



**Payton Planar Magnetics Ltd.  
and its Consolidated Subsidiaries  
Financial Statements  
September 30, 2020 (Unaudited)**

**Financial Statements as at September 30, 2020 (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, 2020.

*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.*

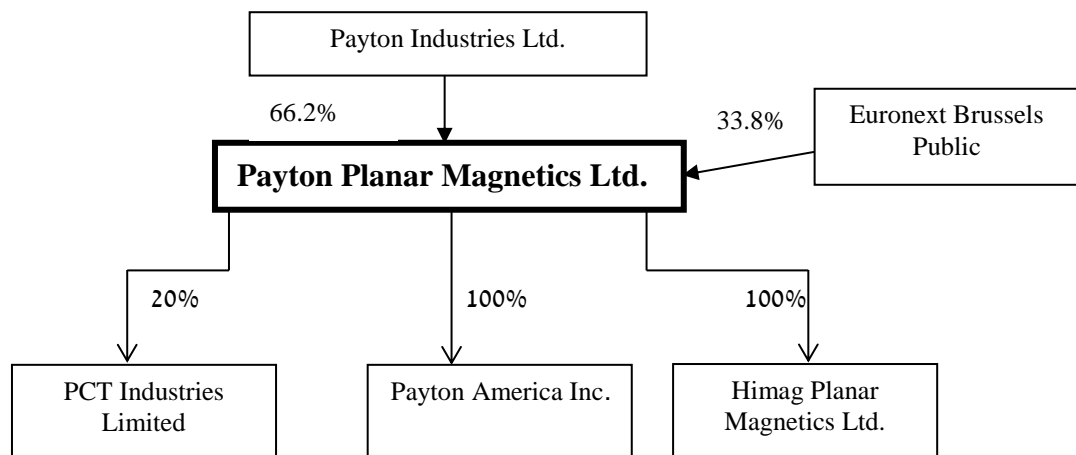
*Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.*

**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, 2019, published on March 25, 2020 (hereinafter "the 2019 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, 2020 form an integral part thereof.

## **B. The Group's main fields of activity and changes that occurred in the period from January to September 2020**

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 spread of the Corona Virus effect** - As detailed in the annual financial statements as of December 31, 2019, during the end of 2019 and the beginning of 2020, an outbreak of the corona virus began in China which soon spread to other countries in the world and reached Israel as well. According to the present situation it seems that the activity in all the Groups production locations: China, Israel, Philippines, UK and USA are working almost normally according to new routines, each place is following its local Covid-19 working regulations.

From the beginning of the year 2020 and until today, the Group has been carefully managing the risks and its global operations. The Israeli facility was able to keep its production running, in shifts, by following strict local rules. Administrative personal has the option to operate remotely whenever needed. The US and the UK subsidiaries were also able to keep business running while keeping social distance rules.

Payton's worldwide manufacturing facilities and geographically spread proved itself. While the China facility was closed the production in the Philippines kept working. When the virus spread to the Philippines, the China facility was re-opened, thus, the Group was able to minimize the impact of the Corona Epidemic on its business activity and to deliver most of its orders for the first nine months of 2020 on time.

As of the date of signing these financial statements, assuming that no dramatic changes will occur, management estimates that the worldwide Covid-19 epidemic will have no major impact on the Group's activities and the regular course of business will continue.

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

**On August 17, 2020**, the Company's Board of Directors decided to adopt a Dividend Distribution Policy<sup>2</sup> according to which, the Company may distribute to its shareholders, every year a dividend at a rate of up to 40% of the Company's yearly net profits.

The distribution of the dividend will be subject to a separate decision of the Company's Board of Directors, to be made together with the approval of the Company's annual financial statements by the Board of Directors, according to which the Company also meets all the Law requirements.

