

Q3 2023 Report¹

Net profit USD 11,064 thousand
Sales Revenues of USD 39,759 thousand
Order Backlog as of September 30, 2023 of USD 32,950 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first nine months of 2023 (nine-month period ending September 30, 2023). Net profit for the first nine months of 2023 totaled USD 11,064 thousand. Sales revenues for the first nine months of 2023 totaled USD 39,759 thousand.

The business environment in which the Group operates is influenced by global and local trends occurred during and after the reported period as follows:

- In the first nine months 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 nine months 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).
 - On October 7th 2023, after the date of the financial statements, following Hamas terror attack a war broke out in the state of Israel ("the War"). As of today, the War consequences have not significantly affected the Group's day-to-day operations. The Group's local facility, that is located in the center area of Israel, rapidly adapted a working routine enabling it to continue its ongoing business. As of this date, the Group's local facility is fully operative and continues to provide products and services on a regular basis to its customers.
- Thanks to the Group's financial and operational strength, wide business diversification, global dispersion of production sites and raw material suppliers, the Group's management believes it should be able to continue its ongoing business fully and continuously.
- Based on the information the Group has at the date of signing these financial statements, the War is not expected to have a material impact on the Group's activity and results. However, due to uncertainty involved and lack of information regarding the duration of the War, the Group is currently unable to foresee and assess the future effects of the War.
- 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.

It is noted that the above statements are forward-looking statements, based on the data detailed above and the Group management's assessment, as of the date of the financial reports. It is hereby clarified that the actual results may be different as a result of various factors beyond the Company's control, including among others the duration of the War, which may affect the Group's activities. See also forward-looking statement defined 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, 2022.

Key financial highlights for the first nine months of 2023

Sales revenues

The Group's sales revenues for the nine-month period ended September 30, 2023 were USD 39,759 thousand compared with USD 45,888 thousand in the nine-month period ended September 30, 2022, representing a decrease of 13%. This sales decrease reflects the global demand decrease and the postponements of deliveries per customer's request in several projects as it was also reflected in the Group's order backlog.

Gross result

The Group's gross profit for the nine-month period ended September 30, 2023 amounted USD 17,878 thousand (45% of sales) compared with USD 18,739 thousand (41% of sales) in the nine-month period ended September 30, 2022. The gross margin is mainly affected by sales products mix and production sites.

Expenses

During the first nine months of year 2023, *The Group's Development Costs* were USD 1,090 thousand compared with USD 1,153 thousand in the same period last year.

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 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 nine-month period ended September 30, 2023 were USD 1,555 thousand (3.9%) and USD 1,460 thousand (3.2%) in the nine-month period ended September 30, 2022. In the first nine months of 2023, other selling expenses have resumed gradually.

The Group's General & Administrative expenses for the nine-month period ended September 30, 2023 were USD 2,997 thousand and USD 3,040 thousand in the nine-month period ended September 30, 2022.

Operating and financial result

The total *operating income* for the first nine month period of year of 2023 amounted to USD 12,224 thousand compared to USD 13,097 thousand in the same period last year. During the first nine months of 2023, Payton recorded a *net finance income* of USD 1,037 thousand compared to a net finance expenses of USD 134 thousand for the first nine 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 nine-month period ended September 30, 2023 were USD 2,261 thousand compared with USD 3,193 thousand in the nine-month period ended September 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 nine months of 2023 was a net profit of USD 11,064 thousand, compared to USD 10,123 thousand for the nine-month period ended September 30, 2022.

Balance sheet - cash position

Cash and cash equivalents, Short-term Deposits and Marketable Securities amounted to a total of USD 48,887 thousand as at September 30, 2023 compared to USD 45,237 thousand as at December 31, 2022 and USD 41,213 thousand as at September 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 difficult times.

Other accounts receivable amounted to USD 3,785 thousand as at September 30, 2023 compared with USD 2,255 thousand as at December 31, 2022 and USD 4,585 thousand as at September 30, 2022.

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

Changes in this item result mainly from changes in "contract assets" according to IFRS 15 as well as from changes 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 September 30, 2023 such contract assets amounted to approximately USD 2.5 million compared to USD 1.3 million as at December 31, 2022 and compared to USD 3.8 million as at September 30, 2022.

Trade payables amounted to USD 3,565 thousand as at September 30, 2023 compared with USD 1,419 thousand as at December 31, 2022 and USD 3,227 thousand as at September 30, 2022. The increase in this item as at September 30, 2023 compared with December 31, 2022, is mainly explained by increase in purchases and decrease of advance payment made in favor of a principal subcontractor including returning to its normal payment terms (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 nine-month period ended September 30, 2023 amounted USD 12,332 thousand, compared with *cash flows generated from operating activities* of USD 7,444 thousand for the nine-month period ended September 30, 2022. The increase in cash flows from operating activities generated mostly from the 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 nine-month period ended September 30, 2023, amounted USD 9,192 thousand, compared with *cash flows generated from investing activities* at the amount of USD 1,137 thousand in the nine-month period ended September 30, 2022. The increase in cash flows used for investing activities in the first nine months of 2023 compared with the same period last year is explained mainly by the increase of investment in bank deposits, net.

