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SERVOTRONICS INC /DE/  
Form 10QSB  
August 22, 2005

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

- X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2005
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1 - 07109

SERVOTRONICS, INC.

-----  
(Exact name of small business issuer as specified in its charter)

Delaware  
-----

16-0837866  
-----

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer  
Identification No.)

1110 Maple Street, Elma, New York 14059-0300  
-----

(Address of principal executive offices)

716-655-5990  
-----

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 X. \_\_\_

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	Outstanding at July 31, 2005
Common Stock, \$.20 par value	2,492,901

Transitional Small Business Disclosure Format (Check one):

Yes \_\_\_\_\_ ; No \_\_\_\_\_ X

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PART I  
FINANCIAL INFORMATION

- Item 1. FINANCIAL STATEMENTS (UNAUDITED)

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Due to the circumstances described in Item 3 regarding internal control procedures and deficiencies relating to payroll disbursements, our independent registered public accounting firm was unable to complete a review of the interim unaudited financial statements included in this Form 10-QSB due to the investigation not being complete. Notwithstanding the foregoing, our management believes that the financial statements and other information contained herein fairly presents, in all material respects, our financial condition and results of operations for the periods so indicated within this report.

SERVOTRONICS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(\$000's omitted except per share data)  
(Unaudited)

Assets  
Current assets:  
Cash  
Accounts receivable

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Inventories  
Prepaid income taxes  
Deferred income taxes  
Other assets

Total current assets

Property, plant and equipment, net

Other non-current assets

Liabilities and Shareholders' Equity

Current liabilities:

Current portion of long-term debt  
Accounts payable  
Accrued employee compensation and benefit costs  
Other accrued liabilities  
Accrued income taxes

Total current liabilities

Long-term debt

Deferred income taxes

Other non-current liability

Shareholders' equity:

Common stock, par value \$.20; authorized  
4,000,000 shares; Issued 2,614,506 shares  
Capital in excess of par value  
Retained earnings  
Accumulated other comprehensive loss

Employee stock ownership trust commitment  
Treasury stock, at cost 121,605 shares

Total shareholders' equity

See notes to consolidated financial statements

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SERVOTRONICS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OPERATIONS  
(\$000's omitted except per share data)

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(Unaudited)

	Three Months Ended		Six
	June 30,		2005
	2005	2004	2005
	-----	-----	-----
Net revenues	\$ 6,136	\$ 5,640	\$ 11,819
Costs and expenses:			
Cost of goods sold, exclusive of depreciation	4,617	4,145	8,867
Selling, general and administrative	990	951	1,996
Interest	48	36	96
Depreciation and amortization	170	165	337
	-----	-----	-----
	5,825	5,297	11,296
	-----	-----	-----
Income before income taxes	311	343	523
Income tax provision	116	128	194
	-----	-----	-----
Net income	\$ 195	\$ 215	\$ 329
	=====	=====	=====
Income Per Share:			
Basic			
-----			
Net income per share	\$ 0.09	\$ 0.11	\$ 0.16
	=====	=====	=====
Diluted			
-----			
Net income per share	\$ 0.09	\$ 0.10	\$ 0.15
	=====	=====	=====

See notes to consolidated financial statements

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

	Six Mon
	Jun
	2005
	-----
Cash flows related to operating activities:	
Net income	\$ 329
Adjustments to reconcile net income to net cash provided by operating activities -	
Depreciation and amortization	337
Change in assets and liabilities -	
Accounts receivable	(254)

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Inventories	406
Prepaid income taxes	(14)
Other assets	277
Other current assets	(17)
Accounts payable	(88)
Accrued employee compensation & benefit costs	50
Accrued income taxes	(2)
Other accrued liabilities	(37)
	-----
Net cash provided by operating activities	987
	-----
Cash flows related to investing activities:	
Capital expenditures - property, plant & equipment	(217)
	-----
Net cash used in investing activities	(217)
	-----
Cash flows related to financing activities:	
Principal payments on long-term debt	(106)
	-----
Net cash used in financing activities	(106)
	-----
Net increase in cash	664
Cash at beginning of period	2,106
	-----
Cash at end of period	\$ 2,770
	=====

See notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(\$000 omitted in tables except for per share data)

1. BASIS OF PRESENTATION

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The consolidated financial statements include the accounts of Servotronics, Inc. (the "Company") and its majority owned subsidiaries.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB and Article 310 of Regulation SB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The accompanying 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 six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005. The financial statements should be read in conjunction with the annual report and the notes thereto.

