



**Payton Planar Magnetics Ltd.  
and its Consolidated Subsidiaries  
Financial Statements  
March 31, 2024 (Unaudited)**

**Financial Statements as at March 31, 2024 (Unaudited)**

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# The Board of Directors' Report<sup>1</sup> 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 three months ended on March 31, 2024.

*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.*

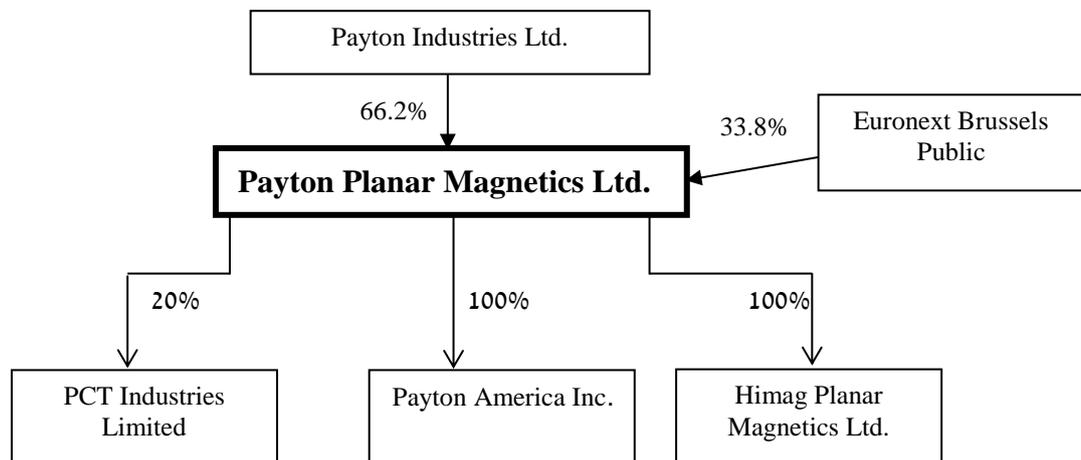
*Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.*

**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, 2023, published on March 27, 2024 (hereinafter "the 2023 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.



<sup>1</sup> The financial statements as at March 31, 2024 form an integral part thereof.

## **B. The Group's main fields of activity and changes that occurred in the period from January to March 2024**

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.

### **Global Environment changes and External factors effect on the Group's activity**

- In 2024 the global slowdown environment continued. It seems that, decrease in demand, excess inventory levels and the high interest rate are factors influencing customers activity and sometimes resulting in push-out of scheduled deliveries up on their needs. High prices of raw materials and high manpower costs remain relevant too. Management believes these trends are not expected to end in the near future.

Additional factors that affect the Group's activity are: the *devaluation 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 the first quarter of 2024, the US\$ devaluation that characterized year 2023 reduced.

*Inflation effects* - Since the functional currency of the Group's activity is the US dollar, and since the Group does not use bank loans, management believes there is no material effect of the inflation in Israel and/or worldwide on the Group's business activity, except for some adjustments needed in payroll.

*Increase of global interest rate* - since the Company does not hold loans, the Group is not expected to have a material negative impact due to the increase in the global interest rate, on the contrary, deposits' income increased.

- Last year, On October 7<sup>th</sup>, 2023, a war broke out in the state of Israel ("the War"). The War consequences have not significantly affected the Group's day-to-day operations. The Group's local facility, is located in the center area of Israel, rapidly adapted a working routine, and continued its ongoing business. As of this date, the Group's local facility is fully operative providing 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 approval of these financial statements, this 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 in the best possible way.

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

*On January 24, 2024*, the Company's Board of Directors decided to pay to its shareholders a dividend for the financial year 2023 in the amount of USD 10,072 thousand, USD 0.57 per share (paid on March 5, 2024).

