PAYTON GROUP
INTERNATIONAL

REGULATED INFORMATION
PRESS RELEASE
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Full Year Results 2008 - Profitable Performance and Solid Cash Position

Sales Revenues of USD 15 million
Backlog as of December 31, 2008 of USD 4,045 thousand

Rishon Le Zion (Israel) – Payton Planar Magnetics today announced its financial results for the year ending December 31, 2008.

Total sales revenues for 2008 totaled USD 15 million leading to a net profit of USD 1,49 million. The sales volume was affected by the global slow-down, by exchange rates fluctuations vis-à-vis the shekel and by the end of a high volume project that finished its life cycle.

In 2008, Payton further penetrated the larger telecom companies in Europe and is now targeting telecom, automotive, industrial and military companies in North America, Japan, Taiwan and South Korea.

Due to the deteriorated international economic situation, Payton does not foresee a growth in activities during 2009. Nevertheless, the management expects to continue its regular course of business. The group intends to maintain and diversify its manufacturing capacity through manufacturing partners in the Far East and plans further investments in the PCB facility in 2009.

Order and purchase backlog as of December 31, 2008 were USD 4,045 thousand compared to USD 3,903 last year.

Operational highlights in 2008

2008 was characterized by the start of production in the new proprietary premises in Deerfield Beach, South Florida, USA as from July 2008. In the Printed Circuits Board (PCB) facility in Ashkelon, Israel, a new plating line for Heavy Copper PCB's and multi-layer boards has been installed. The total investment in of this facility expansion is estimated to amount USD 1.5 million. Follow up investments in new modernized equipments are expected for 2009.

During the first quarter, the parent company Payton Industries signed a MOU with Advanced Cores Production (ACP) to acquire 100% of ACP's shares. In the second quarter however, after performing a technical, financial and legal due-diligence, Payton Industries decided not to proceed with the said acquisition.

Financial highlights in 2008

Sales revenues

Sales for the year ended December 31, 2008 amounted to USD 15,255 thousand compared with USD 18,957 thousand in 2007. The sales were mostly affected by the global slow-down and by the end of life cycle (in the last quarter of 2007) of a substantial high volume project. However, in 2008 Payton managed to attract a new high volume customer representing respectively over 15% of the sales.

The contribution of the fourth quarter was USD 3,554 thousand compared to USD 4,246 thousand in Q3 2008. Sales were generated primarily within the telecom, power electronic and industrial applications manufacturing markets. Additional markets the company is further developing are the industrial, automotive instrumentation and military markets. Revenues for the year ended 2008 consisted of recurring income from existing customers and sales to new ones.

Since most of the Group's high volume sales are being shipped to the Far-East, the sale decrease is reflected in the geographical breakdown as a lower contribution in Asia.

Revenues	2008	2007
Europe / Israel	5,332	6,040
America	3,983	4,096
Asia	5,940	8,821
TOTAL	15,255	18,957

Cost of sales & gross result

Cost of sales stabilized at USD 9,364 thousand in 2008 compared to USD 9,493 thousand in 2007. The gross profit for 2008 amounted to USD 5,891 thousand (39%), compared with USD 9,464 thousand (50%) in 2007.

The gross result was affected by the sales decrease, the devaluation of the USD with relation to the NIS and changes in the product-mix sold during the period. Also a portion of the expenses included in the cost of sales could not be reduced in parallel to the sales decrease.

Expenses

In 2008, *General & Administrative* (G&A) *expenses* amounted to USD 2,039 thousand (USD 1,963 thousand in 2007). The level of the costs is influenced by the decrease in exchange rate of the USD in relation to the NIS causing an increase in these expenses when presented in USD. In NIS, the G&A expenses in 2008 went down by 8%, compared with 2007.

Selling & Marketing expenses decreased from USD 1,439 thousand in 2007 to USD 1,280 this year. Marketing efforts were concentrated on the participation in trade fairs in the USA (APEC 2008 in Texas) , in China (Electronica & Productronica China 2008 with PCIM' exhibition in Shanghai), in Israel (Technology Hitech 2008 in Tel-Aviv) in Greece "(Power Electronics Specialists Conference in Rhodes) and in Germany (PCIM exhibition in Nuremberg and Electronica exhibition in Munich). *Development costs* increased from USD 581 thousand to USD 708 thousand reflecting mostly by the revaluation of the local Israeli currency.

