PAYTON PLANAR

Innovation • Design • Performance

Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
June 30, 2020 (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, 2020.

***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.*

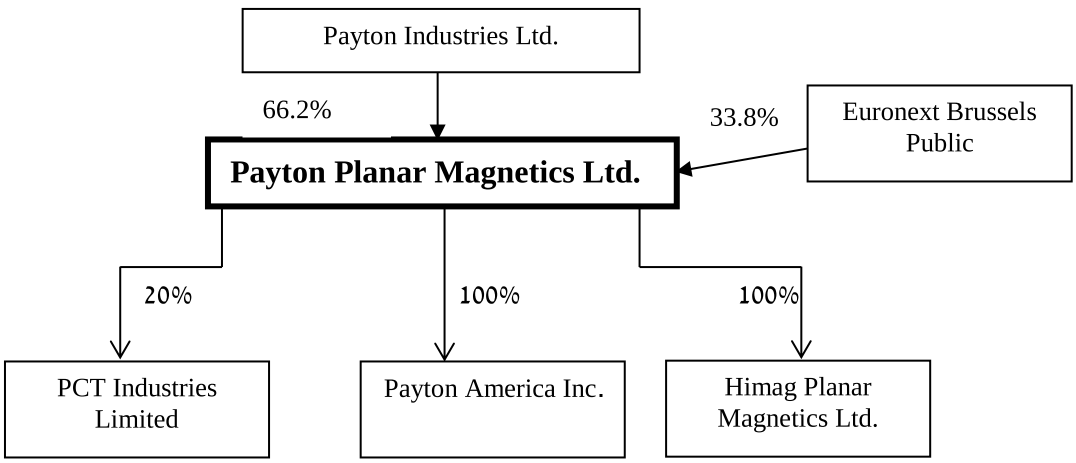
Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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, 2019, published on March 25, 2020 (hereinafter "the 2019 yearly Report").

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

A. The Group

Payton Planar Magnetics Ltd. ("the Company") its consolidated subsidiaries: Payton America Inc. ("Payton America") and Himag Planar Magnetics Ltd and its affiliated company in Hong-Kong, PCT Industries Limited ("PCT"), a holding company that fully owns a manufacturing subsidiary in China.



[1] The financial statements as at June 30, 2020 form an integral part thereof.

B. The Group's main fields of activity and changes that occurred in the period from January to June 2020

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.

The spread of the Corona Virus effect - As detailed in the annual financial statements as of December 31, 2019, during the end of 2019 and the beginning of 2020, an outbreak of the corona virus began in China which soon spread to other countries in the world and reached Israel as well. According to the present situation it seems that the activity in all the Groups production locations: China, Israel, Philippines, UK and USA are working almost normally according to new routines, each place is following its local Covid-19 working regulations.

From the beginning of the year 2020 and until today, the Group has been carefully managing the risks and its global operations. The Israeli facility was able to keep its production running, in two shifts, by following strict local rules. Administrative personal has the option to operate remotely whenever needed. The US and the UK subsidiaries were also able to keep business running while keeping social distance rules.

Payton’s worldwide manufacturing facilities and geographically spread proved itself. While the China facility was closed the production in the Philippines kept working. When the virus spread to the Philippines, the China facility was re-opened, thus, the Group was able to minimize the impact of the Corona Epidemic on its business activity and to deliver most of its orders for the first half of 2020 on time.

As of the date of signing these financial statements, assuming that no material change occurs, management estimates that the second half of 2020 will be characterized by similar activity volume to the first half of 2020, thus, the Group will be able to continue its regular course of business.

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 six-month period ended June 30	**For the year ended December 31**	**For the six-month period ended June 30**
	2020	**2019**	**2019**
Customer A[1]	31%	28%	21%

[1] Comprised of sales to two related companies (parent and its subsidiary).

D. Marketing

During the first half year of 2020 and due to the Corona Epidemic the Group did not participate in any exhibition. The Company was focusing on supporting and serving Key customers.

E. Order Backlog

Order backlog of the Group as of June 30, 2020 was USD 16,366 thousand (December 31, 2019 - USD 13,505 thousand). The backlog is composed only of confirmed orders.
Management estimates that most of the backlog as of 30.6.2020 will be supplied until March 31, 2021.

