



Payton Planar Magnetics Ltd.

Annual Report 2025

Financial Statements as at December 31, 2025

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The Board of Directors' Report¹ on Corporate Affairs

We are pleased to present the Board of Directors' report on the affairs of Payton Planar Magnetics Ltd. and its consolidated subsidiaries for the year ended on December 31, 2025

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.

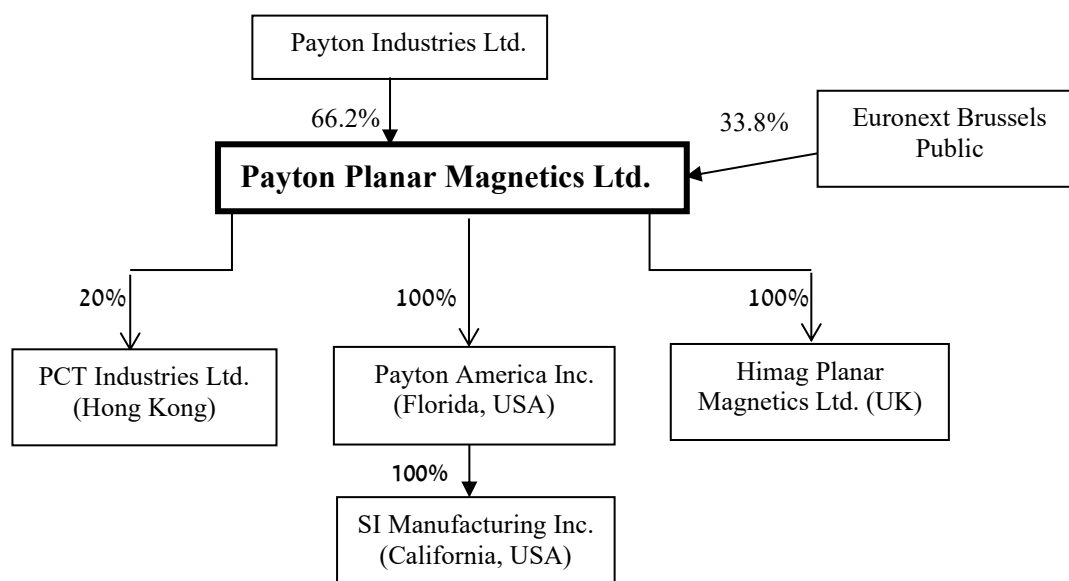
1. A concise description of the corporation and its business environment

A. The Group

The Group includes Payton Planar Magnetics Ltd. ("the Company"), its consolidated subsidiaries and its Investee.

The Company holds two fully owned subsidiaries: (1) Payton America Inc., in Florida, USA, which mainly engages in the manufacture and marketing of transformers for the US domestic market; and (2) Himag Planar Magnetics Ltd., in the UK, which mainly engages in the development, manufacture and marketing of transformers and serves as the Group base for the UK and the European markets. As of October 1, 2025, the acquisition of SI Manufacturing Inc. ("SI") was completed, and it became a wholly owned subsidiary of Payton America Inc. SI is located in California, USA, and its principal business includes electronic coils, assembly of power supplies and other custom magnetic components (see also paragraph B below).

The Company also holds an affiliated company, a strategic investment of 20% in a Hong-Kong holding company, PCT Industries Limited ("PCT"), that fully owns a manufacturing subsidiary in China. The Chinese manufacturing subsidiary mentioned above is engaged in manufacturing and assembly, serves as one of Payton's major Manufacturing Partners.



¹ The financial statements as at December 31, 2025 form an integral part thereof.

B. The Group's main fields of activity and changes that occurred in the period from January to December 2025

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.

On March 12, 2025, the Company's US subsidiary entered into agreements aiming at: (a) acquiring 100% of the issued and paid-up share capital of SI Manufacturing, Inc., a corporation incorporated under the laws of California (hereinafter: "SI") in exchange for payment of total consideration of approximately USD 5.6 million (hereinafter: the "Share Purchase Agreement"). SI manufactures and sells electronic coils, assembling power supplies and custom magnetic components for customers in various industrial sectors including transportation, aviation, space and defense. The Share Purchase Agreement includes additional contingent consideration of up to USD 500 thousand based on SI's performance during 2025. However, as of the date of the completion of the Transaction, the fair value of the contingent consideration was estimated at zero; (b) acquiring the real property, for a total amount of USD 4.4 million, on which SI's factory is built, [such factory being] owned by RSG Holdings LLC, a corporation incorporated under the laws of California and partly held by the Chairman of SI who is also a shareholder thereof (45%) as well as by two of the founders of SI who currently provide consulting services to SI as independent contractors (hereinafter: the "Real Estate Purchase Agreement"), and (c) entering into employment/consulting agreements with the CEO of SI and a senior engineering service provider of SI, which become effective as of the closing date including customary terms for agreements of this type, all in accordance with the provisions of the agreements (the "Transaction"). The completion of the Transaction was subject to the fulfillment of several conditions precedent detailed in the Share Purchase Agreement, including, among others, the transfer of ownership of the real property in accordance with the Real Estate Purchase Agreement, as well as the provision of notices and obtainment of required regulatory approvals in the United States and certain other third party consents (For more detailed information see also press release dated March 12, 2025).

On March 27, 2025 - the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2024, in the amount of USD 5,301 thousand (USD 0.3 per share). This dividend was paid on June 10, 2025.

On October 1, 2025, the acquisition of SI shares and the Real Estate Purchase were both completed, following the fulfillment of all the conditions precedent as set forth in the Transaction agreement.

As stated, and accordingly, upon completion of the Transaction, the shares of SI were transferred to the Purchasing Company, and the consideration in the amount of USD 5.6 million was paid (net of net financial debt and transaction-related expenses in a total amount of USD 1.2 million). In addition, the total consideration in the amount of USD 4.4 million was paid for the completion of the Real Estate Purchase Agreement.

In addition, upon completion of the Transaction, various employment/consulting agreements came into effect, as detailed in the press releases dated March 12, 2025, and October 2, 2025.

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

- In 2025, most of the global trends that characterized the prior year (2024) have remained relevant. Global economic slowdown, instability, and uncertainty continue to dominate the global business environment, alongside elevated raw-material prices, higher labor costs, and push-out of scheduled deliveries up on customer's needs. In management's assessment, these trends are expected to continue in the coming months.

Along with the above, additional factors that affected the Group's operations included the following:

- **Devaluation of the US\$** against the NIS, the Euro, and the Pound Sterling. In 2025, the NIS appreciated against the U.S. dollar by an average rate of approximately 7%. This appreciation, which is primarily reflected in higher local labor costs and other operating costs in Israel and the UK as a result of the U.S. dollar's weakening, may adversely affect the Group's results (see also the discussion in paragraph N. Risk Factors below).
- **Inflation effects** - given that the Group's functional currency is the US dollar, and that the Group does not utilize 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.
- **Security situation in Israel** - As of this date, the security situation and the last military operations had no material effect on the Group's ongoing operations. In Israel all production lines are active continuously and shipments are dispatched on schedule. In parallel, the Group's subsidiaries in the UK and in USA continue their usual operation, so that the Group's global manufacturing planning is fully effective. The diversification of the Group's production sites in China, the Philippines, Israel, the UK, and the United States enables the Group to fulfill its planned supply targets.

Based on the information available to the Group as of the date of approval of the financial statements, the Group currently estimates that the security situation and the ongoing military operation are not expected to have a material effect on its operating results. However, due to uncertainty involved and lack of information regarding the duration of these military operations, the Group is currently unable to foresee and assess their future effects.

- **President Trump's U.S. tariff program Implications** - In April 2025, the U.S. administration announced a program to impose tariffs on goods imported into the United States. The principal exposure relates to sales from Israel to the Group's US companies and customers, as well as to purchase of raw materials and of finished parts from the Far East to the USA. Under the program, the relevant tariff rates are about 10% - 15% on imports from Israel and approximately 25% on imports from the Far East. It is noted that, under the tariff policy, certain goods purchased by subcontractors for the government are exempt from tariffs. The Group is taking steps to reduce the direct impact of the tariffs, including reviewing adjustments to its supply chain. In the Group's assessment, the potential impact of the foregoing tariff policy on its business results is expected to be low.

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.

C. Sales

The Group's main customer base is related to the telecom/datacenter, automotive and power electronic market. Additional markets the Group aims for are the medical, Avionics and Space markets. During 2025, the Group kept operating its activities in: North America, Europe, Japan, China, S. Korea, India and UK.

Sales for the year ended December 31, 2025 amounted to USD 47,825 thousand compared with USD 50,826 thousand for the year ended December 31, 2024, reflecting 6% decrease. The decrease in sales is generally attributable to the global slowdown across the traditional industrial sectors, communications and consumer products and specifically to a decrease in sales to a high running project of Principal Customer-Quanta Computer Inc.⁽¹⁾ (see also paragraph D - Principal Customers).

Revenues for the year ended 2025 consisted of recurring sales to existing customers and sales to new ones.

D. Principal Customers

The consolidated sales revenues include sales to major customers (which make up in excess of 10% of the sales of the Group).

	For the year ended December 31	For the year ended December 31
	2025	2024
Quanta Computer Inc. ⁽¹⁾	13%	27%
Customer B ⁽²⁾	16%	15%

⁽¹⁾ Customer related to the Telecom/Datacenter industry, includes sales to its subsidiary QMB Co. Ltd. A significant decrease in demand related to the customer's main project with the Group has led to the decrease (See also paragraph H - Order Backlog, below).

⁽²⁾ Customer related to the Automotive industry.

E. Marketing

In 2025, the Company focused its marketing efforts on the following principal markets:

- The U.S. market, given its significant potential.
- The Japanese, Indian, and German markets, which have been identified as markets with significant growth potential.

The Company's marketing activities are carried out through direct marketing via the Company's agents, distributors, and sales offices. The Company maintains a network of agents, distributors, and sales offices across Europe, North America, Japan, Korea, India, and China, which is managed and supervised by the Group's sales management.

In countries where the Company has a physical presence: in Israel and in certain countries in North America, as well as in China, Taiwan, Korea, Poland and the United Kingdom, marketing is conducted directly by the Group's sales force.

