



**Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
September 30, 2022 (Unaudited)**

Financial Statements as at September 30, 2022 (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 nine months ended on September 30, 2022.

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.

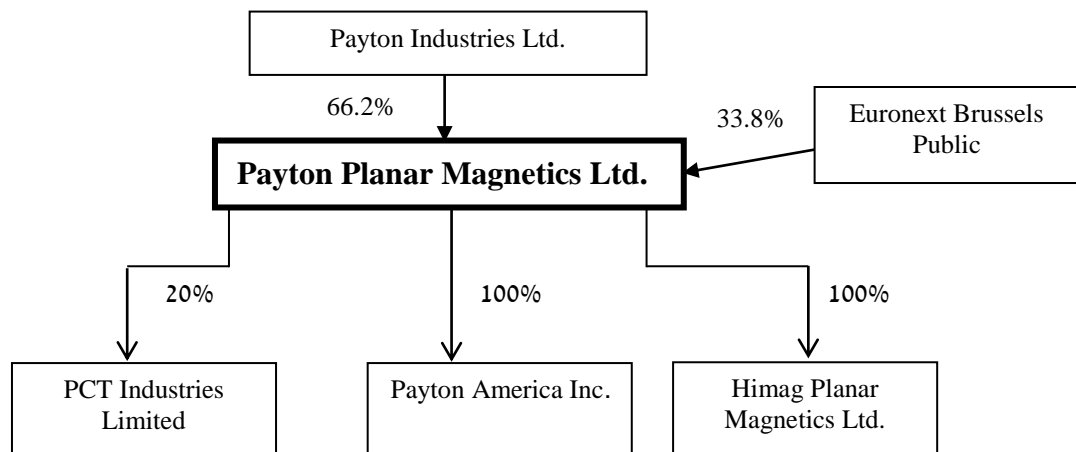
Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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, 2021, published on March 28, 2022 (hereinafter "the 2021 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 September 30, 2022 form an integral part thereof.

B. The Group's main fields of activity and changes that occurred in the period from January to September 2022

The Company, an Israeli high-tech enterprise, develops manufactures and markets magnetics parts, mostly Planar 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 -

During the first nine months of the year 2022, it seems that most countries over the world conduct their activities side by side to the COVID-19 epidemic and it has no substantial impact on the Group's business activity. However, in China/ HK the approach to the COVID-19 epidemic is still very strict. Visiting China is still subject to many restrictions as well as the transportation within China is limited.

Global business environment changes - During the first nine months of 2022 the global changes noted last year (2021) continued. Among these global changes are: global shortage and price increase of raw materials, increase of materials lead-time and logistic costs.

Due to components shortage such as semiconductors, customers tend to push out or expedite scheduled deliveries up on their needs. Such changes of delivery dates may result in a different sales split compared to the planned order backlog. Management believes that the global shortage, price increases, long lead-time and high logistic costs are in a beginning of a scaling down trend.

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.

Sales - for the nine-month period ended September 30, 2022 were USD 45,888 thousand compared with USD 29,185 thousand in the nine-month period ended September 30, 2021, representing 57% increase that reflects the growth in demand of several projects as it is reflected in the Group's increased order backlog.

On March 28, 2022 - the Company's Board of Directors decided to pay the shareholders a dividend at the amount of USD 8,023 thousand (USD 0.454 per share, paid on June 2022).

Pursuant to the amendment of the law for the Encouragement of Capital Investments executed on November 15, 2021 (the temporary order*), per Company's decision, this dividend was subject to a beneficiary corporate tax rate*, at the amount of USD 0.9 million, paid in full on April 2022.

** see Note 17A(4) to the 2021 yearly Report*

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 |
|-------------------------|----------------------------------------------|--------------------------------|----------------------------------------------|
| | 2022 | 2021 | 2021 |
| Customer A ¹ | 32% | 21% | 17% |
| Customer B ² | 15% | 17% | 18% |

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

⁽²⁾ Customer related to the Automotive industry.

