PAYTON GROUP
INTERNATIONAL

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Half-year 2012 Report[1]

Sales Revenues of USD 9.0 million
Backlog as of June 30, 2012 of USD 6.1 million

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2012 (six-month period ending June 30, 2012).
Sales revenues for the first six months of 2012 totaled USD 9,036 thousand compared to USD 10,633 thousand in the six-month period ended June 30, 2011. The sales in the second quarter of 2012 were affected by 2012 global slowdown.

The order and purchase backlog as of June 30, 2012 amounted to USD 6,093 thousand.

Highlights in first half-year 2012

Starting January 1, 2012, following the purchase agreement approved on November 8, 2011, the business activity of Payton Technologies (1991) Ltd, a sister-company fully owned by the parent company (Payton Industries), 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.

The purchase agreement of a real-estate property was signed last year (March 10, 2011) for a total amount of NIS 13,250 thousand, 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 additional costs required for the completion are estimated to an additional € 4.5 million (total value € 7.5 million). As at the date of signing Q2/2012 financial statements, the Company concluded and signed agreements with three main construction contractors (total value € 3.5 million) in order to suit the industrial property to Payton's needs. Construction work at site has already started. Company anticipates that the new facility will become fully operational by the end of the second quarter of 2013.

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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 the first half-year 2012

Sales revenues

Payton's sales revenues for the first half-year of 2012 amounted to USD 9,036 thousand compared to USD 10,633 thousand in the six-month period ended June 30, 2011. Q2 revenues in 2012 were USD 4,989 thousand whereas Q2 2011 revenues were USD 4,916 thousand. The sales were affected by the global slowdown partially compensated by the new business activity purchased from Payton Technologies.

Cost of sales and gross result

Cost of sales for the first half-year of 2012 increased to USD 5,857 thousand from USD 5,354 thousand for the same period last year leading to a gross profit of USD 3,179 thousand (35% of sales) compared with USD 5,279 thousand (50% of sales) in the six-month period ended June 30, 2011. The decrease in the gross profit ratio relates to the combining sales of Conventional transformers, characterized by lower gross margins, together with the sales of the Planar transformers.

Expenses

During the first half-year 2012, *General & Administrative (G&A) expenses* slightly decreased to USD 1,222 thousand, compared to USD 1,269 thousand for first six-month period in 2011.
Selling & Marketing expenses decreased to USD 869 thousand in the first half-year of 2012 from USD 933 thousand in the same period last year. The decrease in these expenses is in line with the decrease in sales; shorten by the consolidation of Payton Technologies sales force.
Marketing efforts are mainly concentrated through participation in major power electronic shows around the world and by collaborating with its worldwide rep's Network. 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 420 thousand in the first half-year 2011 to USD 463 thousand in the first half-year 2012. The increase in these costs was attributed mainly to consolidating Payton Technologies' engineering team into the company.

Operating and financial result

The total operating profit for the first half-year of 2012 amounts to USD 621 thousand compared to USD 2,657 thousand the same period last year. During the first six months of 2012, Payton recorded a finance income of USD 102 thousand, compared with USD 266 thousand for the first six months of 2011.

Taxes on income

Tax income for the first six months period of 2012 totaled USD 722 thousand, whereas, tax expenses for the six-month period ended June 30, 2011 amounted to USD 577 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 results for the first half-year 2012 was a net profit of USD 1,445 thousand.

Balance sheet - Cash position

Cash and cash equivalents, Marketable securities and Short-term deposits amounted to a total of USD 18,363 thousand at June 30, 2012 compared to USD 19,291 thousand as at December 31, 2011 and USD 18,958 thousand at June 30, 2011. Deposits currently presented as a short term (since their maturity date is in less than one year) as of June 30, 2011 were still classified as long term deposits. The decrease, compared to December 31, 2011, mainly resulted of payment made against the business activity purchased from Payton Technologies.

*Trade accounts receivable*s amounted to USD 3,967 thousand as at June 30, 2012 compared to USD 2,753 thousand as at December 31, 2011 and USD 4,560 thousand as at June 30, 2011. The increase compared to December 31, 2011, is attributed by the increase in business activity as a result of the business activity purchased from Payton Technologies.

