



**Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
March 31, 2022 (Unaudited)**

Financial Statements as at March 31, 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 three months ended on March 31, 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.

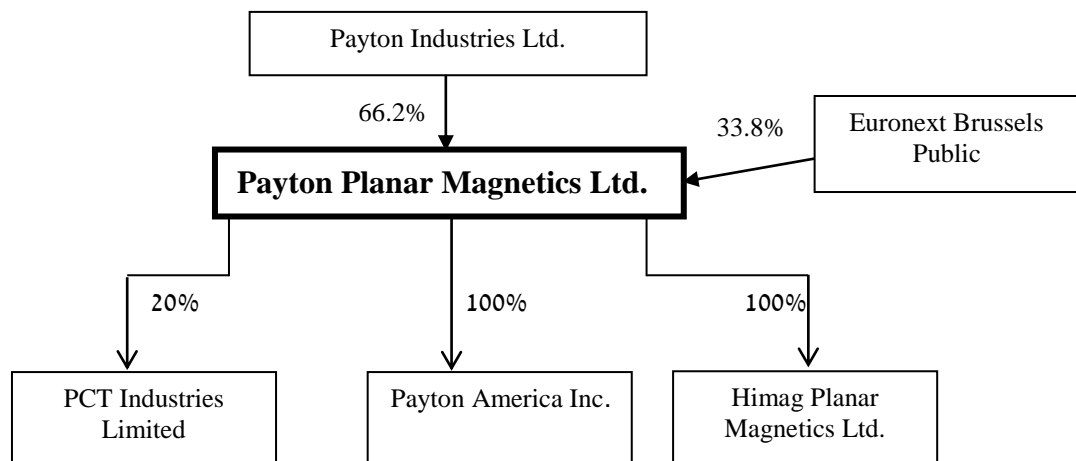
Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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 March 31, 2022 form an integral part thereof.

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

The Company, an Israeli high-tech enterprise, develops manufactures and markets Planar and Conventional transformers worldwide. The Company was founded in order to revolutionize the traditional approach to the design and manufacture of transformers through the concept of planar transformers. The Company completed its initial public offering in 1998 on the EuroNext Stock Exchange.

The COVID-19 crisis effect - Further to the report in 2021 yearly financial statements, in the first quarter of the year 2022, Group's manufacturing lines in Israel, England and United States continued their business operations continuously. Payton's worldwide planning, manufacturing facilities geographical spread in: China, Philippines, Israel, England and the United States minimized the effect of the COVID-19 epidemic and has proven itself effective enabling most of the deliveries on time.

While it seems that most countries over the world conduct their economic and business activities side by side the COVID-19 epidemic, in China a renewed outbreak of COVID-19 epidemic has been observed in number of cities and provinces, leading to a lockdown and shutdown of activities. The lockdown in China and Hong Kong led to logistic difficulties and delays in deliveries, thus, sales that were due by the end of the first quarter of 2022, were delayed by several days and were delivered after the report date, and as such, will be included in sales revenues in the second quarter of 2022.

Global business environment changes - During the first quarter of 2022 the global changes noted last year (2021) continued. Among these global changes are: a significant global shortage and price increase of raw materials, a significant increase of materials lead-time, increase in shipping and transportation costs, changes in customers' demands and postponing of delivery dates, lack of manpower and increase in labor costs that might result in production capacity shortage. Management believes these trends are not going to end in the near future and will continue during year 2022 too. The Company will continue to follow-up these global trends and update accordingly.

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 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, to be paid during 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 will be subject to a beneficiary corporate tax rate*, at the amount of USD 0.9 million, paid in full on April 2022. It is noted that this dividend is submitted to a tax withholding of 15%.

* 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 three-month period ended March 31	For the year ended December 31	For the three-month period ended March 31
	2022	2021	2021
Customer A ¹	22%	21%	18%
Customer B ²	16%	17%	18%
Customer C ²	*	*	17%

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

⁽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 quarter 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 March 31, 2022 was USD 46,675 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 31.3.2022 will be supplied until March 31, 2023.

2. Financial position

A. Statement of Financial Position as at March 31, 2022

Cash and cash equivalents, Short-term Deposits and marketable securities - these items amounted to a total of USD 46,353 thousand as at March 31, 2022 compared to USD 38,625 thousand as at December 31, 2021 and USD 47,874 thousand as at March 31, 2021.

The increase in these items compare to December 31, 2021 resulted mainly from presenting an amount of USD 5,020 thousand, previously classified as long-term deposits, as short-term deposits as well as from Company's profitability for the period.

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 8,394 thousand as at March 31, 2022 compared with USD 9,917 thousand as at December 31, 2021 and USD 7,804 thousand as at March 31, 2021. The decrease in this item, compared with December 31, 2021, resulted mainly due to decrease in sales volume near the reports dates.

