



**Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
June 30, 2021 (Unaudited)**

Financial Statements as at June 30, 2021 (Unaudited)

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The Board of Directors' Report¹ on Corporate Affairs

We are pleased to present the Board of Directors' report on the affairs of Payton Planar Magnetics Ltd. and its consolidated subsidiaries for the six months ended on June 30, 2021.

Notice: This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events. Management emphasizes that the assumptions do not in any way imply commitment towards realization. The outcome of which is subject to certain risks and other factors, which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.

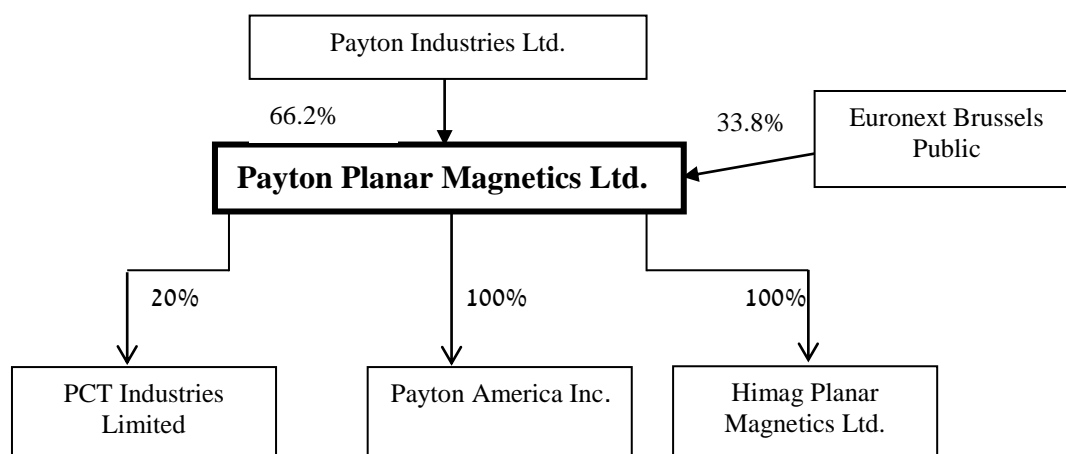
Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

This Board of Directors' report has been prepared as an interim financial report and as such should be read in conjunction with the consolidated financial statements as at December 31, 2020, published on March 24, 2021 (hereinafter "the 2020 yearly Report").

1. A concise description of the corporation and its business environment

A. The Group

Payton Planar Magnetics Ltd. ("the Company") its consolidated subsidiaries: Payton America Inc. ("Payton America") and Himag Planar Magnetics Ltd and its affiliated company in Hong-Kong, PCT Industries Limited ("PCT"), a holding company that fully owns a manufacturing subsidiary in China.



¹ The financial statements as at June 30, 2021 form an integral part thereof.

B. The Group's main fields of activity and changes that occurred in the period from January to June 2021

The Company, an Israeli high-tech enterprise, develops manufactures and markets Planar and Conventional transformers worldwide. The Company was founded in order to revolutionize the traditional approach to the design and manufacture of transformers through the concept of planar transformers. The Company completed its initial public offering in 1998 on the EuroNext Stock Exchange.

- **The COVID-19 crisis effect** - Further to the report in the financial statements for the year 2020, in the first half of the year 2021, similar to the year 2020, due to the flexibility and global spread of the Group, it has successfully handled this crisis. The manufacturing lines in Israel operated continuously, in shifts, while taking the needed measures and abiding with all required distance regulations.

The local administrative staff continued to support the business activities, also remotely when needed. At the same time, also, the other Group members: the subsidiaries in England and United States continued their business operations in the same manner while keeping all needed measures and abiding with their local regulations.

Payton's worldwide manufacturing facilities and geographically spread of the Group's production sites in China, the Philippines, Israel, England and the United States minimized the effect of the COVID-19 epidemic and has proven itself effective enabling the delivery of most of the orders on time.

During the second quarter of 2021 it appeared that the spread of the epidemic has been declining, but, recently we are noting a repeated spread of the COVID-19 virus in many places all over the world. This recent global spread creates many uncertainties as to its impact.

As at the date of signing these financial statements, all production sites are fully operational in a "Corona routine".

- **Global business environment changes** - recently some additional changes are noted, such as: a significant global shortage and price increase of raw materials, a significant increase of materials lead-time, increase in shipping cost and transportation difficulties, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs.

