

HY1 2023 Report¹

Net profit USD 6,301 thousand

Sales Revenues of USD 24,741 thousand

Order Backlog as of June 30, 2023 of USD 39,123 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2023 (six-month period ending June 30, 2023).

Net profit for the first six months of 2023 totaled USD 6,301 thousand.

Sales revenues for the first six months of 2023 totaled USD 24,741 thousand.

In the first half-year of year 2023, the most global trends characterizing last year (2022) remained relevant. Instability and uncertainty trends remained dominant in the global business environment as well as high prices of raw materials, high manpower costs and mainly push-out of scheduled deliveries up on customer needs. It seems that, decrease in demands, excess inventory levels and the high interest rate are factors influencing customers activity. Management believes these trends are not expected to end in the near future.

Another two factors that affected the Group's activity in the first-half of 2023 are the *revaluation of the US\$* against the local NIS, the Euro and the Pound, which mainly decreases local labor costs and other operating costs in Israel and the United Kingdom during this period and *increase of global market interest rate* which increases the Group's income from bank deposits (the Company does not hold loans).

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

On March 28, 2023 - the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2022, at the amount of USD 8,482 thousand (USD 0.48 per share). The said dividend was paid in full on June 2023.

Key financial highlights for the first six months of 2023

Sales revenues

The Group's sales revenues for the six-month period ended June 30, 2023 were USD 24,741 thousand compared with USD 29,733 thousand in the six-month period ended June 30, 2022, representing a decrease of 17%. This sales decrease reflects the demand decrease and the postponements of deliveries per customer's request in several projects as it is also reflected in the Group's order backlog.

Gross result

The Group's gross profit for the six-month period ended June 30, 2023 amounted USD 10,778 thousand (44% of sales) compared with USD 12,129 thousand (41% of sales) in the six-month period ended June 30, 2022. The gross margin is mainly affected by sales products mix and production sites.

Expenses

During the first half of year 2023, The Group's *Development Costs* were USD 755 thousand compared with USD 798 thousand in the same period last year (HY/2022).

The *Group's selling & marketing expenses* are mainly comprised of: (1) commissions to the Group's reps' and Marketing Personnel, which are calculated as a portion of sales, however it is further

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, 2022.

explained that not all the sales are subject to reps' commissions and of (2) other selling expenses (fixed) based on management policy. The Group's marketing efforts are concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide rep's Network. The Group's *selling & marketing expenses* for the six-month period ended June 30, 2023 were USD 1,074 thousand (4.3%) and USD 992 thousand (3.3%) in the six-month period ended June 30, 2022. In the first-half of 2023, other selling expenses have resumed gradually. Management believes these costs will continue to increase as digital marketing, traveling and exhibitions will expand.

The Group's *General & Administrative expenses* for the six-month period ended June 30, 2023 were USD 2,122 thousand and USD 2,081 thousand in the six-month period ended June 30, 2022.

Operating and financial result

The total *operating income* for the first half year of 2023 amounted to USD 6,837 thousand compared to USD 8,268 thousand in the same period last year. During the first six months of 2023, Payton recorded a *net finance income* of USD 748 thousand compared to a net finance expenses of USD 201 thousand for the first six months of 2022. The increase in *net finance income* is mainly explained by the increase of the market interest rate on bank deposits.

Taxes on income

Taxes on income for the six-month period ended June 30, 2023 were USD 1,283 thousand compared with USD 2,291 thousand in the six-month period ended June 30, 2022. On previous year, during the first half of 2022, Company applied the Temporary Order to the Law for the Encouragement of Capital Investments enabling it a beneficiary corporate tax rate on its exempt profits and paid an exceptional tax expenses at the amount of USD 0.9 million.

Result of the period

The total result for the first half year of 2023 was a net profit of USD 6,301 thousand, compared to USD 5,967 thousand for the six-month period ended June 30, 2022.

