



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

**Financial Statements as at September 30, 2021 (Unaudited)**

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# The Board of Directors' Report<sup>1</sup> 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 nine months ended on September 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.*

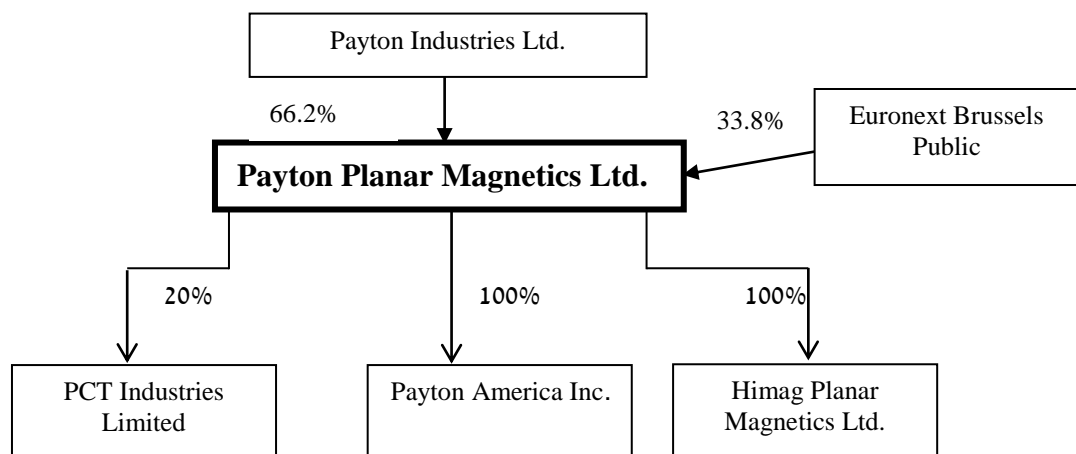
*Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.*

**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.



<sup>1</sup> The financial statements as at September 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 September 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, it seems that in the year 2021, similar to year 2020, the Group's flexibility and global spread, resulted in successfully handling this crisis. The manufacturing lines in Israel operated continuously while abiding all required distance regulations.

During this period, also, the other Group's 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 planning and 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 orders on time.

During the third quarter of 2021 it appeared that the spread of the epidemic has been declining, and recently, in many places all over the world, there are signs of economic and business recovery side by side the COVID-19 epidemic.

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

- ***Global business environment changes*** - in the first nine months of year 2021 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 and transportation costs and shortage in such means, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs and recently also energy crisis/shortage in china that might result in production capacity shortage.

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. Recently due to additional devaluation of the US\$, this factor is becoming more and more significant.

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 nine-month period ended September 30	For the year ended December 31	For the nine-month period ended September 30
	2021	2020	2020
Customer A <sup>1</sup>	17%	31%	30%
Customer B <sup>2</sup>	18%	12%	11%

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

<sup>(2)</sup> Customer related to the Automotive industry (Comprised of sales to two related companies).

### D. Marketing

During the first nine-months 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 September 30, 2021 was USD 28,220 thousand (December 31, 2020 - USD 18,921 thousand). The backlog is composed only of confirmed orders. It is noted that due to the global shortage in raw materials, Company lead-time became longer, and also, some delivery dates were postponed upon customers' requests as result of their lack in other production components.

Management estimates that most of the backlog as of 30.9.2021 will be supplied until September 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 September 30, 2021

**Cash and cash equivalents, Short-term Deposits and marketable securities** - these items amounted to a total of USD 37,427 thousand as at September 30, 2021 compared to USD 44,379 thousand as at December 31, 2020 and USD 42,253 thousand as at September 30, 2020. The decrease in these items resulted due to the dividend payment made on June 2021, and the classification of USD 5,007 thousand as long-term deposit. However, the profit for the period reduced the impact of these two factors.

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 7,233 thousand as at September 30, 2021 compared with USD 9,665 thousand as at December 31, 2020 and USD 7,857 thousand as at September 30, 2020. The decrease in this item, compared with December 31, 2020, resulted mainly due to decrease in sales volume near the reports dates.

***Other accounts receivable*** - these amounted to USD 1,774 thousand as at September 30, 2021 compared with USD 2,417 thousand as at December 31, 2020 and USD 1,992 thousand as at September 30, 2020. The changes in this item are due to advance payments made to suppliers and mainly 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 September 30, 2021 such contract assets amounted to approximately USD 1.08 million compared to USD 1.89 million as at December 31, 2020 and compared to USD 1.42 million as at September 30, 2020.

***Long-term deposits*** - amounted to USD 5,007 thousand as at September 30, 2021. There were no Long-term deposits as at December 31, 2020 and at September 30, 2020. This item is comprised of bank deposit for 18 months.

