

Full Year Results 2022

Sales Revenues of USD 60,270 thousand leads to a net profit of USD 13,917 thousand for the year 2022.

Order Backlog as at December 31, 2022 amounted to USD 43,839 thousand and as of March 13, 2023 to USD 44,453 thousand.

Payton Planar Magnetics Board of Directors decided to pay the shareholders a dividend at the amount of USD 8,482 thousand (USD 0.48 per share, to be paid during June 2023).

Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2022.

The net profit for 2022 amounted to USD 13,917 thousand compared to USD 8,520 thousand on year 2021.

In 2022, sales totaled USD 60,270 thousand compared to USD 43,980 thousand on year 2021. Sales were generated primarily from telecom/datacenter, automotive and industrial companies.

In 2022, instability and uncertainty trends became dominant in the global business environment. A high level of raw materials prices, long lead-time, high logistic cost, high manpower costs and frequent changes in scheduled deliveries up on customer needs were characterizing year 2022. Management believes these trends are not expected to end in the coming year and will continue in 2023.

The Company's Board of Directors announced today a dividend payment for the financial year 2022, at the amount of USD 8,482 thousand (USD 0.48 per share, to be paid during June 2023).

As at December 31, 2022 Order Backlog amounted to USD 43,839 thousand and as of March 13, 2023 to USD 44,453 thousand (December 31, 2021 - USD 31,525 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.

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

Key financial highlights in 2022

Sales revenues

The Group's sales revenues for the year ended December 31, 2022 were USD 60,270 thousand compared with USD 43,980 thousand for the year ended December 31, 2021, representing 37% increase that reflects the growth in demand of several projects as it was reflected in the Group's increased order backlog.

Cost of sales & gross result

The Group's gross results for the year ended December 31, 2022 were USD 24,492 thousand (41%), compared with USD 17,373 thousand (40%), in the year ended December 31, 2021. The gross margin is influenced mainly by the sales products mix and production locations.

Expenses

The Group's General & Administrative expenses for the year ended December 31, 2022 amounted to USD 3,864 thousand compared with USD 3,734 thousand in the year ended December 31, 2021. The increase relates mainly to welfare and motivation activities for Company's employees.

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 year ended December 31, 2022 amounted to USD 1,932 thousand (3%) compared with USD 1,791 thousand (4%) in the year ended December 31, 2021. In year 2022 selling expenses mainly travel expenses and exhibitions costs, have resumed gradually. Management believes these costs will continue to increase as traveling and exhibitions will expand. **The Group's development costs** - Payton's R&D strategy is aimed on maintaining the leadership of the Planar Technology. The R&D department works in conjunction with R&D departments of the forerunners of today's global technology, and together they define tomorrow's technological needs. Costs were based upon time expended by the department's employees. The Group's development costs for the year ended December 31, 2022 were USD 1,545 thousand compared with USD 1,481 thousand in the year ended December 31, 2021

Operating & financial results

The total operating profit before the financial result for 2022 amounts to USD 17,208 thousand compared to USD 10,368 thousand last year.

The Group's finance income, net, for the year ended December 31, 2022 amounted to USD 200 thousand compared with USD 25 thousand for the year ended December 31, 2021. This increase is mainly explained by the increase of the market interest rate on bank deposits during the year.

Profit before taxes on income

The profit before income taxes for the financial year 2022 is USD 17,889 thousand compared to a profit of USD 10,341 thousand in 2021.

Share of profits (losses) of equity accounted investee

The Group's share in investee's profits for the year ended December 31, 2022 amounted USD 481 thousand compared with its share in investee's loss at the amount of USD 52 thousand for the year ended December 31, 2021. This increase is mainly attributed to the business results improvement of the investee in China.

Taxes on income

Taxes on income for the year ended December 31, 2022 amounted to USD 3,972 thousand compared with USD 1,821 thousand in the year ended at December 31, 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 18A(4) to the 2022 yearly Report.

Net Profit for the year

The total result for financial year 2022 was a net profit of USD 13,917 thousand, compared to USD 8,520 thousand in 2021.

Total comprehensive income for the year

Total comprehensive income for financial year 2022 was a profit of USD 14,115 thousand, compared to USD 8,815 thousand in 2021.

Balance sheet - cash position

Cash and cash equivalents, Short-term Deposits and marketable securities - these items amounted to a total of USD 45,237 thousand as at December 31, 2022 compared to USD 38,625 thousand as at December 31, 2021. Despite the dividend payment during 2022, Company presents increase in Cash and cash equivalents attributed mainly to Company's profitability in addition to the classification of the long-term deposits, at the end of the current period, as a short-term deposits. The Group's management believes, a solid financial position is an important factor in order to successfully overcome times of crisis.

Other accounts receivable - these amounted to USD 2,255 thousand as at December 31, 2022 compared with USD 3,226 thousand as at December 31, 2021. The decrease in this item is mainly due to IFRS 15 implementation according to which the Company recognized revenues over time (instead of upon delivery) and from increase in advanced payments made to suppliers. Revenues recorded prior to delivery are recorded against "contract assets", which are presented among "other accounts receivable". As at December 31, 2022 such contract assets amounted to approximately USD 1.3 million compared to USD 2.5 million as at December 31, 2021.

