



**Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
September 30, 2023 (Unaudited)**

Financial Statements as at September 30, 2023 (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 nine months ended on September 30, 2023.

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.

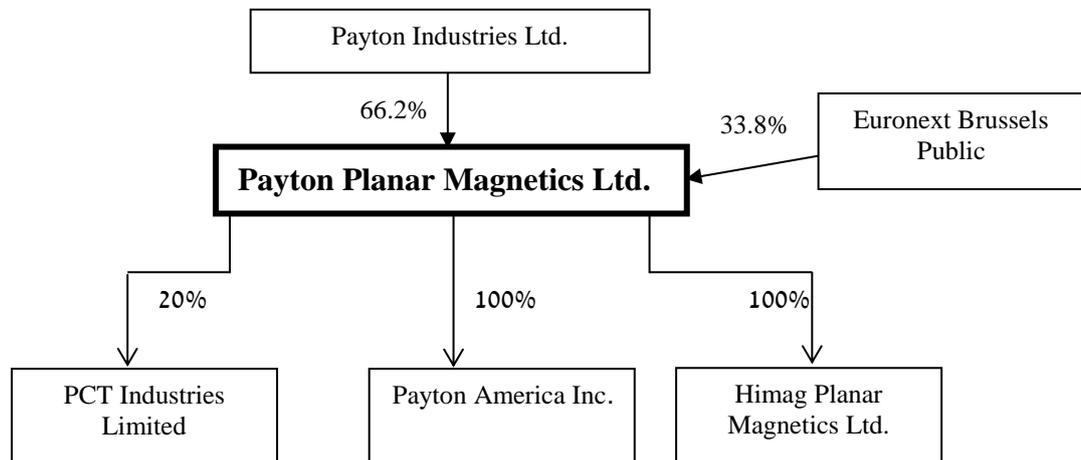
Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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, 2022, published on March 28, 2023 (hereinafter "the 2022 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. 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 September 30, 2023 form an integral part thereof.

B. The Group's main fields of activity and changes that occurred during and after the reported period

The Company, an Israeli high-tech enterprise, develops manufactures and markets mainly planar 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.

Global business environment changes

B.1. The business environment in which the Group operates is influenced by global and local trends as follows:

B.1.1 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).

B.1.2 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 statement is a forward-looking statement, 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 (clarification: "forward-looking statement").

B.2. 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.

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 nine-month period ended September 30	For the year ended December 31	For the nine-month period ended September 30
	2023	2022	2022
Customer A ¹	13%	29%	32%
Customer B ²	18%	17%	15%
Customer C ²	11%	*	*

⁽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 nine months of 2023 the international marketing activities continued to resume after two years in which it was almost paused (due to the COVID-19 effect). Exhibitions re-opened and frontal visits to customers and suppliers were planned and performed to the possible extent.

E. Order Backlog

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.

2. Financial position

A. Statement of Financial Position as at September 30, 2023

Cash and cash equivalents, Short-term Deposits and Marketable Securities - these items 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).

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

The Group's management believes a solid financial position is an important factor in order to successfully overcome difficult times.

Other accounts receivable - these 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. 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).

B. Operating results

Payton Planar Magnetics Ltd. Consolidated Comprehensive Income Statements

	For the nine months ended September 30		For the three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Audited) \$ thousands
Revenues	39,759	45,888	15,018	16,155	60,270
Cost of sales	(21,881)	(27,149)	(7,918)	(9,545)	(35,778)
Gross profit	17,878	18,739	7,100	6,610	24,492
Development costs	(1,090)	(1,153)	(335)	(355)	(1,545)
Selling and marketing expenses	(1,555)	(1,460)	(481)	(468)	(1,932)
General and administrative expenses	(2,997)	(3,040)	(875)	(959)	(3,864)
Other income (expenses), net	8	11	(2)	1	57
Operating profit	12,244	13,097	5,407	4,829	17,208
Finance income	1,274	286	431	170	450
Finance expenses	(237)	(420)	(142)	(103)	(250)
Finance income (expenses), net	1,037	(134)	289	67	200
Share of profits of equity accounted investee	44	353	45	162	481
Profit before taxes on income	13,325	13,316	5,741	5,058	17,889
Taxes on income	(2,261)	(3,193)	(978)	(902)	(3,972)
Net profit	11,064	10,123	4,763	4,156	13,917
Other comprehensive income (loss) items that will not be transferred to profit and loss					
Remeasurement of defined benefit plan	-	142	-	-	226
Share of other comprehensive loss of equity accounted investee	(11)	(16)	(10)	(6)	(28)
Total other comprehensive income (loss), net of tax	(11)	126	(10)	(6)	198
Total comprehensive income	11,053	10,249	4,753	4,150	14,115

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 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 (see also paragraph B.1.1 above).