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## 2. SUMMARY OF RISK FACTORS AND SIGNIFICANT ACCOUNTING POLICIES

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### RISK FACTORS

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The aviation and aerospace industries as well as markets for the Company's consumer products are facing new and evolving challenges on a global basis. The success of the Company depends upon the trends of the economy, including interest rates, income tax laws, governmental regulation, legislation, and other risk factors. In addition, uncertainties in today's global economy, global competition, the effect of terrorism, difficulty in predicting defense and other government appropriations, the vitality of the commercial aviation industry and its ability to purchase new aircraft, the willingness and ability of the Company's customers to fund long-term purchase programs, volatile market demand and the continued market acceptance of the Company's advanced technology and cutlery products make it difficult to predict the impact on future financial results.

### REVENUE RECOGNITION

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The Company's revenues are recognized when the risks and rewards of ownership and title to the product are transferred to the customer as units are shipped and as terms and conditions of purchase orders are met.

## 3. INVENTORIES

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Raw materials and common parts	\$
Work-in-process	
Finished goods	

Less common parts expected to be used after one year

Inventories are stated at the lower of standard cost or net realizable value. Cost includes all cost incurred to bring each product to its present location and condition, which approximates actual cost (first-in, first-out). Market provisions in respect of net realizable value and obsolescence are applied to the gross value of the inventory. Pre-production and start-up costs are expensed as incurred.

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## 4. PROPERTY, PLANT AND EQUIPMENT

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Land	\$
Buildings	

June  
-----  
\$  
-----  
-----  
\$  
=====

June  
-----  
\$

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Machinery, equipment and tooling

Less accumulated depreciation

Property, plant and equipment includes land and building under a \$5,000,000 capital lease which can be purchased for a nominal amount at the end of the lease term. As of June 30, 2005, accumulated amortization on the building amounted to approximately \$1,450,000. The associated current and long-term liabilities are discussed in footnote 5 to the consolidated financial statements. The Company believes that it 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.

5. LONG-TERM DEBT  
-----

Industrial Development Revenue Bonds; secured by a letter of credit from a bank with interest payable monthly at a floating rate (2.48% at June 30, 2005)  
Term loan payable to a financial institution interest at LIBOR plus 2% (5.10% at June 30, 2005); quarterly principal payments of \$17,500 commencing January 1, 2005; payable in full in the fourth quarter of 2009  
Term loan payable to a financial institution interest at LIBOR plus 2% (5.39% at June 30, 2005) quarterly principal payments of \$26,786 through the fourth quarter of 2011  
Secured term loan payable to a government agency, monthly payments of approximately \$1,455 with interest waived payable through second quarter of 2012  
Secured term loan payable to a government agency monthly payments of \$1,950 including interest fixed at 3% payable through fourth quarter of 2015

Less current portion

Industrial Development Revenue Bonds were issued by a government agency to finance the construction of the Company's headquarters/Advanced Technology facility. Annual sinking fund payments of \$170,000 commenced December 1, 2000 and continue through 2013, with a final payment of \$2,620,000 due December 1, 2014. The Company has agreed to reimburse the issuer of the letter of credit if there are draws on that letter of credit. The Company pays the letter of credit bank an annual fee of 1% of the amount secured thereby and pays the remarketing agent for the bonds an annual fee of .25% of the principal amount outstanding. The Company's interest under the facility capital lease has been pledged to secure its obligations to the government agency, the bank and the bondholders.

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The Company also has a \$1,000,000 line of credit on which there was no balance outstanding at June 30, 2005.

