PAYTON GROUP
INTERNATIONAL

PRESS RELEASE
November 26th 2008
6 pm CET

Q3 08 Report

Sales Revenues of nearly USD 4.2 million
Backlog as of September 30, 2008 of USD 5.87 million

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the third quarter of 2008 (three-month period ending September 30, 2008).

Sales revenues for the third quarter of 2008 totaled USD 4,246 million compared to USD 4,406 million on September 30, 2007.

The net profit for the third quarter ending September 30, 2008 amounted to USD 172 thousand (USD 1 million for the same period last year).

Overall, Payton has been exposed to erosion of the USD in relation to the local Israeli currency NIS and to the Euro. The revaluation of the NIS led to an increase in labor costs and other operating costs, and negatively affected the operating results as a consequence.

The order and purchase backlog as of September 30, 2008 amounted to USD 5,870 thousand.

Operational highlights in Q3 2008

In the Printed Circuits Board facility in Ashkelon, Israel, a new plating line for Heavy Copper PCB's and multi-layer boards is currently being installed and its completion is being expected by the end of this year.

Q3 2008 was characterized by the start of production in the new proprietary premises in Deerfield Beach, South Florida, USA as from July 2008.

Key financial highlights for Q3 2008

Sales revenues

The sales revenues for the three-month period ended September 30, 2008 amounted to USD 4,246 thousand compared with USD 4,406 thousand for Q3 2007.
During the nine-month period ended 30.9.08 the sales volume was primary affected by the end of life cycle in the last quarter of 2007 of a substantial high volume project representing about 20% of the company's sales. However, Payton managed to attract a new high volume customer of which its projects represented over 16% of the sales.

Cost of sales and gross result

Gross profit for the three-month period ended September 30, 2008 was USD 1,591 thousand (37% of sales) compared with USD 1,995 thousand (45% of sales) in the third quarter last year. The decrease in gross profit is caused by the following elements. The devaluation of the US Dollar with relation to the NIS led to an increase of the labor costs.. Moreover, a portion of Payton's expenses included in the cost of sales could not be reduced in parallel to the sales decrease. Finally, the product-mix sold during the period included few products with a lower profit margin.

Expenses

During the third quarter of 2008, General & Administrative (G&A) expenses increased to USD 545 thousand, compared to USD 490 thousand for the same period in 2007.

Selling & Marketing expenses increased from USD 299 thousand in Q3 2007 to USD 362 thousand in 2008. Traditionally, no fairs are taking place in Q3, and marketing efforts were concentrated on maintaining high level of customer relations.

Development costs increased from USD 149 thousand to USD 193 thousand reflecting the company's continued focus on its engineering team.

The rise of above expenses 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.

Operating and financial result

The total operating profit as at 30 September 2008 amounts to USD 494 thousand compared to USD 1,057 thousand the same period last year. For the third quarter of 2008, Payton recorded a net financial loss of USD 104 thousand reflecting mostly the erosion of the USD in relation to the NIS and to the Euro.

Taxes on income

Payton prepares its tax reports to the Israeli tax authorities in New Israeli Shekel ('NIS'). During the 9 month period ended September 30, 2008, a net tax expense of USD 68 thousand was accrued, (compared with USD 817 thousand in the nine-month period ended September 30, 2007). The decline in the tax expenses was influenced also by the decline in the exchange rate of the dollar, enabling Payton to accumulate finance losses in its tax report and recognize a tax asset since it anticipates utilizing the tax loss in the foreseeable future.

Result of the period

The total result for the third quarter of 2008 was a net profit of USD 172 thousand compared to USD 1 million in Q3 2007. Considering the current challenging situation on the markets, the company intends to allocate the profits to its cash reserves, to expanding its PCB facility and to finding new business opportunities which extend its core busines

Balance sheet - Cash position

Cash and cash equivalents, marketable securities and short-term deposits amounted to USD 13,306 thousand as at September 30, 2008 compared to USD 14,572 thousand as at September 30, 2007 and USD 15,876 thousand as at December 31, 2007. The decrease over the last nine months is mainly attributable to the reclassification of ARS[1] securities. In the past, these ARS securities were classified as a short-term 'Marketable securities held for trading'. However, Payton reexamined their classification and assessed that they should have been classified as 'Marketable securities available for sale'. Accordingly, USD 3,019 thousand was reclassified as at December 31, 2007. The reclassification did not impact the statement of income or shareholders' equity.

In light of the liquidity crisis and economic crisis, Payton proceeded to a fair value assessment of its ARS by an external, independent appraiser (Houlihan Smith & Company Inc). As at September 30, 2008, the fair value of the ARS amounted to USD 2,857 thousand (par value USD 2,975 thousand) .

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, Payton did not recognize impairment of the securities and presents them as a long-term investment 'Marketable securities available for sale'. It is noted that all weekly and/or monthly interest payments of these ARS securities have been paid in full.

