



**Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
March 31, 2026 (Unaudited)**

Financial Statements as at March 31, 2026 (Unaudited)

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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 three months ended on March 31, 2026.

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

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

This Board of Directors' report has been prepared as an interim financial report and as such should be read in conjunction with the consolidated financial statements as at December 31, 2025, published on March 26, 2026 (hereinafter "the 2025 yearly Report").

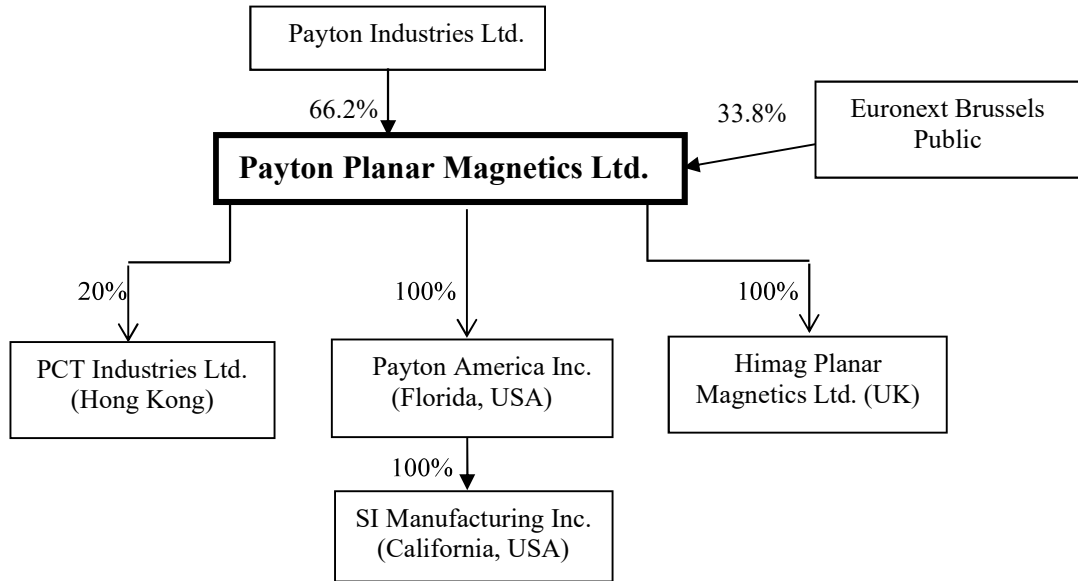
1. A concise description of the corporation and its business environment

A. The Group

The Group includes Payton Planar Magnetics Ltd. ("the Company"), its consolidated subsidiaries and its Investee. The Company holds three 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; (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; (3) 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.

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

¹ The financial statements as at March 31, 2026 form an integral part thereof.



B. The Group's main fields of activity and changes that occurred in the period from January to March 2026

The Company, an Israeli high-tech enterprise, develops, manufactures and markets planar and conventional transformers worldwide. The Company was founded in order to revolutionize the traditional approach to the design and manufacture of transformers through the concept of planar transformers. The Company completed its initial public offering in 1998 on the EuroNext Stock Exchange.

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

- In the first quarter of 2026 most of the global trends that characterized the prior year (2025) remained valid. Global economic slowdown, instability, and uncertainty continue to dominate the global business environment, alongside elevated raw-material prices and higher labor costs. 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 USD** against the NIS, the Euro, and the Pound Sterling. 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.
- **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 the USA continue their usual operations, 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 is 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 circumstances, the Group is currently unable to foresee and assess their future effects.

The Group continues to follow up and monitor 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. 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 three-month period ended March 31	For the year ended December 31	For the three-month period ended March 31
	2026	2025	2025
Customer A ¹	*	13.2%	14.5%
Customer B ²	13.6%	*	10.4%
Customer C ²	*	16.0%	18.4%

⁽¹⁾ Customer related to the Telecom/Datacenter industry. Project reached its End of Life.