The Company also participates in leading electronic exhibitions focusing on serving Key customers with routine visits and latest technology development updates.

The Group's strategy, which enables it to fulfill its mission of gaining worldwide recognition and market share growth, is:

- Leveraging the Group's digital marketing channels, with an emphasis on LinkedIn, as a strategic channel for brand-building in target markets, for focusing on professional audiences, and for expanding the business opportunity funnel (leads).

- Expanding the international presence at selected exhibitions and conferences, as a strategic means to accelerate growth.
- Strengthening and expanding the technical marketing capabilities (Technical Marketing) as a core competency supporting the Group's growth objectives and providing advanced technological solutions to customers.
- Targeting leading companies in their respective fields worldwide, with the aim of encouraging broader market adoption of advanced technology (primarily planar).
- Maintaining technological leadership and preserving the Company's position as a leading manufacturer in its field.
- Focusing on growth-oriented customers with significant expansion potential, as well as on customers requiring advanced technology where the profitability potential is higher.
- Utilizing the network of agents, distributors, and sales offices as a channel for marketing and distribution.
- Supporting research institutes and consultants in order to increase exposure to engineers in the field.
- Retaining existing customers and expanding activity with them.
- Providing engineering solutions tailored to customer requirements.

F. Manufacturing

The Group intends to expand and diversify its manufacturing capacity and capabilities, through manufacturing partners in the Far East, especially in China and the Philippines. The objective of this initiative is to increase flexible production capacity, to enable mass production quantities, lower product costs and increase competitiveness.

G. Competition

In recent years there has been an increasing interest of magnetics manufacturers in getting into the Planar field. We can note that there are more and more companies that are trying to design and manufacture the planar components. However, the Company believes in its technology advantage know-how and capabilities. It estimates it could generally benefit from increasing competition in the market due to greater exposure of the technology.

The Company cannot estimate its future market share. The following companies are considered as its potential competitors: Pulse, Standex and Coilcraft - from the U.S.A. and Premo - from Spain.

H. Order Backlog

As at December 31, 2025, this backlog amounted to USD 17,401 thousand, and as at March 15, 2026 to USD 19,295 thousand (December 31, 2024 - USD 25,165 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders including its new sub-subsidiary initially consolidated starting October 1st, 2025.

	Order Backlog US\$ in thousands	
	December 31, 2025	March 15, 2026
Delivery due date within first quarter of 2026	6,787	2,586
Delivery due date within second quarter of 2026	5,275	8,684
Delivery due date within third quarter of 2026	2,758	4,898
Delivery due date within fourth quarter of 2026	2,365	2,016
Delivery due date is after 1.1.2027	216	1,111
Total	17,401	19,295

The main reasons for the decrease in backlog are attributed to the global economic slowdown of the electronic market and to a specific reduction in orders from Principal Customer - Quanta Computer Inc.⁽¹⁾ that, in contrary to previous years, have not placed any new orders for the coming months.

⁽¹⁾ Customer related to the Telecom/Datacenter industry, includes sales to its subsidiary QMB Co. Ltd. A significant decrease in demand related to the customer's main project with the Group has led to the decrease (See also paragraph D - Principal Customer, above).

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

I. Framework agreements that do not constitute binding orders

As of December 31, 2025 and the date of signing the financial statements, the Group has no material framework agreements.

J. Human Resources

A factor of importance to the Company's success is its ability to attract, train and retain highly skilled technical, and more specifically, qualified electronics engineers with experience in high-frequency magnetics and with a comprehensive understanding of high frequency magnetics, managerial, sales and marketing personnel. Competition for such personnel is intense. The Company constantly improves its personnel and has so far succeeded in recruiting the appropriate personnel as required. This personnel is important in maintaining the pace in research, design and technical customer support. The Company is confident, however, that the challenges inherent to its operations will satisfy its future recruitment needs. By the end of 2025, the Group employed about 205 people including the 36 employees of SI, the new sub-subsidiary initially consolidated to Payton Group. The Company retains employment contracts with most of its key employees and is of the opinion that relations with its employees are satisfactory.

K. Quality Control

Payton Group has the ISO9001:2015 certification for its quality system. It has UL recognition for the use of several Electrical Insulation Systems classes B, F and H in its products, also has recognition for the construction of a family of magnetic components as complying with the requirements of UL and IEC 60950 standards of safety. Payton is authorized by an accredited testing agency to apply the CE mark to many of its commercial transformers.

Payton also meets recognized international safety standards and conforms to MIL-T, CSA VDE and other standards.

The Company is certified with ISO14001:2015 (Environmental standard). Payton is a Lead-Free company as required by the 2015/863/EU RoHS directive.

The Company is certified with two important International Quality Management Standards: for Automotive - IATF 16949:2016 and for Space & Avionic - AS9100 (at Payton America only).

L. Objective and Business Strategy

Since its incorporation, Payton has provided innovative and affordable Planar Magnetic solutions to the Power Electronic Industry.

By doing so, it has become the undisputable worldwide market leader in the Planar Magnetics Technology, with a customer base of leading technology-driven OEMs.

Payton plans to maintain its lead and continue to facilitate the transition of the Magnetics market to the Planar Technology by:

1. Constantly looking for business opportunities to expand its core business with synergetic product lines.
2. Increasing the R&D team, in order to keep technological superiority through innovative designs, patents, and minimization of components.
3. Maintaining business efficiency, operational efficiency and constant search for cost saving solutions.
4. Maintaining and strengthening its current customer base. This will enable Payton to build a track record as a reliable high-volume Planar component supplier to leading OEM's.
5. Selectively developing additional key strategic customers, especially in Japan, North America, India and South Korea to further propagate Payton Planar unique technology.
6. Aiming at and focusing on new high growth segments such as Avionics, Space and Automotive (EV/HEV) in addition to the present Telecom and industrial markets.
7. Continuing to educate the Power Electronics industry about Planar technology.
8. Continuing to develop its mass production expertise and capacities to a level that will enable Payton to address the large price-sensitive segments and mass production quantities segments of the global Magnetics market.

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

M. Coming year outlook

In 2026, the Group expects to continue integrating the operations of SI Manufacturing Inc. (see also paragraph B above and Note 1.C. to 2025 yearly report) and to continue evaluating expansion opportunities through collaborations and acquisitions in synergistic areas.

As of 2026 and as of the date of signing these reports, a global slowdown continues in the Group's traditional end-markets (consumer products and communications). Management notes more conservative ordering patterns, including ordering of minimum required quantities and deferrals of delivery dates, and accordingly exercises increased caution in procurement planning. Raw material prices are generally unchanged compared to the prior year. At this stage, management is unable to assess the impact of the above-mentioned trends on the Group's results of operations.

With respect to the security situation in Israel and the ongoing military operation, as of the reporting date management has not identified a material impact on the Group's operations and results; however, the duration and potential long-term effects cannot be assessed at this time.

The Group intends to continue investing to enhance production capacity and efficiency, including further automation. In addition to its ordinary course of business, the Group will continue to pursue new markets and other opportunities, including through conferences and exhibitions, while offering innovative solutions and leveraging new technologies to expand its customer base and core business, increase market share and maximize opportunities to the extent practicable.

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

N. Risk Factors

	Major Impact	Medium Impact	Small Impact
Macro Risks		<p>The global business environment changes have many implications including the following:</p> <ul style="list-style-type: none"> ▪ Raw material high costs. ▪ Difficulties in recruiting manpower and increase of labor costs. ▪ Changes and push-out of scheduled deliveries by customers. ▪ Geopolitical, regulations and international tariffs changes. 	<ul style="list-style-type: none"> ▪ Currency exposure during credit term period with regard to invoices issued in local currency. ▪ Evaluation/Devaluation of the local currencies, NIS and GBP, reflects an increase/decrease in labor costs and other operating costs.
Market Risks		<ul style="list-style-type: none"> ▪ Metals prices fluctuations especially: Copper, Aluminum, Tin and Silver, which are part of the transformers bill of materials. ▪ Automotive industry - opportunities in this segment are declining due to strong competition from China; in addition to the inherent risks of this industry, continued price erosion adversely affects the economic viability of entering new projects. 	
Specific Risks	Manufacturing partners dependency.		

O. Current Shareholders position

Shareholder name	Number of shares	Percentage of the 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.

2. **Financial position**

A. **Statement of Financial Position as at December 31, 2025**

Cash and cash equivalents and Short-term Deposits - these items amounted to a total of USD 58,248 thousand as at December 31, 2025, compared to USD 58,088 thousand as at December 31, 2024.

The Company succeeded in maintaining these cash balances at stable levels, mainly thanks to its operating profitability. This stability was maintained despite a dividend distribution of USD 5.3 million in June 2025 and the acquisition of its sub-subsidiary (SI) and its related real estate asset on October 1, 2025, for a total consideration of approximately USD 10 million.

The Group's management believes that a stable and solid financial position is an important factor in order to successfully overcome times of crisis.

Inventory - amounted to USD 5,339 thousand as at December 31, 2025, compared with USD 3,922 thousand as at December 31, 2024. The inventory increase mainly reflects the consolidation of a sub-subsidiary's inventory amounting to approximately USD 1.9 million.

Property, plant and equipment - amounted to USD 13,992 thousand as at December 31, 2025, compared with USD 9,611 thousand as at December 31, 2024. The increase in this item was attributable mainly to the acquisition of a real-estate property in Anaheim, California, by the Company's subsidiary, Payton America, at an aggregate cost of approximately USD 4.4 million for the land and building. The acquired sub-subsidiary (SI) conducts its business operations in this facility.

Intangible assets - amounted to USD 3,901 thousand as at December 31, 2025, compared with USD 22 thousand as at December 31, 2024. The increase in intangible assets was attributable mainly to two factors: an increase in goodwill of approximately USD 2.7 million and an increase in production files of approximately USD 1.2 million. These amounts arose from the acquisition of the sub-subsidiary (SI) and were measured based on a purchase price allocation (PPA) performed by an independent external valuation expert.

