PAYTON GROUP
INTERNATIONAL

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PRESS RELEASE
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Q1 Report[1]

Sales Revenues of USD 5.7 million
Backlog as of March 31 of over USD 7,315 thousands

Rishon Le Zion (Israel) – Payton Planar Magnetics Ltd today announced its financial results for the first quarter of 2011 (three-month period ending 31 March 2011).

Total sales revenues for Q1 2011 almost totaled USD 6 million leading to a net profit of USD 1,400 thousand. The sales volume was still positively influenced by the year 2010 global financial upturn.

Order and purchase backlog as of March 31, 2011 amounted to USD 7,315 thousand compared to USD 8,710 in December 31, 2010.

Highlights in Q1 2011

In March 2011 Payton signed a purchase agreement of a real-estate property for a total amount of about € 2.7 million excl. VAT to be financed by its own financial resources. The additional costs required for the completion and the move are estimated to about € 2.8 million will be financed either by a bank loan or with its own resources. The agreement execution is still subject to a suspending condition, valid to June 10th, 2011.

In April 2011, the Company accepted an offer to materialize the remaining of its ARS[2] securities at a rate of 94% from their par value (USD 1,000 thousand) and received USD 940 thousand.

Key financials for Q1 2011

Sales revenues

Sales for the first quarter ended March 31, 2011 amounted to USD 5,717 thousand compared with USD 3,944 thousand in the three-month period ended March 31, 2010. The 2010 global upturn still positively contributed to the increase in sales in the first quarter of 2011. The revenues are primarily originating from telecom, power electronic and industrial applications manufacturing markets.

In Q1 2011 one high volume customer is representing 29,5 % of the sales and a main project of this customer is expected to end by mid 2011.

Cost of sales & gross result

Cost of sales increased from USD 2,533 thousand in first quarter of 2010 to USD 2,875 thousand in Q1 2011 in line with the sales increase. The gross profit in the first quarter of 2011 increased to USD 2,842 thousand (50% of sales) from USD 1,411 thousand (36% of sales) in the three-month period ended March 31, 2010. The increase in the gross profit relates to the growth in sales and to the products mix sold during each quarter.

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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, 2010.

[2] Auction Rate Securities ("ARS") are a debt instrument issued by local authorities, higher education institutions and others, with a long-term nominal maturity (exceeding 10 years at least), for which the interest rate is regularly reset through an auction. In the said auction, broker-dealers submit bids on behalf of potential buyers and sellers of the bond. Based on the submitted bids, the auction agent sets the next interest rate at the lowest rate to match supply and demand. Auctions are typically held every 7 or 28 days; interest on these securities is paid at the end of each auction period.

Expenses

The level of the costs is influenced by the evolution in exchange rates of the USD in relation to the New Israeli Shekel 'NIS' causing variations in these expenses when presented in USD. During the first quarter of 2011, the USD went down by 3.5% compared to average rate of year 2010, reflecting an increase in the costs when they are presented in USD.

In Q1 2011, *General & Administrative expenses* amounted to USD 649 thousand (USD 511 thousand in Q1 2010). The increase includes management incentives to Payton's parent company following the group's improved sales and profitability.

The rise in *Selling & Marketing expenses* from USD 368 thousand in Q1 2010 to USD 491 thousand this quarter is in line with the increase in sales. Marketing efforts were concentrated on the participation in trade fairs including "New Tech Motion Control & Power Solutions" exhibition in Tel-Aviv, Israel; "New Tech" exhibition in Tel Aviv, Israel, and "APEC 2011" exhibition in California, USA.

Development costs increased from USD 164 thousand in Q1 2010 to USD 189 thousand in Q1 2011.

Operating & financial results

The total operating profit before the financial result for Q1 2011 amounts to USD 1,513 thousand compared to USD 368 thousand in Q1 2010. In the first quarter of 2011, Payton Planar recorded a financial income of USD 204 thousand compared to a financial loss of USD 40 thousand in the same quarter last year reflecting the erosion of financial assets (in Euro versus USD).

Taxes on income

In Q1 2011, Payton Planar recorded a net tax expense of USD 317 thousand compared to USD 92 thousand in the same quarter last year. The tax percentage decreased from 28% to 18% resulting mainly from local tax benefits.

Result of the period

The total result for Q1 2011 was a net profit of USD 1,400 thousand.

