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**REGULATED INFORMATION**
**PRESS RELEASE**
**March 26 2018**
**6 pm CET**

# Full Year Results 2017

## Sales Revenues of USD 33,043 thousand.
## Backlog as of December 31, 2017 of USD 16,796 thousand, increasing to USD 21,861 thousand as of March 12, 2018.
## Board of Directors of Payton Planar Magnetics proposed to distribute a gross dividend of USD 0.175 per share or an aggregate amount of USD 3,092 thousands as final dividend for the year 2017.

**Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2017.**

**Sales revenues for 2017 totaled USD 33,043 thousand compared to USD 32,354 thousand on December 31, 2016.**

**The net profit for 2017 increased to USD 5,544 thousand from USD 4,253 thousand on year 2016.**

**In the coming year (2018) Payton intends to continue improving its efficiency as well as increasing production capabilities and production automation. Furthermore, the Group plans to continue its regular course of business, enlarging its market share and maximize business challenges to the greatest possible extent.**

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

**Order backlog as of December 31, 2017 amounted to USD 16,796 thousand, and as of March 12, 2018 amounted to USD 21,861 thousand compared to USD 10,681 thousand as of December 31, 2016.**

**Considering the company's solid cash position, the Board of Directors decided to pay the members a dividend of USD 0.175 per share, an aggregate amount of USD 3,092 thousand (to be paid on May 24, 2018). The Board shall recommend the General Meeting to approve the said amount as final dividend for the year 2017. The dividend is submitted to one single tax of 15%.**

## Key financial highlights in 2017

### Sales revenues

The Group's sales revenues for year 2017 were USD 33,043 thousand compared with USD 32,354 thousand in year 2016. During 2017 the Group maintained its sales level.

### Cost of sales & gross result

The Group's gross results for the year ended December 31, 2017 were USD 12,979 thousand (39%), compared with USD 12,075 thousand (37%), in the year ended December 31, 2016. The Group improved its gross profit margin together with maintaining its sales level. The gross profit is influenced by the products mix and the production locations of each year sales.

### Expenses

The Group's General & Administrative expenses for the year ended December 31, 2017 amounted to USD 2,948 thousand compared with USD 2,959 thousand in the year ended December 31, 2016.

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 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 year ended December 31, 2017 amounted to USD 2,269 thousand compared with USD 2,254 thousand in the year ended December 31, 2016.

The Group's other income for the year ended December 31, 2017 amounted to USD 4 thousand compared with expenses of USD 633 thousand in the year ended December 31, 2016. During 2016 the UK subsidiary recorded an impairment of goodwill at the amount of USD 709 thousand, in addition to an income at the amount of USD 69 thousand resulting from a decrease in contingent consideration (originated from the purchase of Himag Solutions business activity).

**Operating & financial result**

The total operating income before the financial result for 2017 amounts to USD 6,526 thousand compared to USD 5,217 thousand last year.

The Group's Finance income for the year ended December 31, 2017 increased to USD 313 thousand compared with a finance income of USD 143 thousand in the year ended December 31, 2016.

**Profit before income taxes**

The profit before income taxes for the financial year 2017 is USD 6,839 thousand compared to a profit of USD 5,360 thousand in 2016.

**Income taxes**

Tax expenses for the year ended December 31, 2017 amounted to USD 1,295 thousand compared with USD 1,107 thousand for the year ended December 31, 2016. The increase in tax expenses resulted mainly from the profits increase.

**Net Profit for the year**

The total result for financial year 2017 was a profit of USD 5,544 thousand, compared to USD 4,253 thousand in 2016.

**Total comprehensive income for the year**

Total comprehensive income for financial year 2017 was a profit of USD 5,507 thousand, compared to USD 4,266 thousand in 2016.

**Balance sheet – cash position**

*Cash and cash equivalents and Short-term Deposits,* amounted to a total of USD 24,448 thousand as at December 31, 2017 compared to USD 20,201 thousand as at December 31, 2016.

The Company profitability during year 2017 attributed the increase in its solid cash position, which covered back the cash paid out as dividend, at the amount of USD 3,092 thousand, on J*uly*, 2017.

