

Full Year Results 2023

Sales Revenues of USD 54,856 thousand leads to a net profit of USD 15,266 thousand for the year 2023.

Order Backlog as at December 31, 2023 amounted to USD 30,765 thousand and as of March 18, 2024 to USD 32,800 thousand.

Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2023.

The net profit for 2023 amounted to USD 15,266 thousand compared to USD 13,917 thousand on year 2022.

In 2023, sales totaled USD 54,856 thousand compared to USD 60,270 thousand on year 2022. Sales were generated primarily from telecom/datacenter, automotive and industrial companies.

In 2023, the global slowdown environment continued. It seems that, decrease in demands, excess inventory levels and the high interest rate are factors influencing customers activity and sometimes resulting in push-out of scheduled deliveries up on their needs. High prices of raw materials and high manpower costs remain relevant too. Management believes these trends are not expected to end in the near future.

As at December 31, 2023 order backlog amounted to USD 30,765 thousand, and as at March 18, 2024 to USD 32,800 thousand (December 31, 2022 - USD 43,839 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders.

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

Key financial highlights in 2023

Sales revenues

The Group's sales revenues for the year ended December 31, 2023 were USD 54,856 thousand compared with USD 60,270 thousand for the year ended December 31, 2022, representing 9% decrease that reflects the global demand decrease and the postponements of deliveries per customer's request in several projects.

Cost of sales & gross result

The Group's gross results for the year ended December 31, 2023 were USD 24,103 thousand (44%), compared with USD 24,492 thousand (41%), in the year ended December 31, 2022. The gross margin is influenced mainly by the sales products mix and production locations, in addition the devaluation of the USD versus the local currencies (NIS and GBP) resulted in a decrease in labor costs and other local operating costs.

Expenses

The Group's General & Administrative expenses for the year ended December 31, 2023 amounted to USD 3,863 thousand compared with USD 3,864 thousand in the year ended December 31, 2022.

Selling & marketing expenses are mainly comprised of: (1) commissions to the Group's reps' and Marketing Personnel, which are calculated as a portion of sales, however it is further explained that not all the sales are subject to reps' commissions and of (2) other selling expenses (fixed) based on management policy. The Group's marketing efforts are concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide rep's Network. The Group's selling & marketing expenses for the year ended December 31, 2023 amounted to USD 2,152 thousand (4%) compared with USD 1,932 thousand (3%) in the year ended December 31, 2022. The

increase in year 2023 resulted mainly due to increase in other marketing expenses mainly digital marketing and travel expenses and as well as increase in sales commission and incentives of marketing team worldwide. **The Group's development costs** - Payton's strategy is aimed on maintaining the leadership of the Planar Technology. The Engineering Department works in conjunction with 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, 2023 were USD 1,442 thousand compared with USD 1,545 thousand in the year ended December 31, 2022, most of this decrease was an outcome of the devaluation of the USD versus the NIS resulted in engineering labor costs decrease.

Operating & financial results

The total operating profit before the financial result for 2023 amounts to USD 16,401 thousand compared to USD 17,208 thousand last year.

The Group's finance income (net) for the year ended December 31, 2023 amounted to USD 1,881 thousand compared with USD 200 thousand for the year ended December 31, 2022. This increase is mainly explained by the increase of the market interest rate on bank deposits.

Share of profits (losses) of equity accounted investee

The Group's share in investee's profits for the year ended December 31, 2023 amounted USD 218 thousand compared with USD 481 thousand for the year ended December 31, 2022.

Profit before taxes on income

The profit before taxes on income for the financial year 2023 is USD 18,500 thousand compared to a profit of USD 17,889 thousand in 2022.

Taxes on income

Taxes on income for the year ended December 31, 2023 amounted to USD 3,234 thousand compared with USD 3,972 thousand in the year ended at December 31, 2022. On previous year (2022) Company applied the Temporary Order to the Law for the Encouragement of Capital Investments enabling it a beneficiary corporate tax rate on its exempt profits and paid an exceptional tax expenses at the amount of USD 0.9 million. See also Notes 13A & 13F to the 2023 yearly Report.

Net Profit for the year

The total result for financial year 2023 was a net profit of USD 15,266 thousand, compared to USD 13,917 thousand in 2022.

Total comprehensive income for the year

Total comprehensive income for financial year 2023 was a profit of USD 15,287 thousand, compared to USD 14,115 thousand in 2022.

