

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 September 30, 2024

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) 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 October 25, 2024
Common Stock, \$.20 par value	2,554,236

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SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share data)

	September 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Current Assets:		
Cash	\$ 46	\$ 95
Cash, restricted	150	150
Accounts receivable, net	12,598	12,065
Inventories, net	15,408	14,198
Prepaid and other current assets	810	1,507
Assets related to discontinued operation	1,466	1,552
Total current assets	30,478	29,567
Property, plant and equipment, net	7,143	6,978
Other non-current assets	42	42
Total Assets	\$ 37,663	\$ 36,587
Liabilities and Shareholders' Equity		
Current Liabilities:		
Line of credit	\$ 3,169	\$ 2,103
Current portion of post-retirement obligation	97	97
Accounts payable	2,954	2,061
Accrued employee compensation and benefits costs	927	1,003
Accrued warranty	413	542
Other accrued liabilities	1,046	1,909
Liabilities related to discontinued operation	27	213
Total Current Liabilities	8,633	7,928
Post-retirement obligation	4,210	4,165
Other long-term liabilities	427	-
Total Liabilities	13,270	12,093
Shareholders' Equity:		
Common stock, par value \$0.20; authorized 4,000,000 shares; issued 2,629,052 shares; outstanding 2,527,484 (2,514,775 - 2023) shares	525	525
Capital in excess of par value	14,796	14,617
Retained earnings	12,631	12,954
Accumulated other comprehensive loss	(2,331)	(2,389)
Employee stock ownership trust commitment	(56)	(56)
Treasury stock, at cost 74,816 (87,525 - 2023) shares	(1,172)	(1,157)
Total shareholders' equity	24,393	24,494
Total Liabilities and Shareholders' Equity	\$ 37,663	\$ 36,587

See notes to condensed consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 12,430	\$ 11,582	\$ 35,149	\$ 31,291
Costs of goods sold, inclusive of depreciation and amortization	10,162	9,083	28,083	26,252
Gross profit	2,268	2,499	7,066	5,039
Operating expenses				
Selling, general and administrative	1,979	2,219	6,394	7,663
Legal settlement (Note 9)	570	-	570	-
Total operating expenses	2,549	2,219	6,964	7,663
Operating (loss) income	(281)	280	102	(2,624)
Other expense				
Interest & other expense, net	172	98	353	239
Total other expense	172	98	353	239
(Loss) income from continuing operations before income taxes	(453)	182	(251)	(2,863)
Income tax expense	-	-	-	(1,063)
(Loss) income from continuing operations, net of tax	(453)	182	(251)	(3,926)
Loss from discontinued operation before income taxes	(43)	(386)	(72)	(7,326)
Income taxes	-	-	-	-
Loss from discontinued operation, net of tax (Note 2)	(43)	(386)	(72)	(7,326)
Net loss	\$ (496)	\$ (204)	\$ (323)	\$ (11,252)
Basic and diluted (loss) earnings per share:				
Continuing operations	\$ (0.18)	\$ 0.07	\$ (0.10)	\$ (1.59)
Discontinued operation	(0.02)	(0.16)	(0.03)	(2.97)
Basic and diluted loss per share	\$ (0.20)	\$ (0.09)	\$ (0.13)	\$ (4.56)

See notes to condensed consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	\$ (496)	\$ (204)	\$ (323)	\$ (11,252)
Other comprehensive income items:				
Actuarial gains	19	17	58	42
Income tax benefit on actuarial losses	-	-	-	-
Retirement benefits adjustments, net of income taxes	19	17	58	42
Total comprehensive loss	<u>\$ (477)</u>	<u>\$ (187)</u>	<u>\$ (265)</u>	<u>\$ (11,210)</u>

See notes to condensed consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2024	2023
Cash flows related to operating activities:		
Loss from continuing operations	\$ (251)	\$ (3,926)
Adjustments to reconcile loss from continuing operations to net cash provided (used) by operating activities:		
Depreciation and amortization	768	790
Stock based compensation	185	111
Allowance for credit losses	(90)	8
Inventory reserve	108	34
Warranty reserve	(129)	(37)
Deferred income taxes	-	1,077
Changes in assets and liabilities providing (using) cash:		
Accounts receivable	(443)	(3,852)
Inventories	(1,318)	(796)
Prepaid and other current assets	697	(251)
Accounts payable	893	1,118
Accrued employee compensation and benefit costs	(18)	229
Other accrued liabilities	(863)	528
Post-retirement obligations	45	59
Other long-term liabilities	427	-
Net cash provided (used) by operating activities from continuing operations	11	(4,908)
Cash flows related to investing activities:		
Purchase of property, plant and equipment, net of disposals	(933)	(606)
Net cash used by investing activities from continuing operations	(933)	(606)
Cash flows related to financing activities:		
Proceeds from line of credit, net of payments	1,066	2,164
Purchase of treasury shares	(21)	-
Payments on finance lease obligations	-	(501)
Net cash provided by financing activities from continuing operations	1,045	1,663
Discontinued Operation		
Cash used by operating activities	(172)	(1,753)
Cash provided by investing activities	-	2,100
Net cash (used) provided by discontinued operation	(172)	347
Net decrease in cash and restricted cash	(49)	(3,504)
Cash and restricted cash at beginning of period	245	3,812
Cash and restricted cash at end of period	\$ 196	\$ 308

See notes to condensed consolidated financial statements

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

1. Operations and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Servotronics, Inc. ("Servotronics") and its subsidiaries ("Company") design, manufacture and market servo-control components and other advanced technology products for aerospace, military and medical applications. 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.

Until 2023, the Company had operated historically under two business segments: Advanced Technology Group ("ATG") and Consumer Products Group ("CPG"), which had been strategic business segments that offered different products and services. Operations in ATG included the design, manufacturing and marketing of servo-control components and other advanced technology products, and the CPG operations included the design, manufacture and marketing of a variety of cutlery products for use by consumers and government agencies. During 2023, the Company's Management made the strategic decision to sell certain assets of The Ontario Knife Company ("OKC") and divest the CPG business segment. This divestiture represented a strategic shift, as the Company has realigned its corporate and management reporting structure to focus solely on servo-control components and other advanced technology products, and now organizes its business in a single reportable segment with no reference to ATG or CPG. This segment structure reflects the financial information and reports used by Management, specifically the Chief Executive Officer and Chief Operating Officer.

The condensed consolidated financial statements currently include the accounts of Servotronics, OKC, and other inactive, wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Company derives its primary sales revenue from domestic customers, although a portion of finished products are for foreign end use. As stated, the Company executed an Asset Purchase Agreement ("APA") with a third party to sell certain assets of OKC, which transaction closed on August 1, 2023. Accordingly, the sale of assets and results of operations for OKC are presented as a "Loss from Discontinued Operation, net of tax" on the Condensed Consolidated Statements of Operations, and assets and liabilities are reflected as "Assets and Liabilities related to Discontinued Operation" in the Condensed Consolidated Balance Sheets. The "Loss from Discontinued Operation, net of tax" is included in the net income or net loss on the Condensed Consolidated Statements of Comprehensive Loss, and the cash used by operating activities from the discontinued operation is included in the "Discontinued Operation" section of the Condensed Consolidated Statements of Cash Flows.