*On February 14, 2024*, the Parent Company, Payton Industries Ltd, entered into an agreement with FIMI ISRAEL OPPORTUNITY 7, a Limited Partnership, and FIMI Opportunity 7, LP a Limited Partnership (together hereinafter: "FIMI"), to allocate 1,468,057 ordinary shares of the Parent Company (hereinafter: "Allocated Shares") which,

subject to their allocation, shall constitute approximately 17.76% of the Parent Company's issued and outstanding share capital and voting rights (hereinafter: the "Share Purchase Agreement"), all conditional upon the occurrence of certain precedent conditions.

Simultaneously Mr. David Yativ, the controlling shareholder of the Parent Company (hereinafter: "Yativ") has entered into an agreement to sell to FIMI 1,000,000 shares of the Parent Company, constituting around 12.09% of the Parent Company's share capital. Furthermore, FIMI and Yativ agreed on the terms of a shareholders' rights agreement that will be executed on the closing of the transaction. [It is noted that the completion of the Share Purchase Agreement and the other transactions described above (hereinafter: "the FIMI Transaction") were subject, inter alia, to the approval of the Parent Company's Shareholders' meeting, resolved on April 8, 2024].

**On March 7, 2024**, the Company's remuneration committee and the Board of Directors examined the updated remuneration policy, found it fair, logical and appropriate and decided to approve it. In addition the above mentioned quorums approved the Company's participation in the service fee of FIMI for the consulting services to be provided to Payton Group as part of the FIMI Transaction, for a period of 3 years, for a monthly payment of NIS 40 thousand (about USD 11 thousand) to be shared equally between the Company and the Parent Company (the participation amount shall be examined and adjusted on a yearly basis according to the actual services). The above resolutions were subject to the approval of the Company's shareholders' meeting, resolved on April 15, 2024.

### 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).

	<b>For the three-month period ended March 31</b>	<b>For the year ended December 31</b>	<b>For the three-month period ended March 31</b>
	<b>2024</b>	<b>2023</b>	<b>2023</b>
Customer A <sup>1</sup>	19.6%	15.2%	13.1%
Customer B <sup>2</sup>	10.2%	16.0%	21.6%
Customer C <sup>3</sup>	*	*	12.9%
Customer D <sup>2</sup>	16.9%	14.2%	*

<sup>(1)</sup> Customer related to the Telecom/Datacenter industry.

<sup>(2)</sup> Customer related to the Automotive industry.

<sup>(3)</sup> Customer related to Industrial Applications.

\* Less than 10% of the Group's consolidated sales.

## 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. The Group participates in leading electronic exhibitions. During 2024 the Group participated in APEC in Long Beach CA, USA (Feb, 2024), and is planned to participate in PCIM Europe 2024 Exhibition, Nuremberg, Germany (June, 2024) and others. In addition, Company is focusing on serving Key customers with routine visits and latest technology development updates.

## E. Order Backlog

Order backlog of the Group as of March 31, 2024, was USD 33,057 thousand (December 31, 2023 - USD 30,765 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 31.3.2024 will be supplied within 4 quarters until March 31, 2025.

## 2. Financial position

### A. Statement of Financial Position as at March 31, 2024

*Cash and cash equivalents, Short-term Deposits and marketable securities* - these items amounted to a total of USD 51,432 thousand as at March 31, 2024 compared to USD 56,186 thousand as at December 31, 2023 and USD 52,140 thousand as at March 31, 2023.

The decrease in Cash and cash equivalents resulted mainly due to dividend split at the amount of USD 10,072 thousand paid on March 2024. The Company's profitability has shortened this decrease.

The Group's management believes a solid financial position is an important factor for the business operation.

*Trade accounts receivable* - these amounted to USD 7,778 thousand as at March 31, 2024 compared with USD 9,546 thousand as at December 31, 2023 and USD 7,307 thousand as at March 31, 2023. The decrease in this item, compared with December 31, 2023 resulted mainly due to decrease in sales volume near the reports dates.

