PAYTON GROUP
INTERNATIONAL

PRESS RELEASE
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Half-year 09 Report[1]

Sales Revenues of USD 6.385 million
Backlog as of June 30, 2009 of nearly USD 5.3 million

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2009 (six-month period ending June 30, 2009).

Sales revenues for the first six months of 2009 totaled USD 6.385 million compared to USD 7.455 million on June 30, 2008. The sales volume decrease can primary be attributed to the global financial downturn affecting the business positions of Payton's customers and resulting in orders slow-down.

Thanks to tight cost control management, the net profit for the six-month period ending June 30, 2009 amounted to USD 763 thousand (USD 1 million for the same period last year).

The order and purchase backlog as of June 30, 2009 amounted USD 5,298 thousand.

Payton is constantly investing efforts to attract new customers in the targeted markets (telecom, automotive, industrial and military companies in North America, Japan, Taiwan and South Korea).

Operational highlights in first half-year 2009

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 after June 30, 2009

Early July, Payton Industries announced that it is having negotiations regarding a purchase of real-estate property located in the central area of Israel at a value of NIS 13 million excl VAT (about EUR 2.4 million excl VAT). This industrial property (a basement/parking lot of 2,000 square meters and two floors above it, 2,000 square meters each) is planned to serve Payton Group instead of its current three leased local facilities. The centralization of the activities into one new building will lead to economies of scale and will also offer opportunities for synergies between product lines. The completion of this engagement is subject to negotiations, financial and legal due-diligence, board resolution and a signing of sale agreement.

Key financial highlights for the first half-year 2009

Sales revenues

Payton's sales revenues for the first half-year of 2009 were USD 6,385 thousand compared to USD 7,455 thousand in the six-month period ended June 30, 2008. The decrease in sales volume is mainly attributable to the global slow-down. For the first six-month period ended June 30, 2009, one high volume customer is representing 11,2% of the sales. A second project is representing 21,9% but is expected to end in September 2009.

[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, 2008.

Payton reexamined the effect of implementing IFRS 8 and reached the conclusion that the company is active in one operating segment, the planar transformers segment, since resources are allocated with respect to all the planar transformers as a whole. As a consequence, the financial statements for the interim period, including the comparative data, do not include information on a geographical basis.

Cost of sales and gross result

Cost of sales for the first half-year of 2009 decreased to USD 4,034 thousand from USD 4,626 thousand for the same period last year. Payton succeeded to maintain the gross profit ratio at about the same level as previous year ; gross profit for the six-month period ended June 30, 2009 was USD 2,351 thousand (37% of sales) compared to USD 2,829 thousand (38% of sales) in the six-month period ended June 30, 2008.

Most of Payton's salaries and other operating costs are fixed in NIS. The average rate of the USD with relation to the NIS during the first half of 2009 went up by 13% compared to average rate of year 2008, reflecting a decrease in the costs when they are presented in USD.

Expenses

During the first half-year 2009, *General & Administrative* (G&A) *expenses* decreased to USD 928 thousand, compared to USD 998 thousand for the first six-month period in 2008.

Selling & Marketing expenses further decreased to USD 412 thousand in the first half-year of 2009 from USD 602 thousand in the same period last year. Marketing efforts were concentrated on the participation in major electronic power shows, including following exhibitions:

- February 2009, "APEC 2009" exhibition in Washington, U.S.A.
- March 2009, "Technology Hitech 2009" exhibition in Tel-Aviv, Israel.
- May 2009, "Technology & Military" exhibition in Airport City, Israel and "PCIM" exhibition in Nuremberg, Germany.
- June 2009, "The 36th international conference of the Audio Engineering Society" exhibition in Michigan, USA and "Electronic Americans" exhibition in São Paulo Anhembi Park, Brazil.

Development costs decreased from USD 364 thousand to USD 294 thousand.

Operating and financial result

The total operating profit before the financial result for the first half-year of 2009 amounts to USD 717 thousand compared to USD 867 thousand the same period last year. During the first six months of 2009, Payton recorded a net financial result of USD 268 resulting from exchange rate fluctuations of financial assets, both in Euro and in NIS. The profit before income taxes for the first half-year of 2009 amounts to USD 985 thousand compared to a profit of USD 945 thousand in the first half-year of 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. Net income taxes expenses in the first half-year of 2009 amounted to USD 222 thousand. Note that, in the first half of 2008, the company accumulated losses in its tax reports as a consequence a net tax benefit (income) of USD 150 thousand was recognized.

Result of the period

The net profit for the six-month period ending June 30, 2009 amounted to USD 763 thousand (USD 1 million for the same period last year).

As from January 1, 2009 Payton implements revised IAS 1, *Presentation of Financial Statements.* and opted to present a combined statement of income and of other comprehensive income.The total comprehensive income for the period (after the net change in fair value of available-for-sale assets) amounts to USD 877 thousand.

Cash position

Cash and cash equivalents, marketable securities and short-term deposits amounted to USD 14,023 thousand as at June 30, 2009 compared to USD 13,984 thousand as at December 31, 2008 and USD 13,680 thousand as at June 30, 2008.