Operating & financial result

The total operating profit before the financial result for 2008 amounts to USD 1,871 thousand compared to USD 5,481 thousand last year. In 2008, Payton Planar recorded a financial profit of USD 179 thousand compared to USD 405 thousand in 2007 reflecting a reduction in interest income on bank deposits.

Profit before income taxes

The profit before income taxes for the financial year 2008 is USD 2,050 thousand compared to a profit of USD 5,886 thousand in 2007.

Taxes on income

In 2008, Payton Planar recorded a net tax expense of USD 552 thousand compared to USD 974 thousand in 2007. It is noted that in the past, Payton was entitled to a lower tax rate thanks to a government encouragement program. In 2008 these tax benefits were negligible.

Result of the period

The total result for financial year 2008 was a net profit of USD 1,498 thousand, compared to USD 4,912 thousand in 2008. Considering the current challenging situation on the markets, Payton intends to allocate the profits to its cash reserves and to maintain management's conservative cash planning policy, which enable Payton keep on its strong financial position.

Balance sheet – cash position

Property, plant and equipment increased from USD 1,337 thousand in 2007 to USD 1,639 thousand as at December 31, 2008 reflecting the property investment in Florida, the new equipments in the PCB and the production facilities in Israel.

Cash and cash equivalents, marketable securities and short-term deposits amounted to USD 13,984 thousand as at December 31, 2008 compared to USD 15,876 thousand as at December 31, 2007. The decrease is mainly attributable to the reclassification of ARS[1] as a long term investment at the amount of USD 2,660 thousand.

All the short-term bank credit of Payton Planar was repaid in 2007 resulting in a zero interest rate exposure with regards to short-term bank credit.

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[1] Auction Rate Securities ("ARS") are debt instruments 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.

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 December 31, 2008, the fair value of the ARS amounted to USD 2,660 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 have been paid on time and in full.

Cash flow generated from operating activities for the year ended December 31, 2008 amounted USD 1,733 thousand, compared with USD 6,880 thousand for the year ended December 31, 2007. The decrease resulted mainly from the sales drop and from the decrease in trade receivables and in other payables & tax liabilities. Cash flow used for investment activities in the year ended December 31, 2008, resulted mainly from investing in deposits, in marketable securities, in property and equipments and amounted to USD 2,523 thousand compared with USD 5,143 thousand in 2007.

Outlook

Order and purchase backlog as of December 31, 2008 were USD 4,045 thousand compared to USD 3,903 last year. The backlog is composed of firm orders only. The management estimates that most of the backlog as of 31 December 2008 will be supplied until end of September 2009.

The global economic crisis affects the business positions of Payton's customers resulting in orders and sales slow-down. Due to the global economic deterioration, Payton does not foresee a growth in business during 2009. Nevertheless, Payton will continue its regular course of business by expanding products exposure and enlarging market share. In addition, Payton will continue its search for business and M&A opportunities, synergetic to its core business. Thanks to management's conservative cash policy, Payton holds a high balance of the cash, cash equivalents and deposits. Therefore, management estimates that the company is financially strong and no liquidity problems are expected in the foreseeable future.

Finally, Payton completed all necessary qualification audits for two International Quality Management Standards (Automotive International Standard and Space & Avionic International Standard). The Company is now about to be certified and those certifications will further open the doors of the automotive and space/avionic markets and give Payton a competitive advantage over non-certified companies.

External risk factors

In the recent years there has been an increasing interest of conventional transformer manufacturers to get into the Planar field. Following companies are considered as potential competitors: Pulse and Coilcraft (USA), Premo (Spain), Tokin (Japan) and Himag (UK). However, Payton believes in its technology advantage and capabilities and estimates it can benefit from an increasing competition in the market due to the greater exposure of the technology.

The global economic crisis affects the Group's customers and causes orders and sales slowdown. Furthermore, The devaluation of the USD in relation to the local Israeli currency (New Israeli Shekel - NIS) has a negative influence on the operating results since most of the salaries (88%) and other operating costs are fixed in local NIS. Other changes in external factors that may affect Payton's results are related to telecom market fluctuations to manufacturing partners' dependency, etc.