Cash flow

Cash flow generated from operating activities for the first half-year 2012 amounted USD 714 thousand, compared with cash flow generated from operating activities of USD 1,087 thousand for the first half-year 2011.

Cash flow used for investing activities in the first half-year 2012 amounted USD 768 thousand, compared with cash flows used for investing activities of USD 3,587 thousand in the first half-year 2011. During the first half of year 2012 cash flows were used for payment to Payton Technologies in favor of its business activity acquisition.

Outlook

On June 30, 2012, the order and purchase backlog amounted to USD 6,093 thousand (compared to the position on December 31, 2011 where backlog amounted to USD 6,881, 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 June 30, 2012 will be supplied until March 31, 2013.

The complete financial statements and the half-year report and Q2 figures 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 172 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 Income
- unaudited -

	Six months ended June 30	
	2012	2011
	USD 000	USD 000
Sales revenues	**9,036**	10,633
Cost of sales	**(5,857)**	(5,354)
Gross result	**3,179**	5,279
Development costs	**(463)**	(420)
Selling and marketing expenses	**(869)**	(933)
General and administrative expenses	**(1,222)**	(1,269)
Other (expenses) income	(4)	-
Operating profit (loss)	**621**	2,657
Financial income	**257**	337
Financial expense	**(155)**	(71)
Profit (loss) before taxes on income	**723**	2,923
Income taxes	**722**	(577)
Net profit (loss) for the period	**1,445**	2,346
Net change in fair value of available-for-sale assets transferred to profit or loss	**-**	60
Net change in fair value of available-for-sale assets	**-**	(13)
Total comprehensive income for the period	**1,445**	2,393
Number of shares	**17,670,775**	17,670,775
Basic earnings per ordinary share (in USD)	**0.08**	0.13

Condensed Interim Consolidated Balance Sheet
- unaudited -

	June 30	
	USD 000	USD 000
	2012	2011
Current assets	**25,815**	25,993
Non-current assets	**6,938**	5,657
Long-term deposits	**-**	2,089
Total assets	**32,753**	31,650
Current liabilities	**3,091**	3,818
Non-current liabilities	**285**	276
Shareholders' equity	**29,377**	27,556
Total liabilities and shareholders' equity	**32,753**	31,650

Condensed Interim Consolidated Statements of Cash Flows

Six-month period ended June 30 - unaudited $ thousands	2012	2011
Operating activities		
Profit for the period	**1,445**	2,346
Adjustments to reconcile profit to net cash generated from (used for) operating activities:		
Depreciation	**192**	150
Amortization of intangible assets	**161**	-
Capital loss (gain) on sale of equipment	**4**	-
Income Taxes	**(722)**	577
Increase (decrease) in employee benefits	**113**	141
(Increase) decrease in trade receivables	**(467)**	868
Decrease (increase) in other accounts receivable	**225**	(103)
(Increase) decrease in inventory	**(202)**	(22)
Increase (decrease) in trade payables	**545**	(978)
Increase (decrease) in other payables	**33**	(1,009)
Interest received	**71**	104
Interest paid	**(138)**	-
Tax paid	**(443)**	(752)
Finance income, net	**(103)**	(235)
Cash flows generated from (used for) operating activities	**714**	**1,087**
Investing activities		
Proceeds from sale of marketable securities held for trading	**-**	179
Proceeds from sale of marketable securities available for sale	**-**	940
Proceeds from (Investments in) short-term deposits, net	**1,015**	(2,980)
Investment in fixed assets	**(383)**	(1,738)
Proceeds from sale of fixed assets	**37**	12
Acquisition of business activity from related party	**(1,437)**	-
Cash flows generated from (used for) investing activities	**(768)**	**(3,587)**
Net (decrease) increase in cash and cash equivalents	**(54)**	(2,500)
Cash and cash equivalents at beginning of the period	**10,964**	12,932
Effect of exchange rate fluctuations on cash held	**(16)**	100
Cash and cash equivalents at end of the period	**10,894**	**10,532**