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

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 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- and nine-months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. The consolidated financial statements should be read in conjunction with the 2023 annual report and the notes thereto.

The 2023 financial information included in the aforementioned Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations were reclassified to conform with the discontinued operation presentation. Amounts for all periods discussed below reflect the results of operations, financial condition and cash flows from the Company's continuing operations, unless otherwise noted. Refer to Note 2 "Discontinued Operation and Assets and Liabilities Related to Discontinued Operation", for further discussion.

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

Cash and Restricted Cash

The following table provides a reconciliation of cash and restricted cash to the amounts in the statement of cash flows:

(in thousands)	September 30, 2024	December 31, 2023
Cash	\$ 46	\$ 95
Restricted cash	150	150
Total cash and restricted cash	<u>\$ 196</u>	<u>\$ 245</u>

The Company considers cash to include all currency and coin owned by the Company as well as all deposits in the bank including checking and savings accounts. The restricted cash of \$150,000 as of September 30, 2024 and December 31, 2023 represents collateral with a financial institution.

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 credit losses. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for credit losses based on history of past write-offs, collections, and current credit conditions. Collections on previously reserved accounts receivable and write offs of accounts deemed uncollectable, resulted in a reserve decrease of \$90,000 during 2024. The allowance for credit losses was approximately \$ 31,000 as of September 30, 2024 and \$121,000 as of December 31, 2023, respectively. 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. Revenue transactions generally consist of a single performance obligation to transfer contracted goods. 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 revenue, principally representing repairs, is recognized at the time of shipment of goods.

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.

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

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. Shipping and handling activities that occur after the customer obtains control of the promised goods are considered fulfillment activities.

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 September 30, 2024, and December 31, 2023 under the guidance of ASC 460, the Company has recorded a warranty reserve of approximately \$ 413,000 and \$542,000, respectively. Revenue is recognized on repair returns, covered under a customer contract, at the contractual price upon shipment to the customer.

The Company disaggregates revenue from contracts with customers into geographic regions. The Company determined that disaggregating revenue into this category achieves the objective to portray how the nature, timing, and uncertainty of revenue from cash flows are affected by different regions. Disaggregation of revenue by geographic region are provided below:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(in thousands)				
Domestic	\$ 9,221	\$ 7,930	\$ 26,181	\$ 22,528
International	3,209	3,652	8,968	8,763
Total Revenue	\$ 12,430	\$ 11,582	\$ 35,149	\$ 31,291

Inventories

Inventories are stated at the lower of cost or net realizable value, with any adjustments reflected as a reduction to finished goods inventory. Cost includes all costs incurred to bring each product to its present location and condition. Inventory reserves consist of obsolete and/or slow-moving items based on inventory levels in excess of forecasted sales activity and have increased due to the reserve methodologies. These reserves are applied to the gross value of the inventory and are approximately \$735,000 and \$627,000 as of September 30, 2024 and December 31, 2023, 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. The 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.

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

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 right-of-use ("ROU") assets accounted for as finance leases. The estimated useful lives of depreciable properties are generally as follows:

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

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, 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 uncertain tax positions and income tax matters in income tax expense. The Company did not have any accrued interest or penalties included in its Condensed Consolidated Balance Sheets at September 30, 2024 or December 31, 2023, and did not recognize any interest and/or penalties in its Condensed Consolidated Statements of Operations during the three- and nine-month periods ended September 30, 2024 and 2023. The Company did not have any material uncertain tax positions or unrecognized tax benefits or obligations as of September 30, 2024 and December 31, 2023. The 2020 through 2023 federal and 2019 through 2023 state tax returns remain subject to examination by the respective taxing authorities.

Supplemental Cash Flow Information

Income taxes paid amounted to approximately \$ 0 and \$2,000 for the nine-month periods ended September 30, 2024 and 2023, respectively. Interest paid during the nine-month periods ended September 30, 2024 and 2023 was approximately \$209,000 and \$98,000 respectively.

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. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

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

The Company's strategic decision to sell certain assets of OKC in 2023 resulted in the classification of a discontinued operation and triggered an impairment of OKC's real property in accordance with ASC 360-10-45-9 *Impairment or Disposal of Long-Lived Assets*. Refer to Note 2, "Discontinued Operation and Assets and Liabilities Related to Discontinued Operation", for further discussion. No additional impairment of long-lived assets exists as of September 30, 2024, which primarily includes the Company's tangible real (land and building) and personal (machinery & equipment) properties.

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 classifications adopted in the current period.

Research and Development Costs

Research and development costs are expensed as incurred and are included in selling, general and administrative on the Condensed Consolidated Statements of Operations.

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 assesses the risk of nonperformance by the financial institutions to be low.

Fair Value of Financial Instruments

The carrying amount of cash, 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 asset-based line of credit the fair value approximates its carrying amount.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for the Company's annual periods beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the potential effect that the updated standard will have on its financial statement disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which provides updates to qualitative and quantitative reportable segment disclosure requirements, including enhanced disclosures about significant segment expenses and increased interim disclosure requirements, among others. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of this new guidance on its condensed consolidated financial statements for fiscal year 2024.

There have been no additional new or material changes to the significant accounting policies discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, that are of significance, or potential significance, to the Company.

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

2. Discontinued Operation and Assets and Liabilities Related to Discontinued Operation

The Company's decision to sell certain assets and wind down the operations of OKC met the "held for sale" definition under ASC 205-20-45-9 *Discontinued Operations* and represented a strategic shift that had a significant impact on the Company's overall operations and financial results. Accordingly, the assets and liabilities of OKC are reflected as "Assets and Liabilities related to Discontinued Operation" in the Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023. In addition, OKC's operating loss, divestiture costs, and impairment charges on long-lived assets were reclassified to "Loss from Discontinued Operation, net of tax" in the Condensed Consolidated Statements of Operations for the three- and nine-month periods ended September 30, 2024 and 2023 (as reclassified).

Under the terms of the Asset Purchase Agreement, the Company sold inventory, machinery & equipment and intellectual property (patents & trademarks/tradenames) to a third party on August 1, 2023. As a direct result of Management's decision to sell OKC's assets, divest the operations, and exit the CPG business segment, the Company incurred impairment charges on its long-lived asset (building) in 2023 based on independent, third-party appraisals (less estimated costs to sell). No impairment charges were incurred for the three- and nine-month periods ended September 30, 2024.