Trade payables - amounted to USD 2,521 thousand as at December 31, 2025, compared with USD 1,261 thousand as at December 31, 2024. The increase in these balances was attributable mainly to higher balances with the principal subcontractors, resulting from both a decrease in advance payments and revised credit terms.

Other payables - amounted to USD 3,917 thousand as at December 31, 2025, compared with USD 3,010 thousand as at December 31, 2024. The increase in this item was mainly attributable to an increase in employee-related provisions, as well as the recognition of a liability payable to the shareholders of the acquired sub-subsidiary.

B. Interest rate, Currency and Market exposure - Data and Policy

Interest rate exposure

The Group's interest rate exposure relates mainly to its balance of cash equivalents and bank deposits. These balances are mostly held in USD bearing interest rates given by banks (during 2025, about 5%).

Data on linkage terms

The financial statements of the Company reflect the functional currency of the Company, which is the USD.

Most of the Group's sales (91%) in the reported period were in USD or were linked to the USD. Approximately 2% of the Group's sales in 2025 were in Euro, 3% were in NIS, and about 4% were in GBP.

During 2025, approximately 94% of the costs of raw material and finished goods purchased by the Group were in USD or were linked to the USD.

During 2025, approximately 80% of the Group's salaries were in New Israeli Shekel ("NIS") and about 6% were in GBP.

Currency exposure risks

Since most of the Group's sales and purchases were in USD or linked to the USD, the Group's gross profit was exposed to the changes in exchange rates of the USD in relation to the Euro, the GBP and to the local New Israeli Shekel ("NIS") mostly with regard to labor costs and other operating costs (see also Data on linkage terms, above).

The Group is exposed to erosion of the USD in relation to the NIS and the GBP. Most of the Group's salaries and other operating costs are fixed in the local currencies. Devaluation of the USD in relation to the NIS and the GBP increases the Group's labor costs and thus influences its operating results.

Devaluation of the USD in relation to the Euro and the GBP leads to a decrease in Group's assets held in those currencies.

The Company is subcontracting in China. Devaluation of the USD with relation to the Chinese currency has an indirect effect on the Group's cost of goods sold.

Market risks

During 2025 the Company mostly used 'limit orders' for exchanging currency mainly in order to cover its labor costs paid in NIS. With regard to all other operating costs, there is no need to use derivatives since hedging is being kept inherently as part of the operational activity.

C. Operating results

Summary of Consolidated Statements of Income US Dollars in thousands

Payton Planar Magnetics Ltd. Consolidated Comprehensive Income Statements

	<u>Total 2025</u>	<u>Total 2024</u>	<u>Quarter 10-12/25</u>	<u>Quarter 7-9/25</u>	<u>Quarter 4-6/25</u>	<u>Quarter 1-3/25</u>
Revenues	47,825	50,826	11,591	13,225	11,364	11,645
Cost of sales	(26,460)	(28,709)	(7,123)	(6,578)	(6,319)	(6,440)
<i>Gross profit</i>	<u>21,365</u>	<u>22,117</u>	<u>4,468</u>	<u>6,647</u>	<u>5,045</u>	<u>5,205</u>
Development costs	(1,967)	(1,672)	(579)	(471)	(484)	(433)
Selling & marketing expenses	(2,448)	(2,203)	(774)	(534)	(624)	(516)
General & administrative expenses	(5,724)	(4,703)	(1,517)	(1,487)	(1,410)	(1,310)
Other income (expenses), net	(501)	7	-	(501)	-	-
Operating profit	<u>10,725</u>	<u>13,546</u>	<u>1,598</u>	<u>3,654</u>	<u>2,527</u>	<u>2,946</u>
Finance income, net	<u>2,842</u>	<u>2,340</u>	<u>427</u>	<u>534</u>	<u>1,277</u>	<u>604</u>
Share of profits (loss) of equity accounted investee	<u>(22)</u>	<u>235</u>	<u>(16)</u>	<u>(13)</u>	<u>18</u>	<u>(11)</u>
Profit before taxes on income	<u>13,545</u>	<u>16,121</u>	<u>2,009</u>	<u>4,175</u>	<u>3,822</u>	<u>3,539</u>
Taxes on income	(2,471)	(2,810)	(375)	(725)	(744)	(627)
Net profit for the year/period	<u>11,074</u>	<u>13,311</u>	<u>1,634</u>	<u>3,450</u>	<u>3,078</u>	<u>2,912</u>
Other comprehensive income (loss) items that will not be transferred to profit & loss						
Remeasurement of defined benefit plan	123	41	123	-	-	-
Share of other comprehensive income (loss) of equity accounted investee	<u>15</u>	<u>(17)</u>	<u>6</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total other comprehensive income, net of tax	<u>138</u>	<u>24</u>	<u>129</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total comprehensive income for the year/period	<u>11,212</u>	<u>13,335</u>	<u>1,763</u>	<u>3,453</u>	<u>3,081</u>	<u>2,915</u>

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 year ended December 31, 2025, were USD 47,825 thousand compared with USD 50,826 thousand for the year ended December 31, 2024, reflecting 6% decrease. The decrease in sales is generally attributable to the global slowdown across the traditional industrial sectors, communications and consumer products, and specifically to a decrease in sales to a high-running project of principal customer (see also paragraph D - Principal Customers, above).

Gross profit - The Group's gross results for the year ended December 31, 2025, were USD 21,365 thousand (45%), compared with USD 22,117 thousand (44%), in the year ended December 31, 2024. The Group succeeded in improving its gross margin ratio despite the sales decrease. The gross margin is mainly affected by the sales product mix and production sites.

Development costs - Payton's strategy is aimed at maintaining the leadership of Planar Technology. The Engineering Department works in conjunction with the 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 year ended December 31, 2025, were USD 1,967 thousand compared with USD 1,672 thousand in the year ended December 31, 2024. The increase in these expenses was mainly attributable to the expansion of the engineering team, as well as to the increase in labor cost which are fixed in local currency.

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 (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 year ended December 31, 2025, amounted to USD 2,448 thousand (5%) compared with USD 2,203 thousand (4%) in the year ended December 31, 2024. The increase in selling and marketing expenses was mainly driven by expansion of the technical marketing team, enhanced digital marketing, and increased participation in exhibitions and marketing travels.

General & Administrative expenses - The Group's General & Administrative expenses for the year ended December 31, 2025, amounted to USD 5,724 thousand compared with USD 4,703 thousand in the year ended December 31, 2024. The increase in these expenses was attributable to various factors inter alia: higher labor costs fixed in local currency translated into USD, increased share-based compensation, computing upgrades and the initial consolidation of SI's expenses.

D. Information regarding transactions with related parties (pursuant to note 18 to the Consolidated Financial Statements as at December 31, 2025)

D.1 Balances with key management personnel and interested and related parties

December 31, 2025

	<u>Equity accounted investee</u>	<u>The Parent Company</u>	<u>Key management personnel employed by the Group</u>	<u>Key management personnel not employed by the Group</u>	<u>Directors and interested parties not employed by the Group</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<u>Payables:</u>					
Short-term employment benefits	-	-	161	-	-
Post-employment benefits	-	-	126	-	-
Trade payables	880	-	-	-	-
Other payables	-	-	-	791	21

December 31, 2024

	<u>Equity accounted investee</u>	<u>The Parent Company</u>	<u>Key management personnel employed by the Group</u>	<u>Key management personnel not employed by the Group</u>	<u>Directors and interested parties not employed by the Group</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<u>Payables:</u>					
Short-term employment benefits	-	-	151	-	-
Post-employment benefits	-	-	118	-	-
Trade payables	463	-	-	-	-
Other payables	-	-	-	772	16

D.2 Transactions with related parties

	<u>Equity accounted investee</u>	
	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Purchases	8,007	11,284
	<u>Other investment</u>	
	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Sales	101	82

D3. Compensation to key management personnel and interested parties

For the year ended December 31, 2025

	Key management personnel employed by the Group	Key management personnel not employed by the Group (*)	Directors and interested parties not employed by the Group
	\$ thousands	\$ thousands	\$ thousands
Short-term employee benefits	553	-	-
Post-employment benefits	56	-	-
Share-based compensation	150	90	-
Other	-	1,867	81
Total	<u>759</u>	<u>1,957</u>	<u>81</u>
Number of people	<u>5</u>	<u>3</u>	<u>5</u>

For the year ended December 31, 2024

	Key management personnel employed by the Group	Key management personnel not employed by the Group (*)	Directors and interested parties not employed by the Group
	\$ thousands	\$ thousands	\$ thousands
Short-term employee benefits	545	-	-
Post-employment benefits	245	-	-
Share-based compensation	97	58	-
Other	-	1,714	63
Total	<u>887</u>	<u>1,772</u>	<u>63</u>
Number of people	<u>5</u>	<u>3</u>	<u>7</u>

(*) Management fees and related benefits to Wichita Ltd. (see Note 15A to the Consolidated Financial Statements as at December 31, 2025) and to Yaarrh-Looking To The Future Ltd. (see Note 15B to the Consolidated Financial Statements as at December 31, 2025) include an amount of USD 214 thousand (year ended December 31, 2024: USD 189 thousand) and an amount of USD 305 thousand (year ended December 31, 2024: USD 264 thousand), respectively, recorded as selling and marketing expenses.

In addition, management fees to FIMI (see Note 15C to the Consolidated Financial Statements as at December 31, 2025) include an amount of USD 56 thousand (year ended December 31, 2024: USD 36 thousand) recorded as selling and marketing expenses.

3. Liquidity

A. Operating activities

Cash flows generated from operating activities for the year ended December 31, 2025, amounted to USD 15,697 thousand, compared with the cash flows generated from operating activities of USD 13,831 thousand for the year ended December 31, 2024. The increase in cash flows from operating activities generated mainly from increase in trade payables as well as from other non-cash adjustments and changes in assets and liabilities.

B. Investing activities

Cash flows used for investing activities in the year ended December 31, 2025, amounted to USD 3,521 thousand compared with cash flows used for investing activities of USD 7,540 thousand in the year ended December 31, 2024. In 2025 cash flows were mostly used for investment in the acquisition of SI and the real estate it is located on. These outflows were partially funded by proceeds from bank deposits.

