Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
June 30, 2026 (Unaudited)

Contents

The Board of Directors' Report[1] 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 six months ended on June 30, 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.*

References in this report to forward looking statements 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 Annual Report").

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

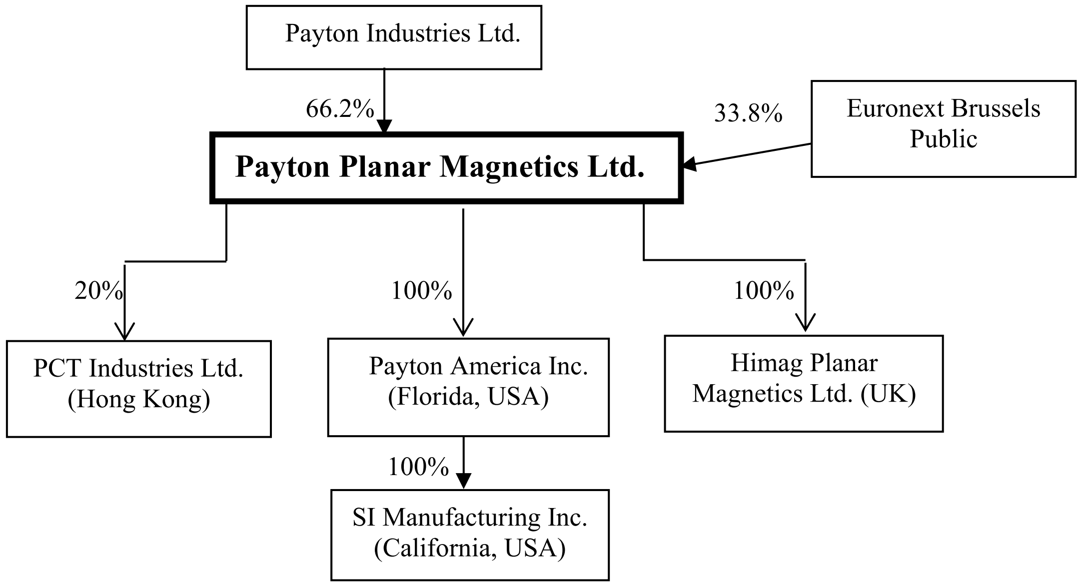
A. The Group

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 Gloucester, 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; and (3) SI Manufacturing Inc. ("SI"), in California, USA, which has been part of the Group since its acquisition on October 1, 2025, and whose principal business includes the production of 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 June 30, 2026 form an integral part thereof.



B. The Group's main fields of activity and changes that occurred in the period from January to June 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 six months of 2026, most of the global trends that characterized the prior year (2025) remained in effect. The global business environment continued to be marked by economic slowdown, instability and uncertainty, alongside elevated raw-material prices and higher labor costs. Nevertheless, during the second quarter of the year, the order backlog showed accelerated growth signs, providing a positive indication of future growth.
  In management’s assessment, these trends are expected to continue in the coming months.
- ***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 the uncertainty involved and the 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.

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.

On June 10, 2026, following market feedback and an increase in the share prices of both companies, the parties concluded that the proposed merger was unlikely to receive the required shareholder approval. Accordingly, the Company and the Parent have each decided to terminate the merger agreement negotiations and withdraw the proposed delisting. The companies will therefore remain separately listed, while preserving the option to reconsider a potential merger in the future.

Further details were set forth in the Company's press releases dated April 6, 2026, April 23, 2026 and June 10, 2026 (see: https://www.paytongroup.com/press-releases) which are incorporated herein by reference.

On July 5, 2026 - the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2025, in the amount of USD 5,036 thousand (USD 0.285 per share), paid in July 2026.

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 six-month period ended June 30	**For the year ended December 31**	**For the six-month period ended June 30**
	2026	**2025**	**2025**
Customer A[1]	*	13.2%	12.6%
Customer B[2]	10.8%	*	*
Customer C[2]	*	16.0%	17.6%

(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 half of 2026, the Group participated in APEC ,San Antonio - USA (March 2026), PCIM, Nuremberg - Germany (June 2026) and additional regional conferences.

Furthermore, the Company collaborates with leading semiconductor manufacturers worldwide, providing samples for reference designs that promote its products and support their adoption in advanced applications.

E. Order Backlog

Order backlog of the Group as of June 30, 2026, was USD 23,274 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 June 30, 2026, will be supplied within the next nine months by March 31, 2027.