***Trade payables*** - amounted to USD 2,406 thousand as at September 30, 2021 compared with USD 5,053 thousand as at December 31, 2020 and USD 4,054 thousand as at September 30, 2020. The changes in this item are influenced mainly from purchases made each quarter near the report date as well as from advance payment and shorter payment terms in favor of subcontractors.

## B. Operating results

### Payton Planar Magnetics Ltd. Consolidated Comprehensive Income Statements

	For the nine months ended September 30		For the three months ended September 30		Year ended December 31
	2021 (Unaudited) \$ thousands	2020 (Unaudited) \$ thousands	2021 (Unaudited) \$ thousands	2020 (Unaudited) \$ thousands	2020 (Audited) \$ thousands
Revenues	29,185	30,806	9,883	11,191	43,874
Cost of sales	(17,673)	(18,080)	(6,210)	(6,954)	(25,734)
<b>Gross profit</b>	<b>11,512</b>	12,726	<b>3,673</b>	4,237	18,140
Development costs	(1,132)	(1,030)	(361)	(364)	(1,365)
Selling and marketing expenses	(1,283)	(1,302)	(411)	(404)	(1,759)
General and administrative expenses	(2,709)	(2,568)	(911)	(888)	(3,385)
Other income, net	1	-	-	-	20
<b>Operating profit</b>	<b>6,389</b>	7,826	<b>1,990</b>	2,581	11,651
Finance income (expenses), net	41	457	(38)	159	455
Share of (losses) profits of equity accounted investee	(150)	(9)	(27)	8	(26)
<b>Profit before income taxes</b>	<b>6,280</b>	8,274	<b>1,925</b>	2,748	12,080
Income taxes	(1,070)	(1,483)	(343)	(491)	(2,175)
<b>Profit for the period</b>	<b>5,210</b>	6,791	<b>1,582</b>	2,257	9,905
<b>Other comprehensive income items that will not be transferred to profit and loss</b>					
Re-measurement of defined benefit plan	-	112	-	-	56
Share of other comprehensive income of equity accounted investee	1	5	2	10	20
<b>Total other comprehensive income</b>	<b>1</b>	117	<b>2</b>	10	76
<b>Total comprehensive income for the period</b>	<b>5,211</b>	6,908	<b>1,584</b>	2,267	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 in labor costs and other operating costs, thus, affects the operating results of the Company.

**Sales revenues** - The Group's sales revenues for the nine-month period ended September 30, 2021 were USD 29,185 thousand compared with USD 30,806 thousand in the nine-month period ended September 30, 2020. The decrease in sales resulted mainly due to customers' requests to postpone deliveries in light of their shortage in other manufacturing components. 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 nine-month period ended September 30, 2021 amounted USD 11,512 thousand (39% of sales) compared with USD 12,726 thousand (41% of sales) in the nine-month period ended September 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 nine months ended September 30, 2021 were USD 1,132 thousand compared with USD 1,030 thousand in the same period last year. The increase is explained mainly by the local currency (NIS) revaluation against the USD, as well as by an increase in the development team's labor cost.

**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 nine-month period ended September 30, 2021 were USD 1,283 thousand (4%) and USD 1,302 thousand (4%) in the nine-month period ended September 30, 2020. In the first nine months 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 nine-month period ended September 30, 2021 amounted USD 41 thousand compared with USD 457 thousand in the nine-month period ended September 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 nine-month period ended September 30, 2021 amounted USD 5,818 thousand, compared with cash flows generated from operating activities of USD 8,438 thousand for the nine-month period ended September 30, 2020. The cash flows from operating activities generated mainly from the profit for the period.

#### **B. Investing activities**

Cash flows used for investing activities in the nine-month period ended September 30, 2021, amounted USD 10,223 thousand, compared with cash flows used for investing activities at the amount of USD 652 thousand in the nine-month period ended September 30, 2020. In the first nine months of 2021, cash flows used mainly for investments in short-term and long-term bank deposits.



### C. **Financing activities**

Cash flows used for financing activities in the nine-month period ended September 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 nine-month period ended September 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 September 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 nine 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, November 24 , 2021.**

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**David Yativ**  
**Chairman of the Board**  
**of Directors**

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**Doron Yativ**  
**Director and C.E.O.**



Somekh Chaikin  
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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 September 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 nine 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

