

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

**CONSOLIDATED BALANCE SHEETS**

(In Thousands \$)

	<b><u>September 30,</u></b> <b><u>2021</u></b> <b><u>(Unaudited)</u></b>	<b><u>December 31, 2020</u></b> <b><u>(Audited)</u></b>
<b><u>Assets</u></b>		
Cash	\$ 789	\$ 904
Accounts receivable - net	8,448	7,468
Inventories	21,623	18,362
Prepaid expenses and other current assets	<u>2,608</u>	<u>2,806</u>
<b>Total current assets</b>	<u>33,468</u>	<u>29,540</u>
Net property and equipment	8,279	9,395
Goodwill	4,446	4,449
Other intangible assets - net	5,749	6,226
Deferred income taxes - net	496	226
Right-of-use assets – operating leases	3,031	3,281
Other assets – net	<u>80</u>	<u>250</u>
<b>Total assets</b>	<u>\$ 55,549</u>	<u>\$ 53,367</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Short-term borrowings	\$ 3,295	\$ 1,374
Accounts payable	3,598	2,199
Accrued compensation and benefits	1,231	525
Accrued other liabilities	1,328	1,354
Current leased liabilities – operating leases	816	847
Current maturities of long-term debt (PPP loan)	<u>---</u>	<u>1,983</u>
<b>Total current liabilities</b>	<u>10,268</u>	<u>8,282</u>
Noncurrent leased liabilities – operating leases	2,261	2,474
Long-term debt, less current maturities (PPP loan)	---	946
Other liabilities	<u>102</u>	<u>127</u>
<b>Total liabilities</b>	<u>12,631</u>	<u>11,829</u>
<b>Total shareholders' equity</b>	<u>42,918</u>	<u>41,538</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 55,549</u>	<u>\$ 53,367</u>

**P & F INDUSTRIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

<b>(In Thousand \$)</b>	<b><u>Three months ended September</u></b>		<b><u>Nine months ended September</u></b>	
	<b><u>2021</u></b>	<b><u>30,</u></b> <b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>30,</u></b> <b><u>2020</u></b>
Net revenue	\$ 12,985	\$ 12,406	\$ 40,520	\$ 37,276
Cost of sales	<u>9,011</u>	<u>8,883</u>	<u>27,062</u>	<u>26,223</u>
Gross profit	3,974	3,523	13,458	11,053
Selling, general and administrative expenses	4,734	4,673	15,183	14,983
Impairment of goodwill and other intangible assets	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,612</u>
Operating loss	(760)	(1,150)	(1,725)	(5,542)
Loss on sale of property and equipment	(67)	(22)	(67)	(22)
Other income	<u>---</u>	<u>---</u>	2,929	31
Interest expense	<u>(14)</u>	<u>(21)</u>	<u>(21)</u>	<u>(118)</u>
(Loss) income before income taxes	(841)	(1,193)	1,116	(5,651)
Income tax benefit	<u>(108)</u>	<u>(336)</u>	<u>(267)</u>	<u>(1,655)</u>
Net (loss) income	\$ <u>(733)</u>	\$ <u>(857)</u>	\$ <u>1,383</u>	\$ <u>(3,996)</u>

**P&F INDUSTRIES INC. AND SUBSIDIARIES****(LOSS) EARNINGS PER SHARE (UNAUDITED)**

	<b><u>Three months ended</u></b>		<b><u>Nine months ended</u></b>	
	<b><u>2021</u></b>	<b><u>September 30,</u></b> <b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>September 30,</u></b> <b><u>2020</u></b>
Basic (loss) earnings per share	\$ <u>(0.23)</u>	\$ <u>(0.27)</u>	\$ <u>0.44</u>	\$ <u>(1.27)</u>
Diluted (loss) earnings per share	\$ <u>(0.23)</u>	\$ <u>(0.27)</u>	\$ <u>0.43</u>	\$ <u>(1.27)</u>

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

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 1,383	\$ (3,996)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Non-cash and other charges:		
Depreciation and amortization	1,345	1,339
Amortization of other intangible assets	474	544
Amortization of operating lease assets	670	675
Amortization of debt issue costs	12	12
Amortization of consideration payable to a customer	202	202
Provision for losses on accounts receivable	19	47
Stock-based compensation	4	39
Restricted stock-based compensation	35	33
Forgiveness of PPP loan	(2,929)	---
Deferred income taxes	(267)	(771)
Loss on sale of fixed assets	33	22
Fair value adjustment to assets held for sale	40	---
Gain on lease obligation settlement	---	(31)
Impairment of goodwill and other intangible assets	---	1,612
Changes in operating assets and liabilities:		
Accounts receivable	(1,007)	712
Inventories	(3,274)	3,384
Prepaid expenses and other current assets	248	(341)
Other assets	---	(32)
Accounts payable	1,406	708
Accrued compensation and benefits	711	(1,190)
Accrued other liabilities and other current liabilities	(14)	(239)
Payments on lease liabilities	(665)	(702)
Other liabilities	(36)	(2)
Total adjustments	<u>(2,993)</u>	<u>6,021</u>
Net cash (used in) provided by operating activities	<u>(1,610)</u>	<u>2,025</u>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	\$ (428)	\$ (956)
Proceeds from disposal of property and equipment	<u>28</u>	<u>1</u>
Net cash used in investing activities	<u>(400)</u>	<u>(955)</u>
<b>Cash Flows from Financing Activities:</b>		
Dividend payments	—	(157)
Proceeds from exercise of stock options	—	3
Net proceeds (repayments) relating to short-term borrowings	1,921	(3,314)
Proceeds from PPP loan	—	2,929
Net cash provided by (used in) financing activities	<u>1,921</u>	<u>(539)</u>
Effect of exchange rate changes on cash	<u>(26)</u>	<u>(3)</u>
Net (decrease) increase in cash	(115)	528
Cash at beginning of period	904	380
Cash at end of period	<u>\$ 789</u>	<u>\$ 908</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	\$ 25	\$ 109
Taxes	<u>\$ 12</u>	<u>\$ 26</u>
Cash paid for amounts included in the measurement of operating lease liabilities	<u>\$ 6</u>	<u>\$ 5</u>

Noncash information:

Right of Use (“ROU”) assets recognized for new operating lease liabilities	<u>\$ 320</u>	<u>\$ 140</u>
--	---------------	---------------

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

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

(In Thousands \$)	For the three-month periods ended		For the nine-month periods ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Net (loss) income (2)	\$ (733)	\$ (857)	\$ 1,383	\$ (3,996)
Add:				
Depreciation and amortization	601	616	1,819	1,883
Interest expense	14	21	21	118
Impairment	---	---	---	1,612
Income tax benefit	<u>(108)</u>	<u>(336)</u>	<u>(267)</u>	<u>(1,655)</u>
	<u>507</u>	<u>301</u>	<u>1,573</u>	<u>1,958</u>
EBITDA (1)	<u>\$ (226)</u>	<u>\$ (556)</u>	<u>\$ 2,956</u>	<u>\$ (2,038)</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.
- (2) Included in the nine-month Net income for 2021 is the forgiveness of the \$2,929,200 PPP loan.

**### End ###**