C. Financing activities

Cash flows used for financing activities for the year ended December 31, 2025, amounted to USD 5,301 thousand, representing a dividend payment (announced on March 27, 2025) paid in June 2025.

Cash flows used for financing activities for the year ended December 31, 2024, amounted to USD 10,072 thousand, representing a dividend payment (announced on January 24, 2024) that was paid in March 2024.

4. Financing sources

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

5. External factors effects

- Global business environment - see paragraph 1.B above.
- For the effect of 'Risk Factors' - see paragraph 1.N above.

To the best of the Board of Directors' and management's knowledge, except the above-mentioned, there have been no significant changes in external factors that may materially affect the Company's financial position or results of operations.

6. 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 consolidated financial statements at December 31, 2025, 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 and the companies included in the consolidation.

b) The annual report gives a true and fair view of the company's development and results for the financial year 2025, the position of the company and the companies included in the consolidation, the main risk factors and uncertainties, as well as the main transactions with related parties and their possible impact on the financial statements.

The Company's Board of Directors wishes to thank our shareholders for their continued trust and belief.

The Company's Board of Directors wishes to express its sincere thanks to the entire personnel for their efforts and contribution to the Group's affairs.

Ness-Ziona, March 26, 2026.

David Yativ
Chairman of the Board
of Directors

Doron Yativ
Director and C.E.O.

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

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Independent Auditor's Report To the Shareholders of Payton Planar Magnetics Ltd.

Opinion

We have audited the consolidated financial statements of Payton Planar Magnetics Ltd. (“the Company”), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of financial statements of public interest entities, and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition

As discussed in Notes 2F and 17A to the consolidated financial statements, revenues for the year ended December 31, 2025, are USD 47.8 million. According to IFRS 15, the Company recognizes revenue from goods with no alternative use over time. The Company's revenues are generated from the sale of goods manufactured according to customer specifications and based mainly on non-cancellable and non-refundable terms. The Company is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Customer-specific goods cannot be sold to any other customer and therefore have no alternative use. Furthermore, and due to the materiality of revenue to the financial statements of the Company, and the significant management judgment involved in the revenue recognition process, we identified revenue recognition as a key audit matter.

How our audit addressed the key audit matter

With respect to this audit matter, our main audit procedures included obtaining an understanding of the design and implementation of key internal controls surrounding the recording of revenues. We sampled revenues while focusing on transactions recorded close to the year-end and in the beginning of the subsequent period, and checked that such transactions were included in the appropriate period. Our testing included sampling of source documents such as purchase orders and reviewing terms of contracts with customers to obtain evidence that revenues recorded meet the criteria of IFRS 15. We also checked if any credit notes were issued in the subsequent period in order to obtain evidence of proper revenue recognition in 2025.

Other Information in the Company's 2025 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

European Uniform Electronic Format (ESEF)

In accordance with the draft standard on the audit of compliance of the Financial Statements with the European Single Electronic Format (hereafter “ESEF”), we have audited as well whether the ESEF-format is in accordance with the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018 (hereafter “Delegated Regulation”).

The Board of Directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereafter “digital consolidated financial statements”) included in the annual financial report.

It is our responsibility to obtain sufficient and appropriate information to conclude whether the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements under the Delegated Regulation.

In our opinion, based on our work performed, the format of and the tagging of information in the official English version of the digital consolidated financial statements as per March 26, 2026, included in the annual financial report of Payton Planar Magnetics Ltd., are, in all material respects, prepared in compliance with the ESEF requirements under the Delegated Regulation.

The partner in charge of the audit resulting in this independent auditor's report is Mr. Shahar Zvulun.

Tel-Aviv, Israel
March 26, 2026

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31,	
		2025	2024
		\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	3	30,315	23,148
Short-term deposits	4	27,933	34,940
Trade accounts receivable	5	7,875	7,925
Other accounts receivable	6	1,534	2,027
Inventory	7	5,339	3,922
Total current assets		72,996	71,962
Non-current assets			
Investment in equity accounted investee	8	1,388	1,545
Other investment	8	2,733	2,733
Property, plant and equipment	9	13,992	9,611
Intangible assets	10	3,901	22
Deferred taxes	14D	70	-
Total non-current assets		22,084	13,911
Total assets		95,080	85,873

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31,	
		2025	2024
		\$ thousands	\$ thousands
Liabilities and equity			
Current liabilities			
Trade payables		2,521	1,261
Other payables	11	3,917	3,010
Current income tax liability		1,694	1,244
Total current liabilities		8,132	5,515
Non-current liabilities			
Employee benefits	13	537	473
Deferred tax liabilities	14D	1,223	1,089
Total non-current liabilities		1,760	1,562
Total liabilities		9,892	7,077
Equity			
Share capital	16	4,836	4,836
Share premium		8,993	8,993
Reserve from transaction with controlling shareholder		792	311
Retained earnings		70,567	64,656
Total equity		85,188	78,796
Total liabilities and equity		95,080	85,873

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: March 26, 2026

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31,	
		2025	2024
		\$ thousands	\$ thousands
Revenues	17A	47,825	50,826
Cost of sales	17B	(26,460)	(28,709)
Gross profit		21,365	22,117
Development costs		(1,967)	(1,672)
Selling and marketing expenses	17C	(2,448)	(2,203)
General and administrative expenses	17D	(5,724)	(4,703)
Other income (expenses), net	17E	(501)	7
Operating profit		10,725	13,546
Finance income	17F	2,877	2,404
Finance expenses	17F	(35)	(64)
Finance income, net		2,842	2,340
Share of profits (loss) of equity accounted investee		(22)	235
Profit before taxes on income		13,545	16,121
Taxes on income	14F	(2,471)	(2,810)
Net Profit		11,074	13,311
Other comprehensive income (loss) items that will not be transferred to profit and loss			
Remeasurement of defined benefit plan	13B	123	41
Share of other comprehensive income (loss) of equity accounted investee		15	(17)
Total other comprehensive income, net of tax		138	24
Total comprehensive income		11,212	13,335
Earnings per share			
Basic and diluted earnings per share (in \$)	19	0.63	0.75

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Share premium \$ thousands	Reserve from transactions with controlling shareholder \$ thousands	Retained earnings \$ thousands	Total \$ thousands
	Number of shares	\$ thousands				
Balance at January 1, 2024	17,670,775	4,836	8,993	-	61,393	75,222
Net profit	-	-	-	-	13,311	13,311
Other comprehensive income	-	-	-	-	24	24
Total comprehensive income	-	-	-	-	13,335	13,335
Transactions with owners, recognized directly in equity						
Dividend to owners	-	-	-	-	(10,072)	(10,072)
Equity component of transaction with controlling shareholder	-	-	-	311	-	311
Balance at December 31, 2024	17,670,775	4,836	8,993	311	64,656	78,796
Net profit	-	-	-	-	11,074	11,074
Other comprehensive income	-	-	-	-	138	138
Total comprehensive income	-	-	-	-	11,212	11,212
Transactions with owners, recognized directly in equity						
Dividend to owners	-	-	-	-	(5,301)	(5,301)
Equity component of transaction with controlling shareholder	-	-	-	481	-	481
Balance at December 31, 2025	<u>17,670,775</u>	<u>4,836</u>	<u>8,993</u>	<u>792</u>	<u>70,567</u>	<u>85,188</u>

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,	
		2025	2024
		\$ thousands	\$ thousands
Operating activities			
Net Profit		11,074	13,311
Adjustments:			
Depreciation and amortization	9, 10	921	768
Taxes on income	14F	2,471	2,810
Share of loss (profits) of equity accounted investee	8	22	(235)
Gain on sale of property, plant and equipment, net	17E	-	(7)
Share-based compensation provided by controlling shareholder		481	311
Finance income, net	17F	(2,354)	(2,205)
		<u>12,615</u>	<u>14,753</u>
Decrease in trade accounts receivable	5	1,074	1,621
Decrease in other accounts receivable	6	550	769
Decrease in inventory	7	454	10
Increase (decrease) in trade payables		404	(2,492)
Increase in other payables	11	443	478
Change in employee benefits	13	216	142
		<u>15,756</u>	<u>15,281</u>
Interest received	17F	2,300	1,886
Interest paid	17F	-	(32)
Income taxes paid, net	14	(2,359)	(3,304)
		<u>(2,359)</u>	<u>(3,304)</u>
Cash flows generated from operating activities		<u>15,697</u>	<u>13,831</u>
Investing activities			
Proceeds from (investments in) deposits, net	4	6,769	(6,149)
Dividend received from an equity accounted investee	8	154	77
Investment in other investment	8	-	(1,833)
Acquisition of initially consolidated subsidiary (a)		(5,239)	-
Acquisition of property, plant and equipment	9	(5,205)	(479)
Investments in marketable securities		-	(303)
Proceeds from sale of property, plant and equipment	9, 17E	-	27
Proceeds from sale of marketable securities		-	1,120
		<u>(3,521)</u>	<u>(7,540)</u>
Cash flows used for investing activities		<u>(3,521)</u>	<u>(7,540)</u>
Financing activities			
Dividend paid	16B	(5,301)	(10,072)
		<u>(5,301)</u>	<u>(10,072)</u>
Cash flows used for financing activities		<u>(5,301)</u>	<u>(10,072)</u>
Net increase (decrease) in cash and cash equivalents		6,875	(3,781)
Cash and cash equivalents at beginning of the year		23,148	26,921
Effect of exchange rate fluctuations on cash and cash equivalents		292	8
Cash and cash equivalents at end of the year		<u>30,315</u>	<u>23,148</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
(a) <u>Acquisition of initially consolidated subsidiary:</u>		
The subsidiary's assets and liabilities at date of acquisition:		
Working capital (excluding cash and cash equivalents)	(1,841)	-
Property, plant and equipment	(171)	-
Intangible assets	(1,193)	-
Goodwill	(2,717)	-
Deferred taxes	322	-
Payables for acquisition of investment in subsidiary	361	-
	<u>(5,239)</u>	<u>-</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL

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”) and its ultimate joint controlling shareholders are Mr. David Yativ and FIMI (Fimi Israel opportunity 7, limited partnership and Fimi Opportunity 7, LP, a limited partnership). The securities of the Company are registered for trade on the Euronext stock exchange in Brussels.

