PAYTON GROUP
INTERNATIONAL

REGULATED INFORMATION
PRESS RELEASE
March 27 2012
9 pm CET

Full Year Results 2011 - Profitable Performance and Solid Cash Position

Sales Revenues of nearly USD 18 million
Backlog as of December 31, 2011 of USD 6,881 thousand

Rishon Le Zion (Israel) – Payton Planar Magnetics (the "Company" or "Payton")) today announced its financial results for the year ending December 31, 2011.

Sales revenues for 2011 totaled USD 18.0 million compared to USD 24.9 million on December 31, 2010. The sales in 2011 were mostly affected by the global slowdown as well as by the termination of two major, high volume, projects that ended during this year.

The net profit for 2011 decreased to reach USD 2.8 million from USD 4.8 million for the same period last year.

As at December 31, 2011, the company's cash position amounted to USD 19,291 thousand.

Although the evolution of the general economy remains unpredictable, the management expects to continue its regular course of business. In 2012, the group will continue to develop its core telecom, Instrumentation, Industrial, and power portable application market markets. In addition, the company will increase efforts to attract new customers in new high growth segments such as Automotive (EV/HEV), High-Reliability, Avionics and Space applications. Company targets to expand its activity focusing in North America, Japan, South Korea, India and China.

Order and purchase backlog as of December 31, 2011 were USD 6,881 thousand compared to USD 8,710 last year.

Operational highlights in 2011

On March 10, 2011, Payton signed a purchase agreement of a real-estate property for a total amount of NIS 13,250 thousand (about € 2.7 million excl. VAT) to be financed by its own financial resources.

On September 18, 2011, Payton approved the purchase agreement of the business activity of Payton Technologies (1991) Ltd, a sister-company fully owned by the parent company (Payton Industries Ltd), for the amount of NIS 5.6 million (about € 1.1 million). According to the purchase agreement, all key executive officers employed by the parent company shall, as of January 1, 2012, be employed directly by Payton. As a part of organizational changes, the Company's Board of directors approved the nomination of Mr. Doron Yativ as Payton's C.E.O. and the nomination of Mr. David as its Active Chairman.

Financial highlights in 2011

Sales revenues[1]

Sales revenues for the year ended December 31, 2011 amounted to USD 17,956 thousand compared with USD 24,890 thousand for the year ended December 31, 2010. The contribution of the fourth quarter was USD 3,664 thousand compared to USD 6,202 thousand in Q4 2010.

The revenues were generated primarily from large telecom companies, commercial, industrial, automotive and High-Reliability applications manufacturers. Revenues for the year ended 2011 consisted of recurring income from existing customers and sales to new ones. On December 31, 2011 one high volume customer is representing 19.8% of the sales. It is noted that the major project of this customer ended by June 2011.

Cost of sales & gross result

The level of the costs is influenced by exchange rate of the USD in relation to the NIS. The average rate of the USD with relation to the NIS in 2011 went down by 4% compared to average rate of year 2010, reflecting an increase in the costs when they are presented in USD.

Cost of sales amounted to USD 9,571 thousand in 2011 compared to USD 13,569 thousand in 2010. The gross profit for 2011 amounted to USD 8,385 thousand (47%), compared to USD 11,321 thousand (45%) in 2010. The decrease in the gross profit relates mainly to the products mix sold during each year.

Expenses

In 2011, *General & Administrative* (G&A) *expenses* amounted to USD 2,543 thousand compared to USD 2,469 thousand in 2010. The increase resulted is mainly due to higher professional costs such as accounting services and other professional services related to the organizational changes.

Payton's *Selling & Marketing expenses*, which mainly comprises of commissions to the Group's reps and marketing personnel and of other selling expenses (fixed) based on management policy, decreased from USD 2,112 thousand in 2010 to USD 1,816 thousand this year. The decrease in these expenses is in line with the decrease in sales.

During 2011 the Group participated 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.
- September 2011, IEEE Energy Conversion Congress and Expo (ECCE) 2011 in Phoenix, Arizona, USA.

