

## Full Year Results 2015

### Sales Revenues of USD 27,372 thousand Backlog as of December 31, 2015 of USD 11,010 thousand

**Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2015.**

**Sales revenues for 2015 totaled USD 27,372 thousand compared to USD 25,327 thousand on December 31, 2014. The increase during 2015 is in line with the Group's estimated course of business for the year.**

**The profit for 2015 increased to reach USD 3,304 thousand from USD 2,011 thousand for last year.**

**In the coming year (2016) Payton plans to continue improving the efficiency as well as increasing marketing team efforts aiming to expand products exposure and enlarging market share.**

**Furthermore, during 2016 the Group plans to continue its regular course of business and to maximize the business challenge to the greatest possible extent. In addition, the group will continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.**

**Order and purchase backlog as of December 31, 2015 were USD 11,010 thousand compared to USD 10,378 thousand last year.**

### Operational highlights in 2015

On March 9, 2015 - Himag purchased an industrial property in Gloucester, UK, the same property that Himag previously used to rent. The property area is of 607 m<sup>2</sup> and its total cost amounts to £435 thousands.

This purchase was financed by an intercompany loan, given by the Company to Himag.

This purchase supports Himag activity in the UK and expected to strengthen the foothold of Himag and Payton Group in Europe. In addition, it will provide the Group a European production site for special projects in Europe.

On October 9, 2015 - the Company repaid in full the remaining balance of the long term bank loan, on its exit point, with no penalty (Balance as of 31.12.14 was USD 1,770 thousands).

On November 23, 2015 - the Company's Board of Directors decided to pay the members an interim dividend on account of the dividend for the financial year 2015, at the amount of USD 3,092 thousands (USD 0.175 per share, paid on January 14, 2016). The Board shall recommend the General Meeting to approve the said amount as final.

## Financial highlights in 2015

### Sales revenues<sup>1</sup>

The Group's sales revenues for year 2015 were USD 27,372 thousand compared with USD 25,327 thousand in year 2014, an increase of 8%. The increase during 2015 is in line with the Group's estimated course of business for the year.

### Cost of sales & gross result

The Group's gross results for the year ended December 31, 2015 were USD 10,037 thousand (37%), compared with USD 8,581 thousand (34%), in the year ended December 31, 2014. The increase in the gross profit relates to the growth in sales, whereas, part of the expenses included in the cost of sales did not increase in a similar proportion. In addition, the gross profit increased due to the devaluation of the local currency resulting in lower local cost and due to decrease in other manufacturing expenses.

### Expenses

The Group's General & Administrative expenses for the year ended December 31, 2015 decreased to USD 2,850 thousand compared with USD 2,979 thousand in the year ended December 31, 2014. The decrease in G&A expenses is mostly explained by the decrease in rent expenses, following the purchase of an industrial property in UK by Himag and by improving efficiency within our administrative staff.

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. Payton's Selling & Marketing expenses for the year ended December 31, 2015 amounted to USD 2,149 thousand compared with USD 2,019 thousand in the year ended December 31, 2014.

The Group's *development costs* for the year ended December 31, 2015 were USD 949 thousand compared with USD 939 thousand in the year ended December 31, 2014.

### Operating & financial result

The total operating income before the financial result for 2015 amounts to USD 4,095 thousand compared to USD 2,629 thousand last year.

The Group's Finance income for the year ended December 31, 2015 increased to USD 4 thousand compared with a finance expenses of USD 140 thousand in the year ended December 31, 2014. The increase in this income relates mainly due to a decrease in interest paid for long term loan which USD 1 million out of it was repaid on December 2014 and the remaining on October 2015, and due to an erosion of the USD in relation to the NIS, Euro(€) and Pound(£).

### Profit before income taxes

The profit before income taxes for the financial year 2015 is USD 4,099 thousand compared to a profit of USD 2,489 thousand in 2014.

### Income taxes

Tax expenses for the year ended December 31, 2015 amounted to USD 795 thousand compared with USD 478 thousand for the year ended December 31, 2014. The increase in tax expenses resulted mainly from the profits increase.

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<sup>1</sup> As from January 1, 2011, according to IFRS 8, Payton's segment report is to be provided in accordance with the management approach. Following this approach the financial statements do not include information on a geographical basis.

