

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

or

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

Commission File No. 1-07109

**SERVOTRONICS, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**16-0837866**

*(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 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2019
Common Stock, \$.20 par value	2,580,880

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,152	\$ 2,598
Accounts receivable, net	10,874	10,586
Inventories, net	15,665	15,150
Prepaid income taxes	331	314
Other current assets	658	496
<b>Total current assets</b>	<b>29,680</b>	<b>29,144</b>
Property, plant and equipment, net	12,243	11,875
Deferred income taxes	295	295
Other non-current assets	433	371
<b>Total Assets</b>	<b>\$ 42,651</b>	<b>\$ 41,685</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 548	\$ 548
Current portion of capitalized lease obligations	175	175
Dividend payable	9	13
Accounts payable	3,427	2,494
Accrued employee compensation and benefits costs	1,910	1,908
Other accrued liabilities	1,028	865
<b>Total current liabilities</b>	<b>7,097</b>	<b>6,003</b>
Long-term debt	2,229	2,410
Post retirement obligation	1,784	1,759
<b>Shareholders' equity:</b>		
Common stock, par value \$0.20; authorized 4,000,000 shares; issued 2,614,506 shares; outstanding 2,483,998 (2,392,207 - 2018) shares	523	523
Capital in excess of par value	14,264	14,250
Retained earnings	18,886	18,788
Accumulated other comprehensive income	35	35
Employee stock ownership trust commitment	(561)	(561)
Treasury stock, at cost 130,508 (117,979 - 2018) shares	(1,606)	(1,522)
<b>Total shareholders' equity</b>	<b>31,541</b>	<b>31,513</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 42,651</b>	<b>\$ 41,685</b>

See notes to condensed consolidated financial statements

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

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	\$ 12,003	\$ 10,559
Cost of goods sold, inclusive of depreciation and amortization	9,930	8,510
<b>Gross margin</b>	2,073	2,049
<b>Operating Expenses:</b>		
Selling, general and administrative	1,927	1,627
Interest expense	27	25
Total operating expenses	1,954	1,652
<b>Income before income tax provision</b>	119	397
Income tax provision	21	66
<b>Net income</b>	\$ 98	\$ 331
<b>Income per share:</b>		
<b>Basic</b>		
Net income per share	\$ 0.04	\$ 0.14
<b>Diluted</b>		
Net income per share	\$ 0.04	\$ 0.14

See notes to condensed consolidated financial statements

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

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows related to operating activities:</b>		
Net Income	\$ 98	\$ 331
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	274	244
Loss on disposal of property	-	1
Stock based compensation	58	-
(Decrease) increase in inventory reserve	(78)	21
Increase in allowance for doubtful accounts	10	-
Increase in warranty reserve	39	112
<b>Change in assets and liabilities:</b>		
Accounts receivable	(298)	(706)
Inventories	(437)	(350)
Prepaid income taxes	(17)	-
Other current assets	(162)	(170)
Other non-current assets	(62)	4
Accounts payable	933	648
Accrued employee compensation and benefit costs	27	(250)
Accrued income taxes	-	64
Other accrued liabilities	120	(62)
<b>Net cash provided (used) by operating activities</b>	<u>505</u>	<u>(113)</u>
<b>Cash flows related to investing activities:</b>		
Capital expenditures - property, plant and equipment	(642)	(511)
<b>Net cash used in investing activities</b>	<u>(642)</u>	<u>(511)</u>
<b>Cash flows related to financing activities:</b>		
Proceeds from lease line of credit	-	92
Principal payments on long-term debt	(136)	(137)
Principal payments on equipment financing obligations	(45)	(35)
Purchase of treasury shares	(128)	(117)
<b>Net cash used in financing activities</b>	<u>(309)</u>	<u>(197)</u>
Net decrease in cash and cash equivalents	(446)	(821)
Cash and cash equivalents at beginning of period	2,598	4,707
<b>Cash and cash equivalents at end of period</b>	<u>\$ 2,152</u>	<u>\$ 3,886</u>

See notes to condensed consolidated financial statements

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements (“consolidated financial statements”) have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

The accompanying consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. The consolidated financial statements should be read in conjunction with the 2018 annual report and the notes thereto.

**2. 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 and Cash Equivalents**

The Company considers cash and cash equivalents to include all cash accounts and short-term investments purchased with an original maturity of three months or less.