Other accounts receivable - these amounted to USD 2,562 thousand as at March 31, 2022 compared with USD 3,226 thousand as at December 31, 2021 and USD 1,470 thousand as at March 31, 2021. Changes in this item result

mainly from changes in “contract assets” according to IFRS 15 as well as from increase or decrease 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".

Long-term deposits - on December 31, 2021 these amounted to USD 5,020 thousand. These 18 months period bank deposits were classified as short-term deposits on March 31, 2022.

Trade payables - amounted to USD 2,519 thousand as at March 31, 2022 compared with USD 4,088 thousand as at December 31, 2021 and USD 3,551 thousand as at March 31, 2021. The decrease in this item compare to December 31, 2021 is in-line with the purchases decrease near the reports dates. The decrease in this item compare to March 31, 2021 resulted mainly due to advance payment and shorter payment terms in favor of subcontractors.

Dividend payables - amounted to USD 8,023 thousand as at March 31, 2022. This dividend was announced on March 28, 2022 and has not been paid yet.

B. Operating results

Statements of Income US Dollars in thousands

Payton Planar Magnetics Ltd. Consolidated Comprehensive Income Statements

	Quarter 1-3/2022	Quarter 1-3/2021	Year Ended 31/12/2021
Sales revenues	10,783	10,085	43,980
Cost of sales	(6,508)	(6,161)	(26,607)
Gross profit	4,275	3,924	17,373
Development costs	(354)	(346)	(1,481)
Selling & marketing expenses	(486)	(453)	(1,791)
General & administrative expenses	(926)	(855)	(3,734)
Other income, net	10	-	1
Operating profit	2,519	2,270	10,368
Finance income, net	23	37	25
Share of profits (losses) of equity accounted investee	52	(57)	(52)
Profit before taxes on income	2,594	2,250	10,341
Taxes on Income	(1,350)	(339)	(1,821)
Profit for the period	1,244	1,911	8,520
Other comprehensive income (loss) items that will not be transferred to profit & loss			
Remeasurement of defined benefit plan, net of taxes	142	-	(12)
Share of other comprehensive income (loss) of equity accounted investee	2	(2)	7
Total other comprehensive income (loss)	144	(2)	(5)
Total comprehensive income for the period	1,388	1,909	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 three-month period ended March 31, 2022 were USD 10,783 thousand compared with USD 10,085 thousand in the three-month period ended March 31, 2021. It is noted that, at the end of the first quarter of 2022, due to the lockdown in China and Hong Kong, some deliveries were few days delayed and as such will be included in sales revenues in the second quarter of 2022. See also paragraph 1.B - *The COVID-19 crisis effect and Global business environment changes*, above.

Gross profit - The Group's gross profit for the three-month period ended March 31, 2022 amounted USD 4,275 thousand (40% of sales) compared with USD 3,924 thousand (39% of sales) in the three-month period ended March 31, 2021. The gross margin is mainly affected by 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 three months ended March 31, 2022 were USD 354 thousand compared with USD 346 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 three-month period ended March 31, 2022 were USD 486 thousand (4.5%) and USD 453 thousand (4.5%) in the three-month period ended March 31, 2021. In the first quarter of 2022, marketing activity has resumed gradually with regards to other selling expenses such as travel expenses and exhibitions costs.

General & Administrative expenses - The Group's General & Administrative expenses for the three-month period ended March 31, 2022 were USD 926 thousand and USD 855 thousand in the three-month period ended March 31, 2021. Increase was mainly in other G&A costs.

Taxes on income - for the three-month period ended March 31, 2022 were USD 1,350 thousand compare with USD 339 thousand in the three-month period ended March 31, 2021. During the first quarter of 2022 the Company recorded previous year tax expenses at the amount of 927 thousand resulted from the 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 three-month period ended March 31, 2022 amounted USD 2,817 thousand, compared with cash flows generated from operating activities of USD 3,542 thousand for the three-month period ended March 31, 2021. The cash flows from operating activities generated mainly from the profit for the period and from other non-cash adjustments and changes in assets and liabilities.

B. Investing activities

Cash flows used for investing activities in the three-month period ended March 31, 2022, amounted USD 1,078 thousand, compared with cash flows used for investing activities at the amount of USD 2,062 thousand in the three-month period ended March 31, 2021. Cash flows for investing activities used mainly for investments in bank deposits.

C. **Financing activities**

There were no cash flows used for financing activities in the three-month periods ended March 31, 2022 and 2021. Cash flows used for financing activities for the year ended December 31, 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. **External factors effects**

The *COVID-19 crisis effect* and the *Global business environment changes* - see paragraph 1.B above.