The consolidated financial statements of the Group comprise the Company and its subsidiaries (together referred to as the “Group”).

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

B. Definitions:

In these financial statements:

1. **The Company** - Payton Planar Magnetics Ltd.
2. **The Group** - The Company and its subsidiaries.
3. **Payton Industries Ltd.** - Parent company, traded on the Tel Aviv Stock Exchange.
4. **Subsidiaries** - Companies, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.
5. **Investee companies** - Subsidiaries and companies, the Company's investment in which is stated, directly or indirectly, on the equity basis.
6. **Related party** - Within its meaning in IAS 24 (2009), “Related Party Disclosures”.
7. **Israeli CPI** - The Consumer Price Index as published by the Central Bureau of Statistics in Israel.
8. **NIS** - New Israeli Shekel.
9. **\$ or USD** - U.S. Dollar.
10. **GBP** - Great Britain Pound.

C. Material events in the reporting period

On March 12, 2025, the Company’s US subsidiary Payton America Inc. (hereinafter: the “Purchasing Company”) entered into agreements aiming at: (a) acquiring 100% of the issued and paid-up share capital of SI Manufacturing, Inc., a corporation incorporated under the laws of California (hereinafter: “SI”) in exchange for payment of total consideration of approximately USD 5.6 million (hereinafter: the “Share Purchase Agreement”). SI manufactures and sells electronic coils, assembling power supplies and custom magnetic components for customers in various industrial sectors including transportation, aviation, space and defense. The Share Purchase Agreement includes additional contingent consideration of up to USD 500 thousand based on SI's performance during 2025; (b) acquiring the real property, for a total amount of USD 4.4 million, on which SI’s factory is built, [such factory being] owned by RSG Holdings LLC, a corporation incorporated under the laws of California and partly held by the Chairman

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL (Cont.)

of SI who is also a shareholder thereof (45%) as well as by two of the founders of SI who currently provide consulting services to SI as independent contractors (hereinafter: the “Real Estate Acquisition Agreement”), and (c) entering into employment/consulting agreements with the CEO of SI and a senior engineering service provider of SI, which become effective as of the closing date including customary terms for agreements of this type, all in accordance with the provisions of the agreements (hereinafter: the “Transaction”). The completion of the Transaction was subject to the fulfillment of several conditions precedent detailed in the Share Purchase Agreement, including, among others, the transfer of ownership of the real property in accordance with the Real Estate Acquisition Agreement, as well as the provision of notices and obtainment of required regulatory approvals in the United States and certain other third-party consents.

The financing of this acquisition is mostly by loan between the Company and its fully owned US subsidiary, as well as from the subsidiary’s own equity.

On October 1, 2025, the Transaction was completed following the fulfillment of all the conditions precedent as set forth in the Transaction agreement.

As stated, and accordingly, upon completion of the Transaction, the shares of SI were transferred to the Purchasing Company, and the consideration in the amount of USD 5.6 million was paid (net of net financial debt and transaction-related expenses in a total amount of USD 1.2 million). In addition, the total consideration in the amount of USD 4.4 million was paid for the completion of the Real Estate Acquisition Agreement.

In addition, upon completion of the Transaction, various employment/consulting agreements came into effect, as detailed above.

It should be noted that transaction costs in the amount of USD 501 thousand for the year ended December 31, 2025, are presented as part of other income (expenses), net, in the statement of profit or loss and other comprehensive income.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL (Cont.)

The fair value of the identifiable assets and liabilities of SI on the acquisition date:

	<u>Fair Value</u> <u>\$ thousands</u>
Cash	549
Working capital, net	1,841
Property, plant and equipment	171
Production files	1,169
Non-competition agreement	24
Deferred tax liability	(322)
Net identifiable assets	<u>3,432</u>
Goodwill arising on acquisition	<u>2,717</u>
Total purchase cost	<u><u>6,149</u></u>
<u>Acquisition cost</u>	
Cash paid	5,788
Payables for acquisition	<u>361</u>
Total purchase cost	<u><u>6,149</u></u>
<u>Cash outflow on the acquisition</u> *)	
Cash acquired with the acquiree at the acquisition date	(549)
Cash paid	<u>5,788</u>
Net cash	<u><u>5,239</u></u>

*) After the reporting date, in January 2026, an amount of USD 361 thousand was paid, reflecting the outstanding debt to the previous shareholders of the acquired company.

From the acquisition date, SI has deducted USD 164 thousand from the consolidated net profit and contributed USD 1,397 thousand to the consolidated revenue turnover.

According to the Share Purchase Agreement, the previous shareholders of SI would be entitled to additional consideration upon the fulfillment of certain conditions (hereinafter: the "contingent consideration", see Note 1C). However, as of the date of the completion of the Transaction, the likelihood of these conditions being met was very low, and therefore, the fair value of the contingent consideration, determined according to the DCF method, was estimated at zero.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2: - ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. Basis of presentation of the financial statements

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

The Group's financial statements have been prepared on a cost basis, except for: financial assets and liabilities which are presented at fair value through profit or loss, provisions, employee benefit assets and liabilities and investment in equity accounted investee.

The Group has elected to present the profit or loss items using the function of expense method. The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 26, 2026.

B. Functional currency and presentation currency

The functional currency of the Group is the USD and it represents the primary economic environment in which the Group operates. The presentation currency of the financial statements is the USD.

C. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. The Group periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw materials - at cost of purchase on the basis of weighted average

Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs

Purchased merchandise and products - at cost of purchase on the basis of weighted average

D. Property, plant and equipment

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the assets, as follows:

	%	
Buildings (except land component)	2-15	(mainly 2%)
Land under finance lease	1.5	
Machinery and equipment	15-33	(mainly 15%)
Motor vehicles	15	
Office equipment	7-33	(mainly 7%)
Computers	20-33	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - ACCOUNTING POLICIES (Cont.)

E. Intangible assets

Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, as follows:

Production files	10 years
Non-competition agreement	2 years

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is impairment.

F. Revenue

The Group applies International Financial Reporting Standard 15 (“IFRS 15” or “the standard”) which provides guidance on revenue recognition. According to IFRS 15, the Group recognizes revenue from goods with no alternative use over time.

The standard describes a five step model for recognizing revenue from contracts with customers:

- (1) Identifying the contract with the customer.
- (2) Identifying distinct performance obligations in the contract.
- (3) Determining the transaction price.
- (4) Allocating the transaction price to distinct performance obligations.
- (5) Recognizing revenue when the performance obligations are satisfied.

Identifying the contract

The Group accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
- (b) The Group can identify the rights of each party in relation to the goods that will be transferred;
- (c) The Group can identify the payment terms for the goods that will be transferred;
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity’s future cash flows are expected to change as a result of the contract); and
- (e) It is probable that the consideration, to which the Group is entitled to in exchange for the goods transferred to the customer, will be collected.

Identifying performance obligations

In accordance with the standard, the Group should identify distinct performance obligations in contract with customers. The Group is characterized by transactions with a single performance obligation in each contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - ACCOUNTING POLICIES (Cont.)***Determining the transaction price***

The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for the goods promised to the customer.

Satisfaction of performance obligations

Revenue is recognized when the Group satisfies a performance obligation by transferring control over promised goods to the customer.

The Group's revenue is generated from the sale of goods manufactured according to customer specifications and based mainly on NCNR terms (non-cancelable and non-refundable). The Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Customer-specific goods cannot be sold to any other customer and therefore have no alternative use.

Contract asset

A contract asset is recognized when the Group may recognize revenue but still has a contractual obligation to perform, such as delivery, before it can receive consideration for goods sold to the customer.

Contract assets are classified as receivables when the rights in their respect become unconditional. In the following year, as the contractual obligation is completed, contract assets are classified as trade accounts receivable.

G. 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".

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 subject to disclosure.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - CASH AND CASH EQUIVALENTS**

	December 31,	
	2025	2024
	<u>\$ thousands</u>	<u>\$ thousands</u>
Cash for immediate withdrawal	6,031	22,317
Cash equivalents - short-term deposits	24,284	831
	<u>30,315</u>	<u>23,148</u>

The Group's exposure to currency risk and sensitivity analysis concerning cash and cash equivalents is disclosed in Note 12 on financial instruments.

NOTE 4: - SHORT-TERM DEPOSITS

	December 31,	
	2025	2024
	<u>\$ thousands</u>	<u>\$ thousands</u>
Bank deposits (*)	27,933	34,940

(*) Include short-term deposits, mainly in dollars, bearing interest at an average annual rate of approximately 5.5% (December 31, 2024: 5.8%).

The Group's exposure to currency risk concerning deposits is disclosed in Note 12 on financial instruments.

NOTE 5: - TRADE ACCOUNTS RECEIVABLE**A. Trade accounts receivable, net:**

	December 31,	
	2025	2024
	<u>\$ thousands</u>	<u>\$ thousands</u>
Trade receivables	7,875	7,925
Less provision for doubtful debts	-	-
Trade accounts receivable, net	<u>7,875</u>	<u>7,925</u>

The Company grants its customers interest-free credit for periods of 30 up to EOM+90 days. As at December 31, 2025, and 2024, there is no provision for expected credit losses as there are no amounts that are significantly past due.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: - TRADE ACCOUNTS RECEIVABLE (Cont.)

B. Following is information about the credit risk exposure of the Group's trade accounts receivable:

December 31, 2025:

	Not past due	Past due			Total	
		< 30 days	31-60 days	61-90 days		> 90 days
\$ thousands						
Gross carrying amount	5,316	1,918	501	130	10	7,875
Allowance for ECLs	-	-	-	-	-	-

December 31, 2024:

	Not past due	Past due			Total	
		< 30 days	31-60 days	61-90 days		> 90 days
\$ thousands						
Gross carrying amount	6,897	745	235	43	5	7,925
Allowance for ECLs	-	-	-	-	-	-

NOTE 6: - OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2025	2024
	\$ thousands	\$ thousands
Contract assets	793	665
Government institutions	71	88
Current tax assets	47	-
Prepaid expenses	357	373
Other receivables	266	901
	<u>1,534</u>	<u>2,027</u>

The Group's exposure to currency risk concerning other accounts receivable is disclosed in Note 12 on financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - INVENTORY

	December 31,	
	2025	2024
	<u>\$ thousands</u>	<u>\$ thousands</u>
Raw and packing material	3,996	2,590
Work-in-process	547	635
Finished products	796	697
	<u>5,339</u>	<u>3,922</u>

NOTE 8: - INVESTMENTS IN INVESTEEES AND OTHERA. Details of the subsidiaries, their activities and the Company's interest therein as at December 31, 2025:1. **Payton America Inc. (hereinafter "Payton America"):**

Payton America, a fully owned U.S. subsidiary, located in Florida, manufactures and sells Planar transformers and inductors.