November 24, 2021

**Condensed Consolidated Interim Statements of Financial Position as at**

	September 30 2021 <u>(Unaudited)</u> <u>\$ thousands</u>	September 30 2020 <u>(Unaudited)</u> <u>\$ thousands</u>	December 31 2020 <u>(Audited)</u> <u>\$ thousands</u>
<b>Current assets</b>			
Cash and cash equivalents	19,485	12,527	31,325
Short-term deposits and marketable securities held for trading	17,942	29,726	13,054
Trade accounts receivable	7,233	7,857	9,665
Other accounts receivable	1,774	1,992	2,417
Inventory	3,396	3,409	3,462
<b>Total current assets</b>	<b>49,830</b>	<b>55,511</b>	<b>59,923</b>
<b>Non-current assets</b>			
Long-term deposits	5,007	-	-
Investment in equity accounted investee	870	1,021	1,019
Fixed assets	10,252	10,452	10,636
Intangible assets	22	22	22
<b>Total non-current assets</b>	<b>16,151</b>	<b>11,495</b>	<b>11,677</b>
<b>Total assets</b>	<b>65,981</b>	<b>67,006</b>	<b>71,600</b>

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)**

	September 30 2021 <u>(Unaudited)</u> <u>\$ thousands</u>	September 30 2020 <u>(Unaudited)</u> <u>\$ thousands</u>	December 31 2020 <u>(Audited)</u> <u>\$ thousands</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables	2,406	4,054	5,053
Other payables	1,808	1,567	1,905
Current tax liability	408	1,146	1,116
Employee benefits	603	450	553
<b>Total current liabilities</b>	<u>5,225</u>	<u>7,217</u>	<u>8,627</u>
<b>Non-current liabilities</b>			
Employee benefits	717	568	689
Deferred tax liabilities	1,018	1,062	1,052
<b>Total non-current liabilities</b>	<u>1,735</u>	<u>1,630</u>	<u>1,741</u>
<b>Total liabilities</b>	<u>6,960</u>	<u>8,847</u>	<u>10,368</u>
<b>Equity</b>			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Retained earnings	45,192	44,330	47,403
<b>Total equity</b>	<u>59,021</u>	<u>58,159</u>	<u>61,232</u>
<b>Total liabilities and equity</b>	<u>65,981</u>	<u>67,006</u>	<u>71,600</u>

\_\_\_\_\_  
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: November 24, 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 nine months ended September 30		For the three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Revenues	29,185	30,806	9,883	11,191	43,874
Cost of sales	(17,673)	(18,080)	(6,210)	(6,954)	(25,734)
<b>Gross profit</b>	<b>11,512</b>	12,726	<b>3,673</b>	4,237	18,140
Development costs	(1,132)	(1,030)	(361)	(364)	(1,365)
Selling and marketing expenses	(1,283)	(1,302)	(411)	(404)	(1,759)
General and administrative expenses	(2,709)	(2,568)	(911)	(888)	(3,385)
Other income, net	1	-	-	-	20
<b>Operating profit</b>	<b>6,389</b>	7,826	<b>1,990</b>	2,581	11,651
Finance income	149	484	50	166	566
Finance expenses	(108)	(27)	(88)	(7)	(111)
Finance income (expenses), net	41	457	(38)	159	455
Share of (losses) profits of equity accounted investee	(150)	(9)	(27)	8	(26)
<b>Profit before income taxes</b>	<b>6,280</b>	8,274	<b>1,925</b>	2,748	12,080
Income taxes	(1,070)	(1,483)	(343)	(491)	(2,175)
<b>Profit for the period</b>	<b>5,210</b>	6,791	<b>1,582</b>	2,257	9,905
<b>Other comprehensive income items that will not be transferred to profit and loss</b>					
Re-measurement of defined benefit plan	-	112	-	-	56
Share of other comprehensive income of equity accounted investee	1	5	2	10	20
<b>Total other comprehensive income</b>	<b>1</b>	117	<b>2</b>	10	76
<b>Total comprehensive income for the period</b>	<b>5,211</b>	6,908	<b>1,584</b>	2,267	9,981
<b>Basic and diluted earnings per share (in \$)</b>	<b>0.29</b>	0.38	<b>0.09</b>	0.13	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			
<b>For the nine months ended September 30, 2021 (Unaudited)</b>					
<b>Balance at January 1, 2021</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>47,403</b>	<b>61,232</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	5,210	5,210
Other comprehensive income	-	-	-	1	1
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,211</b>	<b>5,211</b>
<b>Transaction with owners, recognized directly in equity</b>					
Dividend to owners	-	-	-	(7,422)	(7,422)
<b>Balance at September 30, 2021</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>45,192</b>	<b>59,021</b>
<b>For the nine months ended September 30, 2020 (Unaudited)</b>					
<b>Balance at January 1, 2020</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>37,422</b>	<b>51,251</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	6,791	6,791
Other comprehensive income	-	-	-	117	117
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,908</b>	<b>6,908</b>
<b>Balance at September 30, 2020</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>44,330</b>	<b>58,159</b>
<b>For the three months ended September 30, 2021 (Unaudited)</b>					
<b>Balance at July 1, 2021</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>43,608</b>	<b>57,437</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	1,582	1,582
Other comprehensive income	-	-	-	2	2
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,584</b>	<b>1,584</b>
<b>Balance at September 30, 2021</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>45,192</b>	<b>59,021</b>