Balance sheet - cash position

Cash and cash equivalents, Short-term Deposits and Marketable Securities amounted to a total of USD 44,788 thousand as at June 30, 2023 compared to USD 45,237 thousand as at December 31, 2022 and USD 36,815 thousand as at June 30, 2022.

It is noted that on June 2023 Company paid the USD 8,482² thousand dividend payment for the year 2022 (decided on March 28, 2023).

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 8,423 thousand as at June 30, 2023 compared with USD 10,374 thousand as at December 31, 2022 and USD 13,906 thousand as at June 30, 2022. The decrease in this item is mainly explained by the decrease in sales volume near the reports dates.

Other accounts receivable amounted to USD 4,483 thousand as at June 30, 2023 compared with USD 2,255 thousand as at December 31, 2022 and USD 2,268 thousand as at June 30, 2022. Changes in this item result mainly from changes in "contract assets" according to IFRS 15 as well as from increase in advance payments made to suppliers. According to IFRS 15 Company recognizes revenues over time (instead of upon delivery). Revenues recorded prior to delivery are recorded against "contract assets" and presented among "other accounts receivable".

As at June 30, 2023 such contract assets amounted to approximately USD 2.9 million compared to USD 1.3 million as at December 31, 2022 and compared to USD 1.1 million as at June 30, 2022.

Other investment as at June 30, 2023 and December 31, 2022 this amounted to USD 900 thousand representing the Company's investment in shares and options of CaPow Technologies Ltd., an Israeli startup (less than 20% of the startup's share capital) in the field of wireless charging solution. The Company has a professional and business interest to become involved in new developments in this area.

Trade payables amounted to USD 2,068 thousand as at June 30, 2023 compared with USD 1,419 thousand as at December 31, 2022 and USD 2,528 thousand as at June 30, 2022. The increase in

² Out of which an amount of USD 413 thousand was paid as a tax withhold on July 2023.

this item at June 30, 2023 compared with December 31, 2022, is mainly explained by decrease of advance payment made in favor of a principal subcontractor (noted that other principal subcontractor balance is presented as other receivable due to advance payments made on his favor).

Cash flow

Cash flows generated from operating activities for the six-month period ended June 30, 2023 amounted USD 8,083 thousand, compared with *cash flows generated from operating activities* of USD 1,848 thousand for the six-month period ended June 30, 2022. The increase in cash flows from operating activities generated mostly from the decrease in trade accounts receivable and increase in trade payables as well as from other non-cash adjustments and changes in assets and liabilities. *Cash flows used for investing activities* in the six-month period ended June 30, 2023, amounted USD 2,305 thousand, compared with *cash flows used for investing activities* at the amount of USD 764 thousand in the six-month period ended June 30, 2022. The increase in cash flows used for investing activities in the first half of 2023 compared with the same period last year is explained by the increase of investment in bank deposits, net. *Cash flows used for financing activities* in the six-month period ended June 30, 2023, amounted USD 8,482 thousand, representing a dividend payment (announced March 28, 2023) that was paid on June 2023. *Cash flows used for financing activities* in the six-month period ended June 30, 2022, amounted USD 8,023 thousand, representing a dividend payment (announced March 28, 2022) that was paid on June 2022.

Outlook

Order backlog of the Group as of June 30, 2023 was USD 39,123 thousand (December 31, 2022 - USD 43,839 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.

It should be noted that the shorter lead time, delivery of previous orders and decrease in demands resulted in order backlog decrease.

Management estimates that most of the backlog as of 30.6.2023 will be supplied within 4 quarters (previously 5 quarters) by June 30, 2024.

Global business environment changes: In the first half-year of 2023, the most global trends characterizing last year (2022) remained relevant. Instability and uncertainty trends remained dominant in the global business environment as well as high prices of raw materials, high manpower costs and mainly push-out of scheduled deliveries up on customer needs. It seems that, decrease in demands, excess inventory levels and the high interest rate are factors influencing customers activity. Management believes these trends are not expected to end in the near future.

