PAYTON GROUP
INTERNATIONAL

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Q1 12 Report[1]

Sales Revenues of USD 4.0 million
Backlog as of March 31, 2012 of USD 7.7 million

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first quarter of 2012 (three-month period ending March 31, 2012).
Sales revenues for the first quarter of 2012 totaled USD 4.047 million compared to USD 5.717 million on March 31, 2011.

The order and purchase backlog as of March 31, 2012 amounted to USD 7.692 million.

Operational highlights in Q1 2012

Starting January 1, 2012, following the purchase agreement approved on November 8, 2011, the business activity of Payton Technologies (1991) Ltd was merged into the Company. All operational assets and liabilities of Payton Technologies as of January 1, 2012 were transferred into the Company for the consideration of the amount of NIS 5.6 million (about € 1.1 million). By merging the business activity of Payton Technologies, which markets and sells Conventional Transformers, into Payton Planar, the Company will become a "one stop shop" for transformers of all kinds and will be able to answer both Planar and Conventional Magnetic needs. Furthermore, merging the two business activities, combined with their centralization in the new building, will lead to economies of scale and also offer opportunities for synergies between the products.

In May 2012, the Company has reached a final tax assessment until the end of year 2010, following which a tax income has been recognized during the first quarter of 2012 at the amount of USD 929 thousand. This income represents a write-off of excess tax liability. In addition, an interest for delayed tax payments, at the amount of USD 138 thousand was recorded accordingly as a part of this final tax assessment.

Purchase agreement of a real-estate property was signed last year (March 10, 2011) for a total amount of NIS 13,250 thousands, excluding 16% VAT (about € 2.7 million excl. VAT). The industrial property will house the activities of the three currently-leased local facilities in one single new building. The Company plans that by mid-2013 the building will be fully operational. The additional costs required for the completion are estimated to an additional € 4 million (total value € 7 million).

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[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, 2011.

Key financial highlights for Q1 2012

Sales revenues
The sales revenues for the three-month period ended March 31, 2012 amounted to USD 4,047 thousand compared with USD 5,717 thousand for Q1 2011. Sales were mostly affected by the global slowdown, as well as by the termination of two major projects.

Cost of sales and gross result
Cost of sales for the first quarter of 2012 were USD 2,563 thousand compared to USD 2,875 thousand in the same period last year. Payton's gross profit for the three-month period ended March 31, 2012 amounted USD 1,484 thousand (37% of sales) compared to USD 2,842 thousand (50% of sales) in the three-month period ended March 31, 2011. The decrease in the gross profit relates to the following:

- Decrease in sales, whereas, part of the expenses included in the cost of sales could not be reduced in a similar proportion.
- Change in products mix sold during each quarter.
- The consolidation of Payton Technologies activity, characterized by lower gross margins.

Expenses
During the first three months of 2012, *General & Administrative (G&A) expenses* amounted USD 636 thousand, compared to USD 649 thousand for the same period in 2011.
Selling & Marketing expenses decreased to USD 419 thousand during the first three months of 2012 from USD 491 thousand in the same period last year. The decrease in these expenses is in line with the decrease in sales and with incorporation of Payton Technologies sales force. Marketing efforts are mainly concentrated through participation in major power electronic shows around the world. During 2012, more specifically February 2012, the "APEC 2012" exhibition in California (US) took place. In May 2012, the "PCIM" exhibition in Nierenberg (Germany) and the "New-Tech" exhibition in Tel-Aviv (Israel) took place.
Development costs increased from USD 189 thousand in the first quarter ended March 31, 2011 to USD 220 thousand in the first quarter ended March 31, 2012. The increase in these development costs was mainly attributed to the engaging team that was transferred from Payton Technologies.

Operating and financial result
The Q1 2012 operating profit totals USD 202 thousand compared to USD 1,513 thousand the same period last year. For the first three months of 2012, Payton recorded a net financial income of USD 43 thousand compared to USD 204 thousand in the first three months of 2011. Interest expenses, in favor of the tax authorities, as part of the final tax assessments made, attributed the decrease in the finance net income.

Taxes income
Tax income for the first quarter of 2012 totaled USD 839 thousand, whereas tax expenses of the first quarter 2011 amounted USD 317 thousand. Income taxes were mostly affected by the write-off of excess tax liability following a final tax assessment.

Result of the period
The total result for Q1 2012 was a net profit of USD 1,084 thousand.