D. Marketing

The Group's marketing activities are conducted through its marketing and sales personnel, a network of agents and subsidiaries in the United States and the United Kingdom. During the first nine months of 2022 the international marketing activity gradually resumed after two years in which it was paused due to the COVID-19 effect. Exhibitions re-opened and frontal meetings with customers were set to the possible extent.

E. Order Backlog

Order backlog of the Group as of September 30, 2022 was USD 44,360 thousand (December 31, 2021 - USD 31,525 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders. Management estimates that most of the backlog as of 30.9.2022 will be supplied until December 31, 2023.

2. Financial position

A. Statement of Financial Position as at September 30, 2022

Cash and cash equivalents, Short-term Deposits and Marketable Securities - these items amounted to a total of USD 41,213 thousand as at September 30, 2022 compared to USD 38,625 thousand as at December 31, 2021 and USD 37,427 thousand as at September 30, 2021.

On June 2022 Company paid the USD 8,023 thousand dividend payment for the year 2021 (decided on March 28, 2022). Despite the said dividend payment, Company presents increase in Cash and cash equivalents attributed mainly to Company's profitability and to the classification of the long-term deposits, at the end of the current period, as a short-term deposits.

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 10,921 thousand as at September 30, 2022 compared with USD 9,917 thousand as at December 31, 2021 and USD 7,233 thousand as at September 30, 2021. The increase in this item is in-line with the increase in sales volume near the reports dates.

Other accounts receivable - these amounted to USD 4,585 thousand as at September 30, 2022 compared with USD 3,226 thousand as at December 31, 2021 and USD 1,774 thousand as at September 30, 2021. Changes in this item result mainly from changes in “contract assets” according to IFRS 15 as well as from increase in advance payments made to suppliers. According to IFRS 15 Company recognizes revenues over time (instead of upon delivery). Revenues recorded prior to delivery are recorded against “contract assets” and presented among “other accounts receivable”.

As at September 30, 2022 such contract assets amounted to approximately USD 3.8 million compared to USD 2.5 million as at December 31, 2021 and compared to USD 1.1 million as at September 30, 2021.

Long-term deposits - amounted to USD 5,020 thousand as at December 31, 2021 and USD 5,007 thousand as at September 30, 2021. These 18 months period bank deposits were classified as short-term deposits as at September 30, 2022.

Other investment - as at September 30, 2022 these amounted to USD 900 thousand representing the Company’s investment in shares of an Israeli startup (less than 20% of the startup's share capital) in the field of wireless charging solution. The Company has a professional and business interest to become involved in new developments in this area.

Investment in equity accounted investee - represents the investment in PCT² (20%) engaged in manufacturing and assembly that serves as one of the Company's major manufacturing Partners.

The investment amounted to USD 1,311 thousand as at September 30, 2022 compared with USD 974 thousand as at December 31, 2021 and USD 870 thousand as at September 30, 2021. The increase resulted from investee’s profit increase.

Trade payables - amounted to USD 3,227 thousand as at September 30, 2022 compared with USD 4,088 thousand as at December 31, 2021 and USD 2,406 thousand as at September 30, 2021. The decrease in this item compared with December 31, 2021 resulted mainly due to advance payment and shorter payment terms in favor of subcontractors.

Other payables - amounted to USD 2,512 thousand as at September 30, 2022 compared with USD 2,035 thousand as at December 31, 2021 and USD 1,808 thousand as at September 30, 2021. The increase in this item resulted mainly due to increase in advance payment made by customers in favor of specific and special orders and from increase in liabilities for management and employees’ incentives.

² See paragraph 1A to 2021 Board of Directors’ report - The Group, an integral part of 2021 yearly Report.

