PAYTON GROUP
INTERNATIONAL

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Q1 Report[1]

Sales Revenues of USD 3.9 million
Backlog as of March 31 of over USD 10 million

Rishon Le Zion (Israel) – Payton Planar Magnetics Ltd today announced its financial results for the first quarter of 2010 (three-month period ending 31 March 2010).

Total sales revenues for Q1 2010 almost totaled USD 4 million leading to a net profit of USD 236 thousand. The sales volume was positively influenced by the global financial upturn resulting in orders and sales pick-up.

Order and purchase backlog as of March 31, 20010 amounted to USD 10,043 thousand compared to USD 6,400 in December last year.

Highlights in Q1 2010

In January 2010, Payton signed a MOU with the Korean company Bujeon to integrate Planar transformers in inductive components for mass consumer electronic products. Under the terms of the agreement, Bujeon is granted exclusive manufacturing and commercialization rights of Payton's unique planar transformers. As planned, the manufacturing & deliveries from this facility started on April 2010. The Company continues to train and support it's manufacturing partners in China.

On January 12, 2010, the company paid off the interim gross dividend (announced on November 2009) of USD 0.095 per share or an aggregate amount of USD 1,679 thousands.

Key financials for Q1 2010

Sales revenues

Sales for the quarter ended March 31, 2010 amounted to USD 3,944 thousand compared with USD 2,712 thousand in the three-month period ended March 31, 2009. The global upturn positively contributed to the sales increase. The revenues are primarily originating from telecom, T.V., power electronic and industrial applications manufacturing markets.

Sales in Q1 excluded the contribution of two existing high volume customers since their major projects were end of cycle at the end of 2009. However, Payton managed to attract two new high volume customers representing respectively 20.8% and 17.7% of total revenues.

Cost of sales & gross result

Cost of sales substantially increased from USD 1,716 thousand in the same quarter last year to 2,533 thousand in Q1 2010 following the sales increase. The gross profit in the first quarter increased to USD 1,411 thousand (36% of sales) from USD 996 thousand (37% of sales) in the three-month period ended March 31, 2009 (and to 38% of sales for the year ended December 31, 2009).

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 2010, the USD went down by 8% compared to the same quarter last year, reflecting an increase in the costs when they are presented in USD.

In Q1 2010, *General & Administrative expenses* amounted to USD 511 thousand (USD 426 thousand in Q1 2009). *Selling & Marketing expenses* increased from USD 185 thousand in Q1 2009 to USD 368 thousand this

[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, 2009.

quarter. The considerable increase in these expenses is attributable to travel expenses to train and support Payton's subcontractors facilities in China and to a rise in marketing commissions resulting from the increased sales. Additional marketing efforts were concentrated on the participation in trade fairs including "Hespek & Bakara, New-tech 2010" exhibition in Tel-Aviv, Israel, "APEC 2010" exhibition in California, U.S.A, "Technology Hi-tech 2010" exhibition in Tel-Aviv, Israel.

Development costs increased from USD 146 thousand to USD 164 thousand.

Operating & financial result

The total operating profit before the financial result for Q1 2010 amounts to USD 368 thousand compared to USD 238 thousand in Q1 2009. The financial result for the three months period ended March 31, 2010 was influenced by the global interest rates decrease, the erosion of cash & cash equivalents in euro versus the USD, and a loss from selling ARS Marketable Securities available for sale and amounted to - USD 40 thousand compared to –USD 85 thousands in the same quarter last year.

Taxes on income

Income taxes in Q1 2010 amounts to an expence of USD 92 thousand. Income taxes in Q1 2009 derived from the erosion in the tax liability. As a result of the decrease in the exchange rate of the NIS in relation to the USD, the tax liability fixed in NIS, translated into USD, decreased, resulting with a tax income that was higher than the current tax expense – a net tax income of USD 48 thousand.

Result of the period

The total result for Q1 2010 was a net profit of USD 236 thousand or earnings per share of USD 0.01.

Cash, financial and cash flow position

Cash and cash equivalents, Marketable securities and Short-term Deposits amounted to a total of USD 12,900 thousand as at March 31, 2010 compared to USD 14,176 thousand as at December 31, 2009 and USD 14,043 thousand as at March 31, 2009. The decrease, compared with December 31, 2009, resulted mainly of dividend payment in the amount of USD 1,679 thousand. During the first quarter of 2010 Payton sold one of its ARS securities at a rate of 96% from its par value, (Par value - USD 1,000 thousand). In exchange for this sale of ARS the Company received USD 960 thousand. As at March 31, 2010 the fair value of the remaining ARS was assessed at the amount of USD 1,842 thousand, compared to USD 1,863 thousand as at December 31, 2009 (Par value - USD 1,975 thousand). Payton included the value decline, amounting USD 133 thousand in a capital reserve.