Balance sheet - cash position

Cash and cash equivalents, Short-term Deposits and marketable securities - these items amounted to a total of USD 56,186 thousand as at December 31, 2023 compared to USD 45,237 as at December 31, 2022. Despite the dividend payment during year 2023, Company presents increase in Cash and cash equivalents attributed mainly to Company's profitability.

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

Investment in equity accounted investee - represents the investment in PCT (20%) engaged in manufacturing and assembly that serves as one of the Company's major manufacturing Partners in

China. The investment amounted to USD 1,409 thousand as at December 31, 2023 compared with USD 1,427 thousand as at December 31, 2022. The decrease resulted from a write-off of the option to increase Company's share in PCT, estimated at a value of USD 100 thousand, which expired in 2023 without exercise. In addition, during year 2023 PCT paid dividend to its shareholders. Company received USD 128 thousand which was also deducted from this investment. Investee's profits during year 2023 shortened these two investment decreases.

Trade payables - amounted to USD 3,663 thousand as at December 31, 2023 compared with USD 1,419 thousand as at December 31, 2022. The increase in this item is mainly explained by decrease of advance payment made in favor of a principal subcontractor including returning to its normal payment terms.

Cash flow statement

Cash flows generated from operating activities for the year ended December 31, 2023, amounted USD 19,204 thousand, compared with the cash flows generated from operating activities of USD 11,634 thousand for the year ended December 31, 2022. The increase in cash flows from operating activities generated from increase in the net profit and mostly from increase in trade payables as well as from other non-cash adjustments and changes in assets and liabilities.

Cash flows used for investing activities in the year ended December 31, 2023 amounted USD 2,636 thousand compared with cash flows used for investing activities of USD 6,409 thousand in the year ended December 31, 2022. The decrease in cash flows used for investing activities in the year ended December 31, 2023 compared with previous year (2022) is explained mainly by the decrease of the investment in bank deposits, net.

Cash flows used for financing activities for the year ended December 31, 2023, amounted USD 8,482 thousand, representing a dividend payment (announced March 28, 2023) that was paid on June 2023. Cash flows used for financing activities for the year ended December 31, 2022, amounted USD 8,023 thousand, representing a dividend payment (announced March 28, 2022) that was paid on June 2022. [After the reporting date, on January 24, 2024, the Company declared a dividend in the amount of USD 10,072 thousand, USD 0.57 per share].

Outlook

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

In 2023 the global slowdown environment continued. It seems that, decrease in demands, excess inventory levels and the high interest rate are factors influencing customers activity and sometimes resulting in push-out of scheduled deliveries up on their needs. High prices of raw materials and high manpower costs remain relevant too. Management believes these trends are not expected to end in the near future.

Additional factors that affect the Group's activity are: the devaluation of the US\$ against the local NIS, the Euro and the Pound, which mainly decreases local labor costs and other operating costs in Israel and the United Kingdom. During year 2023 the US\$ devaluation became more significant.

Inflation affects - Since the functional currency of the Group's activity is the US dollar, and since the Group does not use bank loans, management believes there is no material effect of the inflation in Israel and/or worldwide on the Group's business activity, except for some adjustments needed in payroll.

Increase of global interest rate - since the Company does not hold loans, the Group is not expected to have a material negative impact due to the increase in the global interest rate, on the contrary, deposits' income increased.

On October 7th 2023, a war broke out in the state of Israel ("the War"). The War consequences have not significantly affected the Group's day-to-day operations. The Group's local facility, that is located in the center area of Israel, rapidly adapted a working routine and continued its ongoing business. As of this date, the Group's local facility is fully operative providing products and services on a regular basis to its customers.

Thanks to the Group's financial and operational strength, wide business diversification, global dispersion of production sites and raw material suppliers, the Group's management believes it should be able to continue its ongoing business fully and continuously.

Based on the information the Group has at the date of approval of these financial statements, this War is not expected to have a material impact on the Group's activity and results. However, due to uncertainty involved and lack of information regarding the duration of the War, the Group is currently unable to foresee and assess the future effects of the War.

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 below.

On March 28, 2023 - the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2022, at the amount of USD 8,482 thousand (USD 0.48 per share) which was paid in full in June 2023.

