PAYTON GROUP
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Full Year Results 2010 - Profitable Performance and Solid Cash Position

Record Sales Revenues of nearly USD 25 million
Backlog as of December 31, 2010 of USD 8,710 thousand

Rishon Le Zion (Israel) – Payton Planar Magnetics today announced its financial results for the year ending December 31, 2010.

Sales revenues for 2010 totaled 24.9 million compared to USD 14 million on December 31, 2009. The substantial sales volume increase can be attributed to a number of new projects matured and transferred to production and to the global financial upturn noted in 2010.

The net profit for 2010 increased with 285% to reach USD 4.7 million from USD 1.6 million for the same period last year.

As at December 31, 2010, the company's cash position amounted to USD 18,491 thousand.

Although the evolution of the general economy remains unpredictable, the management expects to continue its regular course of business. In 2011, the group will continue to develop its core telecom and power electronic markets in Europe. In addition, the company will increase efforts to attract new customers in the targeted markets (telecom, automotive, industrial and High-Reliability applications in North America, Japan, Taiwan, South Korea, India and China.

Order and purchase backlog as of December 31, 2010 were USD 8,710 thousand compared to USD 6,400 last year.

Operational highlights in 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. The manufacturing & deliveries started in April 2010 and successfully contributed to the revenues in 2010. According to Payton's assessment, this high volume project is slowing down and is expected to reach its end of life by mid 2011.

On January 12, 2010, the company paid off the interim gross dividend of USD 0.095 per share or an aggregate amount of USD 1,679 thousand.

Year 2010 was characterized by a number of new projects matured and transferred to production in the telecom and in the TV sectors. Payton continued to penetrate and design-in to the Automotive (EV/HEV) and the 'High-Reliability' segments.

Significant events after December 31, 2010

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.

The industrial property will house the activities of the three currently-leased local facilities in one single new building. Company anticipates that it could take about two years to be fully operational.

Financial highlights in 2010

Sales revenues[1]

Sales revenues for the year ended December 31, 2010 amounted to USD 24,890 thousand compared with USD 14,005 thousand for the year ended December 31, 2009. The contribution of the fourth quarter was USD 6,202 thousand compared to USD 3,603 thousand in Q4 2009.

The revenues were generated primarily from large telecom companies, commercial, industrial and High-Reliability applications manufacturers. Revenues for the year ended 2010 consisted of recurring income from existing customers and sales to new ones. On December 31, 2010 one high volume customer is representing 27,8% of the sales. The second customer ("D") representing 20,2% of the sales is expected to reach its end of life by mid 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 2010 went down by 5% compared to average rate of year 2009, reflecting an increase in the costs when they are presented in USD.

Cost of sales amounted to USD 13,569 thousand in 2010 compared to USD 8,686 thousand in 2009. The gross profit for 2010 amounted to USD 11,321 thousand (45%), compared to USD 5,319 thousand (38%) in 2009. The increase in the gross profit relates to the growth in sales revenues, whereas part of the expenses included in the cost of sales did not increase in a similar proportion.

Expenses

In 2010, *General & Administrative* (G&A) *expenses* amounted to USD 2,469 thousand (USD 2,072 thousand in 2009). The increase includes management incentives to Payton’s parent company following its improved profitability.

Selling & Marketing expenses increased from USD 1,060 thousand in 2009 to USD 2,112 thousand this year, mainly reflect the increase in sales commission to the Group's reps', which is in line with the increase in sales.

During year 2010 the Group participated in the following exhibitions:

- January 2010, “Hespek & Bakara, New-tech 2010” exhibition in Tel-Aviv, Israel.
- February 2010, “APEC 2010” exhibition in California, U.S.A.
- March 2010, “Technology Hi-tech 2010” exhibition in Tel-Aviv, Israel.
- May 2010, “Technology & Military” exhibition in Airport City, Israel.
- May 2010, “PCIM” exhibition in Nurnberg, Germany.
- April 2010, “EP&T Electronic products & Technology magazine” exhibition in Toronto, Canada.
- June 2010, “EP&T Electronic products & Technology magazine” exhibition in Vancouver, Canada.
- September 2010, MDDI exhibition in Haifa, Israel.
- September 2010, TI conference in Boston, Milwaukee, Seattle and Detroit, U.S.A.
- October 2010, TI conference in Dallas and Philadelphia, U.S.A.
- October 2010, SAE Convergence conference & exhibition in Michigan, U.S.A.
- November 2010, “Electronica” exhibition in Munich, Germany.