2. Financial position

A. Statement of Financial Position as at June 30, 2026

Cash and cash equivalents and Short-term Deposits **-** these items amounted to a total of USD 59,885 thousand as at June 30, 2026 compared to USD 58,248 thousand as at December 31, 2025, and USD 58,049 thousand as at June 30, 2025.

The Company's profitability in the first half of 2026 enabled it to increase its cash position as at June 30, 2026, compared to December 31, 2025.

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

Trade accounts receivable **-** these amounted to USD 6,938 thousand as at June 30, 2026, compared with USD 7,875 thousand as at December 31, 2025, and USD 9,402 thousand as at June 30, 2025. The decrease in accounts receivable as of June 30, 2026, compared with the same date last year amounted to USD 2,464 thousand and was mainly attributable to the Company's lower sales volume in the period close to the reporting date.

Other accounts receivable **-** these amounted to USD 1,362 thousand as at June 30, 2026, compared with USD 1,534 thousand as at December 31, 2025 and USD 3,272 thousand as at June 30, 2025. Changes in this item result mainly from changes in "contract assets" in accordance with IFRS 15 as well as from changes in advance payments made to suppliers. In accordance with IFRS 15, the Company recognizes revenues over time (rather than upon delivery). Revenues recorded prior to delivery are recorded under "contract assets" and presented among "other accounts receivable".

As at June 30, 2026, such contract assets amounted to approximately USD 0.7 million compared to USD 0.8 million as at December 31, 2025, and compared to USD 1.5 million as at June 30, 2025.

Inventory **-** amounted to USD 6,433 thousand as at June 30, 2026, compared with USD 5,339 thousand as at December 31, 2025, and USD 3,064 thousand as at June 30, 2025. The inventory increase, at the end of the second quarter of 2026, compared with June 30, 2025, mainly reflects the consolidation of a sub-subsidiary's ('SI') inventory as well as an increase in raw materials as part of the Group's purchasing planning.

Trade payables **-** amounted to USD 2,487 thousand as at June 30, 2026, compared with USD 2,521 thousand as at December 31, 2025 and USD 1,189 thousand as at June 30, 2025. The increase in this item as at June 30, 2026, compared with June 30, 2025, was primarily attributable to lower advance payments to a principal subcontractor.

B. Operating results

Payton Planar Magnetics Ltd.
Consolidated Comprehensive Income Statements

	For the six months ended June 30		For the three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Revenues	**20,480**	23,009	**9,830**	11,364	47,825
Cost of sales	**(12,303)**	(12,759)	**(5,909)**	(6,319)	(26,460)
Gross profit	**8,177**	10,250	**3,921**	5,045	21,365
Development costs	**(1,287)**	(917)	**(646)**	(484)	(1,967)
Selling and marketing expenses	**(1,342)**	(1,140)	**(650)**	(624)	(2,448)
General and administrative expenses	**(3,456)**	(2,720)	**(1,867)**	(1,410)	(5,724)
Other income (expenses), net	**8**	-	**-**	-	(501)
Operating profit	**2,100**	5,473	**758**	2,527	10,725
Finance income	**1,109**	1,897	**538**	1,286	2,877
Finance expenses	**(171)**	(16)	**(34)**	(9)	(35)
Finance income, net	**938**	1,881	**504**	1,277	2,842
Share of profits (loss) of equity accounted investee	**(98)**	7	**(63)**	18	(22)
Profit before taxes on income	**2,940**	7,361	**1,199**	3,822	13,545
Taxes on income	**(683)**	(1,371)	**(342)**	(744)	(2,471)
Net profit	**2,257**	5,990	**857**	3,078	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	**3**	6	**1**	3	15
Total other comprehensive income, net of tax	**3**	6	**1**	3	138
Total comprehensive income	**2,260**	5,996	**858**	3,081	11,212
Earnings per share					
Basic and diluted earnings per share (in $)	**0.13**	0.34	**0.05**	0.17	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 six months of 2026 to the same period last year, the NIS appreciated against the USD by approximately 16% 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 six months of 2026 with those of the corresponding period in the previous year is affected from including SI's results.

***Sales revenues* -** The Group's sales revenues for the six-month period ended June 30, 2026, were USD 20,480 thousand compared with USD 23,009 thousand in the six-month period ended June 30, 2025, reflecting a decrease of 11%. 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 1.C - Principal Customers, above).
The Group continues to invest efforts in generating sales growth among other customers to offset the decline in sales to those whose business volumes have decreased.

