PAYTON PLANAR

Innovation • Design • Performance

Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
June 30, 2019 (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, 2019.

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.*

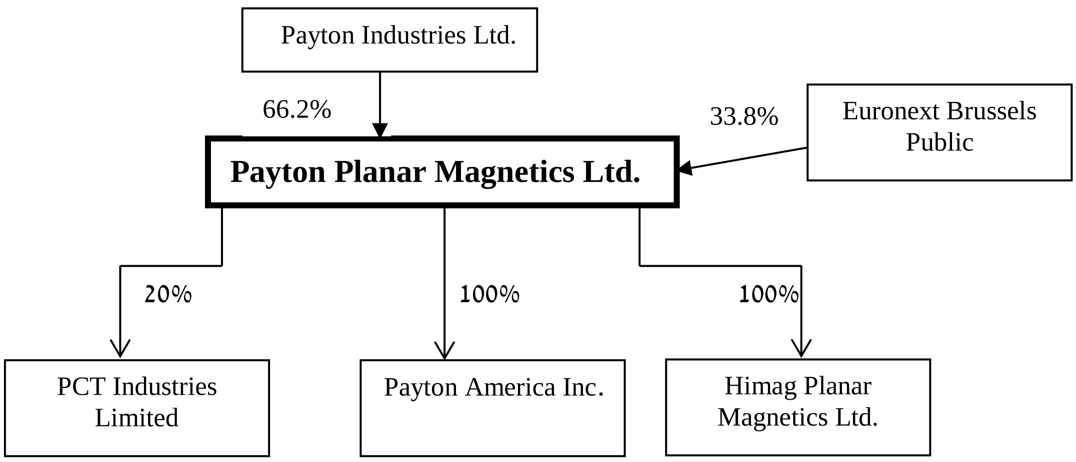
Reference in this report to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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, 2018, published on March 27, 2019 (hereinafter "the 2018 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, 2019 form an integral part thereof.

B. The Group's main fields of activity and changes that occurred in the period from January to June 2019

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.

During the first half year of 2019, the global slowdown affected the Group and a sales decrease of 18%, compared to the same period last year, was recorded. Besides, the Group keeps in its regular course of business.

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
	2019	**2018**	**2018**
Customer A[1]	21%	22%	28%
Customer B	*	14%	12%
Customer C	*	13%	11%

* Less than 10% of the Group's consolidated sales.
[1] Comprised of sales to two related companies (parent and its subsidiary).

D. Marketing

The Group participates in leading electronic exhibitions. During 2019 the Group participated in APEC in Anaheim CA, USA (March, 2019), PCIM Europe 2019 Exhibition, Nuremberg, Germany (May, 2019) and others. In addition Company is focusing on serving Key customers with routine visits and latest technology development updates.

E. Order Backlog

Order backlog of the Group as of June 30, 2019 was USD 15,194 thousand (December 31, 2018 - USD 16,026 thousand). The backlog is composed only of confirmed orders.
Management estimates that most of the backlog as of 30.6.2019 will be supplied until June 30, 2020.

F. Framework agreements that do not constitute binding orders

Last year (2018), and on January 2019, the Company entered into non-binding framework agreements for the supply of magnetic components for the automotive industry for the electric/hybrid vehicle (HEV). The nature of activity in the automotive industry is characterized by projects with a life span of about 5 to 7 years. (*See also paragraph J - Framework agreements that do not constitute binding orders, to the 2018 yearly Report).*

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 case against him. However, the Framework Agreements' forecast binds the Company to supply the quantities specified in the Framework Agreements as required.

The scope of the framework agreements the company is engaged, as of June 30, 2019 is USD 68[*] Million to be supplied until 2025. (*See also paragraph J - Framework agreements that do not constitute binding orders, to the 2018 yearly Report).*

It is noted that, during the first half of the year 2019, out of the USD 7 million estimated for the year 2019 about USD 1 million was materialized. As at the date of signing these financial statements, the Company cannot assess whether the other estimated orders according to the Framework Agreements will materialize and at what time table.

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

2. Financial position

A. Statement of Financial Position as at June 30, 2019

***Cash and cash equivalents and Short-term Deposits* -** these items amounted to a total of USD 29,698 thousand as at June 30, 2019 compared to USD 30,932 thousand as at December 31, 2018 and USD 25,619 thousand as at June 30, 2018.

The increase in these items, compared with June 30, 2018 is explained mainly by Company’s profitability, attributing the increase in its solid cash position, which covered back most of the cash paid out as dividend.

***Trade accounts receivable* -** these amounted to USD 6,605 thousand as at June 30, 2019 compared with USD 6,151 thousand as at December 31, 2018 and USD 7,492 thousand as at June 30, 2018. The decrease in this item compared with June 30, 2018 is in line with the decrease in sales in the periods near the reports dates.