*Trade payables* - amounted to USD 3,694 thousand as at March 31, 2024 compared with USD 3,663 thousand as at December 31, 2023 and USD 1,455 thousand as at March 31, 2023. The increase in this item compared to March 31, 2023, resulted mainly due to decrease of the advance payments made in favor of subcontractors and increase in purchases.

*Dividend payables* - as of March 31, 2023, amounted to USD 8,482 thousand. This dividend was announced on March 28, 2023 and paid on June 2023.

## B. Operating results

### Statements of Income US Dollars in thousands

#### Payton Planar Magnetics Ltd. Consolidated Comprehensive Income Statements

	For the three months ended		Year ended
	March 31		December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues	12,642	12,057	54,856
Cost of sales	(7,046)	(6,641)	(30,753)
<b>Gross profit</b>	<b>5,596</b>	5,416	24,103
Development costs	(369)	(332)	(1,442)
Selling and marketing expenses	(557)	(499)	(2,152)
General and administrative expenses	(1,047)	(996)	(3,863)
Other income (expenses), net	10	10	(245)
<b>Operating profit</b>	<b>3,633</b>	3,599	16,401
Finance income	574	374	2,023
Finance expenses	(36)	(79)	(142)
Finance income, net	538	295	1,881
Share of profits (loss) of equity accounted investee	(6)	21	218
<b>Profit before taxes on income</b>	<b>4,165</b>	3,915	18,500
Taxes on income	(674)	(647)	(3,234)
<b>Net profit</b>	<b>3,491</b>	3,268	15,266
<b>Other comprehensive income (loss) items that will not be transferred to profit and loss</b>			
Remeasurement of defined benefit plan	-	-	27
Share of other comprehensive income (loss) of equity accounted investee	(10)	5	(6)
<b>Total other comprehensive income (loss), net of tax</b>	<b>(10)</b>	5	21
<b>Total comprehensive income</b>	<b>3,481</b>	3,273	15,287

**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 three-month period ended March 31, 2024, were USD 12,642 thousand compared with USD 12,057 thousand in the three-month period ended March 31, 2023. In spite of the

global slowdown trend the Group succeeded in maintaining the same sales volume combined from running projects and new ones.

**Gross profit** - The Group's gross profit for the three-month period ended March 31, 2024 amounted USD 5,596 thousand (44% of sales) compared with USD 5,416 thousand (45% of sales) in the three-month period ended March 31, 2023. 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 three months ended March 31, 2024 were USD 369 thousand compared with USD 332 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 three-month period ended March 31, 2024 were USD 557 thousand (4.4%) and USD 499 thousand (4.1%) in the three-month period ended March 31, 2023. The increase in the first quarter of 2024 resulted mainly due to increase in sales commission and incentives for the marketing team worldwide as well as in other selling expenses.

**General & Administrative expenses** - The Group's General & Administrative expenses for the three-month period ended March 31, 2024 were USD 1,047 thousand and USD 996 thousand in the three-month period ended March 31, 2023. The increase relates mainly to increase in maintenance and communications cost and in labor cost.

**Finance income, net** - The Group's finance income for the three-month period ended March 31, 2024 were USD 538 thousand and USD 295 thousand in the three-month period ended March 31, 2023. This increase is mainly explained by the increase of bank deposit balances as well as high market interest rates.

### **3. Liquidity**

#### **A. Operating activities**

Cash flows generated from operating activities for the three-month period ended March 31, 2024, amounted to USD 5,628 thousand, compared with cash flows generated from operating activities of USD 6,857 thousand for the three-month period ended March 31, 2023. The decrease in cash flows from operating activities was generated mostly from changes in trade accounts receivable balances as well as from other non-cash adjustments and changes in assets and liabilities.

## **B. Investing activities**

Cash flows generated from investing activities in the three-month period ended March 31, 2024, amounted to USD 4,160 thousand, compared with cash flows used for investing activities at the amount of USD 1,929 thousand in the three-month period ended March 31, 2023. Cash flows from investing activities generated mainly from bank deposits proceeds.

