

Q3 13 Report¹

**Sales Revenues of USD 14,720 thousand
Backlog as of September 30, 2013 of USD 8,082 thousand**

Ness Ziona (Israel) - Payton Planar Magnetics Ltd. announced today its financial results for the third quarter of 2013 (nine-month period ending September 30, 2013). Sales revenues for the nine-month period of 2013 totaled USD 14,720 thousand compared to USD 13,099 thousand in the nine-month period ended September 30, 2012.

The order and purchase backlog of the Group as of September 30, 2013 amounted to USD 8,082 thousand.

Operational highlights in Q3 2013

The establishment of a real-estate property, centralizing the group activities ("Payton House") was completed on September 2013. Management expects 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, further to M.O.U signed on 22.11.12 the Company, via its fully owned UK subsidiary - Himag Planar Magnetics (hereinafter-"Himag"), has 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 31.12.12 and additional consideration for the purchased activity, conditional upon achieving a minimum annual sales turnover. Starting 1.1.13 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.

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, 2012.

Key financial highlights for the first nine months of 2013

Sales revenues

Payton's sales revenues for the nine-month period ended September 30, 2013 were USD 14,720 thousand compared with USD 13,099 thousand in the nine-month period ended September 30, 2012. Q3 revenues in 2013 were USD 5,608 thousand whereas Q3 2012 revenues were USD 4,063 thousand. Sales revenues in the third quarter of 2013 reflect an increase of 14% compared to sales revenues in the second quarter of 2013, and a 38% increase compared to sales revenues in the same quarter of last year (Q3/2012).

Cost of sales and gross result

Cost of sales for the nine-month period ended September 30, 2013 increased to USD 10,094 thousand from USD 8,446 thousand for the same period last year. This leads to a gross profit of USD 4,626 thousand (31% of sales) in the nine-month period ended September 30, 2013 compared with USD 4,653 thousand (36% of sales) in the same period last year. The decrease in the gross profit relates to the product-mix sold during the period and to the consolidation of Himag activities characterized by lower gross margins.

Expenses

During the first nine months of 2013, *General & Administrative (G&A) expenses* increased to USD 2,061 thousand compared to USD 1,774 thousand for the same period in 2012.

Selling & Marketing expenses slightly increased to USD 1,494 thousand during the first nine months of 2013 from USD 1,245 thousand in the same period last year. The increase in these expenses is mainly due to the incorporation of Himag Planar Magnetics starting 2013.

Development costs slightly increased from USD 680 thousand in the first nine months of 2012 to USD 696 thousand in the first nine months of 2013.

Operating and financial result

The total operating profit for the first nine months of 2013 amounts to USD 153 thousand compared to USD 950 thousand the same period last year. During the first nine months of 2013, Payton recorded a finance income of USD 102 thousand, compared with USD 221 thousand for the first nine months of 2012.

Taxes on income

The tax expenses for the nine-month period ended September 30, 2013 amounted to USD 115 thousand, whereas, tax income for the nine-month period ended September 30, 2012 amounted to USD 666 thousand. In the first nine months of 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 results for the first nine months of 2013 were a net profit of USD 140 thousand.

Balance sheet - Cash position

Cash and cash equivalents, Marketable securities and Short-term deposits amounted to a total of USD 15,966 thousand as at September 30, 2013 compared to USD 19,703 thousand as at December 31, 2012 and USD 17,746 thousand as at September 30, 2012. During the first nine-months of 2013 these items decreased mostly due to the use of cash for investments in the real-estate property.

Trade accounts receivables amounted to USD 4,412 thousand as at September 30, 2013 compared to USD 3,519 thousand as at December 31, 2012 and USD 3,188 thousand as at September 30, 2012. The increase in this item at September 30, 2013, is explained by sales volume increase in the third quarter of 2013.