Gross profit - 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.

Development costs - Payton's strategy is aimed on maintaining the leadership of the Planar Technology. The Engineering Department works in conjunction with 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 nine months ended September 30, 2023 were USD 1,090 thousand compared with USD 1,153 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, 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.

General & Administrative expenses - 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.

Finance income (expenses), net - The Group's net finance income for the nine-month period ended September 30, 2023 amounted USD 1,037 thousand compared with net finance expenses of USD 134 thousand in the nine-month period ended September 30, 2022. This increase is mainly explained by the increase of the market interest rate on bank deposits.

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. See also Note 18A(4) to the 2022 yearly Report.

3. Liquidity

A. Operating activities

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.

B. Investing activities

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.

C. Financing activities

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.

4. Financing sources

The Group financed its activities during the reported periods from its own resources.

5. External factors effects

Global business environment - see paragraph **B.1** 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. Subsequent Events

On October 7th 2023, a war broke out in the state of Israel - for the details, see paragraph **B.1.2** above and Note 9 to the financial statements.

7. 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 September 30, 2023 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 nine months of year 2023, 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, November 16, 2023.

David Yativ
Chairman of the Board
of Directors

Doron Yativ
Director and C.E.O.

PAYTON PLANAR MAGNETICS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2023

(UNAUDITED)

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AUDITORS' REVIEW REPORT

To the shareholders of

PAYTON PLANAR MAGNETICS LTD.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Payton Planar Magnetics LTD. and its subsidiaries ("the Company"), which comprise the condensed consolidated statement of financial position as of September 30, 2023, and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine and three months then ended and explanatory notes. The Company's 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.

The consolidated annual financial statements of the Company as of December 31, 2022, and for the year then ended and the condensed consolidated interim financial statements as of September 30, 2022, and for the periods of nine and three months then ended, were audited and reviewed, respectively, by other auditors whose reports dated as of March 28, 2023 and November 24, 2022, respectively, expressed an unqualified opinion and unqualified conclusion, respectively.

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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
November 16, 2023

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30 2023	September 30 2022	December 31 2022
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	13,467	22,264	19,003
Short-term deposits and marketable securities	35,420	18,949	26,234
Trade accounts receivable	10,804	10,921	10,374
Other accounts receivable	3,785	4,585	2,255
Inventory	4,190	4,352	4,519
Total current assets	67,666	61,071	62,385
Non-current assets			
Investment in equity accounted investee	1,457	1,311	1,427
Other investment	900	900	900
Fixed assets	10,043	10,157	10,312
Intangible assets	22	22	22
Total non-current assets	12,422	12,390	12,661
Total assets	80,088	73,461	75,046

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30 2023 <u>(Unaudited)</u> <u>\$ thousands</u>	September 30 2022 <u>(Unaudited)</u> <u>\$ thousands</u>	December 31 2022 <u>(Audited)</u> <u>\$ thousands</u>
Liabilities and equity			
Current liabilities			
Trade payables	3,565	3,227	1,419
Other payables	2,155	2,512	2,103
Current tax liability	1,212	713	922
Employee benefits	423	546	557
Total current liabilities	7,355	6,998	5,001
Non-current liabilities			
Employee benefits	415	509	414
Deferred tax liabilities	1,330	1,403	1,214
Total non-current liabilities	1,745	1,912	1,628
Total liabilities	9,100	8,910	6,629
Equity			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Retained earnings	57,159	50,722	54,588
Total equity	70,988	64,551	68,417
Total liabilities and equity	80,088	73,461	75,046

