

**P & F INDUSTRIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

<b>(In Thousands \$)</b>	<b><u>September 30, 2022</u></b>	<b><u>December 31, 2021</u></b>
	<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
<b><u>Assets</u></b>		
Cash	\$ 410	\$ 539
Accounts receivable - net	9,458	7,550
Inventories	24,731	24,021
Prepaid expenses and other current assets	<u>2,600</u>	<u>4,566</u>
<b>Total current assets</b>	<u>37,199</u>	<u>36,676</u>
Net property and equipment	8,846	8,080
Goodwill	4,808	4,447
Other intangible assets - net	5,480	5,592
Deferred income taxes - net	487	349
Right-of-use assets – operating leases	3,189	2,969
Other assets – net	<u>65</u>	<u>77</u>
<b>Total assets</b>	<u>\$ 60,074</u>	<u>\$ 58,190</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Short-term borrowings	\$ 8,087	\$ 5,765
Accounts payable	3,056	2,920
Accrued compensation and benefits	1,475	1,475
Accrued other liabilities	1,630	1,078
Current leased liabilities – operating leases	<u>826</u>	<u>840</u>
<b>Total current liabilities</b>	<u>15,074</u>	<u>12,078</u>
Noncurrent leased liabilities – operating leases	2,399	2,176
Other liabilities	<u>76</u>	<u>96</u>
<b>Total liabilities</b>	<u>17,549</u>	<u>14,350</u>
<b>Total shareholders' equity</b>	<u>42,525</u>	<u>43,840</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 60,074</u>	<u>\$ 58,190</u>

**P & F INDUSTRIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In Thousand \$)	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net revenue	\$ 14,516	\$ 12,985	\$ 46,347	\$ 40,520
	<u>9,669</u>	<u>9,011</u>	<u>31,353</u>	<u>27,062</u>
Gross profit	4,847	3,974	14,994	13,458
Selling	<u>5,084</u>	<u>4,734</u>	<u>15,736</u>	<u>15,183</u>
Operating loss	(237)	(760)	(742)	(1,725)
Other (expense) income	(3)	---	(24)	2,929
(Loss) gain on sale of property and equipment	---	(67)	5	(67)
Interest expense	<u>(106)</u>	<u>(14)</u>	<u>(244)</u>	<u>(21)</u>
(Loss) income before income taxes	(346)	(841)	(1,005)	1,116
Income tax benefit	<u>109</u>	<u>108</u>	<u>129</u>	<u>267</u>
Net (loss) income	\$ <u>(237)</u>	\$ <u>(733)</u>	\$ <u>(876)</u>	\$ <u>1,383</u>

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

**Nine months**  
**ended September 30,**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>		
Net (loss) income	\$ (876)	\$ 1,383
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Non-cash and other charges:		
Depreciation and amortization	1,270	1,345
Amortization of other intangible assets	514	474
Rent expense from leased obligations	710	670
Amortization of debt issue costs	12	12
Amortization of consideration payable to a customer	157	202
Provision for losses on (recovery of) accounts receivable	(33)	19
Stock-based compensation	1	4
Stock-based compensation – exercise of options	38	---
Restricted stock-based compensation	36	35
Forgiveness of PPP loan	---	(2,929)
Deferred income taxes	(129)	(267)
(Gain) loss on sale of fixed assets	(5)	33
Gain on early termination of lease	(19)	---
Fair value adjustment of assets held for sale	---	40
Changes in operating assets and liabilities:		
Accounts receivable	(1,262)	(1,007)
Inventories	(554)	(3,274)
Prepaid expenses and other current assets	1,608	248
Accounts payable	(45)	1,406
Accrued compensation and benefits	28	711
Accrued other liabilities and other current liabilities	582	(14)
Operating lease liabilities	(703)	(665)
Other liabilities	(25)	(36)
Total adjustments	<u>2,181</u>	<u>(2,993)</u>
Net cash provided by (used in) operating activities	<u>1,305</u>	<u>(1,610)</u>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	1,222	(428)
Proceed from sale of fixed assets	---	28
Purchase of net assets of Jackson Gear Company business	<u>(2,300)</u>	<u>---</u>
Net cash used in investing activities	<u>3,522</u>	<u>(400)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from exercise of stock options	2	---
Dividend Payment	(160)	---
Net payments relating to short-term borrowings	<u>2,323</u>	<u>1,921</u>
Net cash used in financing activities	<u>2,165</u>	<u>1,921</u>
Effect of exchange rate changes on cash	(77)	(26)
Net decrease in cash	<u>(129)</u>	<u>(115)</u>
Cash at beginning of period	539	904
Cash at end of period	<u>\$ 410</u>	<u>\$ 789</u>

**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>213</u>	\$	<u>25</u>
Taxes	\$	<u>126</u>	\$	<u>12</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$	<u>—</u>	\$	<u>6</u>

Noncash information:

Right of Use (“ROU”) assets recognized for new operating lease liabilities	\$	<u>987</u>	\$	<u>320</u>
ROU adjustment due to early termination	\$	<u>359</u>	\$	<u>—</u>

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

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

**(UNAUDITED)**

<b>(In Thousands \$)</b>	<b>For the three-month periods ended</b>		<b>For the nine-month periods ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net (loss) income (2)	\$ (237)	(733)	\$ (876)	1,383
Add:				
Depreciation & amortization (3)	828	893	2,664	2,703
Interest expense	106	14	244	21
Income tax benefit	(109)	(108)	(129)	(267)
	<u>825</u>	<u>799</u>	<u>2,779</u>	<u>2,457</u>
EBITDA (1)	<u>\$ 588</u>	<u>66</u>	<u>\$ 1,903</u>	<u>3,840</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 2021 three and nine-month net income values is the forgiveness of the \$2,929,200 PPP loan.
- (3) Includes depreciation, and amortization of: (a) intangible assets; (b) operating lease assets; (c) debt issue costs, and (d) consideration payable to a customer.

**### End ###**