

Q1 2026 Report¹

Order Backlog as of March 31, 2026 of USD 19,335 thousand Sales Revenues of USD 10,650 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first quarter of 2026 (three-month period ending March 31, 2026).

Net profit for the first three months of 2026 totaled USD 1,400 thousand (13%).

Sales revenues for the first three months of 2026 totaled USD 10,650 thousand.

Order backlog of the Group as of March 31, 2026, was USD 19,335 thousand (December 31, 2025 - USD 17,401 thousand). The backlog is composed of the Company and its three fully owned subsidiaries firm orders.

Key financial highlights for the first three months of 2026

General Notes:

I. 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 leads to an increase in labor costs and other operating costs, thus, affects the operating results of the Company. It is noted that when comparing the first quarter of 2026 to the same quarter last year, the NIS appreciated against the USD by approximately 14% resulting in an increase of salaries and other operating costs as detailed above.

II. The acquisition of the sub-subsidiary's ('SI') shares and the Real Estate Purchase were both completed on October 1, 2025. As from that date, SI's results have been consolidated into the Group's financial statements. Accordingly, the comparison of the Group's results for the first quarter of 2026 with those of the corresponding quarter in the prior year is affected by the inclusion of SI's results.

Sales revenues

The Group's sales revenues for the three-month period ended March 31, 2026, amounted to USD 10,650 thousand, compared with USD 11,645 thousand in the three-month period ended March 31, 2025, reflecting a decrease of 9%. The decrease in sales is attributable to the global slowdown across the traditional industrial sectors, communications and consumer products, and specifically to a decrease in sales of two previously high-volume projects: one related to principal customer A, whose project reached its End of Life, and the second, related to principal customer C, due to a slowdown in demands for electric vehicles incorporating the Company's transformers.

Cost of sales & gross result

The Group's gross profit for the three-month period ended March 31, 2026 amounted to USD 4,256 thousand (40% of sales) compared with USD 5,205 thousand (45% of sales) in the three-month period ended March 31, 2025. Gross margin was affected by the decrease in sales volume, by SI's lower margins and was also influenced by product mix and production sites.

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, 2025.

Expenses

The Group's General & Administrative expenses, for the three-month period ended March 31, 2026, were USD 1,589 thousand and USD 1,310 thousand in the three-month period ended March 31, 2025. The increase in these expenses was attributable to various factors mainly: higher labor costs fixed in local currency translated into USD, an increase in legal and financial services, and the initial consolidation of SI's G&A expenses.

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 (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 three-month period ended March 31, 2026, were USD 692 thousand (6.5%) and USD 516 thousand (4.4%) in the three-month period ended March 31, 2025. The increase in selling and marketing expenses was mainly driven by expansion of the technical marketing team and the consolidation of SI's marketing expenses accompanied by enhanced digital marketing, and increased participation in exhibitions and marketing travels.

The Group's development costs - Payton's strategy is aimed at maintaining the leadership of Planar Technology. The Engineering Department works in conjunction with the engineering departments of the forerunners of today's global technology. Development costs are mainly incurred to design and customize products for specific orders. These development costs, mainly engineering labor costs, are based upon time expended by the department's employees. The Group's development costs for the three months ended March 31, 2026, were USD 641 thousand compared with USD 433 thousand in the same period last year. The increase in these expenses was mainly attributable to the expansion of the engineering team driven from SI's consolidation, as well as from an increase in labor cost fixed in local currency due to its revaluation.

Operating & financial results

The total *operating income* for the first quarter of 2026 amounted to USD 1,342 thousand compared to USD 2,946 thousand in the same period last year. During the first three months of 2026, Payton recorded a net *finance income* of USD 434 thousand compared to a net finance income of USD 604 thousand for the first three months of 2025.

Taxes on income

Taxes on income for the three-month period ended March 31, 2026 were USD 341 thousand compared to USD 627 thousand for the three-month period ended March 31, 2025.

Result of the period

The total result for the first quarter of 2026 was a net profit of USD 1,400 thousand, compared to USD 2,912 thousand for the three-month period ended March 31, 2025.

