

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)	<u>September 30,</u> <u>2020</u> <u>(Unaudited)</u>	<u>December 31, 2019</u> <u>(Audited)</u>
<u>Assets</u>		
Cash	\$ 908	\$ 380
Accounts receivable - net	8,547	9,313
Inventories	19,465	22,882
Prepaid expenses and other current assets	<u>1,836</u>	<u>1,497</u>
Total current assets	<u>30,756</u>	<u>34,072</u>
Net property and equipment	9,702	10,109
Goodwill	4,438	4,726
Other intangible assets - net	6,367	8,259
Deferred income taxes - net	989	216
Right-of-use assets – operating leases	3,460	3,859
Other assets – net	<u>321</u>	<u>502</u>
<u>Total assets</u>	<u>\$ 56,033</u>	<u>\$ 61,743</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ 2,333	\$ 5,648
Accounts payable	2,551	1,843
Accrued compensation and benefits	830	2,019
Accrued other liabilities	1,396	1,568
Current maturities of long-term debt (PPP loan)	1,804	-
Current leased liabilities – operating leases	<u>845</u>	<u>879</u>
Total current liabilities	<u>9,759</u>	<u>11,957</u>
Noncurrent leased liabilities – operating leases	2,646	3,070
Long-term debt, less current maturities (PPP loan)	1,125	-
Other liabilities	<u>135</u>	<u>210</u>
Total liabilities	<u>13,665</u>	<u>15,237</u>
<u>Total shareholders' equity</u>	<u>42,368</u>	<u>46,506</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 56,033</u>	<u>\$ 61,743</u>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In Thousand \$)	<u>Three months ended September</u>		<u>Nine months ended September</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net revenue	\$ 12,406	\$ 14,776	\$ 37,276	\$ 43,896
Cost of sales	<u>8,883</u>	<u>9,427</u>	<u>26,223</u>	<u>27,758</u>
Gross profit	3,523	5,349	11,053	16,138
Selling, general and administrative expenses	4,673	5,208	14,983	15,930
Impairment of goodwill and other intangible assets	-	-	<u>1,612</u>	-
Operating (loss) income	(1,150)	141	(5,542)	208
Loss (gain) on sale of property and equipment	22	-	22	(7,817)
Other income	-	-	(31)	-
Interest expense	<u>21</u>	<u>13</u>	<u>118</u>	<u>144</u>
(Loss) income before income taxes	(1,193)	128	(5,651)	7,881
Income tax (benefit) expense	<u>(336)</u>	<u>(8)</u>	<u>(1,655)</u>	<u>2,083</u>
Net (loss) income	\$ <u>(857)</u>	\$ <u>136</u>	\$ <u>(3,996)</u>	\$ <u>5,798</u>

P&F INDUSTRIES INC. AND SUBSIDIARIES

(LOSS) EARNINGS PER SHARE (UNAUDITED)

	<u>Three months ended</u>		<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Basic (loss) earnings per share	<u>\$ (0.27)</u>	<u>\$ 0.04</u>	<u>\$ (1.27)</u>	<u>\$ 1.80</u>
Diluted (loss) earnings per share	<u>\$ (0.27)</u>	<u>\$ 0.04</u>	<u>\$ (1.27)</u>	<u>\$ 1.76</u>

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

	Nine months ended September 30,	
	2020	2019
Cash Flows from Operating Activities:		
Net (loss) income	\$ (3,996)	\$ 5,798
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Non-cash and other charges:		
Depreciation and amortization	1,339	1,148
Amortization of other intangible assets	544	514
Rent expense from leased obligations	675	363
Amortization of debt issue costs	12	18
Amortization of consideration payable to a customer	202	202
Provision for (recovery) of losses on accounts receivable	47	(60)
Stock-based compensation	39	89
Loss on sale of fixed assets	22	-
Gain on sale of property and equipment	-	(7,817)
Restricted stock-based compensation	33	39
Deferred income taxes	(771)	332
Gain on lease obligation settlement	(31)	-
Impairment of goodwill and other intangible assets	1,612	-
Changes in operating assets and liabilities:		
Accounts receivable	712	25
Inventories	3,384	(2,771)
Prepaid expenses and other current assets	(341)	(314)
Other assets	(32)	(1)
Accounts payable	708	600
Accrued compensation and benefits	(1,190)	(594)
Accrued other liabilities and other current liabilities	(239)	607
Payments on lease liabilities	(702)	(383)
Other liabilities	(2)	(16)
Total adjustments	6,021	(8,019)
Net cash provided by (used in) operating activities	2,025	(2,221)

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

	Nine months ended September 30,	
	2020	2019
Capital expenditures	\$ (956)	\$ (1,240)
Proceeds from disposal of property and equipment	1	8,767
Net cash (used in) provided by investing activities	(955)	7,527
Cash Flows from Financing Activities:		
Dividend payments	(157)	(474)
Proceeds from exercise of stock options	3	—
Purchase of Class A common stock	—	(3,518)
Net payments relating to short-term borrowings	(3,314)	(307)
Payment of contingent consideration	—	(692)
Repayments of long-term debt	—	(453)
Bank finance costs	—	(33)
Proceeds from PPP loan	2,929	—
Net cash used in financing activities	(539)	(5,477)
Effect of exchange rate changes on cash	(3)	(19)
Net increase (decrease) in cash	528	(190)
Cash at beginning of period	380	999
Cash at end of period	\$ 908	\$ 809
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$ 109	\$ 135
Income taxes	\$ 26	\$ 1,341
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 5	\$ 26
Non-cash information:		
Right of Use (“ROU”) assets recognized for new operating lease liabilities	\$ 140	\$ 2,500
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 three-month periods		For the nine-month periods ended	
	ended September 30,		September 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (857)	\$ 136	\$ (3,996)	\$ 5,798
Add:				
Depreciation and amortization	616	544	1,883	1,662
Impairment charges	-	-	1,612	-
Interest expense	21	13	118	144
Income tax (benefit) expense	<u>(336)</u>	<u>(8)</u>	<u>(1,655)</u>	<u>2,083</u>
	<u>301</u>	<u>549</u>	<u>1,958</u>	<u>3,889</u>
EBITIDA (1)	<u>\$ (556)</u>	<u>\$ 685</u>	<u>\$ (2,038)</u>	<u>\$ 9,687</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