes.

Net Income

Income from operations decreased approximately $2,347,000 or (95.9)% when comparing the twelve month period ended December 31, 2020 to the same period in 2019 as net income at the ATG was lower by approximately $4,770,000 while the net loss at the CPG decreased by approximately $2,423,000. This consolidated decrease is primarily the result of decreases in revenue partially offset by decreases in SG&A costs as discussed earlier.

Liquidity and Capital Resources

The Company's primary liquidity and capital expenditure requirements relate to working capital needs; primarily inventory, accounts receivable, accounts payable, and principal payments on debt. At December 31, 2020, the Company had working capital of approximately $31,074,000 ($27,659,000 – December 2019) of which approximately $5,935,000 ($2,029,000 – December 2019) was comprised of cash. The increase in working capital is primarily attributable to an increase in inventory with a decrease of accounts payable at the ATG offset by a reduction in accounts receivable at the ATG due to lower shipments. The push out of orders related to the COVID-19 pandemic has contributed to a build-up of finished goods and other inventories at the ATG during the twelve months ended December 31, 2020. The Company continues to focus on inventory management in light of this period of uncertainty with respect to short and long-term industry demand.

The Company generated approximately $826,000 in cash from operations during the twelve month period ended December 31, 2020 as compared to a usage of cash of approximately $620,000 during the same period in 2019. Cash was generated primarily through adjustments to reconcile net income to net cash of approximately $1,846,000 and reduction in accounts receivable of approximately $5,696,000. The primary use of cash for the Company's operating activities for the twelve month period ended December 31, 2020 include working capital requirements, mainly an increase in inventories and a decrease in accounts payable of approximately $3,538,000 and $2,859,000, respectively. All other operating accounts were a net used amount of approximately $319,000.

The Company's primary use of cash in its investing activities in the twelve month period ended December 31, 2020 are for building improvements and capital equipment of approximately $729,000 primarily for production requirements at the ATG.

The Company's primary providing of cash in its financing activities in the twelve month period ended December 31, 2020 include proceeds from the line of credit and PPP Loan of approximately $750,000 and $4,000,000, respectively, partially offset by approximately $547,000 of principal payments on long-term debt, approximately $294,000 of principal payments on equipment financing obligations and approximately $100,000 for the purchase of treasury shares.

The COVID-19 pandemic could impact our liquidity. Lower production schedules, possible inability of our customers to make timely payments to us, and similar factors could lower cash generated from operations and adversely affect our financial position.

As of March 20, 2020, the Company increased its line of credit from $4,000,000 to $6,000,000. As of July 31, 2020, the Company extended the line of credit to expire December 31, 2022. As of July 31, 2020, the interest rate is a rate per year equal to the bank's prime rate or Libor plus 2.15%. In addition, the Company is required to pay a commitment fee of 0.25% on the unused portion of the line of credit. There was $3,750,000 balance outstanding at December 31, 2020 and $3,000,000 balance at December 31, 2019.

The Company has an equipment loan facility in the amount of $1,000,000 available until July 9, 2021. This line is non-revolving and non-renewable. The loan term for the equipment covered by the agreement is 60 months. Monthly payments are fixed for the term of each funding based upon the Lender's lease pricing in effect at the time of such funding. There is nothing outstanding as of December 31, 2020 and at December 31, 2019.

On April 21, 2020, the Company executed a promissory note (the "Note") in the amount of $4,000,000 as part of the Paycheck Protection Program (the "PPP Loan") administered by the Small Business Administration (the "SBA") and authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act"). The PPP Loan is being made through the Bank of America, NA (the "Lender"). The term of the PPP Loan is two years with an annual interest rate of 1.00%. Payments of principal and interest on the PPP Loan will be deferred until the SBA remits the loan forgiveness amount to the Lender. Payments on any unforgiven amounts will begin on the date on which loan forgiveness is determined or 10 months after the end of the borrower's covered period if forgiveness is not requested. Commencing one month after the expiration of the deferral period, the Company is required to pay the Lender the principal amount outstanding on the PPP Loan in equal monthly payments of principal and interest.

At the time of application, the Company determined that the loan was necessary in order to secure the Company's ability to meet its obligations in the face of potential disruptions in its business operations and the potential inability of its customers to pay their accounts when due. As of December 31, 2020, the Company incurred payroll costs and other eligible qualifying expenses within the 24-week covered period after receipt of the PPP loan, that the Company believes to be consistent with the terms of the PPP Loan. No assurance can be given that we will obtain forgiveness of the PPP Loan in whole or in part.

The Company believes its cash generating capability and financial condition, together with available credit facilities will be adequate to meet our future operating, investing and financing needs.

Off Balance Sheet Arrangements

Not applicable.

Critical Accounting Policies

The Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). As such, the Company is required to make certain estimates, judgments and assumptions that the Company believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ significantly from those estimates under different assumptions and conditions. Note 1, Business Description and Summary of Significant Accounting Policies, of the accompanying consolidated financial statements includes a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of the Company which are included in this Form 10-K Annual Report are described in the accompanying Index to Consolidated Financial Statements on Page F1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(i) Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of its management, including the Company’s Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) of the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2020. Based upon that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in SEC reports under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company’s management, including the CEO and CFO as appropriate to allow timely decisions regarding required disclosure.

(ii) Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)). Under the supervision and with the participation of management, including the CEO and CFO, the Company, conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on the Company’s evaluation under the framework, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2020.

This annual report does not include an attestation report of the Corporation's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Corporation's independent registered public accounting firm pursuant to rules of the SEC that permit the Corporation to provide only management's report in this Annual Report on Form 10-K.

(iii) Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the fourth quarter of 2020 that have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding directors and executive officers of the Company, compliance with Section 16(a) of the Securities Exchange Act and the Company's Audit Committee, its members and the Audit Committee financial expert, is incorporated herein by reference to the information included in the Company's definitive proxy statement if it is filed with the Commission within 120 days after the end of the Company's 2020 fiscal year or such information will be included by amendment to this Form 10-K.

Code of Ethics

The Company has adopted a Code of Ethics and Business Conduct (the Code) that applies to all directors, officers and employees of the Company as required by the listing standards of the NYSE American. The Code is available on the Company's website at www.servotronics.com and the Company intends to disclose on this website any amendment to the Code. Waivers under the Code, if any, will be disclosed under the rules of the SEC and the NYSE American.

Item 11. Executive Compensation

Information regarding executive compensation is incorporated herein by reference to the information included in the Company's definitive proxy statement if it is filed with the Commission within 120 days after the end of the Company's 2020 fiscal year or such information will be included by amendment to this Form 10-K.

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the securities authorized for issuance under the Company's equity compensation plans as of December 31, 2020:

Plan category	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
Equity compensation plans approved by security holders	-	-	91,517
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	91,517

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the information included in the Company's definitive proxy statement if it is filed with the Commission within 120 days after the end of the Company's 2020 fiscal year or such information will be included by amendment to this Form 10-K.

Also incorporated by reference is the information in the table under the heading "Company Purchases of Company's Equity Securities" included in Item 5 of this Form 10-K. See also Note 8, Shareholders' Equity, of the accompanying consolidated financial statements for more information.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information regarding certain relationships and related transactions and director independence is incorporated herein by reference to the information included in the Company's definitive proxy statement if it is filed with the Commission within 120 days after the end of the Company's 2020 fiscal year or such information will be included by amendment to this Form 10-K.