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 |
|------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|--------------------------------------------|--------------|---------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| | \$ thousands | \$ thousands | \$ thousands | \$ thousands | \$ thousands |
| Revenues | 45,888 | 29,185 | 16,155 | 9,883 | 43,980 |
| Cost of sales | (27,149) | (17,673) | (9,545) | (6,210) | (26,607) |
| Gross profit | 18,739 | 11,512 | 6,610 | 3,673 | 17,373 |
| Development costs | (1,153) | (1,132) | (355) | (361) | (1,481) |
| Selling and marketing expenses | (1,460) | (1,283) | (468) | (411) | (1,791) |
| General and administrative expenses | (3,040) | (2,709) | (959) | (911) | (3,734) |
| Other income, net | 11 | 1 | 1 | - | 1 |
| Operating profit | 13,097 | 6,389 | 4,829 | 1,990 | 10,368 |
| Finance income | 286 | 149 | 170 | 50 | 193 |
| Finance expenses | (420) | (108) | (103) | (88) | (168) |
| Finance income (expenses), net | (134) | 41 | 67 | (38) | 25 |
| Share of profits (losses) of equity accounted investee | 353 | (150) | 162 | (27) | (52) |
| Profit before taxes on income | 13,316 | 6,280 | 5,058 | 1,925 | 10,341 |
| Taxes on income | (3,193) | (1,070) | (902) | (343) | (1,821) |
| Profit for the period | 10,123 | 5,210 | 4,156 | 1,582 | 8,520 |
| Other comprehensive income (loss) items that will not be transferred to profit and loss | | | | | |
| Remeasurement of defined benefit plan, net of taxes | 142 | - | - | - | (12) |
| Share of other comprehensive income (loss) of equity accounted investee | (16) | 1 | (6) | 2 | 7 |
| Total other comprehensive income (loss) | 126 | 1 | (6) | 2 | (5) |
| Total comprehensive income for the period | 10,249 | 5,211 | 4,150 | 1,584 | 8,515 |

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/devaluation of the local currencies drives to an increase/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 nine-month period ended September 30, 2022 were USD 45,888 thousand compared with USD 29,185 thousand in the nine-month period ended September 30, 2021, representing 57% increase. This sales increase reflects the demand increase for several projects as was reflected in the Group's increased order backlog.

Gross profit - The Group's gross profit for the nine-month period ended September 30, 2022 amounted USD 18,739 thousand (41% of sales) compared with USD 11,512 thousand (39% of sales) in the nine-month period ended September 30, 2021. The gross margin is influenced mainly by the sales products mix and production locations. The Company succeeded to improve its gross margins, despite the costs increases, thanks to the increase in its sales volume.

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, 2022 were USD 1,153 thousand compared with USD 1,132 thousand in the same period last year.

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, however it is further explained 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, 2022 were USD 1,460 thousand (3.2%) and USD 1,283 thousand (4.4%) in the nine-month period ended September 30, 2021. In the first nine months of 2022, selling expenses mainly travel expenses and exhibitions costs, have resumed gradually. Management believes these costs will continue to increase as traveling and exhibitions will return to normal.

General & Administrative expenses - The Group's General & Administrative expenses for the nine-month period ended September 30, 2022 were USD 3,040 thousand and USD 2,709 thousand in the nine-month period ended September 30, 2021. The increase relates mainly from increase in management incentives derived from the profits increase and from welfare and motivation Company activities for its employees.

Finance income (expenses), net - The Group's finance expenses for the nine-month period ended September 30, 2022 amounted USD 134 thousand compared with finance income of USD 41 thousand in the nine-month period ended September 30, 2021. This decrease in finance income is mainly explained by local currencies balances exchange differences (mainly of NIS & £).

Taxes on income - for the nine-month period ended September 30, 2022 were USD 3,193 thousand compared with USD 1,070 thousand in the nine-month period ended September 30, 2021. The increase in the tax expenses is a result of two factors: (1) Profit increase (2) Previous year's tax expenses - On April 2022 the Company paid an amount of USD 919 thousand following Company's decision to apply the Temporary Order to the Law for the Encouragement of Capital Investments enabling it a beneficiary corporate tax rate on its exempt profits. See also Note 17A(4) to the 2021 yearly Report.

