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Q1 2020 Report[1]

Net profit USD 1,759 thousand
Sales Revenues of USD 8,239 thousand
Order Backlog as of March 31, 2020 of USD 18,126 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first quarter of 2020 (three-month period ending March 31, 2020).
Net profit for the first three months of 2020 totaled USD 1,759 thousand.
Sales revenues for the first three months of 2020 totaled USD 8,239 thousand.

The spread of the Corona Virus effect - Payton's contingency plan, having manufacturing partners geographically spread, has proved itself. Management estimates that the first half of 2020 will be characterized by similar activity volume to the first half of 2019. However, the second half year of 2020 and onwards, it is still difficult to foresee the future macroeconomic effect of the Corona Epidemic on the Group business activity.

Framework agreements that do not constitute binding - As of March 31, 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.

Key financial highlights for the first three months of 2020

Sales revenues

The Group's sales revenues for the three-month period ended March 31, 2020 were USD 8,239 thousand compared with USD 8,204 thousand in the three-month period ended March 31, 2019.
The Group succeeded to maintain its sales volume in spite of the Corona Epidemic worldwide effect thanks to its geographical spread and its effective conduct.

Gross result

The Group's gross profit for the three-month period ended March 31, 2020 amounted USD 3,728 thousand (45% of sales) compared with USD 3,335 thousand (41% of sales) in the three-month period ended March 31, 2019. The improvement in the gross margins was influenced by the products mix and the production locations of each period.

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[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.

Expenses

During the first quarter of year 2020, The Group's *Development Costs* were USD 327 thousand compared with USD 300 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 three-month period ended March 31, 2020 were USD 489 thousand (6%) and USD 538 thousand (7%) in the three-month period ended March 31, 2019.

The Group's *General & Administrative expenses* for the three-months period ended March 31, 2020 were USD 813 thousand compared with USD 827 thousand in the same period last year.

Operating and financial result

The total operating income for the first qurter of 2020 amounted to USD 2,099 thousand compared to USD 1,667 thousand in the same period last year. During the first three months of 2020, Payton recorded a *net finance income* of USD 145 thousand compared to a net finance income of USD 254 thousand for the first three months of 2019. The decrease in *finance income* is mainly explained by a decrease of the market interest rate on bank deposits

Income taxes

Tax expenses for the first three-months of 2020 totaled USD 403 thousand, compared to USD 301 thousand for the three-month period that ended on March 31, 2019.
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Result of the period

The total result for the first quarter of 2020 was a net profit of USD 1,759 thousand, compared to USD 1,620 thousand for the three-month period ended March 31, 2019.
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Balance sheet - cash position

Cash and cash equivalents and Short-term Deposits amounted to a total of USD 36,827 thousand as at March 31, 2020 compared to USD 33,841 thousand as at December 31, 2019 and USD 34,164 thousand as at March 31, 2019.
The increase in these items, compared with December 31, 2019 is explained mainly by Company's profitability, as well as from decrease in trade accounts receivable. 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 6,398 thousand as at March 31, 2020 compared with USD 7,610 thousand as at December 31, 2019 and USD 4,527 thousand as at March 31, 2019.
The decrease in this item compared with December 31, 2019 resulted mainly due to decrease of Far-East oriented customer that were late at end of 2019 and collected during the first quarter of 2020.
The increase in this item compared with March 31, 2019 is mainly due to the increase in sales in the periods near the reports dates.
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Other accounts receivable amounted to USD 1,573 thousand as at March 31, 2020 compared with USD 1,733 thousand as at December 31, 2019 and USD 2,266 thousand as at March 31, 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 March 31, 2020, such contract assets amounted to approximately USD 1.0 million compared to USD 1.2 million as at December 31, 2019 and USD 1.7 million as at March 31, 2019.

Trade payables amounted to USD 2,053 thousand as at March 31, 2020 compared with USD 2,678 thousand as at December 31, 2019 and USD 1,952 thousand as at March 31, 2019. The decrease in this item compared with December 31, 2019, is explained mainly by decrease in purchases near the reported date, mainly from a manufacturing partner in the China (main supplier), as result of the corona virus effect.

