PAYTON GROUP
INTERNATIONAL

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Half-year 2011 Report[1]

Sales Revenues of USD 10.6 million
Backlog as of June 30, 2011 of USD 5.9 million

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2011 (six-month period ending June 30, 2011).
Sales revenues for the first six months of 2011 totaled USD 10,633 thousand compared to USD 11,003 thousand in the six-month period ended June 30, 2010. The sales in the second quarter of 2011 were affected by 2011 global slowdown.
The net profit for the six-month period ending June 30, 2011 totaled USD 2,346 thousand (USD 1,983 thousand for the same period last year).
The order and purchase backlog as of June 30, 2011 amounted to USD 5,889 thousand.

Highlights in first half-year 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. On August 16, 2011 the transaction was completed and the company received the possession rights.

Key financial highlights for the first half-year 2011

Sales revenues

Payton's sales revenues for the first half-year of 2011 amounted to USD 10,633 thousand compared to USD 11,003 thousand in the six-month period ended June 30, 2010. Q2 revenues in 2011 were USD 4,916 thousand and Q2 2010 revenues were USD 7,059 thousand. The sales in the second quarter of 2011 were affected by a global slowdown.

Cost of sales and gross result

Cost of sales for the first half-year of 2011 decreased to USD 5,354 thousand from USD 6,297 thousand for the same period last year leading to a gross profit of USD 5,279 thousand (50% of sales) compared with USD 4,706 thousand (43% of sales) in the six-month period ended June 30, 2010. The increase in the gross profit ratio relates to the products mix sold during each quarter. Q2 gross profit in 2011 amounted USD 2,437 thousand (50% of sales) compared to USD 3,295 thousand (47% of sales) in the three-month period ended June 30, 2010.
Most of Payton's salaries and other operating costs are fixed in NIS. The average rate of the USD with relation to the NIS during the first six months of 2011 went down by 5.7% compared with average rate of year 2010, reflecting an increase in the above-mentioned costs when they are presented in USD.

[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.

Expenses

During the first half-year 2011, *General & Administrative* (G&A) *expenses* increased to USD 1,269 thousand, compared to USD 1,172 thousand for first six-month period in 2010.

Selling & Marketing expenses decreased to USD 933 thousand in the first half-year of 2011 from USD 937 thousand in the same period last year. Marketing efforts were concentrated on the participations in the following exhibitions:

- January 2011, “New Tech Motion Control & Power Solutions” exhibition in Tel-Aviv, Israel.
- March 2011, “New-Tech” exhibition in Tel-Aviv, Israel.
- March 2011, “APEC 2011” exhibition in California, USA.
- May 2011, “PCIM” exhibition in Nierenberg, Germany.

In addition, Payton initiated several seminars and conferences in the USA during that period.

Operating and financial result

The total operating profit for the first half-year of 2011 amounts to USD 2,657 thousand compared to USD 2,273 thousand the same period last year. During the first six months of 2011, Payton recorded a finance income of USD 266 thousand, compared with an expense of USD 182 thousand for the first six months of 2010. Erosion of cash & cash equivalent mostly in Euro versus the US Dollar attributed the increase in the Finance net income.

Taxes on income

Income tax expenses for the first six months period of 2011 totaled USD 577 thousand (19.7%), which is in line with 2010 yearly tax rate (18.2%). The increase in the tax expenses percentage relates to a decrease in revenues entitled to local tax benefits.

Result of the period

The net profit for the six-month period ending June 30, 2011 amounts to USD 2,346 thousand (USD 1,983 thousand in the same period last year).The total comprehensive income for the period amounts to USD 2,393 thousand.

Cash position

Cash and cash equivalents, marketable securities and short-term deposits amounted to a total of USD 18,958 thousand as at June 30, 2011 compared to USD 18,491 thousand as at December 31, 2010 and USD 14,331 thousand as at June 30, 2010. The increase in these items compared with December 31, 2010 is explained by the profit for the period which was shortened mostly due to advance payment made in favor of the real-estate property purchase.

Marketable securities available for sale (non- current assets) amounted to USD 0 thousand as at June 30, 2011 compared to USD 953 thousand as at December 31, 2010 and USD 937 thousand as at June 30, 2010. The decrease resulted from materializing the remaining ARS securities, at 94% from their par value (USD 1,000 thousand) in exchange for USD 940 thousand.

Trade payables as at June 30, 2011 decreased to USD 1,259 thousand compared to USD 2,211 thousand as at December 31, 2010 and USD 2,860 thousand as at June 30, 2010. The decrease at June 30, 2011 is explained by a decrease in business activity, mainly through manufacturing subcontractors in China.

The following table presents the financial ratios:

	June 30, 2011	December 31, 2010	June 30, 2010
Current ratio	6.81	4.52	4.18
Quick ratio	6.21	4.13	3.77

Cash flow

Cash flow generated from operating activities for the first half-year 2011 amounted USD 1,127 thousand compared with cash flow generated from operating activities of USD 304 thousand for the first half-year 2010. The cash flow for the first half of 2011 was mostly affected by decrease in trade receivables as result of the decrease in business activity as well as by payoff of current liabilities to related parties and to trade payables.