Balance sheet - cash position

Cash and cash equivalents and Short-term Deposits - these items amounted to a total of USD 59,291 thousand as at March 31, 2026, compared to USD 58,248 thousand as at December 31, 2025 and USD 59,959 thousand as at March 31, 2025.

The Company's profitability in the first quarter of 2026 led to an increase in cash and cash equivalents compared with December 31, 2025.

The Group's management believes a solid financial position is an important factor in business operations.

Trade accounts receivable - these amounted to USD 7,724 thousand as at March 31, 2026, compared with USD 7,875 thousand as at December 31, 2025, and USD 9,012 thousand as at March 31, 2025. The decrease in accounts receivable in the first quarter of 2026, compared with the same quarter last year amounted to USD 1,288 thousand. As at March 31, 2025, there was a temporary increase in the payment terms of few customers as well as from balance increase arising from timing of revenue recognition.

Other accounts receivable - these amounted to USD 1,191 thousand as at March 31, 2026, compared with USD 1,534 thousand as at December 31, 2025, and USD 2,614 thousand as at March 31, 2025. 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, the Company recognizes revenues over time (rather than upon delivery). Revenues recorded prior to delivery are recorded against "contract assets" and presented among "other accounts receivable".

As at March 31, 2026, such contract assets amounted to approximately USD 0.5 million compared to USD 0.8 million as at December 31, 2025, and compared to USD 1.3 million as at March 31, 2025.

Inventory - amounted to USD 5,764 thousand as at March 31, 2026, compared with USD 5,339 thousand as at December 31, 2025, and USD 3,422 thousand as at March 31, 2025. The inventory increase, at the end of the first quarter of 2026, compared with March 31, 2025, mainly reflects the consolidation of a sub-subsidiary's ('SI') inventory.

Trade payables - amounted to USD 2,385 thousand as at March 31, 2026, compared with USD 2,521 thousand as at December 31, 2025, and USD 1,177 thousand as at March 31, 2025. The increase in this item as at March 31, 2026, compared with March 31, 2025, resulted mainly from a decrease in advance payment to a principal subcontractor.

Cash flow statement

Cash flows generated from operating activities for the three-month period ended March 31, 2026, amounted to USD 1,208 thousand, compared with cash flows generated from operating activities of USD 2,203 thousand for the three-month period ended March 31, 2025. The decrease in cash flows from operating activities was generated mostly from the decrease in the net profit for the period, a decrease in trade accounts receivable balances, as well as from other non-cash adjustments and changes in assets and liabilities.

Cash flows generated from investing activities in the three-month period ended March 31, 2026, amounted to USD 6,887 thousand, compared with cash flows generated from investing activities at the amount of USD 1,912 thousand in the three-month period ended March 31, 2025. Cash flows from investing activities generated mainly from bank deposits proceeds.

Outlook & Global Environment changes

In the first quarter of 2026 most of the global trends that characterized the prior year (2025) remained valid. Global economic slowdown, instability, and uncertainty continue to dominate the global business environment, alongside elevated raw-material prices and higher labor costs. In management's assessment, these trends are expected to continue in the coming months.

Along with the above, additional factors that affected the Group's operations included the following:

- *Devaluation of the USD against the NIS, the Euro, and the Pound Sterling* - This appreciation, which is primarily reflected in higher local labor costs and other operating costs in Israel and the UK as a result of the U.S. dollar's weakening, may adversely affect the Group's results.

- *Security situation in Israel* - As of this date, the security situation and the last military operations had no material effect on the Group's ongoing operations. In Israel all production lines are active continuously and shipments are dispatched on schedule. In parallel, the Group's subsidiaries in the UK and in the USA continue their usual operations, so that the Group's global manufacturing planning is fully effective. The diversification of the Group's production sites in China, the Philippines, Israel, the UK and the United States enables the Group to fulfill its planned supply targets.

Based on the information available to the Group as of the date of approval of the financial statements, the Group currently estimates that the security situation is not expected to have a material effect on its operating results. However, due to uncertainty involved and lack of information regarding the duration of these circumstances, the Group is currently unable to foresee and assess their future effects.

