



**PAYTON GROUP**  
**INTERNATIONAL**

**PRESS RELEASE**  
**August 17<sup>th</sup> 2006**  
**5 pm CET**

**Financial Results for the First Half of 2006**  
**Triple-Digit Growth of Net Profit to USD 2.6 Million**

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the first half-year of 2006 (six-month period ending June 30, 2006).

The Company is pursuing its impressive upward trajectory, recording new highs both in revenues and profitability. Sales revenues for the first six months of 2006 totalled USD 8.7 million compared to USD 5.5 million on June 30, 2005. The net profit for the six-month period ending June 30, 2006 amounted to USD 2.6 million a triple-digit increase of 169%, compared to USD 970 thousand for the same period last year.

During the first half of the year, the Company further focused on the US market and in the far East. For the rest of the year, the management expects to continue its regular course of business, in particular with a growth in sales in North-America and the Far East, as well as in the industrial and military markets.

Payton Planar Magnetics Ltd. is an Israeli-based high-tech company listed on Euronext Brussels (ticker: PAY) and active in the field of planar transformers and inductors.

**Key financial figures of the first half-year 2006**

**Sales revenues**

The Company recorded a new high in sales revenues. The revenues for the first half-year of 2006 amounted to USD 8,734 thousand or an increase of nearly 58% compared to USD 5,534 thousand for the first half-year of 2005. The sales increase can be attributed both to recurring sales to existing customers and sales to new ones.

**Cost of sales**

Cost of sales for the first half-year of 2006 amounted to USD 4,441 thousand compared to USD 3,092 thousand for the same period last year. The slight increase reflects the cost generation needed for realizing the increased sales revenues.

**Gross result**

Gross profit for the first six months increased from USD 2,442 thousand (first half-year 2005) to USD 4,293 thousand in 2006. Following the over-all growth in sales volume, the improved production efficiency and the stabilisation of the costs of sales, the Company's gross margin increased to 49 % compared to a ratio of 44% for the same period in 2005.

**Expenses**

During the first half-year 2006, the Company's *General & Administrative (G&A) expenses* increased to USD 867 thousand, compared to USD 624 thousand for first half-year in 2005. The rise is attributable to (1) the Company's higher share in the allocation of its

Parent Company joint G&A expenses<sup>1</sup> and to (2) the increase in the Parent Company's joint G&A expenses, mainly due to management incentives derived from the Group improved sales and profitability.

*Selling & Marketing expenses* increased from USD 552 thousand in the first half-year of 2005 to USD 687, an increase in line with the raise in sales revenues; and *Development costs* increased from USD 233 to USD 262.

### **Operating result**

The total operating profit before the financial result for the first half-year of 2006 amounts to USD 2,477 thousand compared to USD 1,033 thousand the same period last year. The improved results are mainly due to efforts by the Company for achieving a high level of revenues while maintaining a low level of all main categories of expenses and costs.

### **Financial result**

During the first six months of 2006, the Company recorded a financial profit of USD 88 thousand compared to a loss of USD 65 thousand for the first half of 2005.

### **Taxes on income**

In the first half-year of 2006 the group recognised a net deferred tax asset amounting to USD 45 thousand generated from updating the net tax assets.

### **Result of the period**

The total result for the first half-year of 2006 was a net profit of USD 2,610 thousand. Compared to the first half-year of 2005, the net profit increased by about 169% (USD 970 thousand for the first half-year 2005).

### **Outlook**

On June 30, 2006, the order and purchase backlog of the Company amounted to USD 7,366 thousand (compared to the position on December 31, 2005 where backlog amounted to USD 3,620 thousand). The backlog is composed of firm orders only. The management estimates that most of the backlog will be supplied until the end of year 2006.

<p>For more information, please visit Payton's web site at <a href="http://www.paytongroup.com">www.paytongroup.com</a> or contact Michal Lichtenstein, CFO at 00- 972-3-9611164 -<a href="mailto:Michal@paytongroup.com">Michal@paytongroup.com</a> or Alexandra Niehe at 00-32 57-21 44 54 - <a href="mailto:aniehe@citigate.be">aniehe@citigate.be</a></p>
---

Annex: Financial Statements

---

<sup>1</sup> Starting January 1<sup>st</sup>, 2006, as a result of the increase in the business activity of the Company, the allocation of the Parent Company's joint G&A expenses was adjusted; 85% (instead of 75%) are allocated to the Company and 15% to Payton Technologies (a subsidiary of the parent company).

## **About us**

Payton Planar Magnetics Ltd., an Israeli-based high-tech company, designs, manufactures and markets Planetics<sup>®</sup>, its customized line of planar transformers and inductors to Original Equipment Manufacturers and their suppliers of power electronics. The group currently employs 220 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).

### *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.

### Statement of Income - unaudited -

	Six months ended June 30	
	USD 000 2006	USD 000 2005
Sales revenues	8,734	5,534
Cost of sales	4,441	3,092
<b>Gross result</b>	<b>4,293</b>	<b>2,442</b>
Development costs	262	233
Selling and marketing expenses	687	552
General and administrative expenses	867	624
<b>Operating profit (loss)</b>	<b>2,477</b>	<b>1,033</b>
Net financial result	88	(65)
Other income (expenses)	-	2
Profit (loss) before taxes on income	2,565	970
Income taxes	45	-
<b>Net profit (loss) for the period</b>	<b>2,610</b>	<b>970</b>
Number of shares	17,600,000	17,600,000
Profit per share (in USD)	0.148	0.055

### Balance Sheet - unaudited -

	June 30	
	USD 000 2006	USD 000 2005
Current assets	12,421	7,337
Non-current assets	1,392	964
<b>Total assets</b>	<b>13,813</b>	<b>8,301</b>
Current liabilities	3,334	2,380
Non-current liabilities	521	918
Shareholders' equity	9,958	5,003
<b>Total liabilities and shareholders' equity</b>	<b>13,813</b>	<b>8,301</b>