***Other accounts receivable* -** these amounted to USD 2,289 thousand as at June 30, 2019 compared with USD 1,779 thousand as at December 31, 2018 and USD 1,830 thousand as at June 30, 2018. The increase 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, 2019, such contract assets amounted to approximately USD 1.9 million compared to USD 1.4 million as at December 31, 2018 and USD 1.3 million as at June 30, 2018.

***Inventory* -** amounted to USD 3,476 thousand as at June 30, 2019 compared with USD 3,281 thousand as at December 31, 2018 and USD 4,003 thousand as at June 30, 2018. The decrease in this item, compared with June 30, 2018, resulted mainly due to decrease in purchases in the periods near the reports dates.

[*] This amount represents expected sales to one customer for a number of different automotive projects, assuming that there will be no changes compared to the situation at the time of signing the framework agreements and that the sales specified in the framework agreements will be made accordingly. It should be emphasized that this section, including the Company's assessments detailed therein, includes forward-looking information, based on forecasts provided by the customer in the framework agreements (which, as mentioned above, are not binding on the customer), on the company’s estimations and on the duration of the engagement with its customer. Actual results may differ materially.

Trade payables **-** amounted to USD 2,590 thousand as at June 30, 2019 compared with USD 1,891 thousand as at December 31, 2018 and USD 4,317 thousand as at June 30, 2018. The decrease in this item, compared with June 30, 2018, is in line with the decrease in the business activity near the reports dates.

B. Operating results

Statements of Income
US Dollars in thousands

Payton Planar Magnetics Ltd.
Consolidated Comprehensive Income Statements

	Half year 1-6/2019	Half year 1-6/2018	Year Ended 31/12/2018
Sales revenues	18,066	22,056	45,623
Cost of sales	10,046	12,281	25,192
Gross profit	*8,020*	*9,775*	*20,431*
Development costs	(677)	(719)	(1,335)
Selling & marketing expenses	(1,072)	(1,150)	(2,261)
General & administrative expenses	(1,731)	(1,757)	(3,403)
Other (expenses) income, net	(8)	7	2
Operating profit	*4,532*	*6,156*	*13,434*
Finance income	484	186	392
Finance expenses	(100)	(89)	(151)
Finance income, net	384	97	241
Share of profits of equity accounted investee	12	-	24
Profit before income taxes	*4,928*	*6,253*	*13,699*
Income taxes	(900)	(1,058)	(2,338)
Profit for the period	*4,028*	*5,195*	*11,361*
Other comprehensive (loss) income items that will not be transferred to profit &loss			
Remeasurement of defined benefit plan, net of taxes	(99)	-	62
Share of other comprehensive loss of equity accounted investee	(19)		(9)
Total other comprehensive (loss) income	(118)	-	53
Total comprehensive income for the period	*3,910*	*5,195*	*11,414*

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**.**

Sales revenues **-** The Group’s sales revenues for the six-month period ended June 30, 2019 were USD 18,066 thousand compared with USD 22,056 thousand in the six-month period ended June 30, 2018. The sales decrease (18%) resulted mainly from the global economy and electronics industry slowdown causing a decrease in demands in existing projects.

Gross profit **-** The Group’s gross profit for the six-month period ended June 30, 2019 amounted USD 8,020 thousand (44% of sales) compared with USD 9,775 thousand (44% of sales) in the six-month period ended June 30, 2018. Due to its continues efficiency efforts, the Group maintained its gross margins, in spite of the decrease in sales volume.

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, 2019 were USD 677 thousand compared with USD 719 thousand in the same period last year. The decrease is mainly explained by local currency revaluation and other development cost.

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, 2019 were USD 1,072 thousand (6%) and USD 1,150 thousand (5%) in the six-month period ended June 30, 2018.

Finance income **-** The Group’s finance income for the six-month period ended June 30, 2019 amounted USD 484 thousand compared with USD 186 thousand in the six-month period ended June 30, 2018. The increase is explained by increase in the interest rate for bank deposits paid during the reported periods.

3. Liquidity

A. Operating activities

Cash flows generated from operating activities for the six-month period ended June 30, 2019 amounted USD 4,294 thousand, compared with cash flows generated from operating activities of USD 4,578 thousand for the six-month period ended June 30, 2018. The cash flows from operating activities generated mainly from the profit for the period, affected also by non-cash adjustments and by the changes in assets and liabilities.

B. Investing activities

Cash flows generated from investing activities in the six-month period ended June 30, 2019, amounted USD 522 thousand, compared with USD 2,823 thousand in the six-month period ended June 30, 2018. In the first half of 2019 cash flows generated mostly from proceeds of bank deposits.

C. Financing activities

Cash flows used for financing activities in the six-month period ended June 30, 2019, amounted USD 5,301 thousand, compared with USD 3,092 thousand in the six-month period ended June 30, 2018.