Another factor that affects the Group's activity is the **devaluation of the US\$** against the local NIS, the Euro and the Pound, which mainly increases local labor costs and other operating costs in Israel and the United Kingdom.

The Group continues to follow-up and monitors all the above mentioned global developments trying to minimize any impact including maintaining its close contacts with its subcontractors, suppliers and customers, all in order to adjust its operations in the best possible way.

It is noted that the above statement is a forward-looking statement as defined above.

- **On March 24, 2021** - the Company's Board of Directors decided to pay the shareholders a dividend for the financial years 2019 and 2020, at the amount of USD 7,422 thousand (USD 0.42 per share, paid on June 2021).

C. Principal customers

The consolidated sales revenues include sales to major customers (which make up in excess of 10% of the sales of the Group).

	For the six-month period ended June 30	For the year ended December 31	For the six-month period ended June 30
	2021	2020	2020
Customer A ¹	19%	31%	31%
Customer B ²	16%	12%	*

* Less than 10% of the Group's consolidated sales.

⁽¹⁾ Customer related to the Telecom/Datacenter industry.

⁽²⁾ Customer related to the Automotive industry.

D. Marketing

During the first half of 2021 and due to the Corona Epidemic the Group did not participate in any exhibition. The Company was focusing on supporting and serving Key customers.

E. Order Backlog

Order backlog of the Group as of June 30, 2021 was USD 23,265 thousand (December 31, 2020 - USD 18,921 thousand). The backlog is composed only of confirmed orders.

Management estimates that most of the backlog as of 30.6.2021 will be supplied until June 30, 2022.

F. **Framework agreements that do not constitute binding orders** - See paragraph 1J to the yearly Financial Statements as at December 31, 2020.

2. Financial position

A. Statement of Financial Position as at June 30, 2021

Cash and cash equivalents and Short-term Deposits - these items amounted to a total of USD 42,150 thousand as at June 30, 2021 compared to USD 44,379 thousand as at December 31, 2020 and USD 38,338 thousand as at June 30, 2020.

On June 2021 Company paid the USD 7,422 thousand dividend payment for the years 2019 & 2020 (decided on March 24, 2021). The Group's management believes, a solid financial position is an important factor in order to successfully overcome times of crisis.

Trade accounts receivable - these amounted to USD 7,244 thousand as at June 30, 2021 compared with USD 9,665 thousand as at December 31, 2020 and USD 9,065 thousand as at June 30, 2020. The decrease in this item, resulted mainly due to decrease in sales volume near the reports dates.

Other accounts receivable - these amounted to USD 1,760 thousand as at June 30, 2021 compared with USD 2,417 thousand as at December 31, 2020 and USD 1,382 thousand as at June 30, 2020. The changes in this item are due to IFRS 15 implementation according to which the Company recognized revenues over time (instead of upon delivery). Revenues recorded prior to delivery are recorded against "contract assets", which are presented among

"other accounts receivable". As at June 30, 2021 such contract assets amounted to approximately USD 1.35 million compared to USD 1.89 million as at December 31, 2020 and compared to USD 0.75 million as at June 30, 2020.

Trade payables - amounted to USD 2,775 thousand as at June 30, 2021 compared with USD 5,053 thousand as at December 31, 2020 and USD 3,444 thousand as at June 30, 2020. The decrease in this item resulted mainly from decrease in purchases near the reports dates.

Other payables - amounted to USD 2,086 thousand as at June 30, 2021 compared with USD 1,905 thousand as at December 31, 2020 and USD 1,278 thousand as at June 30, 2020. The increase in this item, compared with June 30, 2020, resulted mainly due to tax withholding liability on dividend paid to shareholders and due to increase in customers' advance payments.

