



PAYTON GROUP
INTERNATIONAL

PRESS RELEASE

25 August 2005

HALF-YEAR AND SECOND QUARTER RESULTS 2005:

PAYTON CONTINUES ON ITS SUCCESS PATH

NET PROFIT OF USD 970 THOUSAND

Payton Planar Magnetics Ltd. announced today its financial results for the first half-year of 2005 (six-month period ending June 30, 2005).

The Company is continuing on its successful track initiated in 2003. Presenting a positive net profit throughout 2004, the Company presents a net profit for both the first and second quarters of 2005. The net profit for the first half-year of 2005 was USD 970 thousand compared to a net profit of USD 1,021 thousand for the same period last year.

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 2005

Sales revenues

The Company's sales revenues for the first half-year of 2005 were USD 5,534 thousand compared to USD 5,675 thousand for the first half-year of 2004. The slight decrease of less than 2.5% is due to a decrease of sales revenues made during the second quarter (USD 2,747 thousand in the second quarter of 2005 compared to USD 2,995 thousand for the same period in 2004).

Cost of sales

Cost of sales for the first half-year 2005 amounted to USD 3,092 thousand compared to USD 3,287 thousand for the same period last year. This decrease of nearly 6% more than outbalances the decrease of the sales revenues and is explained by a reduction in labor costs. Latter resulted mainly as a result of salaries paid in NIS exposed to the erosion of the NIS in relation to the USD.

Gross profit

Gross profit for the first half-year of 2005 increased from USD 2,388 thousand (first half-year 2004) to about USD 2,442 thousand in 2005. When considering the gross profit in terms of sales revenues, the Company achieved a ratio of 44% compared to 42% for the same period in 2004.

Expenses

Research and Development expenses (R&D), estimated based on employee's hour dedication, remained at nearly the same level as for the first half-year of 2004: R&D costs were about USD 233 thousand compared to about USD 223 thousand for the same period last year.

During the first half-year 2005, *Sales and Marketing expenses (S&M)* decreased from USD 562 thousand in 2004 (same period) to 552 thousand. This decrease is in line with the decrease in sales revenues. Costs are based on management policy and are not directly related to sales, except for distribution of commissions to the sales representatives calculated as proportion of sales.

Finally, *General and Administrative (G&A) expenses* increased from USD 545 thousand (first half-year 2004) to USD 624 thousand in the first half-year of 2005. The increase in G&A expenses is mainly due to an increase in the Parent Company's charge for joint G&A expenses. This increase is primarily related to the payment of management incentives as a result of improved Group sales and profitability.

Operating profit

The total operating profit before financial expenses for the first half-year 2005 amounted to USD 1,033 thousand, compared to USD 1,058 thousand the same period last year.

Financial results

During the first-half of 2005, the Company recorded a financial loss of USD 65 thousand compared to a loss of USD 37 thousand for the first half of 2004.

Results of the period

The total result for the first half-year of 2005 was a net profit of approximately USD 970 thousand. Compared to the first half-year of 2004, the net profit decreased by about 5% (USD 1,021 thousand for the first half year 2004). This decrease is mainly due to an increase in the Company's financial and G&A expenses.

Outlook

On June 30, 2005, the order and purchase backlog of the Company was USD 3,693 thousand (compared to the position on December 31, 2004 where the order and purchase backlog amounted to USD 2,279 thousand). The backlog is composed of firm orders only. The Management of the Company estimates that most of the backlog will be supplied until the end of first quarter 2006.

Note to the editor:

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 165 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).

For more information, please visit Payton's web site at www.paytongroup.com or contact Patrick Valkenberg, PR Force, at int-32-(0)2-713 0721 or pvalkenberg@incepta.be or Michal Lichtenstein, Chief Finance Officer 00- 972-3-9611164 or Michal@paytongroup.com

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.

Statements of Operations (unaudited) in USD thousand (except for net result per share)

	Six months ended June 30		Three months ended June 30	
	2005 (Unaudited) USD thousand	2004 (Unaudited) USD thousand	2005 (Unaudited) USD thousand	2004 (Unaudited) USD thousand
Sales revenues	5,534	5,675	2,747	2,995
Cost of sales	(3,092)	(3,287)	(1,555)	(1,737)
Gross profit	2,442	2,388	1,192	1,258
Development costs	(233)	(223)	(117)	(108)
Selling and marketing expenses	(552)	(562)	(264)	(299)
General and administrative expenses	(624)	(545)	(292)	(263)
Operating profit (loss)	1,033	1,058	519	588
Net financial result	(65)	(37)	(35)	(35)
Other income	2	-	3	-
Net result for the period	970	1,021	487	553
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Basic and diluted net profit (loss) per ordinary share (in USD)	0.055	0.058	0.028	0.031

Number of outstanding shares: 17,600,000

* The net result per share has been obtained by dividing the net result for the period by the number of total shares (17,600,000)