***Gross profit* -** The Group's gross profit for the six-month period ended June 30, 2026 amounted to USD 8,177 thousand (40% of sales) compared with USD 10,250 thousand (45% of sales) in the six-month period ended June 30, 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 six months ended June 30, 2026 were USD 1,287 thousand compared with USD 917 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 costs fixed in local currency due to the strengthening of local currencies against the U.S. dollar

***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 six-month period ended June 30, 2026 were USD 1,342 thousand (6.6%) and USD 1,140 thousand (5.0%) in the six-month period ended June 30, 2025. The increase in selling and marketing expenses was mainly driven by expansion of the technical marketing team, the consolidation of SI's marketing team, higher local-currency labor costs, accompanied by increased participation in trade exhibitions and related travels.

General & Administrative expenses **-** The Group's General & Administrative expenses for the six-month period ended June 30, 2026 were USD 3,456 thousand, compared with USD 2,720 thousand for the corresponding period in 2025. The increase in these expenses was attributable to various factors mainly: to higher labor costs denominated in local currencies and translated into USD, increased employee engagement expenses, higher legal and related costs and the consolidation of SI's G&A expenses.

Finance income, net **-** The Group recorded net finance income of USD 938 thousand for the six-month period ended June 30, 2026, compared with USD 1,881 thousand for the corresponding period in 2025. The decrease was mainly attributable to foreign exchange differences and lower gains on derivative financial instruments.

3. Liquidity

A. Operating activities

Cash flows generated from operating activities for the six-month period ended June 30, 2026, amounted to USD 2,341 thousand, compared with cash flows generated from operating activities of USD 5,470 thousand for the six-month period ended June 30, 2025. The decrease in cash flows from operating activities was generated mostly from the decrease in the net profit for the period 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 six-month period ended June 30, 2026, amounted to USD 3,534 thousand, compared with cash flows generated from investing activities at the amount of USD 3,599 thousand in the six-month period ended June 30, 2025. Cash flows from investing activities were generated mainly from bank deposits proceeds.

C. Financing activities

There were no cash flows used for financing activities in the six-month period ended June 30, 2026. Cash flows used for financing activities in the six-month period ended June 30, 2025, amounted to USD 5,301 thousand, representing a dividend payment (announced on March 27, 2025) that was paid in June 2025.

4. Financing sources

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

5. Material events after the reporting period

On July 5, 2026, the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2025, in the amount of USD 5,036 thousand (USD 0.285 per share). This dividend was paid on July 20, 2026.

6. External factors

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 in accordance with article 13, § 2 (3°) of the Royal Decree per 14.11.2007

Pursuant to article 13 § 2(3°) of the Royal Decree of 14 November 2007, David Yativ, Chairman of the Board of Directors declares, on behalf of and for the account of Payton Planar Magnetics that, as far as is known to him,

a) The condensed consolidated interim financial statements at June 30, 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 six 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 six 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, August 18, 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 JUNE 30, 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 June 30, 2026, and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three months then ended and 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
August 18, 2026

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2026	June 30 2025	December 31 2025
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**36,197**	27,361	30,315
Short-term deposits	**23,688**	30,688	27,933
Trade accounts receivable	**6,938**	9,402	7,875
Other accounts receivable	**1,362**	3,272	1,534
Inventory	**6,433**	3,064	5,339
Total current assets	**74,618**	73,787	72,996
Non-current assets			
Investment in equity accounted investee	**1,294**	1,406	1,388
Other investment	**2,733**	2,733	2,733
Property, plant and equipment	**13,683**	9,502	13,992
Intangible assets	**3,840**	22	3,901
Deferred taxes	**18**	-	70
Total non-current assets	**21,568**	13,663	22,084
Total assets	**96,186**	87,450	95,080

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2026	June 30 2025	December 31 2025
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Liabilities and equity			
Current liabilities			
Trade payables	**2,487**	1,189	2,521
Other payables	**2,897**	3,444	3,917
Current income tax liability	**1,434**	1,480	1,694
Total current liabilities	**6,818**	6,113	8,132
Non-current liabilities			
Employee benefits	**579**	537	537
Deferred tax liabilities	**1,118**	1,081	1,223
Total non-current liabilities	**1,697**	1,618	1,760
Total liabilities	**8,515**	7,731	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	**1,015**	539	792
Retained earnings	**72,827**	65,351	70,567
Total equity	**87,671**	79,719	85,188
Total liabilities and equity	**96,186**	87,450	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: August 18, 2026