### 6. COMMON SHAREHOLDERS' EQUITY

	Common stock						
	Number of shares issued	Amount	Capital in excess of par value	Retained earnings	ESOP	Treasury stock	Compreh inco
Balance December 31, 2004	2,614,506	\$523	\$13,033	\$2,246	(\$ 2,135)	(\$ 520)	
	=====	=====	=====	=====	=====	=====	
Comprehensive income							
Net income	-	-	-	\$ 329	-	-	\$ 329
	-----	-----	-----	-----	-----	-----	-----
Comprehensive income	-	-	-	-	-	-	\$ 329
	-----	-----	-----	-----	-----	-----	=====
Balance June 30, 2005	2,614,506	\$523	\$13,033	\$2,575	(\$ 2,135)	(\$ 520)	
	=====	=====	=====	=====	=====	=====	

### EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares outstanding during the period. Diluted earnings per share are 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 earnings per share were outstanding for the period.

	Three Months Ended June 30,		Six Mo Ju
	2005	2004	2005
	----	----	----
Net income	\$ 195	215	\$ 329
	=====	=====	=====
Weighted average common shares outstanding (basic)	2,071	2,048	2,071
Incremental shares from assumed conversions of stock options	65	52	69
Weighted average common shares outstanding (diluted)	2,136	2,100	2,140
 BASIC -----			
Net income per share	\$ 0.09	\$ 0.11	\$ 0.16
	=====	=====	=====
 DILUTED -----			
Net income per share	\$ 0.09	\$ 0.10	\$ 0.15



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7. BUSINESS SEGMENTS  
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The Company operates in two business segments, Advanced Technology Group and Consumer Products Group. The Company's reportable segments are strategic business units that offer different products and services. The segments are composed of separate corporations and are managed separately. Operations in Advanced Technology Group involve the design, manufacture, and marketing of servo-control components (i.e., control valves, actuators, etc.) for government and commercial industrial applications. Consumer Products Group'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 significant portion of finished products are for foreign end use.

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Six Month Period Ended June 30, 2005 -----	Advanced Technology Group -----	Consumer Products Group -----
Revenues from unaffiliated customers	\$ 6,364 =====	\$ 5,455 =====
Profit	\$ 973 =====	\$ 351 =====
Depreciation and amortization		
Interest expense		
General corporate expense		
Income before income taxes		
Six Month Period Ended June 30, 2004 -----	Advanced Technology Group -----	Consumer Products Group -----
Revenues from unaffiliated customers	\$ 5,329 =====	\$ 5,639 =====
Profit	\$ 782 =====	\$ 476 =====
Depreciation and amortization		
Interest expense		
General corporate expense		
Income before income taxes		
Three Month Period Ended June 30, 2005 -----	Advanced Technology Group -----	Consumer Products Group -----

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Revenues from unaffiliated customers	\$ 3,494	\$ 2,642
	=====	=====
Profit	\$ 560	\$ 153
	=====	=====
Depreciation and amortization		
Interest expense		
General corporate expense		
Income before income taxes		

Three Month Period Ended June 30, 2004 -----	Advanced Technology Group -----	Consumer Products Group -----
Revenues from unaffiliated customers	\$ 2,658	\$ 2,982
	=====	=====
Profit	\$ 384	\$ 292
	=====	=====
Depreciation and amortization		
Interest expense		
General corporate expense		
Income before income taxes		

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following table sets forth for the period indicated the percentage relationship of certain items in the consolidated statement of operations to net revenues, and the percentage increase or decrease of such items as compared to the indicated prior period.

	Relationship to net revenues three months ended June 30,		Period to period \$ increase (decrease)	Rel ne six 2005
	2005	2004	05-04	2005
	----	----	-----	-----
Net revenues				
Advanced technology products	56.9%	47.1%	31.5%	53.8
Consumer products	43.1%	52.9%	(11.4%)	46.2

