PAYTON GROUP
INTERNATIONAL

REGULATED INFORMATION
PRESS RELEASE
March 24 2010
8 pm CET

Full Year Results 2009[1] - Profitable Performance and Solid Cash Position

Sales Revenues of USD 14 million

Backlog as of December 31, 2009 of USD 6,400 thousand and USD 9,349 thousand as of March 22, 2010

Rishon Le Zion (Israel) – Payton Planar Magnetics today announced its financial results for the year ending December 31, 2009. Sales revenues for 2009 totaled USD 14 million leading to a net profit of USD 1,63 million. Although the sales volume was affected by the global slow-down, Payton succeeded to maintain its profit level and even to increase its positive result with almost 10%. As at December 31, 2009, the short term cash position amounted to USD 14,176 thousand.

During 2009, the company continued its intense focus on the North American and the Far East markets. Payton contracted a strategic engagement with the Korean company Bujeon that will enable Payton to introduce its Planar's unique technology into the mass consumer electronics market. The manufacturing in a first facility in China is expected to start by April 2010.

The increase in orders and backlog that begun in December 2009 will affect the Group performance on 2010, but, despite the first signs of an upturn during 2009, the management is still concerned that the global economy will not recover rapidly. Nevertheless, Payton expects to carry on its regular course of business. Payton intends to maintain and diversify its manufacturing capabilities in the Far East, to further develop its strategic cooperation with Bujeon and to continue its search for business and M&A opportunities, synergetic to its core business.

Order and purchase backlog as of December 31, 2009 were USD 6,400 thousand compared to USD 4,045 last year. Backlog as of March 22, 2010 were USD 9,349 thousand.

Operational highlights in 2009

2009 was characterized by expanded activity in the North American and South Korea markets. In the first half of 2009, Payton successfully passed the final tests and qualified for two International Quality Management Standards (Automotive International Standard and Space & Avionic International Standard). Thanks to both certifications Payton has now a competitive advantage over non-certified companies when targeting automotive and space/avionic markets.

Significant events in 2009

On November 26, 2009, the Board of Directors of Payton proposed to distribute an interim gross dividend of USD 0.095 per share or an aggregate amount of USD 1,679 thousands. The payment to the entitled shareholders has been completed on January 12, 2010 and Payton's General Meeting approved the amount as final on January 25, 2010.

Significant events after December 31, 2009

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

---

[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.

the agreement, Bujeon is granted exclusive manufacturing and commercialization rights of Payton's unique planar transformers. Considering the massive order volume expected and Payton's modest production capabilities, this engagement with Bujeon is a major strategic opportunity. In 2010 Payton plans to further develop this cooperation in order to better penetrate the mass consumer electronics market and to broaden Payton's mass production capabilities. Currently, Payton is investing its best efforts in training Bujeon with its manufacturing expertise and the manufacturing from, this facility is expected to start by April 2010.

Financial highlights in 2009

Sales revenues[2]

Sales for the year ended December 31, 2009 amounted to USD 14,005 thousand compared with USD 15,255 thousand for the year ended December 31, 2008. The contribution of the fourth quarter was USD 3,603 thousand compared to USD 3,554 thousand in Q4 2008.
The sales in 2009 were mostly affected by the global slow-down. The revenues are primarily originating from large telecom, power electronic, industrial companies and military applications manufacturers.
Revenues for the year ended 2009 consisted of recurring income from existing customers and sales to new ones. In 2009, one high volume customer represented 11,9% of the revenues. A second project showed a contribution of 16,7% but ended in September 2009. Additional markets the company is further developing are the industrial, automotive, consumer goods, instrumentation and military markets in North America, Japan, Taiwan and South Korea.

Cost of sales & gross profit

Cost of sales decreased to USD 8,686 thousand in 2009 compared to USD 9,364 thousand in 2008. Payton succeeded to maintain the level of its gross profit ratio; gross profit 2009 ended USD 5,319 thousand (38% of sales) compared to USD 5,891 thousand (39%of sales) in 2008 despite the lower sales revenues.
Most of Payton's salaries and other operating costs are fixed in NIS. The average rate of the USD with relation to the NIS in 2009 went up by 10% compared to average of 2008, reflecting a decrease in the costs when presented in USD. During 2009, Payton used derivatives as a tool for hedging, especially for the labor costs other operating costs paid in NIS. With regards to other costs of sales, there is no need to use derivatives, since hedging is being kept inherently as part of the operational activity.

Expenses

In 2009, *General & Administrative* (G&A) *expenses* stabilized at USD 2,072 thousand (USD 2,039 thousand in 2008).