B. Operating results

Payton Planar Magnetics Ltd. Consolidated Comprehensive Income Statements

	For the six months ended June 30		For the three months ended June 30		Year ended
	2021	2020	2021	2020	December 31
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	2020
Revenues	19,302	19,615	9,217	11,376	43,874
Cost of sales	(11,463)	(11,126)	(5,302)	(6,615)	(25,734)
Gross profit	7,839	8,489	3,915	4,761	18,140
Development costs	(771)	(666)	(425)	(339)	(1,365)
Selling and marketing expenses	(872)	(898)	(419)	(409)	(1,759)
General and administrative expenses	(1,798)	(1,680)	(943)	(867)	(3,385)
Other income, net	1	-	1	-	20
Operating profit	4,399	5,245	2,129	3,146	11,651
Finance income, net	79	298	42	153	455
Share of (losses) profits of equity accounted investee	(123)	(17)	(66)	65	(26)
Profit before income taxes	4,355	5,526	2,105	3,364	12,080
Income taxes	(727)	(992)	(388)	(589)	(2,175)
Profit for the period	3,628	4,534	1,717	2,775	9,905
Other comprehensive (loss) income items that will not be transferred to profit and loss					
Re-measurement of defined benefit plan	-	112	-	-	56
Share of other comprehensive (loss) income of equity accounted investee	(1)	(5)	1	(4)	20
Total other comprehensive (loss) income	(1)	107	1	(4)	76
Total comprehensive income for the period	3,627	4,641	1,718	2,771	9,981

General Note: The Group is exposed to abrasion of the USD in relation to the NIS, Euro (€) and the Pound (£). Most of the Group's salaries and other operating costs are fixed in local currencies. Revaluation of the local currencies drives to an increase or decrease in labor costs and other operating costs, thus, affects the operating results of the Company.

Sales revenues - The Group's sales revenues for the six-month period ended June 30, 2021 were USD 19,302 thousand compared with USD 19,615 thousand in the six-month period ended June 30, 2020. The Group succeeded to maintain its sales volume in spite of the global situation thanks to its diversity of projects and its manufacturing

geographical spread. See also paragraph 1.B - *The COVID-19 crisis effect and Global business environment changes*, above.

Gross profit - The Group's gross profit for the six-month period ended June 30, 2021 amounted USD 7,839 thousand (41% of sales) compared with USD 8,489 thousand (43% of sales) in the six-month period ended June 30, 2020. The gross margin was influenced mainly by the sales products mix and by raw materials prices increase.

Development costs - Payton's R&D strategy is aimed on maintaining the leadership of the Planar Technology. The R&D department works in conjunction with R&D departments of the forerunners of today's global technology, and together they define tomorrow's technological needs. Costs were based upon time expended by the department's employees. The Group's development costs for the six months ended June 30, 2021 were USD 771 thousand compared with USD 666 thousand in the same period last year. The increase is mainly explained by an increase in the development team's labor cost as well as by the local currency revaluation.

Selling & marketing expenses - The Group's selling & marketing expenses are mainly comprised of: (1) commissions to the Group's reps' and Marketing Personnel, which are calculated as a portion of sales (It is noted that not all the sales are subject to reps' commissions) and of (2) other selling expenses (fixed) based on management policy. The Group's marketing efforts are concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide rep's Network. The Group's selling & marketing expenses for the six-month period ended June 30, 2021 were USD 872 thousand (5%) and USD 898 thousand (5%) in the six-month period ended June 30, 2020. In the first half of 2021, in light of the Covid-19 Epidemic, other selling expenses, mainly travel expenses and exhibitions costs, remained on a low volume similar to last year (2020).

Finance income, net - The Group's finance income for the six-month period ended June 30, 2021 amounted USD 79 thousand compared with USD 298 thousand in the six-month period ended June 30, 2020. This decrease is explained mainly by a decrease of the market interest rate on bank deposits.

3. Liquidity

A. Operating activities

Cash flows generated from operating activities for the six-month period ended June 30, 2021 amounted USD 5,312 thousand, compared with cash flows generated from operating activities of USD 4,554 thousand for the six-month period ended June 30, 2020. The cash flows from operating activities generated mainly from the profit for the period increased by other non-cash adjustments and changes in assets and liabilities.

B. Investing activities

Cash flows used for investing activities in the six-month period ended June 30, 2021, amounted USD 6,410 thousand, compared with cash flows generated from investing activities at the amount of USD 1,300 thousand in the six-month period ended June 30, 2020. In the first half of 2021, cash flows used mainly for investments in bank deposits.

C. **Financing activities**

Cash flows used for financing activities in the six-month period ended June 30, 2021, amounted USD 7,422 thousand, representing a dividend payment (announced March 24, 2021) that was paid on June 2021. There were no cash flows used for financing activities in the six-month period ended June 30, 2020.

4. **Financing sources**

The Group financed its activities during the reported periods from its own resources.

5. **External factors effects**

The *COVID-19 crisis effect* and the *Global business environment changes* - see paragraph 1.B above.

