PAYTON GROUP
INTERNATIONAL

PRESS RELEASE
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Q1 Report[1]

Sales Revenues of nearly USD 3.5 million
Backlog as of March 31 of USD 6,766 thousand

Rishon Le Zion (Israel) – Payton Planar Magnetics Ltd announced today its financial results for the first quarter of 2008 (three-month period ending 31 March 2008).

Total sales revenues for Q1 2008 almost totaled USD 3.5 million leading to a net profit of USD 593 thousand. The sales volume was primary affected by the end of life cycle of a few substantial high volume projects.

In the first quarter, Payton Planar further targeted telecom, automotive, industrial and military companies in North America, Japan, Taiwan and South Korea. The order and purchase backlog as of March 31, 2008 amounted USD 6,766 thousand.

Operational highlights in Q1 2008

In Q1, the company continued to focus a part of the efforts on the development of the infrastructure in the US and Israel. Payton America is expected to leave its current leased location and to complete the transfer to its new owned premises in Deerfield Beach, South Florida, USA on June 2008 .

During the first quarter, the parent company Payton Industries signed a Memorandum of Understanding with ACP Advanced Cores Production (ACP) to acquire 100% of ACP's shares. ACP is a private Israeli company manufacturing and marketing amorphous magnetic cores, mainly for the transformers industry. In May 2008, after performing a technical, financial and legal due-diligence, Payton Industries decided not to proceed with the acquisition since the transaction would not serve Payton Planar's interests. The company will continue to evaluate potential acquisitions that correspond with their business strategy to invest a fraction of the cash into M&A opportunities to extend the core business with synergetic product lines.

Key financial highlights for Q1 2008

Sales revenues

Sales for the quarter ended March 31, 2008 amounted to USD 3,429 thousand compared with USD 4,575 thousand in the three-month period ended March 31, 2007. The sales decrease is attributable to the fact that few high volume projects, of formerly substantial customers, reached their end of life cycle.

The sales were generated primarily from telecom companies and from industrial and military applications manufacturers. In Q1, only one customer represented more than 10% of the revenues showing a contribution of 17,6% to the company's consolidated sales.

Cost of sales & gross result

Cost of sales decreased accordingly from 2,305 thousand in Q1 2007 to USD 2,064 thousand last quarter. A portion of the expenses included in the cost of sales could not be reduced in parallel to the sales decrease, leading to a lower gross profit in the first quarter: the gross profit amounted to USD 1,365 thousand compared with USD 2,270 thousand in Q1 2007. The gross margin evolved from 50% to 40%. In addition, the devaluation of the USD in relation to the local currency caused an increase in the Group's labor costs. Since Payton is subcontracting Chinese ventures, the devaluation of the USD in relation to the Chinese currency also impacts the cost of goods sold.

Expenses

In Q1 2008, *General & Administrative* (G&A) *expenses* stabilised at USD 447 thousand (USD 453 thousand in Q1 2007). The level of the costs is influenced by the decrease in exchange rates of the USD in relation to the NIS causing an increase in these expenses when presented in USD.

[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, 2007.

Selling & Marketing expenses decreased from USD 381 thousand in Q1 2007 to USD 313 thousand this quarter. Marketing efforts were concentrated on the participation in trade fairs like the APEC 2008- exhibition in Austin (Texas, U.S.A), the Electronica & Productronica China 2008 with PCIM -exhibition (Shanghai, China) and the “Technology Hitech 2008” -exhibition (in Tel-Aviv, Israel). *Development costs* increased from USD 158 thousand to USD 190 thousand reflecting the company’s increased focus in its R&D department.

Operating & financial result

The total operating profit before the financial result for Q1 2008 amounts to USD 417 thousand compared to USD1,278 thousand in Q1 2007. For the three months period ended March 31, 2008 Payton Planar stabilized its financial profit to USD 73 thousand compared to USD 86 thousand in Q1 2007.