⁽²⁾ Customer related to the Automotive industry.

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

D. Marketing

The Group's marketing activities are conducted through its marketing and sales personnel, a network of agents and subsidiaries in the United States and the United Kingdom. The Group also participates in leading electronic exhibitions focusing on serving key customers with routine visits and latest technology development updates.

During the first quarter of 2026, the Group participated in APEC, San Antonio USA (March 2026) and additional regional conferences.

E. Order Backlog

Order backlog of the Group as of March 31, 2026, was USD 19,335 thousand (December 31, 2025 - USD 17,401 thousand). The backlog is composed of the firm orders of the Company and its three fully owned subsidiaries. Management estimates that most of the backlog as of March 31, 2026, will be supplied within the next three quarters by December 31, 2026.

2. **Financial position**

A. **Statement of Financial Position as at March 31, 2026**

Cash and cash equivalents and Short-term Deposits - these items amounted to a total of USD 59,291 thousand as at March 31, 2026, compared to USD 58,248 thousand as at December 31, 2025 and USD 59,959 thousand as at March 31, 2025.

The Company's profitability in the first quarter of 2026 led to an increase in cash and cash equivalents compared with December 31, 2025.

The Group's management believes a solid financial position is an important factor in business operations.

Trade accounts receivable - these amounted to USD 7,724 thousand as at March 31, 2026, compared with USD 7,875 thousand as at December 31, 2025, and USD 9,012 thousand as at March 31, 2025. The decrease in accounts receivable in the first quarter of 2026, compared with the same quarter last year amounted to USD 1,288 thousand. As at March 31, 2025, there was a temporary increase in the payment terms of few customers as well as from balance increase arising from timing of revenue recognition.

Other accounts receivable - these amounted to USD 1,191 thousand as at March 31, 2026, compared with USD 1,534 thousand as at December 31, 2025, and USD 2,614 thousand as at March 31, 2025. Changes in this item result mainly from changes in "contract assets" according to IFRS 15 as well as from changes in advance payments made to suppliers. According to IFRS 15, the Company recognizes revenues over time (rather than upon delivery). Revenues recorded prior to delivery are recorded against "contract assets" and presented among "other accounts receivable". As at March 31, 2026, such contract assets amounted to approximately USD 0.5 million compared to USD 0.8 million as at December 31, 2025, and compared to USD 1.3 million as at March 31, 2025.

Inventory - amounted to USD 5,764 thousand as at March 31, 2026, compared with USD 5,339 thousand as at December 31, 2025, and USD 3,422 thousand as at March 31, 2025. The inventory increase, at the end of the first quarter of 2026, compared with March 31, 2025, mainly reflects the consolidation of a sub-subsidiary's ('SI') inventory.

Trade payables - amounted to USD 2,385 thousand as at March 31, 2026, compared with USD 2,521 thousand as at December 31, 2025, and USD 1,177 thousand as at March 31, 2025. The increase in this item as at March 31, 2026, compared with March 31, 2025, resulted mainly from a decrease in advance payment to a principal subcontractor.

B. Operating results

Statements of Income **US Dollars in thousands**

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

	For the three months ended		Year ended
	March 31		December 31
	2026	2025	2025
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues	10,650	11,645	47,825
Cost of sales	(6,394)	(6,440)	(26,460)
Gross profit	4,256	5,205	21,365
Development costs	(641)	(433)	(1,967)
Selling and marketing expenses	(692)	(516)	(2,448)
General and administrative expenses	(1,589)	(1,310)	(5,724)
Other income (expenses), net	8	-	(501)
Operating profit	1,342	2,946	10,725
Finance income	578	635	2,877
Finance expenses	(144)	(31)	(35)
Finance income, net	434	604	2,842
Share of loss of equity accounted investee	(35)	(11)	(22)
Profit before taxes on income	1,741	3,539	13,545
Taxes on income	(341)	(627)	(2,471)
Net profit	1,400	2,912	11,074
Other comprehensive income items that will not be transferred to profit and loss			
Remeasurement of defined benefit plan	-	-	123
Share of other comprehensive income of equity accounted investee	2	3	15
Total other comprehensive income, net of tax	2	3	138
Total comprehensive income	1,402	2,915	11,212
Earnings per share			
Basic and diluted earnings per share (in \$)	0.08	0.16	0.63

