

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)	<u>June 30, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
<u>Assets</u>		
Cash	\$ 1,017	\$ 904
Accounts receivable - net	8,164	7,468
Inventories	19,269	18,362
Prepaid expenses and other current assets	<u>2,527</u>	<u>2,806</u>
Total current assets	<u>30,977</u>	<u>29,540</u>
Net property and equipment	8,597	9,395
Goodwill	4,452	4,449
Other intangible assets - net	5,914	6,226
Deferred income taxes - net	386	226
Right-of-use assets – operating leases	2,958	3,281
Other assets – net	<u>107</u>	<u>250</u>
<u>Total assets</u>	<u>\$ 53,391</u>	<u>\$ 53,367</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ 370	\$ 1,374
Accounts payable	3,681	2,199
Accrued compensation and benefits	1,244	525
Accrued other liabilities	1,280	1,354
Current leased liabilities – operating leases	845	847
Current maturities of long-term debt (PPP loan)	<u>-</u>	<u>1,983</u>
Total current liabilities	<u>7,420</u>	<u>8,282</u>
Noncurrent leased liabilities – operating leases	2,158	2,474
Long-term debt, less current maturities (PPP loan)	-	946
Other liabilities	<u>110</u>	<u>127</u>
Total liabilities	<u>9,688</u>	<u>11,829</u>
<u>Total shareholders' equity</u>	<u>43,703</u>	<u>41,538</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 53,391</u>	<u>\$ 53,367</u>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In Thousand \$)	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net revenue	\$ 13,589	\$ 11,520	\$ 27,535	\$ 24,870
Cost of sales	<u>8,741</u>	<u>8,472</u>	<u>18,051</u>	<u>17,339</u>
Gross profit	4,848	3,048	9,484	7,531
Selling, general and administrative expenses	5,458	4,620	10,449	10,310
Impairment of goodwill and other intangible assets	<u>-</u>	<u>1,612</u>	<u>-</u>	<u>1,612</u>
Operating loss	(610)	(3,184)	(965)	(4,391)
Loss on sale of property and equipment	-	(1)	-	(1)
Other income	2,929	31	2,929	31
Interest income (expense)	<u>15</u>	<u>(41)</u>	<u>(7)</u>	<u>(97)</u>
Income (loss) before income taxes	2,334	(3,195)	1,957	(4,458)
Income tax benefit	<u>(89)</u>	<u>(814)</u>	<u>(159)</u>	<u>(1,319)</u>
Net income (loss)	\$ <u>2,423</u>	\$ <u>(2,381)</u>	\$ <u>2,116</u>	\$ <u>(3,139)</u>

P&F INDUSTRIES INC. AND SUBSIDIARIES

EARNINGS PER SHARE (UNAUDITED)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Basic earnings (loss) per share	<u>\$ 0.76</u>	<u>\$ (0.76)</u>	<u>\$ 0.67</u>	<u>\$ (1.00)</u>
Diluted earnings (loss) per share	<u>\$ 0.76</u>	<u>\$ (0.76)</u>	<u>\$ 0.66</u>	<u>\$ (1.00)</u>

P&F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(In Thousands \$)

	Six months ended June 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net income (loss)	\$ 2,116	\$ (3,139)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Non-cash and other charges:		
Depreciation and amortization	902	881
Amortization of other intangible assets	316	386
Rent expense from leased obligations	449	452
Amortization of debt issue costs	8	8
Amortization of consideration payable to a customer	135	135
Provision for losses on (recovery of) accounts receivable	59	(7)
Stock-based compensation	3	29
Restricted stock-based compensation	27	25
Forgiveness of PPP loan	(2,929)	—
Deferred income taxes	(159)	(656)
Loss on sale of fixed assets	7	1
Forgiveness of grant obligation	—	(31)
Impairment of goodwill and other intangible assets	—	1,612
Changes in operating assets and liabilities:		
Accounts receivable	(750)	1,882
Inventories	(895)	1,206
Prepaid expenses and other current assets	414	(732)
Accounts payable	1,482	1,332
Accrued compensation and benefits	718	(1,215)
Accrued other liabilities and other current liabilities	(64)	(477)
Payments on lease liabilities	(443)	(482)
Other liabilities	(28)	6
Total adjustments	(748)	4,355
Net cash provided by operating activities	1,368	1,216
Cash Flows from Investing Activities:		
Capital expenditures	\$ (247)	\$ (915)
Proceeds from disposal of property and equipment	—	1
Net cash used in investing activities	(247)	(914)
Cash Flows from Financing Activities:		
Dividend payments	—	(157)
Proceeds from exercise of stock options	—	3
Net payments relating to short-term borrowings	(1,004)	(3,074)
Proceeds from PPP loan	—	2,929
Net cash used in financing activities	(1,004)	(299)
Effect of exchange rate changes on cash	(4)	(15)
Net increase (decrease) in cash	113	(12)
Cash at beginning of period	904	380
Cash at end of period	\$ 1,017	\$ 368

P&F INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (continued)
(In Thousands \$)

Supplemental disclosures of cash flow information:

Cash paid for:		
Interest	\$ <u>19</u>	\$ <u>97</u>
Taxes	\$ <u>12</u>	<u>—</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ <u>6</u>	\$ <u>5</u>
Noncash information:		
Right of Use (“ROU”) assets recognized for new operating lease liabilities	\$ <u>53</u>	\$ <u>140</u>

P & F INDUSTRIES, INC. AND SUBSIDIARIES
NON-GAAP FINANCIAL MEASURE AND RECONCILIATION

COMPUTATION OF (EBITDA) - EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORIZATION

(UNAUDITED)

(In Thousands \$)	For the three-month periods ended		For the six-month periods ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net income (loss) (2)	\$ 2,423	\$ (2,381)	\$ 2,116	\$ (3,139)
Add:				
Depreciation and amortization	608	639	1,218	1,267
Interest (income) expense	(15)	41	7	97
Income tax benefit	<u>(89)</u>	<u>(814)</u>	<u>(159)</u>	<u>(1,319)</u>
	<u>504</u>	<u>(134)</u>	<u>1,066</u>	<u>45</u>
EBITDA (1)	<u>\$ 2,927</u>	<u>\$ (2,515)</u>	<u>\$ (3,182)</u>	<u>\$ (3,094)</u>

(1) The Company discloses a tabular comparison of EBITDA, which is a non-GAAP measure because it is instrumental in comparing the results from period to period. The Company’s management believes that the comparison of EBITDA provides greater insight into the Company’s results of operations for the periods presented. EBITDA should not be considered in isolation or as a substitute for operating income as reported on the face of our statement of operations.

(2) Included in the three- and six-month Net income for 2021 is the forgiveness of the \$2,929,200 PPP loan.

End