*Trade accounts receivable,* amounted to USD 6,545 thousand as at December 31, 2017 compared to USD 7,793 thousand as at December 31, 2016. The decrease in this item is mostly explained by sales decrease in the period near the reports date as well as from decrease in customer's average credit terms period.

*Trade payables,* amounted to USD 3,092 thousand as at December 31, 2017 compared to USD 3,738 thousand as at December 31, 2016. The decrease in this item is in line with the decrease in purchases near the reports date.

*Current tax liabilities,* amounted to USD 926 thousand as at December 31, 2017 compared to USD 676 thousand as at December 31, 2016. The increase in this item resulted mainly due to the increase in the Company's profitability.

**Cash flow statement**

*Cash flows generated from operating activities* for the year ended December 31, 2017 amounted to USD 7,813 thousand, compared with the cash flows generated from operating activities of USD 4,558 thousand for the year ended December 31, 2016. The increase in the cash flows from operating activities resulted mostly from the increase in the profit for the year, decrease in trade accounts receivables as well as from other changes in assets and liabilities.

*Cash flows used for investing activities* in the year ended December 31, 2017 amounted USD 7,798 thousand compared with cash flows generated from investing activities of USD 863 thousand in the year ended December 31, 2016. During year 2017 the cash flows were mostly invested in short term bank deposits.

*Cash flows used for financing activities* in the year ended December 31, 2017 amounted USD 3,116 thousand compared with cash flows used for financing activities of USD 3,251 thousand in the year ended December 31, 2016. Dividend at the amount of USD 3,092 thousand (USD 0.175 per share) was paid on July, 2017, and the same dividend amount was paid also on January, 2016.

**Outlook**

The Group's order backlog as at December 31, 2017 amounted to USD 16,796 thousand, and as of March 12, 2018 to USD 21,861 thousand (December 31, 2016 - USD 10,681 thousand). The backlog is composed of the Company and its two fully owned subsidiaries firm orders. Management estimates that most of the backlog as of 31.12.17 will be supplied until the end of December 2018.

The Group expects the market trend for the coming year (2018) to reflect the increase in the global economy and increasing demands. In order to successfully follow its potential, Payton will aim its efforts to improving efficiency, increasing production capabilities and automating production lines.

During 2018, the Group plans to continue its regular course of business, enlarging its market share and maximize business challenges to the greatest possible extent. Furthermore, to continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.

*Curency exposure* - Global fluctuations also affect the Group performances. Both, in Israel and in the UK, there are currency fluctuations in the exchange rates of the main currency (USD) vis-à-vis the NIS and the GBP. Company Management is closely monitoring these market fluctuations and will continue to track their developments and effects..

As result of the Company's conservative cash policy, management estimates that the Group is financially strong and no liquidity problems are expected in the foreseeable future.

It is noted that the above statements are forward-looking statements as defined below.

**Subsequent Events**

On March 26, 2018, the Company's Board of Directors decided to pay the shareholders a dividend for the financial year 2017 at the amount of USD 3,092 thousand (USD 0.175 per share, to be paid on May 24, 2018). The dividend is submitted to one single tax of 15%.

**Competition & External factors effects**

In the recent years there has been an increasing interest of conventional transformer manufacturers to get into the Planar field. We can note that there are more and more companies that are trying to design and manufacture the planar components. However, the Company believes in its technology advantage and capabilities and estimates it could generally benefit from an increasing competition in the market due to greater exposure of the technology.

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 held in those currencies.

**Independent Auditors' Report – 26 March 2018**

The selected consolidated financial data are derived from the Audited Financial Statement of the Company as of and for each of the years in the two years period ended December 31.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the requirements of Israeli law.

The results have been audited by Somekh Chaikin, Certified Public Accountants, a member firm of KPMG International. The conclusion of the auditor is as follows: *"In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)".*

**Statement by senior management in accordance with Royal Decree of 14 November 2007**

Pursuant to article 13 § 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 31 December 2017 are drawn up in accordance with IFRS-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 financial year, their impact on the financial statements, the main risk factors and uncertainties, as well as the main transactions with related parties and their possible impact on the financial statements.

