

P & F INDUSTRIES, INC. AND UBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)

	<u>June 30, 2020</u> <u>(Unaudited)</u>	<u>December 31, 2019</u> <u>(Audited)</u>
<u>Assets</u>		
Cash	\$ 368	\$ 380
Accounts receivable - net	7,419	9,313
Inventories	21,597	22,882
Prepaid expenses and other current assets	<u>2,226</u>	<u>1,497</u>
Total current assets	<u>31,610</u>	<u>34,072</u>
Net property and equipment	10,139	10,109
Goodwill	4,431	4,726
Other intangible assets - net	6,512	8,259
Deferred income taxes - net	878	216
Right-of-use assets – operating leases	3,636	3,859
Other assets – net	<u>360</u>	<u>502</u>
<u>Total assets</u>	<u>\$ 57,566</u>	<u>\$ 61,743</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ 2,573	\$ 5,648
Accounts payable	3,170	1,843
Accrued compensation and benefits	802	2,019
Accrued other liabilities	1,154	1,568
Current maturities of long-term debt (PPP loan)	1,312	-
Current leased liabilities – operating leases	<u>843</u>	<u>879</u>
Total current liabilities	<u>9,854</u>	<u>11,957</u>
Noncurrent leased liabilities – operating leases	2,821	3,070
Long-term debt, less current maturities (PPP loan)	1,618	-
Other liabilities	<u>143</u>	<u>210</u>
Total liabilities	<u>14,436</u>	<u>15,237</u>
<u>Total shareholders' equity</u>	<u>43,130</u>	<u>46,506</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 57,566</u>	<u>\$ 61,743</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net revenue	\$ 11,520	\$ 14,798	\$ 24,870	\$ 29,120
Cost of sales	<u>8,472</u>	<u>9,290</u>	<u>17,339</u>	<u>18,331</u>
Gross profit	3,048	5,508	7,531	10,789
Selling, general and administrative expenses	4,620	5,460	10,310	10,722
Impairment of goodwill and other intangible assets	<u>1,612</u>	=	<u>1,612</u>	=
Operating (loss) income	(3,184)	48	(4,391)	67
Loss (gain) on sale of property and equipment	1	(7,824)	1	(7,817)
Other income	(31)	-	(31)	-
Interest expense	<u>41</u>	<u>68</u>	<u>97</u>	<u>131</u>
(Loss) income before income taxes	(3,195)	7,804	(4,458)	7,753
Income tax (benefit) expense	<u>(814)</u>	<u>2,116</u>	<u>(1,319)</u>	<u>2,091</u>
Net (loss) income	\$ <u>(2,381)</u>	\$ <u>5,688</u>	\$ <u>(3,139)</u>	\$ <u>5,662</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Basic (loss) earnings per share	<u>\$ (0.76)</u>	<u>\$ 1.74</u>	<u>\$ (1.0)</u>	<u>\$ 1.73</u>
Diluted (loss) earnings per share	<u>\$ (0.76)</u>	<u>\$ 1.71</u>	<u>\$ (1.0)</u>	<u>\$ 1.70</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		For the six-month periods ended	
	ended June 30,		June 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (2,381)	\$ 5,688	\$ (3,139)	\$ 5,662
Add:				
Depreciation and amortization	639	557	1,267	1,118
Interest expense	41	68	97	131
Income tax expense	<u>(814)</u>	<u>2,116</u>	<u>(1,319)</u>	<u>2,091</u>
EBITDA (1)	<u>\$ (2,515)</u>	<u>\$ 8,429</u>	<u>\$ (3,094)</u>	<u>\$ 9,002</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.

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

Six months
ended June 30,

	2020	2019
Cash Flows from Operating Activities:		
Net (loss) income	\$ (3,139)	\$ 5,662
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Non-cash and other charges:		
Depreciation and amortization	881	774
Amortization of other intangible assets	386	344
Rent expense from leased obligations	452	159
Amortization of debt issue costs	8	17
Amortization of consideration payable to a customer	135	135
Recovery of losses on accounts receivable	(7)	(61)
Stock-based compensation	29	62
Loss on sale of fixed assets	1	5
Gain on sale of property and equipment	—	(7,817)
Restricted stock-based compensation	25	26
Deferred income taxes	(656)	364
Gain on lease obligation settlement	(31)	—
Impairment of goodwill and other intangible assets	1,612	—
Changes in operating assets and liabilities:		
Accounts receivable	1,882	48
Inventories	1,206	(1,255)
Prepaid expenses and other current assets	(732)	(214)
Other assets	—	(5)
Accounts payable	1,332	149
Accrued compensation and benefits	(1,215)	(1,040)
Accrued other liabilities and other current liabilities	(477)	1,832
Payments on lease liabilities	(482)	(167)
Other liabilities	6	(8)
Total adjustments	4,355	(6,652)
Net cash provided by (used in) operating activities	1,216	(990)
Cash Flows from Investing Activities:		
Capital expenditures	\$ (915)	\$ (920)
Proceeds from disposal of property and equipment	1	8,760
Net cash (used in) provided by investing activities	(914)	7,840
Cash Flows from Financing Activities:		
Dividend payments	(157)	(317)
Proceeds from exercise of stock options	3	—
Purchase of Class A common stock	—	(3,467)
Net payments relating to short-term borrowings	(3,074)	(1,915)
Repayments of long-term debt	—	(453)
Bank finance costs	—	(25)
Proceeds from PPP loan	2,929	—
Net cash used in financing activities	(299)	(6,177)
Effect of exchange rate changes on cash	(15)	—
Net (decrease) increase in cash	(12)	673
Cash at beginning of period	380	999
Cash at end of period	\$ 368	\$ 1,672

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

Interest	<u>\$ 97,000</u>	<u>\$ 112,000</u>
Cash paid for amounts included in the measurement of operating lease liabilities	<u>\$ 5,000</u>	<u>\$ 21,000</u>
Noncash information:		
Right of Use (“ROU”) assets recognized for new operating lease liabilities	<u>\$ 140,000</u>	<u>\$ 2,074,000</u>
Operating lease liability related to ROU assets recognized upon adoption of ASC 842	<u>\$ —</u>	<u>\$ 418,000</u>

End