

Full Year Results 2016

Sales Revenues of USD 32,354 thousand Backlog as of December 31, 2016 of USD 10,681 thousand

Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2016.

Sales revenues for 2016 totaled USD 32,354 thousand compared to USD 27,372 thousand on December 31, 2015. The increase during 2016 was mainly attributed to increasing demand in few major projects.

The profit for 2016 increased to reach USD 4,253 thousand from USD 3,304 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 backlog as of December 31, 2016 was USD 10,681 thousand compared to USD 11,010 thousand last year.

Key financial highlights in 2016

Sales revenues

The Group's sales revenues for year 2016 were USD 32,354 thousand compared with USD 27,372 thousand in year 2015, an increase of 18%. The sales increase in 2016 was mainly attributed to increasing demand in few major projects.

Cost of sales & gross result

The Group's gross results for the year ended December 31, 2016 were USD 12,075 thousand (37%), compared with USD 10,037 thousand (37%), in the year ended December 31, 2015. The Group maintained its gross profit margin together with a sales increase. Usually 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, 2016 increased to USD 2,959 thousand compared with USD 2,850 thousand in the year ended December 31, 2015. The increase in these expenses relates mainly due to an increase in other non-reoccurring G&A expenses and by increase in management incentives derived from the profits increase.

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, 2016 amounted to USD 2,254 thousand compared with USD 2,149 thousand in the year ended December 31, 2015.

The increase in these expenses is consistent with the sales increase and also explained by an expansion of marketing teams and efforts worldwide.

The Group's other expenses for the year ended December 31, 2016 amounted to USD 633 thousand compared with an income of USD 6 thousand in the year ended December 31, 2015. 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 2016 amounts to USD 5,217 thousand compared to USD 4,095 thousand last year.

The Group's Finance income for the year ended December 31, 2016 increased to USD 143 thousand compared with a finance income of USD 4 thousand in the year ended December 31, 2015. The increase in this income relates mainly due to a decrease in interest paid for long term loan which was repaid in full by October 2015, and due to decrease in exchange rate differences arising from 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 2016 is USD 5,360 thousand compared to a profit of USD 4,099 thousand in 2015.

Income taxes

Tax expenses for the year ended December 31, 2016 amounted to USD 1,107 thousand compared with USD 795 thousand for the year ended December 31, 2015. The increase in tax expenses resulted mainly from the profits increase.

Profit for the year

The total result for financial year 2016 was a profit of USD 4,253 thousand, compared to USD 3,304 thousand in 2015.

Total comprehensive income for the year

The total result for financial year 2016 was a profit of USD 4,266 thousand, compared to USD 3,327 thousand in 2015.

Balance sheet – cash position

Cash and cash equivalents and Short-term Deposits, amounted to a total of USD 20,201 thousand as at December 31, 2016 compared to USD 19,522 thousand as at December 31, 2015.

The Company profitability during year 2016 helped to retain back its solid cash position after the cash paid out as dividend payment, at the amount of USD 3,092 thousand, on January 14, 2016.

Trade accounts receivable, amounted to USD 7,793 thousand as at December 31, 2016 compared to USD 4,314 thousand as at December 31, 2015. The increase in this item is in line with the sales increase in the period near the reports date.

Intangible assets, amounted to USD 44 thousand as at December 31, 2016 compared to USD 880 thousand as at December 31, 2015. The decrease in this item resulted mainly due to amortization of goodwill. The said goodwill derived from the acquisition of the business operations of Himag Solutions Ltd. (UK) by Payton Planar through its wholly-owned UK subsidiary "Himag". Following the Company's examination of the fair value of the goodwill as of December 31, 2016, it was found that impairment for the total value of this goodwill (USD 709 thousand) needs to be recorded.

Trade payables, amounted to USD 3,738 thousand as at December 31, 2016 compared to USD 3,061 thousand as at December 31, 2015. The increase in this item is in line with the increase in the business activity near the reports date.

Dividend payable, the dividend at the amount of USD 3,092 thousand as at December 31, 2015 was announced on November 23, 2015 (USD 0.175 per share) and paid in full on January 14, 2016.

Current tax liabilities, amounted to USD 676 thousand as at December 31, 2016 compared to USD 71 thousand as at December 31, 2015. The increase in this item is due to the increase in the Company profitability.

