REGULATED INFORMATION
PRESS RELEASE
March 27, 2019
6 pm CET

Full Year Results 2018

Sales Revenues of USD 45,623 thousand resulting to a net profit of USD 11,361 thousand for the year 2018.

Payton Planar Magnetics Board of Directors decided on a dividend distribution at a gross amount of USD 5,300 thousand (USD 0.3 per share) for the year 2018.

Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2018.

Sales revenues for 2018 totaled USD 45,623 thousand compared to USD 33,043 thousand on December 31, 2017.

The net profit for 2018 increased to USD 11,361 thousand from USD 5,544 thousand on year 2017.

Effective from October 1, 2018, the Company entered into a strategic investment, at the amount of USD 1 million, acquiring 20% of the rights of a Hong-Kong holding company (“PCT”) that fully owns a manufacturing subsidiary in China. The said Chinese manufacturing subsidiary, engaged in manufacturing and assembly, serves as one of Payton's major Manufacturing Partners. This strategic investment may enable the Company a better foothold and exposure in the Chinese local market.

In 2018, the Company entered into a framework agreement for the supply of magnetic components for the automotive industry for the electric/hybrid vehicle for the total amount of approximately USD 46 million. Additional two framework agreements, with the same Tier 1 contractor, for the aggregated amount of USD 28 million were extended and updated in January 2019. These sales are planned to be supplied over a period of about 7 years between 2019 and 2025.

In the coming year (2019) Payton plans to continue improving efficiency as well as increasing production capabilities and production automation, all this, as part of the Group plan to continue its regular course of business, enlarging its market share and maximize business challenges to the greatest possible extent. Nevertheless, the Group estimates that the market trend in year 2019 will reflect a slowdown in the global economy, a decrease in demand and a shortening of lead-time typical during a slowdown in the Electronics industry.

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

Order backlog as of December 31, 2018 amounted to USD 16,026 thousand (as of March 12, 2019 amounted to USD 14,358 thousand) compared to USD 16,796 thousand as of December 31, 2017.

Considering the company’s solid cash position, the Board of Directors decided to pay the members a dividend of USD 0.3 per share, an aggregate amount of USD 5,300 thousand (to be paid on June 2019). The said amount is considered as a final dividend for the year 2018. The dividend is submitted to one single tax of 15%.

Key financial highlights in 2018

Sales revenues

The Group’s sales revenues for year 2018 were USD 45,623 thousand compared with USD 33,043 thousand in year 2017 increase of 38%. Sales increase was attributed mainly due to ramp-up of few existing projects.

Cost of sales & gross result

The Group's gross results for the year ended December 31, 2018 were USD 20,431 thousand, compared with USD 12,979 thousand, in the year ended December 31, 2017. The increase in the gross profit relates mainly due to different products mix and production locations of each year, as well as efficiency achieved by the volume increase.

Expenses

The Group's General & Administrative expenses for the year ended December 31, 2018 amounted to USD 3,403 thousand compared with USD 2,948 thousand in the year ended December 31, 2017. The increase in these expenses relates mainly due to an increase in management incentives derived from the profits increase and from increase in non-recurring other General & Administrative 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 year ended December 31, 2018 amounted to USD 2,261 thousand (5%) compared with USD 2,269 thousand (7%) in the year ended December 31, 2017. The decrease in the portion of these expenses out of total sales stemmed, inter alia, from the increase in sales to customers which were not subject to reps' commission.

Operating & financial result

The total operating income before the financial result for 2018 amounts to USD 13,434 thousand compared to USD 6,526 thousand last year.

The Group's Finance income for the year ended December 31, 2018 amounted to USD 241 thousand compared with a finance income of USD 313 thousand in the year ended December 31, 2017.

Profit before income taxes

The profit before income taxes for the financial year 2018 is USD 13,699 thousand compared to a profit of USD 6,839 thousand in 2017.

Income taxes

Tax expenses for the year ended December 31, 2018 amounted to USD 2,338 thousand compared with USD 1,295 thousand for the year ended December 31, 2017. The increase in tax expenses resulted mainly from the profits increase.

