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PAYTON PLANAR
Innovation • Design • Performance

Full Year Results 2013

Sales Revenues of USD 20,021 million
Backlog as of December 31, 2013 of USD 9,408 thousand

Ness-Ziona (Israel) – Payton Planar Magnetics (the "Company" or "Payton") today announced its financial results for the year ending December 31, 2013.

Sales revenues for 2013 totaled USD 20.0 million compared to USD 17.6 million on December 31, 2012. The sales in 2013 were affected from the new business activity purchased from Himag.

The net profit for 2013 decreased to reach USD 113 thousands from USD 2,442 thousands for the same period last year.

In the coming year (2014) Payton plans to continue the integration and improvement of the efficiency of Himag business activity in UK in order to maximize its added value to the Group. Furthermore, during 2014 the Group plans to continue its regular course of business and maximize the business challenge to the greatest possible extent. It will go on with its marketing efforts aiming to expand products exposure and enlarging market share. In addition, the group will continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.

Order and purchase backlog as of December 31, 2013 were USD 9,048 thousand compared to USD 6,217 thousand last year.

Operational highlights in 2013

The establishment of a real-estate property, centralizing the local group activities ("Payton House") was completed on September 2013. Management believes that having all facilities "under one roof" in the new building will lead to economies of scale and also offer opportunities for synergies between product lines. The Company moved two out of its three locations into the new facility on May 2013 and on September 2013 the Company completed the last phase of the transfer. To the report date no additional material costs are required for the completion, total investment is about USD 10 million.

On December 28, 2012 the Company, via its fully owned UK subsidiary - Himag Planar Magnetics (hereinafter-"Himag"), executed an agreement to purchase the business activity of Himag Solutions Ltd., a UK company, engaged in the transformers global market. The purchase relates to the Selling Company's business activity (excluding all types of liabilities and obligations) regarding production, development, marketing and distribution of magnetic elements (transformers), including, among others, fixed assets, goodwill, inventory, agreements and intellectual property rights (hereinafter: "The Purchased Activity"). The consideration for the purchased activity has been set to USD 1.2 million paid on December 31st, 2012 and additional consideration for the purchased activity, conditional upon achieving a minimum annual sales turnover. In order to estimate the fair value of the intangible assets acquired, a Purchase Price Allocation ("PPA") was conducted by Fair Value Ltd., an independent business appraiser, part of EEBC Economic Advisory Group. Starting January 1st, 2013 Himag started its activity as a part of the Payton Group. The current focus is to increase Himag's efficiency and reach economies of scale in terms of manufacturing, engineering and marketing.

Starting January 1st, 2012, following the purchase agreement approved on November 8, 2011, the business activity of Payton Technologies (1991) Ltd ("Payton Technologies"), 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). In order to estimate the fair value of the intangible assets acquired, a Purchase Price Allocation ("PPA") was conducted by Fair Value Ltd., an independent business appraiser, part of EEBC Economic Advisory Group.

Based on the PPA the surplus on the investment was allocated to: production files, open orders and goodwill.

By merging the business activity of Payton Technologies, which markets and sells Conventional Transformers, into Payton Planar, the Company becomes a "one stop shop" for transformers of all kinds and will is able to answer both Planar and Conventional Magnetic needs. Furthermore, merging the two business activities, combined with their centralization in the new building, expect to lead to economies of scale and also offer opportunities for synergies between the products.

In addition, according to the said Purchase Agreement, all key executive officers, employed by the parent company, as of January 1st, 2012, are employed directly by the Company, and no participation in parent company management fees is allocated to the Company.

Financial highlights in 2013

Sales revenues[1]

The Group's sales revenues for year 2013 were USD 20,021 thousand compared with USD 17,601 thousand in year 2012. The sales in 2013 were affected from the new business activity purchased from Himag, resulting in sales increase of 14% compared to year 2012.

Cost of sales & gross result

The level of costs is influenced by exchange rate of USD in relation to the NIS. The average rate of the USD with relation to the NIS, during 2013, went down by 6.4% compared to average rate of year 2012, reflecting an increase in the costs when they are presented in USD.

Cost of sales amounted to USD 13,856 thousand in 2013 compared to USD 11,234 thousand in 2012. The *gross profit* for 2013 amounted to USD 6,165 thousand (31%), compared with USD 6,367 thousand (36%), in the year ended December 31st, 2012. The decrease in the gross profit ratio resulted mainly from the sales products mix, the devaluation of the U.S. Dollar with relation to the local Israeli currency (which increased labor cost and other manufacturing costs) and the integration of Himag activity that was characterized by lower gross margins.

Expenses

In 2013, *General & Administrative expenses* (G&A) amounted to USD 2,804 thousand compared with USD 2,325 thousand in the year ended December 31, 2012. The increase in these expenses relates mainly to the incorporation of Himag Planar Magnetics administrative personnel starting 2013.

Payton's S*elling & Marketing expenses* which mainly comprise of: (1) commissions to the Group's reps' and Marketing Personnel, which are calculated as a portion of sales and of (2) other selling expenses (fixed) based on management policy increased from USD 1,726 thousand to USD 1,932 thousand this year.

