

P & F INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands \$)	<u>September 30, 2023</u> <u>(Unaudited)</u>	<u>December 31, 2022</u> <u>(Audited)</u>
<u>Assets</u>		
Cash	\$ 338	\$ 667
Accounts receivable - net	8,734	7,370
Inventories	20,517	24,491
Prepaid expenses and other current assets	<u>908</u>	<u>2,753</u>
Total current assets	<u>30,497</u>	<u>35,281</u>
Net property and equipment	9,779	9,363
Goodwill	4,823	4,822
Other intangible assets - net	4,809	5,326
Deferred income taxes - net	639	629
Right-of-use assets	4,745	5,521
Other assets – net	161	62
<u>Total assets</u>	<u>\$ 55,453</u>	<u>\$ 61,004</u>
<u>Liabilities and Shareholders' Equity</u>		
Short-term borrowings	\$ 2,664	\$ 7,570
Accounts payable	2,767	3,094
Accrued compensation and benefits	2,078	1,757
Accrued other liabilities	1,706	1,002
Current leased liabilities – operating leases	<u>860</u>	<u>1,020</u>
Total current liabilities	<u>10,075</u>	<u>14,443</u>
Noncurrent leased liabilities – operating leases	3,991	4,535
Other liabilities	<u>47</u>	<u>70</u>
Total liabilities	<u>14,113</u>	<u>19,048</u>
<u>Total shareholders' equity</u>	<u>41,340</u>	<u>41,956</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 55,453</u>	<u>\$ 61,004</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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net revenue	\$ 14,404	\$ 14,516	\$ 46,309	\$ 46,347
Cost of sales	<u>9,511</u>	<u>9,669</u>	<u>29,839</u>	<u>31,353</u>
Gross profit	4,893	4,847	16,470	14,994
Selling, general & administrative exp	<u>5,785</u>	<u>5,084</u>	<u>16,327</u>	<u>15,736</u>
Operating (loss) income	(892)	(237)	143	(742)
Other income (expense) - net	23	(3)	55	(19)
Interest expense	<u>(110)</u>	<u>(106)</u>	<u>(326)</u>	<u>(244)</u>
Loss before income tax	(979)	(346)	(128)	(1,005)
Income tax benefit (expense)	<u>258</u>	<u>109</u>	<u>(18)</u>	<u>129</u>
Net loss after tax	\$ <u><u>(721)</u></u>	\$ <u><u>(237)</u></u>	\$ <u><u>(146)</u></u>	\$ <u><u>(876)</u></u>

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

(In Thousands \$)

Cash Flows from Operating Activities:

Net loss

Nine months ended September 30,	
2023	2022
\$	(146)
\$	(876)

Adjustments to reconcile loss to net cash provided by operating activities:

Non-cash and other charges:

Depreciation	1,476	1,271
Amortization of other intangible assets	519	514
Amortization of operating lease assets	697	710
Amortization of debt issue costs	34	12
Amortization of consideration payable to a customer	—	157
Provision for losses on accounts receivable	(1)	(33)
Stock-based compensation	24	1
Stock-based compensation – stock options exercised	—	38
Restricted stock-based compensation	14	35
Deferred income taxes	19	(129)
Gain on disposal of fixed assets	(40)	(5)
Gain on early termination of lease	—	(19)

Changes in operating assets and liabilities:

Accounts receivable	(1,361)	(1,262)
Inventories	3,984	(554)
Prepaid expenses and other current assets	1,844	1,608
Other assets	(50)	—
Accounts payable	(327)	(45)
Accrued compensation and benefits	320	28
Accrued other liabilities and other current liabilities	701	582
Operating lease liabilities	(625)	(703)
Other liabilities	(21)	(25)
Total adjustments	7,207	2,181
Net cash provided by operating activities	7,061	1,305

Cash Flows from Investing Activities:

Capital expenditures	(1,909)	(1,222)
Proceeds from the sale of fixed assets	57,000	—
Purchase of net assets of the Jackson Gear Company business	—	(2,300)
Net cash used in investing activities	(1,852)	(3,522)

Cash Flows from Financing Activities:

Dividend payments	(480)	(160)
Net (repayments on) proceeds from short-term borrowings	(4,906)	2,323
Proceeds from exercise of stock options	—	2
Bank financing costs	(84)	—
Net cash (used in) provided by financing activities	(5,470)	2,165

Effect of exchange rate changes on cash

Effect of exchange rate changes on cash	(68)	(77)
Net decrease in cash	(329)	(129)
Cash at beginning of period	667	539
Cash at end of period	\$ 338	\$ 410

Supplemental disclosures of cash flow information:

Cash paid for:

Taxes	\$ 31	\$ 126
Interest	\$ 331	\$ 213

Non-cash information:

Right of Use (“ROU”) assets recognized for new operating lease liabilities	\$ —	\$ 987
ROU adjustment due to early termination	\$ 160	\$ 359

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

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

(UNAUDITED)

(In Thousands \$)	For the three-month periods ended		For the nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net loss	\$ (721)	\$ (237)	\$ (146)	\$ (876)
Add:				
Depreciation and amortization	629	563	1,995	1,785
Interest expense	110	106	326	244
Income tax (benefit) expense	(258)	(109)	18	(129)
	<u>481</u>	<u>560</u>	<u>2,339</u>	<u>1,900</u>
EBITDA (1)	<u>\$ (240)</u>	<u>\$ 323</u>	<u>\$ 2,193</u>	<u>\$ 1,024</u>

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 operation.

End