2. **Himag Planar Magnetics Ltd. (hereinafter "Himag Planar"):**

Himag Planar, a fully owned UK subsidiary, incorporated for the purpose of the business activity acquisition of Himag Solutions Ltd. The investment in Himag Planar constitutes capital notes in USD which do not bear any interest.

3. **SI Manufacturing, Inc. (hereinafter "SI"):**

On October 1, 2025, Payton America acquired 100% of the issued and paid-up share capital of SI, a corporation located in California, USA. SI manufactures and sells electronic coils, assembling power supplies and custom magnetic components. See Note 1C.

B. Investment in Equity Accounted Investee

In October 2018 the Company acquired 20% of the rights in a Hong-Kong holding company - PCT Industries Limited (hereinafter - "PCT"), holding a fully owned manufacturing subsidiary in Dongguan, China, engaging in manufacturing and assembly, which currently serves as one of the Company's major manufacturing partners.

During 2025 PCT decided to pay the shareholders a dividend at the amount of USD 771 thousand, of which the Company received an amount of USD 154 thousand.

During 2024 PCT decided to pay the shareholders a dividend at the amount of USD 383 thousand, of which the Company received an amount of USD 77 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 8: - INVESTMENTS IN INVESTEES AND OTHER (Cont.)****C. Other Investment**

In September 2022, the Group acquired shares and options of CaPow Technologies Ltd. (hereinafter: "CaPow"), an Israeli startup in the field of wireless charging solutions, for a consideration of USD 900 thousand.

In May 2024, the Company exercised its warrants to purchase additional 4,489 shares of CaPow, and keep its holding share, against payment of USD 333 thousand.

In September 2024, the Company participated in a second fundraising round with an additional investment of USD 1,500 thousand.

The Company holds about 7% of the shares of CaPow and following the additional investment, the Company was granted representation on CaPow's Board of Directors.

The investment is measured at fair value designated to profit or loss.

NOTE 9: - PROPERTY, PLANT AND EQUIPMENT**A. Composition and movement****Year 2025:**

	Machinery and equipment	Motor vehicles	Computers and Office equipment	Land and Buildings	Total
	\$ thousands				
<u>Cost</u>					
Balance as of January 1, 2025	4,632	725	2,474	12,140	19,971
Acquisitions	259	30	408	*4,403	5,100
Initially consolidated company	149	-	22	-	171
Disposals	-	-	(21)	-	(21)
Balance as of December 31, 2025	5,040	755	2,883	16,543	25,221
<u>Accumulated depreciation</u>					
Balance as of January 1, 2025	3,835	303	1,636	4,586	10,360
Depreciation for the year	255	102	264	269	890
Disposals	-	-	(21)	-	(21)
Balance as of December 31, 2025	4,090	405	1,879	4,855	11,229
Carrying amounts as of December 31, 2025	950	350	1,004	11,688	13,992

* Includes the acquisition of the real estate property, on which SI's factory is built, at an aggregate cost of USD 4.4 million for the land and building (see Note 1C).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: - PROPERTY, PLANT AND EQUIPMENT (Cont.)

Year 2024:

	Machinery and equipment	Motor vehicles	Computers and Office equipment	Land and Buildings	Total
	\$ thousands				
<u>Cost</u>					
Balance as of January 1, 2024	4,507	713	2,102	12,140	19,462
Acquisitions	132	65	372	-	569
Disposals	(7)	(53)	-	-	(60)
Balance as of December 31, 2024	<u>4,632</u>	<u>725</u>	<u>2,474</u>	<u>12,140</u>	<u>19,971</u>
<u>Accumulated depreciation</u>					
Balance as of January 1, 2024	3,599	234	1,482	4,317	9,632
Depreciation for the year	240	105	154	269	768
Disposals	(4)	(36)	-	-	(40)
Balance as of December 31, 2024	<u>3,835</u>	<u>303</u>	<u>1,636</u>	<u>4,586</u>	<u>10,360</u>
Carrying amounts as of December 31, 2024	<u><u>797</u></u>	<u><u>422</u></u>	<u><u>838</u></u>	<u><u>7,554</u></u>	<u><u>9,611</u></u>

B. Details on land rights used as property, plant and equipment by the Group

The land on which the Company's premises in Israel are built, had a carrying amount of USD 1,142 thousand as at December 31, 2025 (December 31, 2024: USD 1,163 thousand) and is leased from the Israel Lands Administration under a capital lease ending on June 30, 2032. The Company has the right to extend the lease period by another 49 years under certain circumstances.

C. Acquisition of property, plant and equipment on credit

As at December 31, 2025, the Group acquired property, plant and equipment on credit in the amount of USD 3 thousand (December 31, 2024: USD 108 thousand). As of the date of signing these financial statements, this amount has been paid.

D. Additional information

The Group has assets that have been fully depreciated and are still in use. As at December 31, 2025 the original cost of such assets was USD 5,240 thousand (December 31, 2024: USD 4,968 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: - INTANGIBLE ASSETS

Year 2025:

	<u>Production files</u>	<u>Non- competition agreement</u>	<u>Goodwill</u>	<u>Total</u>
	<u>\$ thousands</u>			
<u>Cost</u>				
Balance as of January 1, 2025	-	-	22	22
Initially consolidated company	<u>1,169</u>	<u>24</u>	<u>2,717</u>	<u>3,910</u>
Balance as of December 31, 2025	<u>1,169</u>	<u>24</u>	<u>2,739</u>	<u>3,932</u>
<u>Accumulated amortization and impairment</u>				
Balance as of January 1, 2025	-	-	-	-
Amortization for the year	<u>29</u>	<u>2</u>	<u>-</u>	<u>31</u>
Balance as of December 31, 2025	<u>29</u>	<u>2</u>	<u>-</u>	<u>31</u>
Carrying amounts as of December 31, 2025	<u>1,140</u>	<u>22</u>	<u>2,739</u>	<u>3,901</u>

NOTE 11: - OTHER PAYABLES

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Employees and related benefits	1,059	873
Short-term employee benefits	1,075	880
Government institutions	68	49
Payables for acquisition of investment in subsidiary	361	-
Other payables and accrued expenses (*)	<u>1,354</u>	<u>1,208</u>
	<u>3,917</u>	<u>3,010</u>

(*) See Note 18A - balances with related parties

The Group's exposure to currency and liquidity risks concerning other payables is disclosed in Note 12 on financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: - FINANCIAL INSTRUMENTS**A. Fair value**

Management believes that the carrying amount of cash and cash equivalents, short-term deposits, trade accounts receivable, other accounts receivable, trade payables and other payables approximate their fair value.

Financial assets presented in the Statement of Financial Position at fair value are measured according to inputs that are not based on observable market data (Level 3).

B. Financial risk management objectives and policies:

The Group's principal financial assets include cash and cash equivalents, short-term deposits and receivables that derive directly from its operations. The Group's principal financial liabilities are comprised payables.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors defines principles for overall risk management, as well as the specific policy for certain risk exposures and also the use of financial instruments and excess liquidity investments. The Group's risk management framework focuses on actions to minimize possible negative effects on the Group's financial performance.

1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk.

The Group's normal course of business is being managed in U.S. dollar, thus, most of the market risks are hedged.

The Group uses, from time to time, derivatives as a tool for hedging, in order to neutralize fluctuations in profit or loss.

2. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates.

Since most of the Group's sales are in U.S. dollar, the Group's gross profit is exposed to the changes in exchange rates of the U.S. dollar in relation to the NIS and GBP, with regards to local labor costs and other operating costs, and in relation to the Chinese currency, with regards to costs of raw materials. The Group uses derivatives, from time to time, as a tool for economic hedging, especially in order to hedge labor costs and other costs paid in NIS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: - FINANCIAL INSTRUMENTS (Cont.)

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	December 31, 2025					
	Dollar	NIS	Euro	GBP	Other	Total
	\$ thousands					
Current financial assets:						
Cash and cash equivalents	29,224	132	198	761	-	30,315
Deposits	27,933	-	-	-	-	27,933
Trade and other receivables	7,745	95	280	548	-	8,668
Current financial liabilities:						
Trade payables	(1,878)	(493)	(63)	(87)	-	(2,521)
Other payables	(1,061)	(241)	(52)	-	-	(1,354)
	61,963	(507)	363	1,222	-	63,041
	December 31, 2024					
	Dollar	NIS	Euro	GBP	Other	Total
	\$ thousands					
Current financial assets:						
Cash and cash equivalents	21,291	1,030	206	589	32	23,148
Deposits	34,109	831	-	-	-	34,940
Trade and other receivables	7,816	229	99	448	-	8,592
Current financial liabilities:						
Trade payables	(685)	(486)	(11)	(79)	-	(1,261)
Other payables	(961)	(217)	(30)	-	-	(1,208)
	61,570	1,387	264	958	32	64,211

Information regarding significant exchange rates:

	1 US Dollar					
	December 31	Rate of change	December 31	Rate of change	December 31	Rate of change
	NIS	%	Euro	%	GBP	%
2025	3.190	(12.53)	0.852	(11.34)	0.744	(6.65)
2024	3.647	0.55	0.961	6.31	0.797	1.53

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: - FINANCIAL INSTRUMENTS (Cont.)Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity test to a reasonably possible change in NIS, Euro and GBP exchange rates, with all other variables held constant. The impact on the Group's income before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is immaterial.