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	----	----	----	----
	100.0%	100.0%	8.8%	100.0
Cost of goods sold, exclusive of depreciation	75.2%	73.5%	11.4%	75.0
	----	----	----	----
Gross profit	24.8%	26.5%	1.6%	25.0
	----	----	----	----
Selling, general and administrative	16.1%	16.9%	4.1%	16.9
Interest	0.8%	0.6%	33.3%	0.8
Depreciation and amortization	2.8%	2.9%	3.0%	2.9
	----	----	----	----
	19.7%	20.4%	4.9%	20.6
	----	----	----	----
Income before income taxes	5.1%	6.1%	(9.3%)	4.4
Income tax provision	1.9%	2.3%	(9.4%)	1.6
	----	----	----	----
Net income	3.2%	3.8%	(9.3%)	2.8
	===	===	---	---

### MANAGEMENT DISCUSSION

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During the six month period ended June 30, 2005 and for the comparable period ended June 30, 2004, approximately 47% of the Company's revenues were derived from contracts with agencies of the U.S. Government or their prime contractors and their subcontractors. Total government sales are anticipated to decrease in 2005 as a result of the scheduled completion of a significant government order to the CPG as previously reported. The Company's business is performed under fixed price contracts. Allocations of defense expenditures and government involvement in overseas military operations have had an impact on the Company's financial results. Sales of products sold for government applications have increased approximately 9% for the six month period ended June 30, 2005 compared to the corresponding period of 2004. While the Company remains optimistic in relation to these 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 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, market demand and acceptance both for the Company's products and its customers' products which incorporate Company-made components.

### RESULTS OF OPERATIONS

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The Company's consolidated results of operations for the six month period ended June 30, 2005 showed an approximate \$851,000 or 7.8% increase in net revenues to \$11,819,000 with a decrease in net income of approximately \$44,000 or 11.8% when compared to the same six month period of 2004. The Company's consolidated results of operations for the three month period ended June 30, 2005 showed an approximate \$496,000 or 8.8% increase in net revenues to \$6,136,000 with a decrease in net income of approximately \$20,000 or 9.3% when compared to the same three month period of 2004. The increase in revenues is primarily attributed to both increased government shipments and commercial shipments at the Advanced Technology Group.

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Gross profit for the six and three month periods ended June 30, 2005 remained consistent as a percentage of sales when compared to the same period in 2004. The Company continues to incur costs associated with prototype and

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preproduction activities that are expensed in the period incurred. These costs as well as product mix can contribute to fluctuations in gross profit from period to period.

Selling, general and administrative (SG&A) costs increased approximately 9.0% when compared to the same six month period in 2004 and increased 4.1% for the three month period ended June 30, 2005 when compared to the same three month period in 2004. The increase is primarily attributable to costs incurred for professional services and corporate governance necessitated by the Sarbanes-Oxley Act as well as increased marketing of the expanded sales effort of the ATG and CPG. The Company expects these costs to continue to be significant components of SG&A in the future. As discussed in Item 3, Controls and Procedures, senior management recently identified certain checks that were expensed as SG&A items. The aggregate amount of the known 2005 and 2004 checks is \$56,000 (\$33,000 after taxes effect) and \$70,000 (\$44,000 after taxes effect), respectively. The Company cannot assure that it has identified all similar checks for 2005 or prior years. Refer to Item 3 for further discussion.

Interest expense increased for the six months and quarter ended June 30, 2005 when compared to the same period in 2004 primarily due to an increase in institutional debt and market driven interest rates.

The Company continues to take advantage of the tax benefit for extraterritorial sales as well as the new manufacturing deductions allowable under the American Jobs Creation Act of 2004, which is reflected in the effective tax rate of approximately 37%.

### LIQUIDITY AND CAPITAL RESOURCES

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The Company's primary liquidity and capital requirements relate to the Company's working capital needs; primarily inventory, accounts receivable, capital investments in facilities, machinery, tools/dies and equipment and principal/interest payments on indebtedness. The Company's primary sources of liquidity in 2005 have been from positive cash flows from operations. These cash flows have been positively affected by efforts in inventory control and satisfactory payment terms with suppliers and customers.

As of June 30, 2005 there are no material commitments for capital expenditures.

The Company also has a \$1,000,000 line of credit on which there was no balance outstanding at June 30, 2005.