General Notes:

- 1) 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 of the local currencies leads to an increase in labor costs and other operating costs, thus, affects the operating results of the Company. It is noted that when comparing the first quarter of 2026 to the same quarter last year, the NIS appreciated against the USD by approximately 14% resulting in an increase of salaries and other operating costs as detailed above.

- 2) The acquisition of the sub-subsidiary's ('SI') shares and the Real Estate Purchase were both completed on October 1, 2025. As from that date, SI's results have been consolidated into the Group's financial statements. Accordingly, the comparison of the Group's results for the first quarter of 2026 with those of the corresponding quarter in the prior year is affected by the inclusion of SI's results.

Sales revenues - The Group's sales revenues for the three-month period ended March 31, 2026, amounted to USD 10,650 thousand, compared with USD 11,645 thousand in the three-month period ended March 31, 2025, reflecting a decrease of 9%. The decrease in sales is attributable to the global slowdown across the traditional industrial sectors, communications and consumer products, and specifically to a decrease in sales of two previously high-volume projects: one related to principal customer A, whose project reached its End of Life, and the second, related to principal customer C, due to a slowdown in demands for electric vehicles incorporating the Company's transformers (see also paragraph C - Principal Customers, above).

Gross profit - The Group's gross profit for the three-month period ended March 31, 2026 amounted to USD 4,256 thousand (40% of sales) compared with USD 5,205 thousand (45% of sales) in the three-month period ended March 31, 2025. Gross margin was affected by the decrease in sales volume, by SI's lower margins and was also influenced by 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 three months ended March 31, 2026, were USD 641 thousand compared with USD 433 thousand in the same period last year. The increase in these expenses was mainly attributable to the expansion of the engineering team driven from SI's consolidation, as well as from an increase in labor cost fixed in local currency due to its revaluation.

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 three-month period ended March 31, 2026, were USD 692 thousand (6.5%) and USD 516 thousand (4.4%) in the three-month period ended March 31, 2025. The increase in selling and marketing expenses was mainly driven by expansion of the technical marketing team and the consolidation of SI's marketing expenses accompanied by enhanced digital marketing, and increased participation in exhibitions and marketing travels.

General & Administrative expenses - The Group's General & Administrative expenses for the three-month period ended March 31, 2026, were USD 1,589 thousand and USD 1,310 thousand in the three-month period ended March 31, 2025. The increase in these expenses was attributable to various factors mainly: higher labor costs fixed in local currency translated into USD, an increase in legal and financial services, and the initial consolidation of SI's G&A expenses.

3. Liquidity

A. Operating activities

Cash flows generated from operating activities for the three-month period ended March 31, 2026, amounted to USD 1,208 thousand, compared with cash flows generated from operating activities of USD 2,203 thousand for the three-month period ended March 31, 2025. The decrease in cash flows from operating activities was generated mostly from the decrease in the net profit for the period, a decrease in trade accounts receivable balances, as well as from other non-cash adjustments and changes in assets and liabilities.

B. Investing activities

Cash flows generated from investing activities in the three-month period ended March 31, 2026, amounted to USD 6,887 thousand, compared with cash flows generated from investing activities at the amount of USD 1,912 thousand in the three-month period ended March 31, 2025. Cash flows from investing activities generated mainly from bank deposits proceeds.

