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HY1 2021 Report[1]

Net profit of USD 3,628 thousand
Sales Revenues of USD 19,302 thousand
Order Backlog as of June 30, 2021 of USD 23,265 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2021 (six-month period ending June 30, 2021).
Net profit for the first six months of 2021 totaled USD 3,628 thousand.
Sales revenues for the first six months of 2021 totaled USD 19,302 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 second quarter of 2021 it appeared that the spread of the epidemic has been declining, but, recently we are noting a repeated spread of the COVID-19 virus in many places all over the world. This recent global spread creates many uncertainties as to its impact.
Currently, all production sites are fully operational in a "Corona routine".

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

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

Sales revenues

The Group's sales revenues for the six-month period ended June 30, 2021 were USD 19,302 thousand compared with USD 19,615 thousand in the six-month period ended June 30, 2020. The Group succeeded to maintain its sales volume in spite of the global situation thanks to its diversity of projects and its manufacturing geographical spread. (See also information about the COVID-19 crisis effect and Global business environment changes, below).

[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.

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

Expenses
During the first six months of year 2021*,* The Group's *Development Costs* were USD 771 thousand compared with USD 666 thousand in the same period last year (2020). The increase is mainly explained by an increase in the development team's labor cost as well as by the local currency revaluation**.**

Selling & Marketing expenses 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 six-month period ended June 30, 2021 were USD 872 thousand (5%) and USD 898 thousand (5%) in the six-month period ended June 30, 2020. In the first half of 2021, in light of the Covid-19 Epidemic, other selling expenses, mainly travel expenses and exhibitions costs, remained on a low volume similar to last year (2020).
The Group's *General & Administrative expenses* for the six-month period ended June 30, 2021 were USD 1,798 thousand compared with USD 1,680 thousand in the same period last year.

Operating and financial result
The total operating income for the first half of 2021 amounted to USD 4,399 thousand compared to USD 5,245 thousand in the same period last year. During the first six months of 2021, Payton recorded a *net finance income* of USD 79 thousand compared to a net finance income of USD 298 thousand for the first six 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 six-month of 2021 totaled USD 727 thousand, compared to USD 992 thousand for the six-month period that ended on June 30, 2020.

Result of the period
The total result for the first half year of 2021 was a net profit of USD 3,628 thousand, compared to USD 4,534 thousand for the six-month period ended June 30, 2020.
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Balance sheet - cash position
Cash and cash equivalents and Short-term Deposits amounted to a total of USD 42,150 thousand as at June 30, 2021 compared to USD 44,379 thousand as at December 31, 2020 and USD 38,338 thousand as at June 30, 2020.
On June 2021 Company paid the USD 7,422 thousand dividend payment for the years 2019 & 2020 (decided on March 24, 2021). The Group's management believes, a solid financial position is an important factor in order to successfully overcome times of crisis.

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

Other accounts receivable amounted to USD 1,760 thousand as at June 30, 2021 compared with USD 2,417 thousand as at December 31, 2020 and USD 1,382 thousand as at June 30, 2020. The changes in this item are due to IFRS 15 implementation according to which the Company recognized revenues over time (instead of upon delivery). Revenues recorded prior to delivery are recorded against "contract assets", which are presented among "other accounts receivable". As at June 30, 2021 such contract assets amounted to approximately USD 1.35 million compared to USD 1.89 million as at December 31, 2020 and compared to USD 0.75 million as at June 30, 2020.

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

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

Cash flow

Cash flows generated from operating activities for the six-month period ended June 30, 2021 amounted USD 5,312 thousand, compared with cash flows generated from operating activities of USD 4,554 thousand for the six-month period ended June 30, 2020. The cash flows from operating activities generated mainly from the profit for the period increased by other non-cash adjustments and changes in assets and liabilities.
Cash flows used for investing activities in the six-month period ended June 30, 2021, amounted USD 6,410 thousand, compared with cash flows generated from investing activities at the amount of USD 1,300 thousand in the six-month period ended June 30, 2020. In the first half of 2021, cash flows used mainly for investments in bank deposits.
Cash flows used for financing activities in the six-month period ended June 30, 2021, amounted USD 7,422 thousand, representing a dividend payment (announced March 24, 2021) that was paid on June 2021. There were no cash flows used for financing activities in the six-month period ended June 30, 2020.