F. Framework agreements that do not constitute binding orders

At the end of 2018 and at the beginning of 2019, the Company entered into framework agreements with one of its principle costumers (Customer C, as at 2019 yearly Financial Statements) for the supply of magnetic components to three (3) different projects in the electric/hybrid vehicle industry (HEV). The nature of the activity in the automotive industry is characterized by projects with a productive lifespan of about 5 to 7 years.
The engagement was done by means of a Nomination Letter defining the basic terms of the parties' engagement in the project, such as prices (including annual discounts), terms of payment and the annual quantities expected over the projects' life. In addition, the Company and Customer C have signed an agreement that includes general Terms and Conditions of engagement accepted in the industry, which regulate the general commercial relations between the parties (the Nomination Letter and the general terms of engagement are referred to above and hereinafter together as: "**the Framework Agreements**").
As of June 30, 2020, the Group estimates that only one of those three projects, with predicted orders in the scope of about USD 1.5 million per year, will be executed during the years 2020 to 2024.
With respect to the other two projects, the Company estimates that the forecast for 2019 and 2020, at the amount of USD 13 million, will not mature, hence the balance of projected orders according to the framework agreements for these two projects will total up to USD 50 million (for the years 2021 to 2025) for which the Group cannot evaluate whether those predicted orders will materialize and at what time table.
It is noted that the amounts and quantities specified in the Framework Agreements do not constitute as binding orders and the Customer is entitled to cancel, delay or reduce his actual orders, compared with the scope specified in the Framework Agreements, without the Company having any cause of action against him. However, the forecast of quantities included in the Framework Agreements binds the Company to supply such quantities as shall be required.

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

2. <u>Financial position</u>

A. Statement of Financial Position as at June 30, 2020

Cash and cash equivalents and Short-term Deposits - these items amounted to a total of USD 38,338 thousand as at June 30, 2020 compared to USD 33,841 thousand as at December 31, 2019 and USD 29,698 thousand as at June 30, 2019.
The increase in these items, compared with December 31, 2019 is explained mainly by Company's profitability.
The Group's management believes, a solid financial position, is an important factor in order to successfully overcome times of crisis.

Trade accounts receivable - these amounted to USD 9,065 thousand as at June 30, 2020 compared with USD 7,610 thousand as at December 31, 2019 and USD 6,605 thousand as at June 30, 2019. The increase in this item is mainly due to the increase in sales in the periods near the reports dates.

***Other accounts receivable* -** these amounted to USD 1,382 thousand as at June 30, 2020 compared with USD 1,733 thousand as at December 31, 2019 and USD 2,289 thousand as at June 30, 2019. The decrease in this item is due to IFRS 15 implementation according to which the Company recognized revenues over time (instead of upon delivery). Revenues recorded prior to delivery are recorded against "contract assets", which are presented among "other accounts receivable". As at June 30, 2020, such contract assets amounted to approximately USD 0.8 million compared to USD 1.2 million as at December 31, 2019 and USD 1.9 million as at June 30, 2019.

***Trade payables* -** amounted to USD 3,444 thousand as at June 30, 2020 compared with USD 2,678 thousand as at December 31, 2019 and USD 2,590 thousand as at June 30, 2019. The increase in this item is in line with the increase in the Group's business activity in the periods near the reports dates.

B. Operating results

Statements of Income
US Dollars in thousands

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
	2020	**2019**	**2020**	**2019**	**2019**
Revenues	**19,615**	18,066	**11,376**	9,862	38,425
Cost of sales	**(11,126)**	(10,046)	**(6,615)**	(5,177)	(21,585)
Gross profit	**8,489**	8,020	**4,761**	4,685	16,840
Development costs	**(666)**	(677)	**(339)**	(377)	(1,299)
Selling and marketing expenses	**(898)**	(1,072)	**(409)**	(534)	(2,061)
General and administrative expenses	**(1,680)**	(1,731)	**(867)**	(904)	(3,432)
Other expenses, net	**-**	(8)	**-**	(5)	(15)
Operating profit	**5,245**	4,532	**3,146**	2,865	10,033
Finance income, net	**298**	384	**153**	130	605
Share of (losses) profits of equity accounted investee	**(17)**	12	**65**	12	13
Profit before income taxes	**5,526**	4,928	**3,364**	3,007	10,651
Income taxes	**(992)**	(900)	**(589)**	(599)	(1,884)
Profit for the period	**4,534**	4,028	**2,775**	2,408	8,767
Other comprehensive income (loss) items that will not be transferred to profit and loss					
Re-measurement of defined benefit plan	**112**	(99)	**-**	(99)	(133)
Share of other comprehensive loss of equity accounted investee	**(5)**	(19)	**(4)**	(19)	(3)
Total other comprehensive income (loss)	**107**	(118)	**(4)**	(118)	(136)
Total comprehensive income for the period	**4,641**	3,910	**2,771**	2,290	8,631

General Note: The Group is exposed to abrasion of the USD in relation to the NIS, Euro (€) and the Pound (£). Most of the Group’s salaries and other operating costs are fixed in local currencies. Revaluation of the local currencies drives to an increase or decrease in labor costs and other operating costs, thus, affects the operating results of the Company. The Corona Epidemic has also caused high fluctuation in exchange rates.

