Regulated Information
PRESS RELEASE
August 17, 2020
6 pm CET

HY1 2020 Report[1]

Net profit USD 4,534 thousand
Sales Revenues of USD 19,615 thousand
Company's Board of Directors adopt a Dividend Distribution Policy
Order Backlog as of June 30, 2020 of USD 16,366 thousand

Ness-Ziona (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2020 (six-month period ending June 30, 2020).
Net profit for the first six months of 2020 totaled USD 4,534 thousand.
Sales revenues for the first six months of 2020 totaled USD 19,615 thousand.

The spread of the Corona Virus effect - Payton's worldwide manufacturing facilities and geographically spread proved itself. Management estimates that, assuming that no material change occurs, the second half of 2020 will be characterized by similar activity volume to the first half of 2020.

The Company's Board of Directors decided to set a Dividend Distribution Policy, according to which, the Company may distribute to its shareholders, every year a dividend at a rate of up to 40% of the Company's yearly net profits.
It should be noted that the decision to set a Dividend Distribution Policy shall not be considered as an undertaking of the Company to make any dividend distribution.

Framework agreements that do not constitute binding - As of June 30, 2020, the Group estimates that only one of those three projects, with predicted orders in the scope of about USD 1.5 million per year, will be executed during the years 2020 to 2024.
With respect to the other two projects, the Company estimates that the forecast for 2019 and 2020, at the amount of USD 13 million, will not mature, hence the balance of projected orders according to the framework agreements for these two projects will total up to USD 50 million (for the years 2021 to 2025) for which the Group cannot evaluate whether those predicted orders will materialize and at what time table.

Key financial highlights for the first half year of 2020

Sales revenues
The Group's sales revenues for the six-month period ended June 30, 2020 were USD 19,615 thousand compared with USD 18,066 thousand in the six-month period ended June 30, 2019. The Group succeeded to increase its sales volume in spite of the Corona Epidemic worldwide effect thanks to its diversity of projects and its manufacturing geographical spread.

Gross result
The Group's gross profit for the six-month period ended June 30, 2020 amounted USD 8,489 thousand (43% of sales) compared with USD 8,020 thousand (44% of sales) in the six-month period

[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, 2019.

ended June 30, 2019. The gross margin was influenced mainly by the products mix and the production locations in each period.

Expenses

During the first six months of year 2020, The Group's *Development Costs* were USD 666 thousand compared with USD 677 thousand in the same period last year (2019).

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 ended June 30, 2020 were USD 898 thousand (5%) and USD 1,072 thousand (6%) in the six-month period ended June 30, 2019. During the first half of 2020, due to the Corona Epidemic, there was a decrease in other selling expenses mainly in travel expenses and exhibitions costs.
The Group's *General & Administrative expenses* for the six-months period ended June 30, 2020 were USD 1,680 thousand compared with USD 1,731 thousand in the same period last year.

Operating and financial result

The total operating income for the first half of 2020 amounted to USD 5,245 thousand compared to USD 4,532 thousand in the same period last year. During the first six months of 2020, Payton recorded a *net finance income* of USD 298 thousand compared to a net finance income of USD 384 thousand for the first six months of 2019. The decrease in *finance income* is mainly explained by a decrease of the market interest rate on bank deposits

Income taxes

Tax expenses for the first six-months of 2020 totaled USD 992 thousand, compared to USD 900 thousand for the six-month period that ended on June 30, 2019.
.

Result of the period

The total result for the first half year of 2020 was a net profit of USD 4,534 thousand, compared to USD 4,028 thousand for the six-month period ended June 30, 2019.
.

Balance sheet - cash position

Cash and cash equivalents and Short-term Deposits amounted to a total of USD 38,338 thousand as at June 30, 2020 compared to USD 33,841 thousand as at December 31, 2019 and USD 29,698 thousand as at June 30, 2019.
The increase in these items, compared with December 31, 2019 is explained mainly by Company's profitability. The Group's management believes, a solid financial position, is an important factor in order to successfully overcome times of crisis.

Trade accounts receivable amounted to USD 9,065 thousand as at June 30, 2020 compared with USD 7,610 thousand as at December 31, 2019 and USD 6,605 thousand as at June 30, 2019.
The increase in this item is mainly due to the increase in sales in the periods near the reports dates.

