



**Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
June 30, 2022 (Unaudited)**

Financial Statements as at June 30, 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 six months ended on June 30, 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.

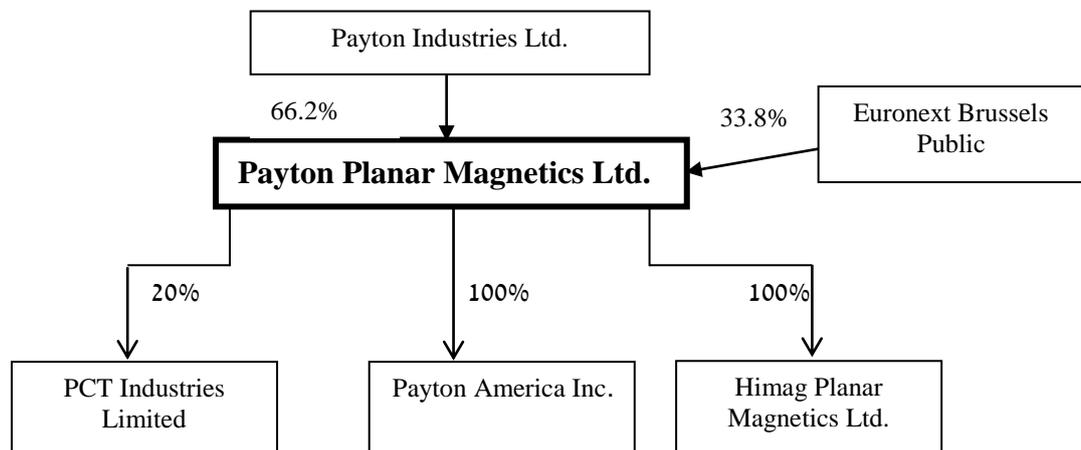
Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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 June 30, 2022 form an integral part thereof.

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

It seems that most countries over the world conduct their economic and business activities side by side the COVID-19 epidemic. However, in China/ HK the approach to the COVID-19 epidemic is still very strict. Visiting China is still subject to severe restrictions as well as the transportation within China is limited. Due to these logistic difficulties and delays in deliveries at the end of the first quarter of 2022, sales were delayed within few days.

Global business environment changes - During the first half of 2022 the global changes noted last year (2021) continued. Among these global changes are: global shortage and price increase of raw materials, increase of materials lead-time and logistic costs.

Due to components shortages such as semiconductors, customers tend to push out or expedite scheduled deliveries up on their needs. Such changes of delivery dates may result in a different sales split compared to the planned order backlog.

Management believes these trends are not going to end in the near future and will continue during year 2022.

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.

Sales - for the six-month period ended June 30, 2022 were USD 29,733 thousand compared with USD 19,302 thousand in the six-month period ended June 30, 2021, representing 54% increase that reflects the growth in demand of several projects as it is reflected in the Group's increased order backlog.

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, paid on 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 was subject to a beneficiary corporate tax rate*, at the amount of USD 0.9 million, paid in full on April 2022.

* 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 six-month period ended June 30	For the year ended December 31	For the six-month period ended June 30
	2022	2021	2021
Customer A ¹	30%	21%	19%
Customer B ²	14%	17%	16%

⁽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 half 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 June 30, 2022 was USD 48,777 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 30.6.2022 will be supplied until September 30, 2023.

2. Financial position

A. Statement of Financial Position as at June 30, 2022

Cash and cash equivalents, Short-term Deposits and Marketable Securities - these items amounted to a total of USD 36,815 thousand as at June 30, 2022 compared to USD 38,625 thousand as at December 31, 2021 and USD 42,150 thousand as at June 30, 2021.

On June 2022 Company paid the USD 8,023 thousand dividend payment for the year 2021 (decided on March 28, 2022). Company's profitability has shortened the decrease in Cash and cash equivalents resulting from the dividend payment. It is noted that on December 31, 2021 an amount of USD 5,020 thousand was classified as a long-term deposits.