Sales revenues **-** The Group’s sales revenues for the six-month period ended June 30, 2020 were USD 19,615 thousand compared with USD 18,066 thousand in the six-month period ended June 30, 2019. The Group succeeded to increase its sales volume in spite of the Corona Epidemic worldwide effect thanks to its diversity of projects and its manufacturing geographical spread (see paragraph 1.B - *The spread of the Corona Virus effect*, above).

Gross profit **-** The Group’s gross profit for the six-month period ended June 30, 2020 amounted USD 8,489 thousand (43% of sales) compared with USD 8,020 thousand (44% of sales) in the six-month period ended June 30, 2019. The gross margin was influenced mainly by the products mix and the production locations in each period.

Development costs **-** Payton’s R&D strategy is aimed on maintaining the leadership of the Planar Technology. The R&D department works in conjunction with R&D departments of the forerunners of today’s global technology, and together they define tomorrow’s technological needs. Costs were based upon time expended by the department’s employees. The Group’s development costs for the six months ended June 30, 2020 were USD 666 thousand compared with USD 677 thousand in the same period last year.

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 (It is noted 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 six-month period ended June 30, 2020 were USD 898 thousand (5%) and USD 1,072 thousand (6%) in the six-month period ended June 30, 2019. During the first half of 2020, due to the Corona Epidemic, there was a decrease in other selling expenses mainly in travel expenses and exhibitions costs.

Finance income, net **-** The Group’s finance income for the six-month period ended June 30, 2020 amounted USD 298 thousand compared with USD 384 thousand in the six-month period ended June 30, 2019. This decrease is explained mainly by a decrease of the market interest rate on bank deposits.

Share of losses of equity accounted investee **-** this represents the Group share (20%) in PCT’s[2] losses for the first six months of 2020. PCT’s 2020 first quarter results were mostly affected by the Corona Epidemic in China, but, during the second quarter of 2020 business activity gradually returned almost to its regular course of business.

3. Liquidity

A. Operating activities

Cash flows generated from operating activities for the six-month period ended June 30, 2020 amounted USD 4,554 thousand, compared with cash flows generated from operating activities of USD 4,294 thousand for the six-month period ended June 30, 2019. The cash flows from operating activities generated mainly from the profit for the period affected also by other non-cash adjustments and by the changes in assets and liabilities.

[2] PCT Industries Limited holds a fully owned subsidiary in China, serving as Company's major manufacturing Partners (subcontractors) in China.

B. Investing activities

Cash flows generated from investing activities in the six-month period ended June 30, 2020, amounted USD 1,300 thousand, compared with cash flow generated from investing activities at the amount of USD 522 thousand in the six-month period ended June 30, 2019. In the first half year of 2020 cash flows generated mostly from proceeds of bank deposits.

C. Financing activities

There were no cash flows used for financing activities in the six-month periods ended June 30, 2020.
During the six-month period ended June 30, 2019 a dividend, at the amount of USD 5,301 thousand (announced March 27, 2019) was paid on June 2019.

4. Financing sources

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

5. Subsequent Events

On August 17, 2020, the Company's Board of Directors decided to adopt a Dividend Distribution Policy according to which, the Company may distribute to its shareholders, every year a dividend at a rate of up to 40% of the company's yearly net profits.
The distribution of the dividend will be subject to a separate decision of the Company's Board of Directors, to be made together with the approval of the Company's annual financial statements by the Board of Directors, according to which the Company also meets all the Law requirements.
It should be noted that the decision to set a Dividend Distribution Policy shall not be considered as an undertaking of the Company to make any dividend distribution.
For more details, see also, Dividend Policy, on the Company's web site: https://www.paytongroup.com/dividend-policy.

6. External factors effects

The spread of the Corona Virus effect, see paragraph 1.B above.