During the first half of 2019 a dividend, at the amount of USD 5,301 thousand (announced March 27, 2019) was paid in full compared with the first half of 2018 on which a dividend, at the amount of USD 3,092 thousand (announced March 26, 2018) was paid also.

4. Financing sources

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

5. External factors effects

Economy global slowdown and the trade war between the United States and China causes uncertainty in the markets.

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.

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.

6. 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, 2019 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 2019, 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 thank our shareholders for their continuance trust and belief.

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.

Ness Ziona, August 20, 2019.

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

Somekh Chaikin
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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, 2019 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period 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 20, 2019

Condensed Consolidated Interim Statements of Financial Position as at

	June 30 2019	June 30 2018	December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
	$ thousands	$ thousands	$ thousands
Current assets			
Cash and cash equivalents	**6,895**	9,378	7,366
Short-term deposits and investments	**22,803**	16,241	23,566
Trade accounts receivable	**6,605**	7,492	6,151
Other accounts receivable	**2,289**	1,830	1,779
Inventory	**3,476**	4,003	3,281
Total current assets	**42,068**	38,944	42,143
Non-current assets			
Investment in equity accounted investee	**1,008**	-	1,015
Fixed assets	**11,183**	11,557	11,256
Intangible assets	**22**	22	22
Total non-current assets	**12,213**	11,579	12,293
Total assets	**54,281**	50,523	54,436

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 2019 (Unaudited) $ thousands	June 30 2018 (Unaudited) $ thousands	December 31 2018 (Audited) $ thousands
Liabilities and equity			
Current liabilities			
Trade payables	**2,590**	4,317	1,891
Other payables	**1,685**	1,725	1,682
Current tax liability	**1,196**	853	1,062
Employee benefits	**512**	476	378
Total current liabilities	**5,983**	7,371	5,013
Non-current liabilities			
Employee benefits	**575**	520	399
Deferred tax liabilities	**1,193**	930	1,103
Total non-current liabilities	**1,768**	1,450	1,502
Total liabilities	**7,751**	8,821	6,515
Equity			
Share capital	**4,836**	4,836	4,836
Share premium	**8,993**	8,993	8,993
Retained earnings	**32,701**	27,873	34,092
Total equity	**46,530**	41,702	47,921
Total liabilities and equity	**54,281**	50,523	54,436

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 20, 2019

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		Year ended December 31
	2019	**2018**	**2018**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**
Revenues	**18,066**	22,056	45,623
Cost of sales	**(10,046)**	(12,281)	(25,192)
Gross profit	**8,020**	9,775	20,431
Development costs	**(677)**	(719)	(1,335)
Selling and marketing expenses	**(1,072)**	(1,150)	(2,261)
General and administrative expenses	**(1,731)**	(1,757)	(3,403)
Other (expenses) income, net	**(8)**	7	2
Operating profit	**4,532**	6,156	13,434
Finance income	**484**	186	392
Finance expenses	**(100)**	(89)	(151)
Finance income, net	**384**	97	241
Share of profits of equity accounted investee	**12**	-	24
Profit before income taxes	**4,928**	6,253	13,699
Income taxes	**(900)**	(1,058)	(2,338)
Profit for the period	**4,028**	5,195	11,361
Other comprehensive (loss) income items that will not be transferred to profit and loss			
Remeasurement of defined benefit plan	**(99)**	-	62
Share of other comprehensive loss of equity accounted investee	**(19)**	-	(9)
Total other comprehensive (loss) income	**(118)**	-	53
Total comprehensive income for the period	**3,910**	5,195	11,414
Basic and diluted earnings per share (in $)	**0.23**	0.29	0.64

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	Retained	
	Number of shares	$ thousands	premium $ thousands	earnings $ thousands	Total $ thousands
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 six months ended June 30, 2018 (Unaudited)					
Balance at January 1, 2018	17,670,775	4,836	8,993	25,649	39,478
Effect of initial application of IFRS 15	-	-	-	121	121
Balance as at January 1, 2018 after initial application	17,670,775	4,836	8,993	25,770	39,599
Total comprehensive income for the period					
Profit for the period	-	-	-	5,195	5,195
Total comprehensive income for the period	-	-	-	5,195	5,195
Transactions with owners, recognized directly in equity					
Dividend to owners	-	-	-	(3,092)	(3,092)
Balance at June 30, 2018	17,670,775	4,836	8,993	27,873	41,702
For the year ended December 31, 2018 (Audited)					
Balance at January 1, 2018	17,670,775	4,836	8,993	25,649	39,478
Effect of initial application of IFRS 15	-	-	-	121	121
Balance as at January 1, 2018 after initial application	17,670,775	4,836	8,993	25,770	39,599
Total comprehensive income for the year					
Profit for the year	-	-	-	11,361	11,361
Other comprehensive income	-	-	-	53	53
Total comprehensive income for the year	-	-	-	11,414	11,414
Transactions with owners, recognized directly in equity					
Dividend to owners	-	-	-	(3,092)	(3,092)
Balance at December 31, 2018	17,670,775	4,836	8,993	34,092	47,921