3. Liquidity

A. Operating activities

Cash flows generated from operating activities for the nine-month period ended September 30, 2022 amounted USD 7,444 thousand, compared with cash flows generated from operating activities of USD 5,818 thousand for the nine-month period ended September 30, 2021. The increase in cash flows from operating activities generated mostly from the profit increase influenced also from other non-cash adjustments and changes in assets and liabilities.

B. Investing activities

Cash flows generated from investing activities in the nine-month period ended September 30, 2022, amounted USD 1,137 thousand, compared with cash flows for used investing activities at the amount of USD 10,223 thousand in the nine-month period ended September 30, 2021. During the nine-month period ended September 30, 2022 these cash flows generated from proceeds of bank deposits partly used for the Other Investment and fixed assets.

C. Financing activities

Cash flows used for financing activities in the nine-month period ended September 30, 2022, amounted USD 8,023 thousand, representing a dividend payment (announced March 28, 2022) that was paid on June 2022. 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.

4. Financing sources

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

5. 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, 2022 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 2022, 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 extent its sincere thanks to the entire personnel for their efforts and contribution to the Group's affairs.

Ness Ziona, November 24, 2022.

David Yativ
Chairman of the Board
of Directors

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, 2022 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, 2022

Condensed Consolidated Interim Statements of Financial Position as at

| | September 30 2022 <u>(Unaudited)</u> <u>\$ thousands</u> | September 30 2021 <u>(Unaudited)</u> <u>\$ thousands</u> | December 31 2021 <u>(Audited)</u> <u>\$ thousands</u> |
|----------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------|
| Current assets | | | |
| Cash and cash equivalents | 22,264 | 19,485 | 22,146 |
| Short-term deposits and marketable securities held for trading | 18,949 | 17,942 | 16,479 |
| Trade accounts receivable | 10,921 | 7,233 | 9,917 |
| Other accounts receivable | 4,585 | 1,774 | 3,226 |
| Inventory | 4,352 | 3,396 | 3,772 |
| Total current assets | 61,071 | 49,830 | 55,540 |
| Non-current assets | | | |
| Long-term deposits | - | 5,007 | 5,020 |
| Investment in equity accounted investee | 1,311 | 870 | 974 |
| Other investment | 900 | - | - |
| Fixed assets | 10,157 | 10,252 | 10,222 |
| Intangible assets | 22 | 22 | 22 |
| Total non-current assets | 12,390 | 16,151 | 16,238 |
| Total assets | 73,461 | 65,981 | 71,778 |

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 2022 | September 30 2021 | December 31 2021 |
|--------------------------------------|----------------------|----------------------|---------------------|
| | (Unaudited) | (Unaudited) | (Audited) |
| | \$ thousands | \$ thousands | \$ thousands |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Trade payables | 3,227 | 2,406 | 4,088 |
| Other payables | 2,512 | 1,808 | 2,035 |
| Current tax liability | 713 | 408 | 809 |
| Employee benefits | 546 | 603 | 649 |
| Total current liabilities | 6,998 | 5,225 | 7,581 |
| Non-current liabilities | | | |
| Employee benefits | 509 | 717 | 731 |
| Deferred tax liabilities | 1,403 | 1,018 | 1,141 |
| Total non-current liabilities | 1,912 | 1,735 | 1,872 |
| Total liabilities | 8,910 | 6,960 | 9,453 |
| Equity | | | |
| Share capital | 4,836 | 4,836 | 4,836 |
| Share premium | 8,993 | 8,993 | 8,993 |
| Retained earnings | 50,722 | 45,192 | 48,496 |
| Total equity | 64,551 | 59,021 | 62,325 |
| Total liabilities and equity | 73,461 | 65,981 | 71,778 |