	Profit or loss	
	December 31,	
	2025	2024
	\$ thousands	\$ thousands
Increase in the exchange rate of:		
5% in the NIS	(25)	69
5% in the Euro	18	13
5% in the GBP	61	48

A strengthening of the USD against the above currencies as at December 31 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

3. Credit risk

Credit risk is the risk that counterparty will not meet its obligations as a customer or under a financial instrument leading to a loss for the Group. The Group is exposed to credit risk from its operating activity (primarily trade accounts receivable) and from its financing activity, including deposits with banks.

The Group's revenues are derived from sales to customers in Israel, Asia, Europe, America and other countries around the world. The Company's Management regularly monitors the customers' balances and includes specific provisions for doubtful debts in the financial statements that adequately reflect, in the opinion of management, the loss inherent in debts the collection of which is doubtful. The Group has credit risk insurance for most of its Israeli and other customers, whose yearly activity exceeds USD 5 thousand and USD 10 thousand, respectively.

The Group's cash surpluses are invested in banks. The Group has a surplus cash investment policy for the purpose of reducing risk or maintaining liquidity. This policy is reviewed and updated from time to time according to market changes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: - FINANCIAL INSTRUMENTS (Cont.)

4. Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities based on the actual rates at the reporting date:

	December 31, 2025	
	6 months or less	Total
	\$ thousands	\$ thousands
Trade payables	2,521	2,521
Other payables	1,354	1,354
	3,875	3,875
	December 31, 2024	
	6 months or less	Total
	\$ thousands	\$ thousands
Trade payables	1,261	1,261
Other payables	1,208	1,208
	2,469	2,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 13: - EMPLOYEE BENEFIT ASSETS AND LIABILITIES****Post-employment benefits**

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 of the Severance Pay Law, as specified below. The Group's liability is accounted for as a post-employment benefit. The computation of the Group's employee benefit liability is made according to the current employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

A. Defined contribution plans

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for benefits represent defined contribution plans.

	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Expenses in respect of defined contribution plans	595	506

B. Defined benefit plans

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in severance pay funds and in qualifying insurance policies. The net liability for the defined benefit plan is presented under non-current liabilities.

Risks associated with the Group's liability for defined benefit obligations refer to deviations in salary increases, deviations in assets performances from the expectation, as well as changes in the interest rate environment.

For sensitivity analyses, reflecting the effect of changes in salary increase assumptions and interest rate, see 4 hereinafter.

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Present value of defined benefit obligation *)	2,558	2,329
Fair value of plan assets	2,021	1,856
Net recognized liability for defined benefit obligations	537	473

*) Including benefits in respect of adaption grants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: - EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)1. Changes in the defined benefit obligation

	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Defined benefit obligations as at January 1	2,329	2,008
<u>Expenses recognized in profit or loss:</u>		
Current service costs	70	179
Past service cost	34	3
Interest costs	96	85
<u>Loss (gain) from remeasurement in other comprehensive income:</u>		
Actuarial loss arising from changes in financial assumptions	20	-
Return on plan assets (excluding amounts included in net interest expenses)	89	42
Other actuarial loss (gain)	(68)	23
Changes in respect of foreign exchange differences	(66)	3
<u>Other adjustments:</u>		
Benefits paid	(338)	(3)
Changes in respect of foreign exchange differences	392	(11)
	<u>2,558</u>	<u>2,329</u>
Defined benefit obligation as at December 31	<u>2,558</u>	<u>2,329</u>

2. Changes in the fair value of plan assets

Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies.

	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Fair value of plan assets as at January 1	1,856	1,627
<u>Income recognized in profit or loss:</u>		
Interest income	46	40
<u>Gain (loss) from remeasurement in other comprehensive income:</u>		
Return on plan assets (excluding amounts included in net interest expenses)	120	117
Other actuarial loss	(2)	-
Changes in respect of foreign exchange differences	9	1
<u>Other adjustments:</u>		
Contributions by employer	75	78
Benefits paid	(332)	-
Changes in respect of foreign exchange differences	249	(7)
	<u>2,021</u>	<u>1,856</u>
Fair value of plan assets as at December 31	<u>2,021</u>	<u>1,856</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: - EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)3. The principal assumptions underlying the defined benefit plan

	<u>2025</u>	<u>2024</u>
	<u>%</u>	<u>%</u>
Discount rate (*)	2.79	3.12
Expected rate of salary increase	3	3

(*) The discount rate is the yield at the reporting date on high quality NIS-denominated corporate debentures that have maturity dates approximating the terms of the Group's obligations.

Assumptions regarding future mortality are based on published statistics and mortality tables.

4. Sensitivity analysis

Below are reasonably possible changes at the end of the reporting period in each actuarial assumption assuming that all other actuarial assumptions are constant:

	<u>Change in defined benefit obligation</u>
	<u>\$ thousands</u>
<u>December 31, 2025:</u>	
<u>Sensitivity test for changes in the expected rate of salary increase</u>	
The change as a result of:	
Salary increase of 1%	74
Salary decrease of 1%	(37)
<u>Sensitivity test for changes in the discount rate of the plan assets and liability</u>	
The change as a result of:	
Increase of 1% in discount rate	(36)
Decrease of 1% in discount rate	68

5. Effects of the Group's defined benefit plan on its future expected cash flows

The expected contributions to the plan in 2026 are USD 82 thousand.

The average weighted life of the plan as of December 31, 2025 is 7.88 years (as of December 31, 2024: 7.60 years).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: - TAXES ON INCOME**A. Tax laws applicable to the Group's companies****1. The Dollar regulations**

The Company, being a "foreign investment company", elected to be taxed as from the year 2009, based upon its results in dollars and according to applicable income tax regulations (hereinafter - "the Dollar regulations").

2. Tax benefits under the Law for the Encouragement of Capital Investments - 1959 ("the Investment Law")

The Company is subject to the Law for the Encouragement of Capital Investments - 1959 which was amended last in 2010 (hereinafter - "the Amendment to the Law"). The Amendment to the Law provisions applies to preferred income derived or accrued in 2011 and thereafter by a preferred company, per the definition of these terms in the Amendment to the Law.

The Amendment provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time. In addition, a preferred enterprise track was introduced, which mainly provides a uniform and reduced tax rate for all the company's income entitled to benefits. On August 5, 2013 the Knesset passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) - 2013, which raised the tax rates on preferred income as from the 2014 tax year as follows: 9% for Development Area A and 16% for the rest of the country. As stated in Note 1, the Company's factory is not located in Development Area A, and therefore the Company's tax rate on preferred income is 16%.

The Amendment to the Law also provides that no tax will apply to a dividend distributed out of preferred income to a shareholder that is a company, for both the distributing company and the shareholder. A tax rate of 20% shall apply to a dividend distributed out of preferred income to an individual shareholder or foreign resident, subject to double taxation prevention treaties.

The Company complies with the conditions provided in the amendment to the Law for the Encouragement of Capital Investments for inclusion in the scope of the tax benefits track.

3. Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969

The Company currently qualifies as an "Industrial Company" as defined in the Law for the Encouragement of Industry (Taxes) - 1969 and accordingly it is entitled to benefits, of which the most significant one is higher rates of depreciation than those prescribed in the Israeli tax ordinance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: - TAXES ON INCOME (Cont.)**B. Tax rates applicable to the Group**

1. The Israeli corporate income tax rate was 23% in 2025 and 2024.

Current taxes for the reported periods and deferred tax balances as at December 31, 2025 and 2024 are calculated according to the tax rate presented above. See also Note 14A(2) above.

2. The principal tax rates applicable to the subsidiaries whose place of incorporation is abroad are:
 - A. A company incorporated in the U.S. - Payton America is subject to the tax rate of its country of domicile. The primary tax rates applicable to the subsidiary are 21% Federal Tax and 5.5% State Tax.
 - B. A company incorporated in the U.S. - SI is subject to the tax rate of its country of domicile. The primary tax rates applicable to the subsidiary are 21% Federal Tax and 8.8% State Tax.
 - C. A company incorporated in the UK - Himag Planar is subject to the tax rate of its country of domicile. The primary tax rate applicable to the subsidiary is between 19%-25%.

C. Final tax assessments

The Company has final tax assessments up to and including the 2020 tax year. With few exceptions the U.S. subsidiary is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: - TAXES ON INCOME (Cont.)**D. Deferred tax assets and liabilities**

Composition:

	<u>Statements of financial position</u>		<u>Statements of profit or loss</u>	
	<u>December 31,</u>		<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>			
<u>Deferred tax liabilities:</u>				
Property, plant and equipment	(1,073)	(1,091)	18	30
Intangible assets	(315)	-	7	-
Investment in investees	(152)	(153)	5	(54)
Others	-	(97)	97	149
	<u>(1,540)</u>	<u>(1,341)</u>		
<u>Deferred tax assets:</u>				
Carry-forward tax losses	70	-	70	-
Employee benefits	293	252	70	101
Others	24	-	24	-
	<u>387</u>	<u>252</u>		
Deferred tax income (expenses)			<u>291</u>	<u>226</u>
Deferred tax liabilities, net	<u>(1,153)</u>	<u>(1,089)</u>		

The deferred taxes are presented in the statement of financial position as follows:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Non-current assets	70	-
Non-current liabilities	(1,223)	(1,089)
	<u>(1,153)</u>	<u>(1,089)</u>

Deferred taxes in respect of companies in Israel are calculated according to the tax rate anticipated to be in effect on the date of reversal as stated above. Deferred taxes in respect of foreign subsidiaries are calculated according to the relevant tax rates.

