



*PAYTON GROUP*  
*INTERNATIONAL*

**PRESS RELEASE**

**19 November 2004**

**THIRD QUARTER RESULTS:**  
**RECORD SALES AND RECORD QUARTERLY BENEFITS**

**Turning point confirmed in the third quarter**

Payton Planar Magnetics Ltd announced today its financial results for the third quarter of 2004 (three-month period ending 30 September 2004).

The Company is continuing on its successful track initiated in 2003. After two first positive quarters earlier this year, the third quarter also led to positive results. Sales reached a new record with USD 3,422 thousand while the net profit of the period was about USD 866 thousand, a Company record benefit for a quarter and a significant improvement compared to the loss of USD 123 thousand in the third quarter of 2003.

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 figures of the period (three-month period ending 30 September 2004)***

**Sales Revenues**

Sales revenues for the third quarter were about USD 3,422 thousand compared to USD 1,857 thousand in the same period last year, representing an increase of approximately 84%. The Q3 2004 sales figure represents a new record for the company and the fifth increasing quarter in a row. The Company is bearing the fruit of its efforts with regard to cost reduction and improved efficiency in material consumption and labor costs.

**Cost of sales**

Cost of sales in the third quarter accounted for USD 1,805 thousand, compared to USD 1,390 thousand in the same period last year. If costs of sales in terms of sales generated represented 75% in the third quarter 2003, the same ratio amounts to about 53% for the third quarter 2004.

**Gross Profit**

The Group's gross profit for the third quarter was about USD 1,617 thousand, more than three times the amount of the same period last year (USD 467 thousand).

**Development**

Development costs are estimated upon employee's hour dedication. The Group's development costs for the third quarter amounted to about USD 127 thousand. For

comparison, development costs in the same period last year amounted to USD 109 thousand.

### **Selling & Marketing Expenses (S&M)**

The Group's selling & marketing expenses for the period were USD 258 thousand compared to USD 197 thousand in the third quarter of the previous year. The Company's selling & marketing expenses are based on Payton's management policy and are not directly related to sales, but rather include distribution commissions to sales representatives that are calculated as a portion of sales. The increase in Selling & Marketing expenses is in line with the increase in revenues.

### **General and Administrative Expenses (G&A)**

General and administrative expenses of the third quarter amounted to about USD 348 thousand, compared to USD 293 thousand for the third quarter 2003. The difference in expenses between the two periods are due to two factors: there was an increase in the Parent Company (Payton Industries Ltd.) joint G&A expenses, and also, the share of Payton Planar Magnetics in these Group's G&A expenses was increased from 61% to 75%.

### **Net Results**

The total result for the third quarter 2004 was a net profit of approximately USD 866 thousand, compared to a net loss of USD 123 thousand in the third quarter of 2003. The net profit of this quarter represents a new record figure for the company.

Taken the basis of the first nine months of 2004, the company made a net profit of USD 1,887 thousand, a significant improvement compared to the net loss of the first nine months of 2003 which accounted for USD 219 thousand.

### **Note**

In July 2004 a bank approved new terms of payment regarding USD 1,100 thousand-credit facility. The new terms set with the bank are: USD 300 thousands will be paid gradually within 12 months (starting August 2004). Additional USD 800 thousands were fixed as a loan for a period of one year, that its return terms shall be discussed and determined before the end of its period (July 2005). It is noted that the Company mortgaged USD 400 thousands in favor of the bank, this lien was decreased (in September 2004) to USD 300 thousands.

### **Note to the editor:**

*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 190 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](http://www.paytongroup.com) or contact Patrick Valkenberg, PR Force, at int-32-(0)2-7130721 or [pvalkenberg@incepta.be](mailto:pvalkenberg@incepta.be) or Michal Lichtenstein, Chief Finance Officer int- 972-3-9611164 or [Michal@paytongroup.com](mailto: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. Consolidated quarterly statements of income

In US Dollars thousands (except for profit (loss) per share)

	<b>Third Quarter 2004 (unaudited) (Jul – Sep)</b>	<b>Third Quarter 2003 (unaudited) (Jul – Sep)</b>
Sales revenues	3,422	1,857
Cost of sales	1,805	1,390
Gross result	1,617	467
Development costs	127	109
Selling & marketing expenses	258	197
General & administrative expenses	348	293
Operating profit (loss)	884	(132)
Net financial result	(19)	11
Net operating profit (loss) after financial result	865	(121)
Other income (expense)	1	(2)
Result before taxes on income	866	(123)
Tax (expenses) benefits	-	-
Result after taxes on income	866	(123)
Minority interest in losses of subsidiaries	-	-
Net profit (loss) for the period	866	(123)
Basic and diluted net profit (loss) per ordinary share (in USD)*	0.049	(0.007)

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)