Cash flows used for financing activities in the nine-month period ended September 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 nine-month period ended September 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 September 30, 2023 was USD 32,950 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 reflected as order backlog decrease.

Management estimates that most of the backlog as of 30.9.2023 will be supplied within 4 quarters (previously 5 quarters) by September 30, 2024.

Global business environment changes during and after the reported period: In the first nine months 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 nine months 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).

Furthermore, on October 7th 2023, after the date of the financial statements, following Hamas terror attack a war broke out in the state of Israel ("the War"). As of today, the War consequences have not significantly affected the Group's day-to-day operations. The Group's local facility, that is located in the center area of Israel, rapidly adapted a working routine enabling it to continue its ongoing business. As of this date, the Group's local facility is fully operative and continues to provide products and services on a regular basis to its customers. Thanks to the Group's financial and operational strength, wide business diversification, global dispersion of production sites and raw material suppliers, the Group's management believes it should be able to continue its ongoing business fully and continuously. Based on the information the Group has at the date of signing these financial statements, the War is not expected to have a material impact on the Group's activity and results. However, due to uncertainty involved and lack of information regarding the duration of the War, the Group is currently unable to foresee and assess the future effects of the War.

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 are forward-looking statements, based on the data detailed above and the Group management's assessment, as of the date of the financial reports. It is hereby clarified that the actual results may be different as a result of various factors beyond the Company's control, including among others the duration of the War, which may affect the Group's activities. See also forward-looking statement 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 nine months ended	
	September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	\$ thousands	
Revenues	39,759	45,888
Cost of sales	(21,881)	(27,149)
Gross profit	17,878	18,739
Development costs	(1,090)	(1,153)
Selling and marketing expenses	(1,555)	(1,460)
General and administrative expenses	(2,997)	(3,040)
Other income (expenses), net	8	11
Operating profit	12,244	13,097
Finance income	1,274	286
Finance expenses	(237)	(420)
Finance income (expenses), net	1,037	(134)
Share of profits of equity accounted investee	44	353
Profit before taxes on income	13,325	13,316
Taxes on income	(2,261)	(3,193)
Net profit	11,064	10,123
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	(11)	(16)
Total other comprehensive income (loss), net of tax	(11)	126
Total comprehensive income	11,053	10,249
Earnings per share		
Basic and diluted earnings per share (in \$)	0.63	0.57

Condensed Interim Consolidated Statement of Financial Position

- unaudited -

	September 30	
	USD 000	USD 000
	2023	2022
Current assets	67,666	61,071
Non-current assets	12,422	12,390
Total assets	80,088	73,461
Current liabilities	7,355	6,998
Non-current liabilities	1,745	1,912
Equity	70,988	64,551
Total liabilities and Equity	80,088	73,461

**Condensed Interim Consolidated Statements
of Cash Flows**

- unaudited -

	For the nine months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	\$ thousands	\$ thousands
Operating activities		
Profit for the period	11,064	10,123
Adjustments:		
Depreciation	631	627
Taxes on income	2,261	3,193
Share of profits of equity accounted investee	(44)	(353)
Loss (gain) on sale of fixed assets, net	(8)	(10)
Finance expenses (income), net	(798)	271
	<u>13,106</u>	<u>13,851</u>
Change in employee benefits	(133)	(150)
Decrease (increase) in trade accounts receivable	(430)	(1,004)
Decrease (increase) in other accounts receivable	(1,518)	(1,359)
Decrease (increase) in inventory	329	(580)
Increase (decrease) in trade payables	2,178	(897)
Increase (decrease) in other payables	52	477
	<u>13,584</u>	<u>10,338</u>
Interest received	635	183
Interest paid	(23)	(17)
Income taxes paid, net	(1,864)	(3,060)
	<u>12,332</u>	<u>7,444</u>
Cash flows generated from operating activities		
	<u>12,332</u>	<u>7,444</u>
Investing activities		
Proceeds from (investments in) deposits, net	(8,885)	2,399
Acquisition of other investment	-	(900)
Acquisition of fixed assets	(400)	(547)
Proceeds from sale of fixed assets	14	31
Investments in marketable securities	(57)	-
Proceeds from sale of marketable securities	136	154
	<u>136</u>	<u>154</u>
Cash flows generated from (used for) investing activities	(9,192)	1,137
	<u>(9,192)</u>	<u>1,137</u>
Financing activities		
Dividend paid	(8,482)	(8,023)
	<u>(8,482)</u>	<u>(8,023)</u>
Cash flows used for financing activities	(8,482)	(8,023)
	<u>(8,482)</u>	<u>(8,023)</u>
Net increase (decrease) in cash and cash equivalents	(5,342)	558
Cash and cash equivalents at the beginning of the period	19,003	22,146
Effect of exchange rate fluctuations on cash and cash equivalents	(194)	(440)
	<u>(194)</u>	<u>(440)</u>
Cash and cash equivalents at the end of the period	<u>13,467</u>	<u>22,264</u>