**On September 30, 2020**, the annual and extraordinary general meeting of the Company's shareholders approved the following Resolutions:

- I. Re-nomination of Mr. David Yativ<sup>3</sup> as an Executive Chairman of the Board of Directors and re-nomination of Mr. Doron Yativ<sup>4</sup> as the Company's C.E.O, for a period of 3 years, as of November 1st, 2020, according to rule number 121C of The Israeli Companies Law.
- II. Extension of the Management Services Agreement, between the Company and "Wichita Ltd."<sup>5</sup>, for an additional period of 3 years, as of November 1st, 2020, according to rule number 275 of the Israeli Companies

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<sup>2</sup> The adoption of the Dividend Distribution Policy does not consist an undertaking by the Company to actually distribute dividend according to the policy, any distribution is subject to a Board decision. *For more details, see also, Dividend Policy, on the Company's web site: <https://www.paytongroup.com/dividend-policy>.*

<sup>3</sup> Mr. David Yativ, current active chairman, the founder and controlling shareholder of the parent company, Payton Industries Ltd.

<sup>4</sup> Mr. Doron Yativ, the son of David Yativ, current C.E.O and a Director.

<sup>5</sup> A private company, fully owned by Mr. David Yativ.

Law, through which Mr. David Yativ will continue to render his services as the Company's active chairman of the board.

- III. Extension of the Management Services Agreement, between the Company and "Yaarh - Looking to The Future Ltd."<sup>6</sup>, for an additional period of 3 years, as of November 1st, 2020, according to rule number 275 of the Israeli Companies Law, through which Mr. Doron Yativ will continue to render his services as the Company's C.E.O.
- IV. Extension of the Employment Agreements of Mrs. Sharon Ozan<sup>7</sup>, Mr. Dror Ozan<sup>8</sup> and Mr. Amir Yativ<sup>9</sup> for additional periods of 3 years, as of November 1st, 2020, according to rule number 275 of The Israeli Companies Law.
- V. Approval of the updated Company's Remuneration Policy for additional period of 3 years.

### 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
	2020	2019	2019
Customer A <sup>1</sup>	30%	28%	27%
Customer C <sup>1</sup>	11%	*	*

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

<sup>1</sup> Comprised of sales to two related companies.

### D. Marketing

During the first nine months of year 2020 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, 2020 was USD 15,240 thousand (December 31, 2019 - USD 13,505 thousand). The backlog is composed only of confirmed orders.

Management estimates that most of the backlog as of 30.9.2020 will be supplied until June 30, 2021.

### F. Framework agreements that do not constitute binding orders

At the end of 2018 and at the beginning of 2019, the Company entered into framework agreements with one of its principle costumers (Customer C, as at 2019 yearly Financial Statements) for the supply of magnetic components to

<sup>6</sup> A private company, fully owned by Mr. Doron Yativ.

<sup>7</sup> Mrs. Sharon Ozan is a Director and Mr. David Yativ's daughter, serves during the past 19 years as Payton's Quality Assurance Manager.

<sup>8</sup> Mr. Dror Ozan is Mr. David Yativ's son-in-law, serves during the past 18 years as Purchasing Manager.

<sup>9</sup> Mr. Amir Yativ, David Yativ's son holds a M.Sc. in applied physics and a B.Sc. in Physics, serves as of April 2012 as a developing engineer and as of April 2016 as the R&D and Engineering Manager.

three (3) different projects in the electric/hybrid vehicle industry (HEV). The nature of the activity in the automotive industry is characterized by projects with a productive lifespan of about 5 to 7 years.

The engagement was done by means of a Nomination Letter defining the basic terms of the parties' engagement in the project, such as prices (including annual discounts), terms of payment and the annual quantities expected over the projects' life. In addition, the Company and Customer C have signed an agreement that includes general Terms and Conditions of engagement accepted in the industry, which regulate the general commercial relations between the parties (the Nomination Letter and the general terms of engagement are referred to above and hereinafter together as: "**the Framework Agreements**").

As of September 30, 2020, the Group estimates that only one of those three projects, with predicted orders in the scope of about USD 1.5 million per year, will be executed during the years 2020 to 2024.

With respect to the other two projects, the Company estimates that the forecast for 2019 and 2020, at the amount of USD 13 million, will not mature, hence the balance of projected orders according to the framework agreements for these two projects will total up to USD 50 million (for the years 2021 to 2025) for which the Group cannot evaluate whether those predicted orders will materialize and at what time table.

It is noted that the amounts and quantities specified in the Framework Agreements do not constitute as binding orders and the customer is entitled to cancel, delay or reduce his actual orders, compared with the scope specified in the Framework Agreements, without the Company having any cause of action against him. However, the forecast of quantities included in the Framework Agreements binds the Company to supply such quantities as shall be required.