Cash flow statement

Cash flows generated from operating activities for the year ended December 31, 2016 amounted USD 4,558 thousand, compared with the cash flows generated from operating activities of USD 6,225 thousand for the year ended December 31, 2015. The decrease in the cash flows from operating activities resulted mostly from the increase in trade accounts receivable (due to sales increase near the report date) as well as from other changes in assets and liabilities.

Cash flows generated from investing activities in the year ended December 31, 2016 amounted USD 863 thousand compared with cash flows used for investing activities of USD 2,961 thousand in the year ended December 31, 2015. During year 2016 the cash flows mostly stemmed from proceeds from bank deposits.

Cash flows used for financing activities in the year ended December 31, 2016 amounted USD 3,251 thousand compared with cash flows used for financing activities of USD 1,925 thousand in the year ended December 31, 2015. A dividend at the amount of USD 3,092 thousand announced on November 23, 2015 (USD 0.175 per share) was paid in full on January 14, 2016.

Outlook

The Group's order backlog as at December 31, 2016 amounted to USD 10,681 thousand, and as of March 19, 2017 to USD 12,188 thousand (December 31, 2015 - USD 11,010 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 31.12.16 will be supplied until the end of September 2017.

Nowadays market fluctuations are very rapid and unpredictable, therefore 2017 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. It is noted that the Brexit in the UK caused to a significant decrease in the exchange rate of the GBP versus the USD.

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 (2017) 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 2017 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 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 in those currencies.

Independent Auditors' Report – 28 March 2017

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, 2016, 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 2016 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 2016	USD 000 2015
Sales revenues	32,354	27,372
Cost of sales	(20,279)	(17,335)
Gross result	12,075	10,037
Development costs	(1,012)	(949)
Selling and marketing expenses	(2,254)	(2,149)
General and administrative expenses	(2,959)	(2,850)
Other (expenses) income, net	(633)	6
Operating profit	5,217	4,095
Financial income	190	160
Financial expense	(47)	(156)
Financial income, net	143	4
Profit before taxes on income	5,360	4,099
Income taxes	(1,107)	(795)
Profit for the year	4,253	3,304
Other comprehensive income		
Remeasurement of defined benefit plan, net of taxes	13	23
Total comprehensive income for the period	4,266	3,327
Number of shares	17,670,775	17,670,775
Profit per share (in USD)	0.24	0.19

Consolidated Balance Sheet

- audited -

	2016 USD 000	2015 USD 000
ASSETS		
Current assets	32,216	28,302
Non-current assets	12,068	13,236
Total assets	44,284	41,538
Liabilities and shareholders' equity		
Current liabilities	6,251	7,906
Non-current liabilities	970	835
Total equity	37,063	32,797
Total liabilities and shareholders' equity	44,284	41,538

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	2016	2015
Operating activities		
Profit for the year	4,253	3,304
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation and amortization	1,011	1,049
Income taxes	1,107	795
Capital (gain) loss on sale of fixed assets	(7)	(16)
Changes in the fair value of contingent consideration	(69)	10
Impairment loss on goodwill	709	-
Increase in employee benefits	115	27
Decrease (increase) in trade accounts receivable	(3,479)	1,605
Decrease (increase) in other accounts receivable	(237)	105
Decrease (increase) in inventory	481	(616)
Increase in trade payables	753	15
Increase in other payables	227	99
Finance expenses (income), net	(105)	(22)
Interest received	130	140
Interest paid	-	(55)
Tax paid	(529)	(476)
Tax received	198	261
Cash flows generated from operating activities	4,558	6,225
Investing activities		
Proceeds from sale of marketable securities held for trading	-	205
Proceeds from (investment in) deposits, net	1,478	(2,076)
Investment in fixed assets	(651)	(1,120)
Proceeds from sale of fixed assets	36	30
Cash flows generated from (used for) investing activities	863	(2,961)
Financing activities		
Payment of contingent consideration	(159)	(159)
Dividend paid	(3,092)	
Repayment of loan	-	(1,766)
Cash flows generated from (used for) financing activities	(3,251)	(1,925)
Net increase in cash and cash equivalents	2,170	1,339
Cash and cash equivalents at beginning of the year	6,004	4,692
Effect of exchange rate fluctuations on cash held	(24)	(27)
Cash and cash equivalents at end of the year	8,150	6,004

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 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 189 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Telecommunications, cellular infrastructure, welding machines, 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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