



P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Cash	\$ 1,043	\$ 1,334
Accounts receivable - net	8,507	12,883
Notes and other receivables	72	394
Inventories - net	31,286	31,736
Deferred income taxes - net	1,584	1,397
Assets of discontinued operations	33	56
Income tax refund receivable	327	226
Prepaid expenses and other current assets	<u>885</u>	<u>1,171</u>
Total current assets	43,737	49,197
Property and equipment	24,754	24,726
Less accumulated depreciation and amortization	<u>11,232</u>	<u>10,010</u>
Net property and equipment	13,522	14,716
Goodwill	4,183	4,594
Other intangible assets - net	3,121	11,104
Deferred Income taxes – net	5,424	3,445
Other assets – net	485	205
Assets of discontinued operations	-	9
Total assets	<u>\$ 70,472</u>	<u>\$ 83,270</u>
Liabilities and Shareholders' Equity		
Short-term borrowings	\$ 15,000	\$ 8,000
Accounts payable	1,961	5,042
Income taxes payable	-	525
Accrued compensation	913	1,805
Other accrued liabilities	2,825	3,490
Current maturities of long-term debt	6,515	6,305
Liabilities of discontinued operations	<u>31</u>	<u>30</u>
Total current liabilities	27,245	25,197
Long-term debt, less current maturities	9,029	19,744
Liabilities of discontinued operations	<u>331</u>	<u>343</u>
Total liabilities	36,605	45,284
Total shareholders' equity	<u>33,867</u>	<u>37,986</u>
Total liabilities and shareholders' equity	<u>\$ 70,472</u>	<u>\$ 83,270</u>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	<u>2008</u> (unaudited)	<u>2007</u> (unaudited)	<u>2008</u>	<u>2007</u>
Net revenue	\$15,674	\$ 24,905	\$87,657	\$110,825
Cost of sales	<u>11,365</u>	<u>17,256</u>	<u>60,742</u>	<u>77,983</u>
Gross profit	4,309	7,649	26,915	32,842
Selling, general and administrative expenses	4,899	6,486	24,295	28,100
Impairment of Goodwill and other intangible assets	<u>7,477</u>	<u>23,462</u>	<u>7,477</u>	<u>23,462</u>
Operating loss	(8,067)	(22,299)	(4,857)	(18,720)
Interest expense – net	<u>352</u>	<u>697</u>	<u>1,769</u>	<u>2,918</u>
Loss from continuing operations before income taxes	(8,419)	(22,996)	(6,626)	(21,638)
Income tax benefit	<u>(2,954)</u>	<u>(5,053)</u>	<u>(2,211)</u>	<u>(4,415)</u>
Loss from continuing operations before discontinued operations	<u>(5,465)</u>	<u>(17,943)</u>	<u>(4,415)</u>	<u>(17,223)</u>
Earnings from operation of discontinued operations net of tax	36	-	117	92
Gain on sale of asset of discontinued operations	=	=	=	<u>3,037</u>
Earnings from discontinued operations net of tax	<u>36</u>	<u>-</u>	<u>117</u>	<u>3,129</u>
Net loss	<u>\$ (5,429)</u>	<u>\$ (17,943)</u>	<u>\$ (4,298)</u>	<u>\$ (14,094)</u>
(Loss) earnings per common share:				
Basic:				
Continuing operations	\$ (1.51)	\$(4.93)	\$ (1.21)	\$(4.77)
Discontinued operations	<u>0.01</u>	<u>-</u>	<u>0.03</u>	<u>0.87</u>
Net loss per common share - basic	<u>\$ (1.50)</u>	<u>\$(4.93)</u>	<u>\$ (1.18)</u>	<u>\$(3.90)</u>
Diluted:				
Continuing operations	\$ (1.51)	\$(4.93)	\$ (1.21)	\$(4.77)
Discontinued operations	<u>0.01</u>	<u>-</u>	<u>0.03</u>	<u>0.87</u>
Net loss per common share - diluted	<u>\$ (1.50)</u>	<u>\$(4.93)</u>	<u>\$ (1.18)</u>	<u>\$(3.90)</u>
Weighted average common shares outstanding:				
Basic	<u>3,615</u>	<u>3,637</u>	<u>3,628</u>	<u>3,613</u>
Diluted	<u>3,615</u>	<u>3,637</u>	<u>3,628</u>	<u>3,613</u>