Net Profit for the year

The total result for financial year 2018 was a profit of USD 11,361 thousand, compared to USD 5,544 thousand in 2017.

Total comprehensive income for the year

Total comprehensive income for financial year 2018 was a profit of USD 11,414 thousand, compared to USD 5,507 thousand in 2017.

Balance sheet – cash position

Cash and cash equivalents and Short-term Deposits, amounted to a total of USD 30,932 thousand as at December 31, 2018 compared to USD 24,448 thousand as at December 31, 2017.

The Company profitability during year 2018 attributed the increase in its solid cash position, inducing covering back the cash paid out as dividend, at the amount of USD 3,092 thousand, on May, 2018.

Other accounts receivable - these amounted to USD 1,779 thousand as at December 31, 2018 compared with USD 406 thousand as at December 31, 2017. The increase in this item is due to the implementation of IFRS 15, the new revenue recognition standard, which requires the Company to recognize 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 December 31, 2018, such contact assets amounted to approximately USD 1.35 million. Since the Company adopted IFRS 15 using the cumulative effect approach, there were no contract assets recorded at December 31, 2017.

Investment in equity accounted investee - amounted to USD 1,015 thousand as at December 31, 2018. See above, regarding the investment in PCT.

Trade payables - amounted to USD 1,891 thousand as at December 31, 2018 compared to USD 3,092 thousand as at December 31, 2017. The decrease in this item resulted mainly due to advance payment made to two main suppliers, manufacturing partners in the Far East, and also due to decrease in purchases near the reports date.

Deferred tax liabilities - amounted to USD 1,103 thousand as at December 31, 2018 compared to USD 767 thousand as at December 31, 2017. The increase in this item resulted mainly due to increase in differences of fixed assets accumulated depreciation (between the books and for tax purpose).

Cash flow statement

Cash flows generated from operating activities - for the year ended December 31, 2018 amounted USD 11,098 thousand, compared with the cash flows generated from operating activities of USD 7,813 thousand for the year ended December 31, 2017. The increase in the cash flows from operating activities resulted mostly from the increase in the profit for the year, decrease in other accounts receivables and in trade accounts receivables as well as from other non-cash adjustments and changes in assets and liabilities.

Cash flows used for investing activities - in the year ended December 31, 2018 amounted USD 5,699 thousand compared with USD 7,798 thousand in the year ended December 31, 2017. During year 2018 the cash flows were mostly invested in short term bank deposits. An amount of USD 1 million was used for the investment in PCT.

Cash flows used for financing activities - in the year ended December 31, 2018 amounted USD 3,092 thousand compared with cash flows used for financing activities of USD 3,116 thousand in the year ended December 31, 2017. Dividend at the amount of USD 3,092 thousand - USD 0.175 per share - (announced March 26, 2018) was paid in full on May 2018.

Outlook

As at December 31, 2018 the Group's backlog amounted to USD 16,026 thousand, and as of March 12, 2019 to USD 14,358 thousand (December 31, 2017 - USD 16,796 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 31.12.18 will be supplied until the end of December 2019.

In 2018, the Company entered into 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 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 the Customer have signed an agreement that includes general and accepted terms and conditions of engagement 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**").

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.

Detailed below are the scope of the framework agreements the company is engaged, as of December 31, 2018 and March 12, 2019:

	December 31, 2018*	March 12, 2019*
	USD Millions	USD Millions
To be supplied in 2019	1	7
To be supplied in 2020	4	12
To be supplied in 2021	9	14
To be supplied in 2022 until 2025	32	41
Total	46	74

* The data detailed in the table above includes sales to one customer (customer C) 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.

The Company is used to receive from the customer, on a regular basis, forecast of orders for the coming 1-9 months including general indications for longer terms, in order to plan the production of the total quantities reflected for the total expected demands.

In the coming year (2019) Payton plans to continue improving efficiency as well as increasing production capabilities and production automation, all this, as part of the Group plan to continue its regular course of business, enlarging its market share and maximize business challenges to the greatest possible extent. Nevertheless, the Group estimates that the market trend in year 2019 will reflect a slowdown in the global economy, a decrease in demand and a shortening of lead-time typical during a slowdown in the Electronics industry.