Cash flow used for operating activities for the three-month period ended March 31, 2010 amounted USD 457 thousand, compared with Cash flow generated from operating activities at the amount of USD 500 thousand in Q1, 2009. The cash flow decrease resulted mainly from the increase in trade receivables, following the increase in business activity.

Cash flow generated from investing activities in the three-month period ended March 31, 2010 resulted mainly from proceed from sale of marketable securities offset by investment in short-term deposits and amounted USD 247 thousand, compared with a use of cash flow in the amount of USD 1,549 thousand in Q12009.

Cash flow used for financing activities in the three-month period ended March 31, 2010, amounted USD 1,679 thousand representing a payment of dividend.

Outlook

Order and purchase backlog as of March 31, 2010 were USD 10,043 thousand compared to USD 6,400 thousand end of December 2009 and to USD 4,974 thousand in March last year. The backlog is composed only of firm orders. The management estimates that most of the backlog as of 31 March, 2010 will be supplied until December 31, 2010.

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 - USD thousands**	**3 months ended March 31**	
	2010	**2009**
Sales revenues	**3,944**	2,712
Cost of sales	**(2,533)**	(1,716)
Gross profit	**1,411**	*996*
Development costs	**(164)**	(146)
Selling & marketing expenses	**(368)**	(185)
General & administrative expenses	**(511)**	(426)
Other income	**-**	(1)
Operating income	**368**	*238*
Finance income (expense), net	**(40)**	(85)
Profit before income taxes	**328**	*153*
Income taxes	**(92)**	48
Net profit for the period	**236**	*201*
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	**(11)**	50
Total comprehensive income for the period	**265**	251
Number of shares	17,670,775	17,670,775
Basic and diluted earnings per ordinary share (in $)	0.01	0.01

Consolidated Balance Sheet **- unaudited -** **$ thousands**	**31-03-2010** **USD 000**	31-03-2009 USD 000
ASSETS		
Current assets	**18,633**	19,265
Non-current assets	**6,050**	4,910
Total assets	**24,683**	**24,175**
Liabilities and Equity		
Current liabilities	3,829	3,514
Non-current liabilities	204	134
Equity	20,650	20,527
Total liabilities and Equity	**24,683**	**24,175**

Consolidated Cash Flow Statement
unaudited - USD thousands

	3 months ended March 31	
	2010	2009
Net Operating activities		
Net profit for the period	**236**	201
Adjustments to reconcile net profit to net cash (used for) generated from operating activities:		
Depreciation	**67**	63
Capital loss on sale of equipment	**-**	1
Increase (decrease) in employee benefits	**10**	(18)
(Increase) decrease in trade receivables	**(1,032)**	700
Decrease (increase) in other accounts receivable	**5**	(6)
(Increase) decrease in inventory	**(61)**	(70)
Increase (decrease) in trade payables	**554**	(250)
Decrease in other payables and tax liability	**(281)**	(370)
(Increase) decrease in deferred taxes	**(16)**	17
Finance expenses (income), net	**61**	232
Cash flows (used for) generated from operating activities	**(457)**	500
Investing activities		
Investments in marketable securities held for trading	**-**	-
Proceeds from sale of marketable securities held for trading	**-**	-
Proceeds from sale of marketable securities available for sale	**960**	-
Investments in short-term deposits, net	**(646)**	(1,340)
Investments in long-term deposits, net	**-**	-
Investment in property, plant and equipment	**(67)**	(214)
Proceeds from sale of equipment	**-**	5
Cash flows generated from (used for) investing activities	**247**	(1,549)
Financing activities		
Dividend paid	**(1,679)**	-
Cash flows used for financing activities	**(1,679)**	-
Net decrease in cash and cash equivalents	**(1,889)**	(1,049)
Cash and cash equivalents at beginning of the period	**7,961**	8,230
Effect of exchange rate fluctuations on cash held	**(70)**	(68)
Cash and cash equivalents at end of the period	**6,002**	7,113
Supplementary disclosure		
Interest received included in cash flows generated from (used for) operating activities	**39**	58
Tax paid included in cash flows generated from (used for) operating activities	**106**	5

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 160 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).