The ARS[2] securities are presented as a long-term investment among the non-current assets (marketable securities available for sale) amounted to USD 2,774 thousand as at June 30, 2009 compared to USD 2,660 thousand as at December 31, 2008 and USD 2,853 thousand as at June 30, 2008.

The following table presents the financial ratios:

	June 30, 2009	December 31, 2008	June 30, 2008
Current ratio	5.42	4.77	4.41
Quick ratio	4.83	4.27	3.93

Cash flow

Cash flow generated from operating activities for the first half-year 2009 amounted to USD 298 thousand, compared to USD 1,078 thousand for the six-month period ended June 30, 2008. The decrease resulted mainly from the increase in trade receivables. Cash flow used for investing activities in the first half-year 2009, mainly resulted from investments in property plant and equipment mostly in the Printed Circuits Board ("PCB") facility in Ashkelon and amounted to USD 96 thousand compared to generated cash flow of USD 420 thousand in the same period last year.

Outlook

On June 30, 2009, the order and purchase backlog amounted to USD 5,298 thousand (compared to the position on March 31, 2009 where backlog amounted to USD 4,974 thousand and December 31, 2008 - USD 4,045 thousand). The backlog is composed of firm orders only. The management estimates that most of the backlog will be supplied until the end of March 2010.

The significant downturn in the global financial markets started during 2008 didn't end by the first half of year 2009. It appears that the direct consequences of the crisis have not yet run their full course. The management is closely monitoring the situation and will continue to track its developments and effects.

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 June 30, 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 first six months, their impact on the financial statements, the main risk factors and uncertainties for the remaining months of the financial year, as well as the main transactions with related parties and their possible impact on the abbreviated financial statements.

Independent Auditors' Review – August 19, 2009

The interim results have been prepared by the management and reviewed by Somekh Chaikin, certified public accounts, a member firm of KPMG International in accordance with International Standard on Review Engagements 2410. A review is substantially less in scope than an audit. The conclusion of the auditor is as follows: "Based on our review, [..], nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting".

The complete reviewed financial statements and the half-year report 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
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

[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. The fair value of these instruments is assessed by a professional external appraisers company ((Houlihan Smith & Company Inc.)

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 153 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).

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 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

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Income
- unaudited -

	Six months ended June 30	
	USD 000	USD 000
	2009	2008
Sales revenues	6,385	7,455
Cost of sales	(4,034)	(4,626)
Gross result	**2,351**	**2,829**
Development costs	(294)	(364)
Selling and marketing expenses	(412)	(602)
General and administrative expenses	(928)	(998)
Other income (expense)	-	2
Operating profit	**717**	**867**
Financial income	280	288
Financial expense	(12)	(210)
Financial income, net	**268**	**78**
Profit before taxes on income	**985**	**945**
Income taxes	(222)	150
Net profit for the period	**763**	**1,095**
Net change in fair value of available-for-sale assets	114	(122)
Total comprehensive income for the period	**877**	**973**
Number of shares	17,670,775	17,670,775
Basic and diluted earnings per ordinary share (in USD)	0.04	0.06

Condensed Interim Consolidated Balance Sheet
- unaudited -

	June 30	
	USD 000	**USD 000**
	2009	**2008**
Current assets	**20,043**	19,322
Non-current assets	**4,951**	5,272
Marketable securities available for sale	**2,774**	2,853
Total assets	**24,994**	24,594
Current liabilities	**3,697**	4,380
Non-current liabilities	**144**	148
Shareholders' equity	**21,153**	20,066
Total liabilities and shareholders' equity	**24,994**	24,594

Condensed Interim Consolidated Statements of Cash Flows

Six months period ended June 30 - unaudited **$ thousands**	**2009**	**2008**
Net operating activities		
Net profit for the period	**763**	1,095
Adjustments to reconcile net profit to net cash generated from operating activities:		
Depreciation	**131**	108
Capital (gain) loss on sale of equipment	**-**	(2)
Increase (decrease) in employee benefits	**(8)**	24
Decrease (increase) in trade receivables	**(66)**	886
Decrease (increase) in other accounts receivable	**(10)**	2
(Increase) decrease in inventory	**(98)**	(126)
Increase (decrease) in trade payables	**147**	61
(Decrease) increase in other payables and tax liability	**(576)**	(580)
Decrease (increase) in deferred taxes	**3**	(371)
Finance expenses (income), net	**12**	(19)
Cash flows generated from (used for) operating activities	**298**	1,078
Investing activities		
proceeds from marketable securities held for trading, net	**-**	(747)
Investments in marketable securities available for sale	**-**	(1,000)
Proceeds from sale of marketable securities available for sale	**-**	1,039
Proceeds from sale of marketable securities held for trading	**140**	-
Proceeds from (investment in) deposits, net	**11**	1,474
Investment in property, plant and equipment	**(254)**	(368)
Proceeds from sale of equipment	**7**	22
Cash flows generated from (used for) investing activities	**(96)**	420

“Based on our review, [..], nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting”.

Somekh Chaikin
Certified Public Accountants (Isr.)
(Member Firm of KPMG International)