Devaluation of the U.S. Dollar in relation to the local currencies, NIS and GBP, leads to an increase in labor costs and other operating costs. Most of the Group's salaries and other operating costs are fixed in local currencies; therefore, the operating results are affected.

To the best of the Board of Directors' and management's knowledge, except the above mentioned, there have been no significant changes in external factors that may materially affect the Company's financial position or results of operations.

6. **Statement by senior management in accordance with article 12, § 2 (3°) of the Royal Decree per 14.11.2007**

Pursuant to article 12 § 2(3°) of the Royal Decree of 14 November 2007, David Yativ Chairman of the Board of Directors declares, on behalf of and for the account of Payton Planar Magnetics that, as far as is known to him,

- a) The financial statements at March 31, 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 three 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 extend its sincere thanks to the entire personnel for their efforts and contribution to the Group's affairs.

Ness Ziona, May 25, 2022.

David Yativ
Chairman of the Board
of Directors

Doron Yativ
Director and C.E.O.



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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 March 31, 2022 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period 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.)
Member firm of KPMG International

Tel Aviv, Israel

May 25, 2022

Condensed Consolidated Interim Statements of Financial Position as at

	March 31 2022	March 31 2021	December 31 2021
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	23,857	32,783	22,146
Short-term deposits and marketable securities held for trading	22,496	15,091	16,479
Trade accounts receivable	8,394	7,804	9,917
Other accounts receivable	2,562	1,470	3,226
Inventory	3,922	3,471	3,772
Total current assets	61,231	60,619	55,540
Non-current assets			
Long-term deposits	-	-	5,020
Investment in equity accounted investee	1,028	960	974
Fixed assets	10,106	10,441	10,222
Intangible assets	22	22	22
Total non-current assets	11,156	11,423	16,238
Total assets	72,387	72,042	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)

	March 31 2022	March 31 2021	December 31 2021
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Liabilities and equity			
Current liabilities			
Trade payables	2,519	3,551	4,088
Other payables	2,249	1,981	2,035
Dividend payable	8,023	7,422	-
Current tax liability	1,537	1,069	809
Employee benefits	725	659	649
Total current liabilities	15,053	14,682	7,581
Non-current liabilities			
Employee benefits	546	674	731
Deferred tax liabilities	1,098	967	1,141
Total non-current liabilities	1,644	1,641	1,872
Total liabilities	16,697	16,323	9,453
Equity			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Retained earnings	41,861	41,890	48,496
Total equity	55,690	55,719	62,325
Total liabilities and equity	72,387	72,042	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: May 25, 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 three months ended		Year ended
	March 31		December 31
	2022	2021	2021
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues	10,783	10,085	43,980
Cost of sales	(6,508)	(6,161)	(26,607)
Gross profit	4,275	3,924	17,373
Development costs	(354)	(346)	(1,481)
Selling and marketing expenses	(486)	(453)	(1,791)
General and administrative expenses	(926)	(855)	(3,734)
Other income, net	10	-	1
Operating profit	2,519	2,270	10,368
Finance income	70	51	193
Finance expenses	(47)	(14)	(168)
Finance income, net	23	37	25
Share of profits (losses) of equity accounted investee	52	(57)	(52)
Profit before taxes on income	2,594	2,250	10,341
Taxes on income	(1,350)	(339)	(1,821)
Profit for the period	1,244	1,911	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	2	(2)	7
Total other comprehensive income (loss)	144	(2)	(5)
Total comprehensive income for the period	1,388	1,909	8,515
Earnings per share			
Basic and diluted earnings per share (in \$)	0.07	0.11	0.48

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

Condensed Consolidated Interim Statement of Changes in Equity

	<u>Share capital</u>		<u>Share premium</u> <u>\$ thousands</u>	<u>Retained earnings</u> <u>\$ thousands</u>	<u>Total</u> <u>\$ thousands</u>
	<u>Number of shares</u>	<u>\$ thousands</u>			
For the three months ended					
March 31, 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	-	-	-	1,244	1,244
Other comprehensive income	-	-	-	144	144
Total comprehensive income for the period	-	-	-	1,388	1,388
Transaction with owners, recognized directly in equity					
Dividend to owners	-	-	-	(8,023)	(8,023)
Balance at March 31, 2022	17,670,775	4,836	8,993	41,861	55,690
For the three months ended					
March 31, 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	-	-	-	1,911	1,911
Other comprehensive loss	-	-	-	(2)	(2)
Total comprehensive income for the period	-	-	-	1,909	1,909
Transaction with owners, recognized directly in equity					
Dividend to owners	-	-	-	(7,422)	(7,422)
Balance at March 31, 2021	17,670,775	4,836	8,993	41,890	55,719
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	-	-	-	(7,422)	(7,422)
Balance at December 31, 2021	17,670,775	4,836	8,993	48,496	62,325