## **Profit for the year**

The total result for financial year 2015 was a profit of USD 3,304 thousand, compared to USD 2,011 thousand in 2014.

## **Total comprehensive income for the year**

The total result for financial year 2015 was a profit of USD 3,327 thousand, compared to USD 2,153 thousand in 2014.

## **Balance sheet – cash position**

*Cash and cash equivalents, Marketable securities held for trading and Short-term Deposits* amounted to a total of USD 19,522 thousand as at December 31, 2015 compared to USD 15,347 thousand as at December 31, 2014. It is noted that, deposits at the amount of USD 1,005 thousand, as at December 31, 2014 were classified as Long-term deposits, and as such presented under the non-current assets.

The increase in these items is explained mostly by the profit for the period and by decrease in trade receivables.

*Trade accounts receivable* decreased to USD 4,314 thousand as at December 31, 2015 compared to USD 5,919 thousand as at December 31, 2014. The decrease in this item is mostly explained by decrease in sales volume in the period near the reports date.

*Inventory* amounted to USD 4,149 thousand as at December 31, 2015 compared to USD 3,533 thousand as at December 31, 2014. The increase in this item, mainly in finish products, is in line with the Group's preparation to supply its open order backlog and represent as well finish products that their delivery dates were transferred towards 2016. In addition it should be noted that in 2015, at the request of one major customer, the Group stored finished products in a Far East warehouse, which is consumed in accordance to the customer needs (the entire Backlog is backed up with firm orders).

*Fixed assets* - these amounted to USD 12,323 thousand as at December 31, 2015, compared to USD 12,084 thousand as at December 31, 2014. The increase in this item in resulted mainly from purchasing the industrial real-estate property in England, offset by ongoing depreciation for the year.

*Dividend payable* amounted to USD 3,092 thousand as at December 31, 2015. This dividend was announced on November 23, 2015 (USD 0.175 per share). It was paid in full on January 14, 2016.

*Liabilities to bank and others (Current & Non-current Liabilities)* decreased to a total of USD 240 thousand as at December 31, 2015 compared to USD 2,132 thousand as at December 31, 2014. As at December 31, 2014 these liabilities comprised of a 10 year bank loan in the amount of USD 1,770 thousand (out of which USD 230 thousand are presented as current liabilities). On October 2015, the Company used its option, and paid in full the remaining of this long-term bank loan. The amount of USD 240 thousand as at December 31, 2015 (out of which USD 158 thousand are presented as current liabilities) represents the contingent consideration against the purchase of Himag Solutions Ltd.

## **Cash flow statement**

*Cash flows generated from operating activities* for the year ended December 31, 2015 amounted USD 6,225 thousand, compared with the cash flows generated from operating activities of USD 2,500 thousand for the year ended December 31, 2014. The increase in this cash flows resulted mostly from decrease in trade receivables and from increase in the net profit.

*Cash flows used for investing activities* in the year ended December 31, 2015 amounted USD 2,961 thousand compared with cash flows used for investing activities of USD 2,080 thousand in the year ended December 31, 2014. During the year 2015 the cash flows were used mostly for investment in bank deposits, for investment in the industrial property (UK) and in other fixed assets.

*Cash flows used for financing activities* in the year ended December 31, 2015 amounted USD 1,925 thousand compared with cash flows used for financing activities of USD 1,496 thousand in the year ended December 31, 2014. During 2015 and 2014, the Company used its option to make a

prepayment (with no penalty) of its long-term loan. USD 1,776 thousand and USD 1,353 thousand respectively, were repaid, and the loan was paid in full by October 2015.

## **Outlook**

Order and purchase backlog of the Group as of December 31, 2015 amounted to USD 11,010 thousand, and as of February 29, 2015 to USD 10,668 thousand (December 31, 2014 - USD 10,378 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 31.12.15 will be supplied until the end of September 2016.

Nowadays market fluctuations are very rapid and unpredictable, therefore 2016 trend is very hard to foresee. The economy in Europe seems to keep slowing down; however, the U.S. economy is catching up.

The challenge in this global economy is to catch up increasing demands, raise productivity, address and develop new markets and to expand the group's core business.

Along with the above-mentioned global fluctuations, there are additional effects in Israel and in the UK, generated from fluctuations in the exchange rates of the main currency (USD) vis-à-vis the NIS and the GBP.