David Yativ
Chairman of the Board of Directors

Doron Yativ
Chief Executive Officer

Michal Lichtenstein
V.P. Finance & CFO

Date of approval of the financial statements: November 16, 2023

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the nine months ended September 30		For the three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Unaudited) \$ thousands	(Audited) \$ thousands
Revenues	39,759	45,888	15,018	16,155	60,270
Cost of sales	(21,881)	(27,149)	(7,918)	(9,545)	(35,778)
Gross profit	17,878	18,739	7,100	6,610	24,492
Development costs	(1,090)	(1,153)	(335)	(355)	(1,545)
Selling and marketing expenses	(1,555)	(1,460)	(481)	(468)	(1,932)
General and administrative expenses	(2,997)	(3,040)	(875)	(959)	(3,864)
Other income (expenses), net	8	11	(2)	1	57
Operating profit	12,244	13,097	5,407	4,829	17,208
Finance income	1,274	286	431	170	450
Finance expenses	(237)	(420)	(142)	(103)	(250)
Finance income (expenses), net	1,037	(134)	289	67	200
Share of profits of equity accounted investee	44	353	45	162	481
Profit before taxes on income	13,325	13,316	5,741	5,058	17,889
Taxes on income	(2,261)	(3,193)	(978)	(902)	(3,972)
Net profit	11,064	10,123	4,763	4,156	13,917
Other comprehensive income (loss) items that will not be transferred to profit and loss					
Remeasurement of defined benefit plan	-	142	-	-	226
Share of other comprehensive loss of equity accounted investee	(11)	(16)	(10)	(6)	(28)
Total other comprehensive income (loss), net of tax	(11)	126	(10)	(6)	198
Total comprehensive income	11,053	10,249	4,753	4,150	14,115
Earnings per share					
Basic and diluted earnings per share (in \$)	0.63	0.57	0.27	0.24	0.79

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Share premium \$ thousands	Retained earnings \$ thousands	Total \$ thousands
	Number of shares	\$ thousands			
For the nine months ended September 30, 2023 (Unaudited)					
Balance at January 1, 2023	17,670,775	4,836	8,993	54,588	68,417
Net profit	-	-	-	11,064	11,064
Other comprehensive loss	-	-	-	(11)	(11)
Total comprehensive income	-	-	-	11,053	11,053
Transaction with owners, recognized directly in equity					
Dividend to owners	-	-	-	(8,482)	(8,482)
Balance at September 30, 2023	17,670,775	4,836	8,993	57,159	70,988
For the nine months ended September 30, 2022 (Unaudited)					
Balance at January 1, 2022	17,670,775	4,836	8,993	48,496	62,325
Net profit	-	-	-	10,123	10,123
Other comprehensive income	-	-	-	126	126
Total comprehensive income	-	-	-	10,249	10,249
Transaction with owners, recognized directly in equity					
Dividend to owners	-	-	-	(8,023)	(8,023)
Balance at September 30, 2022	17,670,775	4,836	8,993	50,722	64,551
For the three months ended September 30, 2023 (Unaudited)					
Balance at July 1, 2023	17,670,775	4,836	8,993	52,406	66,235
Net profit	-	-	-	4,763	4,763
Other comprehensive loss	-	-	-	(10)	(10)
Total comprehensive income	-	-	-	4,753	4,753
Balance at September 30, 2023	17,670,775	4,836	8,993	57,159	70,988