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, 2022

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 |
|------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|--------------------------------------------|--------------|---------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| | \$ thousands | \$ thousands | \$ thousands | \$ thousands | \$ thousands |
| Revenues | 45,888 | 29,185 | 16,155 | 9,883 | 43,980 |
| Cost of sales | (27,149) | (17,673) | (9,545) | (6,210) | (26,607) |
| Gross profit | 18,739 | 11,512 | 6,610 | 3,673 | 17,373 |
| Development costs | (1,153) | (1,132) | (355) | (361) | (1,481) |
| Selling and marketing expenses | (1,460) | (1,283) | (468) | (411) | (1,791) |
| General and administrative expenses | (3,040) | (2,709) | (959) | (911) | (3,734) |
| Other income, net | 11 | 1 | 1 | - | 1 |
| Operating profit | 13,097 | 6,389 | 4,829 | 1,990 | 10,368 |
| Finance income | 286 | 149 | 170 | 50 | 193 |
| Finance expenses | (420) | (108) | (103) | (88) | (168) |
| Finance income (expenses), net | (134) | 41 | 67 | (38) | 25 |
| Share of profits (losses) of equity accounted investee | 353 | (150) | 162 | (27) | (52) |
| Profit before taxes on income | 13,316 | 6,280 | 5,058 | 1,925 | 10,341 |
| Taxes on income | (3,193) | (1,070) | (902) | (343) | (1,821) |
| Profit for the period | 10,123 | 5,210 | 4,156 | 1,582 | 8,520 |
| Other comprehensive income (loss) items that will not be transferred to profit and loss | | | | | |
| Remeasurement of defined benefit plan, net of taxes | 142 | - | - | - | (12) |
| Share of other comprehensive income (loss) of equity accounted investee | (16) | 1 | (6) | 2 | 7 |
| Total other comprehensive income (loss) | 126 | 1 | (6) | 2 | (5) |
| Total comprehensive income for the period | 10,249 | 5,211 | 4,150 | 1,584 | 8,515 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share (in \$) | 0.57 | 0.29 | 0.24 | 0.09 | 0.48 |

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 nine months ended September 30, 2022 (Unaudited) | | | | | |
| Balance at January 1, 2022 | 17,670,775 | 4,836 | 8,993 | 48,496 | 62,325 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 10,123 | 10,123 |
| Other comprehensive income | - | - | - | 126 | 126 |
| Total comprehensive income for the period | - | - | - | 10,249 | 10,249 |
| Transaction with owners, recognized directly in equity | | | | | |
| Dividend to owners (Note 7) | - | - | - | (8,023) | (8,023) |
| Balance at September 30, 2022 | 17,670,775 | 4,836 | 8,993 | 50,722 | 64,551 |
| For the nine months ended September 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 | - | - | - | 5,210 | 5,210 |
| Other comprehensive income | - | - | - | 1 | 1 |
| Total comprehensive income for the period | - | - | - | 5,211 | 5,211 |
| Transaction with owners, recognized directly in equity | | | | | |
| Dividend to owners (Note 7) | - | - | - | (7,422) | (7,422) |
| Balance at September 30, 2021 | 17,670,775 | 4,836 | 8,993 | 45,192 | 59,021 |
| For the three months ended September 30, 2022 (Unaudited) | | | | | |
| Balance at July 1, 2022 | 17,670,775 | 4,836 | 8,993 | 46,572 | 60,401 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 4,156 | 4,156 |
| Other comprehensive loss | - | - | - | (6) | (6) |
| Total comprehensive income for the period | - | - | - | 4,150 | 4,150 |
| Balance at September 30, 2022 | 17,670,775 | 4,836 | 8,993 | 50,722 | 64,551 |