Company Management is closely monitoring all above-mentioned market fluctuations and will continue to track their developments and effects. In addition, Company's Management is taking the necessary actions in order to cope with the situation, to the greatest extent possible.

In the coming year (2016) Payton plans to continue improving the efficiency as well as increasing marketing team efforts aiming to expand products exposure and enlarging market share.

Furthermore, during 2016 the Group plans to continue its regular course of business and to maximize the business challenge to the greatest possible extent.

In addition, the group will continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.

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

## **Competition & External risk factors**

In the recent years there has been an increasing interest of conventional transformer manufacturer 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 Company's salaries and other operating costs are fixed in NIS, therefore, the operating results of the Company 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.

## **Independent Auditors' Report – 9 March 2016**

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 consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards."*

**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 2015 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](http://www.paytongroup.com)

## Key financial figures – Payton Planar Magnetics Ltd.

### Consolidated Statements of Comprehensive Income

- audited -

	12 months ended December 31	
	USD 000 2015	USD 000 2014
Sales revenues	27,372	25,327
Cost of sales	(17,335)	(16,746)
<b>Gross result</b>	<b>10,037</b>	8,581
Development costs	(949)	(939)
Selling and marketing expenses	(2,149)	(2,019)
General and administrative expenses	(2,850)	(2,979)
Other income (expenses)	6	(15)
<b>Operating profit</b>	<b>4,095</b>	2,629
Financial income	160	131
Financial expense	(156)	(271)
Financial result, net	4	(140)
Profit (loss) before taxes on income	4,099	2,489
Income taxes	(795)	(478)
<b>Profit for the year</b>	<b>3,304</b>	2,011
<b>Other comprehensive income (loss)</b>		
Remeasurement of defined benefit plan	23	142
<b>Total comprehensive income for the period</b>	<b>3,327</b>	2,153
Number of shares	17,670,775	17,670,775
Profit per share (in USD)	0.20	0.11

### Consolidated Balance Sheet

- audited -

	2015 USD 000	2014 USD 000
<b>ASSETS</b>		
Current assets	28,302	25,516
Non-current assets	13,236	14,129
<b>Total assets</b>	<b>41,538</b>	39,645
<b>Liabilities and shareholders' equity</b>		
Current liabilities	7,906	4,813
Non-current liabilities	835	2,270
Shareholders' equity	32,797	32,562
<b>Total liabilities and shareholders' equity</b>	<b>41,538</b>	39,645

## 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 Cash Flow Statement

Audited - USD thousands	2015	2014
<b>Operating activities</b>		
Profit for the year	3,304	2,011
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation and amortization	1,049	1,021
Income taxes	795	478
Capital (gain) loss on sale of fixed assets	(16)	3
Increase in employee benefits	27	5
Decrease (increase) in trade accounts receivable	1,605	(1,889)
Decrease (increase) in other accounts receivable	105	25
Decrease (increase) in inventory	(616)	(315)
Increase in trade payables	15	823
Increase in other payables	99	172
Finance expenses (income), net	(22)	158
Interest received	140	102
Interest paid	(55)	(118)
Changes in the fair value of contingent consideration	10	12
Tax paid	(476)	(417)
Tax received	261	429
<b>Cash flows generated from operating activities</b>	<b>6,225</b>	<b>2,500</b>
<b>Investing activities</b>		
Proceeds from sale of marketable securities held for trading	205	772
Investment in deposits, net	(2,076)	(2,271)
Investment in fixed assets	(1,120)	(608)
Proceeds from sale of fixed assets	30	27
<b>Cash flows generated from (used for) investing activities</b>	<b>(2,961)</b>	<b>(2,080)</b>
<b>Financing activities</b>		
Payment of contingent consideration	(159)	(143)
Repayment of loan	(1,766)	(1,353)
<b>Cash flows generated from (used for) financing activities</b>	<b>(1,925)</b>	<b>(1,496)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,339</b>	<b>(1,076)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,692</b>	<b>5,883</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(27)</b>	<b>(115)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>6,004</b>	<b>4,692</b>

**Note:**

*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 does 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 196 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Automotive Telecommunications, cellular infrastructure, welding machines, High-reliability/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, in the United States and in the U.K. 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](http://www.paytongroup.com)  
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