

**Regulated Information**  
**PRESS RELEASE**  
**November 24, 2022**  
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## **Q3 2022 Report<sup>1</sup>**

**Sales Revenues of USD 45,888 thousand for the nine-month period ending September 30, 2022 and Net profit of USD 10,123 thousand.**  
**Order Backlog as of September 30, 2022 of USD 44,360 thousand**

**Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first nine months of 2022 (nine-month period ending September 30, 2022). Net profit for the first nine months of 2022 totaled USD 10,123 thousand. Sales revenues for the first nine months of 2022 totaled USD 45,888 thousand.**

**Order backlog of the Group as of September 30, 2022 was USD 44,360 thousand (December 31, 2021 - USD 31,525 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.**

**During the first nine months of the year 2022 most countries over the world conducts their activities side by side to the COVID-19 epidemic and it has no substantial impact on the Group's business activity. However, in China & HK the approach to the COVID-19 epidemic is still very strict. Visiting China is still subject to many restrictions as well as the transportation within China is limited.**

**Global business environment changes - During the first nine months 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 shortage 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 that the global shortage, price increases, long lead-time and high logistic costs are in a beginning of a scaling down trend.**

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

## **Key financial highlights for the first nine months of 2022**

### **Sales revenues**

*The Group's sales revenues for the nine-month period ended September 30, 2022 were USD 45,888 thousand compared with USD 29,185 thousand in the nine-month period ended September 30, 2021, representing 57% increase. This sales increase reflects the demand increase for several projects as was reflected in the Group's increased order backlog.*

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<sup>1</sup> 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 nine-month period ended September 30, 2022 amounted USD 18,739 thousand (41% of sales) compared with USD 11,512 thousand (39% of sales) in the nine-month period ended September 30, 2021. The gross margin is influenced mainly by the sales products mix and production locations. The Company succeeded to improve its gross margins, despite the costs increases, thanks to the increase in its sales volume.

## Expenses

During the first nine months of year 2022, The Group's *Development Costs* were USD 1,153 thousand compared with USD 1,132 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, 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 reps' Network. The *Group's selling & marketing expenses* for the nine-month period ended September 30, 2022 were USD 1,460 thousand (3.2%) and USD 1,283 thousand (4.4%) in the nine-month period ended September 30, 2021. In the first nine months of 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 return to normal.

The Group's *General & Administrative expenses* for the nine-month period ended September 30, 2022 were USD 3,040 thousand and USD 2,709 thousand in the nine-month period ended September 30, 2021. The increase relates mainly from increase in management incentives derived from the profits increase and from welfare and motivation Company activities for its employees.

## Operating and financial result

*The total operating income* for the first nine months of 2022 amounted to USD 13,097 thousand compared to USD 6,389 thousand in the same period last year. During the first nine months of 2022, Payton recorded a *net finance expense* of USD 134 thousand compared to a net finance income of USD 41 thousand for the first nine 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 nine-month period ended September 30, 2022 were USD 3,193 thousand compared with USD 1,070 thousand in the nine-month period ended September 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 nine months of 2022 was a net profit of USD 10,123 thousand, compared to USD 5,210 thousand for the nine-month period ended September 30, 2021.

## Balance sheet - cash position

*Cash and cash equivalents, Short-term Deposits and Marketable Securities* amounted to a total of USD 41,213 thousand as at September 30, 2022 compared to USD 38,625 thousand as at December 31, 2021 and USD 37,427 thousand as at September 30, 2021.

On June 2022 Company paid the USD 8,023 thousand dividend payment for the year 2021 (decided on March 28, 2022). Despite the said dividend payment, Company presents increase in Cash and cash equivalents attributed mainly to Company's profitability and to the classification of the long-term deposits, at the end of the current period, as a short-term deposits.

