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Q3 12 Report[1]

Sales Revenues of USD 4.0 million
Backlog as of September 30, 2012 of USD 6.3 million

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. announced today its financial results for the third quarter of 2012 (nine-month period ending September 30, 2012).
Sales revenues for the nine-month period of 2012 totaled USD 13,099 thousand compared to USD 14,292 thousand in the nine-month period ended September 30, 2011. The sales in the first nine months of 2012 were affected by 2012 global slowdown, but were partially compensated by the integration of the new business activity purchased from Payton Technologies.

The order and purchase backlog of the Group as of September 30, 2012 amounted to USD 6,346 thousand.

Operational highlights in Q3 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). On July 18, 2012, Payton 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. For funding part of these investments, in October 2012, the Company received a USD 3.5

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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.

million long-term loan, against a mortgage of the building. Construction work at site has already started. Company anticipates that the new facility will become fully operational by mid-2013.

On November 22, 2012, the Company has executed a Memorandum of Understanding ("MOU") regarding the purchase of the business activity of a European company engaged in the transformers global market.
The above transaction is subject to a Due Diligence to be conducted, execution of a detailed agreement and its approval by the board of directors of the company.

Key financial highlights for the first nine months of 2012

Sales revenues
Payton's sales revenues for the nine-month period ended September 30, 2012 were USD 13,099 thousand compared with USD 14,292 thousand in the nine-month period ended September 30, 2011. Q3 revenues in 2012 were USD 4,063 thousand whereas Q3 2011 revenues were USD 3,659 thousand. In the first nine months of 2012 sales were affected by the global slowdown, but were partially compensated by the integration of the new business activity purchased from Payton Technologies.

Cost of sales and gross result
Cost of sales for the nine-month period ended September 30, 2012 increased to USD 8,446 thousand from USD 7,291 thousand for the same period last year. This leads to a gross profit of USD 4,653 thousand (36% of sales) in the nine-month period ended September 30, 2012 compared with USD 7,001 thousand (49% of sales) in the same period last year. The decrease in the gross profit ratio relates to the mix of products and to the integrated sales of Conventional transformers, which are characterized by lower gross margins, together with the sales of the Planar transformers.

Expenses
During the first nine months of 2012, *General & Administrative (G&A) expenses* decreased to USD 1,774 thousand compared to USD 1,957 thousand for the same period in 2011.
Selling & Marketing expenses slightly decreased to USD 1,245 thousand during the first nine months of 2012 from USD 1,342 thousand in the same period last year. This slight decrease in these expenses is in line with the decrease in sales.
Payton's 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. The "MDDMI Conference & Exhibition" in Haifa (Israel) took place in October 2012, and the exhibition "Electronica" in Munich (Germany) took place in November 2012.
Development costs slightly increased from USD 600 thousand in the first nine months of 2011 to USD 680 thousand in the first nine months of 2012.

Operating and financial result
The total operating profit for the first nine months of 2012 amounts to USD 950 thousand compared to USD 3,102 thousand the same period last year. During the first nine months of 2012, Payton recorded a finance income of USD 221 thousand, compared with USD 125 thousand for the first nine months of 2011.

Taxes on income
Tax income for the first nine months of 2012 totaled USD 666 thousand, whereas tax expenses for the first nine months of 2011 amounted to USD 627 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 nine months of 2012 were a net profit of USD 1,837 thousand.

Balance sheet - Cash position
Cash and cash equivalents, Marketable securities and Short-term deposits amounted to a total of USD 17,746 thousand as at September 30, 2012 compared to USD 19,291 thousand as at December 31, 2011 and USD 19,552 thousand as at September 30, 2011. The decrease, compared to December 31, 2011, mainly resulted of payments made against the business activity purchased from Payton Technologies.

