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Half-year 2019 Report[1]

Net profit USD 4,028 thousand
Sales Revenues of USD 18,066 thousand
Order Backlog as of June 30, 2019 of USD 15,194 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2019 (six-month period ending June 30, 2019).
Net profit for the first six months of 2019 totaled USD 4,028 thousand.
Sales revenues for the first six months of 2019 totaled USD 18,066 thousand.

During the first half year of 2019, the Group was affected by the global slowdown.
The Group's order backlog as of June 30, 2019 totaled USD 15,194 thousand (December 31, 2018 - USD 16,026 thousand).

Key financial highlights for the first half-year of 2019

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 result
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.

Expenses
During the first half-year that ended on June 30, 2019, The Group’s *Development Costs* were USD 677 thousand compared with USD 719 thousand in the same period last year (2018). The decrease is mainly explained by local currency revaluation and other development cost.

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 six-month period that ended on June 30, 2019 were USD 1,072 thousand (6%) and USD 1,150 thousand (5%) in the six-month period that ended on June 30, 2018.
The Group’s *General & Administrative expenses* for the six months that ended on June 30, 2019 were USD 1,731 thousand compared with USD 1,757 thousand in the same period last year.

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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, 2018.

Operating and financial result

The total operating income for the first half-year of 2019 amounted to USD 4,532 thousand compared to USD 6,156 thousand in the same period last year. During the first six months of 2019, Payton recorded a *net finance income* of USD 384 thousand compared to a net finance income of USD 97 thousand for the first six months of 2018. The increase in *finance income* is explained by increase in the interest rate for bank deposits paid during the reported periods.

Income taxes

Tax expenses for the first six months of 2019 totaled USD 900 thousand, compared to USD 1,058 thousand for the six-month period that ended on June 30, 2018.

Result of the period

The total result for the first half-year of 2019 was a net profit of USD 4,028 thousand, compared to USD 5,195 thousand for the six-month period ended June 30, 2018.

Balance sheet - cash position

Cash and cash equivalents and Short-term Deposits 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 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 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.

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.

Cash flow

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. *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. *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.

Outlook

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

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.

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. 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. 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 below.

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

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Note: forward-looking statements:

This press release contains certain ***forward-looking statements*** and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events. Management 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 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 185 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).

* 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.

Annex: Selected Financial Statements

Key financial figures – Payton Planar Magnetics Ltd.

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

- unaudited -

	Six months ended June 30	
	2019	2018
	USD 000	USD 000
Sales revenues	**18,066**	22,056
Cost of sales	**(10,046)**	(12,281)
Gross profit	**8,020**	9,775
Development costs	**(677)**	(719)
Selling and marketing expenses	**(1,072)**	(1,150)
General and administrative expenses	**(1,731)**	(1,757)
Other (expenses) income, net	**(8)**	7
Operating profit	**4,532**	6,156
Financial income	**484**	186
Financial expenses	**(100)**	(89)
Financial income, net	**384**	97
Share of profits of equity accounted investee	**12**	-
Profit before income taxes	**4,928**	6,253
Income taxes	**(900)**	(1,058)
Profit for the period	**4,028**	5,195
Other comprehensive (loss) income items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan, net of taxes	**(99)**	-
Share of other comprehensive loss of equity accounted investee	**(19)**	-
Total comprehensive income for the period	**3,910**	5,195
Number of shares	**17,670,775**	17,670,775
Basic earnings per share (in USD)	**0.23**	0.29

Condensed Interim Consolidated Statement of Financial Position

- unaudited -

	June 30	
	USD 000	USD 000
	2019	2018
Current assets	**42,068**	38,944
Non-current assets	**12,213**	11,579
Total assets	**54,281**	50,523
Current liabilities	**5,983**	7,371
Non-current liabilities	**1,768**	1,450
Equity	**46,530**	41,702
Total liabilities and Equity	**54,281**	50,523

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Condensed Interim Consolidated Statements of Cash Flows

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