Devaluation of the U.S. Dollar in relation to the local currencies, NIS and GBP, leads to an increase in labor costs and other operating costs. Most of the Group's salaries and other operating costs are fixed in local currencies; therefore, the operating results are affected.

To the best of the Board of Directors' and management's knowledge, except the above mentioned, there have been no significant changes in external factors that may materially affect the Company's financial position or results of operations.

6. **Statement by senior management in accordance with article 12, § 2 (3°) of the Royal Decree per 14.11.2007**

Pursuant to article 12 § 2(3°) of the Royal Decree of 14 November 2007, David Yativ Chairman of the Board of Directors declares, on behalf of and for the account of Payton Planar Magnetics that, as far as is known to him,

- a) The financial statements at June 30, 2021 are drawn up in accordance with IFRS and with IAS 34 "Interim Financial Reporting" as adopted by the European Union and present a true and fair view of the equity, financial situation and results of the company.
- b) The report gives a true and fair view of the main events of the first six months of year 2021, their impact on the financial statements, the main risk factors and uncertainties for the remaining months of the financial year, as well as the main transactions with related parties and their possible impact on the abbreviated financial statements.

The Company's Board of Directors wishes to thank our shareholders for their continuance trust and belief.

The Company's Board of Directors wishes to extend its sincere thanks to the entire personnel for their efforts and contribution to the Group's affairs.

Ness Ziona, August 18 , 2021.

David Yativ
Chairman of the Board
of Directors

Doron Yativ
Director and C.E.O.



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Review Report to the Shareholders of Payton Planar Magnetics Ltd.

Introduction

We have reviewed the accompanying financial information of Payton Planar Magnetics Ltd. and its subsidiaries comprising of the condensed consolidated interim statement of financial position as of June 30, 2021 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34 “*Interim Financial Reporting*.”

Somekh Chaikin
Certified Public Accountants (Isr.)
A Member of KPMG International

August 18, 2021

Condensed Consolidated Interim Statements of Financial Position as at

	June 30	June 30	December 31
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	22,802	10,580	31,325
Short-term deposits and investments	19,348	27,758	13,054
Trade accounts receivable	7,244	9,065	9,665
Other accounts receivable	1,760	1,382	2,417
Inventory	3,521	3,400	3,462
Total current assets	54,675	52,185	59,923
Non-current assets			
Investment in equity accounted investee	895	1,003	1,019
Fixed assets	10,278	10,614	10,636
Intangible assets	22	22	22
Total non-current assets	11,195	11,639	11,677
Total assets	65,870	63,824	71,600

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Financial Position as at (cont'd)

	June 30 2021	June 30 2020	December 31 2020
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Liabilities and equity			
Current liabilities			
Trade payables	2,775	3,444	5,053
Other payables	2,086	1,278	1,905
Current tax liability	1,107	1,155	1,116
Employee benefits	746	529	553
Total current liabilities	6,714	6,406	8,627
Non-current liabilities			
Employee benefits	700	550	689
Deferred tax liabilities	1,019	976	1,052
Total non-current liabilities	1,719	1,526	1,741
Total liabilities	8,433	7,932	10,368
Equity			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Retained earnings	43,608	42,063	47,403
Total equity	57,437	55,892	61,232
Total liabilities and equity	65,870	63,824	71,600

David Yativ
Chairman of the Board of
Directors

Doron Yativ
Chief Executive Officer

Michal Lichtenstein
V.P. Finance & CFO

Date of approval of the interim financial statements: August 18, 2021

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income

	For the six months ended June 30		For the three months ended June 30		Year ended
	2021	2020	2021	2020	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Revenues	19,302	19,615	9,217	11,376	43,874
Cost of sales	(11,463)	(11,126)	(5,302)	(6,615)	(25,734)
Gross profit	7,839	8,489	3,915	4,761	18,140
Development costs	(771)	(666)	(425)	(339)	(1,365)
Selling and marketing expenses	(872)	(898)	(419)	(409)	(1,759)
General and administrative expenses	(1,798)	(1,680)	(943)	(867)	(3,385)
Other income, net	1	-	1	-	20
Operating profit	4,399	5,245	2,129	3,146	11,651
Finance income	99	339	51	178	566
Finance expenses	(20)	(41)	(9)	(25)	(111)
Finance income, net	79	298	42	153	455
Share of (losses) profits of equity accounted investee	(123)	(17)	(66)	65	(26)
Profit before income taxes	4,355	5,526	2,105	3,364	12,080
Income taxes	(727)	(992)	(388)	(589)	(2,175)
Profit for the period	3,628	4,534	1,717	2,775	9,905
Other comprehensive (loss) income items that will not be transferred to profit and loss					
Re-measurement of defined benefit plan	-	112	-	-	56
Share of other comprehensive (loss) income of equity accounted investee	(1)	(5)	1	(4)	20
Total other comprehensive (loss) income	(1)	107	1	(4)	76
Total comprehensive income for the period	3,627	4,641	1,718	2,771	9,981
Basic and diluted earnings per share (in \$)	0.21	0.26	0.10	0.16	0.56