Item 14. Principal Accountant Fees and Services

Information regarding principal accountant fees and services is incorporated herein by reference to the information included in the Company's definitive proxy statement if it is filed with the Commission within 120 days after the end of the Company's 2020 fiscal year or such information will be included by amendment to this Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

3.1	Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3(A)(1) to the Company's Form 10-KSB for the year ended December 31, 1996)
3.2	Amendments to Certificate of Incorporation dated August 27, 1984 (Incorporated by reference to Exhibit 3(A)(2) to the Company's Form 10-KSB for the year ended December 31, 1996)
3.3	Amendments to Certificate of Incorporation dated June 30, 1998 (Incorporated by reference to Exhibit 3(A)(4) to the Company's Form 10-KSB for the year ended December 31, 1998)
3.4	Certificate of designation creating Series I preferred stock (Incorporated by reference to Exhibit 4(A) to the Company's Form 10-KSB for the year ended December 31, 1987)
3.5	By-laws of the Company (Incorporated by reference to Exhibit 3(B) to the Company's Form 10-KSB for the year ended December 31, 1986)
4.1	Shareholder Rights Plan dated as of October 15, 2012 (Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed with the SEC on October 17, 2012)
4.2	Amendment No. 1 to Shareholder Rights Plan dated as of March 11, 2015 (Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed with the SEC on March 11, 2015)
4.3	Description of Capital Stock (Filed herewith)
10	Material Contracts (*Indicates management contract or compensatory plan or arrangement)
10.4*	Employment Agreement for Kenneth D. Trbovich (Incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed with the SEC on November 13, 2012)
10.5*	Amendment to employment agreement for Kenneth D. Trbovich (Incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed with the SEC on November 13, 2012)
10.6*	Amendment to employment agreement for Kenneth D. Trbovich (Incorporated by reference to Exhibit 10.6 to the Company's Form 10-K filed with the SEC on March 20, 2015)
10.7	Form of Indemnification Agreement between the Registrant and each of its Directors and Officers (Incorporated by reference to Exhibit 10.7 for the year ended December 31, 2016)
10.8	Loan agreement between the Company and its employee stock ownership trust, as amended (Incorporated by reference to Exhibit 10(C)(1) to the Company's Form 10-KSB for the year ended December 31, 1991)
10.9	Stock purchase agreement between the Company and its employee stock ownership trust (Incorporated by reference to Exhibit 10(D)(2) to the Company's Form 10-KSB for the year ended December 31, 1988)
10.10*	Servotronics, Inc. 2012 Long-Term Incentive Plan (Incorporated by reference to Appendix A to the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders)
10.11	Loan Agreement dated as of December 1, 2014 between Servotronics, Inc. and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on December 4, 2014)

10.12	Loan Agreement dated as of December 1, 2014 between The Ontario Knife Company and Bank of America, N.A. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the SEC on December 4, 2014)
10.13	Non-Employee Director Compensation Policy (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on July 20, 2016)
10.14	Promissory Note dated as of April 21, 2020 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on April 28, 2020)
21	Subsidiaries of the Registrant (Filed herewith)
23.1	Consent of Freed Maxick CPAs, P.C. (Filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished herewith)
101	The following materials from Servotronics, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of cash flows and (v) the notes to the consolidated financial statements.

FORWARD-LOOKING STATEMENTS

In addition to historical information, certain sections of this Form 10-K contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, such as those pertaining to the Company's capital resources and profitability, the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses' and governments' responses to the pandemic on the Company's operations and personnel, and on commercial activity and demand across the Company's and its customers' businesses, and on global supply chains; and the Company's inability to predict the extent to which the COVID-19 pandemic and related impacts will continue to adversely impact our business operations. Forward-looking statements involve numerous risks and uncertainties. The Company derives a material portion of its revenues from contracts with agencies of the U.S. Government or their prime contractors. The Company's business is performed under fixed price contracts and the following factors, among others discussed herein, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: uncertainties in today's global economy and global competition, and difficulty in predicting defense appropriations, the vitality of the commercial aviation industry and its ability to purchase new aircraft, the willingness and ability of the Company's customers to fund long-term purchase programs, and market demand and acceptance both for the Company's products and its customers' products which incorporate Company-made components. The success of the Company also depends upon the trends of the economy, including interest rates, income tax laws, governmental regulation, legislation, population changes and those risk factors discussed elsewhere in this Form 10-K. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only as of the date hereof. The Company assumes no obligation to update forward-looking statements.

SIGNATURES

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

SERVOTRONICS, INC.

April 6, 2021	By /s/ Kenneth D. Trbovich
	Kenneth D. Trbovich
	Chief Executive Officer and Chairman of the Board

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

/s/ Kenneth D. Trbovich Kenneth D. Trbovich	Chief Executive Officer, Chairman of the Board and Director	April 6, 2021
/s/ Lisa F. Bencel Lisa F. Bencel	Chief Financial Officer	April 6, 2021
/s/ Edward C. Cosgrove, Esq. Edward C. Cosgrove, Esq.	Director	April 6, 2021
/s/ Lucion P. Gygax Lucion P. Gygax	Director	April 6, 2021
/s/ Christopher M. Marks Christopher M. Marks	Director	April 6, 2021
/s/ Jason T. Bear Jason T. Bear	Director	April 6, 2021

SERVOTRONICS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating financial statement schedules are omitted because they are not applicable to smaller reporting companies.

FreedMaxick CPAs, P.C.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Servotronics, Inc. and Subsidiaries

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Servotronics, Inc. and Subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, consolidated statements of comprehensive income (loss), and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, 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 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
The critical audit matters communicated below 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. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Inventories
As discussed in Note 1, and as presented in Note 3 to the financial statements, inventories are stated at the lower of cost or net realizable value. Costs include all costs incurred to bring each product to its present location and condition. Market provisions in respect of lower of cost or net realizable value adjustments and inventory determined to be slow moving are applied to the gross inventory through a reserve.

The determination of the reserve for slow-moving and obsolete inventories always requires subjective assumptions related to expectations for future market conditions, customer forecasted orders, and product demand. During 2020, the impact of COVID-19 on the general economy, and specifically the commercial aerospace industry, adversely impacted the Company. This included delays and declines in customer orders and revenue recognized, as well as growth of inventories. Factors involved in accounting for inventories include verification of existence, determination of cost, and evaluation of reserves. Due to the magnitude of the inventories and various complex matters and subjective assumptions, we identified inventories as a critical audit matter, which required a high degree of auditor judgement.

Addressing the matter involved performing subjective procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. The primary procedures we performed included, obtaining an understanding of the process and assumptions used by management related to the accounting for inventories; evaluating management's physical count procedures; performing our own test count procedures; testing management's calculations related to costing of products; and testing management's determination of the reserves. These procedures include testing the completeness and accuracy of the source data used, testing the mathematical accuracy of management's calculations, evaluating the reasonableness and consistency of the methodology and assumptions applied by management based on current factors, and performing a retrospective review of the prior-year estimates used to identify potential bias of management judgements.

Freed Maxick CPAs, P.C.

We have served as the Corporation's auditor since 2005.