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 13,906 thousand as at June 30, 2022 compared with USD 9,917 thousand as at December 31, 2021 and USD 7,244 thousand as at June 30, 2021. The increase in this item is in-line with the increase in sales volume near the reports dates.

Other accounts receivable - these amounted to USD 2,268 thousand as at June 30, 2022 compared with USD 3,226 thousand as at December 31, 2021 and USD 1,760 thousand as at June 30, 2021. 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, 2022 such contract assets amounted to approximately USD 1.1 million compared to USD 2.5 million as at December 31, 2021 and compared to USD 1.3 million as at June 30, 2021.

Inventory - this item amounted to USD 4,286 thousand as at June 30, 2022 compared to USD 3,772 thousand as at December 31, 2021 and USD 3,521 thousand as at June 30, 2021. The increase in inventory is mainly influenced by planning to meet order backlog increase.

Long-term deposits - as at December 31, 2021 these amounted to USD 5,020 thousand. These 18 months period bank deposits were classified as short-term deposits as at June 30, 2022.

Trade payables - amounted to USD 2,528 thousand as at June 30, 2022 compared with USD 4,088 thousand as at December 31, 2021 and USD 2,775 thousand as at June 30, 2021. The decrease in this item resulted mainly due to advance payment and shorter payment terms in favor of subcontractors.

B. Operating results

Payton Planar Magnetics Ltd. Consolidated Comprehensive Income Statements

	For the six months ended June 30		For the three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Revenues	29,733	19,302	18,950	9,217	43,980
Cost of sales	(17,604)	(11,463)	(11,096)	(5,302)	(26,607)
Gross profit	12,129	7,839	7,854	3,915	17,373
Development costs	(798)	(771)	(444)	(425)	(1,481)
Selling and marketing expenses	(992)	(872)	(506)	(419)	(1,791)
General and administrative expenses	(2,081)	(1,798)	(1,155)	(943)	(3,734)
Other income, net	10	1	-	1	1
Operating profit	8,268	4,399	5,749	2,129	10,368
Finance income	139	99	95	51	193
Finance expenses	(340)	(20)	(319)	(9)	(168)
Finance income (expenses), net	(201)	79	(224)	42	25
Share of profits (losses) of equity accounted investee	191	(123)	139	(66)	(52)
Profit before taxes on income	8,258	4,355	5,664	2,105	10,341
Taxes on income	(2,291)	(727)	(941)	(388)	(1,821)
Profit for the period	5,967	3,628	4,723	1,717	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	(10)	(1)	(12)	1	7
Total other comprehensive income (loss)	132	(1)	(12)	1	(5)
Total comprehensive income for the period	6,099	3,627	4,711	1,718	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 six-month period ended June 30, 2022 were USD 29,733 thousand compared with USD 19,302 thousand in the six-month period ended June 30, 2021, representing 54% increase. This sales increase reflects the demand increase for several projects as it is reflected in the Group's increased order backlog.

Gross profit - The Group's gross profit for the six-month period ended June 30, 2022 amounted USD 12,129 thousand (41% of sales) compared with USD 7,839 thousand (41% of sales) in the six-month period ended June 30, 2021. The gross margin is influenced mainly by the sales products mix and by raw materials prices increase. The Group succeeded to maintain its gross margin in spite of the raw materials prices increases thanks to its sales volume increase.

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 six months ended June 30, 2022 were USD 798 thousand compared with USD 771 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 six-month period ended June 30, 2022 were USD 992 thousand (3.3%) and USD 872 thousand (4.5%) in the six-month period ended June 30, 2021. In the first half of 2022, selling expenses mainly travel expenses and exhibitions costs, have resumed gradually. Management believes these costs will gradually increase as traveling and exhibitions will become more accessible.