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

## **2. Financial position**

### **A. Statement of Financial Position as at September 30, 2020**

***Cash and cash equivalents and Short-term Deposits*** - these items amounted to a total of USD 42,253 thousand as at September 30, 2020 compared to USD 33,841 thousand as at December 31, 2019 and USD 31,115 thousand as at September 30, 2019.

The increase in these items, compared with December 31, 2019 is explained mainly by Company's profitability. 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 7,857 thousand as at September 30, 2020 compared with USD 7,610 thousand as at December 31, 2019 and USD 8,386 thousand as at September 30, 2019. The decrease in this item, compared with September 30, 2019, is mainly due to a decrease in some delayed payments.

***Trade payables*** - amounted to USD 4,054 thousand as at September 30, 2020 compared with USD 2,678 thousand as at December 31, 2019 and USD 2,736 thousand as at September 30, 2019. The increase in this item is mainly due to an increase in purchases and in average payment terms.

## B. Operating results

### Statements of Income US Dollars in thousands

#### **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
	2020	2019	2020	2019	2019
Revenues	<b>30,806</b>	29,008	<b>11,191</b>	10,942	38,425
Cost of sales	<b>(18,080)</b>	(16,070)	<b>(6,954)</b>	(6,024)	(21,585)
Gross profit	<b>12,726</b>	12,938	<b>4,237</b>	4,918	16,840
Development costs	<b>(1,030)</b>	(981)	<b>(364)</b>	(304)	(1,299)
Selling and marketing expenses	<b>(1,302)</b>	(1,578)	<b>(404)</b>	(506)	(2,061)
General and administrative expenses	<b>(2,568)</b>	(2,663)	<b>(888)</b>	(932)	(3,432)
Other expenses, net	-	(11)	-	(3)	(15)
Operating profit	<b>7,826</b>	7,705	<b>2,581</b>	3,173	10,033
Finance income, net	<b>457</b>	448	<b>159</b>	64	605
Share of (losses) profits of equity accounted investee	<b>(9)</b>	12	<b>8</b>	-	13
Profit before income taxes	<b>8,274</b>	8,165	<b>2,748</b>	3,237	10,651
Income taxes	<b>(1,483)</b>	(1,492)	<b>(491)</b>	(592)	(1,884)
Profit for the period	<b>6,791</b>	6,673	<b>2,257</b>	2,645	8,767
<b>Other comprehensive income (loss) items that will not be transferred to profit and loss</b>					
Re-measurement of defined benefit plan	<b>112</b>	(198)	-	(99)	(133)
Share of other comprehensive income (loss) of equity accounted investee	<b>5</b>	(19)	<b>10</b>	-	(3)
<b>Total other comprehensive income (loss)</b>	<b>117</b>	(217)	<b>10</b>	(99)	(136)
<b>Total comprehensive income for the period</b>	<b>6,908</b>	6,456	<b>2,267</b>	2,546	8,631

**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 nine-month period ended September 30, 2020 were USD 30,806 thousand compared with USD 29,008 thousand in the nine-month period ended September 30, 2019. The Group succeeded to increase its sales volume in spite of the Corona Epidemic worldwide effect thanks to its diversity of projects and its manufacturing geographical spread (see paragraph 1.B - *The spread of the Corona Virus effect*, above).

**Gross profit** - The Group's gross profit for the nine-month period ended September 30, 2020 amounted USD 12,726 thousand (41% of sales) compared with USD 12,938 thousand (45% of sales) in the nine-month period ended September 30, 2019. The gross margin is affected mainly by the sales products mix.

**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, 2020 were USD 1,030 thousand compared with USD 981 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 (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, 2020 were USD 1,302 thousand (4%) and USD 1,578 thousand (5%) in the nine-month period ended September 30, 2019. During the first nine months of 2020, due to the Corona Epidemic, there was a decrease in other selling expenses mainly in travel expenses and exhibitions costs.

