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HY1 2022 Report[1]

Net profit of USD 5,967 thousand
Sales Revenues of USD 29,733 thousand
Order Backlog as of June 30, 2022 of USD 48,777 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2022 (six-month period ending June 30, 2022).
Net profit for the first six months of 2022 totaled USD 5,967 thousand.
Sales revenues for the first six months of 2022 totaled USD 29,733 thousand.

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.

In the first half of the year 2022, all the Group's production sites were fully operational. Curranty, 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 continued in 2022, 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.

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

Key financial highlights for the first six months of 2022

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.

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[1] The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at December 31, 2021.

Gross result

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.

Expenses

During the first six months of year 2022, The Group's *Development Costs* were USD 798 thousand compared with USD 771 thousand in the same period last year.
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 reps' 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.
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.

Operating and financial result

The total operating income for the first half of 2022 amounted to USD 8,268 thousand compared to USD 4,399 thousand in the same period last year. During the first six months of 2022, Payton recorded a *net finance expense* of USD 201 thousand compared to a net finance income of USD 79 thousand for the first six months of 2021. This decrease in finance income is mainly explained by local currencies balances exchange differences (mainly of NIS & £).

Taxes on income

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.

Result of the period

The *total result* for the first half of 2022 was a net profit of USD 5,967 thousand, compared to USD 3,628 thousand for the six-month period ended June 30, 2021.

Balance sheet - cash position

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

Trade accounts receivable 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 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 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.

Cash flow

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. *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. *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.

Outlook

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 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 statements includes a forward-looking statement as defined below.

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*

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.

The above statement is a forward-looking statement as defined below.

The complete financial statements and the quarterly report are available for downloading in the investors section of www.paytongroup.com.

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Note - forward-looking statements:

This document contains certain **forward-looking statements** *and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events. Management emphasize that the assumptions do not in any way imply commitment towards realization. The outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.*

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

About us

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics®, its customized line of planar transformers, conventional transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The Group currently employs about 180 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including telecom, automotive, cellular infrastructure, Military/Avionics, portable equipment and consumer goods. Planar Magnetics is a revolutionary design technology that is superior to conventional transformers and inductors, and has already been accepted by electronics design engineers as the state-of-the-art in high frequency power electronics design. Payton Planar Magnetics is a subsidiary of Payton Industries, headquartered in Israel, and has manufacturing and marketing operations in Israel, U.K. and United States. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

Annex: Selected Financial Statements

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income
- unaudited -

	Six months ended June 30	
	2022	2021
	USD 000	USD 000
Sales revenues	**29,733**	19,302
Cost of sales	**(17,604)**	(11,463)
Gross profit	**12,129**	7,839
Development costs	**(798)**	(771)
Selling and marketing expenses	**(992)**	(872)
General and administrative expenses	**(2,081)**	(1,798)
Other income, net	**10**	1
Operating profit	**8,268**	4,399
Financial income	**139**	99
Financial expenses	**(340)**	(20)
Financial income (expenses), net	**(201)**	79
Share of profits (losses) of equity accounted investee	**191**	(123)
Profit before taxes on income	**8,258**	4,355
Taxes on income	**(2,291)**	(727)
Profit for the period	**5,967**	3,628
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan, net of taxes	**142**	-
Share of other comprehensive income (loss) of equity accounted investee	**(10)**	(1)
Total other comprehensive income (loss)	**132**	(1)
Total comprehensive income for the period	**6,099**	3,627
Number of shares	**17,670,775**	17,670,775
Basic earnings per share (in USD)	**0.34**	0.21

Condensed Interim Consolidated Statement of Financial Position
- unaudited -

	June 30	
	2022	2021
	USD 000	USD 000
Current assets	**57,275**	54,675
Non-current assets	**11,229**	11,195
Total assets	**68,504**	65,870
Current liabilities	**6,515**	6,714
Non-current liabilities	**1,588**	1,719
Equity	**60,401**	57,437
Total liabilities and Equity	**68,504**	65,870

Condensed Interim Consolidated Statements of Cash Flows

- unaudited -	Six months ended June 30 2022 USD 000	Six months ended June 30 2021 USD 000
Operating activities		
Profit for the period	**5,967**	3,628
Adjustments:		
Depreciation	**422**	446
Taxes on income	**2,291**	727
Share of losses (profits) of equity accounted investee	**(191)**	123
Gain on sale of fixed assets	**(10)**	(1)
Finance expenses (income), net	**308**	(83)
	8,787	4,840
Change in employee benefits	**28**	204
Decrease (increase) in trade accounts receivable	**(3,989)**	2,421
Decrease (increase) in other accounts receivable	**958**	546
Increase in inventory	**(514)**	(59)
Decrease in trade payables	**(1,586)**	(2,254)
Increase in other payables	**432**	181
	4,116	5,879
Interest received	**148**	91
Interest paid	**(17)**	-
Income taxes paid, net	**(2,399)**	(658)
Cash flows generated from (used for) operating activities	**1,848**	5,312
Investing activities		
Proceeds from (investments in) deposits, net	**(701)**	(6,299)
Proceeds from sale of marketable securities held for trading	**153**	-
Acquisition of fixed assets	**(247)**	(116)
Proceeds from sale of fixed assets	**31**	5
Cash flows generated from (used for) investing activities	**(764)**	(6,410)
Financing activities		
Dividend paid	**(8,023)**	(7,422)
Cash flows used for financing activities	**(8,023)**	(7,422)
Net decrease in cash and cash equivalents	**(6,939)**	(8,520)
Cash and cash equivalents at the beginning of the period	**22,146**	31,325
Effect of exchange rate fluctuations on cash and cash equivalents	**(352)**	(3)
Cash and cash equivalents at the end of the period	**14,855**	22,802