In addition, year 2011, the Company initiated several seminars and conferences in the USA

Last year (2010), Payton's other expenses amounted to USD 351 thousand, as result of the impairment recognized for value of the investment in former subsidiary "Payton Asia".

Operating & financial result

The total operating profit before the financial result for 2011 amounts to USD 3,224 thousand compared to USD 5,670 thousand last year. In 2011, Payton Planar recorded a financial profit of USD 99 thousand compared to USD 32 thousand in 2010.

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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.

Profit before income taxes

The profit before income taxes for the financial year 2011 is USD 3,323 thousand compared to a profit of USD 5,702 thousand in 2010.

Taxes on income

In 2011, Payton recorded a net tax expense of USD 601 thousand (18%) compared to USD 1,039 thousand (18%) in 2010, which means that the decrease in taxes is in line with the decrease in profits.

Result of the period

The total result for financial year 2011 was a net profit of USD 2,722 thousand, compared to USD 4,663 thousand in 2010. The Q4 2011 net profit totaled USD 122 thousand.

Balance sheet – cash position

Cash and cash equivalents, marketable securities held for trading and short-term deposits amounted to a total of USD 19,291 thousand as at December 31, 2011 compared to USD 18,491 thousand as at December 31, 2010. The increase is mainly a consequence of the profitability during the year, classifying the remaining long term deposits as a short term since their maturity dates is in less than one year, and the sale of marketable securities for sale (ARS, see below) which was shortened by investment made in the real-estate property purchased.

Trade accounts receivable amounted to USD 2,753 thousand as at December 31, 2011 compared to USD 5,428 thousand as at December 31, 2010. The decrease is explained by the decrease in sales volume.

Marketable securities available for sale (non-current assets) amounted to USD 0 as at December 31, 2011 compared to USD 953 thousand as at December 31, 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.

Cash flow statement

Cash flow generated from operating activities for the year ended December 31, 2011 amounted USD 2,538 thousand, compared with USD 4,480 thousand for the year ended December 31, 2010. The decrease can be explained mainly by the decrease net profit, which is a result of the business activity slowdown.

Cash flow used for investment activities in the year ended December 31, 2011 amounted to USD 4,431 thousand compared with USD 2,223 thousand in 2010. During 2011, cash flows used for investing activities mainly used for investments in the industrial real-estate property.

Cash flows used for financing activities in last year (2010), amounted to USD 1,679 thousand representing a payment of dividend.

The Group financed its activities during the reported period from its own resources.

Outlook

Order and purchase backlog of the Group as of December 31, 2011 amounted to USD 6,881 thousand (including USD 1,461 thousand relating to the new business activity purchased) compared to USD 8,710 thousand same period in 2010. As of March 20, 2012 this backlog amounted to USD 7,970 thousand, including USD 2,144 thousand relating to the new business activity purchased. The backlog is composed only of firm orders. The management estimates that most of the backlog will be supplied until the end of December 2012.

The global slowdown characterizing year 2011 replaced the global upturn influencing year 2010 for the Payton's performance. Market fluctuations today are very rapid and unpredictable and therefore difficult to foresee for the year 2012. The global economy in Europe and in the U.S. is unstable and the recovery in these economies will be gradual and slow. Taking into consideration a gradual slowdown in emerging economies too, global growth will 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.

The management is closely monitoring the market fluctuations and will continue its regular course of business by expanding products exposure and enlarging market share. In addition, in 2012 Payton will face two business and operational challenges, which are: the completion of the construction project of the industrial real estate property and the merging of the business activity of Payton technologies into Payton Planar, following its acquisition. Management believes that achieving these goals will increase efficiency and productivity of the group and expand its business.

Also, Payton will go on in its marketing efforts and in developing its mass production expertise and capacities, and will continue its search for business and M&A opportunities, synergetic to its core business.

As a result of Payton's conservative cash policy the 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 the interest of conventional transformer manufacturers to get into the Planar field continues to increase. Following companies are considered as potential competitors: Pulse and Coilcraft (USA), Premo (Spain) and Himag (UK). However, Payton believes in its technology advantage and capabilities and estimates it can benefit from an increasing competition in the market due to the greater exposure of the technology.

