PAYTON GROUP
INTERNATIONAL

PRESS RELEASE
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Half-year 08 Report[1]

Sales Revenues of nearly USD 7.5 million
Backlog as of June 30, 2008 of USD 7,117 thousand

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2008 (six-month period ending June 30, 2008).

Sales revenues for the first six months of 2008 totaled USD 7.45 million compared to USD 9.7 million on June 30, 2007. The sales volume decrease can primary be attributed to the end of life cycle of a substantial customer last year.

The net profit for the six-month period ending June 30, 2008 amounted to USD 1 million (USD 2.5 million for the same period last year).

The order and purchase backlog as of June 30, 2008 increased and amounted USD 7,117 thousand.

Operational highlights in first half-year 2008

In the first half of 2008, the company continued to focus on the development of the infrastructure in the US and Israel. Payton America left its leased location and moved to its proprietary premises in Deerfield Beach, South Florida, USA on July 2008.

During the first quarter, the parent company Payton Industries signed a MOU with Advanced Cores Production (ACP) to acquire 100% of ACP's shares. In the second quarter however, after performing a technical, financial and legal due-diligence, Payton Industries decided not to proceed with the said acquisition.

Key financial highlights for the first half-year 2008

Sales revenues

The Company's sales revenues for the first half-year of 2008 were USD 7,455 thousand, compared to USD 9,663 thousand, for the first half-year last year. The sales volume was primary affected by the end of life cycle last year of a substantial high volume project. However, Payton managed to attract a new high volume customer project representing over 10% of the sales.

Cost of sales and gross result

Cost of sales for the first half-year of 2008 amounted to USD 4,626 thousand compared to USD 4,734 thousand for the same period last year. The devaluation of the USD with relation to the local currency caused an increase in the labor costs. In addition, a portion of the expenses included in the cost of sales could not be reduced conformable to the sales decrease, leading to a lower gross profit.

[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.

Gross profit for the six-month period ended June 30, 2008 was USD 2,829 thousand (38% of sales) compared with USD 4,929 thousand (51% of sales) in the six-month period ended June 30, 2007.

Expenses

During the first half-year 2008, *General & Administrative* (G&A) *expenses* increased to USD 998 thousand, compared to USD 940 thousand for first six-month period in 2007. The rise is attributable to the decrease in exchange rates of the USD in relation to the NIS causing an increase in these expenses when they are presented in USD.

Selling & Marketing expenses decreased from USD 745 thousand in the first half-year of 2007 to USD 602 thousand in 2008. Marketing efforts were concentrated on the development of Payton's worldwide representatives' network as well as on the participation in major electronic power shows (APEC 2008- exhibition in Austin (USA), Electronica & Productronica China 2008, PCIM -exhibition (Shanghai, China), Technology Hitech 2008 in Tel-Aviv, Israel, PCIM exhibition in Nuremberg, Germany and Power Electronics Specialists Conference in Rhodes, Greece.
Development costs increased from USD 300 thousand to USD 364 thousand reflecting Payton's R&D department continues focus on new designs.

Operating and financial result

The total operating profit before the financial result for the first half-year of 2008 amounts to USD 867 thousand compared to USD 2,943 thousand the same period last year. During the first six months of 2008, the Company recorded a net financial income of USD 78 thousand . The profit before income taxes for the first half-year of 2008 amounts to USD 945 thousand compared to a profit of USD 3,192 thousand in the first half-year of 2007.

Taxes on income

The Company prepares its tax reports to the Israeli tax authorities in New Israeli Shekel ('NIS'). During the six-month period ended June 30, 2008, as a result of the decline in the exchange rate of the dollar, Payton accumulated losses in its tax report and recorded a net tax benefit of USD 150 thousand compared to a net tax expense of USD 658 thousand in the same period last year.

Result of the period

The total result for the first half-year of 2008 was a net profit of USD 1 million compared to USD 2,5 million the first half-year of 2007.

Cash position

Cash and cash equivalents, marketable securities and short-term deposits amounted to USD 13,680 thousand as at June 30, 2008 compared to USD 13,580 thousand as at June 30, 2007 and to USD 15,876 thousand as at December 31, 2007. The decrease over the last six months is mainly attributable to the reclassification of ARS[2] securities. In the past, these American ARS securities were classified as a short-term 'Marketable securities held for trading'. However, Payton reached the conclusion that the aforementioned securities should have been classified as short-term 'Marketable securities available for sale'. Accordingly, USD 3,019 thousand was reclassified as at December 31, 2007. The said reclassification did not have any impact on the statement of income or shareholders' equity.