## **C. Financing activities**

Cash flows used for financing activities in the three-month period ended March 31, 2024 amounted USD 10,072 thousand, representing a dividend payment (announced on January 24, 2024) and paid on March 2024.

## **4. Financing sources**

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

## **5. Subsequent Events**

On April 21, 2024, the Company reported that according to the information provided from its Parent Company, Payton Industries Ltd. ("the Parent Company") and from Mr. David Yativ, the controlling shareholder of the Parent Company ("Yativ"), all precedent conditions to the FIMI Transaction have been fulfilled on April 21, 2024, and the closing of the FIMI Transaction has been consummated immediately thereafter ("the Closing Date"). Simultaneously, the transaction for the sale of the shares of Mr. Yativ has also been completed, in such a manner that as of the Closing Date, each of Yativ and FIMI holds approximately 29.85% of the Parent Company's issued and outstanding share capital and voting rights (each approximately 29.28% of the Parent Company's issued and outstanding share capital on a fully diluted basis). Additionally, on the Closing Date, Yativ and FIMI have also entered into a shareholders' agreement pursuant to which the Parent Company considers them, as of the Closing Date, as joint controlling shareholders of the Parent Company due to their joint holdings of approximately 59.7% of the Parent Company's issued and outstanding share capital.

In addition, on the Closing Date, the Parent Company has granted non-marketable options to purchase shares of the Parent Company according to the Parent Company's incentive option plan ("the Options") to certain key-employees and officers of the Parent Company's subsidiaries, as follows: 80,000 Options to 4 (four) employees of the Parent Company's subsidiaries, 30,000 Options to Mr. Doron Yativ<sup>2</sup>, 20,000 Options to Mr. Amir Yativ<sup>3</sup> and 30,000 Options to Mrs. Michal Lichtenstein<sup>4</sup>.

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<sup>2</sup> David Yativ's son serves as a director and the CEO of the Company.

<sup>3</sup> David Yativ's son serves as an engineering and development manager.

<sup>4</sup> Michal Lichtenstein serves as the CEO of the Parent Company and V.P. Finance & C.F.O of Payton Group.

## **6. External factors effects**

The global slowdown environment, decrease in demands, excess inventory levels and the high interest rate, etc. are factors influencing customers' activity as detailed in paragraph 1B above.

To the best of the Board of Directors' and management's knowledge, except for 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.

## **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 March 31, 2024 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 three months of year 2024, 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, May 28, 2024.**

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**David Yativ**  
**Chairman of the Board**  
**of Directors**

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**Doron Yativ**  
**Director and C.E.O.**

**PAYTON PLANAR MAGNETICS LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2024**

**(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 March 31, 2024, and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 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.

### **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  
May 28, 2024

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

**PAYTON PLANAR MAGNETICS LTD.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>March 31 2024</b>	<b>March 31 2023</b>	<b>December 31 2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Current assets</b>			
Cash and cash equivalents	<b>26,630</b>	23,828	26,921
Short-term deposits and marketable securities	<b>24,802</b>	28,312	29,265
Trade accounts receivable	<b>7,778</b>	7,307	9,546
Other accounts receivable	<b>2,981</b>	2,508	2,804
Inventory	<b>4,066</b>	4,177	3,932
<b>Total current assets</b>	<b>66,257</b>	66,132	72,468
<b>Non-current assets</b>			
Investment in equity accounted investee	<b>1,390</b>	1,454	1,409
Other investment	<b>900</b>	900	900
Property, plant and equipment	<b>9,796</b>	10,163	9,830
Intangible assets	<b>22</b>	22	22
<b>Total non-current assets</b>	<b>12,108</b>	12,539	12,161
<b>Total assets</b>	<b>78,365</b>	78,671	84,629