Selling & Marketing expenses decreased from USD 1,280 thousand in 2008 to USD 1,060 thousand this year, in line with the decrease in sales. Marketing efforts were concentrated on the participation in trade fairs. During year 2009 Payton participated in the following exhibitions:

- February 2009, APEC 2009 in Washington, U.S.A.
- March 2009, Technology Hitech 2009 in Tel-Aviv, Israel.
- May 2009, Technology & Military in Airport City, Israel and PCIM in Nuremberg, Germany.
- June 2009, The 36th international conference of the Audio Engineering Society in Michigan, USA; and, Electronic Americans in São Paulo Anhembi Park, Brazil.
- September 2009, Technology & Aviation in Airport City, Israel; and Automotive Hybrid Power Conference in Detroit, USA.
- October 2009, Audio Engineering Society Conference in New York, USA.

Development costs decreased from USD 708 thousand to USD 607 thousand (reflecting mainly the increase in the rate of the USD with relation to the NIS).

Operating & financial result

The total operating profit before the financial result for 2009 amounts to USD 1,580 thousand compared to USD 1,871 thousand last year. In 2009, Payton recorded a net financial profit of USD

[2] As from January 1, 2009, 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.

570 thousand compared to USD 179 thousand in 2008 thanks to exchange rate fluctuations of financial assets (in NIS and in Euro) and to an increase in marketable securities.

Profit before income taxes

The profit before income taxes for the financial year 2009 is USD 2,150 thousand compared to a profit of USD 2,050 thousand in 2008.

Taxes on income

In the past, Payton always prepared its tax reports to the Israeli tax authorities in NIS. Starting from 2009, Payton is reporting according to the financial statements in USD in order to avoid exchange rate exposure. In 2009, Payton Planar recorded a net tax expense of USD 515 thousand compared to USD 552 thousand in 2008.

Result of the period

The total result for financial year 2009 was a net profit of USD 1,635 thousand, compared to USD 1,498 thousand in 2009. The Q4 net profit totaled USD 257 thousand. Considering the current challenging situation on the markets, Payton intends to allocate the profits to further strengthen its cash reserves.

Balance sheet – cash position

Property, plant and equipment increased from USD 1,639 thousand in 2008 to USD 1,758 thousand as at December 31, 2009 reflecting the latest investments mainly in the PCB -facilities in Israel.

Cash and cash equivalents, marketable securities and short-term deposits increased to USD 14,176 thousand as at December 31, 2009, from USD 13,984 thousand as at December 31, 2008. In 2009, an additional sum of USD 2,014 thousand was placed in long-term (3 year) deposits.

Marketable securities available for sale amounted to USD 2,813 thousand in 2009 compared to USD 2,660 thousand as at December 31, 2008. (Par value - USD 2,975 thousand). The said amounts represent Payton's holding of securities with an Auction Reset feature ("ARS[3]"), which their fair value was assessed by a professional external appraisers company (Houlihan Smith & Company Inc). Payton included the total of this fair value decline, amounting USD 162 thousand in a capital reserve. Finally, the management does not believe that the said securities can be materialized at their stated value in the short-term. Therefore and in accordance with IAS 39, Payton did not recognize impairment of the securities. However, on March 2010 Payton accepted an offer to materialize one of its ARS securities, assessed at the amount of USD 950 thousand (Par value - USD 1,000 thousand), at a rate of 96% from its par value. In exchange for this sale of ARS the Company received USD 961 thousand. The balance of the securities as at December 31, 2009 and 2008 is presented as a long-term investment 'Marketable securities available for sale'.

The decrease in trade accounts receivable from USD 3,716 thousand as at December 31, 2008 to USD 2,487 thousand as at December 31, 2009 is mainly due to a reduction in the average credit period.

Cash flow

Cash flow generated from operating activities for the year ended December 31, 2009 amounted USD 2,479 thousand, compared with USD 1,733 thousand for the year ended December 31, 2008. The increase resulted mainly from the decrease in trade receivables. Cash flow used for investment activities in the year ended December 31, 2009, resulted mainly from investing in long-term deposits, marketable securities, property and equipments and amounted to USD 2,774 thousand compared with USD 2,523 thousand in 2008.

Payton financed its activities during 2009 from its own resources.

[3] 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.

Outlook

Order and purchase backlog of the Group as of December 31, 2009 were USD 6,400 thousand compared to USD 4,045 last year. As of March 22, 2010 this backlog amounted to USD 9,349 thousand. The backlog is composed only of firm orders. The management estimates that most of the backlog as of December 31, 2009 will be supplied until the end of December 2010.