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>
<b>For the three months ended</b>					
<b>September 30, 2020 (Unaudited)</b>					
<b>Balance at July 1, 2020</b>	17,670,775	4,836	8,993	42,063	55,892
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	2,257	2,257
Other comprehensive income	-	-	-	10	10
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,267</b>	<b>2,267</b>
<b>Balance at September 30, 2020</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>44,330</b>	<b>58,159</b>
<b>For the year ended</b>					
<b>December 31, 2020 (Audited)</b>					
<b>Balance at January 1, 2020</b>	17,670,775	4,836	8,993	37,422	51,251
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	9,905	9,905
Other comprehensive income	-	-	-	76	76
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,981</b>	<b>9,981</b>
<b>Balance at December 31, 2020</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>47,403</b>	<b>61,232</b>

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

**Condensed Consolidated Interim Statements of Cash Flows**

	For the nine months ended September 30		For the three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
<b>Operating activities</b>					
Profit for the period	5,210	6,791	1,582	2,257	9,905
<b>Adjustments:</b>					
Depreciation	667	670	221	219	898
Income taxes	1,070	1,483	343	491	2,175
Share of losses (profits) of equity accounted investee	150	9	27	(8)	26
Gain on sale of fixed assets	(1)	-	-	-	(20)
Finance (income) expenses, net	(76)	(472)	7	(149)	(584)
	<u>7,020</u>	<u>8,481</u>	<u>2,180</u>	<u>2,810</u>	<u>12,400</u>
Change in employee benefits	78	95	(126)	(61)	249
Decrease (increase) in trade accounts receivable	2,432	(247)	11	1,208	(2,055)
Decrease (increase) in other accounts receivable	549	(131)	3	(482)	(553)
Decrease (increase) in inventory	66	100	125	(9)	47
(Decrease) increase in trade payables	(2,605)	1,388	(351)	613	2,351
(Decrease) increase in other payables	(97)	(152)	(278)	289	186
	<u>7,443</u>	<u>9,534</u>	<u>1,564</u>	<u>4,368</u>	<u>12,625</u>
Interest received	133	231	42	58	642
Interest paid	(40)	-	(40)	-	(9)
Income taxes paid	(1,718)	(1,327)	(1,060)	(542)	(2,048)
<b>Cash flows generated from operating activities</b>	<u>5,818</u>	<u>8,438</u>	<u>506</u>	<u>3,884</u>	<u>11,210</u>
<b>Investing activities</b>					
(Investments in) proceeds from deposits, net	(9,399)	(385)	(3,100)	(1,892)	15,967
Investments in marketable securities held for trading	(500)	-	(500)	-	-
Acquisition of fixed assets	(329)	(267)	(213)	(60)	(674)
Proceeds from sale of fixed assets	5	-	-	-	51
<b>Cash flows (used for) generated from investing activities</b>	<u>(10,223)</u>	<u>(652)</u>	<u>(3,813)</u>	<u>(1,952)</u>	<u>15,344</u>
<b>Financing activities</b>					
Dividend paid	(7,422)	-	-	-	-
<b>Cash flows used for financing activities</b>	<u>(7,422)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(11,827)</u>	<u>7,786</u>	<u>(3,307)</u>	<u>1,932</u>	<u>26,554</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>31,325</u>	<u>4,741</u>	<u>22,802</u>	<u>10,580</u>	<u>4,741</u>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>(13)</u>	<u>-</u>	<u>(10)</u>	<u>15</u>	<u>30</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>19,485</u>	<u>12,527</u>	<u>19,485</u>	<u>12,527</u>	<u>31,325</u>

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



**Notes to the Condensed Consolidated Interim Financial Statements**

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**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 September 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, it seems that in the year 2021, similar to year 2020, the Group's flexibility and global spread, resulted in successfully handling this crisis. The manufacturing lines in Israel operated continuously while abiding all required distance regulations.

During this period, also, the other Group's 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 planning and 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 orders on time.

During the third quarter of 2021 it appeared that the spread of the epidemic has been declining, and recently, in many places all over the world, there are signs of economic and business recovery side by side the COVID-19 epidemic.

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**

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### **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 November 24, 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 nine months ended September 30		For the three months ended September 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit for the period (\$ thousands)	<b>5,210</b>	6,791	<b>1,582</b>	2,257	9,905
Issued ordinary shares (in thousands of shares)	<b>17,671</b>	17,671	<b>17,671</b>	17,671	17,671
Basic and diluted earnings per ordinary share (in \$)	<b>0.29</b>	0.38	<b>0.09</b>	0.13	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.