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

**PAYTON PLANAR MAGNETICS LTD.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31 2024	March 31 2023	December 31 2023
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables	3,694	1,455	3,663
Other payables	2,054	2,376	2,039
Dividend payable	-	8,482	-
Current income tax liability	1,587	886	1,520
Employee benefits	686	616	493
<b>Total current liabilities</b>	<b>8,021</b>	<b>13,815</b>	<b>7,715</b>
<b>Non-current liabilities</b>			
Employee benefits	387	415	381
Deferred tax liabilities	1,326	1,233	1,311
<b>Total non-current liabilities</b>	<b>1,713</b>	<b>1,648</b>	<b>1,692</b>
<b>Total liabilities</b>	<b>9,734</b>	<b>15,463</b>	<b>9,407</b>
<b>Equity</b>			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Retained earnings	54,802	49,379	61,393
<b>Total equity</b>	<b>68,631</b>	<b>63,208</b>	<b>75,222</b>
<b>Total liabilities and equity</b>	<b>78,365</b>	<b>78,671</b>	<b>84,629</b>

\_\_\_\_\_  
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: May 28, 2024

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 three months ended		Year ended
	March 31		December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues	<b>12,642</b>	12,057	54,856
Cost of sales	<b>(7,046)</b>	(6,641)	(30,753)
<b>Gross profit</b>	<b>5,596</b>	5,416	24,103
Development costs	<b>(369)</b>	(332)	(1,442)
Selling and marketing expenses	<b>(557)</b>	(499)	(2,152)
General and administrative expenses	<b>(1,047)</b>	(996)	(3,863)
Other income (expenses), net	<b>10</b>	10	(245)
<b>Operating profit</b>	<b>3,633</b>	3,599	16,401
Finance income	<b>574</b>	374	2,023
Finance expenses	<b>(36)</b>	(79)	(142)
Finance income, net	<b>538</b>	295	1,881
Share of profits (loss) of equity accounted investee	<b>(6)</b>	21	218
<b>Profit before taxes on income</b>	<b>4,165</b>	3,915	18,500
Taxes on income	<b>(674)</b>	(647)	(3,234)
<b>Net profit</b>	<b>3,491</b>	3,268	15,266
<b>Other comprehensive income (loss) items that will not be transferred to profit and loss</b>			
Remeasurement of defined benefit plan	-	-	27
Share of other comprehensive income (loss) of equity accounted investee	<b>(10)</b>	5	(6)
<b>Total other comprehensive income (loss), net of tax</b>	<b>(10)</b>	5	21
<b>Total comprehensive income</b>	<b>3,481</b>	3,273	15,287
<b>Earnings per share</b>			
Basic and diluted earnings per share (in \$)	<b>0.20</b>	0.18	0.86

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			
<b>For the three months ended March 31, 2024 (Unaudited)</b>					
<b>Balance at January 1, 2024</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>61,393</b>	<b>75,222</b>
Net profit	-	-	-	3,491	3,491
Other comprehensive loss	-	-	-	(10)	(10)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,481</b>	<b>3,481</b>
<b>Transaction with owners, recognized directly in equity</b>					
Dividend to owners	-	-	-	(10,072)	(10,072)
<b>Balance at March 31, 2024</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>54,802</b>	<b>68,631</b>
<b>For the three months ended March 31, 2023 (Unaudited)</b>					
<b>Balance at January 1, 2023</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>54,588</b>	<b>68,417</b>
Net profit	-	-	-	3,268	3,268
Other comprehensive income	-	-	-	5	5
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,273</b>	<b>3,273</b>
<b>Transaction with owners, recognized directly in equity</b>					
Dividend to owners	-	-	-	(8,482)	(8,482)
<b>Balance at March 31, 2023</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>49,379</b>	<b>63,208</b>
<b>For the year ended December 31, 2023 (Audited)</b>					
<b>Balance at January 1, 2023</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>54,588</b>	<b>68,417</b>
Net profit	-	-	-	15,266	15,266
Other comprehensive income	-	-	-	21	21
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,287</b>	<b>15,287</b>
<b>Transaction with owners, recognized directly in equity</b>					
Dividend to owners	-	-	-	(8,482)	(8,482)
<b>Balance at December 31, 2023</b>	<b>17,670,775</b>	<b>4,836</b>	<b>8,993</b>	<b>61,393</b>	<b>75,222</b>