Buffalo, New York
April 6, 2021

SERVOTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
($000’s omitted except share and per share data)

	December 31, 2020	December 31, 2019
Current assets:		
Cash	$ 5,935	$ 2,029
Accounts receivable, net	7,636	13,183
Inventories, net	23,406	20,151
Prepaid income taxes	483	416
Other current assets	383	522
Total current assets	37,843	36,301
Property, plant and equipment, net	12,017	12,717
Deferred income taxes	137	107
Other non-current assets	331	345
Total Assets	$ 50,328	$ 49,470
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 2,334	$ 548
Current portion of equipment financing and capital leases	301	301
Dividend payable	12	17
Accounts payable	1,599	4,458
Accrued employee compensation and benefits costs	1,649	2,283
Other accrued liabilities	874	1,035
Total current liabilities	6,769	8,642
Long-term debt	7,293	5,170
Post retirement obligation	2,529	2,126
Shareholders' equity:		
Common stock, par value $0.20; authorized 4,000,000 shares; issued 2,614,506 shares; outstanding 2,416,683 (2,399,576 - 2019) shares	523	523
Capital in excess of par value	14,481	14,358
Retained earnings	21,803	21,703
Accumulated other comprehensive loss	(1,356)	(1,121)
Employee stock ownership trust commitment	(359)	(460)
Treasury stock, at cost 126,079 (127,504 - 2019) shares	(1,355)	(1,471)
Total shareholders' equity	33,737	33,532
Total Liabilities and Shareholders' Equity	$ 50,328	$ 49,470

See notes to consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
($000's omitted except per share data)

	Years Ended	
	December 31, 2020	**December 31, 2019**
Revenue	$ 49,844	$ 55,272
Costs and expenses:		
Costs of goods sold, inclusive of depreciation and amortization	41,604	43,146
Gross margin	8,240	12,126
Operating Expenses:		
Selling, general and administrative	7,998	8,883
Interest expense	180	125
Total operating expenses	8,178	9,008
Income before income tax provision	62	3,118
Income tax (benefit)/provision	(38)	671
Net income	$ 100	$ 2,447
Income per share:		
Basic		
Net income per share	$ 0.04	$ 1.05
Diluted		
Net income per share	$ 0.04	$ 1.03

See notes to consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME
($000's omitted)

	Years Ended December 31, 2020	Years Ended December 31, 2019
Net Income	$ 100	$ 2,447
Other comprehensive (loss)/income items:		
Actuarial losses	(357)	(390)
Income tax benefit on actuarial losses	74	81
Reclassification adjustment for amortization of net actuarial losses	60	43
Income tax expense on reclassification adjustment	(12)	(9)
Other comprehensive loss:		
Retirement benefits adjustment, net of income taxes	(235)	(275)
Total comprehensive (loss)/income	$ (135)	$ 2,172

See notes to consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
($000's omitted)

	Years Ended	
	December 31, 2020	**December 31, 2019**
Cash flows related to operating activities:		
Net Income	$ 100	$ 2,447
Adjustments to reconcile net income to cash generated (used) by operating activities:		
Depreciation and amortization	1,442	1,268
(Loss)/Gain on disposal of property	(1)	137
Stock based compensation	339	316
(Decrease)/Increase in allowance for doubtful accounts	(149)	167
Increase/(Decrease) in inventory reserve	283	(106)
Decrease in warranty reserve	(38)	(8)
Deferred income taxes	(30)	188
Change in assets and liabilities:		
Accounts receivable	5,696	(2,764)
Inventories	(3,538)	(4,895)
Prepaid income taxes	(67)	(102)
Other current assets	139	(26)
Other non-current assets	-	49
Accounts payable	(2,859)	1,964
Accrued employee compensation and benefit costs	(634)	375
Other accrued liabilities	(126)	177
Post retirement obligation	168	92
Employee stock ownership trust payment	101	101
Net cash generated (used) by operating activities	826	(620)
Cash flows related to investing activities:		
Capital expenditures - property, plant and equipment	(729)	(2,271)
Net cash used by investing activities	(729)	(2,271)
Cash flows related to financing activities:		
Principal payments on long-term debt	(547)	(548)
Principal payments on equipment financing lease obligations	(294)	(285)
Proceeds from equipment note and equipment financing lease	-	721
Proceeds from line of credit	750	3,000
Purchase of treasury shares	(100)	(157)
Proceeds from paycheck protection program	4,000	-
Cash dividend	-	(409)
Net cash provided by financing activities	3,809	2,322
Net increase (decrease) in cash	3,906	(569)
Cash at beginning of year	2,029	2,598
Cash at end of year	$ 5,935	$ 2,029
Supplemental Cash Flow Information:		
Equipment acquired through financing paid directly to vendor	$ -	$ 333

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business Description and Summary of Significant Accounting Policies

Business Description

Servotronics, Inc. and its subsidiaries design, manufacture and market advanced technology products consisting primarily of control components and consumer products consisting of knives and various types of cutlery and other edged products.

Principles of Consolidation

The consolidated financial statements include the accounts of Servotronics, Inc. and its wholly-owned subsidiaries (the "Company"). All intercompany balances and transactions have been eliminated upon consolidation.

Cash

The Company considers cash to include all currency and coins owned by the Company as well as all deposits in the bank including checking accounts and savings accounts.

Accounts Receivable

The Company grants credit to substantially all of its customers and carries its accounts receivable at original invoice amount less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write-offs, collections, and current credit conditions. The allowance for doubtful accounts amounted to approximately $188,000 at December 31, 2020 and $337,000 at December 31, 2019. The Company does not accrue interest on past due receivables.

Revenue Recognition

Revenues are recognized at the time of shipment of goods, transfer of title and customer acceptance, as required. Our revenue transactions generally consist of a single performance obligation to transfer contracted goods and are not accounted for under industry-specific guidance. Purchase orders generally include specific terms relative to quantity, item description, specifications, price, customer responsibility for in-process costs, delivery schedule, shipping point, payment and other standard terms and conditions of purchase. Service sales, principally representing repair, are recognized at the time service is performed.

The costs incurred for nonrecurring engineering, development and repair activities of our products under agreements with commercial customers are expensed as incurred. Subsequently, the revenue is recognized as products are delivered to the customers with the approval by the customers.

Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods and services to a customer. The Company determines revenue recognition using the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when the Company satisfies a performance obligation.

Revenue excludes taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer (e.g., sales and use taxes). Revenue includes payments for shipping activities that are reimbursed by the customer to the Company.

Performance obligations are satisfied as of a point in time. Performance obligations are supported by contracts with customers, providing a framework for the nature of the distinct goods, services or bundle of goods and services. The timing of satisfying the performance obligation is typically indicated by the terms of the contract. As a significant portion of the Company's revenue are recognized at the time of shipment, transfer of title and customer acceptance, there is no significant judgment applied to determine the timing of the satisfaction of performance obligations or transaction price.

The timing of satisfaction of our performance obligations does not significantly vary from the typical timing of payment. The Company generally receives payment for these contracts within the payment terms negotiated and agreed upon by each customer contract.

Warranty and repair obligations are assessed on all returns. Revenue is not recorded on any warranty returns. The Company warrants its products against design, materials and workmanship based on an average of twenty-seven months. The Company determines warranty reserves needed based on actual average costs of warranty units shipped and current facts and circumstances. As of December 31, 2020 and December 31, 2019 under the guidance of ASC460 the Company has recorded a warranty reserve of approximately $382,000 and $420,000, respectively. This amount is reflected in other accrued expenses in the accompanying balance sheet. Revenue is recognized on repair returns, covered under a customer contract, at the contractual price upon shipment to the customer.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost includes all costs incurred to bring each product to its present location and condition. Market provisions in respect of lower of cost or net realizable value adjustments and inventory determined to be slow moving are applied to the gross value of the inventory through a reserve of approximately $1,720,000 and $1,437,000 at December 31, 2020 and December 31, 2019, respectively. Pre-production and start-up costs are expensed as incurred.

The purchase of suppliers' minimum economic quantities of material such as steel, etc. may result in a purchase of quantities exceeding two years of customer requirements. Also, in order to maintain a reasonable and/or agreed to lead time or minimum stocking requirements, certain larger quantities of other product support items may have to be purchased and may result in over one year's supply.

Shipping and Handling Costs

Shipping and handling costs are classified as a component of cost of goods sold.

Property, Plant and Equipment

Property, plant and equipment is carried at cost; expenditures for new facilities and equipment and expenditures which substantially increase the useful lives of existing plant and equipment are capitalized; expenditures for maintenance and repairs are expensed as incurred. Upon disposal of properties, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is included in income.