*Trade accounts receivable*s amounted to USD 3,188 thousand as at September 30, 2012 compared to USD 2,753 thousand as at December 31, 2011 and USD 2,952 thousand as at September 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 nine months of 2012 amounted USD 1,404 thousand, compared with cash flow generated from operating activities of USD 2,599 thousand for the first nine months of 2011. The decrease in cash flow was mostly affected by the decrease in business activity and in the net profit.
Cash flow generated from investing activities in the first nine months of 2012 amounted USD 190 thousand, compared with cash flows used from investing activities of USD 6,436 thousand in the first nine months of 2011. During these first nine months of 2012 proceeds from short-term deposits were used for investments in fixed assets and for payments to Payton Technologies in favor of its business activity acquisition.

Outlook

On September 30, 2012, the order and purchase backlog amounted to USD 6,346 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 September 30, 2012 will be supplied until end of June 2013.

The complete financial statements and the nine-month report as well as Q3 figures are available for downloading in the investors section of 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 170 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Telecommunications, cellular infrastructure, welding machines, High-reliability/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 -

	Nine months ended September 30	
	2012	2011
	USD 000	USD 000
Sales revenues	**13,099**	14,292
Cost of sales	**(8,446)**	(7,291)
Gross result	**4,653**	7,001
Development costs	**(680)**	(600)
Selling and marketing expenses	**(1,245)**	(1,342)
General and administrative expenses	**(1,774)**	(1,957)
Other (expenses) income	**(4)**	-
Operating profit (loss)	**950**	3,102
Financial income	**380**	243
Financial expense	**(159)**	(118)
Profit (loss) before taxes on income	**1,171**	3,227
Income taxes	**666**	(627)
Profit (loss) for the period	**1,837**	2,600
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	**1,837**	2,647
Number of shares	**17,670,775**	17,670,775
Basic earnings per ordinary share (in USD)	**0.10**	0.15

Condensed Interim Consolidated Balance Sheet
- unaudited -

	September 30	
	USD 000	USD 000
	2012	2011
Current assets	**24,503**	25,222
Non-current assets	**8,248**	6,274
Long-term deposits	**1,000**	-
Total assets	**32,751**	31,496
Current liabilities	**2,692**	3,427
Non-current liabilities	**290**	259
Shareholders' equity	**29,769**	27,810
Total liabilities and shareholders' equity	**32,751**	31,496

Condensed Interim Consolidated Statements of Cash Flows

Nine-month period ended September 30 - unaudited $ thousands	2012	2011
Operating activities		
Profit for the period	**1,837**	2,600
Adjustments to reconcile profit to net cash generated from (used for) operating activities:		
Depreciation	**292**	233
Amortization of intangible assets	**183**	-
Capital loss (gain) on sale of fixed assets	**4**	-
Income Taxes	**(666)**	627
Increase (decrease) in employee benefits	**(17)**	9
Decrease (increase) in trade accounts receivables	**312**	2,476
Decrease (increase) in other accounts receivable	**177**	(95)
Decrease (increase) in inventory	**(137)**	(287)
Increase (decrease) in trade payables	**142**	(1,076)
Increase (decrease) in other payables	**107**	(1,039)
Interest received	**146**	140
Interest paid	**(138)**	-
Tax paid	**(627)**	(880)
Finance income, net	**(211)**	(109)
Cash flows generated from (used for) operating activities	**1,404**	2,599
Investing activities		
Proceeds from sale of marketable securities held for trading	**200**	179
Proceeds from sale of marketable securities available for sale	**-**	940
Proceeds from (Investments in) short-term deposits, net	**3,113**	(2,984)
Investment in long-term deposits	**(1,000)**	-
Investment in fixed assets	**(723)**	(4,583)
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	**190**	(6,436)
Net (decrease) increase in cash and cash equivalents	**1,594**	(3,837)
Cash and cash equivalents at beginning of the period	**10,964**	12,932
Effect of exchange rate fluctuations on cash held	**4**	1
Cash and cash equivalents at end of the period	**12,562**	9,096