Cash flows used for investing activities in the six-month period ended June 30, 2011 amounted USD 3,627 thousand, compared with cash flows generated from investing activities of USD 1,042 thousand in the six-month period ended June 30, 2010.
During the first half of year 2011 this cash flows were used mainly for investments in real-estate property and in short-term bank deposits.

Outlook

Order and purchase backlog of the Group was affected by the global slowdown and by the termination of two major projects. On June 30, 2011, the order and purchase backlog amounted to USD 5,889 thousand (compared to the position on March 31, 2011 where backlog amounted to USD 7,315 thousand and December 31, 2010 - USD 8,710 thousand). The backlog is composed of firm orders only. The management estimates that most of the backlog will be supplied until the end of March 2012.

The Company is planning on October 2011 an investors conference in Belgium. Further notice will be provided.

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 and CEO declares, on behalf of and for the account of Payton Planar Magnetics that, as far as is known to him,

a) the financial statements as at June 30, 2011 are drawn up in accordance with IFRS and with IAS 34 “Interim Financial 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 first six months, their impact on the financial statements, the main risk factors and uncertainties for the remaining months of the financial year, as well as the main transactions with related parties and their possible impact on the abbreviated financial statements.

Independent Auditors’ Review – August 18, 2011

The interim results have been prepared by the management and reviewed by Somekh Chaikin, certified public accounts, a member firm of KPMG International in accordance with International Standard on Review Engagements 2410. A review is substantially less in scope than an audit. The conclusion of the auditor is as follows: “Based on our review, [...], nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting”.

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 163 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 emphasizes 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.

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Income
- unaudited -

	Six months ended June 30	
	2011	2010
	USD 000	USD 000
Sales revenues	10,633	11,003
Cost of sales	(5,354)	(6,297)
Gross result	5,279	4,706
Development costs	(420)	(322)
Selling and marketing expenses	(933)	(937)
General and administrative expenses	(1,269)	(1,172)
Other (expenses) income	-	(2)
Operating profit (loss)	2,657	2,273
Financial income	337	115
Financial expense	(71)	(297)
Profit (loss) before taxes on income	2,923	2,091
Income taxes	(577)	(108)
Net profit (loss) for the period	**2,346**	**1,983**
Net change in fair value of available-for-sale assets transferred to profit or loss	60	89
Net change in fair value of available-for-sale assets	(13)	10
Total comprehensive income for the period	**2,393**	**2,082**
Number of shares	17,670,775	17,670,775
Basic earnings per ordinary share (in USD)	0.13	0.11

Condensed Interim Consolidated Balance Sheet

- unaudited -

	June 30	
	USD 000	**USD 000**
	2011	**2010**
Current assets	25,993	22,841
Non-current assets	5,657	5,293
Marketable securities available for sale	-	937
Total assets	**31,650**	**28,134**
Current liabilities	3,818	5,470
Non-current liabilities	276	197
Shareholders' equity	27,556	22,467
Total liabilities and shareholders' equity	**31,650**	**28,134**

Condensed Interim Consolidated Statements of Cash Flows

Six-month period ended June 30 - unaudited $ thousands	2011	2010
Net Operating activities		
Net profit for the period	2,346	1,983
Adjustments to reconcile net profit to net cash generated from (used for) operating activities:		
Depreciation	150	135
Capital loss (gain) on sale of equipment	-	2
Increase (decrease) in employee benefits	26	3
(Increase) decrease in trade receivables	868	(3,639)
Increase in other accounts receivable	(103)	(35)
(Increase) decrease in inventory	(22)	(204)
Increase (decrease) in trade payables	(978)	1,745
Increase (decrease) in other payables and tax liability	(1046)	184
(Increase) decrease in deferred taxes	(23)	(110)
Finance expenses (income), net	(91)	240
Cash flows generated from (used for) operating activities	**1,127**	**304**
Investing activities		
Proceeds from sale of marketable securities held for trading	179	-
Proceeds from sale of marketable securities available for sale	940	1,886
(Investments in) proceeds from short-term deposits, net	(3,020)	(663)
Investment in property, plant and equipment	(1,738)	(203)
Proceeds from sale of equipment	12	22
Cash flows generated from (used for) investing activities	**(3,627)**	**1,042**
Financing activities		
Dividend paid	-	(1,679)
Cash flows used for financing activities	**-**	**(1,679)**
Net (decrease) increase in cash and cash equivalents	(2,500)	(333)
Cash and cash equivalents at beginning of the period	12,932	7,961
Effect of exchange rate fluctuations on cash held	100	(179)
Cash and cash equivalents at end of the period	**10,532**	**7,449**
Supplementary disclosure		
Interest received included in cash flows generated from(used for) operating activities	104	76
Tax paid included in cash flows generated from (used for) operating activities	752	295