Revaluation/devaluation of the local currencies, NIS and GBP, in relation to the U.S. Dollar leads to an increase/decrease (respectively) in labor costs and other operating costs. Most of the Group's salaries and other operating costs are fixed in local currencies; therefore, the operating results are affected. The Corona Epidemic has also caused high fluctuation in exchange rates.
Devaluation of the Euro(€) and Pound(£) in relation to the U.S. Dollar leads to a decrease in Group's assets in those currencies.

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

7. Statement by senior management in accordance with article 12, § 2 (3°) of the Royal Decree per 14.11.2007

Pursuant to article 12 § 2(3°) of the Royal Decree of 14 November 2007, David Yativ Chairman of the Board of Directors declares, on behalf of and for the account of Payton Planar Magnetics that, as far as is known to him,

a) The financial statements at June 30, 2020 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.

b) The report gives a true and fair view of the main events of the first six months of year 2020, their impact on the 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 abbreviated financial statements.

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

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

Ness Ziona, August 17, 2020.

David Yativ **Chairman of the Board of Directors**	**Doron Yativ** **Director and C.E.O.**

Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Review Report to the Shareholders of Payton Planar Magnetics Ltd.

Introduction

We have reviewed the accompanying financial information of Payton Planar Magnetics Ltd. and its subsidiaries comprising of the condensed consolidated interim statement of financial position as of June 30, 2020 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The 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 financial information was not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting."

Somekh Chaikin
Certified Public Accountants (Isr.)
A Member of KPMG International

August 17, 2020

Condensed Consolidated Interim Statements of Financial Position as at

	June 30 2020	June 30 2019	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**10,580**	6,895	4,741
Short-term deposits	**27,758**	22,803	29,100
Trade accounts receivable	**9,065**	6,605	7,610
Other accounts receivable	**1,382**	2,289	1,733
Inventory	**3,400**	3,476	3,509
Total current assets	**52,185**	42,068	46,693
Non-current assets			
Investment in equity accounted investee	**1,003**	1,008	1,025
Fixed assets	**10,614**	11,183	10,867
Intangible assets	**22**	22	22
Total non-current assets	**11,639**	12,213	11,914
Total assets	**63,824**	54,281	58,607

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

Condensed Consolidated Interim Statements of Financial Position as at (cont'd)

	June 30 2020	June 30 2019	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Liabilities and equity			
Current liabilities			
Trade payables	**3,444**	2,590	2,678
Other payables	**1,278**	1,685	1,719
Current tax liability	**1,155**	1,196	795
Employee benefits	**529**	512	403
Total current liabilities	**6,406**	5,983	5,595
Non-current liabilities			
Employee benefits	**550**	575	658
Deferred tax liabilities	**976**	1,193	1,103
Total non-current liabilities	**1,526**	1,768	1,761
Total liabilities	**7,932**	7,751	7,356
Equity			
Share capital	**4,836**	4,836	4,836
Share premium	**8,993**	8,993	8,993
Retained earnings	**42,063**	32,701	37,422
Total equity	**55,892**	46,530	51,251
Total liabilities and equity	**63,824**	54,281	58,607

David Yativ	Doron Yativ	Michal Lichtenstein
Chairman of the Board of Directors	Chief Executive Officer	V.P. Finance & CFO

Date of approval of the interim financial statements: August 17, 2020

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

Condensed Consolidated Interim 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
	2020	**2019**	**2020**	**2019**	**2019**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**	**$ thousands**	**$ thousands**
Revenues	**19,615**	18,066	**11,376**	9,862	38,425
Cost of sales	**(11,126)**	(10,046)	**(6,615)**	(5,177)	(21,585)
Gross profit	**8,489**	8,020	**4,761**	4,685	16,840
Development costs	**(666)**	(677)	**(339)**	(377)	(1,299)
Selling and marketing expenses	**(898)**	(1,072)	**(409)**	(534)	(2,061)
General and administrative expenses	**(1,680)**	(1,731)	**(867)**	(904)	(3,432)
Other expenses, net	**-**	(8)	**-**	(5)	(15)
Operating profit	**5,245**	4,532	**3,146**	2,865	10,033
Finance income	**339**	484	**178**	187	811
Finance expenses	**(41)**	(100)	**(25)**	(57)	(206)
Finance income, net	**298**	384	**153**	130	605
Share of (losses) profits of equity accounted investee	**(17)**	12	**65**	12	13
Profit before income taxes	**5,526**	4,928	**3,364**	3,007	10,651
Income taxes	**(992)**	(900)	**(589)**	(599)	(1,884)
Profit for the period	**4,534**	4,028	**2,775**	2,408	8,767
Other comprehensive income (loss) items that will not be transferred to profit and loss					
Re-measurement of defined benefit plan	**112**	(99)	**-**	(99)	(133)
Share of other comprehensive loss of equity accounted investee	**(5)**	(19)	**(4)**	(19)	(3)
Total other comprehensive income (loss)	**107**	(118)	**(4)**	(118)	(136)
Total comprehensive income for the period	**4,641**	3,910	**2,771**	2,290	8,631
Basic and diluted earnings per share (in $)	**0.26**	0.23	**0.16**	0.14	0.50