Operating & financial result

The *total operating profit* before the financial result for 2013 amounts to USD 41 thousand compared to USD 1,463 thousand last year.

In 2013, Payton Planar recorded a *financial profit* of USD 135 thousand compared to USD 411

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[1] As from January 1, 2011, according to IFRS 8, Payton's segment report is to be provided in accordance with the management approach. Following this approach the financial statements do not include information on a geographical basis.

thousand in 2012. The decrease in these income resulted mainly from decrease of interest from bank deposits and decrease of income from marketable securities.

Profit before income taxes

The profit before income taxes for the financial year 2013 is USD 176 thousand compared to a profit of USD 1,874 thousand in 2012.

Taxes on income

Tax expenses for 2013 amounted to USD 63 thousand compared with tax income at the amount of USD 568 thousand for the year ended December 31, 2012. In year 2012 income taxes were mostly affected by the write-off of excess tax liability following a final tax assessment concluded.

Result of the period

The total result for financial year 2013 was a profit of USD 94 thousand, compared to USD 2,383 thousand in 2012. The Q4 2013 loss totaled USD 46 thousand.

Balance sheet – cash position

Cash and cash equivalents, Marketable securities held for trading and Short-term Deposits amounted to a total of USD 12,996 thousand as at December 31, 2013 compared to USD 19,703 thousand as at December 31, 2012. During year 2013 these items decreased mostly due to the use of cash for investments in the real-estate property and due to deposit of USD 3 million in Long term bank deposit presented under the non-current assets.

Trade accounts receivable amounted to USD 4,030 thousand as at December 31, 2013 compared to USD 3,519 thousand as at December 31, 2012. The increase in this item is explained mostly by sales volume increase in the period near the report date.

Cash flow statement

Cash flows generated from operating activities for the year ended December 31, 2013 amounted USD 1,603 thousand, compared with the cash flows generated from operating activities of USD 1,493 thousand for the year ended December 31, 2012.

Cash flows used for investing activities in the year ended December 31, 2013 amounted USD 3,140 thousand compared with cash flows used for investing activities of USD 8,266 thousand in the year ended December 31, 2012. During the year 2013 the Company used most of these cash flows for building its new industrial real-estate property, which were mostly financed by materializing short-term bank deposits; and for investment in long-term bank deposits.

Cash flows used for financing activities in the year ended December 31, 2013 amounted USD 323 thousand compared with cash flows generated from financing activities of USD 3,442 thousand in the year ended December 31, 2012. In year 2012 the cash flow originated from a 10 year bank loan in the amount of USD 3.5 million against a mortgage on the real estate property. The loan bears interest of Libor +3.7% and is repayable in monthly payments.

Outlook

Order and purchase backlog of the Group as of December 31, 2013 amounted to USD 9,408 thousand. As of March 20, 2014, this backlog amounted to USD 9,919 thousand (December 31, 2012 - USD 6,217 thousand). The backlog is composed of the company and its two fully owned subsidiaries firm orders. Management estimates that most of the backlog as of December, 31 2013 will be supplied until the end of September 2014.

Nowadays market fluctuations are very rapid and unpredictable, therefore 2014 trend is very hard to foresee. The global economy in Europe and in the U.S. is very unstable. Taking into consideration a gradual slowdown in emerging economies too, global growth is expected to be slow. The challenge in this global economy slow growth environment is to raise productivity, to address and develop new markets and to expand the group's core business.

Along with the above mentioned global fluctuations, there are additional effects in Israel, generated from large fluctuations in the exchange rates of the main currencies vis-à-vis the NIS.

Company Management is closely monitoring all above-mentioned market fluctuations and will continue to track their developments and effects. In addition, Company’s Management is taking the necessary actions in order to cope with the situation, to the greatest extent possible.

In the coming year (2014) Payton plans to continue the integration and improving the efficiency of Himag business activity in UK in order to maximize its added value to the Group. Furthermore, during 2014 the Group plans to continue its regular course of business and maximize the business challenge to the greatest possible extent. It will go on with its marketing efforts aiming to expand products exposure and enlarging market share. In addition, the group will continue its ongoing search for business and M&A opportunities, synergetic to its core business, in order to expand its activity.

As result of the Company's conservative cash policy, management estimates that the Group is financially strong and no liquidity problems are expected in the foreseeable future.

External risk factors

Payton has noted that in recent years there has been an increasing interest of conventional transformer manufacturer to get into the Planar field. Following companies are considered as potential competitors: Pulse and Coilcraft - from the U.S.A. and Premo - from Spain. However, Payton believes in its technology advantage and capabilities and estimates it could generally benefit from an increasing competition in the market due to greater exposure of the technology.

Revaluation/devaluation of the local Israeli currency in relation to the U.S. Dollar leads to an increase/decrease (respectively) in labor costs and other operating costs. Most of the Group’s salaries and other operating costs are fixed in NIS; therefore the operating results of the Company are being affected.