The company’s *other expenses* amount to USD 351 thousand and relate to the impairment recognized for value of the investment in a former subsidiary. Starting July 1st, 2003 the balance of

[1] As from January 1, 2010, 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.

Payton’s participation of 10.7 % in its former subsidiary “Payton Asia" (now known as "Champs Technologies") was presented as a long-term investment at USD 348 thousand (Other Investment). During the fourth quarter of 2010, the company made its best efforts to materialize this investment with no success. As at December 31, 2010, Payton recognized impairment for the total value of the investment.

Operating & financial result

The total operating profit before the financial result for 2010 amounts to USD 5,670 thousand compared to USD 1,580 thousand last year. In 2010, Payton Planar recorded a financial profit of USD 32 thousand compared to USD 570 thousand in 2009 reflecting the erosion of financial assets (in Euro and in NIS), and the loss from selling the ARS Marketable Securities available for sale.

Profit before income taxes

The profit before income taxes for the financial year 2010 is USD 5,702 thousand compared to a profit of USD 2,150 thousand in 2009.

Taxes on income

In 2010, Payton Planar recorded a net tax expense of USD 1,039 thousand compared to USD 515 thousand in 2009. The tax percentage decreased from 24% to 18% resulting mainly from local tax benefits.

Result of the period

The total result for financial year 2010 was a net profit of USD 4,663 thousand, compared to USD 1,635 thousand in 2009. The Q4- net profit totaled USD 969 thousand.

Balance sheet – cash position

Cash and cash equivalents, marketable securities and short-term deposits amounted to USD 18,491 thousand as at December 31, 2010 compared to USD 14,176 thousand as at December 31, 2009. The increase is explained by the profitable business activity and by the materialization of marketable securities available for sale, offsetting the dividend payment made on January 2010 (USD 1,679 thousand) and the increase in working capital.

Trade accounts receivable amounted to USD 5,428 thousand as at December 31, 2010 compared to USD 2,487 thousand as at December 31, 2009. The increase is explained by the significant rise in sales volume.

Marketable securities available for sale (non-current assets) amounted to USD 953 thousand as at December 31, 2010 compared to USD 2,813 thousand as at December 31, 2009. During year 2010 Payton sold two (out of three) ARS[2] securities at a rate of 96% and 95% from their par value (USD 1,975 thousand). In exchange for these sales, Payton received USD 1,886 thousand. As at December 31, 2010, the fair value of the remaining balance of ARS was assessed at the amount of USD 953 thousand, compared to USD 949 thousand as at December 31, 2009 (par value USD 1,000 thousand).

Cash flow statement

Cash flow generated from operating activities for the year ended December 31, 2010 amounted USD 4,490 thousand, compared with USD 2,479 thousand for the year ended December 31, 2009.

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[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.

The rise can be explained by the increase of the net profit and trade payables offset by increase in trade receivables.

Cash flow generated from investment activities in the year ended December 31, 2010, resulted mainly from the sale of the ARS securities, and amounted to USD 2,223 thousand compared with USD 2,774 thousand in 2009.

Cash flows used for financing activities in year 2010, amounted USD 1,679 thousand representing the payment of dividend on January 12, 2010.

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, 2010 amounted to USD 8,710 thousand compared to USD 6,400 last year. As of March 22, 2011 this backlog amounted to USD 7,985 thousand. The backlog is composed only of firm orders. The management estimates that most of the backlog will be supplied until the end of December 2011.