Operating loss from discontinued operation was approximately \$ 33,000 and \$90,000 for the three- and nine-month periods ended September 30, 2024, respectively (compared to \$403,000 and \$1,893,000 for the three- and nine-month periods ended September 30, 2023, respectively, as reclassified). Divestiture and impairment cost changes were approximately \$(10,000) and \$18,000 for the three- and nine-month periods ended September 30, 2024 (compared to divestiture and impairment cost estimates of \$79,000 and \$2,306,000 for the three- and nine-month periods ended September 30, 2023, respectively, as reclassified). The loss on the sale of assets was \$ 0 for the three- and nine-month periods ended September 30, 2024, respectively (compared to a change in purchase price of \$ 96,000 and a loss of \$(3,127,000) for the three- and nine-month periods ended September 30, 2023, respectively, as reclassified). Therefore, the total Loss from Discontinued Operation, net of tax, is approximately \$(43,000) and \$(72,000) for the three- and nine-month periods ended September 30, 2024, respectively (compared to a Loss of \$(386,000) and \$(7,326,000) for the three- and nine-month periods ended September 30, 2023, respectively, as reclassified).

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

Discontinued Operation Financial Information

Consolidated Statements of Operations are as follows:

(in thousands)	Three Months Ended	
	September 30, 2024	September 30, 2023
Net Sales	\$ -	\$ 336
Operating costs	(33)	(739)
Loss from discontinued operation	(33)	(403)
Loss from discontinued operation - impairment and divestiture costs	(10)	(79)
Change in purchase price	-	96
Loss from discontinued operation before income taxes	(43)	(386)
Income tax benefit	-	-
Loss from discontinued operation, net of tax	<u>\$ (43)</u>	<u>\$ (386)</u>

(in thousands)	Nine Months Ended	
	September 30, 2024	September 30, 2023
Net Sales	\$ -	\$ 3,423
Operating costs	(90)	(5,316)
Loss from discontinued operation	(90)	(1,893)
Loss from discontinued operation - divestiture and impairment costs	18	(2,306)
Loss on sale of assets	-	(3,127)
Loss from discontinued operation before income taxes	(72)	(7,326)
Income tax benefit	-	-
Loss from discontinued operation, net of tax	<u>\$ (72)</u>	<u>\$ (7,326)</u>

Assets & Liabilities Related to Discontinued Operation Financial Information

A summary of the carrying amounts of major classes of assets and liabilities, which are included in assets and liabilities related to discontinued operation in the Condensed Consolidated Balance Sheets, are as follows:

(in thousands)	September 30, 2024	December 31, 2023
Accounts receivable	\$ -	\$ 38
Prepaid and other assets	38	31
Inventories	-	55
Building, net of estimated costs to sell	1,428	1,428
Assets related to discontinued operation	<u>\$ 1,466</u>	<u>\$ 1,552</u>
Accounts payable	\$ 24	\$ 197
Accrued employee compensation and other costs	3	16
Liabilities related to discontinued operation	<u>\$ 27</u>	<u>\$ 213</u>

The Company is actively marketing the building for sale using a commercial real estate broker with a selling price above its appraised value. To date, no events have occurred that would trigger further impairment, and Management expects to sell the real property within the next twelve months. Most of the remaining assets and liabilities are expected to be expensed or settled in 2024, as divestiture and wind-down activities are substantially complete.

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

3. Inventories

(in thousands)	September 30, 2024	December 31, 2023
Raw material and common parts	\$ 7,964	\$ 7,828
Work-in-process	7,499	6,466
Finished goods	680	531
	16,143	14,825
Less inventory reserve	(735)	(627)
Total inventories	<u>\$ 15,408</u>	<u>\$ 14,198</u>

The increase in total inventories is due to higher work-in-process (sub-assemblies and open work orders) necessary to support significant customer demand in 2024.

4. Property, Plant and Equipment

(in thousands)	September 30, 2024	December 31, 2023
Buildings and building improvements	\$ 8,937	\$ 8,447
Machinery, equipment and tooling	15,791	15,503
Construction in progress	236	106
	24,964	24,056
Less accumulated depreciation and amortization	(17,821)	(17,078)
Property, plant and equipment, net	<u>\$ 7,143</u>	<u>\$ 6,978</u>

Depreciation and amortization expense amounted to approximately \$ 225,000 and \$272,000 for the three-month periods ended September 30, 2024 and 2023, respectively. Amortization expense related to Right of Use ("ROU") assets amounted to approximately \$ 6,000 and \$6,000 for the three-month periods ended September 30, 2024 and 2023, respectively. Depreciation and amortization expense amounted to approximately \$ 768,000 and \$790,000 for the nine-month periods ended September 30, 2024 and 2023, respectively. Amortization expense related to ROU assets amounted to approximately \$18,000 and \$18,000 for the nine-month periods ended September 30, 2024 and 2023, respectively.

The Company's ROU assets included in machinery, equipment and tooling had a net book value of approximately \$ 142,000 and \$160,000 as of September 30, 2024 and December 31, 2023, respectively.

As of September 30, 2024, there is approximately \$236,000 (\$106,000 as of December 31, 2023) of construction in progress included in property, plant and equipment, all of which is related to capital projects for machinery and equipment of \$141,000, building improvements of \$62,000 and IT equipment of \$33,000.

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

5. Indebtedness

In 2023, the Company entered into a three-year financing agreement with a financial lending institution for an asset-based line of credit ("Credit Facility") with a maximum revolving credit of \$7,000,000. The borrowing base under the Credit Facility is determined using 85% of eligible domestic and foreign accounts receivable balances, less any other specific reserves. In general terms, ineligible receivables are defined as invoices unpaid over 90 days. The balance outstanding on the Credit Facility is approximately \$3,169,000 and \$2,103,000 as of September 30, 2024 and December 31, 2023, respectively. The interest rate on the Credit Facility is equal to the greater of 8.0% or the prime rate (as defined by JP Morgan Chase) plus 1.0% (9.0% as of September 30, 2024 and 9.5% as of December 31, 2023). The Credit facility is collateralized by the Company's non-realty assets.

In accordance with ASC 470-10-45-5 Classification of Revolving Credit Agreements Subject to Lock-Box Arrangements and Subjective Acceleration Clauses, borrowings outstanding under the Credit Facility that includes both a subjective acceleration clause and requirement to maintain a lock-box arrangement must be considered short-term obligations. As the Credit Facility includes both provisions, the outstanding balances are classified as current liabilities on the Condensed Consolidated Balance Sheets.

The Credit Facility contains two financial covenants required to be maintained by the Company at the end of each of its fiscal quarters. The Tangible Net Worth covenant requires the Company to maintain tangible net worth not less than \$20,000,000. The Working Capital covenant requires the Company to maintain working capital not less than \$10,000,000. The Company has met both covenant requirements as of September 30, 2024 and December 31, 2023.

