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Q3 2021 Report[1]

Order Backlog as of September 30, 2021 of USD 28,220 thousand Sales Revenues of USD 29,185 thousand for the nine-month period ending September 30, 2021 .Net profit of USD 5,210 thousand.

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the third quarter of 2021 (nine-month period ending September 30, 2021).
Net profit for the nine-month period of 2021 totaled USD 5,210 thousand.
Sales revenues for the first nine months of 2021 totaled USD 29,185 thousand.

The COVID-19 crisis effect - Payton's worldwide manufacturing facilities and geographically spread of the Group's production sites minimized the effect of the COVID-19 epidemic and has proven itself effective. 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. Currently, 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.
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.

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 of the Company and its two fully owned subsidiaries firm orders.

It is noted that the above statements are forward-looking statement as defined below.

Key financial highlights for the first nine months of year 2021

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 postpon deliveries in

[1] The 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.

light of their shortage in other manufacturing components. (See also information about the COVID-19 crisis effect and Global business environment changes, below).

Gross result

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.

Expenses

During the first nine months of year 2021, The Group's *Development Costs* were USD 1,132 thousand compared with USD 1,030 thousand in the same period last year (2020). 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 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 reps' 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).
The Group's *General & Administrative expenses* for the nine-month period ended September 30, 2021 were USD 2,709 thousand compared with USD 2,568 thousand for the same period last year.

Operating and financial result

Total *operating income* for the first nine-month period of 2021 amounted to USD 6,389 thousand compared to USD 7,826 thousand in the same period last year. During the first nine months of 2021, Payton recorded a *net finance income* of USD 41 thousand compared to a net finance income of USD 457 thousand for the first nine months of 2020. The decrease in *finance income* is mainly explained by a decrease of the market interest rate on bank deposits.

Income taxes

Tax expenses for the first nine-month of 2021 totaled USD 1,070 thousand, compared to USD 1,483 thousand for the nine-month period that ended on September 30, 2020.

Result of the period

The total result for the first nine months of year 2021 was a net profit of USD 5,210 thousand, compared to USD 6,791 thousand for the nine-month period ended September 30, 2020.
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Balance sheet - cash position

Cash and cash equivalents, Short-term Deposits and marketable securities 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 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 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.

Cash flow

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.
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.
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.

Outlook

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.

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.

The complete financial statements and the quarterly report are available for downloading in the investors section of www.paytongroup.com.

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Note - forward-looking statements:

This document 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 emphasize 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 document 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.

About us

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics®, its customized line of planar transformers, conventional transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The Group currently employs about 175 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including telecom, automotive, cellular infrastructure, Military/Avionics, portable equipment and consumer goods. Planar Magnetics is a revolutionary design technology that is superior to conventional transformers and inductors, and has already been accepted by electronics design engineers as the state-of-the-art in high frequency power electronics design. Payton Planar Magnetics is a subsidiary of Payton Industries, headquartered in Israel, and has manufacturing and marketing operations in Israel, U.K. and United States. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

Annex: Selected Financial Statements

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Key financial figures – Payton Planar Magnetics Ltd.

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

	Nine months ended September 30	
	2021	2020
	USD 000	USD 000
Revenues	**29,185**	30,806
Cost of sales	**(17,673)**	(18,080)
Gross profit	**11,512**	12,726
Development costs	**(1,132)**	(1,030)
Selling and marketing expenses	**(1,283)**	(1,302)
General and administrative expenses	**(2,709)**	(2,568)
Other income, net	**1**	-
Operating profit	**6,389**	7,826
Finance income	**149**	484
Finance expenses	**(108)**	(27)
Finance income, net	**41**	457
Share of (losses) profits of equity accounted investee	**(150)**	(9)
Profit before income taxes	**6,280**	8,274
Income taxes	**(1,070)**	(1,483)
Profit for the period	**5,210**	6,791
Other comprehensive (loss) income items that will not be transferred to profit and loss		
Re-measurement of defined benefit plan	**-**	112
Share of other comprehensive (loss) income of equity accounted investee	**1**	5
Total other comprehensive (loss) income	**1**	117
Total comprehensive income for the period	**5,211**	6,908
Basic and diluted earnings per share (in $)	**0.29**	0.38

Condensed Interim Consolidated Statement of Financial Position
- unaudited -

	September 30	
	2021	2020
	USD 000	USD 000
Current assets	**49,830**	55,511
Non-current assets	**16,151**	11,495
Total assets	**65,981**	67,006
Current liabilities	**5,225**	7,217
Non-current liabilities	**1,735**	1,630
Equity	**59,021**	58,159
Total liabilities and Equity	**65,981**	67,006

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Condensed Interim Consolidated Statements of Cash Flows
- unaudited -

	Nine months ended September 30 2021	Nine months ended September 30 2020
	USD 000	USD 000
Operating activities		
Profit for the period	**5,210**	6,791
Adjustments:		
Depreciation	**667**	670
Income taxes	**1,070**	1,483
Share of losses (profits) of equity accounted investee	**150**	9
Gain on sale of fixed assets	**(1)**	-
Finance (income) expenses, net	**(76)**	(472)
	7,020	8,481
Change in employee benefits	**78**	95
Decrease (increase) in trade accounts receivable	**2,432**	(247)
Decrease (increase) in other accounts receivable	**549**	(131)
Decrease (increase) in inventory	**66**	100
(Decrease) increase in trade payables	**(2,605)**	1,388
(Decrease) increase in other payables	**(97)**	(152)
	7,443	9,534
Interest received	**133**	231
Interest paid	**(40)**	-
Income taxes paid	**(1,718)**	(1,327)
Cash flows generated from operating activities	**5,818**	8,438
Investing activities		
(Investments in) proceeds from deposits, net	**(9,399)**	(385)
Investments in marketable securities held for trading	**(500)**	-
Acquisition of fixed assets	**(329)**	(267)
Proceeds from sale of fixed assets	**5**	-
Cash flows (used for) generated from investing activities	**(10,223)**	(652)
Financing activities		
Dividend paid	**(7,422)**	-
Cash flows used for financing activities	**(7,422)**	-
Net (decrease) increase in cash and cash equivalents	**(11,827)**	7,786
Cash and cash equivalents at the beginning of the period	**31,325**	4,741
Effect of exchange rate fluctuations on cash and cash equivalents	**(13)**	-
Cash and cash equivalents at the end of the period	**19,485**	12,527