### **3. Liquidity**

#### **A. Operating activities**

Cash flows generated from operating activities for the nine-month period ended September 30, 2020 amounted USD 8,438 thousand, compared with cash flows generated from operating activities of USD 5,726 thousand for the nine-month period ended September 30, 2019. In the first nine months of 2020 cash flows from operating activities generated mainly from the profit for the period affected also by increase in trade payables and other changes in assets and liabilities as well as by non-cash adjustments.

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

Cash flows used for investing activities in the nine-month period ended September 30, 2020, amounted USD 652 thousand, compared with cash flows generated from investing activities at the amount of USD 3,465 thousand in the nine-month period ended September 30, 2019. In the first nine months of 2020 cash flows used for investments in bank deposits and for investments in fixed assets mainly testing and R&D equipment including other computing equipment.

#### **C. Financing activities**

There were no cash flows used for financing activities in the nine-month period ended September 30, 2020.

During the nine-month period ended September 30, 2019 a dividend, at the amount of USD 5,301 thousand (announced March 27, 2019) was paid on June 2019.



#### **4. Financing sources**

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

#### **5. External factors effects**

The spread of the Corona Virus effect, see paragraph 1.B above.

Revaluation/devaluation of the local currencies, NIS and GBP, in relation to the U.S. Dollar leads to an increase/decrease (respectively) 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. The Corona Epidemic has also caused high fluctuation in exchange rates.

Devaluation of the Euro(€) and Pound(£) in relation to the U.S. Dollar leads to a decrease in Group's assets in those currencies.

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, 2020 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 2020, 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 extend its sincere thanks to the entire personnel for their efforts and contribution to the Group's affairs.

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

**Ness Ziona, November 25, 2020.**

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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, 2020 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 25, 2020

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

	September 30 2020 <u>(Unaudited)</u> <u>\$ thousands</u>	September 30 2019 <u>(Unaudited)</u> <u>\$ thousands</u>	December 31 2019 <u>(Audited)</u> <u>\$ thousands</u>
<b>Current assets</b>			
Cash and cash equivalents	12,527	11,254	4,741
Short-term deposits	29,726	19,861	29,100
Trade accounts receivable	7,857	8,386	7,610
Other accounts receivable	1,992	2,332	1,733
Inventory	3,409	3,249	3,509
<b>Total current assets</b>	<u>55,511</u>	<u>45,082</u>	<u>46,693</u>
<b>Non-current assets</b>			
Investment in equity accounted investee	1,021	1,008	1,025
Fixed assets	10,452	10,985	10,867
Intangible assets	22	22	22
<b>Total non-current assets</b>	<u>11,495</u>	<u>12,015</u>	<u>11,914</u>
<b>Total assets</b>	<u>67,006</u>	<u>57,097</u>	<u>58,607</u>

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 2020 <u>(Unaudited)</u> <u>\$ thousands</u>	September 30 2019 <u>(Unaudited)</u> <u>\$ thousands</u>	December 31 2019 <u>(Audited)</u> <u>\$ thousands</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables	4,054	2,736	2,678
Other payables	1,567	1,622	1,719
Current tax liability	1,146	1,374	795
Employee benefits	450	343	403
<b>Total current liabilities</b>	<b>7,217</b>	6,075	5,595
<b>Non-current liabilities</b>			
Employee benefits	568	729	658
Deferred tax liabilities	1,062	1,217	1,103
<b>Total non-current liabilities</b>	<b>1,630</b>	1,946	1,761
<b>Total liabilities</b>	<b>8,847</b>	8,021	7,356
<b>Equity</b>			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Retained earnings	44,330	35,247	37,422
<b>Total equity</b>	<b>58,159</b>	49,076	51,251
<b>Total liabilities and equity</b>	<b>67,006</b>	57,097	58,607