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

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital		Share premium	Retained earnings	Total
	Number of shares	$ thousands	$ thousands	$ thousands	$ thousands
For the six months ended June 30, 2020 (Unaudited)					
Balance at January 1, 2020	**17,670,775**	**4,836**	**8,993**	**37,422**	**51,251**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**4,534**	**4,534**
Other comprehensive income	**-**	**-**	**-**	**107**	**107**
Total comprehensive income for the period	**-**	**-**	**-**	**4,641**	**4,641**
Balance at June 30, 2020	**17,670,775**	**4,836**	**8,993**	**42,063**	**55,892**
For the six months ended June 30, 2019 (Unaudited)					
Balance at January 1, 2019	17,670,775	4,836	8,993	34,092	47,921
Total comprehensive income for the period					
Profit for the period	-	-	-	4,028	4,028
Other comprehensive loss	-	-	-	(118)	(118)
Total comprehensive income for the period	-	-	-	3,910	3,910
Transactions with owners, recognized directly in equity					
Dividend to owners	-	-	-	(5,301)	(5,301)
Balance at June 30, 2019	17,670,775	4,836	8,993	32,701	46,530
For the three months ended June 30, 2020 (Unaudited)					
Balance at April 1, 2020	**17,670,775**	**4,836**	**8,993**	**39,292**	**53,121**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**2,775**	**2,775**
Other comprehensive loss	**-**	**-**	**-**	**(4)**	**(4)**
Total comprehensive income for the period	**-**	**-**	**-**	**2,771**	**2,771**
Balance at June 30, 2020	**17,670,775**	**4,836**	**8,993**	**42,063**	**55,892**

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

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	Share capital		Share	Retained	
	Number of shares	$ thousands	premium $ thousands	earnings $ thousands	Total $ thousands
For the three months ended June 30, 2019 (Unaudited)					
Balance at April 1, 2019	17,670,775	4,836	8,993	30,411	44,240
Total comprehensive income for the period					
Profit for the period	-	-	-	2,408	2,408
Other comprehensive loss	-	-	-	(118)	(118)
Total comprehensive income for the period	-	-	-	2,290	2,290
Balance at June 30, 2019	17,670,775	4,836	8,993	32,701	46,530
For the year ended December 31, 2019 (Audited)					
Balance at January 1, 2019	17,670,775	4,836	8,993	34,092	47,921
Total comprehensive income for the year					
Profit for the year	-	-	-	8,767	8,767
Other comprehensive loss	-	-	-	(136)	(136)
Total comprehensive income for the year	-	-	-	8,631	8,631
Transactions with owners, recognized directly in equity					
Dividend to owners	-	-	-	(5,301)	(5,301)
Balance at December 31, 2019	17,670,775	4,836	8,993	37,422	51,251

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

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended June 30		For the three months ended June 30		Year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands	$ thousands	$ thousands
Operating activities					
Profit for the period	**4,534**	4,028	**2,775**	2,408	8,767
Adjustments to reconcile profit to net cash generated from operating activities:					
Depreciation	**451**	479	**220**	247	981
Income taxes	**992**	900	**589**	599	1,884
Share of losses (profits) of equity accounted investee	**17**	(12)	**(65)**	(12)	(13)
Capital loss on sale of fixed assets	**-**	8	**-**	5	15
Finance income, net	**(323)**	(404)	**(170)**	(165)	(701)
Increase in employee benefits	**156**	188	**104**	99	120
Increase in trade accounts receivable	**(1,455)**	(454)	**(2,667)**	(2,078)	(1,459)
Decrease (increase) in other accounts receivable	**351**	(510)	**191**	(23)	44
Decrease (increase) in inventory	**109**	(195)	**15**	(373)	(228)
Increase in trade payables	**775**	701	**1,395**	871	778
(Decrease) Increase in other payables	**(441)**	3	**(475)**	(183)	37
Interest received	**173**	230	**159**	186	723
Interest paid	**-**	(15)	**-**	(15)	(41)
Tax paid	**(785)**	(653)	**(514)**	(394)	(2,118)
Cash flows generated from operating activities	**4,554**	4,294	**1,557**	1,172	8,789
Investing activities					
Proceeds from (investments in) deposits, net	**1,507**	938	**(576)**	938	(5,540)
Investment in fixed assets	**(207)**	(435)	**(57)**	(340)	(629)
Proceeds from sale of fixed assets	**-**	19	**-**	9	31
Cash flows generated from (used for) investing activities	**1,300**	522	**(633)**	607	(6,138)
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	**5,854**	(485)	**924**	(3,522)	(2,650)
Cash and cash equivalents at the beginning of the period	**4,741**	7,366	**9,646**	10,411	7,366
Effect of exchange rate fluctuations on cash and cash equivalents	**(15)**	14	**10**	6	25
Cash and cash equivalents at the end of the period	**10,580**	6,895	**10,580**	6,895	4,741