Cash flow

Cash flows generated from operating activities for the three-month period ended March 31, 2020 amounted USD 2,997 thousand, compared with cash flows generated from operating activities of USD 3,122 thousand for the three-month period ended March 31, 2019. The cash flows from operating activities generated mainly from the profit for the period and from decrease in account receivable, affected also by other non-cash adjustments and by the changes in assets and liabilities. *Cash flows generated from investing activities* in the three-month period ended March 31, 2020, amounted USD 1,933 thousand, compared with cash flows used for investing activities at the amount of USD 85 thousand in the three-month period ended March 31, 2019. In the first quarter of 2020 cash flows generated mostly from proceeds of bank deposits. *Financing activities,* there were no cash flows used for financing activities in the three-month periods ended March 31, 2020 and 2019. During the year 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 - According to present situation it seems that the activity in China and in Israel gradually returned to normal and the activity in the Philippines will gradually return to its regular course by the end of the second quarter of 2020.
From the beginning of the first quarter of 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. Most of the administrative personal operated remotely. The US and the UK subsidiaries were also able to keep business running while keeping social distance rules.
Payton's contingency plan, having manufacturing partners geographically spread, has proved itself. At the time 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 quarter of 2020 on time.
As of the date of signing these financial statements, management estimates that the first half of 2020 will be characterized by similar activity volume to the first half of 2019, thus, the Group will be able to continue in its regular course of business. However, regarding the second half year of 2020 and onwards, it is still difficult to foresee the future macroeconomic effect of the Corona Epidemic on the Group business activity.
In this context the Corona epidemic also caused high fluctuation of the exchange rates as well as changes in discount rate and plan assets interest, that influenced the actuarial assessments and estimations (see Note 4 - Employee Benefits, Interim Financial Statements as of March 31, 2020).

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

Order backlog of the Group as of March 31, 2020 was USD 18,126 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 31.3.2020 will be supplied until December 31, 2020.
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 March 31, 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.

The above statement is a forward-looking statement as defined below.

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

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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

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income
- unaudited -

	Three months ended March 31	
	2020	2019
	USD 000	USD 000
Sales revenues	**8,239**	8,204
Cost of sales	**(4,511)**	(4,869)
Gross profit	**3,728**	3,335
Development costs	**(327)**	(300)
Selling and marketing expenses	**(489)**	(538)
General and administrative expenses	**(813)**	(827)
Other (expenses) income, net	**-**	(3)
Operating profit	**2,099**	1,667
Financial income	**178**	297
Financial expenses	**(33)**	(43)
Financial income, net	**145**	254
Share of (losses) profits of equity accounted investee	**(82)**	-
Profit before income taxes	**2,163**	1,921
Income taxes	**(403)**	(301)
Profit for the period	**1,759**	1,620
Other comprehensive income items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan, net of taxes	**112**	-
Share of other comprehensive loss of equity accounted investee	**(1)**	-
Total other comprehensive income (loss)	**111**	-
Total comprehensive income for the period	**1,870**	1,620
Number of shares	**17,670,775**	17,670,775
Basic earnings per share (in USD)	**0.10**	0.09

Condensed Interim Consolidated Statement of Financial Position
- unaudited -

	March 31	
	USD 000	USD 000
	2020	2019
Current assets	**48,213**	44,060
Non-current assets	**11,745**	12,374
Total assets	**59,958**	56,434
Current liabilities	**5,095**	10,724
Non-current liabilities	**1,742**	1,470
Equity	**53,121**	44,240
Total liabilities and Equity	**59,958**	56,434

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Condensed Interim Consolidated Statements of Cash Flows

$ thousands

- unaudited -

	Three months ended March 31	
	2020	**2019**
	USD 000	**USD 000**
Operating activities		
Profit for the period	**1,759**	1,620
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation	**231**	232
Income taxes	**403**	301
Share of losses (profits) of equity accounted investee	**82**	-
Capital loss on sale of fixed assets	**-**	3
Finance income, net	**(153)**	(239)
Increase in employee benefits	**52**	89
Decrease (increase) in trade accounts receivable	**1,212**	1,624
Decrease (increase) in other accounts receivable	**160**	(487)
Decrease (increase) in inventory	**94**	178
(Decrease) increase in trade payables	**(620)**	(170)
Increase in other payables	**34**	186
Interest received	**14**	44
Tax paid	**(271)**	(259)
Cash flows generated from operating activities	**2,997**	3,122
Investing activities		
Proceeds from (investments in) deposits, net	**2,083**	-
Investment in fixed assets	**(150)**	(95)
Proceeds from sale of fixed assets	**-**	10
Cash flows generated from (used for) investing activities	**1,933**	(85)
Financing activities		
Dividend paid	**-**	-
Cash flows used for financing activities	**-**	-
Net increase (decrease) in cash and cash equivalents	**4,930**	3,037
Cash and cash equivalents at the beginning of the period	**4,741**	7,366
Effect of exchange rate fluctuations on cash and cash equivalents	**(25)**	8
Cash and cash equivalents at the end of the period	**9,646**	10,411