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 premium</u> | <u>Retained earnings</u> | <u>Total</u> |
|---------------------------------------------------------------|-------------------------|---------------------|----------------------|--------------------------|---------------------|
| | <u>Number of shares</u> | <u>\$ thousands</u> | <u>\$ thousands</u> | <u>\$ thousands</u> | <u>\$ thousands</u> |
| For the three months ended | | | | | |
| September 30, 2021 (Unaudited) | | | | | |
| Balance at July 1, 2021 | 17,670,775 | 4,836 | 8,993 | 43,608 | 57,437 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 1,582 | 1,582 |
| Other comprehensive income | - | - | - | 2 | 2 |
| Total comprehensive income for the period | - | - | - | 1,584 | 1,584 |
| Balance at September 30, 2021 | <u>17,670,775</u> | <u>4,836</u> | <u>8,993</u> | <u>45,192</u> | <u>59,021</u> |
| For the year ended | | | | | |
| December 31, 2021 (Audited) | | | | | |
| Balance at January 1, 2021 | 17,670,775 | 4,836 | 8,993 | 47,403 | 61,232 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 8,520 | 8,520 |
| Other comprehensive loss | - | - | - | (5) | (5) |
| Total comprehensive income for the year | - | - | - | 8,515 | 8,515 |
| Transaction with owners, recognized directly in equity | | | | | |
| Dividend to owners (Note 7) | - | - | - | (7,422) | (7,422) |
| Balance at December 31, 2021 | <u>17,670,775</u> | <u>4,836</u> | <u>8,993</u> | <u>48,496</u> | <u>62,325</u> |

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 |
|----------------------------------------------------------------------------------|-------------------------------------------|-----------------------------|--------------------------------------------|-----------------------------|---------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | (Unaudited) \$ thousands | (Unaudited) \$ thousands | (Unaudited) \$ thousands | (Unaudited) \$ thousands | (Audited) \$ thousands |
| Operating activities | | | | | |
| Profit for the period | 10,123 | 5,210 | 4,156 | 1,582 | 8,520 |
| Adjustments: | | | | | |
| Depreciation | 627 | 667 | 205 | 221 | 891 |
| Taxes on income | 3,193 | 1,070 | 902 | 343 | 1,821 |
| Share of losses (profits) of equity accounted investee | (353) | 150 | (162) | 27 | 52 |
| Gain on sale of fixed assets | (10) | (1) | - | - | (1) |
| Finance expenses (income), net | 271 | (76) | (37) | 7 | (144) |
| | <u>13,851</u> | <u>7,020</u> | <u>5,064</u> | <u>2,180</u> | <u>11,139</u> |
| Change in employee benefits | (150) | 78 | (178) | (126) | 125 |
| Decrease (increase) in trade accounts receivable | (1,004) | 2,432 | 2,985 | 11 | (252) |
| Decrease (increase) in other accounts receivable | (1,359) | 549 | (2,317) | 3 | (940) |
| Decrease (increase) in inventory | (580) | 66 | (66) | 125 | (310) |
| Increase (decrease) in trade payables | (897) | (2,605) | 689 | (351) | (923) |
| Increase (decrease) in other payables | 477 | (97) | 45 | (278) | 130 |
| | <u>10,338</u> | <u>7,443</u> | <u>6,222</u> | <u>1,564</u> | <u>8,969</u> |
| Interest received | 183 | 133 | 35 | 42 | 134 |
| Interest paid | (17) | (40) | - | (40) | (40) |
| Income taxes paid, net | (3,060) | (1,718) | (661) | (1,060) | (1,907) |
| Cash flows generated from operating activities | <u>7,444</u> | <u>5,818</u> | <u>5,596</u> | <u>506</u> | <u>7,156</u> |
| Investing activities | | | | | |
| Proceeds from (investments in) deposits, net | 2,399 | (9,399) | 3,100 | (3,100) | (7,399) |
| Acquisition of other investment | (900) | - | (900) | - | - |
| Investments in marketable securities held for trading | - | (500) | - | (500) | (997) |
| Proceeds from sale of marketable securities held for trading | 154 | - | 1 | - | - |
| Acquisition of fixed assets | (547) | (329) | (300) | (213) | (523) |
| Proceeds from sale of fixed assets | 31 | 5 | - | - | 5 |
| Cash flows generated from (used for) investing activities | <u>1,137</u> | <u>(10,223)</u> | <u>1,901</u> | <u>(3,813)</u> | <u>(8,914)</u> |
| Financing activities | | | | | |
| Dividend paid | (8,023) | (7,422) | - | - | (7,422) |
| Cash flows used for financing activities | <u>(8,023)</u> | <u>(7,422)</u> | <u>-</u> | <u>-</u> | <u>(7,422)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>558</u> | <u>(11,827)</u> | <u>7,497</u> | <u>(3,307)</u> | <u>(9,180)</u> |
| Cash and cash equivalents at the beginning of the period | <u>22,146</u> | <u>31,325</u> | <u>14,855</u> | <u>22,802</u> | <u>31,325</u> |
| Effect of exchange rate fluctuations on cash and cash equivalents | <u>(440)</u> | <u>(13)</u> | <u>(88)</u> | <u>(10)</u> | <u>1</u> |
| Cash and cash equivalents at the end of the period | <u>22,264</u> | <u>19,485</u> | <u>22,264</u> | <u>19,485</u> | <u>22,146</u> |