4. Financing sources

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

5. Material events after the reporting period

On April 6, 2026, the Company announced that it had entered into advanced negotiations with its controlling shareholder, Payton Industries Ltd. (the "Parent"), regarding a proposed triangular cash merger transaction, pursuant to which a newly formed Israeli subsidiary of the Parent would merge with and into the Company, with the Company surviving as a wholly owned subsidiary of the Parent. Under the proposed transaction, the Company's shareholders, other than the Parent, would receive a cash consideration of EUR 7.38 per share. In view of the Parent's controlling interest, the Company's Board of Directors appointed a special independent committee composed solely of independent directors to negotiate the transaction on the Company's behalf. The up forward mentioned Committee retained separate independent legal counsel and independent financial advisors. As of the date hereof, the parties are negotiating on the basis of a draft merger agreement; however, no binding agreement has been reached, and the transaction has not yet been submitted for the approvals required under applicable law. Further details are set forth in the Company's press releases dated April 6, 2026, and April 23, 2026 (See: <https://www.paytongroup.com/press-releases>) which are incorporated herein by reference.

6. External factors effects

- Global business environment - see paragraph 1.B above.

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

7. Statement by senior management

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 condensed consolidated interim financial statements at March 31, 2026, are drawn up in accordance with IFRS and with IAS 34 “Interim Financial Reporting” as adopted by the European Union and present a true and fair view of the equity, financial situation and results of the company and the companies included in the consolidation perimeter.
- b) The report gives a true and fair view of the main events of the first three months of the current financial year 2026, their impact on the condensed consolidated financial statements, the main risk factors and uncertainties for the remaining months of the financial year, as well as the main transactions with related parties and their possible impact on the condensed consolidated financial statements should these transactions have or could have material consequences for the company’s financial position or results in the first three months of the current financial year 2026.

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

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

Ness Ziona, May 26, 2026.

David Yativ
Chairman of the Board
of Directors

Doron Yativ
Director and C.E.O.

PAYTON PLANAR MAGNETICS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2026

(UNAUDITED)

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AUDITORS' REVIEW REPORT
To the shareholders of
PAYTON PLANAR MAGNETICS LTD.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Payton Planar Magnetics LTD. and its subsidiaries ("the Company"), which comprise the condensed consolidated statement of financial position as of March 31, 2026, and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and the explanatory notes. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
May 26, 2026

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31 2026	March 31 2025	December 31 2025
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Current assets			
Cash and cash equivalents	38,413	27,240	30,315
Short-term deposits	20,878	32,719	27,933
Trade accounts receivable	7,724	9,012	7,875
Other accounts receivable	1,191	2,614	1,534
Inventory	5,764	3,422	5,339
Total current assets	73,970	75,007	72,996
Non-current assets			
Investment in equity accounted investee	1,356	1,538	1,388
Other investment	2,733	2,733	2,733
Property, plant and equipment	13,877	9,622	13,992
Intangible assets	3,871	22	3,901
Deferred taxes	69	-	70
Total non-current assets	21,906	13,915	22,084
Total assets	95,876	88,922	95,080

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31 2026 <u>(Unaudited)</u> <u>\$ thousands</u>	March 31 2025 <u>(Unaudited)</u> <u>\$ thousands</u>	December 31 2025 <u>(Audited)</u> <u>\$ thousands</u>
Liabilities and equity			
Current liabilities			
Trade payables	2,385	1,177	2,521
Other payables	3,603	3,068	3,917
Dividend payable	-	5,301	-
Current income tax liability	1,496	1,262	1,694
Total current liabilities	7,484	10,808	8,132
Non-current liabilities			
Employee benefits	531	472	537
Deferred tax liabilities	1,140	1,119	1,223
Total non-current liabilities	1,671	1,591	1,760
Total liabilities	9,155	12,399	9,892
Equity			
Share capital	4,836	4,836	4,836
Share premium	8,993	8,993	8,993
Reserve from transaction with controlling shareholder	923	424	792
Retained earnings	71,969	62,270	70,567
Total equity	86,721	76,523	85,188
Total liabilities and equity	95,876	88,922	95,080

