

Regulated Information
PRESS RELEASE
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Q3 2020 Report¹

Net profit USD 6,791 thousand

Sales Revenues of USD 30,806 thousand for the nine-month period ending September 30, 2020

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the third quarter of 2020 (nine-month period ending September 30, 2020). Net profit for the nine-month period of 2020 totaled USD 6,791 thousand. Sales revenues for the first nine months of 2020 totaled USD 30,806 thousand.

The spread of the Corona Virus effect - Payton's worldwide manufacturing facilities and geographically spread proved itself. Management estimates that, assuming that no dramatic changes will occur, the worldwide Covid-19 epidemic will have no major impact on the Group's activities and the regular course of business will continue.

Order backlog of the Group as of September 30, 2020 was USD 15,240 thousand.

Key financial highlights for the first nine-month period of 2020

Sales revenues

The Group's sales revenues for the nine-month period ended September 30, 2020 were USD 30,806 thousand compared with USD 29,008 thousand in the nine-month period ended September 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.

Gross result

The Group's gross profit for the nine-month period ended September 30, 2020 amounted USD 12,726 thousand (41% of sales) compared with USD 12,938 thousand (45% of sales) in the nine-month period ended September 30, 2019. The gross margin is affected mainly by the sales products mix.

Expenses

During the first nine months of year 2020, The Group's *Development Costs* were USD 1,030 thousand compared with USD 981 thousand in the same period last year (2019).

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 reps' Network.

The Group's selling & marketing expenses for the nine-month period ended September 30, 2020 were USD 1,302 thousand (4%) and USD 1,578 thousand (5%) in the nine-month period ended

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, 2019.

September 30, 2019. During the first nine months of 2020, due to the Corona Epidemic, there was a decrease in other selling expenses mainly in travel expenses and exhibitions costs.

The Group's *General & Administrative expenses* for the nine-month period ended September 30, 2020 were USD 2,568 thousand compared with USD 2,663 thousand in the same period last year.

Operating and financial result

The total operating income for the first nine-month period of 2020 amounted to USD 7,826 thousand compared to USD 7,705 thousand in the same period last year. During the first nine months of 2020, Payton recorded a *net finance income* of USD 457 thousand compared to a net finance income of USD 448 thousand for the first nine months of 2019.

Income taxes

Tax expenses for the first nine months of 2020 totaled USD 1,483 thousand, compared to USD 1,492 thousand for the nine-month period that ended on September 30, 2019.

Result of the period

The total result for the first three quarters of year 2020 was a net profit of USD 6,791 thousand, compared to USD 6,673 thousand for the nine-month period ended September 30, 2019.

Balance sheet - cash position

Cash and cash equivalents and Short-term Deposits amounted to a total of USD 42,253 thousand as at September 30, 2020 compared to USD 33,841 thousand as at December 31, 2019 and USD 31,115 thousand as at September 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 amounted to USD 7,857 thousand as at September 30, 2020 compared with USD 7,610 thousand as at December 31, 2019 and USD 8,386 thousand as at September 30, 2019. The decrease in this item, compared with September 30, 2019, is mainly due to a decrease in some delayed payments.

Trade payables amounted to USD 4,054 thousand as at September 30, 2020 compared with USD 2,678 thousand as at December 31, 2019 and USD 2,736 thousand as at September 30, 2019. The increase in this item is mainly due to an increase in purchases and in average payment terms.

Cash flow

Cash flows generated from operating activities for the nine-month period ended September 30, 2020 amounted USD 8,438 thousand, compared with cash flows generated from operating activities of USD 5,726 thousand for the nine-month period ended September 30, 2019. In the first nine months of 2020 cash flows from operating activities generated mainly from the profit for the period affected also by increase in trade payables and other changes in assets and liabilities as well as by non-cash adjustments.

Cash flows used for investing activities in the nine-month period ended September 30, 2020, amounted USD 652 thousand, compared with cash flows generated from investing activities at the amount of USD 3,465 thousand in the nine-month period ended September 30, 2019. In the first nine months of 2020 cash flows used for investments in bank deposits and for investments in fixed assets mainly testing and R&D equipment including other computing equipment.

