

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)	December 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
<u>Assets</u>		
Cash	\$ 539	\$ 904
Accounts receivable - net	7,550	7,468
Inventories	24,021	18,362
Prepaid expenses and other current assets	4,566	2,806
Total current assets	36,676	29,540
Net property and equipment	8,080	9,395
Goodwill	4,447	4,449
Other intangible assets - net	5,592	6,226
Deferred income taxes - net	349	226
Right-of-use assets – operating leases	2,969	3,281
Other assets – net	77	250
Total assets	\$ 58,190	\$ 53,367
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ 5,765	\$ 1,374
Accounts payable	2,920	2,199
Accrued compensation and benefits	1,475	525
Accrued other liabilities	1,078	1,354
Current leased liabilities – operating leases	840	847
Current maturities of long-term debt (PPP loan)	---	1,983
Total current liabilities	12,078	8,282
Noncurrent leased liabilities – operating leases	2,176	2,474
Long-term debt, less current maturities (PPP loan)	---	946
Other liabilities	96	127
Total liabilities	14,350	11,829
Total shareholders' equity	43,840	41,538
Total liabilities and shareholders' equity	\$ 58,190	\$ 53,367

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In Thousands \$)	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net revenue	\$ 53,554	\$ 49,136
Cost of sales	<u>36,207</u>	<u>34,943</u>
Gross profit	17,347	14,193
Selling, general and administrative expenses	19,856	19,367
Impairment of assets held for sale	88	---
Impairment of goodwill and other intangible assets	<u>---</u>	<u>1,612</u>
Operating loss	(2,597)	(6,786)
Loss on sale of property and equipment	(27)	(35)
Other income	4,957	106
Interest expense	<u>(45)</u>	<u>(140)</u>
Income (loss) before income taxes	2,288	(6,855)
Income tax benefit	<u>2</u>	<u>1,901</u>
Net income (loss)	\$ <u><u>2,290</u></u>	\$ <u><u>(4,954)</u></u>

P&F INDUSTRIES INC. AND SUBSIDIARIES

EARNINGS (LOSS) PER SHARE (UNAUDITED)

	<u>Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings(loss) per share	\$ <u>0.72</u>	\$ <u>(1.57)</u>
Diluted earnings (loss) per share	\$ <u><u>0.72</u></u>	\$ <u><u>(1.57)</u></u>

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

(In Thousands \$)

Year Ended
December 31,

	2021	2020
Cash Flows from Operating Activities:		
Net income (loss)	\$ 2,290	\$ (4,954)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Non-cash and other charges:		
Depreciation and amortization	1,788	1,787
Amortization of other intangible assets	631	702
Operating lease expense	895	899
Amortization of debt issue costs	16	16
Amortization of consideration payable to a customer	270	270
Provision for losses on accounts receivable	10	24
Stock-based compensation	5	41
Restricted stock-based compensation	43	41
(Loss) gain on sale of fixed assets	(27)	35
Deferred income taxes	(120)	(11)
Fair value adjustment of assets held for sale	88	---
Gain on contingent consideration settlement	---	(52)
Gain on lease obligation settlement	---	(31)
Forgiveness of government grant obligations	(2,929)	(53)
Impairment of goodwill and other intangible assets	---	1,612
Changes in operating assets and liabilities:		
Accounts receivable	(96)	1,835
Inventories	(5,671)	4,538
Prepaid expenses and other current assets	(1,825)	(1,341)
Accounts payable	726	352
Accrued compensation and benefits	954	(1,498)
Accrued other liabilities and other current liabilities	(264)	(185)
Operating lease liabilities	(888)	(918)
Other liabilities	(45)	(62)
Total adjustments	(6,439)	8,001
Net cash (used in) provided by operating activities	(4,149)	3,047
Cash Flows from Investing Activities:		
Capital expenditures	\$ (642)	\$ (1,104)
Proceeds from disposal of property and equipment	58	1
Net cash used in investing activities	(584)	(1,103)
Cash Flows from Financing Activities:		
Dividend payments	—	(157)
Proceeds from exercise of stock options	—	18
Net proceeds (repayments) relating to short-term borrowings	4,391	(4,274)
Proceeds from Grant	—	53
Proceeds from PPP loan	—	2,929
Net cash provided by (used in) financing activities	4,391	(1,431)
Effect of exchange rate changes on cash	(23)	11
Net (decrease) increase in cash	(365)	524
Cash at beginning of period	904	380
Cash at end of period	\$ 539	\$ 904

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>39</u>	\$ <u>120</u>
Taxes	\$ <u>22</u>	\$ <u>35</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ <u>10</u>	\$ <u>5</u>

Noncash information:

Right of Use (“ROU”) assets recognized for new operating lease liabilities	\$ <u>427</u>	\$ <u>140</u>
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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 Year Ended December 31,	
	2021	2020
Net income (loss) (2)	\$ 2,290	\$ (4,954)
Add:		
Depreciation and amortization	2,419	2,489
Interest expense	45	140
Impairment, etc.	88	1,612
Income tax benefit	<u>(2)</u>	<u>(1,901)</u>
	<u>2,550</u>	<u>2,340</u>
EBITDA (1)	\$ <u>4,840</u>	\$ <u>(2,614)</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 Net income for 2021 is the forgiveness of the \$2,929,200 Paycheck Protection Program loan and \$2,028,000 related to the Employee Retention Credit.

End