Taxes on income

The Company prepares its tax reports to the Israeli tax authorities in New Israeli Shekel (‘NIS’). During the three-month period ended March 31, 2008, as a result of the decline in the exchange rate of the dollar, the company accumulated losses in its tax report and recorded a net tax benefit (income) of USD 103 thousand (compared with a net tax expense of USD 234 thousand in the three-month period ended March 31, 2007).

Result of the period

The total result for Q1 2008 was a net profit of USD 593 thousand or earnings per share of USD 0.03 per share.

Cash, financial and cash flow position

Cash and cash equivalents, Marketable securities and Short-term Deposits amounted to a total of USD 17,081 thousand as at March 31, 2008 compared to USD 15,876 thousand as at December 31, 2007 and USD 12,559 thousand as at March 31, 2007. This increase resulted mainly of the cash flow provided by operating activities including net income for the period. As at March 31, 2008 the Marketable Securities, amounting to USD 4,346 thousand, are comprised of Bonds and Preferred Stocks.

Outlook

Order and purchase backlog as of March 31, 2008 were USD 6,766 thousand; compared to 3,903 thousand at the end of December 2007. The backlog is composed only of firm orders. The management estimates that most of the backlog as of 31.03.08 will be supplied until end of December, 2008.

The complete financial statements 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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Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Income

Q1 ended March 31 - unaudited

$ thousands	**2008**	**2007**
Revenues	**3,429**	4,575
Cost of sales	**-2,064**	-2,305
Gross profit	**1,365**	2,270
Development costs	**-190**	-158
Selling and marketing expenses	**-313**	-381
General and administrative expenses	**-447**	-453
Capital gain on sale of fixed assets	**2**	-
Operating income	**417**	1,278
Finance income	**162**	117
Finance expense	**-89**	-31
Profit before income taxes	**490**	1,364
Income taxes	**103**	-234
Net profit for the period	**593**	1,130
Number of shares	**17,670,775**	17,670,775
Basic and diluted earnings per ordinary share (in $)	**0.03**	0.06

Condensed Interim Consolidated Balance Sheets

Unaudited **$ thousands**	**2008**	2007
Current assets	**22,512**	18,751
Cash and cash equivalents	9,350	8,293
Marketable securities	4,346	919
Short-term deposits	3,385	3,347
Trade accounts receivable	3,164	4,176
Other accounts receivable	188	47
Inventory	2,079	1,969
Non-current assets	**2,186**	1,147
Deposits	5	6
Other investment	348	348
Property, plant and equipment, net	1,502	617
Deferred taxes	331	176
Total assets	**24,698**	19,898
Current liabilities	**4,872**	4,372
Non-current liabilities	**140**	215
Shareholders' equity	**19,686**	15,311
Share capital	4,836	4,836
Share premium	8,993	8,993
Accumulated earnings	5,857	1,482
Total liabilities and shareholders' equity	**24,698**	19,898

Condensed Interim Consolidated Statements of Cash Flows

Q1 ended March 31 - unaudited $ thousands	2008	2007
Net operating activities		
Net profit for the period	593	1,130
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation	53	53
Capital gain on sale of fixed assets	-2	-
Increase (decrease) in employee benefits	16	21
Deferred taxes	-209	-9
Finance expenses from transactions with controlling shareholder	-	-
(Gain) loss on marketable securities	-11	-4
Translation differences in respect of cash and cash differences	-51	-10
Decrease in trade receivables	1,113	1,117
(Increase) decrease in other accounts receivable	-43	21
Increase in inventory	-97	-25
(Decrease) increase in trade payables	-308	-29
Increase in other payables and tax liability	243	398
Cash flows generated from operating activities	1,297	2,663
Investing activities		
Purchase of marketable securities, net	-707	-501
Investment in property, plant and equipment	-169	-136
Investment in deposits, net	-200	-1,012
Proceeds from sale of fixed assets	15	-
Cash flows used for investing activities	-1,061	-1,649
Increase in cash and cash equivalents	236	1,014
Cash and cash equivalents at beginning of period	9,063	7,269
Translation differences in respect of cash and cash equivalents	51	10
Cash and cash equivalents at end of period	9,350	8,293

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

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 160 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).