David Yativ
Chairman of the Board of
Directors

Doron Yativ
Chief Executive Officer

Michal Lichtenstein
V.P. Finance & CFO

Date of approval of the financial statements: May 26, 2026

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended		Year ended
	March 31		December 31
	2026	2025	2025
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Revenues	10,650	11,645	47,825
Cost of sales	(6,394)	(6,440)	(26,460)
Gross profit	4,256	5,205	21,365
Development costs	(641)	(433)	(1,967)
Selling and marketing expenses	(692)	(516)	(2,448)
General and administrative expenses	(1,589)	(1,310)	(5,724)
Other income (expenses), net	8	-	(501)
Operating profit	1,342	2,946	10,725
Finance income	578	635	2,877
Finance expenses	(144)	(31)	(35)
Finance income, net	434	604	2,842
Share of loss of equity accounted investee	(35)	(11)	(22)
Profit before taxes on income	1,741	3,539	13,545
Taxes on income	(341)	(627)	(2,471)
Net profit	1,400	2,912	11,074
Other comprehensive income items that will not be transferred to profit and loss			
Remeasurement of defined benefit plan	-	-	123
Share of other comprehensive income of equity accounted investee	2	3	15
Total other comprehensive income, net of tax	2	3	138
Total comprehensive income	1,402	2,915	11,212
Earnings per share			
Basic and diluted earnings per share (in \$)	0.08	0.16	0.63

The accompanying notes are an integral part of these condensed consolidated interim 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				
For the three months ended March 31, 2026 (Unaudited)						
Balance at January 1, 2026	17,670,775	4,836	8,993	792	70,567	85,188
Net profit	-	-	-	-	1,400	1,400
Other comprehensive income	-	-	-	-	2	2
Total comprehensive income	-	-	-	-	1,402	1,402
Transactions with owners, recognized directly in equity						
Equity component of transaction with controlling shareholder	-	-	-	131	-	131
Balance at March 31, 2026	17,670,775	4,836	8,993	923	71,969	86,721
For the three months ended March 31, 2025 (Unaudited)						
Balance at January 1, 2025	17,670,775	4,836	8,993	311	64,656	78,796
Net profit	-	-	-	-	2,912	2,912
Other comprehensive income	-	-	-	-	3	3
Total comprehensive income	-	-	-	-	2,915	2,915
Transactions with owners, recognized directly in equity						
Dividend to owners	-	-	-	-	(5,301)	(5,301)
Equity component of transaction with controlling shareholder	-	-	-	113	-	113
Balance at March 31, 2025	17,670,775	4,836	8,993	424	62,270	76,523
For the year ended December 31, 2025 (Audited)						
Balance at January 1, 2025	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	17,670,775	4,836	8,993	792	70,567	85,188