*Trade accounts receivable* amounted to USD 10,921 thousand as at September 30, 2022 compared with USD 9,917 thousand as at December 31, 2021 and USD 7,233 thousand as at September 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 4,585 thousand as at September 30, 2022 compared with USD 3,226 thousand as at December 31, 2021 and USD 1,774 thousand as at September 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 September 30, 2022 such contract assets amounted to approximately USD 3.8 million compared to USD 2.5 million as at December 31, 2021 and compared to USD 1.1 million as at September 30, 2021.

*Long-term deposits* amounted to USD 5,020 thousand as at December 31, 2021 and USD 5,007 thousand as at September 30, 2021. These 18 months period bank deposits were classified as short-term deposits as at September 30, 2022.

*Other investment*, as at September 30, 2022 these amounted to USD 900 thousand representing the Company's investment in shares of an Israeli startup in the field of wireless charging solution. The Company has a professional and business interest to become involved in new developments in this area.

*Investment in equity accounted investee*, represents the investment in PCT<sup>2</sup> (20%) engaged in manufacturing and assembly that serves as one of the Company's major manufacturing Partners. The investment amounted to USD 1,311 thousand as at September 30, 2022 compared with USD 974 thousand as at December 31, 2021 and USD 870 thousand as at September 30, 2021. The increase resulted from investee's profit increase.

*Trade payables* amounted to USD 3,227 thousand as at September 30, 2022 compared with USD 4,088 thousand as at December 31, 2021 and USD 2,406 thousand as at September 30, 2021. The decrease in this item compared with December 31, 2021 resulted mainly due to advance payment and shorter payment terms in favor of subcontractors.

*Other payables* amounted to USD 2,512 thousand as at September 30, 2022 compared with USD 2,035 thousand as at December 31, 2021 and USD 1,808 thousand as at September 30, 2021. The increase in this item resulted mainly due to increase in advance payment made by customers in favor of specific and special orders and from increase in liabilities for management and employees' incentives.

## **Cash flow**

*Cash flows generated from operating activities* for the nine-month period ended September 30, 2022 amounted USD 7,444 thousand, compared with cash flows generated from operating activities of USD 5,818 thousand for the nine-month period ended September 30, 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 generated from investing activities* in the nine-month period ended September 30, 2022, amounted USD 1,137 thousand, compared with cash flows used for investing activities at the amount of USD 10,223 thousand in the nine-month period ended September 30, 2021. During the nine-month period ended September 30, 2022 these cash flows generated from proceeds of bank deposits partly used for the Other Investment and fixed assets.

*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. Cash flows used for financing activities in the nine-month period ended

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<sup>2</sup> See paragraph 1A to 2021 Board of Directors' report - The Group, an integral part of 2021 yearly Report.

September 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** - During the first nine months of the 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. However, in China & HK the approach to the COVID-19 epidemic is still very strict. Visiting China is still subject to many restrictions as well as the transportation within China is limited.

**Global business environment changes** - During the first nine months 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 shortage 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 that the global shortage, price increases, long lead-time and high logistic costs are in a beginning of a scaling down trend.

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.

**Order backlog** of the Group as of September 30, 2022 was USD 44,360 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 30.9.2022 will be supplied until December 31, 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](http://www.paytongroup.com).

For more information, please visit Payton's website at [www.paytongroup.com](http://www.paytongroup.com) or contact Michal Lichtenstein, CFO at +972-3-9611164 -[Michal@paytongroup.com](mailto:Michal@paytongroup.com) or Nathalie Verbeeck at Citigate Dewe Rogerson Belgium + 32 (0) 477 45 75 41 [Nathalie.Verbeeck@citigatedewerogerson.com](mailto:Nathalie.Verbeeck@citigatedewerogerson.com)

## 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<sup>®</sup>, its customized line of magnetics parts such as: 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).

