

**Regulated Information
PRESS RELEASE
August 9th 2017
6 pm CET**

Half-year 2017 Report¹

**Sales Revenues of USD 14,370 thousand
Order Backlog as of June 30, 2017 of USD 12,567 thousand**

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2017 (six-month period ending June 30, 2017). Sales revenues for the first six months of 2017 totaled USD 14,370 thousand compared to USD 14,068 thousand in the six-month period ended June 30, 2016.

The Group's order backlog as of June 30, 2017 totaled USD 12,567 thousand.

Key financial highlights for the first half-year of 2017

Sales revenues

The Group's sales revenues for the six-month period ended June 30, 2017 were USD 14,370 thousand compared to USD 14,068 thousand in the six-month period ended June 30, 2016.

Cost of sales and gross result

The Group's gross profit for the six-month period ended June 30, 2017 amounted USD 5,596 thousand (39% of sales) compared with USD 4,543 thousand (32% of sales) in the six-month period ended June 30, 2016. The increase in the gross profit relates mainly due to different products mix and production locations of each period sales.

Expenses

During the first half-year ended June 30, 2017, The Group's *Development Costs* were USD 613 thousand compared with USD 516 thousand in the same period last year (2016). The increase is mainly explained by an increase in development team labor costs also as result of local currency revaluation.

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 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 six-month period ended June 30, 2017 were USD 1,156 thousand (8%) and USD 1,142 thousand (8%) in the six-month period ended June 30, 2016.

¹ The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at December 31, 2016.

Operating and financial result

The total operating profit for the first half-year of 2017 amounted to USD 2,335 thousand compared to USD 1,426 thousand the same period last year. During the first six months of 2017, Payton recorded a net finance income of USD 146 thousand, compared to a net finance income of USD 93 thousand for the first six months of 2016.

Income Taxes

Tax expenses for the first six months of 2017 totaled USD 532 thousand, compared to USD 276 thousand for the six-month period ended June 30, 2016.

Result of the period

The total result for the first half-year of 2017 was a net profit of USD 1,949 thousand, compared to USD 1,243 thousand for the six-month period ended June 30, 2016.

Balance sheet - Cash position

Cash and cash equivalents and Short-term deposits amounted to a total of USD 24,762 thousand as at June 30, 2017 compared to USD 20,201 thousand as at December 31, 2016 and USD 17,377 thousand as at June 30, 2016. The increase in these items, compared with December 31, 2016 is mainly explained by the company profitability and by the decrease in trade payables.

It is noted that after the report date, a dividend payment at the amount of USD 3,092 thousand was made (on July 19, 2017).

Trade accounts receivable amounted to USD 4,613 thousand as at June 30, 2017 compared with USD 7,793 thousand as at December 31, 2016 and USD 4,969 thousand as at June 30, 2016. *Intangible assets* amounted to USD 33 thousand as at June 30, 2017 compared with USD 44 thousand as at December 31, 2016 and USD 816 thousand as at June 30, 2016. The decrease in this item compared with June 30 last year resulted mainly due to amortization of goodwill. The said goodwill derived from the acquisition of the business operations of Himag Solutions Ltd. (UK) by Payton Planar through its wholly-owned UK subsidiary. As of December 31, 2016 the UK subsidiary recorded an impairment for the total value of this goodwill (USD 709 thousand).

Trade payables amounted to USD 2,659 thousand as at June 30, 2017 compared with USD 3,738 thousand as at December 31, 2016 and USD 2,770 thousand as at June 30, 2016.

Dividend payable amounted to USD 3,092 thousand as at June 30, 2017 compared with USD 0 thousand as at December 31, 2016 and as at June 30, 2016. This dividend was announced on June 5th, 2017 (USD 0.175 per share) and was paid in full on July 19th, 2017. No dividends were announced during 2016.