**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 \$180,000 at March 31, 2019 and \$170,000 at December 31, 2018. 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 of shipment of goods.

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.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**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 market adjustments and inventory expected to be used in greater than one year are applied to the gross value of the inventory through a reserve of approximately \$1,465,000 and \$1,543,000 at March 31, 2019 and December 31, 2018, 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 one year of customer requirements. Also, in order to maintain a reasonable and/or agreed to lead time, certain larger quantities of other product support items may have to be purchased and may result in over one year's supply. These amounts are not included in the inventory reserve discussed above.

**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 income 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**

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 and Texas state income tax returns and separate Pennsylvania and Arkansas income tax returns.

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 March 31, 2019 or December 31, 2018, and did not recognize any interest and/or penalties in its consolidated statements of income during the three months ended March 31, 2019 and 2018. The Company did not have any material uncertain tax positions or unrecognized tax benefits or obligations as of March 31, 2019 and December 31, 2018. The 2015 through 2017 federal and state tax returns remain subject to examination.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Supplemental Cash Flow Information**

There were no income taxes paid during the three months ended March 31, 2019 and 2018. Interest paid amounted to approximately \$27,000 and \$25,000, respectively, during the three months ended March 31, 2019 and 2018.

**Employee Stock Ownership Plan**

Contributions to the employee stock ownership plan are determined annually by the Company according to plan formula.

**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 March 31, 2019 and December 31, 2018.

**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.

**Reclassifications**

Certain balances, as previously reported, were reclassified to conform with classifications adopted in the current period.

**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.

**Fair Value of Financial Instruments**

The carrying amount of cash and cash equivalents, 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.



**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**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 of shipment of goods.

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.

Revenue on a significant portion of our contracts is currently 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.

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 March 31, 2019 and December 31, 2018 under the guidance of ASC460 the Company has recorded a warranty reserve of approximately \$467,000 and \$428,000, 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.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Recent Accounting Pronouncements Adopted**

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The new standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months and requires both lessees and lessors to disclose certain key information about lease transactions. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted this standard during the first quarter of 2019. The adoption of this guidance did not have a material impact on the Company's financial statements and related disclosures. Currently the Company has one lease of equipment at an annual payment of less than \$2,000. Finance lease assets are included in property, plant, and equipment, and liabilities are included in short-term and long-term debt. Under ASC 842, the Company will determine if a contract contains a lease at the inception of the contract. A contract contains a lease if it conveys to the Company the right to control the use of specified assets.

**3. Inventories**

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(\$000's omitted)	
Raw material and common parts	\$ 9,956	\$ 9,088
Work-in-process	5,211	5,123
Finished goods	1,963	2,482
	<u>17,130</u>	<u>16,693</u>
Less inventory reserve	(1,465)	(1,543)
Total inventories	<u>\$ 15,665</u>	<u>\$ 15,150</u>

**4. Property, Plant and Equipment**

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(\$000's omitted)	
Land	\$ 7	\$ 7
Buildings	10,515	10,452
Machinery, equipment and tooling	18,802	18,345
Construction in progress (CIP)	1,378	1,258
	<u>30,702</u>	<u>30,062</u>
Less accumulated depreciation	(18,459)	(18,187)
	<u>\$ 12,243</u>	<u>\$ 11,875</u>

Depreciation and amortization expense amounted to approximately \$274,000 and \$244,000 for the three months ended March 31, 2019 and 2018, respectively. Amortization expense primarily related to capital leases amounted to approximately \$20,000 and \$17,000 for the three months ended March 31, 2019 and 2018, respectively. The Company maintains property and casualty insurance in amounts adequate for the risk and nature of its assets and operations and which are generally customary in its industry.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As of March 31, 2019, there is approximately \$1,378,000 (\$1,258,000 – December 31, 2018) of construction in progress (CIP) included in property, plant and equipment all of which is related to capital projects. There is approximately \$683,000 in CIP for the implementation costs for the enterprise resource planning software that will be used as an integral part of the product process at the Advanced Technology Group (“ATG”) and the Consumer Products Group (“CPG”). In addition, there is approximately \$405,000 primarily for IT equipment and software and the remainder of approximately \$290,000 for machinery & equipment and self-constructed assets, not yet put into service.