Depreciation is provided on the basis of estimated useful lives of depreciable properties, primarily by the straight-line method for financial statement purposes and by accelerated methods for tax purposes. Depreciation expense includes the amortization of capital lease assets. The estimated useful lives of depreciable properties are generally as follows:

Buildings and improvements	5-40 years
Machinery and equipment	5-20 years
Tooling	3-5 years

Income Taxes

	Years ended December 31,		
	2020	2019	% Change
	($000's omitted)		
Income tax expense	$ (38)	$ 671	(105.7)%
Effective tax rate	(61.3)%	21.5%	(385.1)%

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities, as well as operating loss and credit carryforwards. The Company and its subsidiaries file a consolidated federal income tax return, combined New York, Texas, California and Connecticut state income tax returns and a separate Arkansas state income tax return.

The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company did not have any accrued interest or penalties included in its consolidated balance sheets at December 31, 2020 or December 31, 2019, and did not recognize any interest and/or penalties in its consolidated statements of income during the years ended December 31, 2020 and 2019. The Company did not have any material uncertain tax positions or unrecognized tax benefits or obligations as of December 31, 2020 and December 31, 2019. During 2020, the 2017 federal tax return was selected for examination by the Internal Revenue Service. The Company does not anticipate any material adjustments as a result of this examination. The 2017 through 2020 federal and state tax returns remain subject to examination.

Supplemental Cash Flow Information

Income taxes paid, 2020 net of a refund, for the years ended December 31, 2020 and 2019 amounted to approximately $40,000 and $524,000, respectively. Interest paid, for the years ended December 31, 2020 and 2019 amounted to approximately $180,000 and $125,000, respectively.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment annually or whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable based on undiscounted future operating cash flow analyses. If an impairment is determined to exist, any related impairment loss is calculated based on fair value. Due to the losses incurred by our CPG segment, we performed a test for recoverability of the long-lived assets by comparing its carrying value to the future undiscounted cash flows that we expect will be generated by the asset group. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal. The Company has determined that no impairment of long-lived assets existed at December 31, 2020 and December 31, 2019.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development Costs

Research and development costs are expensed as incurred.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentration of credit risks principally consist of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions.

The Company had sales of advanced technology products to two customers, including various divisions and subsidiaries of a common parent company, which represented more than 10% of consolidated revenues in 2020. In both 2020 and 2019 we had a concentration of sales to Customer A and Customer B representing approximately 48.9% of our consolidated revenues. No other customers of the ATG or CPG represented more than 10% of the Company's consolidated revenues in either of these years. Refer to Note 12, Business Segments, for disclosures related to business segments of the Company.

Fair Value of Financial Instruments

Accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair value due to their short maturity. Based on variable interest rates and the borrowing rates currently available to the Company for loans similar to its long-term debt, the fair value approximates its carrying amount.

Recent Accounting Pronouncements Adopted

We consider the applicability and impact of all ASUs. Recent ASUs were assessed and determined to be either not applicable, or had and are expected to have minimal impact on our financial statements and related disclosures.

2. Immaterial Correction of an Error in Prior Periods

Under ASC 715-60 *Defined Benefit Plans-Other Postretirement* the Company's policy was to record actuarial gains and losses as a component of comprehensive income as they arise and to record the minimum amortization of net actuarial gain or loss as a component of net periodic benefit cost. Beginning in 2014, without making an accounting policy election, the Company incorrectly expensed substantially all of the actuarial loss related to its postretirement health and life insurance benefit plan as opposed to following its prior established policy. In accordance with Financial Accounting Standards Board Accounting Standards Codification 250, *Accounting Changes and Error Corrections*, we evaluated the materiality of the errors from quantitative and qualitative perspectives, and concluded that the errors were immaterial to the Company's prior period interim and annual consolidated financial statements. Since these revisions were not material to any prior period interim or annual financial statements, no amendments to previously filed interim or annual periodic reports are required. Consequently, the Company has adjusted for these errors by revising its historical financial statements presented herein. The Company has recorded a cumulative effect of the error to the opening equity as of December 31, 2018 to increase retained earnings and accumulated other comprehensive loss by $881,000.

The following table presents the effects of the error correction for the year ended December 31, 2019:

	Year Ended December 31, 2019 ($000's omitted)		
	As Reported	Restatement	As Adjusted
Retained earnings	$ 20,484	$ 1,219	$ 21,703
Accumulated other comprehensive gain (loss)	98	(1,219)	(1,121)
Selling, general and administrative	9,313	(430)	8,883
Income tax provision	579	92	671
Other comprehensive income:			
Retirement benefits adjustment, net of income taxes	63	(338)	(275)
Basic net income per share	$ 0.91	$ 0.14	$ 1.05
Diluted net income per share	$ 0.88	$ 0.15	$ 1.03

Net cash provided by operating activities, comprehensive income, or total equity were not affected by this correction.

3. Inventories

	December 31, 2020	December 31, 2019
	($000's omitted)	
Raw material and common parts	$ 16,989	$ 14,707
Work-in-process	4,273	4,158
Finished goods	3,864	2,723
	25,126	21,588
Less inventory reserve	(1,720)	(1,437)
Total inventories	$ 23,406	$ 20,151

4. Property, Plant and Equipment

	December 31, 2020	December 31, 2019
	($000's omitted)	
Land	$ 7	$ 7
Buildings	11,359	11,017
Machinery, equipment and tooling	21,146	20,695
Construction in progress	198	331
	32,710	32,050
Less accumulated depreciation and amortization	(20,693)	(19,333)
Property, plant and equipment, net	$ 12,017	$ 12,717

Depreciation and amortization expense amounted to approximately $1,442,000 and $1,268,000 for the years ended December 31, 2020 and 2019, respectively. Depreciation expense amounted to approximately $1,368,000 and $1,178,000 for the years ended December 31, 2020 and 2019, respectively. Amortization expense primarily related to capital leases amounted to approximately $74,000 and $90,000 for years ended December 31, 2020 and 2019, respectively.

The Company's Right of Use ('ROU') assets included in machinery, equipment and tooling had a net book value of approximately $610,000 ($728,000 – 2019).

As of December 31, 2020, there is approximately $198,000 ($331,000 – 2019) of construction in progress (CIP) included in property, plant and equipment all of which is related to capital projects. There is approximately $191,000 in CIP for the machinery and equipment and self-constructed assets, and $7,000 of computer equipment primarily at the Advance Technology Group.

5. Long-Term Debt

	December 31, 2020	December 31, 2019
	($000's omitted)	
Paycheck protection program payable to financial institutions: Interest rate of 1% per annum. Unforgiven portion is payable monthly until April 20, 2022 (A)	$ 4,000	$ -
Line of credit payable to a financial institution; Interest rate option of bank prime or Libor plus 2.15000% (B) (C)	3,750	3,000
Term loan payable to a financial institution; Interest rate option of bank prime or Libor plus 1.554750%, monthly principal payments of $21,833 through 2021 with a balloon payment of $786,000 due December 1, 2021(C).	1,048	1,310
Term loan payable to a financial institution; Interest rate option of bank prime or Libor plus 1.554750%, monthly principal payments of $23,810 through 2021(C).	286	571
Equipment note obligations; Interest rate fixed for term of each funding based upon the Lender's lease pricing at time of funding. (Interest rate/factor 1.8259% - 1.835015% as of December 31, 2020)(D)	310	468
Equipment financing lease obligations; Interest rate fixed for term of each funding based upon the Lender's lease pricing at time of funding. (Interest rate/ factor 1.822758% - 1.869304% at time of funding)(E)	534	670
	9,928	6,019
Less current portion	(2,635)	(849)
	$ 7,293	$ 5,170

A.) On April 21, 2020, the Company executed a promissory note (the "Note") in the amount of $4,000,000 as part of the Paycheck Protection Program (the "PPP" Loan) administered by the Small Business Administration (the "SBA") and authorized under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Loan is being made through Bank of America, NA (the "Lender"). The term of the PPP Loan is two years with an annual interest rate of 1.00%. Payments on the unforgiven amount of principal, if any, and interest on the PPP Loan will be deferred until the date on which the loan forgiveness is determined or 10 months after the end of the borrower's covered period if forgiveness is not requested.