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended June 30		For the three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Revenues	**20,480**	23,009	**9,830**	11,364	47,825
Cost of sales	**(12,303)**	(12,759)	**(5,909)**	(6,319)	(26,460)
Gross profit	**8,177**	10,250	**3,921**	5,045	21,365
Development costs	**(1,287)**	(917)	**(646)**	(484)	(1,967)
Selling and marketing expenses	**(1,342)**	(1,140)	**(650)**	(624)	(2,448)
General and administrative expenses	**(3,456)**	(2,720)	**(1,867)**	(1,410)	(5,724)
Other income (expenses), net	**8**	-	**-**	-	(501)
Operating profit	**2,100**	5,473	**758**	2,527	10,725
Finance income	**1,109**	1,897	**538**	1,286	2,877
Finance expenses	**(171)**	(16)	**(34)**	(9)	(35)
Finance income, net	**938**	1,881	**504**	1,277	2,842
Share of profits (loss) of equity accounted investee	**(98)**	7	**(63)**	18	(22)
Profit before taxes on income	**2,940**	7,361	**1,199**	3,822	13,545
Taxes on income	**(683)**	(1,371)	**(342)**	(744)	(2,471)
Net profit	**2,257**	5,990	**857**	3,078	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	**3**	6	**1**	3	15
Total other comprehensive income, net of tax	**3**	6	**1**	3	138
Total comprehensive income	**2,260**	5,996	**858**	3,081	11,212
Earnings per share					
Basic and diluted earnings per share (in $)	**0.13**	0.34	**0.05**	0.17	0.63

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital			Reserve from transactions with controlling shareholder		
	Number of shares	$ thousands	Share premium $ thousands	$ thousands	Retained earnings $ thousands	Total $ thousands
For the six months ended June 30, 2026 (Unaudited)						
Balance at January 1, 2026	**17,670,775**	**4,836**	**8,993**	**792**	**70,567**	**85,188**
Net profit	**-**	**-**	**-**	**-**	**2,257**	**2,257**
Other comprehensive income	**-**	**-**	**-**	**-**	**3**	**3**
Total comprehensive income	**-**	**-**	**-**	**-**	**2,260**	**2,260**
Transactions with owners, recognized directly in equity						
Equity component of transaction with controlling shareholder	-	-	-	**223**	**-**	**223**
Balance at June 30, 2026	**17,670,775**	**4,836**	**8,993**	**1,015**	**72,827**	**87,671**
For the six months ended June 30, 2025 (Unaudited)						
Balance at January 1, 2025	17,670,775	4,836	8,993	311	64,656	78,796
Net profit	-	-	-	-	5,990	5,990
Other comprehensive income	-	-	-	-	6	6
Total comprehensive income	-	-	-	-	5,996	5,996
Transactions with owners, recognized directly in equity						
Dividend to owners	-	-	-	-	(5,301)	(5,301)
Equity component of transaction with controlling shareholder	-	-	-	228	-	228
Balance at June 30, 2025	17,670,775	4,836	8,993	539	65,351	79,719

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Share premium	Reserve from transactions with controlling shareholder	Retained earnings	Total
	Number of shares	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
For the three months ended June 30, 2026 (Unaudited)						
Balance at April 1, 2026	**17,670,775**	**4,836**	**8,993**	**923**	**71,969**	**86,721**
Net profit	**-**	**-**	**-**	**-**	**857**	**857**
Other comprehensive income	**-**	**-**	**-**	**-**	**1**	**1**
Total comprehensive income	**-**	**-**	**-**	**-**	**858**	**858**
Transactions with owners, recognized directly in equity						
Equity component of transaction with controlling shareholder	-	-	-	**92**	**-**	**92**
Balance at June 30, 2026	**17,670,775**	**4,836**	**8,993**	**1,015**	**72,827**	**87,671**
For the three months ended June 30, 2025 (Unaudited)						
Balance at April 1, 2025	17,670,775	4,836	8,993	424	62,270	76,523
Net profit	-	-	-	-	3,078	3,078
Other comprehensive income	-	-	-	-	3	3
Total comprehensive income	-	-	-	-	3,081	3,081
Transactions with owners, recognized directly in equity						
Equity component of transaction with controlling shareholder	-	-	-	115	-	115
Balance at June 30, 2025	17,670,775	4,836	8,993	539	65,351	79,719