Cash flow

Cash flow generated from *operating activities* for the first nine months of 2013 amounted USD 892 thousand, compared with cash flow generated from operating activities of USD 1,404 thousand for the first nine months of 2012. The decrease in this cash flows resulted mainly from the decrease in the profit for the period and of increase in trade receivable.

Cash flow used for investing activities in the first nine months of 2013 amounted USD 722 thousand, compared with cash flows generated from investing activities of USD 190 thousand in the first nine months of 2012. During the first nine-months of 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.

Outlook

On September 30, 2013, order and purchase backlog amounted to USD 8,082 thousand (compared to December 31, 2012 where backlog amounted to USD 6,217 thousand). The backlog is composed of firm orders only. Payton's management estimates that most of the backlog as of September 30, 2013 will be supplied until end of June 2014.

The complete financial statements and the nine-month report as well as Q3 figures 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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About us

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics[®], its customized line of planar transformers, conventional transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The group currently employs 175 people (including executive officers). Planar Magnetic Components are used in end products in various industries, including 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, United States and in the U.K.. Payton Planar Magnetics is publicly traded on the Euronext stock exchange in Brussels (ticker: PAY).

Annex: Selected Financial Statements

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 do 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.

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Income - unaudited -

	Nine months ended September 30	
	2013 USD 000	2012 USD 000
Sales revenues	14,720	13,099
Cost of sales	(10,094)	(8,446)
Gross result	4,626	4,653
Development costs	(696)	(680)
Selling and marketing expenses	(1,494)	(1,245)
General and administrative expenses	(2,061)	(1,774)
Other (expenses) income	(222)	(4)
Operating profit (loss)	153	950
Financial income	187	380
Financial expense	(85)	(159)
Profit (loss) before taxes on income	255	1,171
Income taxes	(115)	666
Profit (loss) for the period / Total comprehensive income for the period	140	1,837
Number of shares	17,670,775	17,670,775
Basic earnings per ordinary share (in USD)	0.01	0.10

Condensed Interim Consolidated Balance Sheet - unaudited -

	September 30	
	2013 USD 000	2012 USD 000
Current assets	24,457	24,503
Non-current assets	14,049	8,248
Long-term deposits	-	1,000
Total assets	38,506	32,751
Current liabilities	4,587	2,692
Non-current liabilities	3,464	290
Shareholders' equity	30,455	29,769
Total liabilities and shareholders' equity	38,506	32,751

Condensed Interim Consolidated Statements of Cash Flows

Nine-month period ended September 30 - unaudited

\$ thousands	2013	2012
Operating activities		
Profit for the period	140	1,837
Adjustments to reconcile profit to net cash generated from (used for) operating activities:		
Depreciation and amortization	548	475
Capital loss (gain) on sale of fixed assets	16	4
Income Taxes	115	(666)
Increase (decrease) in employee benefits	62	(17)
Decrease (increase) in trade accounts receivables	(893)	312
Decrease (increase) in other accounts receivable	(59)	177
Decrease (increase) in inventory	341	(137)
Increase (decrease) in trade payables	524	142
Increase (decrease) in other payables	393	107
Interest received	47	146
Interest paid	(44)	(138)
Tax paid	(218)	(627)
Finance income, net	(80)	(211)
Cash flows generated from (used for) operating activities	892	1,404
Investing activities		
Proceeds from sale of marketable securities held for trading	205	200
Proceeds from (Investments in) short-term deposits, net	3,558	2,113
Investment in fixed assets	(4,495)	(723)
Proceeds from sale of fixed assets	10	37
Acquisition of business activity from related party	-	(1,437)
Cash flows generated from (used for) investing activities	(722)	190
Financing activities		
Repayment of loan	(235)	-
Cash flows (used for) generated from financing activities	(235)	-
Net (decrease) increase in cash and cash equivalents	(65)	1,594
Cash and cash equivalents at beginning of the period	7,684	10,964
Effect of exchange rate fluctuations on cash held	52	4
Cash and cash equivalents at end of the period	7,671	12,562