**5. Long-Term Debt**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(\$000's omitted)</b>	
Term loan payable to a financial institution; Interest rate option of bank prime or Libor plus 1.4% (3.909% as of March 31, 2019), monthly principal payments of \$21,833 through 2021 with a balloon payment of \$786,000 due December 1, 2021	\$ 1,507	\$ 1,572
Term loan payable to a financial institution; Interest rate option of bank prime or Libor plus 1.4% (3.909% as of March 31, 2019), monthly principal payments of \$23,810 through December 1, 2021	786	857
Lease line of credit for equipment; 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), monthly principle payments of \$12,675 through April 10, 2023	659	704
	2,952	3,133
Less current portion	(723)	(723)
	\$ 2,229	\$ 2,410

Principal maturities of long-term debt are as follows: remainder 2019 - \$542,000, 2020 - \$723,000, 2021 - \$1,509,000, 2022 - \$165,000, and 2023 - \$13,000.

The term loans 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 March 31, 2019 and December 31, 2018 the Company was in compliance with these covenants.

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 is non-revolving and non-renewable. The lease term for equipment covered by the lease line of credit is 60 months. Monthly payments will be 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 \$659,000 outstanding at March 31, 2019.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(\$000's omitted)</b>	
2019	145	193
2020	193	193
2021	193	193
2022	193	193
2023	4	4
Total principal and interest payments	728	776
Less amount representing interest	(69)	(72)
Present value of net minimum lease payments	659	704
Less current portion	(175)	(175)
Long term principle payments	\$ 484	\$ 529

The Company established equipment financing in the amount of \$2,500,000 available until November 30, 2019. This line is non-revolving and non-renewable. The financing term for the equipment covered by the loan is 60 months. Monthly payments will be fixed for the term of each funding based upon the Lender's rate in effect at the time of such funding. There was no balance outstanding at March 31, 2019 and December 31, 2018.

The Company has a \$2,000,000 line of credit on which there was no balance outstanding at March 31, 2019 and December 31, 2018.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6. Shareholders' Equity**

	Common Stock		(\$000's omitted except for share data)					
	Number of shares issued	Amount	Capital in excess of par value	Retained earnings	ESOT	Treasury stock	Accumulated Other Comprehensive Loss	Total shareholders' equity
Balance at December 31, 2018	2,614,506	\$ 523	\$ 14,250	\$ 18,788	\$ (561)	\$ (1,522)	\$ 35	\$ 31,513
Net income	-	-	-	98	-	-	-	98
Purchase of treasury shares	-	-	-	-	-	(128)	-	(128)
Stock based compensation net of tax benefit	-	-	14	-	-	44	-	58
Balance at March 31, 2019	<u>2,614,506</u>	<u>\$ 523</u>	<u>\$ 14,264</u>	<u>\$ 18,886</u>	<u>\$ (561)</u>	<u>\$ (1,606)</u>	<u>\$ 35</u>	<u>\$ 31,541</u>

	Common Stock		(\$000's omitted except for share data)					
	Number of shares issued	Amount	Capital in excess of par value	Retained earnings	ESOT	Treasury stock	Accumulated Other Comprehensive Loss	Total shareholders' equity
Balance at December 31, 2017	2,614,506	\$ 523	\$ 14,171	\$ 15,709	\$ (662)	\$ (1,544)	\$ (32)	\$ 28,165
Net income	-	-	-	331	-	-	-	331
Purchase of treasury shares	-	-	-	-	-	(117)	-	(117)
Balance at March 31, 2018	<u>2,614,506</u>	<u>\$ 523</u>	<u>\$ 14,171</u>	<u>\$ 16,040</u>	<u>\$ (662)</u>	<u>\$ (1,661)</u>	<u>\$ (32)</u>	<u>\$ 28,379</u>

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 March 31, 2019, the Company has purchased 357,423 shares and there remains 92,577 shares available to purchase under this program. There were 2,400 shares purchased by the Company during the three month period ended March 31, 2019.

On January 1, 2019, 26,250 shares of restricted stock vested of which 9,729 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 2019 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 expected to be approximately \$735,000 and will be recognized over the requisite service period.