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 September 30, 2022 comprise the Company and its subsidiaries (together referred as the "Group").

The Group develops, manufactures and markets magnetics parts, mostly planar 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 2021, during the first nine months of the year 2022, it seems that most countries over the world conduct their activities side by side to the COVID-19 epidemic and it has no substantial impact on the Group's business activity. However, in China/ HK the approach to the COVID-19 epidemic is still very strict.

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, 2021 (hereinafter "Annual Financial Statements"). These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on November 24, 2022.

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.

Notes to the Condensed Consolidated Interim 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 - Other Investment

In September 2022, the Group acquired shares of an Israeli startup (less than 20% of the startup's share capital), in the field of wireless charging solutions, for a consideration of USD 900 thousand.

Note 5 - Employee Benefits

In the first nine months of the year 2022, there was an increase in the yield rates of high quality corporate debentures in Israel that are used for discounting a defined benefit obligation.

The effect of the above on the financial statements as at September 30, 2022 was a decrease in the defined benefit obligation and an adjustment in deferred tax balances in the amount of USD 175 thousand and USD 33 thousand, respectively, which were recognized against other comprehensive income.

Note 6 - Taxes on Income

Tax expenses for the nine-month period ended September 30, 2022 include an amount of USD 919 thousand referring to a beneficiary corporate tax that was paid in April 2022. See Note 7 below and also Note 17A(4) and Note 20 to the Annual Financial Statements.

Note 7 - 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).

On March 28, 2022 the Company's Board of Directors decided to pay the shareholders a dividend at the amount of USD 8,023 thousand (USD 0.454 per share, paid on June 16, 2022). Pursuant to the amendment of the law for the Encouragement of Capital Investments executed on November 15, 2021 (the temporary order - see Note 17A(4) to the Annual Financial Statements), per Company's decision, this dividend was subject to a beneficiary corporate tax rate, at the amount of USD 919 thousands, that was paid in April 2022.

Notes to the Condensed Consolidated Interim Financial Statements**Note 8 - 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 |
|-------------------------------------------------------------|-------------------------------------------|---------------------|--------------------------------------------|---------------------|---------------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) | 2021 (Audited) |
| Profit for the period (\$ thousands) | 10,123 | 5,210 | 4,156 | 1,582 | 8,520 |
| 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 \$) | 0.57 | 0.29 | 0.24 | 0.09 | 0.48 |

Note 9 - 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.