In light of the liquidity crisis in the American market, Payton proceeded to an external valuation of its ARS. As at June 30, 2008, external independent appraiser assessed the fair value of the ARS at USD 2,853 thousand (par value amounted to USD 2,975 thousand). The Company recorded the decline in fair value of USD 122 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, the balance of the securities as at June 30, 2008 (USD 2,853 thousand) was presented as a long-term investment 'Marketable securities available for sale'.

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[2] Auction Rate Securities ("ARS") are a debt instrument issued by local authorities, high 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.

Cash flow

Cash flow generated from operating activities for the first half-year 2008 amounted to USD 1,078 thousand compared to USD 3,789 thousand for the six-month period ended June 30, 2007. The decrease mainly resulted from the decrease of the net profit and the decrease in other payables. Cash flow generated from investing activities in the first half-year 2008, mainly resulted from proceeds from deposits which most of it was reinvested in marketable securities, property and equipment and amounted to USD 420 thousand; this compared to cash flow used for operating activities amounted USD 1,434 thousand in the same period last year.

Outlook

On June 30, 2008, the order and purchase backlog of the Company amounted to USD 7,117 thousand (compared to the position on December 31, 2007 where backlog amounted to USD 3,903 thousand and to March 31, 2008 where backlog amounted to USD 6,766 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 2009.

External factors effects

Devaluation of the U.S. Dollar with relation to the local Israeli currency causes an increase in the labor costs. Most of the Group's salaries and other operating costs are fixed in local New Israeli Shekel ("NIS"). The recent fluctuations of the U.S. Dollar with relation to the NIS can influence the operating results of the company. In addition, the company is subcontracting Chinese ventures. Devaluation of the U.S. Dollar with relation to the Chinese currency has an influence on the Group's cost of goods sold.

Independent Auditors' Review – August 19, 2008

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
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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 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).

Annex: Selected Financial Statements

Key financial figures – Payton Planar Magnetics Ltd.

Condensed Interim Consolidated Statements of Income
- unaudited -

	Six months ended June 30	
	USD 000 2008	USD 000 2007
Sales revenues	**7,455**	9,663
Cost of sales	**(4,626)**	(4,734)
Gross result	**2,829**	4,929
Development costs	**(364)**	(300)
Selling and marketing expenses	**(602)**	(745)
General and administrative expenses	**(998)**	(940)
Other income (expenses)	**2**	(1)
Operating profit	**867**	2,943
Financial income	**288**	286
Financial expense	**(210)**	(37)
Financial income, net	**78**	249
Profit before taxes on income	**945**	3,192
Income taxes	**150**	(658)
Net profit for the period	**1,095**	2,534
Number of shares	**17,670,775**	17,670,775
Profit per share (in USD)	**0.06**	0.14

Condensed Interim Consolidated Balance Sheet
- unaudited -

	June 30	
	USD 000 2008	**USD 000 2007**
Current assets	**19,322**	19,953
Non-current assets	**5,272**	1,107
Marketable securities available for sale	**2,853**	
Total assets	**24,594**	21,060
Current liabilities	**4,380**	4,143
Non-current liabilities	**148**	202
Shareholders' equity	**20,066**	16,715
Total liabilities and shareholders' equity	**24,594**	21,060

Condensed Interim Consolidated Statements of Cash Flows

Six months period ended June 30 - unaudited $ thousands	2008	2007
Net operating activities		
Net profit for the period	**1,095**	2,534
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation	**108**	106
Capital (gain) loss on sale of equipment	**(2)**	1
Increase (decrease) in employee benefits	**24**	8
Deferred taxes	**(371)**	53
Finance (income) expenses, net	**(19)**	21
Decrease (increase) in trade receivables	**886**	984
Decrease (increase) in other accounts receivable	**2**	(68)
(Increase) decrease in inventory	**(126)**	16
Increase (decrease) in trade payables	**61**	(236)
(Decrease) increase in other payables and tax liability	**(580)**	370
Cash flows generated from (used for) operating activities	**1,078**	3,789
Investing activities		
(Investment in) proceeds from marketable securities, net	**(707)**	(381)
Investment in property, plant and equipment	**(369)**	(206)
Proceeds from (investment in) deposits, net	**1,474**	(847)
Proceeds from sale of equipment	**22**	-
Cash flows generated from (used for) investing activities	**420**	(1,434)

"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)

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