

P & F INDUSTRIES, INC. AND UBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)	<u>December 31,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
<u>Assets</u>		
Cash	\$ 667	\$ 539
Accounts receivable - net	7,370	7,550
Inventories	24,491	24,021
Prepaid expenses and other current assets	<u>2,753</u>	<u>4,566</u>
Total current assets	<u>35,281</u>	<u>36,676</u>
Net property and equipment	9,363	8,080
Goodwill	4,822	4,447
Other intangible assets - net	5,326	5,592
Deferred income taxes - net	629	349
Right-of-use assets – operating leases	5,521	2,969
Other assets – net	62	77
Total assets	<u>\$ 61,004</u>	<u>\$ 58,190</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ 7,570	\$ 5,765
Accounts payable	3,094	2,920
Accrued compensation and benefits	1,757	1,475
Accrued other liabilities	1,002	1,078
Current lease liabilities – operating leases	<u>1,020</u>	<u>840</u>
Total current liabilities	<u>14,443</u>	<u>12,078</u>
Noncurrent lease liabilities – operating leases	4,535	2,176
Other liabilities	<u>70</u>	<u>96</u>
Total liabilities	<u>19,048</u>	<u>14,350</u>
Total shareholders' equity	<u>41,956</u>	<u>43,840</u>
Total liabilities and shareholders' equity	<u>\$ 61,004</u>	<u>\$ 58,190</u>

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In Thousands \$)	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Net revenue	\$ 59,041	\$ 53,554
Cost of sales	<u>40,102</u>	<u>36,207</u>
Gross profit	18,939	17,347
Selling, general and administrative expenses	20,373	19,856
Impairment of assets held for sale	<u>48</u>	<u>88</u>
Operating loss	(1,482)	(2,597)
Loss on sale of property and equipment	(26)	(27)
Other income	19	4,957
Interest expense	<u>(363)</u>	<u>(45)</u>
(Loss) income before income taxes	(1,852)	2,288
Income tax benefit	<u>376</u>	<u>2</u>
Net (loss) income	\$ <u>(1,476)</u>	\$ <u>2,290</u>

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

	Year Ended December 31,	
	2022	2021
Cash Flows from Operating Activities:		
Net (loss) income	\$ (1,476)	\$ 2,290
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Non-cash and other charges:		
Depreciation and amortization	1,837	1,788
Amortization of other intangible assets	687	631
Operating lease expense	949	895
Amortization of debt issue costs	16	16
Amortization of consideration payable to a customer	157	270
Provision for losses on accounts receivable	47	10
Stock-based compensation	39	5
Restricted stock-based compensation	52	43
(Loss) gain on sale of fixed assets	26	(27)
Deferred income taxes	(276)	(120)
Fair value adjustment of assets held for sale	48	88
Gain on early termination of lease	(19)	---
Forgiveness of government grant obligations	---	(2,929)
Changes in operating assets and liabilities:		
Accounts receivable	739	(96)
Inventories	(223)	(5,671)
Prepaid expenses and other current assets	1,446	(1,825)
Accounts payable	(21)	726
Accrued compensation and benefits	304	954
Accrued other liabilities and other current liabilities	(68)	(264)
Operating lease liabilities	(945)	(888)
Other liabilities	(31)	(45)
Total adjustments	4,764	(6,439)
Net cash provided by (used in) operating activities	3,288	(4,149)
Cash Flows from Investing Activities:		
Capital expenditures	(2,374)	(642)
Proceeds from disposal of property and equipment	46	58
Purchase of the net assets of the Jackson Gear Company business	(2,300)	—
Net cash used in investing activities	(4,628)	(584)
Cash Flows from Financing Activities:		
Dividend payments	(319)	—
Proceeds from exercise of stock options	2	—
Net proceeds (repayments) relating to short-term borrowings	1,805	4,391
Net cash provided by financing activities	1,488	4,391
Effect of exchange rate changes on cash	(20)	(23)
Net increase (decrease) in cash	128	(365)
Cash at beginning of period	539	904
Cash at end of period	\$ 667	\$ 539

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>322</u>	\$ <u>39</u>
Taxes	\$ <u>128</u>	<u>22</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ <u>34</u>	\$ <u>10</u>

Noncash information:

Right of Use (“ROU”) assets recognized for new operating lease liabilities	\$ <u>3,488</u>	\$ <u>427</u>
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P & F INDUSTRIES, INC. AND SUBSIDIARIES
NON-GAAP FINANCIAL MEASURE AND RECONCILIATION

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

(UNAUDITED)

(In Thousands \$)	<u>For the Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Net (loss) income (2)	\$ (1,476)	\$ 2,290
Add:		
Depreciation & amortization (3)	2,772	2,737
Interest expense	363	45
Impairment, etc.	48	88
Income tax benefit	<u>(376)</u>	<u>(2)</u>
	<u>2,807</u>	<u>2,868</u>
EBITDA (1)	<u>\$ 1,331</u>	<u>\$ 5,158</u>

Notes

(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 net income is the forgiveness of the \$2,929,000 PPP loan and \$2,028,000 of ERTC.

- (3) Includes depreciation, and amortization of: (a) intangible assets; (b) amortization of consideration payable to a customer, and (c) non-cash stock-based compensation expense.

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