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

**PAYTON PLANAR MAGNETICS LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the three months ended March 31		Year ended December 31
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
<b>Operating activities</b>			
Net Profit	3,491	3,268	15,266
<b>Adjustments:</b>			
Depreciation	182	218	828
Taxes on income	674	647	3,234
Share of loss (profits) of equity accounted investee	6	(21)	(218)
Loss (gain) on sale of property, plant and equipment, net	(10)	(10)	145
Impairment loss of an option in an equity accounted investee	-	-	100
Finance income, net	(518)	(237)	(1,779)
	<u>3,825</u>	<u>3,865</u>	<u>17,576</u>
Decrease in trade accounts receivable	1,768	3,067	828
Increase in other accounts receivable	(185)	(253)	(541)
Decrease (increase) in inventory	(134)	342	587
Increase (decrease) in trade payables	(32)	64	2,275
Increase (decrease) in other payables	15	273	(64)
Change in employee benefits	199	60	(63)
	<u>5,456</u>	<u>7,418</u>	<u>20,598</u>
Interest received	753	127	1,181
Interest paid	-	(23)	(23)
Income taxes paid, net	(581)	(665)	(2,552)
<b>Cash flows generated from operating activities</b>	<u>5,628</u>	<u>6,857</u>	<u>19,204</u>
<b>Investing activities</b>			
Proceeds from (investments in) deposits, net	4,235	(1,842)	(2,321)
Dividend received from an equity accounted investee	-	-	128
Acquisition of property, plant and equipment	(93)	(97)	(536)
Investments in marketable securities	(108)	-	(57)
Proceeds from sale of property, plant and equipment	18	10	14
Proceeds from sale of marketable securities	108	-	136
<b>Cash flows generated from (used for) investing activities</b>	<u>4,160</u>	<u>(1,929)</u>	<u>(2,636)</u>
<b>Financing activities</b>			
Dividend paid	(10,072)	-	(8,482)
<b>Cash flows used for financing activities</b>	<u>(10,072)</u>	<u>-</u>	<u>(8,482)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(284)</b>	<b>4,928</b>	<b>8,086</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>26,921</b>	<b>19,003</b>	<b>19,003</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>(7)</u>	<u>(103)</u>	<u>(168)</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>26,630</b></u>	<u><b>23,828</b></u>	<u><b>26,921</b></u>

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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**NOTE 1: - GENERAL**

These financial statements have been prepared in a condensed format as of March 31, 2024, and for the 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, 2023, and for the year then ended and accompanying notes ("annual consolidated financial statements").

**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 of March 31, 2024, 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**

1. On February 14, 2024, the Parent Company, Payton Industries Ltd, entered into an agreement with FIMI ISRAEL OPPORTUNITY 7, a Limited Partnership, and FIMI Opportunity 7, LP a Limited Partnership (together hereinafter: "FIMI"), to allocate 1,468,057 ordinary shares of the Parent Company (hereinafter: "Allocated Shares") which, subject to their allocation, shall constitute approximately 17.76% of the Parent Company's issued and outstanding share capital and voting rights (hereinafter: the "Share Purchase Agreement"), all conditional upon the occurrence of certain precedent conditions.

Simultaneously Mr. David Yativ, the controlling shareholder of the Parent Company (hereinafter: "Yativ") has entered into an agreement to sell to FIMI 1,000,000 shares of the Parent Company, constituting around 12.09% of the Parent Company's share capital. Furthermore, FIMI and Yativ agreed on the terms of a shareholders' rights agreement that will be executed on the closing of the transaction.

