

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)	<u>December 31, 2016</u> (Unaudited)	<u>December 31, 2015</u> (Unaudited)
<u>Assets</u>		
Cash	\$ 3,699	\$ 927
Accounts receivable - net	7,906	8,477
Inventories	19,901	19,783
Prepaid expenses and other current assets	3,030	1,032
Assets of discontinued operations	---	8,435
Total current assets	<u>34,536</u>	<u>38,654</u>
Net property and equipment	7,089	9,472
Goodwill	3,897	10,154
Other intangible assets - net	6,606	11,098
Deferred income taxes - net	1,793	---
Other assets – net	130	234
Total assets	<u>\$ 54,051</u>	<u>\$ 69,612</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ ---	\$ 9,623
Accounts payable	2,398	2,791
Accrued compensation and benefits	1,733	1,718
Accrued other liabilities	2,019	1,666
Current maturities of long-term debt	13	491
Liabilities of discontinued operations	---	1,342
Total current liabilities	<u>6,163</u>	<u>17,631</u>
Long-term debt, less current maturities	88	5,936
Deferred tax liability - net	---	2,175
Other liabilities	210	228
Total liabilities	<u>6,461</u>	<u>25,970</u>
Total shareholders' equity	<u>47,590</u>	<u>43,642</u>
Total liabilities and shareholders' equity	<u>\$ 54,051</u>	<u>\$ 69,612</u>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS
OF (LOSS) INCOME (Unaudited)**

(In Thousand \$)	<u>Three months ended December 31,</u>		<u>Full year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net revenue	\$ 12,507	\$ 13,771	\$ 57,276	\$ 60,312
Cost of sales	<u>8,602</u>	<u>9,049</u>	<u>38,345</u>	<u>38,630</u>
Gross profit	3,905	4,722	18,931	21,682
Selling, general and administrative expenses	4,522	4,323	19,610	19,157
Impairment of goodwill and other intangible assets	<u>1,270</u>	---	<u>9,581</u>	---
Operating (loss) income	(1,887)	399	(10,260)	2,525
Other income -net	25	38	100	272
Gain on sale of building	1,703	---	1,703	---
Interest expense	<u>(17)</u>	<u>(30)</u>	<u>(181)</u>	<u>(116)</u>
(Loss) income from continuing operations before income taxes	(176)	407	(8,638)	2,681
Income tax (benefit) expense	<u>(83)</u>	<u>61</u>	<u>(2,955)</u>	<u>825</u>
(Loss) income from continuing operations	(93)	346	(5,683)	1,856
Net income from discontinued operations, net of tax of \$-0- and \$38, for the three and twelve-month periods ended December 31, 2016, and \$55 and \$1,001 for the three and twelve months ended December 31, 2015.	---	55	72	1,688
Gain on sale of discontinued operations, net of tax benefits of \$154 and \$482 for the three and twelve-month periods ended December 31, 2016	<u>154</u>	---	<u>12,512</u>	---
Net income from discontinued operations, net of tax	<u>154</u>	<u>55</u>	<u>12,584</u>	<u>1,688</u>
Net income	\$ <u>61</u>	\$ <u>401</u>	\$ <u>6,901</u>	\$ <u>3,544</u>

P&F INDUSTRIES INC. AND SUBSIDIARIES

(LOSS) EARNINGS PER SHARE (Unaudited)

	<u>Full year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Basic (loss) earnings per share		
Continuing operations	\$ (1.58)	\$ 0.51
Discontinued operations	<u>3.50</u>	<u>0.47</u>
Net (loss) income	<u>\$ (1.92)</u>	<u>\$ 0.98</u>
Diluted (loss) earnings per share		
Continuing operations	\$ (1.58)	\$ 0.49
Discontinued operations	<u>3.50</u>	<u>0.45</u>
Net (loss) income	<u>\$ (1.92)</u>	<u>\$ 0.94</u>

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

**COMPUTATION OF (EBITDIA) - EARNINGS BEFORE
INTEREST, TAXES, DEPRECIATION, IMPAIRMENT
CHARGE AND AMORIZATION FROM CONTINUING
OPERATIONS**
(Unaudited)

(In Thousands \$)	<u>For the full year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Net (loss) income from continuing operations	\$ (5,683)	\$ 1,856
Add:		
Impairment of Goodwill and other intangible assets	9,581	---
Depreciation and amortization	2,636	2,792
Interest expense	181	116
(Benefit) provision for income taxes	<u>(2,955)</u>	<u>825</u>
EBITDIA (1)	<u>\$ 3,760</u>	<u>\$ 5,589</u>

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

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