

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Assets</u>		
Cash	\$ 904	\$ 380
Accounts receivable - net	7,468	9,313
Inventories	18,362	22,882
Prepaid expenses and other current assets	<u>2,806</u>	<u>1,497</u>
Total current assets	<u>29,540</u>	<u>34,072</u>
Net property and equipment	9,395	10,109
Goodwill	4,449	4,726
Other intangible assets - net	6,226	8,259
Deferred income taxes - net	226	216
Right-of-use assets – operating leases	3,281	3,859
Other assets – net	<u>250</u>	<u>502</u>
Total assets	<u>\$ 53,367</u>	<u>\$ 61,743</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ 1,374	\$ 5,648
Accounts payable	2,199	1,843
Accrued compensation and benefits	525	2,019
Accrued other liabilities	1,354	1,568
Current maturities of long-term debt (PPP loan)	1,983	-
Current leased liabilities – operating leases	<u>847</u>	<u>879</u>
Total current liabilities	<u>8,282</u>	<u>11,957</u>
Non-current leased liabilities – operating leases	2,474	3,070
Long-term debt, less current maturities (PPP loan)	946	-
Other liabilities	<u>127</u>	<u>210</u>
Total liabilities	<u>11,829</u>	<u>15,237</u>
Total shareholders' equity	<u>41,538</u>	<u>46,506</u>
Total liabilities and shareholders' equity	<u>\$ 53,367</u>	<u>\$ 61,743</u>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In Thousand \$)	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net revenue	\$ 49,136	\$ 58,674
Cost of sales	<u>34,943</u>	<u>37,716</u>
Gross profit	14,193	20,958
Selling, general and administrative expenses	19,367	21,869
Impairment of goodwill and other intangible assets	<u>1,612</u>	=
Operating loss	(6,786)	(911)
(Loss) gain on sale of property and equipment	(35)	7,817
Other income	106	-
Interest expense	<u>(140)</u>	<u>(198)</u>
(Loss) income before income taxes	(6,855)	6,708
Income tax benefit (expense)	<u>1,901</u>	<u>(1,797)</u>
Net (loss) income	\$ <u>(4,954)</u>	\$ <u>4,911</u>

P&F INDUSTRIES INC. AND SUBSIDIARIES

(LOSS) EARNINGS PER SHARE (UNAUDITED)

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Basic (loss) earnings per share	<u>\$ (1.57)</u>	<u>\$ 1.53</u>
Diluted (loss) earnings per share	<u>\$ (1.57)</u>	<u>\$ 1.51</u>

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

	Years ended December 31,	
	2020	2019
Cash Flows from Operating Activities:		
Net (loss) income from operations	\$ (4,954)	\$ 4,911
Adjustments to reconcile net (loss) income from operations to net cash provided by (used in) operating activities:		
Non-cash and other charges:		
Depreciation and amortization	1,787	1,566
Amortization of other intangible assets	702	703
Amortization of operating lease assets	899	582
Amortization of debt issue costs	16	23
Amortization of consideration payable to a customer	270	270
Provision for (recovery) of losses on accounts receivable	24	(38)
Stock-based compensation	41	106
Restricted stock-based compensation	41	52
Loss (gain) on sale of fixed assets	35	(7,817)
Deferred income taxes	(11)	409
Gain on contingent consideration settlement	(52)	-
Gain on lease obligation settlement	(31)	-
Gain on forgiveness of grant obligation	(53)	-
Impairment of assets	1,612	194
Changes in operating assets and liabilities:		
Accounts receivable	1,835	529
Inventories	4,538	(1,714)
Prepaid expenses and other current assets	(1,341)	(339)
Other assets	-	(1)
Accounts payable	352	(1,025)
Accrued compensation and benefits	(1,498)	(318)
Accrued other liabilities	(185)	255
Operating lease liabilities	(918)	(597)
Other liabilities	(62)	(265)
Total adjustments	8,001	(7,425)
Net cash provided by (used in) operating activities	3,047	(2,514)

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

	Years ended December 31,	
	2020	2019
Cash Flows From Investing Activities:		
Capital expenditures	\$ (1,104)	\$ (1,524)
Proceeds from sale of real property and other assets	1	8,766
Purchase of net assets of gear businesses	—	(3,518)
Net cash (used in) provided by investing activities	(1,103)	3,724
Cash Flows From Financing Activities:		
Dividend payments	(157)	(632)
Proceeds from exercise of stock options	18	—
Purchase of Class A common stock	—	(3,518)
Net (payments) proceeds from short-term borrowings	(4,274)	3,552
Payment of contingent consideration	—	(692)
Payments of notes payable	—	(453)
Payments of debt issue costs	—	(72)
Proceeds from Grant	53	—
Proceeds from PPP loan	2,929	—
Net cash used in financing activities	(1,431)	(1,815)
Effect of exchange rate changes on cash	11	(14)
Net increase (decrease) in cash	524	(619)
Cash at beginning of period	380	999
Cash at end of period	\$ 904	\$ 380
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$ 120	\$ 171
Income taxes	\$ 35	\$ 1,809
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 5	\$ 30
Supplemental disclosures of non-cash investing and financing activities:		
Contingent consideration on acquisition of gear businesses	\$ —	\$ 64
Non-cash information:		
Right of Use (“ROU”) assets recognized for new operating lease liabilities	\$ 140	\$ 4,032
Operating lease liability related to ROU assets recognized upon adoption of ASC 842	\$ —	\$ 418

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

**COMPUTATION OF (EBITIDA) - EARNINGS BEFORE INTEREST, TAXES, IMPAIRMENT,
DEPRECIATION, AND AMORIZATION**

(UNAUDITED)

(In Thousands \$)	For the years ended December 31,	
	2020	2019
Net (loss) income	\$ (4,954)	\$ 4,911
Add:		
Depreciation and amortization	2,489	2,269
Impairment charges	1,612	-
Interest expense	140	198
Income tax (benefit) expense	(1,901)	1,797
	<u>2,340</u>	<u>4,264</u>
EBITIDA (1)	\$ <u>(2,614)</u>	\$ <u>9,175</u>

(1)The Company discloses a tabular comparison of EBITIDA, 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 EBITIDA provides greater insight into the Company’s results of operations for the periods presented. EBITIDA should not be considered in isolation or as a substitute for operating income as reported on the face of our statement of operations.

End