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital		Share premium \$ thousands	Retained earnings \$ thousands	Total \$ thousands
	Number of shares	\$ thousands			
For the six months ended					
June 30, 2021 (Unaudited)					
Balance at January 1, 2021	17,670,775	4,836	8,993	47,403	61,232
Total comprehensive income for the period					
Profit for the period	-	-	-	3,628	3,628
Other comprehensive loss	-	-	-	(1)	(1)
Total comprehensive income for the period	-	-	-	3,627	3,627
Transaction with owners, recognized directly in equity					
Dividend to owners	-	-	-	(7,422)	(7,422)
Balance at June 30, 2021	17,670,775	4,836	8,993	43,608	57,437
For the six months ended					
June 30, 2020 (Unaudited)					
Balance at January 1, 2020	17,670,775	4,836	8,993	37,422	51,251
Total comprehensive income for the period					
Profit for the period	-	-	-	4,534	4,534
Other comprehensive income	-	-	-	107	107
Total comprehensive income for the period	-	-	-	4,641	4,641
Balance at June 30, 2020	17,670,775	4,836	8,993	42,063	55,892
For the three months ended					
June 30, 2021 (Unaudited)					
Balance at April 1, 2021	17,670,775	4,836	8,993	41,890	55,719
Total comprehensive income for the period					
Profit for the period	-	-	-	1,717	1,717
Other comprehensive income	-	-	-	1	1
Total comprehensive income for the period	-	-	-	1,718	1,718
Balance at June 30, 2021	17,670,775	4,836	8,993	43,608	57,437

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	<u>Share capital</u>		<u>Share</u>	<u>Retained</u>	<u>Total</u>
	<u>Number of</u>	<u>\$ thousands</u>	<u>premium</u>	<u>earnings</u>	
	<u>shares</u>		<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
For the three months ended					
June 30, 2020 (Unaudited)					
Balance at April 1, 2020	17,670,775	4,836	8,993	39,292	53,121
Total comprehensive income for the period					
Profit for the period	-	-	-	2,775	2,775
Other comprehensive loss	-	-	-	(4)	(4)
Total comprehensive income for the period	-	-	-	2,771	2,771
Balance at June 30, 2020	<u>17,670,775</u>	<u>4,836</u>	<u>8,993</u>	<u>42,063</u>	<u>55,892</u>
For the year ended					
December 31, 2020 (Audited)					
Balance at January 1, 2020	17,670,775	4,836	8,993	37,422	51,251
Total comprehensive income for the year					
Profit for the year	-	-	-	9,905	9,905
Other comprehensive income	-	-	-	76	76
Total comprehensive income for the year	-	-	-	9,981	9,981
Balance at December 31, 2020	<u>17,670,775</u>	<u>4,836</u>	<u>8,993</u>	<u>47,403</u>	<u>61,232</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended June 30		For the three months ended June 30		Year ended
	2021	2020	2021	2020	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Operating activities					
Profit for the period	3,628	4,534	1,717	2,775	9,905
Adjustments:					
Depreciation	446	451	224	220	898
Income taxes	727	992	388	589	2,175
Share of losses (profits) of equity accounted investee	123	17	66	(65)	26
Gain on sale of fixed assets	(1)	-	(1)	-	(20)
Finance income, net	(83)	(323)	(68)	(170)	(584)
	4,840	5,671	2,326	3,349	12,400
Change in employee benefits	204	156	113	104	249
Decrease (increase) in trade accounts receivable	2,421	(1,455)	560	(2,667)	(2,055)
Decrease (increase) in other accounts receivable	546	351	(401)	191	(553)
(Increase) decrease in inventory	(59)	109	(50)	15	47
(Decrease) increase in trade payables	(2,254)	775	(787)	1,395	2,351
Increase (decrease) in other payables	181	(441)	105	(475)	186
	5,879	5,166	1,866	1,912	12,625
Interest received	91	173	91	159	642
Interest paid	-	-	-	-	(9)
Income taxes paid	(658)	(785)	(187)	(514)	(2,048)
Cash flows generated from operating activities	5,312	4,554	1,770	1,557	11,210
Investing activities					
(Investments in) proceeds from deposits, net	(6,299)	1,507	(4,299)	(576)	15,967
Acquisition of fixed assets	(116)	(207)	(54)	(57)	(674)
Proceeds from sale of fixed assets	5	-	5	-	51
Cash flows (used for) generated from investing activities	(6,410)	1,300	(4,348)	(633)	15,344
Financing activities					
Dividend paid	(7,422)	-	(7,422)	-	-
Cash flows used for financing activities	(7,422)	-	(7,422)	-	-
Net (decrease) increase in cash and cash equivalents	(8,520)	5,854	(10,000)	924	26,554
Cash and cash equivalents at the beginning of the period	31,325	4,741	32,783	9,646	4,741
Effect of exchange rate fluctuations on cash and cash equivalents	(3)	(15)	19	10	30
Cash and cash equivalents at the end of the period	22,802	10,580	22,802	10,580	31,325