6. Postretirement Benefit Plan

The Company provides certain postretirement health and life insurance benefits for two former executives ("retirees") of the Company ("Plan"). Upon ceasing employment, the Company pays the annual cost of health insurance coverage and provides continuing life insurance at the same level of coverage at the time of terminating employment with the Company. The Plan also provides a benefit to reimburse the retirees for certain out-of-pocket medical and/or health-related costs. The retirees' benefits cease upon their death. The Plan is unfunded and the actuarially determined projected postretirement benefit obligation was approximately \$4,307,000 and \$4,262,000 as of September 30, 2024 and December 31, 2023, respectively. Benefit costs for the three-month periods ended September 30, 2024 and 2023, were \$74,000 and \$65,000 respectively. Benefit costs for the nine-month periods ended September 30, 2024 and 2023 were \$220,000 and \$195,000, respectively.

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

7. Shareholders' Equity

Nine-month Period Ended September 30, 2024

(in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	ESOT	Treasury Stock	Total Shareholders' Equity
December 31, 2023	\$ 525	\$ 14,617	\$ 12,954	\$ (2,389)	\$ (56)	\$ (1,157)	\$ 24,494
Retirement benefits adjustment	-	-	-	19	-	-	19
Stock based compensation	-	44	-	-	-	19	63
Net Loss	-	-	(383)	-	-	-	(383)
March 31, 2024	\$ 525	\$ 14,661	\$ 12,571	\$ (2,370)	\$ (56)	\$ (1,138)	\$ 24,193
Retirement benefits adjustment	-	-	-	20	-	-	20
Stock based compensation	-	101	-	-	-	12	113
Purchase of treasury shares	-	-	-	-	-	(21)	(21)
Net Income	-	-	556	-	-	-	556
June 30, 2024	\$ 525	\$ 14,762	\$ 13,127	\$ (2,350)	\$ (56)	\$ (1,147)	\$ 24,861
Retirement benefits adjustment	-	-	-	19	-	-	19
Stock based compensation	-	34	-	-	-	(25)	9
Net Loss	-	-	(496)	-	-	-	(496)
September 30, 2024	<u>\$ 525</u>	<u>\$ 14,796</u>	<u>\$ 12,631</u>	<u>\$ (2,331)</u>	<u>\$ (56)</u>	<u>\$ (1,172)</u>	<u>\$ 24,393</u>

Nine-month Period Ended September 30, 2023

(in thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	ESOT	Treasury Stock	Total Shareholders' Equity
December 31, 2022	\$ 523	\$ 14,556	\$ 23,741	\$ (2,337)	\$ (157)	\$ (1,214)	\$ 35,112
Retirement benefits adjustment	-	-	-	13	-	-	13
Stock based compensation	-	17	-	-	-	24	41
Net Loss	-	-	(1,547)	-	-	-	(1,547)
March 31, 2023	\$ 523	\$ 14,573	\$ 22,194	\$ (2,324)	\$ (157)	\$ (1,190)	\$ 33,619
Retirement benefits adjustment	-	-	-	12	-	-	12
Stock based compensation	1	14	-	-	-	18	33
Net Loss	-	-	(9,500)	-	-	-	(9,500)
June 30, 2023	\$ 524	\$ 14,587	\$ 12,694	\$ (2,312)	\$ (157)	\$ (1,172)	\$ 24,164
Retirement benefits adjustment	-	-	-	17	-	-	17
Stock based compensation	1	16	-	-	-	20	37
Net Loss	-	-	(205)	-	-	-	(205)
September 30, 2023	<u>\$ 525</u>	<u>\$ 14,603</u>	<u>\$ 12,489</u>	<u>\$ (2,295)</u>	<u>\$ (157)</u>	<u>\$ (1,152)</u>	<u>\$ 24,013</u>

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

Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of common 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 common 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 were outstanding for the period. The dilutive effect of unvested restrictive stock is determined using the treasury stock method. However, if the assumed common shares are anti-dilutive, basic and diluted earnings per share are the same.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(Loss) income from continuing operations	\$ (453)	\$ 182	\$ (251)	\$ (3,926)
Loss from discontinued operation	(43)	(386)	(72)	(7,326)
Net loss	<u>\$ (496)</u>	<u>\$ (204)</u>	<u>\$ (323)</u>	<u>\$ (11,252)</u>
Weighted average common shares outstanding (basic and diluted)	<u>2,508</u>	<u>2,472</u>	<u>2,503</u>	<u>2,465</u>
Unvested restricted stock (service-based) (antidilutive)	<u>22</u>	<u>24</u>	<u>22</u>	<u>24</u>
Basic and diluted (loss) earnings per share:				
Continuing operations	\$ (0.18)	\$ 0.07	\$ (0.10)	\$ (1.59)
Discontinued operation	(0.02)	(0.16)	(0.03)	(2.97)
Basic and diluted loss per share	<u>\$ (0.20)</u>	<u>\$ (0.09)</u>	<u>\$ (0.13)</u>	<u>\$ (4.56)</u>

Stock-Based Compensation

The Company's 2022 Equity Incentive Plan ("Equity Plan") was approved by the shareholders at the 2022 Annual Meeting of Shareholders. The Equity Plan allows for various types of awards (rights) to be granted, including incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, performance share awards, cash awards, or any other equity-based awards. The total number of awards under the Equity Plan are limited to a maximum of 200,000 authorized common shares.

The Company's executive compensation program established by the Board of Directors (Board) determines the type of awards available to the Company's executives. The program consists of a cash incentive plan and a long-term incentive plan ("LTIP") that are awarded annually. The LTIP includes service-based (restricted) share awards that vest annually over three years, and performance-based (restricted) share awards that cliff-vest based on the achievement of a financial metric over a specified three-year period.

On March 26, 2024, 7,180 service-based shares were granted to Company executives under the 2024-2026 LTIP Stock Award. Additionally, on January 29, 2024, 1,786 service-based shares were granted in connection with the hiring of an executive officer, and vest after a one-year service period. On September 18, 2024, 1,905 of the LTIP shares and 1,786 of the shares related to the hiring were forfeited upon the resignation of the executive officer (3,691 total forfeited shares).

The Company's director compensation policy provides that non-employee directors receive a portion of their annual retainer in the form of restricted shares under the Equity Plan. These shares vest quarterly over a twelve-month service period, have voting rights, and any dividends declared and paid during the restricted period accrue and are paid upon vesting. The aggregate amount of expense to the Company, measured based on the grant date fair value, is recognized over the requisite service period. On May 10, 2024, an aggregate of 9,980 restricted shares were issued with a grant date fair value of \$125,000. On August 8, 2024, the Board approved the full vesting of 1,996 restricted shares with a grant date fair value of \$ 25,000 due to the death of a Board member, which was expensed during the third quarter.