On May 25, 2018, the Company revised its director compensation policy pursuant to which 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. An aggregate of 4,288 restricted shares were issued that vest quarterly over a twelve month service period. These shares have voting rights and accrue dividends that are paid upon vesting. The aggregate amount of expense for awards granted in 2018 was \$40,000 and was recognized over the service period.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

On April 26, 2019, the Company increased its director compensation policy pursuant to which non-employee directors receive a portion of their annual retainer in the form of restricted stock from \$10,000 to \$25,000 under the Company's 2012 Long-Term Incentive Plan. An aggregate of 7,836 restricted shares were issued that vest quarterly over a twelve month service period. These shares 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 is expected to be approximately \$100,000 and will be recognized over the requisite service period.

**Earnings Per Share**

Basic earnings per share is computed by dividing net earnings 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 earnings 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. Incremental shares from assumed conversions are calculated as the number of shares that would be issued, net of the number of shares that could be purchased in the marketplace with the cash received upon stock option exercise. The dilutive effect of unvested restrictive stock is determined using the treasury stock method.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(\$000's omitted except per share data)</b>	
Net Income	\$ 98	\$ 331
Weighted average common shares outstanding (basic)	2,328	2,297
Unvested restricted stock	53	-
Weighted average common shares outstanding (diluted)	2,381	2,297
<b>Basic</b>		
Net income per share	\$ 0.04	\$ 0.14
<b>Diluted</b>		
Net income per share	\$ 0.04	\$ 0.14

**7. Commitments and Contingencies**

*Post retirement obligation.* As previously disclosed in filings with the Securities and Exchange Commission ("SEC"), the Company, under an employment agreement, is expected to pay post-employment health related benefits to a former Executive Officer of the Company (the "Former Employee"), of which approximately \$1,115,000 has been accrued as of March 31, 2019 and December 31, 2018, and is reflected as Post Retirement Obligation in the accompanying balance sheet. After termination of the Former Employee, the scope of the health related benefits coverage in the agreement became an issue. In June 2016 an Arbitrator was selected by the parties to hear this matter. A final opinion and award was issued on March 22, 2018 resulting in the increased accrual at March 31, 2018. Additionally, the Company paid approximately \$367,000 in fees, comprised of \$304,000 in legal fees, \$54,000 in health related costs, and \$9,000 in interest costs pursuant to the arbitration award as of March 31, 2019.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*Employment Agreements.* The Company provides certain post-employment health and life insurance benefits for its Chief Executive Officer and President Kenneth Trbovich. Upon retirement and after attaining at least the age of 65, the Company will pay for the retired Executive's and dependent's health benefits and will continue the Company-provided life insurance offered at the time of retirement. The retiree's health insurance benefits ceases upon the death of the retired executive. Approximately \$669,000 and \$644,000 has been accrued as of March 31, 2019 and December 31, 2018, respectively, and is reflected as Post Retirement Obligation in the accompanying balance sheet.

**8. Litigation**

*Litigation.* The Company has pending litigation relative to leases of certain equipment and real property with a former related party, 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 considers the risk of loss remote, 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 financials statements related to this litigation.

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

**9. Related Party Transactions**

The Company paid legal fees and disbursements of approximately \$19,000 and \$47,000 in the three month periods ended March 31, 2019 and 2018, respectively, for services provided by a law firm that is owned by a member of the Company's Board of Directors. Additionally, the Company did not have any unpaid legal expenses for this law firm as of March 31, 2019 and had approximately \$40,000 accrued at March 31, 2018.

**10. Business Segments**

The Company operates in two business segments, ATG and CPG. The Company's reportable segments are strategic business units that offer different products and services. The segments are comprised 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.

As of March 31, 2019, the Company had identifiable assets of approximately \$42,651,000 (\$41,685,000 – December 31, 2018) of which approximately \$32,580,000 (\$31,639,000 – December 31, 2018) was for ATG and approximately \$10,071,000 (\$10,046,000 – December 31, 2018) was for CPG.

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Information regarding the Company's operations in these segments is summarized as follows:

(\$000's omitted except per share data)