The global upturn during 2010 positively contributed to the company's performance. Nevertheless it is noted that nowadays market fluctuations are very rapid and unpredictable, therefore 2011 trend is very hard to foresee. The global economy in general, and the U.S. economy in particular, is still very unstable. The influence of the earthquake and the nuclear crisis in Japan on the global economy is hard to predict, but it is likely that it will affect various global sectors such as: materials, labor, etc

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, Payton will examine and develop the option for a strategic presence in China and India and will continue its search for business and M&A opportunities, synergetic to its core business.

As 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), Tokin (Japan) 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 (85%) and other operating costs are fixed in local NIS. 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 – 24 March 2010

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, 2010, 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 2009

Pursuant to article 13 § 2,3 of the Royal Decree of 14 November 2009, 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 2010 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, 2010 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 2010	USD 000 2009
Sales revenues	**24,890**	14,005
Cost of sales	**(13,569)**	(8,686)
Gross result	**11,321**	5,319
Development costs	**(719)**	(607)
Selling and marketing expenses	**(2,112)**	(1,060)
General and administrative expenses	**(2,469)**	(2,072)
Other income (expenses)	**(351)**	-
Operating profit (loss)	**5,670**	1,580
Financial income	**318**	599
Financial expense	**(286)**	(29)
Financial result, net	**32**	570
Profit (loss) before taxes on income	**5,702**	2,150
Income taxes	**(1,039)**	(515)
Profit (loss) for the year	**4,663**	1,635
Other comprehensive income		
Net change in fair value of available-for-sale assets transferred to profit or loss	**89**	-
Net change in fair value of available-for-sale assets	**26**	153
Total comprehensive income for the period	**4,778**	1,788
Number of shares	**17,670,775**	17,670,775
Profit per share (in USD)	**0.26**	0.09

Consolidated Balance Sheet

- audited -

	2010 USD 000	2009 USD 000
ASSETS		
Current assets	**26,269**	18,778
Non-current assets	**4,960**	7,004
Total assets	**31,229**	25,782
Liabilities and shareholders' equity		
Current liabilities	**5,816**	5,203
Non-current liabilities	**250**	194
Shareholders' equity	**25,163**	20,385
Total liabilities and shareholders' equity	**31,229**	25,782

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	**2010**	2009
Operating activities		
Profit for the year	**4,663**	1,635
Adjustments to reconcile net profit to net cash generated from operating activities:		
Depreciation	**281**	256
Capital loss on sale of fixed assets	**3**	-
Impairment loss on other investment	**348**	-
Increase in employee benefits	**56**	42
(Increase) decrease in trade accounts receivables	**(2,941)**	1,229
Decrease (increase) in other accounts receivable	**35**	(53)
(Increase) decrease in inventory	**(241)**	68
Increase (decrease) in trade payables	**1,098**	(344)
Increase (decrease) in other payables and tax liability	**1,180**	(261)
(Increase) decrease in deferred taxes	**(36)**	19
Finance expenses (income), net	**44**	(112)
Cash flows generated from operating activities	**4,490**	2,479
Investing activities		
Investments in marketable securities held for trading	**-**	(784)
Proceeds from sale of marketable securities held for trading	**103**	442
Proceeds from sale of marketable securities available for sale	**1,886**	-
Proceeds from (investments in) short-term deposits, net	**611**	(33)
Investment in long-term deposits	**-**	(2,014)
Investment in fixed assets	**(415)**	(392)
Proceeds from sale of fixed assets	**38**	7
Cash flows generated from (used for) investing activities	**2,223**	(2,774)
Financing activities		
Dividend paid	**(1,679)**	-
Cash flows used for financing activities	**(1,679)**	-
Net increase (decrease) in cash and cash equivalents	**5,034**	(295)
Cash and cash equivalents at beginning of the year	**7,961**	8,230
Effect of exchange rate fluctuations on cash held	**(63)**	26
Cash and cash equivalents at end of the year	**12,932**	7,961

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 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).

For more information, please visit Payton's web site at www.paytongroup.com
or contact Michal Lichtenstein, CFO at 00- 972-3-9611164 -Michal@paytongroup.com
or Alexandra Niehe at 00-32 57-21 44 54 - aniehe@citigate.be