



**PAYTON GROUP**  
*INTERNATIONAL*

**PRESS RELEASE**  
**November 22, 2006**  
**5 pm CET**

**Financial Results for the Third Quarter of 2006**  
**Payton to Pursue Impressive Growth -**  
**Net Profit of USD 1.7 million**

Rishon Le Zion (Israel) - Payton Planar Magnetics Ltd. today announced its financial results for the third quarter of 2006 (three-month period ending September 30, 2006).

Payton is continuing on its successful track. Sales revenues for the third quarter of 2006 totalled USD 5.9 million compared to USD 3.4 million on September 30, 2005. The net profit for the three-month period ending September 30, 2006 amounted to USD 1.7 million, an increase of 104% compared to USD 847 thousand for the same period last year.

The Company decided to expand and modernize its successful Printed Circuits Board facility in Ashkelon, Israel. The estimated investment involved is estimated to USD 1.5 to 2 million.

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 third quarter 2006**

**Sales revenues**

In the third quarter of 2006, the Company recorded sales revenues of USD 5,877, realising a new record. Compared to the same period last year, this represents an increase of 75% and compared to the second quarter this year, a growth of nearly 13%. The sales increase can be attributed both to recurring sales to existing customers and sales to new ones.

**Gross result**

Gross profit for the third quarter nearly doubled since last year, from USD 1,563 thousand (third quarter 2005) to USD 3,035 thousand this year. This improvement in the gross result was mainly achieved through the over-all growth in sales volume, production efficiency and partially subcontracting production to the Chinese venture.

The Company's gross margin in the third quarter of 2006 increased to 52% compared to a ratio of 47% for the same period in 2005.

**Expenses**

During the third quarter of 2006, the Company's *General & Administrative (G&A) expenses* increased to USD 505 thousand, compared to USD 339 thousand for the third quarter 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 251 thousand in the third quarter of 2005 to USD 363 thousand, an increase of 45% which is lower than the raise in sales revenues; and *Development costs* stabilized at USD 122 thousand (USD 120 thousand third quarter last year).

### **Operating result**

The total operating profit before the financial result for the third quarter of 2006 amounts to USD 2,045 thousand compared to USD 853 thousand the same period last year and to USD 1,673 last quarter

### **Financial result**

During the third quarter of 2006, the Company recorded a financial profit of USD 27 thousand compared to a loss of USD 6 thousand in the third quarter of 2005.

### **Taxes on income**

In the third quarter of 2006 taxes on income amounted to USD 346 thousand (net tax expenses). It is noted that on the fourth quarter of 2005 the group recorded a net income tax benefit amounting USD 443 thousand due to recognizing a deferred tax asset for the first time).

### **Result of the period**

The total result for the third quarter of 2006 was a net profit of USD 1,726 thousand. Compared to the third quarter of 2005, this represents an increase of about 104% (USD 847 thousand for the third quarter year 2005), and compared to last quarter, 3% (USD 1,679 thousand for the second quarter of 2006).

### **Significant event after closing of the third quarter**

Pursuant to the warrant agreement signed with the bank on June 21, 2001, and following a notice of exercise on net issuance received on November 5, 2006, the Board of Directors decided on November 22, 2006 to issue 70,775 ordinary shares. After this issuance, the total number of Payton Planar outstanding shares increases to 17,670,775

### **Outlook**

On September 30, 2006, the order and purchase backlog of the Company amounted to USD 7,271 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 the first quarter of 2007.

The Company decided to expand and modernize its successful Printed Circuits Board ("PCB") facility in Ashkelon, Israel. This plant specializes in manufacturing of Heavy Copper PCB's and Multi-Layers Boards unique for Planar Transformers and Power Electronic applications. The estimated investment involved will be USD 1.5 to 2.0 million In this respect, the Company shall apply to the Israeli Ministry of Industry and Commerce with an investment program in order to obtain grants and/or tax benefits.

Annex: Financial Statements

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<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).

For more information, please visit Payton's web site at [www.paytongroup.com](http://www.paytongroup.com)  
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## **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 215 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 -

	Three months ended September 30		Three months ended June 30
	USD 000 2006	USD 000 2005	USD 000 2006
Sales revenues	5,877	3,353	5,064
Cost of sales	2,842	1,790	2,411
<b>Gross result</b>	<b>3,035</b>	1,563	2,653
Development costs	122	120	133
Selling and marketing expenses	363	251	388
General and administrative expenses	505	339	459
<b>Operating income</b>	<b>2,045</b>	853	1,673
Net financial result	27	(6)	41
<b>Profit before taxes on income</b>	<b>2,072</b>	847	1,714
Income taxes	(346)	-	(35)
<b>Net profit for the period</b>	<b>1,726</b>	847	1,679
Number of shares	17,600,000	17,600,000	17,600,000
Profit per share (in USD)	0.10	0.05	0.10

### Balance Sheet - unaudited -

	September 30	
	USD 000 2006	USD 000 2005
Current assets	14,436	8,208
Non-current assets	1,019	963
<b>Total assets</b>	<b>15,455</b>	9,171
Current liabilities	3,646	2,395
Non-current liabilities	125	915
Shareholders' equity	11,684	5,861
<b>Total liabilities and shareholders' equity</b>	<b>15,455</b>	9,171