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

# Key financial figures – Payton Planar Magnetics Ltd.

## Consolidated Statements of Comprehensive Income
- audited -

| | 12 months ended December 31 | |
|---|---|---|
| | **USD 000 2017** | USD 000 2016 |
| Sales revenues | **33,043** | 32,354 |
| Cost of sales | **(20,064)** | (20,279) |
| **Gross result** | **12,979** | 12,075 |
| Development costs | **(1,240)** | (1,012) |
| Selling and marketing expenses | **(2,269)** | (2,254) |
| General and administrative expenses | **(2,948)** | (2,959) |
| Other income (expenses),net | **4** | (633) |
| **Operating profit** | **6,526** | 5,217 |
| Financial income | **357** | 190 |
| Financial expense | **(44)** | (47) |
| Financial income, net | **313** | 143 |
| Profit before taxes on income | **6,839** | 5,360 |
| Income taxes | **(1,295)** | (1,107) |
| **Profit for the year** | **5,544** | 4,253 |
| **Other comprehensive (loss) income** | | |
| Remeasurement of defined benefit plan, net of taxes | **(37)** | 13 |
| **Total comprehensive (loss) income for the period** | **5,507** | 4,266 |
| Number of shares | **17,670,775** | 17,670,775 |
| Profit per share (in USD) | **0.31** | 0.24 |

## Consolidated Statement of Financial Position
**- audited -**

| | **2017 USD 000** | 2016 USD 000 |
|---|---|---|
| **ASSETS** | | |
| Current assets | **35,046** | 32,216 |
| Non-current assets | **11,666** | 12,068 |
| **Total assets** | **46,712** | 44,284 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities | **5,953** | 6,251 |
| Non-current liabilities | **1,281** | 970 |
| Total equity | **39,478** | 37,063 |
| **Total liabilities and shareholders' equity** | **46,712** | 44,284 |

## Current Shareholders structure

| Shareholder name | # of shares | % outstanding shares | Comments |
|---|---|---|---|
| Payton Industries Ltd. | 11,694,381 | 66.2% | Israeli company traded in the Tel Aviv stock exchange. |
| Public | 5,976,394 | 33.8% | Listed on the Euronext since June 1998 |
| Total | 17,670,775 | 100.0% | Total outstanding shares. |

## Consolidated Statement of Cash Flows

| **Audited - USD thousands** | **2017** | **2016** |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | **5,544** | 4,253 |
| Adjustments to reconcile profit to net cash generated from operating activities: | | |
| Depreciation and amortization | **931** | 1,011 |
| Income taxes | **1,295** | 1,107 |
| Capital (gain) loss on sale of fixed assets | **(4)** | (7) |
| Changes in the fair value of contingent consideration | **-** | (69) |
| Impairment loss on goodwill | **-** | 709 |
| Increase in employee benefits | **154** | 115 |
| Decrease (increase) in trade accounts receivable | **1,248** | (3,479) |
| Decrease (increase) in other accounts receivable | **150** | (237) |
| Decrease (increase) in inventory | **21** | 481 |
| (Decrease) Increase in trade payables | **(663)** | 753 |
| Increase in other payables | **77** | 227 |
| Finance expenses (income), net | **(301)** | (105) |
| Interest received | **214** | 130 |
| Interest paid | **(7)** | - |
| Tax paid | **(846)** | (529) |
| Tax received | **-** | 198 |
| **Cash flows generated from operating activities** | **7,813** | 4,558 |
| **Investing activities** | | |
| Proceeds from (investment in) deposits, net | **(7,254)** | 1,478 |
| Investment in fixed assets | **(555)** | (651) |
| Proceeds from sale of fixed assets | **11** | 36 |
| **Cash flows generated from (used for) investing activities** | **(7,798)** | 863 |
| **Financing activities** | | |
| Payment of contingent consideration | **(24)** | (159) |
| Dividend paid | **(3,092)** | (3,092) |
| **Cash flows generated from (used for) financing activities** | **(3,116)** | (3,251) |
| **Net (decrease) increase in cash and cash equivalents** | **(3,101)** | 2,170 |
| **Cash and cash equivalents at beginning of the year** | **8,150** | 6,004 |
| **Effect of exchange rate fluctuations on cash held** | **40** | (24) |
| **Cash and cash equivalents at end of the year** | **5,089** | 8,150 |

**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 196 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).

For more information, please visit Payton's web site at www.paytongroup.com
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