During 2013, the Company conducted the construction process of the industrial real-estate property. All engagement with construction contractors are fixed in the local NIS. Therefore, for the period of the construction process, suiting the industrial property to Payton's needs, fluctuation of the U.S. Dollar with relation to the NIS influences the accumulated value of building (fixed assets).

Other changes in external factors that may affect Payton’s results are related to global slowdown in general, more particularly a slowdown in the electronics, automotive and telecommunications sectors, which affects the Group’s customer's demands and can cause orders and sales decrease, and to metals prices fluctuations especially copper, steel, tin and silver, which are part of the transformers bill of materials.

Independent Auditors’ Report – 31 March 2013

The selected consolidated financial data are derived from the Audited Financial Statement of the Company as of and for each of the years in the two years period ended December 31.

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the requirements of Israeli law.

The results have been audited by Somekh Chaikin, Certified Public Accountants, a member firm of KPMG International. The conclusion of the auditor is as follows: *“In our opinion based on our audit and on the reports of the abovementioned other auditors, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.”*

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 at 31 December 2013 are drawn up in accordance with IFRS-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 financial year, their impact on the financial statements, the main risk factors and uncertainties, as well as the main transactions with related parties and their possible impact on the financial statements.

The complete audited financial statements and the annual report are available for downloading in the investors section of www.paytongroup.com

Key financial figures – Payton Planar Magnetics Ltd.

Consolidated Statements of Comprehensive Income

- audited -

	12 months ended December 31	
	USD 000 **2013**	USD 000 2012
Sales revenues	**20,021**	17,601
Cost of sales	**(13,856)**	(11,234)
Gross result	**6,165**	6,367
Development costs	**(913)**	(846)
Selling and marketing expenses	**(1,932)**	(1,728)
General and administrative expenses	**(2,804)**	(2,325)
Other income (expenses)	**(475)**	(5)
Operating profit (loss)	**41**	1,463
Financial income	**261**	581
Financial expense	**(126)**	(170)
Financial result, net	**135**	411
Profit (loss) before taxes on income	**176**	1,874
Income taxes	**(63)**	568
Profit (loss) for the year	**113**	2,442
Other comprehensive income		
Remeasurement of defined benefit plan	**(19)**	(59)
Total comprehensive income for the period	**94**	2,383
Number of shares	**17,670,775**	17,670,775
Profit per share (in USD)	**0,01**	0,14

Consolidated Balance Sheet

- audited -

	2013 **USD 000**	2012 USD 000
ASSETS		
Current assets	**21,191**	27,500
Non-current assets	**16,879**	9,514
Total assets	**38,070**	37,014
Liabilities and shareholders' equity		
Current liabilities	**4,105**	3,058
Non-current liabilities	**3,556**	3,641
Shareholders' equity	**30,409**	30,315
Total liabilities and shareholders' equity	**38,070**	37,014

Current Shareholders structure

Shareholder name	# of shares	% outstanding shares	Comments
Payton Industries Ltd.	11,694,381	66.2%	Israeli company traded in the Tel Aviv stock exchange.
Public	5,976,394	33.8%	Listed on the Euronext since June 1998
Total	17,670,775	100.0%	Total outstanding shares.

Consolidated Cash Flow Statement

Audited - USD thousands	**2013**	2012
Operating activities		
Profit for the year	**113**	2,442
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation and amortization	**846**	596
Income taxes	**63**	(568)
Capital loss (gain) on sale of fixed assets	**47**	5
Increase in employee benefits	**89**	116
Decrease (increase) in trade accounts receivable	**(511)**	(19)
Decrease (increase) in other accounts receivable	**22**	(52)
Decrease (increase) in inventory	**411**	(269)
Increase in trade payables	**725**	160
Increase in other payables	**24**	67
Finance income, net	**(95)**	(302)
Interest received	**124**	234
Interest paid	**(83)**	(138)
Changes in the fair value of contingent consideration	**222**	-
Tax paid	**(394)**	(779)
Cash flows generated from operating activities	**1,603**	1,493
Investing activities		
Proceeds from sale of marketable securities held for trading	**205**	200
Investment in long-term deposits	**(3,000)**	-
Proceeds from (investments in) short-term deposits, net	**4,693**	(3,766)
Investment in fixed assets	**(5,048)**	(2,100)
Proceeds from sale of fixed assets	**10**	37
Acquisition of business activity from related party	**-**	(1,437)
Acquisition of other business activity	**-**	(1,200)
Cash flows generated from (used for) investing activities	**(3,140)**	(8,266)
Financing activities		
Loan received from bank	**-**	3,500
Repayment of loan	**(323)**	(58)
Cash flows generated from (used for) financing activities	**(323)**	3,442
Net decrease in cash and cash equivalents	**(1,860)**	(3,331)
Cash and cash equivalents at beginning of the year	**7,684**	10,964
Effect of exchange rate fluctuations on cash held	**59**	51
Cash and cash equivalents at end of the year	**5,883**	7,684

Note :

This document 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

Reference in this document to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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 184 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including Automotive 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 and in the U.K. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

For more information, please visit Payton's web site at www.paytongroup.com
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