General & Administrative expenses - The Group's General & Administrative expenses for the six-month period ended June 30, 2022 were USD 2,081 thousand and USD 1,798 thousand in the six-month period ended June 30, 2021. The increase relates mainly from an increase in management incentives derived from the profits increase.

Finance income, net - The Group's finance expenses for the six-month period ended June 30, 2022 amounted USD 201 thousand compared with finance income of USD 79 thousand in the six-month period ended June 30, 2021. This decrease in finance income is mainly explained by local currencies balances exchange differences (mainly of NIS & £).

Taxes on income - for the six-month period ended June 30, 2022 were USD 2,291 thousand compared with USD 727 thousand in the six-month period ended June 30, 2021. The increase in the tax expenses is a result of two factors: (1) Profit increase (2) Previous year's tax expenses - On April 2022 the Company paid an amount of USD 919 thousand following 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 six-month period ended June 30, 2022 amounted USD 1,848 thousand, compared with cash flows generated from operating activities of USD 5,312 thousand for the six-month period ended June 30, 2021. The decrease in cash flows from operating activities generated mostly from the increase in trade accounts receivable as well as from other non-cash adjustments and changes in assets and liabilities.

B. Investing activities

Cash flows used for investing activities in the six-month period ended June 30, 2022, amounted USD 764 thousand, compared with cash flows used for investing activities at the amount of USD 6,410 thousand in the six-month period ended June 30, 2021. The decrease in cash flows used for investing activities in the first half of 2022 compared with the same period last year is explained by a decrease of investment in deposits, net.

C. Financing activities

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. 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.

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.

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 June 30, 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 six 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, August 25, 2022.

David Yativ
Chairman of the Board
of Directors

Doron Yativ
Director and C.E.O.



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

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 June 30, 2022 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three month periods 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.)
A Member of KPMG International

August 25, 2022

Condensed Consolidated Interim Statements of Financial Position as at

	June 30 2022	June 30 2021	December 31 2021
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	14,855	22,802	22,146
Short-term deposits and marketable securities held for trading	21,960	19,348	16,479
Trade accounts receivable	13,906	7,244	9,917
Other accounts receivable	2,268	1,760	3,226
Inventory	4,286	3,521	3,772
Total current assets	57,275	54,675	55,540
Non-current assets			
Long-term deposits	-	-	5,020
Investment in equity accounted investee	1,155	895	974
Fixed assets	10,052	10,278	10,222
Intangible assets	22	22	22
Total non-current assets	11,229	11,195	16,238
Total assets	68,504	65,870	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)

	June 30 2022	June 30 2021	December 31 2021
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Liabilities and equity			
Current liabilities			
Trade payables	2,528	2,775	4,088
Other payables	2,467	2,086	2,035
Current tax liability	792	1,107	809
Employee benefits	728	746	649
Total current liabilities	6,515	6,714	7,581
Non-current liabilities			
Employee benefits	505	700	731
Deferred tax liabilities	1,083	1,019	1,141
Total non-current liabilities	1,588	1,719	1,872
Total liabilities	8,103	8,433	9,453
Equity			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Retained earnings	46,572	43,608	48,496
Total equity	60,401	57,437	62,325
Total liabilities and equity	68,504	65,870	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: August 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 six months ended June 30		For the three months ended June 30		Year ended
	2022	2021	2022	2021	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Revenues	29,733	19,302	18,950	9,217	43,980
Cost of sales	(17,604)	(11,463)	(11,096)	(5,302)	(26,607)
Gross profit	12,129	7,839	7,854	3,915	17,373
Development costs	(798)	(771)	(444)	(425)	(1,481)
Selling and marketing expenses	(992)	(872)	(506)	(419)	(1,791)
General and administrative expenses	(2,081)	(1,798)	(1,155)	(943)	(3,734)
Other income, net	10	1	-	1	1
Operating profit	8,268	4,399	5,749	2,129	10,368
Finance income	139	99	95	51	193
Finance expenses	(340)	(20)	(319)	(9)	(168)
Finance income (expenses), net	(201)	79	(224)	42	25
Share of profits (losses) of equity accounted investee	191	(123)	139	(66)	(52)
Profit before taxes on income	8,258	4,355	5,664	2,105	10,341
Taxes on income	(2,291)	(727)	(941)	(388)	(1,821)
Profit for the period	5,967	3,628	4,723	1,717	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	(10)	(1)	(12)	1	7
Total other comprehensive income (loss)	132	(1)	(12)	1	(5)
Total comprehensive income for the period	6,099	3,627	4,711	1,718	8,515
Earnings per share					
Basic and diluted earnings per share (in \$)	0.34	0.21	0.27	0.10	0.48