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

Outlook

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 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 nine months of 2020 on time.

As of the date of signing these financial statements, assuming that no dramatic changes will occur, management estimates that the worldwide Covid-19 epidemic will have no major impact on the Group's activities and the regular course of business will continue.

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

On August 17, 2020, the Company's Board of Directors decided to adopt a Dividend Distribution Policy² 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.

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

For more information, please visit Payton's website at www.paytongroup.com or contact Michal Lichtenstein, CFO at +972-3-9611164 -Michal@paytongroup.com or Nathalie Verbeeck at Citigate Dewe Rogerson Belgium + 32 (0) 477 45 75 41 Nathalie.Verbeeck@citigatedewerogerson.com

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 about 180 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including telecommunications, automotive, cellular infrastructure, 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

² The adoption of the Dividend Distribution Policy does not consist an undertaking by the Company to actually distribute dividend according to the policy, any distribution is subject to a Board decision. For more details, see also, Dividend Policy, on the Company's web site: <https://www.paytongroup.com/dividend-policy>.

Key financial figures – Payton Planar Magnetics Ltd.
Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income
- unaudited -

	Nine months ended September 30	
	2020	2019
	USD 000	USD 000
Revenues	30,806	29,008
Cost of sales	(18,080)	(16,070)
Gross profit	12,726	12,938
Development costs	(1,030)	(981)
Selling and marketing expenses	(1,302)	(1,578)
General and administrative expenses	(2,568)	(2,663)
Other expenses, net	-	(11)
Operating profit	7,826	7,705
Finance income	484	635
Finance expenses	(27)	(187)
Finance income, net	457	448
Share of (losses) profits of equity accounted investee	(9)	12
Profit before income taxes	8,274	8,165
Income taxes	(1,483)	(1,492)
Profit for the period	6,791	6,673
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Re-measurement of defined benefit plan	112	(198)
Share of other comprehensive income (loss) of equity accounted investee	5	(19)
Total other comprehensive income (loss)	117	(217)
Total comprehensive income for the period	6,908	6,456
Number of shares	17,670,775	17,670,775
Basic earnings per share (in USD)	0.38	0.38

**Condensed Interim Consolidated Statement of Financial
Position**

- unaudited -

	September 30	
	USD 000	USD 000
	2020	2019
Current assets	55,511	45,082
Non-current assets	11,495	12,015
Total assets	67,006	57,097
Current liabilities	7,217	6,075
Non-current liabilities	1,630	1,946
Equity	58,159	49,076
Total liabilities and Equity	67,006	57,097

Condensed Interim Consolidated Statements of Cash Flows
- unaudited -

	Nine months ended September 30	
	2020 USD 000	2019 USD 000
Operating activities		
Profit for the period	6,791	6,673
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation	670	724
Income taxes	1,483	1,492
Share of losses (profits) of equity accounted investee	9	(12)
Loss on sale of fixed assets	-	11
Finance income, net	(472)	(528)
Change in employee benefits	95	51
(Increase) decrease in trade accounts receivable	(247)	(2,235)
(Increase) decrease in other accounts receivable	(131)	(555)
Decrease (increase) in inventory	100	32
Increase in trade payables	1,388	853
(Decrease) increase in other payables	(152)	(60)
Interest received	231	313
Interest paid	-	(15)
Income taxes paid	(1,327)	(1,018)
Cash flows generated from operating activities	8,438	5,726
Investing activities		
(Investments in) proceeds from deposits, net	(385)	3,937
Investment in fixed assets	(267)	(499)
Proceeds from sale of fixed assets	-	27
Cash flows (used for) generated from investing activities	(652)	3,465
Financing activities		
Dividend paid	-	(5,301)
Cash flows used for financing activities	-	(5,301)
Net increase (decrease) in cash and cash equivalents	7,786	3,890
Cash and cash equivalents at the beginning of the period	4,741	7,366
Effect of exchange rate fluctuations on cash and cash equivalents	-	(2)
Cash and cash equivalents at the end of the period	12,527	11,254