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

A summary of the status of restricted (service-based) share awards granted is presented below:

	Shares	Weighted Average Grant Date Fair Value
Service-Based Share Activity:		
Unvested at December 31, 2023	22,448	\$ 11.45
Granted in 2024	18,946	\$ 12.70
Forfeited in 2024	(3,691)	\$ 13.29
Vested in 2024	(15,799)	\$ 11.80
Unvested at September 30, 2024	<u>21,904</u>	\$ 11.97

Included in the nine-month periods ended September 30, 2024 and 2023 is approximately \$185,000 and \$111,000, respectively, of stock-based compensation expense related to the service-based share awards. The Company has approximately \$262,000 of stock-based compensation expense related to unvested service-based shares to be recognized over the requisite service periods.

Restricted, performance-based share awards represent a right to receive a certain number of shares of common stock based on the achievement of corporate performance goals and continued employment during the performance period. Performance-based share awards granted to executives vest at the end of a three-year period and are not issued until the performance period is complete and the metrics are achieved. Vested and issued shares may range from 0% to a maximum of 200% of targeted amounts depending on the achievement of performance measures at the end of a three-year period. The expected cost of the shares is based on the date of grant fair value and the Company's assessment of the probability that the performance condition will be achieved at target (100%). Any related compensation expense is recognized when the probability is likely that the performance criteria will be achieved. Forfeitures are recognized as they occur. These awards may be settled in cash or shares of common stock at the election of the Company on the date of grant. It is the Company's intent to settle performance-based share awards with shares of common stock.

On March 26, 2024, 21,541 performance-based share awards (at target) were granted to Company executives under the 2024-2026 LTIP Stock Award at a grant date fair value of \$12.63 per share, of which 5,716 share awards were forfeited on September 18, 2024 upon the resignation of an executive officer. On December 13, 2023, 17,380 performance-based share awards (at target) were granted to Company executives under the 2023-2025 LTIP Stock Award at a grant date fair value of \$ 11.50 per share.

A summary of the status of performance-based share awards granted is presented below:

	Shares	Weighted Average Grant Date Fair Value
Performance-Based Share Activity:		
Unvested at December 31, 2023	17,380	\$ 11.50
Granted in 2024	21,541	\$ 12.63
Forfeited in 2024	(5,716)	\$ 12.63
Vested in 2024	-	\$ -
Unvested at September 30, 2024	<u>33,205</u>	\$ 12.04

No stock-based compensation expense related to performance-based share awards is included in the nine-month periods ended September 30, 2024 and 2023, as the probability of achieving the financial metric required for vesting and issuance of the share awards is deemed not probable for the 2023-2025 and 2024-2026 LTIP Awards granted to executives. The maximum potential stock-based compensation expense for the performance-based share awards under the 2023-2025 and 2024-2026 LTIP Stock Awards is approximately \$800,000.

8. Income Taxes

The income tax expense in the Condensed Consolidated Statements of Operations is \$ 0 for the three- and nine-month periods ended September 30, 2024 compared to an income tax expense of \$ 0 and approximately \$1,063,000 for the three- and nine-month periods ended September 30, 2023, respectively, due to the valuation allowance recorded against the net deferred tax assets as of September 30, 2024 and 2023. The valuation allowance was initially recorded during the second quarter of 2023 based on management's determination that it is more likely than not that the Company will not realize the net deferred tax assets in the future.

The effective tax rate for the three- and nine-month periods ended September 30, 2024 is 0%, compared to an effective tax rate of 0% and (10.4%) for the three- and nine-month periods ended September 30, 2023, respectively. The difference between the statutory rate of 21% and the effective tax rate expense of 0% for the three- and nine-month periods ended September 30, 2024 is due to the valuation allowance recorded against the deferred tax assets (net) as of September 30, 2024.

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

9. Commitments and Contingencies

In the course of its business, the Company is subject to a variety of claims and lawsuits that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. Because litigation outcomes are inherently unpredictable, the Company's evaluation of legal proceedings often involves a series of complex assessments by Management, after consulting with legal counsel, about future events and can rely heavily on estimates and assumptions. The Company carries liability insurance, subject to certain deductibles and policy limits, for such claims as they arise and may from time to time establish reserves for litigation that is considered probable of a loss. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

During 2023, the Company entered into discussions with a particular customer regarding product liability costs and customer damages ("claim") resulting from non-conforming product shipped to the customer in prior years. Prior to 2023, the Company considered the risk of loss to be remote, however, the claim was received from the customer and submitted to the Company's insurance carrier in 2024. The insurance carrier determined the claim was covered by insurance for approximately \$1,000,000 and proceeds were received during the second quarter. The claim liability of approximately \$1,000,000 included in accrued liabilities as of June 30, 2024, was paid to the customer in July 2024, and the claim was settled.

On December 21, 2021, the Company's former Chief Executive Officer ("Former CEO") delivered his Notice of Termination and alleged that the Company breached the terms of the Employment Agreement between the Company and the Former CEO by, among others, placing the Former CEO on paid administrative leave in June 2021 pending an internal investigation. On December 22, 2021, the Board of Directors accepted the Former CEO's resignation from the Company but rejected his request to treat his resignation as resignation for good reason under Paragraph 10 of his Employment Agreement. The Board also determined, based on the findings of its investigation, that the Former CEO committed willful malfeasance in violation of his Employment Agreement, and that such willful malfeasance would have justified termination of employment pursuant to Paragraph 9 of the Employment Agreement, but for his earlier resignation. The Former CEO claims that he is entitled to a severance payment equal to 2.99 times his average annual compensation as set forth in the Employment Agreement, plus the reimbursement of certain expenses and the value of any lost benefits. In September 2024, mediation efforts between the Company and the Former CEO resulted in a good-faith agreement in principle for settlement of the dispute between the two parties, which is expected to be executed prior to the end of 2024. The agreement is anticipated to settle all matters previously noted for approximately \$570,000. The settlement agreement does not impact the post-retirement benefits under the employment agreement. As it is probable that a liability will be realizable and the settlement is estimable, a contingent liability of \$570,000 has been recorded with respect to this matter as of September 30, 2024. This legal settlement cost is reflected as a separate component of operating costs for the three- and nine-month periods ended September 30, 2024.

SERVOTRONICS, INC. AND SUBSIDIARIES
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On June 7, 2021, a Summons and Complaint was filed by an employee in the Supreme Court of the State of New York, County of Erie, against Servotronics, Inc., the Servotronics' Board of Directors, The Ontario Knife Company and Kenneth D. Trbovich (collectively, the "Defendants"). The Complaint alleges certain violations under the New York Human Rights Law by the Defendants relating to the employee's employment by the Company as well as intentional and negligent infliction of emotional distress. The Complaint also alleges certain purported derivative causes of action against all Defendants, including breach of fiduciary duties, fraud and corporate waste. The Complaint seeks monetary damages in an amount not less than \$5,000,000 with respect to the direct causes of action and equitable relief with respect to the purported derivative causes of action. The Defendants filed a motion to dismiss the Complaint on August 6, 2021. On January 13, 2022, the Defendants' motion to dismiss was granted, in part, and denied, in part. The Company is insured for such matters in the amount of \$3 million with a retention of \$250,000 for defense costs. During 2023, the Company met the retention amount, so defense costs are covered by insurance. Additionally, there is an excess coverage policy for \$3 million that considers the retention payment from the primary insurance policy as the excess \$3 million retention. Based on the information known by the Company as of the date of this filing, the Company does not consider the risk of loss to be probable and is unable to reasonably or accurately estimate the likelihood and amount of any liability that may be realized as a result of this litigation. Accordingly, no loss has been recognized in the accompanying Condensed Consolidated Financial Statements related to this litigation. The Company is vigorously defending against 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.