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

Investment in equity accounted investee - represents the investment in PCT¹ (20%) engaged in manufacturing and assembly that serves as one of the Company's major manufacturing Partners in China. The investment amounted to USD 1,427 thousand as at December 31, 2022 compared with USD 974 thousand as at December 31, 2021. The increase resulted from investee's profit increase.

Other investment - as at December 31, 2022 this amounted to USD 900 thousand representing the Company's investment in shares and options of an Israeli startup (less than 20% of the startup's share capital) in the field of wireless charging solution. The Company has a professional and business interest to become involved in new developments in this area.

Trade payables - amounted to USD 1,419 thousand as at December 31, 2022 compared with USD 4,088 thousand as at December 31, 2021. The decrease in this item influenced mostly from purchases made near the report date and resulted mainly due to advance payment and shorter payment terms in favor of subcontractors.

Employee benefits (non-current liabilities) - amounted to USD 414 thousand as at December 31, 2022 compared with USD 731 thousand as at December 31, 2021. The decrease in this item influenced mostly from the effect of interest rate increase on post-employment defined benefit obligation.

Cash flow statement

Cash flows generated from operating activities for the year ended December 31, 2022, amounted USD 11,634 thousand, compared with the cash flows generated from operating activities of USD 7,156 thousand for the year ended December 31, 2021. The increase in cash flows from operating activities generated mostly from the profit increase influenced also from other non-cash adjustments and changes in assets and liabilities.

Cash flows used for investing activities in the year ended December 31, 2022 amounted USD 6,409 thousand compared with cash flows used for investing activities of USD 8,914 thousand in the year ended December 31, 2021. During year 2022 most of the cash flows used for investing activities used for investments in bank deposits, purchase of fixed assets and acquisition of other investment.

Cash flows used for financing activities for the year ended December 31, 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 for the year ended December 31, 2021, amounted USD 7,422 thousand, representing a dividend payment (announced March 24, 2021) that was paid on June 2021.

¹ See paragraph 1A to 2022 Board of Directors' report - "**The Group**", an integral part of 2022 Annual Report.

Outlook

The COVID-19 crisis - During year 2022, it seems that most countries over the world conduct their activities side by side to the COVID-19 epidemic and it has no substantial impact on the Group's business activity. China and Hong Kong were the last countries to keep restrictions that were also waived out in December 2022. So in fact all restrictions on transportation within China and outside of China were also fully canceled at the end of 2022.

Global business environment changes:

In 2022, instability and uncertainty trends became dominant in the global business environment. A high level of raw materials prices, long lead-time, high logistic cost, high man power costs and push-out of scheduled deliveries up on customer needs were characterizing year 2022. Management believes these trends are not expected to end in the coming year and will continue in 2023, but some of them are in the beginning of a scaling down trend. The Company will continue to follow-up these global trends and update accordingly.

Another factor that affects the Group's activity is the devaluation of the US\$ against the local NIS, the Euro and the Pound, which mainly increases local labor costs and other operating costs in Israel and the United Kingdom. During year 2022 the US\$ devaluation became a more significant factor.

Inflation affects - 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.

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.

Coming year outlook

In 2023 the Group is preparing to cope with the uncertainty and instability of global markets. There are some indicators for a global slowdown, push-out of scheduled deliveries up on customer needs, and great caution needs to be taken with regards to purchases forecast and inventory planning. The raw materials prices are still high and no significant price reduction is expected in coming future. This uncertainty atmosphere requires extra caution in conducting the whole Company's business activity. At this stage, it is not possible to assess the extent of the impact of the trends described above on the Group's activities.

The Group plans to continue investing efforts to improve and efficient its production capacity as well as integration of automation. In addition to its normal course of business the Group will continue its ongoing searching of new markets as well as other business opportunities providing innovative solutions and new technologies as in order to keep expanding its customer base, core business, enlarging its market share and maximize business challenges to the greatest possible extent.

The Group will also continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.

Order backlog - As at December 31, 2022 this backlog amounted to USD 43,839 thousand, and as at March 13, 2023 to USD 44,453 thousand (December 31, 2021 - USD 31,525 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders. (Regarding quarterly order backlog split see paragraph 1.1 to 2022 Board of Directors' report - "Order Backlog", an integral part of 2022 Annual Report).

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

Subsequent Events

On March 28, 2023, the Company's Board of Directors decided to pay to its shareholders a dividend for the financial year 2022 at the amount of USD 8,482 thousand (USD 0.48 per share), to be paid during June 2023. The dividend is submitted to a tax withholding of 15%.