\_\_\_\_\_  
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 25, 2020

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
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Revenues	<b>30,806</b>	29,008	<b>11,191</b>	10,942	38,425
Cost of sales	<b>(18,080)</b>	(16,070)	<b>(6,954)</b>	(6,024)	(21,585)
<b>Gross profit</b>	<b>12,726</b>	12,938	<b>4,237</b>	4,918	16,840
Development costs	<b>(1,030)</b>	(981)	<b>(364)</b>	(304)	(1,299)
Selling and marketing expenses	<b>(1,302)</b>	(1,578)	<b>(404)</b>	(506)	(2,061)
General and administrative expenses	<b>(2,568)</b>	(2,663)	<b>(888)</b>	(932)	(3,432)
Other expenses, net	-	(11)	-	(3)	(15)
<b>Operating profit</b>	<b>7,826</b>	7,705	<b>2,581</b>	3,173	10,033
Finance income	<b>484</b>	635	<b>166</b>	151	811
Finance expenses	<b>(27)</b>	(187)	<b>(7)</b>	(87)	(206)
Finance income, net	<b>457</b>	448	<b>159</b>	64	605
Share of (losses) profits of equity accounted investee	<b>(9)</b>	12	<b>8</b>	-	13
<b>Profit before income taxes</b>	<b>8,274</b>	8,165	<b>2,748</b>	3,237	10,651
Income taxes	<b>(1,483)</b>	(1,492)	<b>(491)</b>	(592)	(1,884)
<b>Profit for the period</b>	<b>6,791</b>	6,673	<b>2,257</b>	2,645	8,767
<b>Other comprehensive income (loss) items that will not be transferred to profit and loss</b>					
Re-measurement of defined benefit plan	<b>112</b>	(198)	-	(99)	(133)
Share of other comprehensive income (loss) of equity accounted investee	<b>5</b>	(19)	<b>10</b>	-	(3)
<b>Total other comprehensive income (loss)</b>	<b>117</b>	(217)	<b>10</b>	(99)	(136)
<b>Total comprehensive income for the period</b>	<b>6,908</b>	6,456	<b>2,267</b>	2,546	8,631
<b>Basic and diluted earnings per share (in \$)</b>	<b>0.38</b>	0.38	<b>0.13</b>	0.15	0.50

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, 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
Total comprehensive income for the period	-	-	-	6,908	6,908
<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 nine months ended September 30, 2019 (Unaudited)</b>					
<b>Balance at January 1, 2019</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>34,092</b>	<b>47,921</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	6,673	6,673
Other comprehensive loss	-	-	-	(217)	(217)
Total comprehensive income for the period	-	-	-	6,456	6,456
<b>Transactions with owners, recognized directly in equity</b>					
Dividend to owners	-	-	-	(5,301)	(5,301)
<b>Balance at September 30, 2019</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>35,247</b>	<b>49,076</b>
<b>For the three months ended September 30, 2020 (Unaudited)</b>					
<b>Balance at July 1, 2020</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>42,063</b>	<b>55,892</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	2,257	2,257
Other comprehensive income	-	-	-	10	10
Total comprehensive income for the period	-	-	-	2,267	2,267
<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>