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 - General

A. Reporting entity

Payton Planar Magnetics Ltd. ("the Company") was incorporated in December 1992. The address of the Company's registered office is 3 Ha'avoda Street, Ness-Ziona.

The Company is a subsidiary of Payton Industries Ltd. (the "Parent Company"). The securities of the Company are registered for trade on the Euronext stock exchange in Brussels.

The condensed consolidated interim financial statements of the Group as at June 30, 2021 comprise the Company and its subsidiaries (together referred as the "Group").

The Group develops, manufactures and markets planar and conventional transformers and operates abroad through its subsidiaries and distributors.

B. Material events in the reporting period

The COVID-19 crisis effect

Further to the report in the financial statements for the year 2020, in the first half of the year 2021, similar to the year 2020, due to the flexibility and global spread of the Group, it has successfully handled this crisis. The manufacturing lines in Israel operated continuously, in shifts, while taking the needed measures and abiding with all required distance regulations.

The local administrative staff continued to support the business activities, also remotely when needed. At the same time, also, the other Group members: the subsidiaries in England and United States continued their business operations in the same manner while keeping all needed measures and abiding with their local regulations.

Payton's worldwide manufacturing facilities and geographically spread of the Group's production sites in China, the Philippines, Israel, England and the United States minimized the effect of the COVID-19 epidemic and has proven itself effective enabling the delivery of most of the orders on time.

During the second quarter of 2021 it was appeared that the spread of the epidemic has been declining, but, recently we are noting a repeated spread of the COVID-19 virus in many places all over the world. This recent global spread creates many uncertainties as to its impact.

As at the date of signing these financial statements, all production sites are fully operational in a "Corona routine".

Notes to the Condensed Consolidated Interim Financial Statements

Note 2 - Basis of Preparation

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at December 31, 2020 (hereinafter “annual financial statements”). These condensed consolidated interim financial statements were authorized for issue by the Group’s Board of Directors on August 18, 2021.

B. Use of estimates and judgments

The preparation of interim financial statements in accordance to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

Note 3 - Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements.

Note 4 - Dividends

On March 24, 2021 the Company's Board of Directors decided to pay the shareholders a dividend for the financial years 2019 and 2020 at the amount of USD 7,422 thousand (USD 0.42 per share, paid on June 17, 2021).

Notes to the Condensed Consolidated Interim Financial Statements**Note 5 - Earnings Per Share****Basic and diluted earnings per share**

	For the six months ended June 30		For the three months ended June 30		Year ended
	2021	2020	2021	2020	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Profit for the period (\$ thousands)	3,628	4,534	1,717	2,775	9,905
Issued ordinary shares (in thousands of shares)	17,671	17,671	17,671	17,671	17,671
Basic and diluted earnings per ordinary share (in US\$)	0.21	0.26	0.10	0.16	0.56

Note 6 - Operating Segments

The Group has one operating segment, the transformer segment. The Group's chief operating decision maker makes decisions and allocates resources with respect to all the transformers as a whole.

Management observes the operating data up to the net profit, in consistent of the consolidated financial reports presented in accordance with IFRS.