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		Year ended December 31
	2019	**2018**	**2018**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	$ thousands	**$ thousands**	**$ thousands**
Operating activities			
Profit for the period	**4,028**	5,195	11,361
Adjustments to reconcile profit to net cash generated from operating activities:			
Depreciation	**479**	448	905
Income taxes	**900**	1,058	2,338
Share of profits of equity accounted investee	**(12)**	-	(24)
Capital loss (gain) on sale of fixed assets	**8**	(7)	(2)
Finance income, net	**(404)**	(142)	(350)
Increase (decrease) in employee benefits	**188**	25	(117)
(Increase) decrease in trade accounts receivable	**(454)**	(947)	394
Increase in other accounts receivable	**(510)**	(824)	(773)
Increase in inventory	**(195)**	(806)	(84)
Increase (decrease) in trade payables	**701**	1,201	(1,202)
Increase in other payables	**3**	247	204
Interest received	**230**	148	379
Interest paid	**(15)**	(24)	(24)
Tax paid	**(653)**	(994)	(1,907)
Cash flows generated from operating activities	**4,294**	4,578	11,098
Investing activities			
Proceeds from (investments in) deposits, net	**938**	3,156	(4,182)
Acquisition of equity accounted investee	**-**	-	(1,000)
Investment in fixed assets	**(435)**	(343)	(527)
Proceeds from sale of fixed assets	**19**	10	10
Cash flows generated from (used for) investing activities	**522**	2,823	(5,699)
Financing activities			
Dividend paid	**(5,301)**	(3,092)	(3,092)
Cash flows used for financing activities	**(5,301)**	(3,092)	(3,092)
Net (decrease) increase in cash and cash equivalents	**(485)**	4,309	2,307
Cash and cash equivalents at the beginning of the period	**7,366**	5,089	5,089
Effect of exchange rate fluctuations on cash and cash equivalents	**14**	(20)	(30)
Cash and cash equivalents at the end of the period	**6,895**	9,378	7,366

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

Note 1 - General

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, 2019 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.

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, 2018 (hereinafter "annual financial statements").
These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on August 20, 2019.

B. Semi-annual reports

Until December 31, 2018, according to the new regulation of the Israeli Securities' Authority, the Company, being a 'Small Corporation', is exempted from publishing quarterly financial statements for the 1st and the 3rd quarters and publishes its financial statements on a semi-annual basis (half year and full year).
Starting January l, 2019 the Company no longer meets the definition of a 'Small Corporation' and therefore will publish its financial results on a quarterly basis starting year 2020.

C. 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

Except as described below, 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.

Presented hereunder is a description of the changes in accounting policies applied in these condensed consolidated interim financial statements and their effect:

Initial application of new standards, amendments to standards and interpretations

As from January 1, 2019, the Group applies the new standards and amendments to standards described below:

(1) IFRS 16, *Leases* (hereinafter in this section: "IFRS 16" or "the standard")

As from January 1, 2019 the Group applies International Financial Reporting Standard 16, *Leases* that replaces IAS 17, *Leases*.
The standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize a right-of-use asset and a lease liability in its financial statements. IFRS 16 includes certain exceptions and expedients.
Due to the fact that the Group does not have any material leased assets, the application of IFRS 16 did not have a material effect on the financial statements.

(2) IFRIC 23, *Uncertainty Over Income Tax Treatments*

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 for uncertainties in income taxes. According to IFRIC 23, when determining the taxable profit, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments, the entity should assess whether it is probable that the tax authority will accept its tax position.
The application of IFRIC 23 did not have a material effect on the financial statements.

Note 4 - Dividends

A. On March 27, 2019, the Company’s Board of Directors decided to pay the shareholders a dividend for the financial year 2018 at the amount of USD 5,301 thousand (USD 0.3 per share, paid on June 6, 2019).

B. On March 26, 2018, the Company’s Board of Directors decided to pay the shareholders a final dividend for the financial year 2017, at the amount of USD 3,092 thousand (USD 0.175 per share, paid on May 24, 2018).

Note 5 - Earnings Per Share

Basic earnings per share

	For the six months ended June 30		Year ended December 31
	2019	2018	2018
	$ thousands	$ thousands	$ thousands
	(Unaudited)	(Unaudited)	(Audited)
Profit for the period ($ thousands)	**4,028**	5,195	11,361
Issued ordinary shares (in thousands of shares)	**17,671**	17,671	17,671
Basic earnings per ordinary share (in $)	**0.23**	0.29	0.64

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.