

Payton Planar Magnetics Ltd.
Annual General Shareholders Meeting

This notice is to announce that an annual general meeting of the Company's shareholders will be held on October 20th 2014 at 10:00 AM (hereinafter: "**The Meeting**").

The meeting will be held in the Company's registered office at 3 Ha'avoda st. Ness-Ziona, Israel (hereinafter: "**The Company's registered office**").

On the agenda:

1. Discussion and Approval of the Company's 2013 yearly financial statements.
2. Re-nomination of KPMG Somekh-Chaikin, a member of the KPMG International, as the Company's independent auditors and authorizing Mr. David Yativ, Active Chairman of the Board of Directors of The Company, to define their fees.
3. Re-Nomination of Mrs. Rachel Komemi as an external Director for an additional period of 3 years, as of November 1st 2014, and to reconfirm her remuneration given by The Company in a minimal rate, according to the Israeli Companies Regulations (Rules in regard to remuneration and expenses to an external director) 2000, according to The Company's rate, as defined at the above regulations, and according to the remunerations which are paid to the other directors of The Company and the Company's Remuneration Policy.
4. Re-nomination of Mr. David Yativ¹ as an Executive Chairman of the Board of Directors and the re-nomination of Mr. Doron Yativ² as the Company's C.E.O, for a period of 3 years, as of November 1st, 2014, according to rule 121C of the Israeli Company's Law, 1999 (hereinafter: "**The Israeli Company's Law**"). It is hereby clarified, that each re-nomination shall be voted for separately.
5. Extension of the Management Services Agreement, between the Company and "David Yativ, Technologies and management Ltd"³, for an additional period of 3 years, as of November 1st, 2014, according to rule 275 of the Israeli Company's Law.
6. Extension of the Employment Agreements of Mr. Doron Yativ, Mrs. Sharon Ozan⁴, Mr. Dror Ozan⁵ and Mr. Amir Yativ⁶ for additional periods of 3 years, as of November 1st, 2014, according to rule 275 of the Israeli Company's Law. It is hereby clarified, that each extension of the employment agreements shall be voted for separately.

The terms of the extended management and employment agreements match the Company's Compensation Policy and except for some modifications, reflect the current terms of such agreements.

Copies of the external director's declaration (clause 3) (according to rules number 224b(a) and 241 of the Israeli Companies Law), the management services agreement (clause 5), the employments agreements (clause 6) are available at the Company's registered office and shall be delivered by e-mail to any shareholder at its request, accompanied by authenticated certificate of ownership, to be sent by registered mail to the Company's registered office.

The Company's audit committee discussed the above mentioned management and employment agreements on its meeting of August 14th, 2014 according to clause 117(1b) of the Israeli Company's Law and resolved that a benchmark procedure shall be conducted before the approval of such agreements by the Company.

¹ Mr. David Yativ, current active chairman, the founder and controlling shareholder of the parent company, Payton Industries Ltd.

² Mr. Doron Yativ, the son of David Yativ, current C.E.O and a Director.

³ A private company fully owned by Mr. David Yativ.

⁴ Mrs. Sharon Ozan is a Director and Mr. David Yativ's daughter, serves during the past 13 years as Payton's Quality Assurance Manager.

⁵ Mr. Dror Ozan is Mr. David Yativ's son-in-law, serves during the past 12 years as Purchasing Manager.

⁶ Mr. Amir Yativ, David Yativ's son holds a M.Sc. in applied physics and a B.Sc. in Physics, serves as of April 2012 as a developing engineer.

After such a procedure has been conducted by the Company, the compensation committee and the board of directors on their meetings of September 1st, 2014, approved the above management and employments agreements.

The agenda, instructions for attendance and voting procedures in the meeting as well as other information, will be available on the Company's website www.paytongroup.com from September 11th 2014.

A shareholder who holds at least one percent (1%) of the Company's voting rights in the meeting, is allowed to request the Company's board of directors to include any additional issue on the agenda according to clause 66(b) of the Israeli Company's Law, the request should be provided to the Company within 7 days after this notice.

The Majority needed for passing the matters on the agenda

The resolutions in clauses 3, 5 and 6 above shall be deemed to have been passed, by majority votes of the shareholders, voting in the meeting, conditional upon the existence of one of the terms as follows:

- a. The total majority votes shall include at least a majority of the votes of shareholders who do not have personal interest in the approval of the subjects of the agenda, who participate in the voting; and with respect to the resolution in clause 3 above, the total majority of the votes shall include at least a majority of the votes of shareholders who are not controlling shareholders in the Company and who do not have personal interest in the nomination, other than personal interest which is not as a result of relation with the controlling shareholder. The votes of the abstainers will not be taken into account. Rule 276 of the Company's Israeli Law shall apply with regard to shareholders who have personal interest.
- b. The total of the objecting votes, from the said shareholders mentioned in section (a) above, will not exceed two percent (2%) of the total voting rights in the company.