On January 24, 2024 - the Company's Board of Directors announced dividend distribution for the financial year 2023, at the amount of USD 10,072 thousand (USD 0.57 per share) which was paid in full in March 2024.

Coming year outlook

In 2024 the Group is preparing to cope with the slowdown global markets. There are some push-out of scheduled deliveries up based on customer needs, and great caution needs to be taken with regards to purchases forecast and inventory planning. The raw materials prices are high and no significant price reduction is expected in coming future. At this stage, it is not possible to assess the extent of the impact of the trends described above on the Group's activities.

With regards to the War, currently, there is no material impact on the Group's activity and results. However, it is still impossible to foresee and assess long future effects.

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

The Group will also continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity. (When and if the FIMI transaction is completed, the Company will examine the need to update its goals and targets as necessary).

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

Order backlog - As at December 31, 2023 this backlog amounted to USD 30,765 thousand, and as at March 18, 2024 to USD 32,800 thousand (December 31, 2022 - USD 43,839 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders. (Regarding quarterly order backlog split see paragraph 1.H. to 2023 Board of Directors' report - "Order Backlog", an integral part of 2023 Annual Report).

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

Subsequent Events

On January 24, 2024, the Company's Board of Directors decided to pay to its shareholders a dividend for the financial year 2023 in the amount of USD 10,072 thousand, USD 0.57 per share (paid on March 5, 2024). The dividend is submitted to a tax withholding of 15%.

On February 14, 2024, the Parent Company, Payton Industries Ltd, entered into an agreement with FIMI ISRAEL OPPORTUNITY 7, a Limited Partnership, and FIMI Opportunity 7, LP a Limited Partnership (together hereinafter: "FIMI"), to allocate 1,468,057 ordinary shares of the Parent Company (hereinafter: "Allocated Shares") which, subject to their allocation, shall constitute approximately 17.76% of the Parent Company's issued and outstanding share capital and voting rights (hereinafter: the "Share Purchase Agreement"), all conditional upon the occurrence of certain conditions. Simultaneously, Mr. David Yativ, the controlling shareholder of the Parent Company (hereinafter: "Yativ") has entered into an agreement to sell to FIMI 1,000,000 shares of the Parent Company, constituting around 12.09% of the Parent Company's share capital. Furthermore, FIMI and

Yativ agreed on the terms of a shareholders' rights agreement that will be executed on the closing of the transaction.

It is hereby clarified that the completion of the Share Purchase Agreement and the other transactions described above (hereinafter: "the FIMI Transaction") are subject, inter alia, to the approval of the Parent Company's Shareholders' meeting, to be held on April 8, 2024.

On February 28, 2024 the Parent Company's board of directors has decided to grant certain employees of the Company with options to purchase shares of the Parent Company, according to the Parent Company's incentive option plan and subject to the completion of the FIMI Transaction and to the approval of the updated remuneration policy by the Company Shareholders' meeting.

Among the above-mentioned employees: Mr. Doron Yativ¹ and Mr. Amir Yativ² who will be granted with 30,000 and 20,000, respectively, non-marketable options of the Parent Company.

On March 7, 2024, the Company's remuneration committee and the Board of Directors have examined the updated remuneration policy, found it fair, logic and appropriate and decided to approve it. In addition the above mentioned quorums approved the Company's participation in the service fee of FIMI for the consulting services to be provided to Payton Group as part of the FIMI Transaction, for a period of 3 years, for a monthly payment of NIS 40 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). The above resolutions are subject to the approval of the Company's shareholders' meeting, to be held on April 15, 2024.

Independent Auditors' Report – 27 March 2024

The selected consolidated financial data are derived from the Audited Financial Statement of the Company as of and for each of the years in the two years period ended December 31, 2023.

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

The results have been audited by KOST FORER GABBAY & KASIERER Certified Public Accountants, a member firm of Ernst & Young Global. The conclusion of the auditor is as follows: "In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)".

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

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

- a) the financial statements at 31 December 2023 are drawn up in accordance with IFRS-reporting as adopted by the European Union and present a true and fair view of the equity, financial situation and results of the company
- b) the report gives a true and fair view of the main events of the financial year, their impact on the financial statements, the main risk factors and uncertainties, as well as the main transactions with related parties and their possible impact on the financial statements.

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

¹ David Yativ's son serves as a director and the CEO of the Company.

² David Yativ's son serves as an engineering and development manager.