### OFF BALANCE SHEET ARRANGEMENTS

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None.

### CRITICAL ACCOUNTING POLICIES

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The Company prepares the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, we are required to make certain estimates, judgments and assumptions that the Company believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes that the following discussion addresses our most critical accounting policies, which are those that are most

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important to the portrayal of our financial condition and results of operations and which require our most difficult and subjective judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Note 2 to the accompanying consolidated financial statements includes a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

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### ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. As of June 30, 2005, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Interim Chief Financial Officer ("ICFO"), of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, the CEO and ICFO concluded that as more fully described below, as of June 30, 2005, our disclosure controls and procedures were not effective in timely alerting them to the material information relating to the Company (or the Company's consolidated subsidiaries) required to be included in our periodic filings with the SEC, such that the information relating to the Company, required to be disclosed in SEC reports (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 our CEO and ICFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting. Other than as described below, there has been no change in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Identified Controls and Procedure Weaknesses for Payroll Disbursements. Our senior management recently identified certain Company checks issued by a senior financial officer payable to that individual in the first and second quarters of our current fiscal year. These transactions do not comply with our control practices, nor has this individual been able to provide documentation supporting these checks. These payments were expensed in the year issued. Preliminary inquiry indicates that other transactions not supported by appropriate documents may have occurred in earlier years. We have advised our independent registered public accounting firm of this development. The individual referred to above does not currently have access to our accounts or assets, and has been requested to cooperate with an investigation.

The aggregate amount of the known 2005 and 2004 checks referred to above is \$56,000 (\$33,000 after tax effect) and \$70,000 (\$44,000 after tax effect), respectively. We cannot assure that we have identified all questionable transactions for 2005 or prior years. Our audit committee has been informed of these transactions and has engaged an accounting firm, which has had no prior or professional relationship with us to investigate, identify and quantify the payments and furnish a report to our audit committee. The investigation will include the current year and prior periods. Our audit committee has also engaged independent legal counsel to advise in this matter. The Company has notified its insurance carrier relative to the above.

We are currently not aware of any other weaknesses in our internal controls and procedures, other than the weakness relative to payroll disbursements as

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described above. In connection with this investigation, we will perform further evaluation and implement the appropriate remedial action. Notwithstanding the weakness in our controls and procedures relative to payroll disbursements, management believes that the information contained in this Form 10-QSB, including the financial statements contained herein, present, in all material respects, our financial condition and results of operations as of the dates so indicated.

We are only in the initial phases of establishing compliance of Section 404 of Sarbanes-Oxley Act. We anticipate expending significant additional resources to establish and maintain appropriate controls and procedures and to prepare the required financial and other information during the process of establishing our Section 404 Sarbanes-Oxley controls and procedures.

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### (d) Limitations on the effectiveness of Internal Controls. Our

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management, including the CEO and ICFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, and/or the degree of compliance with the policies or procedures may deteriorate.

## PART II OTHER INFORMATION

### ITEM 6. EXHIBITS

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- 10(A) (1) Employment contract for Dr. Nicholas D. Trbovich, Chief Executive Officer (Incorporated by reference to Exhibit 10(A) (1) to the Company's current report on Form 8-K filed on August 18, 2005).
- 10(A) (4) Employment contract for Nicholas D. Trbovich, Jr., Vice President (Incorporated by reference to Exhibit 10(A) (4) to the Company's current report on Form 8-K filed on August 18, 2005).
- 31.1 Certification of Interim 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.
- 31.2 Certification of Chief Executive Officer pursuant to

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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.

- 32.1 Certification of Interim Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 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.

FORWARD-LOOKING STATEMENTS

In addition to historical information, certain sections of this Form 10-QSB 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. 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-QSB. 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.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 22, 2005

SERVOTRONICS, INC.

By: /s/ CARI L. JAROSLAWSKY, Interim Chief Financial Officer  
-----  
Cari L. Jaroslowsky  
Interim Chief Financial Officer(effective 8/9/05)

By: /s/ RAYMOND C. ZIELINSKI, Vice President  
-----  
Raymond C. Zielinski  
Vice President