## Key financial figures – Payton Planar Magnetics Ltd.

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

- unaudited -

	<b>Nine months ended September 30</b>	
	<b>2022 USD 000</b>	2021 USD 000
Sales revenues	45,888	29,185
Cost of sales	(27,149)	(17,673)
<b>Gross profit</b>	<b>18,739</b>	11,512
Development costs	(1,153)	(1,132)
Selling and marketing expenses	(1,460)	(1,283)
General and administrative expenses	(3,040)	(2,709)
Other income, net	11	1
<b>Operating profit</b>	<b>13,097</b>	6,389
Financial income	286	149
Financial expenses	(420)	(108)
Financial income (expenses), net	(134)	41
Share of profits (losses) of equity accounted investee	353	(150)
<b>Profit before taxes on income</b>	<b>13,316</b>	6,280
Taxes on income	(3,193)	(1,070)
<b>Profit for the period</b>	<b>10,123</b>	5,210
<b>Other comprehensive income (loss) items that will not be transferred to profit and loss</b>		
Remeasurement of defined benefit plan, net of taxes	142	-
Share of other comprehensive income (loss) of equity accounted investee	(16)	1
<b>Total other comprehensive income (loss)</b>	<b>126</b>	1
<b>Total comprehensive income for the period</b>	<b>10,249</b>	5,211
Number of shares	17,670,775	17,670,775
Basic earnings per share (in USD)	0.57	0.29

### Condensed Interim Consolidated Statement of Financial Position

- unaudited -

	<b>September 30</b>	
	<b>2022 USD 000</b>	2021 USD 000
Current assets	61,071	49,830
Non-current assets	12,390	16,151
<b>Total assets</b>	<b>73,461</b>	65,981
Current liabilities	6,998	5,225
Non-current liabilities	1,912	1,735
Equity	64,551	59,021
<b>Total liabilities and Equity</b>	<b>73,461</b>	65,981

## Condensed Interim Consolidated Statements of Cash Flows

- unaudited -

	Nine months ended September 30 <u>2022</u> USD 000	Nine months ended September 30 <u>2021</u> USD 000
<b>Operating activities</b>		
Profit for the period	10,123	5,210
<b>Adjustments:</b>		
Depreciation	627	667
Taxes on income	3,193	1,070
Share of losses (profits) of equity accounted investee	(353)	150
Gain on sale of fixed assets	(10)	(1)
Finance expenses (income), net	271	(76)
	<u>13,851</u>	<u>7,020</u>
Change in employee benefits	(150)	78
Decrease (increase) in trade accounts receivable	(1,004)	2,432
Decrease (increase) in other accounts receivable	(1,359)	549
Decrease (increase) in inventory	(580)	66
Decrease in trade payables	(897)	(2,605)
Increase (decrease) in other payables	477	(97)
	<u>10,338</u>	<u>7,443</u>
Interest received	183	133
Interest paid	(17)	(40)
Income taxes paid, net	(3,060)	(1,718)
	<u>(3,060)</u>	<u>(1,718)</u>
<b>Cash flows generated from operating activities</b>	<u>7,444</u>	<u>5,818</u>
<b>Investing activities</b>		
Proceeds from (investments in) deposits, net	2,399	(9,399)
Acquisition of other investment	(900)	-
Investments in marketable securities held for trading	-	(500)
Proceeds from sale of marketable securities held for trading	154	-
Acquisition of fixed assets	(547)	(329)
Proceeds from sale of fixed assets	31	5
	<u>31</u>	<u>5</u>
<b>Cash flows generated from (used for) investing activities</b>	<u>1,137</u>	<u>(10,223)</u>
<b>Financing activities</b>		
Dividend paid	(8,023)	(7,422)
	<u>(8,023)</u>	<u>(7,422)</u>
<b>Cash flows used for financing activities</b>	<u>(8,023)</u>	<u>(7,422)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>558</b>	<b>(11,827)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>22,146</b>	<b>31,325</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>(440)</b>	<b>(13)</b>
	<u>(440)</u>	<u>(13)</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>22,264</b></u>	<u><b>19,485</b></u>