Independent Auditors' Report – 28 March 2023

The selected consolidated financial data are derived from the Audited Financial Statement of the Company as of and for each of the years in the two years period ended December 31, 2022.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

The results have been audited by Somekh Chaikin, Certified Public Accountants, a member firm of KPMG International. The conclusion of the auditor is as follows: *"In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)".*

Statement by senior management in accordance with Royal Decree of 14 November 2007

Pursuant to article 13 § 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 31 December 2022 are drawn up in accordance with IFRS-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 financial year, their impact on the financial statements, the main risk factors and uncertainties, as well as the main transactions with related parties and their possible impact on the financial statements.

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

Key financial figures – Payton Planar Magnetics Ltd.

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the year ended December 31

- Audited -	2022	2021
	<u>\$ thousands</u>	<u>\$ thousands</u>
Revenues	60,270	43,980
Cost of sales	<u>(35,778)</u>	<u>(26,607)</u>
Gross profit	24,492	17,373
Development costs	(1,545)	(1,481)
Selling and marketing expenses	(1,932)	(1,791)
General and administrative expenses	(3,864)	(3,734)
Other income (expenses), net	<u>57</u>	<u>1</u>
Operating profit	17,208	10,368
Finance income	450	193
Finance expenses	<u>(250)</u>	<u>(168)</u>
Finance income, net	<u>200</u>	<u>25</u>
Share of (losses) profits of equity accounted investee	<u>481</u>	<u>(52)</u>
Profit before taxes on income	17,889	10,341
Taxes on income	<u>(3,972)</u>	<u>(1,821)</u>
Profit for the year	<u>13,917</u>	<u>8,520</u>
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan	226	(12)
Share of other comprehensive income (loss) of equity accounted investee	<u>(28)</u>	<u>7</u>
Total other comprehensive income (loss), net of tax	<u>198</u>	<u>(5)</u>
Total comprehensive income for the year	<u>14,115</u>	<u>8,515</u>
Basic and diluted earnings per share (in \$)	<u>0.79</u>	<u>0.48</u>

Consolidated Statement of Financial Position - Audited -

	2022	2021
	<u>\$ thousands</u>	<u>\$ thousands</u>
ASSETS		
Current assets	62,385	55,540
Non-current assets	<u>12,661</u>	<u>16,238</u>
Total assets	<u>75,046</u>	<u>71,778</u>
Liabilities and shareholders' equity		
Current liabilities	5,001	7,581
Non-current liabilities	<u>1,628</u>	<u>1,872</u>
Total equity	<u>68,417</u>	<u>62,325</u>
Total liabilities and shareholders' equity	<u>75,046</u>	<u>71,778</u>

Current Shareholders structure

Shareholder name	# of shares	% outstanding shares	Comments
Payton Industries Ltd.	11,694,381	66.2%	Israeli company traded in the Tel Aviv stock exchange.
Public	5,976,394	33.8%	Listed on the Euronext since June 1998
Total	17,670,775	100.0%	Total outstanding shares.

Consolidated Statements of Cash Flows for the year ended December 31

- Audited -

	<u>2022</u>	<u>2021</u>
	\$ thousands	\$ thousands
Operating activities		
Profit for the year	13,917	8,520
Adjustments:		
Depreciation	879	891
Taxes on income	3,972	1,821
Share of losses (profits) of equity accounted investee	(481)	52
Gain on sale of fixed assets	(57)	(1)
Finance income, net	(18)	(144)
	<u>18,212</u>	<u>11,139</u>
Change in employee benefits	(130)	125
Increase in trade accounts receivable	(457)	(252)
Decrease (increase) in other accounts receivable	971	(940)
Increase in inventory	(747)	(310)
Decrease in trade payables	(2,703)	(923)
Increase in other payables	68	130
	<u>15,214</u>	<u>8,969</u>
Interest received	276	134
Interest paid	(17)	(40)
Income taxes paid, net	(3,839)	(1,907)
	<u>11,634</u>	<u>7,156</u>
Cash flows generated from operating activities	<u>11,634</u>	<u>7,156</u>
Investing activities		
Investments in deposits, net	(4,785)	(7,399)
Acquisition of other investment	(900)	-
Investments in marketable securities	-	(997)
Proceeds from sale of marketable securities	154	-
Acquisition of fixed assets	(993)	(523)
Proceeds from sale of fixed assets	115	5
	<u>(6,409)</u>	<u>(8,914)</u>
Cash flows used for investing activities	<u>(6,409)</u>	<u>(8,914)</u>
Financing activities		
Dividend paid	(8,023)	(7,422)
	<u>(8,023)</u>	<u>(7,422)</u>
Cash flows used for financing activities	<u>(8,023)</u>	<u>(7,422)</u>
Net decrease in cash and cash equivalents	<u>(2,798)</u>	<u>(9,180)</u>
Cash and cash equivalents at beginning of the year	<u>22,146</u>	<u>31,325</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(345)</u>	<u>1</u>
Cash and cash equivalents at end of the year	<u>19,003</u>	<u>22,146</u>

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 magnetics parts mainly planar transformers to Original Equipment Manufacturers and their suppliers of power electronics. The Group currently employs about 178 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).

For more information, please visit Payton's web site at www.paytongroup.com
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