The significant downturn in the global financial markets that started in 2008 still affected the business positions of Payton's customers in 2009. The increase in orders and backlog in December 2009 will impact Payton's performance in 2010, but despite the first signs of an upturn during 2009, the concern is that the global economy in general, and the US economy in particular, will not recover from the recession so quickly.

Nevertheless, Payton will carry on its regular course of business by expanding products exposure and enlarging market share. Payton intends to maintain and diversify its manufacturing capabilities, through manufacturing partners in the Far East in order to increase the flexibility in production capacity, to enable mass production volumes and to lower products costs.

The company also plans to further develop its strategic cooperation with Bujeon to better penetrate the mass consumer electronics market and to broaden its mass production capabilities. In addition, Payton will continue its search for business and M&A opportunities, synergetic to its core business.

Thanks to management's conservative cash policy, Payton holds a high balance of the cash, cash equivalents and deposits. Therefore, management estimates that the company is financially strong.

External risk factors

In the recent years there has been an increasing interest of conventional transformer manufacturers to get into the Planar field. 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 Group is exposed to erosion of the USD in relation to the NIS and to the Euro. A devaluation of the USD in relation to the local Israeli currency (New Israeli Shekel - NIS) has a negative influence on the operating results since most of the salaries and other operating costs are fixed in local NIS. The devaluation of the USD in relation to the Chinese currency also impacts the company's cost of goods sold since Payton Planar is subcontracting to Chinese ventures. A devaluation of the USD with relation to the Euro has also an influence on the gross margin since 10% of the sales in 2009 were in Euro.

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 that 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, 2009, 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 2008

Pursuant to article 13 § 2,3 of the Royal Decree of 14 November 2008, 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 2009 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 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

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 156 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

Key financial figures – Payton Planar Magnetics Ltd.

* As from January 1, 2009 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 Statement of Income
- audited -

	12 months ended December 31	
	2009 USD 000	2008 USD 000
Sales revenues	**14,005**	15,255
Cost of sales	**8,686**	9,364
Gross result	**5,319**	5,891
Development costs	**(607)**	(708)
Selling and marketing expenses	**(1,060)**	(1,280)
General and administrative expenses	**(2,072)**	(2,039)
Other income (expenses)	-	7
Operating profit (loss)	**1,580**	1,871
Financial income (expenses), net	**570**	179
Profit (loss) before income taxes	**2,150**	2,050
Income taxes	**(515)**	(552)
Net profit (loss) for the year	1,635	1,498
Number of shares	**17,670,775**	17,670,775
Earnings per share (in USD)	**0.09**	0.08

Consolidated Balance Sheet
- audited -

	2009 USD 000	2008 USD 000
ASSETS		
Current assets	**18,778**	19,851
Non-current assets	**7,004**	4,737
Total assets	**25,782**	24,588
Liabilities and shareholders' equity		
Current liabilities	**5,203**	4,160
Non-current liabilities	**194**	152
Shareholders' equity	**20,385**	20,276
Total liabilities and shareholders' equity	**25,782**	24,588

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	**2009**	2008
Operating activities		
Net profit for the year	**1,635**	1,498
Adjustments to reconcile net profit to net cash generated from operating activities:		
Depreciation	**256**	227
Capital gain on sale of equipment	**-**	(7)
(Decrease) increase in benefits, net	**42**	28
Decrease (increase) in trade receivables	**1,229**	561
(Increase) decrease in other accounts receivable	**(53)**	66
Decrease in inventory	**68**	(90)
Decrease in trade payables	**(344)**	(118)
Increase in other payables and tax liability	**(261)**	(613)
Deferred taxes	**19**	32
Finance (income) expenses, net	**(112)**	149
Cash flows generated from operating activities	**2,479**	1,733
Investing activities		
Investments in marketable securities held for trading	**(784)**	(747)
Investments in marketable securities available for sale	**-**	(1,000)
Proceeds from sale of marketable securities held for trading	**442**	-
Proceeds from sale of marketable securities available for sale	**-**	1,039
Investments in short-term deposits	**(33)**	(1,309)
Investment in long-term deposits	**(2,014)**	-
Investment in property, plant and equipment	**(392)**	(547)
Proceeds from sale of equipment	**7**	41
Cash flows used for investing activities	**(2,774)**	(2,523)
(Decrease) increase in cash and cash equivalents	**(295)**	(790)
Cash and cash equivalents at beginning of the year	**8,230**	9,063
Effect of exchange rate fluctuations on cash held	**26**	(43)
Cash and cash equivalents at end of the year	**7,961**	8,230