Outlook

Order backlog of the Group as of June 30, 2021 was USD 23,265 thousand (December 31, 2020 - USD 18,921 thousand). The backlog is composed only of confirmed orders.
Management estimates that most of the backlog as of 30.6.2021 will be supplied until June 30, 2022.
The COVID-19 crisis effect - Further to the report in the financial statements for the year 2020, in the first half of the year 2021, similar to the year 2020, due to the flexibility and global spread of the Group, it has successfully handled this crisis. The manufacturing lines in Israel operated continuously, in shifts, while taking the needed measures and abiding with all required distance regulations.
The local administrative staff continued to support the business activities, also remotely when needed. At the same time, also, the other Group members: the subsidiaries in England and United States continued their business operations in the same manner while keeping all needed measures and abiding with their local regulations.
Payton's worldwide manufacturing facilities and geographically spread of the Group's production sites in China, the Philippines, Israel, England and the United States minimized the effect of the COVID-19 epidemic and has proven itself effective enabling the delivery of most of the orders on time.
During the second quarter of 2021 it appeared that the spread of the epidemic has been declining, but, recently we are noting a repeated spread of the COVID-19 virus in many places all over the world. This recent global spread creates many uncertainties as to its impact.
As at the date of signing these financial statements, all production sites are fully operational in a "Corona routine".
Global business environment changes - recently some additional changes are noted, such as: a significant global shortage and price increase of raw materials, a significant increase of materials lead-time, increase in shipping cost and transportation difficulties, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs.
Another factor that affects the Group's activity is the devaluation of the US$ against the local NIS, the Euro and the Pound, which mainly increases local labor costs and other operating costs in Israel and the United Kingdom.

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

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

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

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

Key financial figures – Payton Planar Magnetics Ltd.

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

	Six months ended June	
	2021	2020
	USD 000	USD 000
Revenues	**19,302**	19,615
Cost of sales	**(11,463)**	(11,126)
Gross profit	**7,839**	8,489
Development costs	**(771)**	(666)
Selling and marketing expenses	**(872)**	(898)
General and administrative expenses	**(1,798)**	(1,680)
Other income, net	**1**	-
Operating profit	**4,399**	5,245
Finance income	**99**	339
Finance expenses	**(20)**	(41)
Finance income, net	**79**	298
Share of (losses) profits of equity accounted investee	**(123)**	(17)
Profit before income taxes	**4,355**	5,526
Income taxes	**(727)**	(992)
Profit for the period	**3,628**	4,534
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)**	107
Total comprehensive income for the period	**3,627**	4,641
Basic and diluted earnings per share (in $)	**0.21**	0.26

Condensed Interim Consolidated Statement of Financial Position
- unaudited -

	June 30	
	2021	2020
	USD 000	USD 000
Current assets	**54,675**	52,185
Non-current assets	**11,195**	11,639
Total assets	**65,870**	63,824
Current liabilities	**6,714**	6,406
Non-current liabilities	**1,719**	1,526
Equity	**57,437**	55,892
Total liabilities and Equity	**65,870**	63,824

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Condensed Interim Consolidated Statements of Cash Flows

- unaudited -

	Six months ended June 30	
	2021	**2020**
	USD 000	**USD 000**
Operating activities		
Profit for the period	**3,628**	4,534
Adjustments:		
Depreciation	**446**	451
Income taxes	**727**	992
Share of losses (profits) of equity accounted investee	**123**	17
Gain on sale of fixed assets	**(1)**	-
Finance income, net	**(83)**	(323)
	4,840	5,671
Change in employee benefits	**204**	156
Decrease (increase) in trade accounts receivable	**2,421**	(1,455)
Decrease (increase) in other accounts receivable	**546**	351
(Increase) decrease in inventory	**(59)**	109
(Decrease) increase in trade payables	**(2,254)**	775
Increase (decrease) in other payables	**181**	(441)
	5,879	5,166
Interest received	**91**	173
Income taxes paid	**(658)**	(785)
Cash flows generated from operating activities	**5,312**	4,554
Investing activities		
(Investments in) proceeds from deposits, net	**(6,299)**	1,507
Acquisition of fixed assets	**(116)**	(207)
Proceeds from sale of fixed assets	**5**	-
Cash flows (used for) generated from investing activities	**(6,410)**	1,300
Financing activities		
Dividend paid	**(7,422)**	-
Cash flows used for financing activities	**(7,422)**	-
Net (decrease) increase in cash and cash equivalents	**(8,520)**	5,854
Cash and cash equivalents at the beginning of the period	**31,325**	4,741
Effect of exchange rate fluctuations on cash and cash equivalents	**(3)**	(15)
Cash and cash equivalents at the end of the period	**22,802**	10,580