Cash flow

Cash flows generated from operating activities for the six-month period ended June 30, 2017 amounted USD 4,735 thousand, compared with cash flows generated from operating activities of USD 1,416 thousand for the six-month period ended June 30, 2016. The increase in these cash flows resulted mostly from the decrease in trade accounts receivable. *Cash flows used for investing activities* in the six-month period ended June 30, 2017, amounted USD 4,508 thousand, compared with cash flows generated from investing activities of USD 9,225 thousand in the six-month period ended June 30, 2016. In the first half of 2017 cash flows mostly used for short-term bank deposits. *Cash flows used for financing activities* in the six-month period ended June 30, 2017, amounted USD 24 thousand, compared with USD 3,251 thousand in the six-month period ended June 30, 2016. During the first half of last year (2016) a dividend, at the amount of USD 3,092 thousand (announced November 23rd, 2015) was paid in full.

Outlook

On June 30, 2017, the Group's order backlog totaled USD 12,567 thousand (compared to the position on December 31, 2016 where the backlog totaled USD 10,681 thousand). The backlog is composed of firm orders only. Payton's management estimates that most of the backlog as of June 30, 2017 will be supplied until March 31, 2018.

The complete financial statements and the half-year report are available for downloading in the investors section of www.paytongroup.com.



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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 about 185 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Telecommunications, cellular infrastructure, welding machines, Military/Avionics, portable equipment and consumer goods. Planar Magnetics is a revolutionary design technology that is superior to conventional transformers and inductors, and has already been accepted by electronics design engineers as the state-of-the-art in high frequency power electronics design. Payton Planar Magnetics is a subsidiary of Payton Industries, headquartered in Israel, and has manufacturing and marketing operations in Israel, U.K. and United States. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

Annex: Selected Financial Statements

Note:

This press release 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.

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Income - unaudited -

	Six months ended June 30	
	2017 USD 000	2016 USD 000
Sales revenues	14,370	14,068
Cost of sales	(8,774)	(9,525)
Gross profit	5,596	4,543
Development costs	(613)	(516)
Selling and marketing expenses	(1,156)	(1,142)
General and administrative expenses	(1,492)	(1,458)
Other income (expenses)	-	(1)
Operating profit	2,335	1,426
Financial income	176	110
Financial expenses	(30)	(17)
Financial income (expenses), net	146	93
Profit before income taxes	2,481	1,519
Income taxes	(532)	(276)
Profit for the period	1,949	1,243
Other comprehensive income items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan, net of taxes	-	1
Total comprehensive income for the period	1,949	1,244
Number of shares	17,670,775	17,670,775
Basic earnings per share (in USD)	0.11	0.07

Condensed Interim Consolidated Balance Sheet - unaudited -

	June 30	
	USD 000 2017	USD 000 2016
Current assets	33,477	26,503
Non-current assets	11,825	12,997
Total assets	45,302	39,500
Current liabilities	8,274	4,609
Non-current liabilities	1,108	850
Equity	35,920	34,041
Total liabilities and Equity	45,302	39,500



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Condensed Interim Consolidated Statements of Cash Flows

Six-month period ended June 30 - unaudited

\$ thousands

	<u>2017</u>	<u>2016</u>
Operating activities		
Profit for the period	1,949	1,243
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation & amortization	467	499
Income taxes	532	276
Changes in the fair value of contingent consideration	-	1
Increase (decrease) in employee benefits	160	128
(Increase) decrease in trade accounts receivables	3,180	(655)
(Increase) decrease in other accounts receivable	213	(130)
Decrease (increase) in inventory	(92)	439
(Decrease) increase in trade payables	(1,080)	(284)
Increase (decrease) in other payables	(192)	(127)
Tax paid	(290)	(225)
Tax received	-	198
Finance (income) expenses, net	(152)	(48)
Interest received	40	101
Cash flows generated from operating activities	<u>4,735</u>	<u>1,416</u>
Investing activities		
Proceeds from (Investments in) deposits, net	(4,246)	9,488
Investment in fixed assets	(262)	(263)
Cash flows (used for) generated from investing activities	<u>(4,508)</u>	<u>9,225</u>
Financing activities		
Payment of contingent consideration	(24)	(159)
Dividend paid	-	(3,092)
Cash flows used for financing activities	<u>(24)</u>	<u>(3,251)</u>
Net increase in cash and cash equivalents	203	7,390
Cash and cash equivalents at beginning of the period	8,150	6,004
Effect of exchange rate fluctuations on cash held	28	(10)
Cash and cash equivalents at end of the period	<u>8,381</u>	<u>13,384</u>