[1] 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. Auctions are typically held every 7 or 28 days; interest on these securities is paid at the end of each auction period.

Balance sheet – property, plant and equipment

Property, plant and equipment, net increased from USD 1,322 thousand as at September 30, 2007 to USD 1,657 thousand as at September 30, 2008 reflecting the investment in the property in Florida, U.S.A, the purchase of new equipments for the production facility (Rishon Lezion, Israel) and for the PCB facility (Ashkelon, Israel).

Cash flow

Cash flow generated from operating activities in Q3 2008 amounted to USD 0 compared to USD 1,686 thousand in Q3 2007. The decrease in cash flow generated from operating activities resulted mainly from a decrease in the net profit and in trade receivables. Cash flow used for investing activities in Q3 2008, mainly resulted from investment in deposits, in property and equipment and amounted to USD 328 thousand compared to USD 2,636 thousand in the same period last year.

Outlook

On September 30, 2008, the order and purchase backlog of the Company amounted to USD 5,870 thousand (compared to the position on June 30, 2008 where backlog amounted to USD 7,117 thousand). The backlog is composed of firm orders only. The management estimates that most of the backlog will be supplied until the end of June 2009.

External factors

The uncertainty following the turmoil on the international markets, had a serious adverse impact on the worldwide financial markets, and led to falling prices and wide fluctuations on the stock markets worldwide along with a severe credit crisis. It appears that the direct consequences of this crisis have not yet run their full course and there is a fear that the U.S. economy, in particular, and the global economy, in general, are headed for a recession.

Along with the above-mentioned crisis, there have been additional developments in Israel, among others, large fluctuations in the exchange rates of the main currencies vis-à-vis the shekel.

In light of the crisis and/or its intensification, there is uncertainty as well as concern that it may affect the business positions of Payton's customers and lead to a slowdown in orders.

Since the exact course of the crisis cannot be foreseen, it is not possible to assess its consequences but the management is closely monitoring any development and effect. In any event, in light of the high balance of the Group's cash and cash equivalents along with the deposits it holds, the management estimates that Payton is financially strong and that it is not expected to experience any liquidity problems in the foreseeable future.

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 30 September 2008 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 nine 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 – November 26, 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 unaudited 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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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 152 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 -

	3 months ended September 30	
	USD 000	USD 000
	2008	2007
Sales revenues	**4,246**	4,406
Cost of sales	**(2,655)**	(2,411)
Gross result	**1,591**	1,995
Development costs	**(193)**	(149)
Selling and marketing expenses	**(362)**	(299)
General and administrative expenses	**(545)**	(490)
Other income (expenses)	**3**	-
Operating profit (loss)	**494**	1,057
Financial income	**110**	155
Financial expense	**(214)**	(43)
Profit (loss) before taxes on income	**390**	1,169
Income taxes	**(218)**	(159)
Net profit (loss) for the period	**172**	1,010
Number of shares	**17,670,775**	17,670,775
Profit per share (in USD)	**0.01**	0.06

Condensed Interim Consolidated Balance Sheet
- unaudited -

	September 30	
	USD 000	**USD 000**
	2008	**2007**
Current assets	**19,414**	20,318
Non-current assets	**5,106**	1,778
Marketable securities available for sale	**2,857**	-
Total assets	**24,520**	22,096
Current liabilities	**4,131**	4,167
Non-current liabilities	**147**	204
Shareholders' equity	**20,242**	17,725
Total liabilities and shareholders' equity	**24,520**	22,096

Condensed Interim Consolidated Statements of Cash Flows

3 months period ended September 30 - unaudited **$ thousands**	**2008**	**2007**
Net operating activities		
Net profit for the period	**172**	1,010
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation	**59**	51
Capital (gain) loss on sale of equipment	**(3)**	-
Increase (decrease) in employee benefits	**(1)**	2
Deferred taxes	**254**	12
Finance (income) expenses, net	**211**	(50)
Decrease (increase) in trade receivables	**(609)**	781
Decrease (increase) in other accounts receivable	**(28)**	(54)
(Increase) decrease in inventory	**171**	(100)
Increase (decrease) in trade payables	**(71)**	179
(Decrease) increase in other payables and tax liability	**(155)**	(145)
Cash flows generated from (used for) operating activities	**-**	1,686
Investing activities		
(Investment in) proceeds from marketable securities, net	**-**	(889)
Investment in property, plant and equipment	**(143)**	(744)
Proceeds from (investment in) deposits, net	**(194)**	(1,003)
Proceeds from sale of equipment	**9**	-
Cash flows generated from (used for) investing activities	**(328)**	(2,636)

"Based on our review, including the reading of the review report of the other auditor as stated above, 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.)
(A member of KPMG International)

November 26, 2008