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Share premium \$ thousands	Retained earnings \$ thousands	Total \$ thousands
	Number of shares	\$ thousands			
For the three months ended September 30, 2022 (Unaudited)					
Balance at July 1, 2022	17,670,775	4,836	8,993	46,572	60,401
Net profit	-	-	-	4,156	4,156
Other comprehensive loss	-	-	-	(6)	(6)
Total comprehensive income	-	-	-	4,150	4,150
Balance at September 30, 2022	<u>17,670,775</u>	<u>4,836</u>	<u>8,993</u>	<u>50,722</u>	<u>64,551</u>
For the year ended December 31, 2022 (Audited)					
Balance at January 1, 2022	17,670,775	4,836	8,993	48,496	62,325
Net profit	-	-	-	13,917	13,917
Other comprehensive income	-	-	-	198	198
Total comprehensive income	-	-	-	14,115	14,115
Transaction with owners, recognized directly in equity					
Dividend to owners	-	-	-	(8,023)	(8,023)
Balance at December 31, 2022	<u>17,670,775</u>	<u>4,836</u>	<u>8,993</u>	<u>54,588</u>	<u>68,417</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended September 30		For the three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands	\$ thousands	\$ thousands
Operating activities					
Profit for the period	11,064	10,123	4,763	4,156	13,917
Adjustments:					
Depreciation	631	627	205	205	879
Taxes on income	2,261	3,193	978	902	3,972
Share of profits of equity accounted investee	(44)	(353)	(45)	(162)	(481)
Loss (gain) on sale of fixed assets, net	(8)	(10)	2	-	(57)
Finance expenses (income), net	(798)	271	(178)	(37)	(18)
	<u>13,106</u>	<u>13,851</u>	<u>5,725</u>	<u>5,064</u>	<u>18,212</u>
Change in employee benefits	(133)	(150)	(196)	(178)	(130)
Decrease (increase) in trade accounts receivable	(430)	(1,004)	(2,381)	2,985	(457)
Decrease (increase) in other accounts receivable	(1,518)	(1,359)	678	(2,317)	971
Decrease (increase) in inventory	329	(580)	(162)	(66)	(747)
Increase (decrease) in trade payables	2,178	(897)	1,581	689	(2,703)
Increase (decrease) in other payables	52	477	(335)	45	68
	<u>13,584</u>	<u>10,338</u>	<u>4,910</u>	<u>6,222</u>	<u>15,214</u>
Interest received	635	183	69	35	276
Interest paid	(23)	(17)	-	-	(17)
Income taxes paid, net	(1,864)	(3,060)	(730)	(661)	(3,839)
Cash flows generated from operating activities	<u>12,332</u>	<u>7,444</u>	<u>4,249</u>	<u>5,596</u>	<u>11,634</u>
Investing activities					
Proceeds from (investments in) deposits, net	(8,885)	2,399	(6,650)	3,100	(4,785)
Acquisition of other investment	-	(900)	-	(900)	(900)
Acquisition of fixed assets	(400)	(547)	(263)	(300)	(993)
Proceeds from sale of fixed assets	14	31	4	-	115
Investments in marketable securities	(57)	-	-	-	-
Proceeds from sale of marketable securities	136	154	22	1	154
Cash flows generated from (used for) investing activities	<u>(9,192)</u>	<u>1,137</u>	<u>(6,887)</u>	<u>1,901</u>	<u>(6,409)</u>
Financing activities					
Dividend paid	(8,482)	(8,023)	-	-	(8,023)
Cash flows used for financing activities	<u>(8,482)</u>	<u>(8,023)</u>	<u>-</u>	<u>-</u>	<u>(8,023)</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,342)</u>	<u>558</u>	<u>(2,638)</u>	<u>7,497</u>	<u>(2,798)</u>
Cash and cash equivalents at the beginning of the period	<u>19,003</u>	<u>22,146</u>	<u>16,143</u>	<u>14,855</u>	<u>22,146</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(194)</u>	<u>(440)</u>	<u>(38)</u>	<u>(88)</u>	<u>(345)</u>
Cash and cash equivalents at the end of the period	<u>13,467</u>	<u>22,264</u>	<u>13,467</u>	<u>22,264</u>	<u>19,003</u>

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1: - GENERAL

These financial statements have been prepared in a condensed format as of September 30, 2023, and for the nine and three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2022, and for the year then ended and accompanying notes ("annual consolidated financial statements").

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 of September 30, 2023, comprise the Company and its subsidiaries (together referred as the "Group").

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

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting".

The significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below.

B. Initial adoption of amendments to existing financial reporting and accounting standards

Amendment to IAS 12, "Income Taxes"

In May 2023, the IASB issued "International Tax Reform - Pillar Two Model Rules - Amendment to IAS 12" ("the Amendment") to clarify the application of IAS 12, "Income Taxes", to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).

The Amendment introduces:

- (a) A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Initial adoption of amendments to existing financial reporting and accounting standards (cont.)

- (b) Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception in (a) above - the use of which is required to be disclosed - applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The application of the Amendment did not have any impact on the Company's interim consolidated financial statements since the International Tax Reform does not apply to the Group whose annual revenues are less than € 750 million.

NOTE 3: - OTHER INVESTMENT

In September 2022, the Group acquired shares and options of an Israeli startup (less than 20% of the startup's share capital), in the field of wireless charging solutions, for a consideration of USD 900 thousand. The investment is measured at fair value.

NOTE 4: - EMPLOYEE BENEFITS

In the first nine months of year 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 of September 30, 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

Tax expenses for the nine-month period ended September 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 18A (4) to the annual financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**NOTE 6: - DIVIDENDS**

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 18A (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 thousand, that was paid in April 2022.

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, paid on June 16, 2023).

NOTE 7: - EARNINGS PER SHARE**Basic and diluted earnings per share**

	For the nine months ended		For the three months ended		Year ended
	September 30		September 30		December 31
	2023	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net Profit (\$ thousands)	11,064	10,123	4,763	4,156	13,917
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\$)	0.63	0.57	0.27	0.24	0.79

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 9:- SUBSEQUENT EVENTS

On October 7, 2023 following Hamas terror attack a war broke out in the state of Israel ("the War"). As of the date of signing these financial statements, 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; 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.