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

Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended March 31		Year ended December 31
	2022	2021	2021
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Operating activities			
Profit for the period	1,244	1,911	8,520
Adjustments:			
Depreciation	216	222	891
Taxes on income	1,350	339	1,821
Share of losses (profits) of equity accounted investee	(52)	57	52
Gain on sale of fixed assets	(10)	-	(1)
Finance expenses (income), net	25	(15)	(144)
	<u>2,773</u>	<u>2,514</u>	<u>11,139</u>
Change in employee benefits	66	91	125
Decrease (increase) in trade accounts receivable	1,523	1,861	(252)
Decrease (increase) in other accounts receivable	664	947	(940)
Increase in inventory	(150)	(9)	(310)
Decrease in trade payables	(1,581)	(1,467)	(923)
Increase in other payables	214	76	130
	<u>3,509</u>	<u>4,013</u>	<u>8,969</u>
Interest received	23	-	134
Interest paid	(17)	-	(40)
Income taxes paid, net	(698)	(471)	(1,907)
	<u>2,817</u>	<u>3,542</u>	<u>7,156</u>
Cash flows generated from operating activities	<u>2,817</u>	<u>3,542</u>	<u>7,156</u>
Investing activities			
Investments in deposits, net	(1,000)	(2,000)	(7,399)
Investments in marketable securities held for trading	-	-	(997)
Acquisition of fixed assets	(109)	(62)	(523)
Proceeds from sale of fixed assets	31	-	5
	<u>(1,078)</u>	<u>(2,062)</u>	<u>(8,914)</u>
Cash flows used for investing activities	<u>(1,078)</u>	<u>(2,062)</u>	<u>(8,914)</u>
Financing activities			
Dividend paid	-	-	(7,422)
	<u>-</u>	<u>-</u>	<u>(7,422)</u>
Cash flows used for financing activities	<u>-</u>	<u>-</u>	<u>(7,422)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,739</u>	<u>1,480</u>	<u>(9,180)</u>
Cash and cash equivalents at the beginning of the period	<u>22,146</u>	<u>31,325</u>	<u>31,325</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(28)</u>	<u>(22)</u>	<u>1</u>
Cash and cash equivalents at the end of the period	<u>23,857</u>	<u>32,783</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 Israel 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 March 31, 2022 comprise the Company and its subsidiaries (together referred as the "Group").

The Group develops, manufactures and markets planar and conventional transformers and operates abroad through its subsidiaries and distributors.

B. Material events in the reporting period

The COVID-19 crisis effect

Further to the report in the financial statements for the year 2021, in the first quarter of the year 2022, Group's manufacturing lines in Israel, England and United States continued their business operations continuously. Payton's worldwide planning, manufacturing facilities geographical spread in: China, Philippines, Israel, England and the United States minimized the effect of the COVID-19 epidemic and has proven itself effective enabling most of the deliveries on time.

While it seems that most countries over the world conduct their economic and business activities side by side the COVID-19 epidemic, in China a renewed outbreak of COVID-19 epidemic has been observed in number of cities and provinces, leading to a lockdown and shutdown of activities. The lockdown in China and Hong Kong led to logistic difficulties and delays in deliveries, thus, sales that were due by the end of the first quarter of 2022, were delayed by several days and were delivered after the report date.

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 Company's Board of Directors on May 25, 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.

Notes to the Condensed Consolidated Interim Financial Statements

Note 2 - Basis of Preparation (cont'd)

B. Use of estimates and judgments (cont'd)

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 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 was a decrease in the defined benefit obligation and an adjustment in deferred tax balances as at March 31, 2022 in the amount of USD 175 thousand and USD 33 thousand, respectively, which were recognized against other comprehensive income.

Note 5 - Taxes on Income

As at March 31, 2022 the Company included a tax liability for a beneficiary corporate tax at the amount of about USD 900 thousand (paid in April 2022) that was recognized against tax expenses. See Note 6 below and also Note 17A(4) and Note 20 to the annual financial statements.

Note 6 - 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, to be paid during June 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 will be subject to a beneficiary corporate tax rate, at the amount of about USD 900 thousands, that was paid in April 2022.

Notes to the Condensed Consolidated Interim Financial Statements

Note 7 - Earnings Per Share**Basic and diluted earnings per share**

	For the three months ended		Year ended
	March 31		December 31
	2022	2021	2021
	\$ thousands	\$ thousands	\$ thousands
	(Unaudited)	(Unaudited)	(Audited)
Profit for the period (\$ thousands)	1,244	1,911	8,520
Issued ordinary shares (in thousands of shares)	17,671	17,671	17,671
Basic and diluted earnings per ordinary share (in US\$)	0.07	0.11	0.48

Note 8 - 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.