Balance sheet - Cash position
Cash and cash equivalents, Marketable securities and Short-term Deposits amounted to a total of USD 19,193 thousand at March 31, 2012 compared to USD 19,291 thousand as at December 31, 2011 and USD 17,593 thousand as at March 31, 2011. Deposits currently presented as a short term (since their maturity date is in less than one year) as of March 31, 2011 were still classified as long term deposits. In addition, the "*marketable securities available for sale*" held on March 31, 2011 were materialized during year 2011. As of March 31, 2012, out of the NIS 5.6 million (about USD 1.5 million) set as the cost of the business activity purchased from Payton Technologies, only an amount of USD 562 thousand was paid. The remaining amount will be paid during the second quarter of 2012.
Trade receivables amounted to USD 3,143 thousand as at March 31, 2012 compared to USD 2,753 thousand as at December 31, 2011 and USD 5,700 thousand as at March 31, 2011. The decrease

in Q1 2012, compared to Q1 2011, is a result of the decrease in sales and business activity. The increase compared to December 31, 2011, is attributed to the operational assets purchased from Payton Technologies.

Cash flow

Cash flows generated from operating activities for the three-month period ended March 31, 2012 amounted USD 515 thousand, compared with USD 679 thousand for the same period the previous year.

Cash flows used for investing activities in the three-month period ended March 31, 2012, amounted USD 780 thousand, compared with USD 3,324 thousand in the same period the previous year. During the first quarter of 2012 most of these cash flows were used for a partial payment on account of Payton Technologies business activity acquisition. In the first quarter of 2011, most of the cash flows were used for investment in short-term bank deposits.

Outlook

On March 31, 2012, the order and purchase backlog of the company amounted to USD 7,692 thousand (compared to December 31, 2011 - USD 6,881 thousand, including USD 1,461 thousand that relates to the new business activity purchased). The backlog is composed of firm orders only. Payton's management estimates that most of the backlog as of March 31, 2012, will be supplied until December 31, 2012.

The complete unaudited financial statements are available for downloading in the investors section of **www.paytongroup.com**.

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

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics®, its customized line of planar transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The group currently employs 178 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 and in the United States. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

Annex: Selected Financial Statements

Note:

This press release 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.

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Comprehensive Income

- unaudited -

	3 months ended March 31	
	USD 000	USD 000
	2012	2011
Sales revenues	**4,047**	5,717
Cost of sales	**(2,563)**	(2,875)
Gross result	**1,484**	2,842
Development costs	**(220)**	(189)
Selling and marketing expenses	**(419)**	(491)
General and administrative expenses	**(636)**	(649)
Other income (expenses)	**(7)**	-
Operating profit (loss)	**202**	1,513
Financial income	**188**	211
Financial expense	**(145)**	(7)
Financial result, net	**43**	204
Profit (loss) before taxes on income	**245**	1,717
Income taxes	**839**	(317)
Profit (loss) for the period	**1,084**	1,400
Other comprehensive Income		
Net change in fair value of available-for-sale assets transferred to profit or loss	**-**	-
Net change in fair value of available-for-sale assets	**-**	(26)
Total comprehensive income for the period	**1,084**	1,374
Number of shares	**17,670,775**	17,670,775
Profit per share (in USD)	**0.06**	0.08

Condensed Interim Consolidated Balance Sheet

- unaudited -

	March 31	
	USD 000	USD 000
	2012	2011
Current assets	**26,242**	25,966
Non-current assets	**6,995**	5,032
Long-term deposits	**-**	2,076
Marketable securities available for sale	**-**	927
Total assets	**33,237**	30,998
Current liabilities	**3,923**	4,192
Non-current liabilities	**298**	269
Shareholders' equity	**29,016**	26,537
Total liabilities and shareholders' equity	**33,237**	30,998

Condensed Consolidated Interim Cash Flow Statement
- unaudited -

	3 months ended March 31	
	USD 000	USD 000
	2012	2011
Net Operating activities		
Profit for the period	**1,084**	1,400
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation	**95**	70
Amortization of intangible assets	**80**	-
Income taxes	**(839)**	317
Capital (gain) loss on sale of equipment	**7**	-
(Decrease) increase in employee benefits	**10**	19
Decrease (increase) in trade accounts receivables	**357**	(272)
(Increase) decrease in other accounts receivable	**(278)**	(104)
(Increase) decrease in inventory	**(171)**	(1)
Increase (decrease) in trade payables	**204**	(592)
(Decrease) increase in other payables	**130**	(799)
Finance income, net	**(55)**	(182)
Interest received	**26**	44
Tax paid	**(135)**	(579)
Cash flows generated from operating activities	**515**	(679)
Investing activities		
Investments in short-term deposits, net	**-**	(2,978)
Investment in fixed assets	**(241)**	(358)
Proceeds from sale of fixed assets	**23**	12
Acquisition of business activity from related party	**(562)**	-
Cash flows generated from (used for) investing activities	**(780)**	(3,324)
Net increase (decrease) in cash and cash equivalents	**(265)**	(4,003)
Cash and cash equivalents at beginning of the period	**10,964**	12,932
Effect of exchange rate fluctuations on cash held	**38**	66
Cash and cash equivalents at end of the period	**10,737**	8,995