Key financial figures – Payton Planar Magnetics Ltd.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, - Audited -

	2023	2022
	\$ thousands	\$ thousands
Revenues	54,856	60,270
Cost of sales	(30,753)	(35,778)
Gross profit	24,103	24,492
Development costs	(1,442)	(1,545)
Selling and marketing expenses	(2,152)	(1,932)
General and administrative expenses	(3,863)	(3,864)
Other income (expenses), net	(245)	57
Operating profit	16,401	17,208
Finance income	2,023	450
Finance expenses	(142)	(250)
Finance income, net	1,881	200
Share of profits of equity accounted investee	218	481
Profit before taxes on income	18,500	17,889
Taxes on income	(3,234)	(3,972)
Net Profit	15,266	13,917
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan	27	226
Share of other comprehensive loss of equity accounted investee	(6)	(28)
Total other comprehensive income, net of tax	21	198
Total comprehensive income	15,287	14,115
Earnings per share		
Basic and diluted earnings per share (in \$)	0.86	0.79

Consolidated Statement of Financial Position as at December 31, - Audited -

	2023	2022
	\$ thousands	\$ thousands
ASSETS		
Current assets	72,468	62,385
Non-current assets	12,161	12,661
Total assets	84,629	75,046
Liabilities and shareholders' equity		
Current liabilities	7,715	5,001
Non-current liabilities	1,692	1,628
Total equity	75,222	68,417
Total liabilities and shareholders' equity	84,629	75,046

Current Shareholders structure

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

Consolidated Statements of Cash Flows for the year ended December 31

- Audited -

	<u>2023</u>	<u>2022</u>
	\$	\$
	<u>thousands</u>	<u>thousands</u>
Operating activities		
Net Profit	15,266	13,917
Adjustments:		
Depreciation	828	879
Taxes on income	3,234	3,972
Share of profits of equity accounted investee	(218)	(481)
Loss (gain) on sale of property, plant and equipment, net	145	(57)
Impairment loss of an option in an equity accounted investee	100	-
Finance income, net	(1,779)	(18)
	<u>17,576</u>	<u>18,212</u>
Decrease (increase) in trade accounts receivable	828	(457)
Decrease (increase) in other accounts receivable	(541)	971
Decrease (increase) in inventory	587	(747)
Increase (decrease) in trade payables	2,275	(2,703)
Increase (decrease) in other payables	(64)	68
Change in employee benefits	(63)	(130)
	<u>20,598</u>	<u>15,214</u>
Interest received	1,181	276
Interest paid	(23)	(17)
Income taxes paid, net	(2,552)	(3,839)
	<u>19,204</u>	<u>11,634</u>
Cash flows generated from operating activities	<u>19,204</u>	<u>11,634</u>
Investing activities		
Investments in deposits, net	(2,321)	(4,785)
Acquisition of other investment	-	(900)
Dividend received from an equity accounted investee	128	-
Acquisition of property, plant and equipment	(536)	(993)
Investments in marketable securities	(57)	-
Proceeds from sale of property, plant and equipment	14	115
Proceeds from sale of marketable securities	136	154
	<u>(2,636)</u>	<u>(6,409)</u>
Cash flows used for investing activities	<u>(2,636)</u>	<u>(6,409)</u>
Financing activities		
Dividend paid	(8,482)	(8,023)
	<u>(8,482)</u>	<u>(8,023)</u>
Cash flows used for financing activities	<u>(8,482)</u>	<u>(8,023)</u>
Net increase (decrease) in cash and cash equivalents	<u>8,086</u>	<u>(2,798)</u>
Cash and cash equivalents at beginning of the year	<u>19,003</u>	<u>22,146</u>
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(168)</u>	<u>(345)</u>
Cash and cash equivalents at end of the year	<u>26,921</u>	<u>19,003</u>

Note - forward-looking statements:

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

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

About us

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics®, its customized line of planar transformers, conventional transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The group currently employs 175 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Telecommunications, cellular infrastructure, welding machines, High-reliability/Avionics, portable equipment and consumer goods. Planar Magnetics is a revolutionary design technology that is superior to conventional transformers and inductors, and has already been accepted by electronics design engineers as the state-of-the-art in high frequency power electronics design. Payton Planar Magnetics is a subsidiary of Payton Industries, headquartered in Israel, and has manufacturing and marketing operations in Israel, United States and in the U.K. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

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