10. Customer and Supplier Concentration

The Company's revenue includes significant concentration from a limited number of customers representing approximately 88% of revenue for both the three- and nine-month periods ended September 30, 2024 compared to 92% and 90% for the three- and nine-month periods ended September 30, 2023, respectively. While the Company continues to pursue diversification of its customer base, the loss of, or significant reduction in business from, any of these major customers could have a material adverse effect on the Company's financial condition, results of operations, and cash flows. The Company routinely assesses its relationships with major customers, including creditworthiness, market conditions, and competitive pressures, to mitigate risks associated with customer concentration. Despite these efforts, there can be no assurance that the Company will successfully reduce its dependence on any single customer in the future.

The Company relies on a variety of suppliers for the procurement of raw materials, components, and services necessary for its operations. While the Company actively manages its relationships with suppliers and seeks to diversify its supplier base, a disruption in the supply of goods or services from a major supplier could have a material adverse effect on the Company's operations and financial results. To mitigate the risks associated with supplier concentration, the Company engages in ongoing efforts to identify alternative sources of supply, assess supplier reliability and performance, and negotiate favorable contractual terms where feasible. However, there can be no assurance that the Company will be successful in reducing its dependence on any single supplier or mitigating the impact of supplier-related risks in the future. During the three- and nine-month periods ended September 30, 2024, there were no purchases for products derived from one supplier greater than 10% of total vendor purchases compared to 11% and 10% from one supplier for the three- and nine-month periods ended September 30, 2023, respectively.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and the related notes appearing elsewhere in this report.

The discussion and analysis contain forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements due to many known and unknown risks and uncertainties described elsewhere in this report.

Business Overview & Environment

We are a strategic partner in the aerospace industry, playing a key role in supporting the growth of commercial airplanes, including narrow body and widebody aircraft and business jets. We have long-term customer contracts resulting from being a trusted partner in safety-critical, high-temperature, and high-vibration environments. Our servo-control components and advanced technology products are sold to commercial aerospace, government, medical, and industrial markets. Through strong industry partnerships, innovative product offerings, and a commitment to excellence, we aim to maintain our leadership position and capitalize on emerging opportunities in the dynamic commercial aerospace landscape, as well as the other markets.

As disclosed in Note 1 of the Condensed Consolidated Financial Statements, we divested the OKC operations and exited the CPG business segment during 2023. This divestiture represented a strategic shift, and we realigned our corporate and management reporting structure to focus solely on servo-control components and other advanced technology products as a single reportable segment. This segment structure reflects the financial information and reports used by our Management team, specifically the Chief Executive Officer. Therefore, the management discussion and analysis below pertain only to the results of operations of our continuing operations, unless otherwise noted.

Commercial Aerospace Market

The commercial aerospace market, characterized by its dynamic nature, is witnessing unprecedented growth driven by increased global travel demands. We are deeply involved in providing cutting-edge solutions and components to meet the evolving needs of aerospace manufacturers and operators worldwide. Our strategic focus within this market encompasses developing and supplying advanced materials, components, and systems that enhance aircraft performance, efficiency, and safety. The commercial aerospace industry's ability to meet the significant travel demand is currently hindered by supply chain issues as well as ongoing challenges with supply of parts and people constraints. We have been, and continue to be, challenged by these same factors, as noted in our Management Summary.

Marketing Strategy

Our marketing strategy focuses on expanding business in primary markets, such as commercial aviation, while exploring new opportunities in markets like energy and industrials as part of our growth strategy. This approach capitalizes on our technology and expertise in applications for our servo-controls and other advanced technology products, meeting the expanding demands of these sectors.

Furthermore, our strategy includes expanding our services in the defense sector, strategically aligning with the increasing demand for modernizing and renewing military fleets. We actively collaborate with Tier 2 Defense Contractors by providing essential components for various defense applications. In doing so, we contribute critical components to military platforms that require the highest levels of precision and reliability. By expanding our services in the defense sector, we are diversifying our portfolio and reinforcing our commitment to excellence across a wide range of aerospace applications. This balance between our commercial and defense activities positions us to strategically leverage growth opportunities in both areas due to our reputation for delivering unparalleled quality in the most challenging environments.

Results of Operations

The following table compares the Company's Consolidated Statements of Operations data for the three- and nine-month periods ended September 30, 2024 and 2023:

(dollars in thousands)	Three Months Ended September 30,				2024 vs 2023	
	2024		2023		\$ Change	% Change
	Dollars	% Sales	Dollars	% Sales		
Revenues	\$ 12,430	100.0%	\$ 11,582	100.0%	\$ 848	7.3%
Cost of goods sold	10,162	81.8%	9,083	78.4%	1,079	11.9%
Gross profit	2,268	18.2%	2,499	21.6%	(231)	(9.2)%
Selling, general and administrative	1,979	15.9%	2,219	19.2%	(240)	(10.8)%
Legal settlement	570	4.6%	-	0.0%	570	100.0%
Operating (loss) income	(281)	(2.3)%	280	2.4%	(561)	200.4%
Other expenses	172	1.4%	98	0.8%	74	75.5%
(Loss) income before income taxes	(453)	(3.6)%	182	1.6%	(635)	(348.9)%
Income taxes	-	0.0%	-	0.0%	-	0.0%
(Loss) income from continuing operations	\$ (453)	(3.6)%	\$ 182	1.6%	\$ (635)	(348.9)%

(dollars in thousands)	Nine Months Ended September 30,				2024 vs 2023	
	2024		2023		\$ Change	% Change
	Dollars	% Sales	Dollars	% Sales		
Revenues	\$ 35,149	100.0%	\$ 31,291	100.0%	\$ 3,858	12.3%
Cost of goods sold	28,083	79.9%	26,252	83.9%	1,831	7.0%
Gross profit	7,066	20.1%	5,039	16.1%	2,027	40.2%
Selling, general and administrative	6,394	18.2%	7,663	24.5%	(1,269)	(16.6)%
Legal settlement	570	1.6%	-	0.0%	570	100.0%
Operating income (loss)	102	0.3%	(2,624)	(8.4)%	2,726	103.9%
Other expenses	353	1.0%	239	0.8%	114	47.7%
(Loss) before income taxes	(251)	(0.7)%	(2,863)	(9.1)%	2,612	91.2%
Income taxes	-	0.0%	(1,063)	(3.4)%	1,063	(100.0)%
(Loss) from continuing operations	\$ (251)	(0.7)%	\$ (3,926)	(12.5)%	\$ 3,675	93.6%

Revenue

Revenue for the three-month period ended September 30, 2024 increased by approximately \$848,000, or 7.3%, compared to the same period in 2023. This was driven by an increase in volume of approximately \$467,000 and price increases of approximately \$401,000, partially offset by unfavorable product mix of approximately \$(20,000). Our foreign sales were approximately \$3,209,000 for the three-month period ended September 30, 2024 compared to \$3,652,000 for the same period in 2023, a decrease of approximately \$(443,000), or (12.1)%.