B.) At December 31, 2019, the Company had a $4,000,000 line of credit. As of March 20, 2020, the Company increased its line of credit to $6,000,000. The interest rate is a rate per year equal to the bank's prime rate or Libor plus 2.15%. In addition, effective June 17, 2020, the Company is required to pay a commitment fee of 0.15% on the unused portion of the line of credit. The line of credit expires December 21, 2022. There was $3,750,000 balance outstanding at December 31, 2020 and $3,000,000 balance at December 31, 2019.

C.)The term loans and line of credit are secured by all personal property of the Company with the exception of certain equipment that was purchased from proceeds of government grants. Certain lenders require the Company to comply with debt covenants as described in the specific loan documents, including a debt service ratio. At December 31, 2020 and December 31, 2019 the Company was in compliance with these covenants.

D.)The Company had an equipment loan facility in the amount of $2,500,000 available until November 30, 2020. This line was non-revolving and non-renewable. The loan term for the equipment covered by the agreement is 60 months. Monthly payments are fixed for the term of each funding based upon the Lender's lease pricing in effect at the time of such funding. There was approximately $310,000 outstanding at December 31, 2020 and $468,000 balance outstanding at December 31, 2019.

E.)The Company established a lease line of credit for equipment financing in the amount of $1,000,000 available until June 28, 2019. This line was non-revolving and non-renewable. The lease term for equipment covered by the lease line of credit is 60 months. Monthly payments are fixed for the term of each funding based upon the Lender's lease pricing in effect at the time of such funding. There was approximately $534,000 outstanding at December 31, 2020 and $670,000 at December 31, 2019.

Principal maturities of long-term debt are as follows: 2021 - $2,635,000, 2022 - $6,037,000, 2023 - $1,154,000, and 2024 - $102,000. Remaining principal payments for the capital note and capital lease obligations for each of the next five years:

	Year	**December 31, 2020**
		($000's omitted)
	2021	331
	2022	316
	2023	169
	2024	112
Total principal and interest payments		928
Less amount representing interest		(83)
Present value of net minimum lease payments		845
Less current portion		(301)
Long term principle payments		$ 544

6. Employee Benefit Plans

Employee Stock Ownership Plan (ESOP)

In 1985, the Company established an employee stock ownership plan (ESOP) for the benefit of employees who meet certain minimum age and service requirements. Upon inception of the ESOP, the Company borrowed $2,000,000 from a bank and lent the proceeds to the trust established under the ESOP to purchase shares of the Company's common stock. The Company's loan to the trust is at an interest rate approximating the prime rate and is repayable to the Company over a 40-year term ending in December 2024. During 1987 and 1988, the Company loaned an additional $1,942,000 to the trust under terms similar to those under the Company's original loan.

ESOP shares are held by the plan trustees in a suspense account until allocated to participant accounts. Contributions to the employee stock ownership plan are determined annually by the Company according to plan formula. Each year the Company makes contributions to the trust sufficient to enable the trust to repay the principal and interest due to the Company under the trust loans. As the loans are repaid, shares are released from the suspense account pro rata based on the portion of the aggregate loan payments that are paid during the year. The ESOP plan allows dividends on unallocated shares to be distributed to participants in cash, unless otherwise directed. ESOP shares released from the suspense account are allocated to participants on the basis of their relative taxable compensation in the year of allocation and/or on the participant's account balance.

If Servotronics shares are not readily tradeable on an established securities market at the times of an ESOP participant's termination of employment or retirement and if such ESOP participant requests that his/her ESOP distributed shares be repurchased by the Company, the Company is obligated to do so. The Company's shares currently trade on NYSE American. There were no outstanding shares subject to the repurchase obligation at December 31, 2020.

Since inception of the ESOP, 398,283 shares have been allocated, exclusive of shares distributed to ESOP participants. At December 31, 2020 and 2019, 71,744 and 87,426 shares, respectively, remain unallocated.

Related compensation expense associated with the Company's ESOP, which is equal to the principal reduction on the loans receivable from the trust, amounted to approximately $101,000 in both 2020 and 2019. Included as a reduction to shareholders' equity is the ESOP trust commitment which represents the remaining indebtedness of the trust to the Company. Employees are entitled to vote allocated shares and the ESOP trustees are entitled to vote unallocated shares and those allocated shares not voted by the employees.

Other Postretirement Benefit Plans

The Company provides certain postretirement health and life insurance benefits for the Company's Chief Executive Officer and President, and a former executive of the Company (the Plan). Upon retirement and after attaining at least the age of 65, the Company will pay the annual cost of health insurance coverage and provide life insurance offered at the time of retirement. The Plan also provides a benefit to reimburse the participants of certain out-of-pocket medical or health related expenses. The retirees' insurance benefits cease upon the death of the retired executive. The Plan is unfunded and the actuarially determined future accumulated postretirement benefit obligation at December 31, 2020 and 2019 was approximately $2,529,000 and $2,126,000, respectively.

Amounts recognized in the balances sheets at December 31, 2020 and 2019 consist of the following:

	December 31, 2020	December 31, 2019
Long-term liabilities - retirement benefits and other	$ 2,529,000	$ 2,126,000
Accumulated other comprehensive loss, before income taxes:		
Net actuarial loss	$ 1,716,000	$ 1,419,000

The estimated net loss to be amortized from AOCI to benefit cost during 2021 is approximately $77,000.

A reconciliation of the beginning and ending balances of accumulated postretirement benefit obligations is as follows:

	December 31, 2020	December 31, 2019
Accumulated postretirement benefit obligations at the beginning of the year	$ 2,126,000	$ 1,730,000
Service Cost	38,000	30,000
Interest Cost	70,000	71,000
Actuarial loss	357,000	390,000
Benefits paid	(62,000)	(95,000)
Accumulated postretirement benefit obligations at the end of the year	$ 2,529,000	$ 2,126,000

Financial information for this Plan for the year ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Pension cost	$ 168,000	$ 144,000
Company contribution and benefits paid	$ 62,000	$ 95,000

Assumptions used as of and for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Discount rate used in determining		
Benefit obligation	2.625%	3.375%
Pension cost	3.375%	4.250%

Medical inflation rate is estimated at 10% for the first year and then grading down by 0.5% for each year subsequent until a floor of 5% is reached. The assumption for mortality uses the PriH – 2012 with an improvement scale of MP 2020 (for 2019 the MP 2019 improvement scale was used).