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

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital		Share premium \$ thousands	Retained earnings \$ thousands	Total \$ thousands
	Number of shares	\$ thousands			
For the six months ended					
June 30, 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	-	-	-	5,967	5,967
Other comprehensive income	-	-	-	132	132
Total comprehensive income for the period	-	-	-	6,099	6,099
Transaction with owners, recognized directly in equity					
Dividend to owners (Note 6)	-	-	-	(8,023)	(8,023)
Balance at June 30, 2022	17,670,775	4,836	8,993	46,572	60,401
For the six months ended					
June 30, 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	-	-	-	3,628	3,628
Other comprehensive loss	-	-	-	(1)	(1)
Total comprehensive income for the period	-	-	-	3,627	3,627
Transaction with owners, recognized directly in equity					
Dividend to owners (Note 6)	-	-	-	(7,422)	(7,422)
Balance at June 30, 2021	17,670,775	4,836	8,993	43,608	57,437
For the three months ended					
June 30, 2022 (Unaudited)					
Balance at April 1, 2022	17,670,775	4,836	8,993	41,861	55,690
Total comprehensive income for the period					
Profit for the period	-	-	-	4,723	4,723
Other comprehensive loss	-	-	-	(12)	(12)
Total comprehensive income for the period	-	-	-	4,711	4,711
Balance at June 30, 2022	17,670,775	4,836	8,993	46,572	60,401

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

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	<u>Share capital</u>		<u>Share</u>	<u>Retained</u>	<u>Total</u>
	<u>Number of</u>	<u>\$ thousands</u>	<u>premium</u>	<u>earnings</u>	
	<u>shares</u>		<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
For the three months ended					
June 30, 2021 (Unaudited)					
Balance at April 1, 2021	17,670,775	4,836	8,993	41,890	55,719
Total comprehensive income for the period					
Profit for the period	-	-	-	1,717	1,717
Other comprehensive income	-	-	-	1	1
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,718</u>	<u>1,718</u>
Balance at June 30, 2021	<u>17,670,775</u>	<u>4,836</u>	<u>8,993</u>	<u>43,608</u>	<u>57,437</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,515</u>	<u>8,515</u>
Transaction with owners, recognized directly in equity					
Dividend to owners (Note 6)	-	-	-	(7,422)	(7,422)
Balance at December 31, 2021	<u>17,670,775</u>	<u>4,836</u>	<u>8,993</u>	<u>48,496</u>	<u>62,325</u>