Cash, financial and cash flow position

Cash and cash equivalents, Marketable securities and Short-term Deposits amounted to a total of USD 17,593 thousand as at March 31, 2011 compared to USD 18,491 thousand as at December 31, 2010 and USD 12,900 thousand in the same quarter last year. The decrease compared with December 31, 2010, is mainly explained by the advance payment for the property purchase and for equipment, as well by the reimbursement of current liabilities to related parties.

Marketable securities available for sale as at March 31, 2011 amounted to USD 927 thousand compared to USD 953 thousand as at December 31, 2010 and USD 1,842 thousand as at March 31, 2010. The decrease, compare to March 31, 2010, resulted from a sale of ARS securities, at 95% from their par value (USD 975 thousand) in exchange for USD 926 thousand.

Cash flows used for operating activities for the three-month period ended March 31, 2011 amounted USD 649 thousand. In this period cash flows for operating activities were mostly affected by the reimbursement of current liabilities to related parties and payments of trade payable.

Cash flows used for investing activities in Q1 2011 amounted USD 3,354 thousand, compared with cash flows generated from investing activities of USD 247 thousand in the three-month period ended March 31, 2010 and were mainly used for investments in short-term bank deposits.

Outlook

Order and purchase backlog as of March 31, 2011 were USD 7,315 thousand compared to USD 8,710 thousand end of December 2010. The backlog is composed only of firm orders. The management estimates that most of the backlog as of March 31, 2011 will be supplied until December 31, 2011.

The complete 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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Q1 key financial figures – Payton Planar Magnetics Ltd.

Consolidated Statement of Income
- unaudited –
$ thousands

	3 months ended March 31	
	2011	**2010**
Sales revenues	**5,717**	3,944
Cost of sales	**(2,875)**	(2,533)
Gross profit	**2,842**	*1,411*
Development costs	**(189)**	(164)
Selling & marketing expenses	**(491)**	(368)
General & administrative expenses	**(649)**	(511)
Other income	**-**	-
Operating income	**1,513**	*368*
Finance income (expense), net	**204**	(40)
Profit before income taxes	**1,717**	*328*
Income taxes	**(317)**	(92)
Profit for the period	**1,400**	*236*
Other comprehensive income		
Net change in fair value of available-for-sale assets transferred to profit or loss	**-**	40
Net change in fair value of available-for-sale assets	**(26)**	(11)
Total comprehensive income for the period	**1,374**	265
Number of shares	17,670,775	17,670,775
Basic and diluted earnings per ordinary share (in $)	0.08	0.01

Consolidated Balance Sheet
- unaudited -
$ thousands

	31-03-2011 USD 000	31-03-2010 USD 000
ASSETS		
Current assets	**25,966**	18,633
Non-current assets	**5,032**	6,050
Total assets	**30,998**	**24,683**
Liabilities and shareholders' equity		
Current liabilities	4,192	3,829
Non-current liabilities	269	204
Shareholders' equity	26,537	20,650
Total liabilities and shareholders' equity	**30,998**	**24,683**

Consolidated Cash Flow Statement

unaudited - USD thousands	2011	2010
Operating activities		
Profit for the period	**1,400**	236
Adjustments to reconcile profit to net cash (used for) generated from operating activities:		
Depreciation	**70**	67
Increase in employee benefits	**19**	10
Increase in trade receivables	**(272)**	(1,032)
(Increase) decrease in other accounts receivable	**(104)**	5
Increase in inventory	**(1)**	(61)
(Decrease) Increase in trade payables	**(592)**	554
(Decrease) increase in other payables	**(799)**	(284)
(Decrease) increase in tax liability	**(245)**	3
Increase in deferred taxes	**(16)**	(16)
Finance expenses (income), net	**(109)**	61
Cash flows (used for) generated from operating activities	**(649)**	(457)
Investing activities		
Proceeds from sale of marketable securities available for sale	**-**	960
(Investments in) proceeds from short-term deposits, net	**(3,008)**	(646)
Payments in advance and investment in fixed assets	**(358)**	(67)
Proceeds from sale of equipment	**12**	-
Cash flows (used for) generated from investing activities	**(3,354)**	247
Financing activities		
Dividend paid	**-**	(1,679)
Cash flows used for financing activities	**-**	(1,679)
Net (decrease) increase in cash and cash equivalents	**(4,003)**	(1,889)
Cash and cash equivalents at beginning of the period	**12,932**	7,961
Effect of exchange rate fluctuations on cash held	**66**	(70)
Cash and cash equivalents at end of the period	**8,995**	6,002
Supplementary disclosure		
Interest received included in cash flows generated from operating activities	**44**	39
Tax paid included in cash flows used for operating activities	**579**	106

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 does 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

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 167 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).