The effect of a one-percentage-point increase and a one-percentage-point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic postretirement health care benefit costs and the accumulated postretirement benefit obligation for health care benefits are as follows:

	December 31, 2020	December 31, 2019
Effect of 1% increase in health care trend rates:		
Benefit obligation	$ 465,000	$ 399,000
Aggregate of service and interest cost	$ 28,000	$ 26,000
Effect of 1% decrease of health care trend rates:		
Benefit obligation	$ (356,000)	$ (305,000)
Aggregate of service and interest cost	$ (20,000)	$ (19,000)

The Company is expected to make benefit payments as of December 31, 2020:

Years ending December 31,	
2022	$ 69,000
2023	71,000
2024	73,000
2025	75,000
2026 - 2030	$ 403,000

7. Income Taxes

The income tax provision from operations included in the consolidated statements of income consists of the following:

	Years Ended December 31, 2020	Years Ended December 31, 2019
	($000's omitted)	
Current:		
Federal	$ (47)	$ 455
State	(24)	45
	(71)	500
Deferred:		
Federal	33	171
	33	171
	$ (38)	$ 671

The reconciliation of the federal statutory income tax rate to the Company's effective tax rate based upon the total income tax provision from operations is as follows:

	Years Ended December 31, 2020	Years Ended December 31, 2019
Federal statutory rate	21.0%	21.0%
Permanent non-deductible expenses	105.8%	2.6%
Business credits	-61.7%	-3.0%
ESOP dividend	0.0%	-0.6%
Stock compensation	-7.6%	-0.1%
Foreign-derived intangible income deduction	-55.7%	-1.2%
State taxes, net of federal benefit	-28.7%	1.3%
Other	-34.4%	1.5%
	-61.3%	21.5%

At December 31, 2020 and 2019, the deferred tax assets (liabilities) were comprised of the following:

	Years Ended	
	December 31, 2020	**December 31, 2019**
	($000's omitted)	
Deferred Tax Assets:		
Inventories	$ 455	$ 473
Accrued employees compensation and benefits costs	397	148
Postretirement obligation (accumulated other comprehensive income)	360	298
Accrued arbitration award and related liability	-	324
State net operating loss and credit carryforwards	147	236
Bad debt reserve	40	71
Warranty reserve	80	88
Other	67	-
Total deferred tax assets	1,546	1,638
Valuation allowance	(147)	(236)
Net deferred tax assets	1,399	1,402
Deferred tax liabilities:		
Prepaid expenses	(62)	(32)
Property, plant and equipment	(1,200)	(1,238)
Total deferred tax liabilities	(1,262)	(1,270)
Net deferred tax assets	$ 137	$ 132

In assessing the ability of the Company to realize the benefit of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income, the opportunity for net operating loss carrybacks, and projections for future taxable income over the periods which deferred tax assets are deductible, management believes it is more likely than not the Company will generate sufficient taxable income to realize the benefits of these deductible differences at December 31, 2020, except for a valuation allowance of $147,000 ($236,000 – 2019) related to certain state net operating loss carryforwards, state tax credit carryforwards and other state net deferred tax assets. At December 31, 2020, the Company has net operating loss carryforwards with full valuation allowances from Pennsylvania of approximately $1,620,000, which is no longer a benefit to the Company at December 31, 2020 because they ceased to filing a tax return in Pennsylvania. The Company also has a New York state tax credit carryforward at December 31, 2020 of approximately $147,000 ($139,000 – 2019), which begins to expire in 2023.

There are no uncertain tax positions or unrecognized tax benefits for 2020 and 2019. The Company is subject to routine audits of its tax returns by the Internal Revenue Service and various state taxing authorities. During 2020, the 2017 federal tax retain was selected for examination by the Internal Revenue Service. The Company does not anticipate any material adjustments as a result of this examination. The 2017 through 2020 federal and state tax returns remain subject to examination.

8. Shareholders' Equity

	Years Ended December 31, 2019 and 2020						
	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Capital in excess of par value	ESOT	Treasury stock	Total shareholders' equity
December 31, 2018	$ 19,669	$ (846)	$ 523	$14,250	$ (561)	$ (1,522)	$ 31,513
Dividends declared ($0.16 per share)	(413)	-	-	-	-	-	(413)
Retirement benefits adjustment	-	(275)	-	-	101	-	(174)
Stock based compensation	-	-	-	108	-	208	316
Purchase of treasury shares	-	-	-	-	-	(157)	(157)
Net Income	2,447	-	-	-	-	-	2,447
December 31, 2019	$ 21,703	$ (1,121)	$ 523	$14,358	$ (460)	$ (1,471)	$ 33,532
Retirement benefits adjustment	-	(235)	-	-	101	-	(134)
Stock based compensation	-	-	-	123	-	216	339
Purchase of treasury shares	-	-	-	-	-	(100)	(100)
Net Income	100	-	-	-	-	-	100
December 31, 2020	$ 21,803	$ (1,356)	$ 523	$14,481	$ (359)	$ (1,355)	$ 33,737

The Company's Board of Directors authorized the purchase of up to 450,000 shares of its common stock in the open market or in privately negotiated transactions. As of December 31, 2019, the Company has purchased 360,255 shares and there remain 89,745 shares available to purchase under this program. There were 5,232 shares purchased by the Company in 2019. As of December 31, 2020, the Company has purchased 360,615 shares and there remains 89,385 shares available to purchase under this program. There were 360 shares purchased by the Company in 2020.

The Company's director compensation policy provides that non-employee directors receive a portion of their annual retainer in the form of restricted stock under the Company's 2012 Long-Term Incentive Plan. These shares vest quarterly over a twelve month service period, have voting rights and accrue dividends that are paid upon vesting. The aggregate amount of expense to the Company, measured based on the grant date fair value, will be recognized over the requisite service period. An aggregate of 11,328 restricted shares were issued on August 14, 2020 with a grant date fair value of $100,000.

The Company's 2012 Long-Term Incentive Plan was approved by the shareholders at the 2012 Annual Meeting of Shareholders. This plan authorizes the issuance of up to 300,000 shares

On January 1, 2020, 26,250 shares of restricted stock vested of which 9,543 shares were withheld by the Company for approximately $99,000 to satisfy statutory minimum withholding tax requirements for those participants who elected this option as permitted under the Company's 2012 Long-Term Incentive Plan.

On May 25, 2018, the Company issued 78,750 shares of restricted stock to Executive Officers and certain key management of the Company under the Company's 2012 Long-Term Incentive Plan. The restricted share awards have varying vesting periods between January 2020 and January 2021; however, these shares have voting rights and accrue dividends prior to vesting. The accrued dividends are paid upon vesting of the restricted shares. The aggregate amount of expense to the Company, measured based on grant date fair value is approximately $735,000 and has been recognized over the requisite service period.

Included in the years ended December 31, 2020 and 2019 is approximately $339,000 and $316,000, respectively, of stock-based compensation expense related to the restrictive share awards. We have approximately $286,000 in compensation to be recorded related to unvested shares to be recognized in 2021.

A summary of the status of restricted share awards granted under all employee plans is presented below:

	Shares	Weighted Average Grant Date Fair Value
Restricted Share Activity:		
Unvested at December 31, 2018	80,894	$ 9.33
Granted in 2019	7,836	$ 12.77
Forfeited in 2019	2,000	$ 9.33
Vested in 2019	32,314	$ 9.75
Unvested at December 31, 2019	54,416	$ 9.58
Granted in 2020	11,328	$ 8.83
Vested in 2020	34,830	$ 9.11
Unvested at December 31, 2020	30,914	$ 9.24

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the period. The weighted average number of common shares outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. These unvested restricted shares, although classified as issued and outstanding, are considered forfeitable until the restrictions lapse and will not be included in the basic EPS calculation until the shares are vested. Diluted earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the period plus the number of shares of common stock that would be issued assuming all contingently issuable shares having a dilutive effect on the earnings per share that were outstanding for the period. The dilutive effect of unvested restrictive stock is determined using the treasury stock method.

	December 31, 2020	**December 31, 2019**
	($000's omitted except for per share data)	
Net Income	$ 100	$ 2,447
Weighted average common shares outstanding (basic)	2,366	2,330
Unvested restricted stock	31	56
Weighted average common shares outstanding (diluted)	2,397	2,386
Basic		
Net income per share	$ 0.04	$ 1.05
Diluted		
Net income per share	$ 0.04	$ 1.03

Shareholders' Rights Plan

During 2012, the Company's Board of Directors adopted a shareholders' rights plan (the "Rights Plan") and simultaneously declared a dividend distribution of one right for each outstanding share of the Company's common stock outstanding at October 15, 2012. The Rights Plan replaced a previous shareholders rights plan that was adopted in 2002 and expired on August 28, 2012. The rights do not become exercisable until the earlier of (i) the date of the Company's public announcement that a person or affiliated group other than Dr. Nicholas D. Trbovich, Kenneth D. Trbovich or the ESOP trust (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 25% or more of the Company's common stock (excluding shares held by the ESOP trust) or (ii) ten business days following the commencement of a tender offer that would result in a person or affiliated group becoming an Acquiring Person.