As at December 31, 2025 a deferred tax liability in the amount of USD 897 thousand (2024: USD 920 thousand) for temporary differences in the amount of USD 3,898 thousand (2024: USD 4,000 thousand) related to investment in subsidiaries was not recognized because the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at December 31, 2025 deferred tax assets have not been recognized mainly for capital tax losses in the amount of USD 672 thousand (year ended December 31, 2024: USD 672 thousand), since currently their utilization in the foreseeable future is not probable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: - TAXES ON INCOME (Cont.)E. Taxes on income relating to items recorded in other comprehensive income

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Actuarial gain from defined benefit plans	(29)	(9)
Company's share of other comprehensive loss (income) of equity accounted investee	(4)	5
	<u>(33)</u>	<u>(4)</u>

F. Taxes on income included in profit or loss

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Current taxes	2,762	3,036
Deferred taxes (see also D above)	(291)	(226)
	<u>2,471</u>	<u>2,810</u>

G. Theoretical tax

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Profit before taxes on income	<u>13,545</u>	<u>16,121</u>
Statutory tax rate	<u>23%</u>	<u>23%</u>
Tax computed at the statutory tax rate	3,115	3,708
Increase (decrease) in taxes on income resulting from the following:		
Tax benefit arising from preferred income tax rates by virtue of the Encouragement Law	(831)	(867)
Non-deductible expenses and tax-exempt income, net	138	74
Tax saving in respect of foreign subsidiaries	(99)	(62)
Others	148	(43)
	<u>2,471</u>	<u>2,810</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 15: - COMMITMENTS**

- A. According to a Management Services Agreement signed between the Company and Wichita Ltd., a management company under the full control of Mr. David Yativ (approved by the Company's General meeting dated September 20, 2023), David Yativ will continue to provide management services as the Active Chairman of the Company for a period of 3 years, as of November 1, 2023. For providing these management services, Wichita Ltd. will be entitled to a monthly management fee of USD 64 thousand (linked to the Israeli consumer price index according to the base index known on April 15, 2023) and an annual bonus calculated as 3.4% of the Company's annual profit before taxes on income and before any other profit based bonus.
- B. According to a Management Services Agreement signed between the Company and Yaarh - Looking To The Future Ltd., a management company under the full control of Mr. Doron Yativ (approved by the Company's General meeting dated September 20, 2023), Doron Yativ will continue to provide management services as the Company's C.E.O., for a period of 3 years, as of November 1, 2023. For providing these management services, Yaarh - Looking To The Future Ltd. will be entitled to a monthly management fee of USD 34 thousand (linked to the Israeli consumer price index according to the base index known on April 15, 2023) which shall be raised by 3% in April each year, and an annual bonus calculated as 2% of the Company's annual profit before taxes on income and before any other profit based bonus.
- C. On March 7, 2024, the Company's remuneration committee and the Board of Directors, approved the Company's participation in the service fee of FIMI for the management services to be provided to Payton Group as part of the FIMI Transaction, for a period of 3 years, as of the Closing Date of the FIMI Transaction - April 21, 2024. The above resolutions were approved by the Company's shareholders' meeting, resolved on April 15, 2024. For providing these management services, FIMI will be entitled to a monthly management fee in the total amount of USD 13 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).

NOTE 16: - EQUITY**A. Share capital - Composition**

	Number of shares	
	Authorized	Issued and paid
	December 31, 2025 and 2024	
Ordinary shares of NIS 1 each	20,000,000	17,670,775

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to Company's residual assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 16: - EQUITY (Cont.)****B. Dividends**

The following dividends were paid by the Company:

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
USD 0.300 per ordinary share	5,301	-
USD 0.570 per ordinary share	-	10,072

C. Reserve from transaction with controlling shareholder

On April 21, 2024, upon the closing of the transaction resulting in the a change of control of the Parent Company (the FIMI transaction), the Parent Company 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 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).

The total fair value of the options granted to these employees on the date of grant amounted to USD 1,238 thousand. In accordance with IFRS 2, the Company records the share-based compensation in respect of these employees over the vesting period (4 years) with a corresponding credit to equity (reserve from transactions with controlling shareholder)

NOTE 17: - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS**A. Additional information on revenues**

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Export	46,046	49,487
Israel	1,779	1,339
	47,825	50,826

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)

Revenues from principal customers which each accounts for 10% or more of total revenues reported in the financial statements:

	Year ended December 31,	
	2025	2024
	%	%
Customer A	13	27
Customer B	16	15

Geographical information

Segment revenue based on the geographical location of customers:

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Israel	2,155	2,238
Europe	9,284	9,208
America	13,711	8,603
Asia	22,675	30,777
	47,825	50,826

B. Cost of sales

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Materials consumed*	17,539	21,312
Salaries and related benefits	6,439	5,618
Depreciation and amortization	489	462
Other manufacturing expenses	1,588	1,292
Change in inventory of finished products and work in process	405	25
	26,460	28,709

* Includes inventory write-off of USD 167 thousand and USD 83 thousand for the years ended December 31, 2025 and 2024, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)C. Selling and marketing expenses

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Salaries and related benefits*	1,065	1,068
Sales commissions	533	652
Advertising and marketing	79	82
Exhibits and travel abroad	387	314
Other	384	87
	<u>2,448</u>	<u>2,203</u>

* Includes expenses related to related parties in the amount of USD 575 thousand and USD 489 thousand for the years ended December 31, 2025 and 2024, respectively (see Note 18C).

D. General and administrative expenses

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Salaries and related benefits	1,668	1,517
Share-based compensation provided by controlling shareholder **	481	311
Maintenance and communications	658	479
Depreciation	432	306
Professional services	427	314
Management fees and related benefits to related parties (see note 17)	1,274	1,190
Other	784	586
	<u>5,724</u>	<u>4,703</u>

** Includes compensation to key management personnel and interested parties in the amount of USD 240 thousand and USD 155 thousand for the years ended December 31, 2025 and 2024, respectively (see Note 18C).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS (Cont.)E. Other income (expenses), net

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Capital gain on sale of property, plant and equipment, net	-	7
SI transaction costs (see note 1C)	(501)	-
	<u>(501)</u>	<u>7</u>

F. Finance income (expenses)

	Year ended December 31,	
	2025	2024
	\$ thousands	\$ thousands
Finance income		
Interest income from bank deposits and cash	2,183	2,209
Income from marketable securities, net	-	82
Net profit from change in exchange rates	326	112
Other	368	1
	<u>2,877</u>	<u>2,404</u>
Finance expenses		
Bank charges and others	35	32
Interest for delayed tax payments	-	32
	<u>35</u>	<u>64</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIESA. Balances with key management personnel and interested and related parties

December 31, 2025

	Equity accounted investee	The Parent Company	Key management personnel employed by the Group	Key management personnel not employed by the Group	Directors and interested parties not employed by the Group
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<u>Payables:</u>					
Short-term employment benefits	-	-	161	-	-
Post-employment benefits	-	-	126	-	-
Trade payables	880	-	-	-	-
Other payables	-	-	-	791	21

December 31, 2024

	Equity accounted investee	The Parent Company	Key management personnel employed by the Group	Key management personnel not employed by the Group	Directors and interested parties not employed by the Group
	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>	<u>\$ thousands</u>
<u>Payables:</u>					
Short-term employment benefits	-	-	151	-	-
Post-employment benefits	-	-	118	-	-
Trade payables	463	-	-	-	-
Other payables	-	-	-	772	16

B. Transactions with related parties

	<u>Equity accounted investee</u>	
	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Purchases	8,007	11,284
	<u>Other investment</u>	
	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>\$ thousands</u>	<u>\$ thousands</u>
Sales	101	82

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES
(Cont.)**C. Compensation to key management personnel and interested parties**For the year ended December 31, 2025

	Key management personnel employed by the Group	Key management personnel not employed by the Group (*)	Directors and interested parties not employed by the Group
	\$ thousands	\$ thousands	\$ thousands
Short-term employee benefits	553	-	-
Post-employment benefits	56	-	-
Share-based compensation	150	90	-
Other	-	1,867	81
	<u>759</u>	<u>1,957</u>	<u>81</u>
Total	<u>759</u>	<u>1,957</u>	<u>81</u>
Number of people	<u>5</u>	<u>3</u>	<u>5</u>

For the year ended December 31, 2024

	Key management personnel employed by the Group	Key management personnel not employed by the Group (*)	Directors and interested parties not employed by the Group
	\$ thousands	\$ thousands	\$ thousands
Short-term employee benefits	545	-	-
Post-employment benefits	245	-	-
Share-based compensation	97	58	-
Other	-	1,714	63
	<u>887</u>	<u>1,772</u>	<u>63</u>
Total	<u>887</u>	<u>1,772</u>	<u>63</u>
Number of people	<u>5</u>	<u>3</u>	<u>7</u>

(*) Management fees and related benefits to Wichita Ltd. (see Note 15A) and to Yaarrh-Looking To The Future Ltd. (see Note 15B) include an amount of USD 214 thousand (year ended December 31, 2024: USD 189 thousand) and an amount of USD 305 thousand (year ended December 31, 2024: USD 264 thousand), respectively, recorded as selling and marketing expenses.

In addition, management fees to FIMI (see Note 15C) include an amount of USD 56 thousand (year ended December 31, 2024: USD 36 thousand) recorded as selling and marketing expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 18: - BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES**
(Cont.)

Inter-company transactions between the Company and its two fully owned subsidiaries (Payton America Inc. and Himag Planar Magnetics Ltd.) include, inter alia, the following: engineering support, purchasing and subcontracting, marketing, financing, administrative and management services. All the inter-company transactions are being eliminated within these consolidated financial statements.

D. Commitments

Regarding agreements with related parties and shareholders - see Note 15A, 15B and 15C.

NOTE 19: - NET EARNINGS PER SHARE

Details of the number of shares and income used in the computation of net earnings per share:

	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Net profit attributable to equity holders of the Company (\$ thousands)	<u>11,074</u>	<u>13,311</u>
Weighted number of shares (*)	<u>17,671</u>	<u>17,671</u>
Basic and diluted earnings per ordinary share (in US\$)	<u>0.63</u>	<u>0.75</u>

(*) The Company has no dilutive instruments. Data relates to the computation of basic and dilutive earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: - OPERATING SEGMENTS

The Group has one operating segment, the transformer segment. The Group's chief operating decision maker (hereinafter: "CODM") makes decisions and allocates resources with respect to all the transformers as a whole.

Geographical information

Non-current assets (property, plant and equipment and intangible assets) are based on the geographical location of the assets:

	December 31,	
	2025	2024
	<u>\$ thousands</u>	<u>\$ thousands</u>
Israel	8,278	8,479
America	8,995	538
Europe	620	616
	<u>17,893</u>	<u>9,633</u>