The devaluation/revaluation of the USD in relation to the local Israeli currency (New Israeli Shekel - NIS) has a negative/positive influence on the operating results since most of the salaries (84%) and other operating costs are fixed in local NIS. Also, global slowdown in general, and in the electronics, automotive and telecommunications sectors in particular, affects Payton's customer's demands and can cause orders and sales decrease.

A devaluation/revaluation of the USD in relation to the Chinese currency, and the increase of the minimum wages in China, also impacts the company's cost of goods sold since Payton Planar is subcontracting to Chinese ventures. Other changes in external factors that may affect Payton's results are related to telecom market fluctuations and to the rise in metals prices, especially copper, steel, tin and silver which are part of the transformers bill of materials.

Independent Auditors' Report – 27 March 2012

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, 2011, and of its consolidated income statement, the consolidated statement of changes in shareholders' equity 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 2011 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.

As from January 1, 2011 Payton implements revised IAS 1, Presentation of Financial Statements which allows the presentation of one combined statement of income and of other comprehensive income.

Consolidated Statements of Comprehensive Income

- audited -

	12 months ended December 31	
	USD 000 2011	USD 000 2010
Sales revenues	**17,956**	24,890
Cost of sales	**(9,571)**	(13,569)
Gross result	**8,385**	11,321
Development costs	**(804)**	(719)
Selling and marketing expenses	**(1,816)**	(2,112)
General and administrative expenses	**(2,543)**	(2,469)
Other income (expenses)	**2**	(351)
Operating profit (loss)	**3,224**	5,670
Financial income	**246**	318
Financial expense	**(147)**	(286)
Financial result, net	**99**	32
Profit (loss) before taxes on income	**3,323**	5,702
Income taxes	**(601)**	(1,039)
Profit (loss) for the year	**2,722**	4,663
Other comprehensive income		
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)**	26
Total comprehensive income for the period	**2,769**	4,778
Number of shares	**17,670,775**	17,670,775
Profit per share (in USD)	**0.15**	0.26

Consolidated Balance Sheet

- audited -

	2011 USD 000	2010 USD 000
ASSETS		
Current assets	**25,017**	26,269
Non-current assets	**6,280**	4,960
Total assets	**31,297**	31,229
Liabilities and shareholders' equity		
Current liabilities	**3,091**	5,816
Non-current liabilities	**274**	250
Shareholders' equity	**27,932**	25,163
Total liabilities and shareholders' equity	**31,297**	31,229

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	2011	2010
Operating activities		
Profit for the year	**2,722**	4,663
Adjustments to reconcile profit to net cash generated from operating activities:		
Depreciation	**324**	281
Income taxes	**601**	1,039
Capital (gain) loss on sale of fixed assets	**(2)**	3
Impairment loss on other investment	**-**	348
Increase in employee benefits	**24**	56
(Increase) decrease in trade accounts receivables	**2,675**	(2,941)
Decrease (increase) in other accounts receivable	**(238)**	35
(Increase) decrease in inventory	**(393)**	(241)
Increase (decrease) in trade payables	**(1,267)**	1,098
Increase (decrease) in other payables	**(1,053)**	796
Finance income, net	**(120)**	(235)
Interest received	**259**	269
Tax paid	**(994)**	(691)
Cash flows generated from operating activities	**2,538**	4,480
Investing activities		
Proceeds from sale of marketable securities held for trading	**319**	103
Proceeds from sale of marketable securities available for sale	**940**	1,886
Proceeds from (investments in) short-term deposits, net	**(1,027)**	621
Investment in fixed assets	**(4,684)**	(415)
Proceeds from sale of fixed assets	**21**	38
Cash flows generated from (used for) investing activities	**(4,431)**	2,233
Financing activities		
Dividend paid	**-**	(1,679)
Cash flows used for financing activities	**-**	(1,679)
Net increase (decrease) in cash and cash equivalents	**(1,893)**	5,034
Cash and cash equivalents at beginning of the year	**12,932**	7,961
Effect of exchange rate fluctuations on cash held	**(75)**	(63)
Cash and cash equivalents at end of the year	**10,964**	12,932

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 166 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).

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