The exercise price of a right has been established at $32.00. Once exercisable, each right would entitle the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock. In the event that any person becomes an Acquiring Person, each right would entitle any holder other than the Acquiring Person to purchase common stock or other securities of the Company having a value equal to three times the exercise price. The Board of Directors has the discretion in such event to exchange two shares of common stock or two one-hundredths of a share of preferred stock for each right held by any holder other than the Acquiring Person.

9. Litigation

Litigation. The Company has pending litigation relative to leases of certain equipment and real property with a former subsidiary, Aero, Inc. Aero, Inc. is suing Servotronics, Inc. and its wholly owned subsidiary and has alleged damages in the amount of $3,000,000. The Company has filed a response to the Aero, Inc. lawsuit and has also filed a counter-claim in the amount of $3,191,000. The Company has not considered the risk of loss to be probable, and is unable to reasonably or accurately estimate the likelihood and amount of any liability or benefit that may be realized as a result of this litigation. Accordingly, no gain or loss has been recognized in the accompanying financial statements related to this litigation.

There are no other legal proceedings currently pending by or against the Company other than ordinary routine litigation incidental to the business which is not expected to have a material adverse effect on the business or earnings of the Company.

10. Related Party Transactions

The Company paid legal fees and disbursements of approximately $183,000 and $197,000 in the year ended December 31, 2020 and 2019, respectively, for services provided by a law firm that is owned by a member of the Company's Board of Directors. Additionally, the Company had accrued unbilled legal fees at December 31, 2020 and 2019 of approximately $19,000 and $52,000, respectively, with this firm.

11. Business Segments

The Company operates in two business segments, Advanced Technology Group ("ATG") and Consumer Products Group ("CPG"). The Company's reportable segments are strategic business units that offer different products and services. The segments are composed of separate corporations and are managed separately. Operations in ATG primarily involve the design, manufacture, and marketing of servo-control components (i.e., torque motors, control valves, actuators, etc.) for government, commercial and industrial applications. CPG's operations involve the design, manufacture and marketing of a variety of cutlery products for use by consumers and government agencies. The Company derives its primary sales revenue from domestic customers, although a portion of finished products are for foreign end use.

Information regarding the Company's operations in these segments is summarized as follows ($000's omitted):

	($000's omitted except per share data)					
	ATG		**CPG**		**Consolidated**	
	Years Ended December 31,		**Years Ended December 31,**		**Years Ended December 31,**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues from unaffiliated customers	$ 40,782	$ 48,519	$ 9,062	$ 6,753	$ 49,844	$ 55,272
Cost of goods sold, inclusive of depreciation	(33,440)	(35,632)	(8,164)	(7,514)	(41,604)	(43,146)
Gross margin (loss)	7,342	12,887	898	(761)	8,240	12,126
Gross margin %	18.0%	26.6%	9.9%	(11.3)%	16.5%	21.9%
Selling, general and administrative	(6,245)	(6,158)	(1,753)	(2,725)	(7,998)	(8,883)
Interest	(170)	(97)	(10)	(28)	(180)	(125)
Total costs and expenses	(39,855)	(41,887)	(9,927)	(10,268)	(49,782)	(52,154)
Income (loss) before income tax provision	927	6,633	(865)	(3,515)	62	3,118
Income tax provision (benefit)	492	1,428	(530)	(757)	(38)	671
Net income/(loss)	$ 435	$ 5,205	$ (335)	$ (2,758)	$ 100	$ 2,447
Total assets	$ 40,826	$ 39,989	$ 9,502	$ 9,481	$ 50,328	$ 49,470
Capital expenditures	$ 661	$ 1,990	$ 68	$ 281	$ 729	$ 2,271

Exhibit 4.3

SERVOTRONICS, INC.
DESCRIPTION OF CAPITAL STOCK

The following summary of our capital stock is subject to and qualified by the provisions of our Certificate of Incorporation dated September 6, 1972 as amended by a Certificates of Amendment dated August 27, 1984 and June 30, 1998 (as amended, the “Certificate of Incorporation”) and our By-laws as amended and restated as of April 3, 2020 (the “By-laws”) copies of which are incorporated herein by reference.

Authorized Capitalization

Our authorized capital stock consists of 4,000,000 authorized shares of common stock, $0.20 par value per share (“Common Stock”), and 4,000,000 shares of preferred stock, $0.20 par value per share (“Preferred Stock”). As of the close of business on December 31, 2020, 2,614,506 shares of Common Stock were issued and outstanding and no shares of Preferred Stock were issued and outstanding. Updates to the number of shares outstanding will be made on the cover page of our annual or quarterly reports for subsequent fiscal years or fiscal quarters that we file with the Securities and Exchange Commission.

Voting Rights

Each holder of Common Stock is entitled to one vote per share. Subject to any rights of the holders of any series of Preferred Stock pursuant to applicable law or the provision of the certificate of designations creating that series, all voting rights are vested in the holders of shares of Common Stock. There is no cumulative voting in the election of directors.

Dividends

Holders of Common Stock are entitled to receive dividends when, as and if declared by the board of directors, out of funds legally available for their payment, subject to the rights of holders of any preferred stock outstanding.

Rights Upon Liquidation

In the event of voluntary or involuntary liquidation or dissolution of Servotronics, after payment in full of all debts and amounts required to be paid to the holders of the Preferred Stock, the holders of Common Stock are entitled to share ratably in all remaining assets of Servotronics.

Other Matters

Holders of shares of Common Stock are not entitled to preemptive rights. Shares of common stock are not convertible into shares of any other class of capital stock. If we merge or consolidate with or into another company and as a result our Common Stock is converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of common stock will be entitled to receive the same kind and amount of consideration per share of Common Stock.

Trading Market

The Common Stock is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is listed on the NYSE American under the symbol “SVT”. Computershare Trust Company, N.A. serves as our transfer agent.

Relationship to Preferred Stock

The rights of a holder of shares of Common Stock will be subject to, and may be adversely affected by, the rights of holders of Preferred Stock that may be issued in the future. Our board of directors has the authority to divide any or all of the shares of Preferred Stock into, and to authorize the issuance of, one or more series of Preferred Stock. Before issuance of shares of each series, our board of directors is required to fix for each such series, subject to the provisions of the Delaware General Corporation Law (the "DGCL") and the Certificate of Incorporation, the powers, designations, preferences and other special rights of such series, including such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other matters as may be fixed by resolution of the board of directors.

Certain Provisions Affecting Control of Our Company

General. Certain provisions of our Certificate of Incorporation, By-laws and the DGCL operate with respect to extraordinary corporate transactions, such as mergers, reorganizations, tender offers, sales or transfers of substantially all of our assets or our liquidation of the Company, and could have the effect of delaying or making more difficult a change in control of our company in certain circumstances.

Election and Removal of Directors. Our By-laws require that directors may be removed without cause only by vote of the holders or a majority of the outstanding shares entitled to vote. Under our By-laws, any vacancy on our board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors in office. Our By-laws authorize up to nine members on our board of directors; provided that the maximum number may be increased from time to time by an amendment to the By-laws. The board of directors may, pursuant to a resolution adopted by a majority of the entire board, increase the size of our board up to the maximum number directors permitted under the By-laws and designate the directors to fill the vacancies.

Special Meeting of Shareholders. Under our By-laws, special meetings of our shareholders may be called by our president or the board of directors or upon written demand by the holders of shares representing at least a majority of all shares outstanding and entitled to vote.