The Group continues to follow up and monitor 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.

Order backlog of the Group as of March 31, 2026, was USD 19,335 thousand (December 31, 2025 - USD 17,401 thousand). The backlog is composed of the firm orders of the Company and its three fully

owned subsidiaries. Management estimates that most of the backlog as of March 31, 2026, will be supplied within the next three quarters by December 31, 2026.

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

The complete financial statements and the quarterly report, as well as Company's press releases dated April 6, 2026, and April 23, 2026, regarding the proposed triangular cash merger transaction, are available for downloading in the investors section of www.paytongroup.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 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 200 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Telecommunications, cellular infrastructure, welding machines, High-reliability/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, United States and in the U.K. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

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 Nick Orbaen, Dir. at Citigate Dewe Rogerson Belgium + 32 (0) 468 10 06 23 nick.orbaen@cdrconsultancy.com

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 three months ended March 31	
	2026	2025
	\$ thousands	\$ thousands
Revenues	10,650	11,645
Cost of sales	(6,394)	(6,440)
Gross profit	4,256	5,205
Development costs	(641)	(433)
Selling and marketing expenses	(692)	(516)
General and administrative expenses	(1,589)	(1,310)
Other income, net	8	-
Operating profit	1,342	2,946
Finance income	578	635
Finance expenses	(144)	(31)
Finance income, net	434	604
Share of loss of equity accounted investee	(35)	(11)
Profit before taxes on income	1,741	3,539
Taxes on income	(341)	(627)
Net profit	1,400	2,912
Other comprehensive income items that will not be transferred to profit and loss		
Share of other comprehensive income of equity accounted investee	2	3
Total other comprehensive income, net of tax	2	3
Total comprehensive income	1,402	2,915
Earnings per share		
Basic and diluted earnings per share (in \$)	0.08	0.16

Condensed Interim Consolidated Statement of Financial Position - unaudited -

	March 31	
	USD 000	USD 000
	2026	2025
Current assets	73,970	75,007
Non-current assets	21,906	13,915
Total assets	95,876	88,922
Current liabilities	7,484	10,808
Non-current liabilities	1,671	1,591
Equity	86,721	76,523
Total liabilities and Equity	95,876	88,922

Condensed Interim Consolidated Statements of Cash Flows

- unaudited -

	For the three months ended	
	March 31	
	2026	2025
	\$ thousands	\$ thousands
Operating activities		
Net Profit	1,400	2,912
Adjustments:		
Depreciation and amortization	308	216
Taxes on income	341	627
Share of loss of equity accounted investee	35	11
Gain on sale of property, plant and equipment, net	(8)	-
Share-based compensation provided by controlling shareholder	131	113
Finance income, net	(435)	(576)
	<u>1,772</u>	<u>3,303</u>
Decrease (increase) in trade accounts receivable	151	(1,087)
Decrease (increase) in other accounts receivable	317	(587)
Decrease (increase) in inventory	(425)	500
Increase (decrease) in trade payables	(145)	1
Increase (decrease) in other payables	(332)	58
Change in employee benefits	12	(1)
	<u>1,350</u>	<u>2,187</u>
Interest received	507	596
Interest paid	(53)	-
Income taxes paid, net	<u>(596)</u>	<u>(580)</u>
Cash flows generated from operating activities	<u>1,208</u>	<u>2,203</u>
Investing activities		
Proceeds from deposits, net	7,033	2,224
Acquisition of property, plant and equipment	(187)	(312)
Proceeds from sale of property, plant and equipment	41	-
Cash flows generated from investing activities	<u>6,887</u>	<u>1,912</u>
Financing activities		
Dividend paid	-	-
Cash flows used for financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	8,095	4,115
Cash and cash equivalents at the beginning of the period	30,315	23,148
Effect of exchange rate fluctuations on cash and cash equivalents	3	(23)
Cash and cash equivalents at the end of the period	<u>38,413</u>	<u>27,240</u>