Revenue for the nine-month period ended September 30, 2024 increased by approximately \$3,858,000, or 12.3%, compared to the same period in 2023. This was driven by an increase in volume of approximately \$2,980,000 and price increases of approximately \$1,019,000, partially offset by unfavorable product mix of approximately \$(140,000). Our foreign sales were \$8,968,000 for the nine-month period ended September 30, 2024 compared to \$8,763,000 for the same period in 2023, a growth of approximately \$205,000, or 2.3%.

The significant revenue growth over prior year is reflective of our successful focus on supporting our strong customer demand, notwithstanding reforecasting challenges that began during the third quarter of 2024 and are expected to continue through the remainder of the year. Our lower foreign sales for the quarter were a function of sales mix, however, our foreign sales for the year to date continue to constitute a substantial part of our overall revenue stream and can be attributed to the amplified demand for our products/services.

Gross Profit/Margin

Gross profit decreased approximately \$231,000, or 9.2%, for the three-month period ended September 30, 2024 when compared to the same period in 2023 resulting in a gross margin of 18.2% in the 2024 period, compared to a margin of 21.6% for the same period in 2023.

Gross profit increased approximately \$2,027,000, or 40.2%, for the nine-month period ended September 30, 2024 when compared to the same period in 2023, resulting in a gross margin of 20.1% in the 2024 period, compared to a margin of 16.1% for the same period in 2023.

The gross profit and gross margin for the quarter were negatively impacted by unfavorable product mix and higher overhead costs due to fewer research & development (R&D) project costs when compared to the prior year. These were partially offset by product liability costs recorded for a specific customer claim in the prior year. The improvements in gross profit and gross margin for the year were positively impacted by price increases, higher production volumes, and improved labor utilization, when compared to prior year. These improvements were partially offset by unfavorable product mix and overhead costs resulting from lower R&D project costs in the current year.

Selling, General and Administrative ("SG&A")

SG&A expenses for the three-month period ended September 30, 2024 of approximately \$1,979,000 decreased \$240,000, or 10.8%, when compared to \$7,219,000 during the same period in 2023. SG&A expenses as a percentage of revenue are 15.9% for the three-month period ended September 30, 2024 compared to 19.2% for the same period in 2023.

SG&A expenses for the nine-month period ended September 30, 2024 of approximately \$6,394,000 decreased \$1,269,000, or 16.6%, when compared to \$7,663,000 during the same period in 2023. SG&A expenses as a percentage of revenue are 18.2% for the nine-month period ended September 30, 2024 compared to 24.5% for the same period in 2023.

The SG&A expense decrease for the quarter is attributable to lower R&D project costs and higher legal costs when compared to the prior year. The improvement in SG&A expense for the year is also driven by lower R&D project costs and professional and legal costs due to the significant, non-recurring bank refinancing, proxy contest and corporate restructuring charges in the prior year. The SG&A expense as a percentage of revenue in the current year is more aligned with our expectations of standard business operations and cost containment efforts when compared to the prior year.

Legal Settlement

Legal settlement expense was approximately \$570,000 the three- and nine-month periods ended September 30, 2024 compared to \$0 during the same period in 2023 and is attributable to the expected settlement agreement related to employment contract disputes with a former officer of the Company prior to the end of year. As this expense is nonroutine in nature, it is shown as a separate component of operating costs in the current year.

Operating (Loss) Income

Operating loss of approximately \$(281,000) for the three-month period ended September 30, 2024 declined by approximately \$(561,000) when compared to operating income of \$280,000 during the same period in 2023.

Operating income of approximately \$102,000 for the nine-month period ended September 30, 2024 improved by approximately \$2,726,000 when compared to the operating loss of \$(2,624,000) during the same period in 2023.

The operating loss for the quarter was driven by the legal settlement costs, combined with unfavorable product mix and higher manufacturing costs. This was partially offset by lower SG&A expense in the current year and product liability costs incurred in the prior year. The significant improvement in operating income for the year when compared to the prior year is due to double-digit revenue and gross profit growth, gross margin improvement driven by higher production output and utilization, and lower operating costs.

Other Expense

For the three-month period ended September 30, 2024, other expense increased by approximately \$74,000, or 75.5%, compared to the same period in 2023.

For the nine-month period ended September 30, 2024, other expense increased by approximately \$114,000, or 47.7%, compared to the same period in 2023.

The increase in interest and other expense the quarter was driven primarily by the annual facility fee for our asset-based line of credit that did not occur in the prior year. The increase for the nine months was due to the annual facility fee incurred in the quarter and higher interest rates in the current year when compared to the prior year.

(Loss) Income from Continuing Operations before Income Taxes

For the three-month period ended September 30, 2024, loss before income taxes was \$(453,000), a decrease of approximately \$(635,000), or (348.9)%, compared to income before income taxes of \$182,000 during the same period in 2023.

For the nine-month period ended September 30, 2024, loss before income taxes was \$(251,000), an increase of approximately \$2,612,000, or 91.2%, compared to a loss before income taxes of \$(2,863,000) during the same period in 2023.

The loss before taxes for the quarter was due to the operating loss and higher interest and other expense, as noted above. The significant improvement in loss before taxes was due to the operating income for the year, as noted above.

Income Taxes

No tax expense was recorded in the quarter for the current and prior year, as the tax benefit related to the pretax loss is considered a deferred tax asset, and a full valuation allowance has been established against deferred tax assets. Consistent with the current quarter, no tax expense was recorded for the current year, however, tax expense of approximately \$1,063,000 was recorded in the prior year due to the recording of the valuation allowance, as noted.

The Company's effective tax rate was 0.0% for the three-month periods ended September 30, 2024 and 2023, respectively. The Company's effective tax rate was 0.0% and (10.4%) for the nine-month periods ended September 30, 2024 and 2023, respectively. The difference between the effective tax rates and the statutory rate of 21.0% in the current and prior year reflects the impact of a full valuation allowance against the deferred tax assets. See also Note 8, Income Taxes, of the accompanying Condensed Consolidated Financial Statements, for information concerning income taxes.

Loss (Income) from Continuing Operations net of Tax

Loss from continuing operations of \$(453,000) for the three-month period ended September 30, 2024 declined by approximately \$(635,000) when compared to income from continuing operations of \$182,000 for the same period in 2023 due to the reasons noted above.