It is noted that the completion of the Share Purchase Agreement and the other transactions described above (hereinafter: "the FIMI Transaction") were subject, inter alia, to the approval of the Parent Company's Shareholders' meeting, resolved on April 8, 2024 (see Note 6).

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**NOTE 1: - GENERAL (Cont.)**

2. On March 7, 2024, the Company's remuneration committee and the Board of Directors have examined the updated remuneration policy, found it fair, logical and appropriate and decided to approve it. In addition the above mentioned quorums approved the Company's participation in the service fee of FIMI for the consulting services to be provided to Payton Group as part of the FIMI Transaction, for a period of 3 years, for a monthly payment of NIS 40 thousand (about USD 11 thousand) to be shared equally between the Company and the Parent Company (the participation amount shall be examined and adjusted on a yearly basis according to the actual services). The above resolutions were subject to the approval of the Company's shareholders' meeting, resolved on April 15, 2024 (see Note 6).

**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.

**B. Disclosure of new standards in the period prior to their adoption**

**IFRS 18, "Presentation and Disclosure in Financial Statements"**

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Group is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

**NOTE 3: - DIVIDENDS**

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.  
The dividend per share is USD 0.48, paid on June 16, 2023.

On January 24, 2024, the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2023 at the amount of USD 10,072 thousand.  
The dividend per share is USD 0.57, paid on March 5, 2024.

**NOTE 4: - EARNINGS PER SHARE**

**Basic and diluted earnings per share**

	For the three months ended		Year ended
	March 31		December 31
	2024	2023	2023
	\$ thousands	\$ thousands	\$ thousands
	(Unaudited)	(Unaudited)	(Audited)
Net Profit attributable to equity holders of the Company (\$ thousands)	<b>3,491</b>	3,268	15,266
Weighted number of shares (in thousands of shares)	<b>17,671</b>	17,671	17,671
Basic and diluted earnings per ordinary share (in US\$)	<b>0.20</b>	0.18	0.86

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**NOTE 5: - 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.

**NOTE 6: - EVENTS AFTER THE REPORTING DATE**

On April 21, 2024, the Company reported that according to the information provided from its Parent Company, Payton Industries Ltd. ("the Parent Company") and from Mr. David Yativ, the controlling shareholder of the Parent Company ("Yativ"), all precedent conditions to the FIMI Transaction have been fulfilled on April 21, 2024, and the closing of the FIMI Transaction has been consummated immediately thereafter ("the Closing Date"). Simultaneously, the transaction for the sale of the shares of Mr. Yativ has also been completed, in such a manner that as of the Closing Date, each of Yativ and FIMI holds approximately 29.85% of the Parent Company's issued and outstanding share capital and voting rights (each approximately 29.28% of the Parent Company's issued and outstanding share capital on a fully diluted basis). Additionally, on the Closing Date, Yativ and FIMI have also entered into a shareholders' agreement pursuant to which the Parent Company considers them, as of the Closing Date, as joint controlling shareholders of the Parent Company due to their joint holdings of approximately 59.7% of the Parent Company's issued and outstanding share capital.

In addition, on the Closing Date, the Parent Company has granted non-marketable options to purchase shares of the Parent Company according to the Parent Company's incentive option plan ("the Options") to certain key-employees and officers of the Parent Company's subsidiaries, as follows: 80,000 Options to 4 (four) employees of the Parent Company's subsidiaries, 30,000 Options to Mr. Doron Yativ (David Yativ's son serves as a director and the CEO of the Company), 20,000 Options to Mr. Amir Yativ (David Yativ's son serves as an engineering and development manager) and 30,000 Options to Mrs. Michal Lichtenstein (serves as the CEO of the Parent Company and V.P. Finance & C.F.O of Payton Group).