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, 2019 (Unaudited)</b>					
<b>Balance at July 1, 2019</b>	17,670,775	4,836	8,993	32,701	46,530
<b>Total comprehensive</b>					
<b>income for the period</b>					
Profit for the period	-	-	-	2,645	2,645
Other comprehensive loss	-	-	-	(99)	(99)
Total comprehensive	-	-	-	2,546	2,546
income for the period					
<b>Balance at September 30, 2019</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>35,247</b>	<b>49,076</b>
<b>For the year ended</b>					
<b>December 31, 2019 (Audited)</b>					
<b>Balance at January 1, 2019</b>	17,670,775	4,836	8,993	34,092	47,921
<b>Total comprehensive</b>					
<b>income for the year</b>					
Profit for the year	-	-	-	8,767	8,767
Other comprehensive loss	-	-	-	(136)	(136)
Total comprehensive	-	-	-	8,631	8,631
income for the year					
<b>Transactions with owners,</b>					
<b>recognized directly in equity</b>					
Dividend to owners	-	-	-	(5,301)	(5,301)
<b>Balance at December 31, 2019</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>37,422</b>	<b>51,251</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		For the three months ended		Year ended
	September 30		September 30		December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
<b>Operating activities</b>					
Profit for the period	6,791	6,673	2,257	2,645	8,767
<b>Adjustments to reconcile profit to net cash generated from operating activities:</b>					
Depreciation	670	724	219	245	981
Income taxes	1,483	1,492	491	592	1,884
Share of losses (profits) of equity accounted investee	9	(12)	(8)	-	(13)
Loss on sale of fixed assets	-	11	-	3	15
Finance income, net	(472)	(528)	(149)	(124)	(701)
Change in employee benefits	95	51	(61)	(137)	120
(Increase) decrease in trade accounts receivable	(247)	(2,235)	1,208	(1,781)	(1,459)
(Increase) decrease in other accounts receivable	(131)	(555)	(482)	(45)	44
Decrease (increase) in inventory	100	32	(9)	227	(228)
Increase in trade payables	1,388	853	613	152	778
(Decrease) increase in other payables	(152)	(60)	289	(63)	37
Interest received	231	313	58	83	723
Interest paid	-	(15)	-	-	(41)
Income taxes paid	(1,327)	(1,018)	(542)	(365)	(2,118)
<b>Cash flows generated from operating activities</b>	<b>8,438</b>	<b>5,726</b>	<b>3,884</b>	<b>1,432</b>	<b>8,789</b>
<b>Investing activities</b>					
(Investments in) proceeds from deposits, net	(385)	3,937	(1,892)	2,999	(5,540)
Investment in fixed assets	(267)	(499)	(60)	(64)	(629)
Proceeds from sale of fixed assets	-	27	-	8	31
<b>Cash flows (used for) generated from investing activities</b>	<b>(652)</b>	<b>3,465</b>	<b>(1,952)</b>	<b>2,943</b>	<b>(6,138)</b>
<b>Financing activities</b>					
Dividend paid	-	(5,301)	-	-	(5,301)
<b>Cash flows used for financing activities</b>	<b>-</b>	<b>(5,301)</b>	<b>-</b>	<b>-</b>	<b>(5,301)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,786</b>	<b>3,890</b>	<b>1,932</b>	<b>4,375</b>	<b>(2,650)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,741</b>	<b>7,366</b>	<b>10,580</b>	<b>6,895</b>	<b>7,366</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>-</b>	<b>(2)</b>	<b>15</b>	<b>(16)</b>	<b>25</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12,527</b>	<b>11,254</b>	<b>12,527</b>	<b>11,254</b>	<b>4,741</b>

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, 2020 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**

*Effects of the spreading of the Corona Virus*

As detailed in the annual financial statements as of December 31, 2019, during the end of 2019 and the beginning of 2020, an outbreak of the corona virus began in China which soon spread to other countries in the world and reached Israel as well. According to the present situation it seems that the activity in all the Groups production locations: China, Israel, Philippines, UK and USA are working almost normally according to new routines, each place is following its local Covid-19 working regulations.

From the beginning of the year 2020 and until today, the Group has been carefully managing the risks and its global operations. The Israeli facility was able to keep its production running, in shifts, by following strict local rules. Administrative personal has the option to operate remotely whenever needed. The US and the UK subsidiaries were also able to keep business running while keeping social distance rules.

Payton's worldwide manufacturing facilities and geographically spread proved itself. While the China facility was closed the production in the Philippines kept working. When the virus spread to the Philippines, the China facility was re-opened, thus, the Group was able to minimize the impact of the Corona Epidemic on its business activity and to deliver most of its orders for the first nine months of 2020 on time.

As of the date of signing these financial statements, assuming that no dramatic changes will occur, management estimates that the worldwide Covid-19 epidemic will have no major impact on the Group's activities and it will continue its regular course of business.

## **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, 2019 (hereinafter “annual financial statements”). These condensed consolidated interim financial statements were authorized for issue by the Group’s Board of Directors on November 25, 2020.

#### **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 - Employee Benefits**

In the first quarter of 2020, there was an increase in the yield rates of high quality corporate debentures in Israel that are used for discounting a defined benefit obligation.

In addition, there was a decrease in the value of plan assets due to the decreases that occurred in the value of financial assets during the reporting period following the spread of the Corona Virus.

The net effect of the above on the financial statements as at September 30, 2020 was a decrease in the defined benefit obligation and an adjustment in deferred tax balances in the amount of USD 138 thousand and USD 26 thousand, respectively, which were recognized against other comprehensive income.

**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
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit for the period (\$ thousands)	<b>6,791</b>	6,673	<b>2,257</b>	2,645	8,767
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>0.38</b>	0.38	<b>0.13</b>	0.15	0.50

**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.