The resolution in clauses 4 above, shall be deemed to have been passed, by majority votes of the shareholders, voting in the meeting, conditional upon the existence of one of the terms as follows:

- c. The total majority votes shall include at least two thirds (2/3) of the votes of shareholders who are not controlling shareholders in the Company and who do not have any personal interest in the approval of the resolution, participating in the voting. The votes of the abstainers will not be taken into account. Rule 276 of the Company's Israeli Law shall apply with regard to shareholders who have personal interest.
- d. The total of the objecting votes, from the said shareholders mentioned in section (c) above, will not exceed two percent (2%) of the total voting rights in the company.

Resolutions in all other matters as above mentioned require ordinary majority of the voters present in the meeting.

Voting letter:

The shareholders may vote with regard to the resolutions in clauses 3, 4, 5, and 6 on the agenda above, also by a Voting Letter. The form of the Voting Letter is available at the company's registered office and can be delivered at request sent by mail to Mrs. Michal Lichtenstein (michal@paytongroup.com). The latest date to deliver the Voting Letter is October 17th, 2014 at 10:00.

Legal Quorum:

If within half an hour of the above mentioned time no quorum is present (at least two members present personally or by proxy who together hold at least thirty three percent (33%) of the issued shares of the Company), the meeting shall stand adjourned to October 21st, 2014 at the same place and hour.

If no quorum is present at the adjourned meeting within half an hour of the above mentioned time, the present member(s) shall be deemed a quorum.

The Determine Date of Shares Ownership:

The persons and/or entities that are entitled to participate and to vote in the meeting are the shareholders of the Company on September 15th, 2014. In order to validate their participation, the shareholders are kindly requested to deposit with the Company, forty-eight (48) hours prior to the meeting, a certificate of ownership issued by a financial institution. Such certificate to be sent to Mrs. Michal Lichtenstein, at Payton Planar Magnetics 3 Ha'avoda st. Ness-

Ziona (fax: +972-3-9517571) or michal: paytongroop.com) or to Mr. Vivien Debroux, at Grayling – Avenue des Arts 46, B-1000, Brussels (Fax: +(32) 02 713 07 44 or: vivien.debroux@citigate.be)

An instrument appointing a representative, a proxy, a power of attorney, other certificate or a copy of the above mentioned documents attested by a notary, should be delivered to the office of the company, at least forty-eight (48) hours prior to the time of the meeting, or the adjourned meeting, where the person mentioned in the instrument is to vote. If the above conditions were not fulfilled, the appointing document shall be void.

A detailed description of the employment terms of the 5 Company's office holders, that have received the highest remuneration in the financial year 2013, as required according to regulation 4(d)(1) of the Companies' Regulations (an announcement and a note of a general meeting and a type meeting in a public company and including a matter on the agenda), 2000, is attached to this notice.

The Company's Representative:

The Company's Representative in regard to this Shareholders Meeting is Mrs. Michal Lichtenstein, at Payton Planar Magentics 3 Ha'avoda st. Ness-Ziona, Israel (tel: +972-3-9611164, fax:+972-3-9612394 or: michal@paytongroup.com).

The Board of Directors.

Details of remuneration regarding each of the five highest earners among senior corporate officers in thousands of dollars, for the year ended on 31/12/2013 **According to Israeli's Companies' Regulations**

Information about Beneficiary		Benefits (in terms of cost to the corporation) for services ⁽¹⁾						
	Name	Position	Scope of Position	Holding in Equity %	Salary in US\$ thousands ⁽³⁾	Car Exp. in US\$ thousands	Bonus in US\$ thousands ⁽²⁾	Total US\$ thousands
1	Mr. David Yativ through "David Yativ management technologies Ltd"	Executive Chairman of the Board	100%	51%	420	28	6	454
2	Mr. Doron Yativ	CEO	100%	-	239	11	3	253
3	Mr. Haim Elgamil	Vice President of Operations	100%	-	147	15	-	162
4	Mrs. Michal Lichtenstein	V.P. Finance & C.F.O	100%	-	142	10	-	152
5	Mrs. Ravit Shreim	Comptroller	100%	-	69	-	-	69
	Total				1,017	64	9	1,090

(1) including grants for the year 2013.

(2) an executive bonus derived from Company profit (pre-tax).

(3) Inclusive social benefits.