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

Note 1 - General

A. Reporting entity

Payton Planar Magnetics Ltd. ("the Company") was incorporated 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 at June 30, 2020 comprise the Company and its subsidiaries (together referred 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

Effects of the spreading of the Corona Virus

As detailed in the annual financial statements as of December 31, 2019, during the end of 2019 and the beginning of 2020, an outbreak of the corona virus began in China which soon spread to other countries in the world and reached Israel as well. According to the present situation it seems that the activity in all the Groups production locations: China, Israel, Philippines, UK and USA are working almost normally according to new routines, each place is following its local Covid-19 working regulations.
From the beginning of the year 2020 and until today, the Group has been carefully managing the risks and its global operations. The Israeli facility was able to keep its production running, in two shifts, by following strict local rules. Administrative personal has the option to operate remotely whenever needed. The US and the UK subsidiaries were also able to keep business running while keeping social distance rules.
Payton's world wild manufacturing facilities and geographically spread proved itself. While the China facility was closed the production in the Philippines kept working. When the virus spread to the Philippines, the China facility was re-opened, thus, the Group was able to minimize the impact of the Corona Epidemic on its business activity and to deliver most of its orders for the first half of 2020 on time.
As of the date of signing these financial statements, assuming that no material change occurs, management estimates that the second half of 2020 will be characterized by similar activity volume to the first half of 2020, thus, the Group will be able to continue its regular course of business.

Note 2 - Basis of Preparation

A. Statement of compliance

These 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, 2019 (hereinafter “annual financial statements”).
These condensed consolidated interim financial statements were authorized for issue by the Group’s Board of Directors on August 17, 2020.

B. Use of estimates and judgments

The preparation of interim financial statements in accordance to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

Note 3 - Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements.

Note 4 - Employee Benefits

In the first half year of 2020, there was an increase in the yield rates of high quality corporate debentures in Israel that are used for discounting a defined benefit obligation.
In addition, there was a decrease in the value of plan assets due to the decreases that occurred in the value of financial assets during the reporting period following the spread of the Corona Virus.
The net effect of the above on the financial statements as at June 30, 2020 was a decrease in the defined benefit obligation and an adjustment in deferred tax balances in the amount of USD 138 thousand and USD 26 thousand, respectively, which were recognized against other comprehensive income.

Note 5 - 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
	2020	**2019**	**2020**	**2019**	**2019**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**	**$ thousands**	**$ thousands**
Profit for the period ($ thousands)	**4,534**	4,028	**2,775**	2,408	8,767
Issued ordinary shares (in thousands of shares)	**17,671**	17,671	**17,671**	17,671	17,671
Basic and diluted earnings per ordinary share (in $)	**0.26**	0.23	**0.16**	0.14	0.50

Note 6 - 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.

Management observes the operating data up to the net profit, in consistent of the consolidated financial reports presented in accordance with IFRS.

Note 7 - Subsequent Events

On August 17, 2020, the Company's Board of Directors decided to adopt a Dividend Distribution Policy according to which, the Company may distribute to its shareholders, every year a dividend at a rate of up to 40% of the Company's yearly net profits.
The distribution of the dividend will be subject to a separate decision of the Company's Board of Directors, to be made together with the approval of the Company's annual financial statements by the Board of Directors, according to which the Company also meets all the Law requirements.
It should be noted that the decision to set a Dividend Distribution Policy shall not be considered as an undertaking of the Company to make any dividend distribution.