Another two factors that affected the Group's activity in the first-half of 2023 are the *revaluation of the US\$* against the local NIS, the Euro and the Pound, which mainly decreases local labor costs and other operating costs in Israel and the United Kingdom during this period and *increase of global market interest rate* which increases the Group's income from bank deposits (the Company does not hold loans).

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 the best way possible.

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

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

For more information, please visit Payton's website at www.paytongroup.com
or contact Michal Lichtenstein, CFO at +972-3-9611164 -Michal@paytongroup.com
or Nathalie Verbeeck at Citigate Dewe Rogerson Belgium + 32 (0) 477 45 75 41
Nathalie.Verbeeck@citigatedewerogerson.com

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 mainly customize lines of planar transformer 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 -

	For the six months ended	
	June 30	
	2023	2022
	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands
Revenues	24,741	29,733
Cost of sales	(13,963)	(17,604)
Gross profit	10,778	12,129
Development costs	(755)	(798)
Selling and marketing expenses	(1,074)	(992)
General and administrative expenses	(2,122)	(2,081)
Other income	10	10
Operating profit	6,837	8,268
Finance income	868	139
Finance expenses	(120)	(340)
Finance income (expenses), net	748	(201)
Share of profits (losses) of equity accounted investee	(1)	191
Profit before taxes on income	7,584	8,258
Taxes on income	(1,283)	(2,291)
Net profit	6,301	5,967
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan	-	142
Share of other comprehensive loss of equity accounted investee	(1)	(10)
Total other comprehensive income (loss), net of tax	(1)	132
Total comprehensive income	6,300	6,099
Earnings per share		
Basic and diluted earnings per share (in \$)	0.36	0.34

Condensed Interim Consolidated Statement of Financial Position

- unaudited -

	June 30	
	USD 000	USD 000
	2023	2022
Current assets	61,722	57,275
Non-current assets	12,422	11,229
Total assets	74,144	68,504
Current liabilities	6,124	6,515
Non-current liabilities	1,785	1,588
Equity	66,235	60,401
Total liabilities and Equity	74,144	68,504

**Condensed Interim Consolidated Statements
of Cash Flows**

- unaudited -

	For the six months ended June 30	
	2023	2022
	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands
Operating activities		
Profit for the period	6,301	5,967
Adjustments:		
Depreciation	426	422
Taxes on income	1,283	2,291
Share of losses (profits) of equity accounted investee	1	(191)
Gain on sale of fixed assets	(10)	(10)
Finance expenses (income), net	(620)	308
	<u>7,381</u>	<u>8,787</u>
Change in employee benefits	63	28
Decrease (increase) in trade accounts receivable	1,951	(3,989)
Decrease (increase) in other accounts receivable	(2,196)	958
Decrease (increase) in inventory	491	(514)
Increase (decrease) in trade payables	597	(1,586)
Increase in other payables	387	432
	<u>8,674</u>	<u>4,116</u>
Interest received	566	148
Interest paid	(23)	(17)
Income taxes paid, net	(1,134)	(2,399)
	<u>8,083</u>	<u>1,848</u>
Cash flows generated from (used for) operating activities	<u>8,083</u>	<u>1,848</u>
Investing activities		
Proceeds from (investments in) deposits, net	(2,235)	(701)
Acquisition of fixed assets	(137)	(247)
Proceeds from sale of fixed assets	10	31
Investments in marketable securities	(57)	-
Proceeds from sale of marketable securities	114	153
	<u>(2,305)</u>	<u>(764)</u>
Cash flows generated from (used for) investing activities	<u>(2,305)</u>	<u>(764)</u>
Financing activities		
Dividend paid	(8,482)	(8,023)
	<u>(8,482)</u>	<u>(8,023)</u>
Cash flows used for financing activities	<u>(8,482)</u>	<u>(8,023)</u>
Net decrease in cash and cash equivalents	<u>(2,704)</u>	<u>(6,939)</u>
Cash and cash equivalents at the beginning of the period	<u>19,003</u>	<u>22,146</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(156)</u>	<u>(352)</u>
Cash and cash equivalents at the end of the period	<u>16,143</u>	<u>14,855</u>