Independent Auditors' Report – 26 March 2009

The selected consolidated financial data are derived from the Audited Financial Statement of the Company as of and for each of the years in the two years period ended December 31.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and the requirements of Israeli law.

The results have been audited by Somekh Chaikin, Certified Public Accountants, a member firm of KPMG International. The conclusion of the auditor is as follows: "In our opinion based on our audit and on the reports of the abovementioned other auditors, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2008, and of its consolidated income statement, the consolidated statement of changes in shareholders' equity and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards."

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 31 December 2008 are drawn up in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") 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 financial year, their impact on the financial statements, the main risk factors and uncertainties, as well as the main transactions with related parties and their possible impact on the financial statements.

The complete audited financial statements and the annual report 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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Key financial figures – Payton Planar Magnetics Ltd.

Consolidated Statement of Income
- audited -

	12 months ended December 31	
	2008 USD 000	2007 USD 000
Sales revenues	**15,255**	18,957
Cost of sales	**9,364**	9,493
Gross result	**5,891**	9,464
Development costs	**(708)**	(581)
Selling and marketing expenses	**(1,280)**	(1,439)
General and administrative expenses	**(2,039)**	(1,963)
Other income (expenses)	**7**	-
Operating profit (loss)	**1,871**	5,481
Financial income	**449**	586
Financial expense	**(270)**	(181)
Profit (loss) before income taxes	**2,050**	5,886
Income taxes	**(552)**	**(974)**
Net profit (loss) for the year	**1,498**	4,912
Number of shares	**17,670,775**	17,670,775
Earnings per share (in USD)	**0.08**	0.28

Consolidated Balance Sheet
- audited -

	2008 USD 000	2007 USD 000
ASSETS		
Current assets	**19,851**	22,280
Non-current assets	**4,737**	1,812
Total assets	**24,588**	24,092
Liabilities and shareholders' equity		
Current liabilities	**4,160**	4,875
Non-current liabilities	**152**	124
Shareholders' equity	**20,276**	19,093
Total liabilities and shareholders' equity	**24,588**	24,092

Current Shareholders position

Shareholder name	**Number of shares**	**% of outstanding shares**	**Comments**
Payton Industries Ltd.	11,691,131	66.2%	Israeli company traded in the Tel Aviv stock exchange.
Public	5,979,644	33.8%	Listed on the EuroNext since June 1998.
Total	17,670,775	100.0%	Total outstanding shares.

Consolidated Cash Flow Statement

Audited - USD thousands	**2008**	2007
Operating activities		
Net profit for the year	**1,498**	4,912
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation	**227**	207
Capital gain on sale of equipment	**(7)**	-
(Decrease) increase in liability for employee benefits	**28**	(70)
Decrease (increase) in trade receivables	**561**	1,016
(Increase) decrease in other accounts receivable	**66**	(77)
Increase in inventory	**(90)**	(38)
(Decrease) increase in trade payables	**(118)**	8
(Decrease) increase in other payables and tax liability	**(613)**	825
Decrease Deferred taxes	**32**	45
Finance expenses, net	**149**	52
Cash flows generated from operating activities	**1,733**	6,880
Investing activities		
Investments in marketable securities held for trading	**(747)**	(1,591)
Investments in marketable securities available for sale	**(1,000)**	(3,014)
Proceeds from sale of marketable securities held for trading		1,316
Proceeds from sale of marketable securities available for sale	**1,039**	-
Investments in deposits, net	**(1,309)**	(849)
Investment in property, plant and equipment	**(547)**	(1,014)
Proceeds from sale of equipment	**41**	9
Cash flows used for investing activities	**(2,523)**	(5,143)
(Decrease) increase in cash and cash equivalents	**(790)**	1,737
Cash and cash equivalents at beginning of the year	**9,063**	7,269
Effect of exchange rate fluctuations on cash held	**(43)**	57
Cash and cash equivalents at end of the year	**8,230**	9,063

Note :

This document 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.

Reference in this document to forward looking statement shall be by stating that such information is given by way of estimation, evaluation, assessment, intentions, expectations, beliefs and similar terms, but it is possible that such information shall be given under other phrases.

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 150 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).