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Share premium	Reserve from transactions with controlling shareholder	Retained earnings	Total
	Number of shares	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
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.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended June 30		For the three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Operating activities					
Net Profit	**2,257**	5,990	**857**	3,078	11,074
Adjustments:					
Depreciation and amortization	**607**	429	**299**	213	921
Taxes on income	**683**	1,371	**342**	744	2,471
Share of loss (profits) of equity accounted investee	**98**	(7)	**63**	(18)	22
Gain on sale of property, plant and equipment, net	**(8)**	-	**-**	-	-
Share-based compensation provided by controlling shareholder	**223**	228	**92**	115	481
Finance income, net	**(910)**	(1,591)	**(475)**	(1,015)	(2,354)
	2,950	6,420	**1,178**	3,117	12,615
Decrease (increase) in trade accounts receivable	**937**	(1,477)	**786**	(390)	1,074
Decrease (increase) in other accounts receivable	**150**	(1,214)	**(167)**	(627)	550
Decrease (increase) in inventory	**(1,094)**	858	**(669)**	358	454
Increase (decrease) in trade payables	**(44)**	15	**101**	14	404
Increase (decrease) in other payables	**(1,039)**	434	**(707)**	376	443
Change in employee benefits	**61**	64	**49**	65	216
	1,921	5,100	**571**	2,913	15,756
Interest received	**1,465**	1,546	**958**	950	2,300
Interest paid	**(70)**	-	**(17)**	-	-
Income taxes paid, net	**(975)**	(1,176)	**(379)**	(596)	(2,359)
Cash flows generated from operating activities	**2,341**	5,470	**1,133**	3,267	15,697
Investing activities					
Proceeds from (investments in) deposits, net	**3,753**	3,852	**(3,280)**	1,628	6,769
Dividend received from an equity accounted investee	**-**	154	**-**	154	154
Acquisition of initially consolidated subsidiary (a)	**-**	-	**-**	-	(5,239)
Acquisition of property, plant and equipment	**(260)**	(407)	**(73)**	(95)	(5,205)
Proceeds from sale of property, plant and equipment	**41**	-	**-**	-	-
Cash flows generated from (used for) investing activities	**3,534**	3,599	**(3,353)**	1,687	(3,521)
Financing activities					
Dividend paid	**-**	(5,301)	**-**	(5,301)	(5,301)
Cash flows used for financing activities	**-**	(5,301)	**-**	(5,301)	(5,301)
Net increase (decrease) in cash and cash equivalents	**5,875**	3,768	**(2,220)**	(347)	6,875
Cash and cash equivalents at the beginning of the period	**30,315**	23,148	**38,413**	27,240	23,148
Effect of exchange rate fluctuations on cash and cash equivalents	**7**	445	**4**	468	292
Cash and cash equivalents at the end of the period	**36,197**	27,361	**36,197**	27,361	30,315

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended June 30		For the three months ended June 30		Year ended December 31
	2026	2025	2026	2025	2025
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ 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)

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 June 30, 2026, and for the six and 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").

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"). The securities of the Company are registered for trading on the Euronext stock exchange in Brussels.

The condensed consolidated interim financial statements of the Group as of June 30, 2026, comprise the Company and its subsidiaries (together referred to as the “Group”).

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

B. Material events in 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.
On June 10, 2026, the Company and the Parent have each decided to terminate the negotiations for a merger agreement and to withdraw the proposal to delist the Company and combine it with the Parent.

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.

See also Note 6 - Events after the Reporting Date.

NOTE 4: - EARNINGS PER SHARE

Basic and diluted earnings per share

	For the six months ended June 30		For the three months ended June 30		Year ended December 31
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
Net Profit attributable to equity holders of the Company ($ thousands)	**2,257**	5,990	**857**	3,078	11,074
Weighted number of shares (in thousands of shares)	**17,671**	17,671	**17,671**	17,671	17,671
Basic and diluted earnings per ordinary share (in US$)	**0.13**	0.34	**0.05**	0.17	0.63

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: - EVENTS AFTER THE REPORTING DATE

On July 5, 2026, the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2025, in the amount of USD 5,036 thousand (USD 0.285 per share, paid on July 20, 2026).