Loss from continuing operations of \$(251,000) for the nine-month period ended September 30, 2024 improved by approximately \$3,675,000 when compared to the loss from continuing operations of \$(3,926,000) for the same period in 2023 due to the reasons noted above.

Loss from Discontinued Operation

Loss from discontinued operation, net of tax, of \$(43,000) for the three-month period ended September 30, 2024 improved by approximately \$343,000 when compared to the loss from discontinued operation of \$(386,000) for the same period in 2023, as wind-down costs associated with the OKC operations and divestiture costs related to the CPG business segment are substantially complete when compared to the prior quarter.

Loss from discontinued operation, net of tax, of \$(72,000) for the nine-month period ended September 30, 2024 improved by approximately \$7,254,000 when compared to the loss from discontinued operation of \$(7,326,000) for the same period in 2023, as wind-down costs associated with the OKC operations and divestiture costs related to the CPG business segment are substantially complete when compared to the prior year.

Liquidity and Capital Resources

(in thousands)	Nine-Month Periods Ended September 30,	
	2024	2023
CASH FLOW DATA:		
Net Cash Flows from:		
Operating Activities	\$ 11	\$ (4,908)
Investing Activities	\$ (933)	\$ (606)
Financing Activities	\$ 1,045	\$ 1,663
Discontinued Operation Activities	\$ (172)	\$ 347
FINANCIAL POSITION:		
Working Capital	\$ 21,845	\$ 20,795
CAPITAL EXPENDITURES:	\$ (958)	\$ (606)

Operating Activities:

Cash provided by operating activities of \$11,000 for the nine-month period ended September 30, 2024 represents an increase in cash flow from operations of \$4,919,000 when compared to the cash use of \$(4,908,000) during the same period in 2023. The source of cash in the current year is due primarily to the increase in accounts payable offset by an increase in inventories to support higher production output. The use of cash in the prior year was due primarily to significant operating losses and an increase in accounts receivable.

We had working capital of approximately \$21,845,000 and \$20,795,000 as of September 30, 2024 and September 30, 2023, respectively, of which approximately \$196,000 and \$308,000 as of September 30, 2024 and September 30, 2023, respectively, was comprised of cash and restricted cash. The increase in working capital is due primarily to higher inventory levels to support our production output and revenue growth.

Investing Activities:

We used approximately \$(933,000) for investing activities during the nine-month period ended September 30, 2024, and used approximately \$(606,000) during the same period in 2023. The investing activities were used for capital expenditures (machinery and equipment and building improvements).

Financing Activities:

Cash provided by financing activities of \$1,045,000 was driven primarily by advances from our line of credit (net of payments) of approximately \$1,066,000 during the nine-month period ended September 30, 2024. Our primary source of cash of approximately \$1,663,000 for the nine-month period ended September 30, 2023 was due to advances from our line of credit (net of payments) of approximately \$2,164,000, partially offset by the payment of our equipment loans of approximately \$(501,000).

Discontinued Operation Activities:

Our use of cash from discontinued operating activities of approximately \$(172,000) during the nine-month period ended September 30, 2024 resulted from operating losses, wind-down and divestiture costs, which are substantially complete. For the same period in 2023, our source of cash of approximately \$347,000 resulted from the proceeds from the sale of OKC assets, mostly offset by operating losses, wind-down and divestiture costs.

Ongoing Liquidity Considerations:

The significant improvement in operating results compared to prior year and the availability of funding from our credit facility provides us with adequate working capital and sufficient liquidity to fund our operations in the near term. We understand, however, that our ability to maintain sufficient liquidity is highly dependent upon achieving our expected operating results. Failure to achieve our expected operating results could have a material adverse effect on our liquidity and our ability to obtain financing to support operations.

Management Summary

We are pleased with our revenue growth of 7% despite the challenges we are facing as a supplier for the commercial aerospace market, which is experiencing unprecedented headwinds in 2024. The aerospace industry has been rapidly ramping up over the last two years creating volatility in the market, including supply chain disruptions, demand and forecasting changes, and labor shortages and strikes. We are not immune to this volatility and the significant impact that the large aerospace manufacturers have on their supply chain. That said, our significant customers are reforecasting their demand for the remainder of the year and 2025. We are actively navigating through the complexity of aligning our customers' reforecasts with our production output to achieve profitability.

We will continue to effectively manage costs and focus on operating cash flow, which reinforces our commitment to achieving profitability and enhancing shareholder value.

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 September 30, 2024. Based upon that evaluation, the CEO and CFO concluded that these disclosure controls and procedures were effective as of September 30, 2024.

Changes in Internal Controls

There have been no changes during the period covered by this report to the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth in Note 9, Commitments and Contingencies, 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, earnings or cash flows of the Company.

Item 1A. Risk Factors

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

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

None

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(c) Trading Plans

During the three-month period ended September 30, 2024, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

- | | |
|------|--|
| 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 (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 September 30, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations, (iii) condensed consolidated statements of comprehensive income, (iv) condensed consolidated statements of cash flows and (v) the notes to the condensed consolidated financial statements. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in exhibits 101). |

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this report, the words "project," "believe," "plan," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve numerous risks and uncertainties which may cause the actual results of the Company to be materially different from future results expressed or implied by such forward-looking statements. There are a number of factors that will influence the Company's future operations, including: uncertainties in today's global economy, including political risks, adverse changes in legal and regulatory environments, and difficulty in predicting defense appropriations, the introduction of new technologies and the impact of competitive products, 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 Company's ability to accurately align capacity with demand, the availability of financing and changes in interest rates, the outcome of pending and potential litigation, and on commercial activity and demand across our and our customers' businesses, and on global supply chains, the ability of the Company to obtain and retain key executives and employees and the additional risks discussed elsewhere in this Form 10-Q and in the Company's other filings with the Securities and Exchange Commission. 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, whether as a result of new information, future events or otherwise.

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: November 8, 2024

SERVOTRONICS, INC.

By: /s/ William F. Farrell, Jr., Chief Executive Officer
William F. Farrell, Jr.
Chief Executive Officer

By: /s/ Robert A. Fraass, Chief Financial Officer
Robert A. Fraass
Chief Financial Officer

CERTIFICATION

I, William F. Farrell Jr., 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: November 8, 2024

/s/ William F. Farrell, Jr., Chief Executive Officer
William F. Farrell, Jr.
Chief Executive Officer

CERTIFICATION

I, Robert A. Fraass, 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: November 8, 2024

/s/ Robert A. Fraass, Chief Financial Officer
Robert A. Fraass
Chief Financial Officer

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 September 30, 2024, 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: November 8, 2024

/s/ William F. Farrell, Jr., Chief Executive Officer

William F. Farrell, Jr.
Chief Executive Officer

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 September 30, 2024, 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: November 8, 2024

/s/Robert A. Fraass, Chief Financial Officer

Robert A. Fraass
Chief Financial Officer