	ATG		CPG		Consolidated	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	2019	2018	2019	2018	2019	2018
Revenues from unaffiliated customers	\$ 10,595	\$ 9,115	\$ 1,408	\$ 1,444	\$ 12,003	\$ 10,559
Cost of goods sold, inclusive of depreciation	(8,467)	(7,084)	(1,463)	(1,426)	(9,930)	\$ (8,510)
Gross margin (loss)	2,128	2,031	(55)	18	2,073	2,049
Gross margin %	20.1%	22.3%	-3.9%	1.2%	17.3%	19.4%
Selling, general and administrative	(1,280)	(1,228)	(647)	(399)	(1,927)	(1,627)
Interest	(19)	(17)	(8)	(8)	(27)	(25)
Total costs and expenses	(9,766)	(8,329)	(2,118)	(1,833)	(11,884)	(10,162)
Income/(loss) before income tax provision	829	786	(710)	(389)	119	397
Income tax provision (benefit)	145	130	(124)	(64)	21	66
Net income/(loss)	\$ 684	\$ 656	\$ (586)	\$ (325)	\$ 98	\$ 331
Capital expenditures	\$ 599	\$ 405	\$ 43	\$ 106	\$ 642	\$ 511



## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Overview**

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.

During the three months ended March 31, 2019 and 2018 approximately 10% and 9%, respectively, of the Company's revenues were derived from contracts with agencies of the U.S. Government or their prime contractors and their subcontractors. The Company believes that government involvement in military operations overseas will continue to have an impact on the financial results in both the Advanced Technology and Consumer Products markets. While the Company is optimistic in relation to these potential opportunities, it recognizes that sales to the government are affected by defense budgets, the foreign policies of the U.S. and other nations, the level of military operations and other factors, and as such, it is difficult to predict the impact on future financial results.

The ATG engages in 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 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 CPG also sells knives and tools, principally machetes, bayonets, survival knives and kitchen knives, to various branches of the United States Government which accounted for less than 2% of the Company's consolidate revenues in the three months ended March 31, 2019 and 2018.

See also Note 10, Business Segments, for information concerning business segment operating results.

## Results of Operations

The following table compares the Company's consolidated statements of income data for the three months ended March 31, 2019 and 2018 (\$000's omitted):

	(\$000's omitted except per share data)					
	Three Months Ended March 31,					
	2019		2018		2019 vs 2018	
	Dollars	% of Sales	Dollars	% of Sales	Dollar Change	% Increase (Decrease)
<b>Revenues:</b>						
Advanced Technology	\$ 10,595	88.3%	\$ 9,115	86.3%	\$ 1,480	16.2%
Consumer Products	1,408	11.7%	1,444	13.7%	(36)	(2.5)%
	12,003	100.0%	10,559	100.0%	1,444	13.7%
Cost of goods sold, inclusive of depreciation and amortization	9,930	82.7%	8,510	80.6%	1,420	16.7%
Gross margin	2,073	17.3%	2,049	19.4%	24	1.2%
Gross margin %	17.3%		19.4%			
Selling, general and administrative	1,927	16.1%	1,627	15.4%	300	18.4%
Interest expense	27	0.2%	25	0.2%	2	8.0%
Total costs and expenses	11,884	99.0%	10,162	96.2%	1,722	16.9%
Income tax provision	21	0.2%	66	0.6%	(45)	(68.2)%
Net income	\$ 98	0.8%	\$ 331	3.1%	\$ (233)	(70.4)%

### Revenue

The Company's consolidated revenues from operations increased approximately \$1,444,000 or 13.7% for the three month period ended March 31, 2019 when compared to the same period in 2018. The increase in revenue is attributable to an increase in commercial and government shipments at the ATG in addition to an increase in government shipments at the CPG. This is partially offset by a decrease in commercial shipments at the CPG. Commercial and government shipments increased approximately \$1,278,000 or 15.4% and \$202,000 or 25.1% at the ATG for the three month period ended March 31, 2019 when compared to the same period in 2018. This is offset by a net decrease in CPG shipments. CPG government shipments increased approximately \$23,000 or 17.6% and commercial shipments decreased approximately \$59,000 or (4.5%) for the three month period ended March 31, 2019 compared to the same period in 2018.

### Gross Margin

The Company's consolidated gross margin increased approximately \$24,000 or 1.2% for the three month period ended March 31, 2019 when compared to the same period in 2018.

Gross margin increased in the three month period ended March 31, 2019 due to the increase in units shipped of approximately \$267,000 and decreased due to average prices and mix of product sold of approximately \$170,000 at the ATG as compared to the same period of 2018. This is partially offset by a decrease in units shipped of approximately \$64,000 and decreased due to average prices and mix of product sold of approximately \$9,000 at the CPG as compared to the same period of 2018.

### Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased approximately \$300,000 or (18.4)% for the three month period ended March 31, 2019 compared to the same period in 2018. This is primarily driven by an increase in sales promotions, sales support, increased attendance at trade shows and travel expenditures for the CPG for the three month period ended March 31, 2019 compared to the same period in 2018.

## **Interest Expense**

Interest expense remained consistent for the three month period ended March 31, 2019 compared to the same period in 2018. See also Note 5, Long-Term Debt, of the accompanying consolidated financial statements for information on long-term debt.

## **Net Income**

Income from operations decreased approximately \$233,000 or (70.4)% when comparing the three month period ended March 31, 2019 to the same period in 2018. This decrease is the result of a pretax increased revenue partially offset by increases in cost of goods sold and SG&A 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, capital expenditures for property, plant and equipment and principal payments on debt. At March 31, 2019, the Company had working capital of approximately \$22,583,000 (\$23,141,000 – 2018) of which approximately \$2,152,000 (\$2,598,000 – 2018) was comprised of cash and cash equivalents. The improvement in working capital is attributable to a decrease in number of days receivable and an increase in the number of days payable.

The Company generated approximately \$505,000 in cash from operations during the three month period ended March 31, 2019 as compared to a usage of cash of approximately \$113,000 during the same period in 2018. Cash was generated primarily through net income of approximately \$98,000, adjustments to reconcile net income to net cash of approximately \$303,000 and timing of accounts payable. The primary use of cash for the Company's operating activities for the three month period ended March 31, 2019 include working capital requirements, mainly an increase in accounts receivables and inventories of approximately \$298,000 and \$437,000, respectively. Cash generated and used in operations is consistent with sales volume, customer expectations and competitive pressures.

The Company's primary use of cash in its financing and investing activities in the three month period ended March 31, 2019 included approximately \$181,000 of current principal payments on long-term debt, approximately \$128,000 for the purchase of treasury shares, as well as capital expenditures of approximately \$642,000 to increase production requirements at the ATG.

The Company obtained a lease line of credit for equipment financing in the amount of \$1,000,000 available until June 28, 2018. The lease term for equipment covered by the lease line of credit is sixty months. Monthly payments are fixed for the term of each funding based upon the lender's lease pricing in effect at the time of funding. These was approximately \$659,000 outstanding at March 31, 2019.

The Company has a \$2,000,000 line of credit available until June 19, 2019.

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.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

#### **Item 4. Controls and Procedures**

##### **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 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 March 31, 2019. 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.

##### **Changes in Internal Controls**

During the three month period ended March 31, 2019, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

Except as set forth in Note 8, Litigation, there are no other legal proceedings which are material to the Company currently pending by or against the Company other than litigation incidental to the business, which is not expected to have a material adverse effect on the business or earnings of the Company.

**Item Risk Factors**  
**1A.**

Not applicable.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(c) Company Purchases of Company's Equity Securities

2019 Periods	Total Number of Shares Purchased/Withheld	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	9,729(2)	\$ 10.13	-	94,977
February	-	-	-	94,977
March	2,400	11.98	2,400	92,577
Total	12,129	\$ 10.51	2,400	92,577

(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 March 31, 2019, the Company has purchased 357,423 shares and there remains 92,577 shares available to purchase under this program. There were 2,400 shares purchased by the Company during the three month period ended March 31, 2019.

(2) Includes 9,729 shares withheld by the Company in January 2019 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 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable

**Item 6. Exhibits**

- [31.1](#) [Certification of Principal 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 \(Filed herewith\)](#)
- [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 \(Filed herewith\)](#)
- 101 The following materials from Servotronics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, 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-Q 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 timing and amount of payment obligation relating to the arbitration award and the Company's ability to pay these obligations. 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-Q. 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 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.

Date: May 13, 2019

SERVOTRONICS, INC.

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

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

## CERTIFICATION

I, Kenneth D. Trbovich, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 13, 2019

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

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## CERTIFICATION

I, Lisa F. Bencel, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 13, 2019

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

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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 quarterly report of Servotronics, Inc. (the "Company"), on Form 10-Q for the period ended March 31, 2019, 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 quarterly 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 quarterly report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2019

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

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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 quarterly report of Servotronics, Inc. (the "Company"), on Form 10-Q for the period ended March 31, 2019, 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 quarterly 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 quarterly report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2019

/s/ Lisa F. Bencel, Chief Financial Officer

Lisa F. Bencel  
Chief Financial Officer

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