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended		Year ended
	March 31		December 31
	2026	2025	2025
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
Operating activities			
Net Profit	1,400	2,912	11,074
Adjustments:			
Depreciation and amortization	308	216	921
Taxes on income	341	627	2,471
Share of loss of equity accounted investee	35	11	22
Gain on sale of property, plant and equipment, net	(8)	-	-
Share-based compensation provided by controlling shareholder	131	113	481
Finance income, net	(435)	(576)	(2,354)
	<u>1,772</u>	<u>3,303</u>	<u>12,615</u>
Decrease (increase) in trade accounts receivable	151	(1,087)	1,074
Decrease (increase) in other accounts receivable	317	(587)	550
Decrease (increase) in inventory	(425)	500	454
Increase (decrease) in trade payables	(145)	1	404
Increase (decrease) in other payables	(332)	58	443
Change in employee benefits	12	(1)	216
	<u>1,350</u>	<u>2,187</u>	<u>15,756</u>
Interest received	507	596	2,300
Interest paid	(53)	-	-
Income taxes paid, net	(596)	(580)	(2,359)
	<u>1,208</u>	<u>2,203</u>	<u>15,697</u>
Cash flows generated from operating activities			
Investing activities			
Proceeds from deposits, net	7,033	2,224	6,769
Dividend received from an equity accounted investee	-	-	154
Acquisition of initially consolidated subsidiary (a)	-	-	(5,239)
Acquisition of property, plant and equipment	(187)	(312)	(5,205)
Proceeds from sale of property, plant and equipment	41	-	-
	<u>6,887</u>	<u>1,912</u>	<u>(3,521)</u>
Cash flows generated from (used for) investing activities			
Financing activities			
Dividend paid	-	-	(5,301)
	<u>-</u>	<u>-</u>	<u>(5,301)</u>
Cash flows used for financing activities			
Net increase in cash and cash equivalents	8,095	4,115	6,875
Cash and cash equivalents at the beginning of the period	30,315	23,148	23,148
Effect of exchange rate fluctuations on cash and cash equivalents	3	(23)	292
Cash and cash equivalents at the end of the period	38,413	27,240	30,315

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

PAYTON PLANAR MAGNETICS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended		Year ended
	March 31		December 31
	2026	2025	2025
	(Unaudited)	(Unaudited)	(Audited)
	\$ thousands	\$ thousands	\$ thousands
(a) Acquisition of initially consolidated subsidiary:			
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
	-	-	(5,239)
Cash and cash equivalents at the end of the period	-	-	(5,239)

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1: - GENERAL

These financial statements have been prepared in a condensed format as of March 31, 2026, and for the three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2025, and for the year then ended and accompanying notes ("annual consolidated financial statements").

Reporting entity

Payton Planar Magnetics Ltd. ("the Company") was incorporated in Israel in December 1992. The address of the Company's registered office is 3 Ha'avoda Street, Ness-Ziona.

The Company is a subsidiary of Payton Industries Ltd. (the "Parent Company"). The securities of the Company are registered for trade on the Euronext stock exchange in Brussels.

The condensed consolidated interim financial statements of the Group as of March 31, 2026, 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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting".

The significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements.

NOTE 3: - DIVIDENDS

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.

The dividend per share was USD 0.30, and it was paid on June 9, 2025.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**NOTE 4: - EARNINGS PER SHARE****Basic and diluted earnings per share**

	For the three months ended		Year ended
	March 31		December 31
	2026	2025	2025
	\$ thousands	\$ thousands	\$ thousands
	(Unaudited)	(Unaudited)	(Audited)
Net Profit attributable to equity holders of the Company (\$ thousands)	<u>1,400</u>	<u>2,912</u>	<u>11,074</u>
Weighted number of shares (in thousands of shares) (*)	<u>17,671</u>	<u>17,671</u>	<u>17,671</u>
Basic and diluted earnings per ordinary share (in US\$)	<u>0.08</u>	<u>0.16</u>	<u>0.63</u>

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

NOTE 5: - OPERATING SEGMENTS

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

NOTE 6: - MATERIAL EVENTS AFTER THE REPORTING PERIOD

On April 6, 2026, the Company announced that it had entered into advanced negotiations with its controlling shareholder, Payton Industries Ltd. (the "Parent"), regarding a proposed triangular cash merger transaction, pursuant to which a newly formed Israeli subsidiary of the Parent would merge with and into the Company, with the Company surviving as a wholly owned subsidiary of the Parent. Under the proposed transaction, the Company's shareholders, other than the Parent, would receive a cash consideration of EUR 7.38 per share. In view of the Parent's controlling interest, the Company's Board of Directors appointed a special independent committee composed solely of independent directors to negotiate the transaction on the Company's behalf. As of the date hereof, the parties are negotiating on the basis of a draft merger agreement; however, no binding agreement has been reached, and the transaction has not yet been submitted for the approvals required under applicable law.