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

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended June 30		For the three months ended June 30		Year ended
	2022	2021	2022	2021	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Operating activities					
Profit for the period	5,967	3,628	4,723	1,717	8,520
Adjustments:					
Depreciation	422	446	206	224	891
Taxes on income	2,291	727	941	388	1,821
Share of losses (profits) of equity accounted investee	(191)	123	(139)	66	52
Gain on sale of fixed assets	(10)	(1)	-	(1)	(1)
Finance expenses (income), net	308	(83)	283	(68)	(144)
	<u>8,787</u>	<u>4,840</u>	<u>6,014</u>	<u>2,326</u>	<u>11,139</u>
Change in employee benefits	28	204	(38)	113	125
Decrease (increase) in trade accounts receivable	(3,989)	2,421	(5,512)	560	(252)
Decrease (increase) in other accounts receivable	958	546	294	(401)	(940)
Increase in inventory	(514)	(59)	(364)	(50)	(310)
Decrease in trade payables	(1,586)	(2,254)	(5)	(787)	(923)
Increase in other payables	432	181	218	105	130
	<u>4,116</u>	<u>5,879</u>	<u>607</u>	<u>1,866</u>	<u>8,969</u>
Interest received	148	91	125	91	134
Interest paid	(17)	-	-	-	(40)
Income taxes paid, net	(2,399)	(658)	(1,701)	(187)	(1,907)
Cash flows generated from (used for) operating activities	<u>1,848</u>	<u>5,312</u>	<u>(969)</u>	<u>1,770</u>	<u>7,156</u>
Investing activities					
Proceeds from (investments in) deposits, net	(701)	(6,299)	299	(4,299)	(7,399)
Investments in marketable securities held for trading	-	-	-	-	(997)
Proceeds from sale of marketable securities held for trading	153	-	153	-	-
Acquisition of fixed assets	(247)	(116)	(138)	(54)	(523)
Proceeds from sale of fixed assets	31	5	-	5	5
Cash flows generated from (used for) investing activities	<u>(764)</u>	<u>(6,410)</u>	<u>314</u>	<u>(4,348)</u>	<u>(8,914)</u>
Financing activities					
Dividend paid	(8,023)	(7,422)	(8,023)	(7,422)	(7,422)
Cash flows used for financing activities	<u>(8,023)</u>	<u>(7,422)</u>	<u>(8,023)</u>	<u>(7,422)</u>	<u>(7,422)</u>
Net decrease in cash and cash equivalents	<u>(6,939)</u>	<u>(8,520)</u>	<u>(8,678)</u>	<u>(10,000)</u>	<u>(9,180)</u>
Cash and cash equivalents at the beginning of the period	<u>22,146</u>	<u>31,325</u>	<u>23,857</u>	<u>32,783</u>	<u>31,325</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(352)</u>	<u>(3)</u>	<u>(324)</u>	<u>19</u>	<u>1</u>
Cash and cash equivalents at the end of the period	<u>14,855</u>	<u>22,802</u>	<u>14,855</u>	<u>22,802</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 June 30, 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 half 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.

It seems that most countries over the world conduct their economic and business activities side by side the COVID-19 epidemic. However, in China/ HK the approach to the COVID-19 epidemic is still very strict. Visiting China is still subject to severe restrictions as well as the transportation within China is limited. Due to these logistic difficulties and delays in deliveries at the end of the first quarter of 2022, sales were delayed within few days.

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 Group's Board of Directors on August 25, 2022.

Notes to the Condensed Consolidated Interim Financial Statements

Note 2 - Basis of Preparation (cont'd)

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.

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 half year 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 on the financial statements as at June 30, 2022 was a decrease in the defined benefit obligation and an adjustment in deferred tax balances in the amount of USD 175 thousand and USD 33 thousand, respectively, which were recognized against other comprehensive income.

Note 5 - Taxes on Income

Tax expenses for the six-month period ended June 30, 2022 include an amount of USD 919 thousand referring to a beneficiary corporate tax that was paid in April 2022. See Note 6 below and also Note 17A(4) and Note 20 to the Annual Financial Statements.

Notes to the Condensed Consolidated Interim 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, paid on June 16, 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 was subject to a beneficiary corporate tax rate, at the amount of USD 919 thousands, that was paid in April 2022.

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

	For the six months ended June 30		For the three months ended June 30		Year ended
	2022	2021	2022	2021	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Profit for the period (\$ thousands)	5,967	3,628	4,723	1,717	8,520
Issued ordinary shares (in thousands of shares)	17,671	17,671	17,671	17,671	17,671
Basic and diluted earnings per ordinary share (in US\$)	0.34	0.21	0.27	0.10	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.