Shareholder Action by Written Consent. Our Certificate of Incorporation requires that actions by our shareholders without a meeting must be in writing and signed by each shareholder entitled to vote on such action.

Business Combinations. Under the Certificate of Incorporation, the affirmative vote of at least 75% of the outstanding shares of Common Stock is required for the approval or authorization of any "Business Combination" unless the transaction is approved by 75% of the Company's Board of Directors who are not "Related Person Directors" and certain other conditions are met. Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who owns 20% or more of the Common Stock, or is an affiliate or associate of the corporation and within five years prior to the determination of interested stockholder status, did own 20% or more of the Common Stock. The existence of this provision may have an anti-takeover effect with respect to transactions our Board of Directors does not approve in advance.

Shareholder Rights Plan. The Company's Shareholder Rights Plan, dated as of October 15, 2012, as amended, could have the effect of delaying, deferring, or preventing a change of control of the Company and could discourage bids for the Common Stock at a premium over the market price of the Common Stock. The Rights initially trade together with the Common Stock and are not exercisable. Subject to certain exceptions specified in the Shareholder Rights Plan, the Rights will separate from the common stock and become exercisable following (i) the date of the Company's public announcement or filing that a person or group has become an "Acquiring Person," which is defined as a person who has acquired, or obtained the right to acquire, beneficial ownership of 25% or more of the Common Stock then outstanding, subject to certain exceptions, or (ii) the tenth calendar day after any person or group commences a tender or exchange offer, the consummation of which would result in a person or group becoming an Acquiring Person. If a person or group becomes an Acquiring Person, each Right will entitle its holders (other than such Acquiring Person) to purchase one-hundredth of a share (a "Unit") of Series A Junior Participating Preferred Stock at a price of $32.00 per Unit. A Unit is intended to give the shareholder approximately the same dividend, voting and liquidation rights as would one share of Common Stock, and should approximate the value of one share of

Common Stock. At any time after a person becomes an Acquiring Person, the Board may exchange all or part of the outstanding Rights (other than those held by an Acquiring Person) for shares of Common Stock at an exchange rate of one share of Common Stock (and, in certain circumstances, a Unit) for each Right.

The Rights will expire upon certain events described in the Shareholder Rights Plan. However, in no event will the Shareholder Rights Plan expire later than the close of business on October 15, 2022.

Limitations on Liability. Our By-Laws provide for the indemnification of our directors and officers to the fullest extent authorized by the DGCL. Under the DGCL, a director may be paid expenses in advance of any proceeding for which indemnification may be payable, subject to certain conditions, including delivery to us of an undertaking by or on behalf of the director or officer to repay all amounts so paid in advance if it is ultimately determined that the director or officer is not entitled to be indemnified. We have also obtained policies of directors' and officers' liability insurance. These policies insure our directors and officers against the cost of defense, settlement or payment of a judgment under certain circumstances. The existence of such indemnification and insurance may impede a change of control of us to the extent that a hostile acquirer seeks to litigate its contest for control with our directors and officers.

Exhibit 21

SERVOTRONICS, INC.

SUBSIDIARIES OF REGISTRANT

Name and address of each member	Employer ID No.
Servotronics, Inc. P.O. Box 300 Elma, New York 14059-0300	16-0837866
Ontario Knife Company 26 Empire Street Franklinville, New York 14737	16-0578540
Queen Cutlery Company 507 Chestnut Street Titusville, Pennsylvania 16354	25-0743840
G.N. Metal Products, Inc. P.O. Box 300 Elma, New York 14059-0300	16-0964682
SVT Management, Inc. P.O. Box 300 Elma, New York 14059-0300	16-1037766
MRO Corporation P.O. Box 300 Elma, New York 14059-0300	16-1230799
TSV ELMA, Inc. P.O. Box 300 Elma, New York 14059-0300	16-1415699
87 South Main Corp. P.O. Box 300 Elma, New York 14059-0300	20-2776383
King Cutlery, Inc. P.O. Box 300 Elma, New York 14059-0300	33-1112061
TSV Franklinville, Inc. P.O. Box 300 Elma, New York 14059-0300	52-2364297
Aero Metal Products P.O Box 300 Elma, New York 14059-0300	27-1143686

Exhibit 23.1

FreedMaxick CPAs, P.C.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (No. 333-187433 and No. 333-104464) on Form S-8 of Servotronics, Inc. and Subsidiaries of our report dated April 6, 2021, relating to our audits of the consolidated financial statements, which appear in the Annual Report on Form 10-K of Servotronics, Inc. and Subsidiaries as of and for the years ended December 31, 2021 and 2020.

Freed Maxick CPAs, P.C.

Buffalo, New York
April 6, 2021

Exhibit 31.1

CERTIFICATION

I, Kenneth D. Trbovich, certify that:

1. I have reviewed this annual report on Form 10-K of Servotronics, 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. The registrant's other certifying officer(s) and I are 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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. The registrant's other certifying officer(s) and I have disclosed, based on our 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.

Date: April 6, 2021

/s/ Kenneth D. Trbovich, Chief Executive Officer
Kenneth D. Trbovich
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Lisa F. Bencel, certify that:

1. I have reviewed this annual report on Form 10-K of Servotronics, 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. The registrant's other certifying officer(s) and I are 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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. The registrant's other certifying officer(s) and I have disclosed, based on our 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.

Date: April 6, 2021

/s/ Lisa F. Bencel, Chief Financial Officer
Lisa F. Bencel
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Servotronics, Inc. (the “Company”), on Form 10-K for the period ended December 31, 2020, I hereby certify solely for the purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934, and

2. The information contained in the annual report fairly represents, in all materials respects, the financial condition and results of operations of the Company.

Date: April 6, 2021

/s/ Kenneth D. Trbovich, Chief Executive Officer

Kenneth D. Trbovich
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Servotronics, Inc. (the “Company”), on Form 10-K for the period ended December 31, 2020, I hereby certify solely for the purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934, and

2. The information contained in the annual report fairly represents, in all materials respects, the financial condition and results of operations of the Company.

Date: April 6, 2021

/s/ Lisa F. Bencel, Chief Financial Officer
Lisa F. Bencel
Chief Financial Officer

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DIRECTORS

Kenneth D. Trbovich
Chairman of the Board of Directors
President and Chief Executive Officer, Servotronics, Inc.

Edward C. Cosgrove, Esq.
Attorney, The Cosgrove Firm

Lucion P. Gygax
Lieutenant Colonel, Army National Guard

Christopher M. Marks
Partner, Jensen, Marks, Langer & Vance LLC, an independent financial planning firm

Jason T. Bear
President, Full Throttle Communications, Inc., a marketing and public relations firm

OFFICERS

Kenneth D. Trbovich
Chief Executive Officer and President

Lisa F. Bencel
Chief Financial Officer

James C. Takacs
Chief Operating Officer

Bernadine E. Kucinski
Corporate Secretary

Michael F. McKee
Vice President

Registrar and Transfer Agent
Computershare
462 South 4th Street
Suite 1600
Lousville, KY 40202

General Counsel
Bond, Schoeneck & King, PLLC
Avant Building - Suite 900
200 Delaware Avenue
Buffalo, NY 14202-2107

Independent Auditors
Freed Maxick CPAs, PC
424 Main Street - Suite 800
Buffalo, NY 14202-3508

Form 10-K Report

Servotronics' Annual Report to the Securities and Exchange Commission on Form 10-K (including related financial statements and schedules) for its fiscal year ended December 31, 2020 is available to all stockholders, without charge, upon written request or visit our website at www.servotronics.com/investor-relations. Please address written requests to:

Bernadine E. Kucinski
Corporate Secretary
Servotronics, Inc.
1110 Maple Road
P.O. Box 300
Elma, NY 14059-0300