Other accounts receivable amounted to USD 1,382 thousand as at June 30, 2020 compared with USD 1,733 thousand as at December 31, 2019 and USD 2,289 thousand as at June 30, 2019. The decrease 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, 2020, such contract assets amounted to approximately USD 0.8 million compared to USD 1.2 million as at December 31, 2019 and USD 1.9 million as at June 30, 2019.

Trade payables amounted to USD 3,444 thousand as at June 30, 2020 compared with USD 2,678 thousand as at December 31, 2019 and USD 2,590 thousand as at June 30, 2019. The increase in this item is in line with the increase in the Group's business activity in the periods near the reports dates.

Cash flow

Cash flows generated from operating activities for the six-month period ended June 30, 2020 amounted USD 4,554 thousand, compared with cash flows generated from operating activities of USD 4,294 thousand for the six-month period ended June 30, 2019. The cash flows from operating activities generated mainly from the profit for the period affected also by other 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, 2020, amounted USD 1,300 thousand, compared with cash flows generated from investing activities at the amount of USD 522 thousand in the six-month period ended June 30, 2019. In the first half of 2020 cash flows generated mostly from proceeds of bank deposits. *Financing activities,* there were no cash flows used for financing activities in the six-month period ended June 30, 2020. During the six-month period ended June 30, 2019 a dividend, at the amount of USD 5,301 thousand (announced March 27, 2019) was paid on June 2019.

Outlook

The spread of the Corona Virus effect - As detailed in the annual financial statements as of December 31, 2019, during the end of 2019 and the beginning of 2020, an outbreak of the corona virus began in China which soon spread to other countries in the world and reached Israel as well. According to the present situation it seems that the activity in all the Groups production locations: China, Israel, Philippines, UK and USA are working almost normally according to new routines, each place is following its local Covid-19 working regulations.
From the beginning of the year 2020 and until today, the Group has been carefully managing the risks and its global operations. The Israeli facility was able to keep its production running, in two shifts, by following strict local rules. Administrative personal has the option to operate remotely whenever needed. The US and the UK subsidiaries were also able to keep business running while keeping social distance rules.
Payton's worldwide manufacturing facilities and geographically spread proved itself. While the China facility was closed the production in the Philippines kept working. When the virus spread to the Philippines, the China facility was re-opened, thus, the Group was able to minimize the impact of the Corona Epidemic on its business activity and to deliver most of its orders for the first half of 2020 on time.
As of the date of signing these financial statements, assuming that no material change occurs, management estimates that the second half of 2020 will be characterized by similar activity volume to the first half of 2020, thus, the Group will be able to continue its regular course of business.

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

Order backlog of the Group as of June 30, 2020 was USD 16,366 thousand (December 31, 2019 - USD 13,505 thousand). The backlog is composed only of confirmed orders.
Management estimates that most of the backlog as of 30.6.2020 will be supplied until March 31, 2021.
Framework agreements that do not constitute binding orders At the end of 2018 and at the beginning of 2019, the Company entered into framework agreements with one of its principle costumers (Customer C, as at 2019 yearly Financial Statements) for the supply of magnetic components to three (3) different projects in the electric/hybrid vehicle industry (HEV). The nature of the activity in the automotive industry is characterized by projects with a productive lifespan 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 Customer C have signed an agreement that includes general Terms and Conditions of engagement accepted 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").
As of June 30, 2020, the Group estimates that only one of those three projects, with predicted orders in the scope of about USD 1.5 million per year, will be executed during the years 2020 to 2024.
With respect to the other two projects, the Company estimates that the forecast for 2019 and 2020, at the amount of USD 13 million, will not mature, hence the balance of projected orders according to the framework agreements for these two projects will total up to USD 50 million (for the years 2021 to 2025) for which the Group cannot evaluate whether those predicted orders will materialize and at what time table.

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 cause of action against him. However, the forecast of quantities included in the Framework Agreements binds the Company to supply such quantities as shall be required.