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

Subsequent Events

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 USD 5,300 thousand (USD 0.3 per share, to be paid on June 2019). The dividend is submitted to a tax withholding of 15%.

During 2018 and thereafter, the Company engaged in few material framework agreements for the supply of magnetic components to the automotive industry. However, as at the signing date of the report, it seems that year 2019 is characterized, inter alia, by signs of a slowdown in the global economy.

It should be clarified that the Company's assessments above are forward looking information, and it is clarified that the actual results may differ materially from the implications of this information.

Independent Auditors' Report – 27 March 2019

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, 2018, 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 2018 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 Profit or Loss and Other Comprehensive Income for the year ended December 31

- Audited -	2018 $ thousands	2017 $ thousands
Revenues	**45,623**	33,043
Cost of sales	**(25,192)**	(20,064)
Gross profit	**20,431**	12,979
Development costs	**(1,335)**	(1,240)
Selling and marketing expenses	**(2,261)**	(2,269)
General and administrative expenses	**(3,403)**	(2,948)
Other income, net	**2**	4
Operating profit	**13,434**	6,526
Finance income	**392**	357
Finance expenses	**(151)**	(44)
Finance income, net	**241**	313
Share of profits of equity accounted investee	**24**	-
Profit before income taxes	**13,699**	6,839
Income taxes	**(2,338)**	(1,295)
Profit for the year	**11,361**	5,544
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Remeasurement of defined benefit plan, net of taxes	**62**	(37)
Share of other comprehensive loss of equity accounted investee	**(9)**	-
Total other comprehensive income (loss)	**53**	(37)
Total comprehensive income for the year	**11,414**	5,507
Basic and diluted earnings per share (in $)	**0.64**	0.31

Consolidated Statement of Financial Position
- Audited -

	2018 USD 000	2017 USD 000
ASSETS		
Current assets	**42,143**	35,046
Non-current assets	**12,293**	11,666
Total assets	**54,436**	46,712
Liabilities and shareholders' equity		
Current liabilities	**5,013**	5,953
Non-current liabilities	**1,502**	1,281
Total equity	**47,921**	39,478
Total liabilities and shareholders' equity	**54,436**	46,712

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 Statements of Cash Flows for the year ended December 31

- Audited -	2018	2017
	$ thousands	$ thousands
Operating activities		
Profit for the year	**11,361**	5,544
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation and amortization	**905**	931
Income taxes	**2,338**	1,295
Share of profits of equity accounted investee	**(24)**	-
Capital gain on sale of fixed assets	**(2)**	(4)
Finance income, net	**(350)**	(301)
(Decrease) increase in employee benefits	**(117)**	154
Decrease in trade accounts receivable	**394**	1,248
(Increase) decrease in other accounts receivable	**(773)**	150
(Increase) decrease in inventory	**(84)**	21
Decrease in trade payables	**(1,202)**	(663)
Increase in other payables	**204**	77
Interest received	**379**	214
Interest paid	**(24)**	(7)
Tax paid	**(1,907)**	(846)
Cash flows generated from operating activities	**11,098**	7,813
Investing activities		
Investment in deposits, net	**(4,182)**	(7,254)
Acquisition of equity accounted investee	**(1,000)**	-
Investment in fixed assets	**(527)**	(555)
Proceeds from sale of fixed assets	**10**	11
Cash flows used for investing activities	**(5,699)**	(7,798)
Financing activities		
Payment of contingent consideration	**-**	(24)
Dividend paid	**(3,092)**	(3,092)
Cash flows used for financing activities	**(3,092)**	(3,116)
Net increase (decrease) in cash and cash equivalents	**2,307**	(3,101)
Cash and cash equivalents at beginning of the year	**5,089**	8,150
Effect of exchange rate fluctuations on cash and cash equivalents	**(30)**	40
Cash and cash equivalents at end of the year	**7,366**	5,089

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 200 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
or contact Michal Lichtenstein, CFO at 00-972-3-9611164 – Michal@paytongroup.com
or Jean-Christophe Dupas (Citigate) at M: +32 (0) 475 53 94 05 – jean-christophe.dupas@citigatedewerogerson.com