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

Subsequent Events, On August 17, 2020, the Company's Board of Directors decided to adopt a Dividend Distribution Policy, according to which, the Company may distribute to its shareholders, every year a dividend at a rate of up to 40% of the Company's yearly net profits.
The distribution of the dividend will be subject to a separate decision of the Company's Board of Directors, to be made together with the approval of the Company's annual financial statements by the Board of Directors, according to which the Company also meets all the Law requirements.
It should be noted that the decision to set a Dividend Distribution Policy shall not be considered as an undertaking of the Company to make any dividend distribution. For more details, see also, Dividend Policy, on the Company's web site: https://www.paytongroup.com/dividend-policy.

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

For more information, please visit Payton's website at www.paytongroup.com
or contact Michal Lichtenstein, CFO at +972-3-9611164 -Michal@paytongroup.com
or Nathalie Verbeeck at Citigate Dewe Rogerson Belgium + 32 (0) 477 45 75 41
Nathalie.Verbeeck@citigatedewerogerson.com

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 180 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).

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	
	2020	2019
	USD 000	USD 000
Revenues	**19,615**	18,066
Cost of sales	**(11,126)**	(10,046)
Gross profit	**8,489**	8,020
Development costs	**(666)**	(677)
Selling and marketing expenses	**(898)**	(1,072)
General and administrative expenses	**(1,680)**	(1,731)
Other expenses, net	**-**	(8)
Operating profit	**5,245**	4,532
Finance income	**339**	484
Finance expenses	**(41)**	(100)
Finance income, net	**298**	384
Share of (losses) profits of equity accounted investee	**(17)**	12
Profit before income taxes	**5,526**	4,928
Income taxes	**(992)**	(900)
Profit for the period	**4,534**	4,028
Other comprehensive income (loss) items that will not be transferred to profit and loss		
Re-measurement of defined benefit plan	**112**	(99)
Share of other comprehensive loss of equity accounted investee	**(5)**	(19)
Total other comprehensive income (loss)	**107**	(118)
Total comprehensive income for the period	**4,641**	3,910
Number of shares	**17,670,775**	17,670,775
Basic earnings per share (in USD)	**0.26**	0.23

Condensed Interim Consolidated Statement of Financial Position
- unaudited -

	June 30	
	USD 000	USD 000
	2020	2019
Current assets	**52,185**	42,068
Non-current assets	**11,639**	12,213
Total assets	**63,824**	54,281
Current liabilities	**6,406**	5,983
Non-current liabilities	**1,526**	1,768
Equity	**55,892**	46,530
Total liabilities and Equity	**63,824**	54,281

PAYTON PLANAR
Innovation • Design • Performance

Condensed Interim Consolidated Statements of Cash Flows
- unaudited -

	Six months ended June 30	
	2020	**2019**
	USD 000	**USD 000**
Operating activities		
Profit for the period	**4,534**	4,028
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation	**451**	479
Income taxes	**992**	900
Share of losses (profits) of equity accounted investee	**17**	(12)
Capital loss on sale of fixed assets	**-**	8
Finance income, net	**(323)**	(404)
Increase in employee benefits	**156**	188
Increase in trade accounts receivable	**(1,455)**	(454)
Decrease (increase) in other accounts receivable	**351**	(510)
Decrease (increase) in inventory	**109**	(195)
Increase in trade payables	**775**	701
(Decrease) Increase in other payables	**(441)**	3
Interest received	**173**	230
Interest paid	**-**	(15)
Tax paid	**(785)**	(653)
Cash flows generated from operating activities	**4,554**	4,294
Investing activities		
Proceeds from (investments in)deposits, net	**1,507**	938
Investment in fixed assets	**(207)**	(435)
Proceeds from sale of fixed assets	**-**	19
Cash flows generated from (used for) investing activities	**1,300**	522
Financing activities		
Dividend paid	**-**	(5,301)
Cash flows used for financing activities	**-**	(5,301)
Net increase (decrease) in cash and cash equivalents	**5,854**	(485)
Cash and cash equivalents at the beginning of the period	**4,741**	7,366
Effect of exchange rate fluctuations on cash and cash equivalents	**(15)**	14
Cash and cash equivalents at the end of the period	**10,580**	6,895