



PAYTON GROUP
INTERNATIONAL

PRESS RELEASE
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Full Year Results 2007 : Profitable Performances and Strong Cash Position

Sales Revenues of USD 18.9 million
Net Profit of USD 4.9 million

Rishon Le Zion (Israel) – Payton Planar Magnetics today announced its financial results for the year ending December 31, 2007.

Total sales revenues for 2007 totaled nearly USD 19 million leading to a net profit of USD 4.9 million. The sales volume was primary affected by the end of life cycle of 2 substantial customer projects.

In 2007, Payton Planar effectively 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.

For 2008, the management expects to continue its regular course of business and to extend its manufacturing and capacity capabilities through the training and guiding of its manufacturing partners in the Far East.

Operational highlights in 2007

On September 17, 2007, Payton America, a fully owned subsidiary of Payton Planar, purchased a property located in Deerfield Beach, South Florida, USA. The total cost (including interior construction related expenses) is estimated by USD 800 thousands. The company expects to leave its current leased premises and to move to the new location during 2008.

Last year (2006) the Company took a decision to expand and modernize its Printed Circuits Board ("PCB") facility in Ashkelon, Israel. The plant specializes in Heavy Copper PCB's and Multi-Layer Boards unique for Planar Transformers and Power Electronic applications. The estimated investment was USD 1.5 - 2.0 millions. To date, the infrastructure for the new facility is in progress. A delay with the implementation of the new Electrolytic Pattern Plating line is expected due to some difficulties with the supplier.

Key financial figures for 2007

Sales revenues

Sales for the year ended December 31, 2007 amounted to USD 18,957 thousand compared with USD 21,564 thousand for 2006. The sales decrease is attributable to the fact that two projects of two former substantial customers reached their end of life cycle. The sales were generated primarily from large telecom companies and from industrial applications manufacturers.

Cost of sales & gross result

Cost of sales decreased accordingly from 10,275 in 2006 thousand to USD 9,493 thousand in 2007. The gross profit for 2007 amounted to USD 9,464 thousand, compared with USD 11,289 thousand in 2006. The gross margin evolved from 52% in 2006 to 50% in 2007. Despite the sales volume decrease, the company succeeded in maintaining a high gross profit level thanks to production efficiency and by subcontracting production to Chinese venture.

Expenses

In 2007, General & Administrative (G&A) expenses stabilised at USD 1,963 thousand (USD 1,945 thousand in 2006). The level of the costs is influenced by the decrease in exchange rates of the USD in relation to the NIS causing an increase in these expenses when presented in USD.

Selling & Marketing expenses decreased from USD 1,465 thousand in 2006 to USD 1,439 this year. Marketing efforts were concentrated on the participation in trade fairs in the USA (APEC 2007' in LA and Power systems' exhibition in California), in China (Electronica & Productronica China 2007 and PCIM' exhibition in Shanghai), in Israel (Electronica' exhibition in Tel-Aviv) and in Germany (PCIM exhibition in Nuremberg.) *Development costs* increased from USD 543 thousand to USD 581 thousand.

Operating & financial result

The total operating profit before the financial result for 2007 amounts to USD 5,481 thousand compared to USD 7,336 thousand last year. In 2007, Payton Planar recorded a financial profit of USD 405 thousand compared to USD 224 thousand in 2006.

Profit before income taxes

The profit before income taxes for the financial year 2007 is USD 5,886 thousand compared to a profit of USD 7,564 thousand in 2006.

Taxes on income

In 2007, Payton Planar recorded a net tax expense of USD 974 thousand compared to USD 721 thousand in 2006. It is noted that in the past, the company was able to use deferred tax assets to offset the tax expense. As at December 31, 2007 Payton Planar used most of its deferred tax assets and its profits are fully taxable.

Result of the period

The total result for financial year 2007 was a net profit of USD 4,912 thousand, compared to 2006, USD 6,843 thousand.

Cash, financial, and cash flow position

Cash and cash equivalents, marketable securities and short-term deposits increased to USD 15,876 thousand as at December 31, 2007 from to USD 10,018 thousand as at December 31, 2006. The increase resulted mainly from the net income for the year.

Cash flow generated from operating activities for 2007 amounted USD 6,501 thousand, compared with USD 6,784 thousand in 2006. In spite of the decrease of USD 1,931 thousand in the net profit, the operating cash flow only decreased by USD 283 thousands or 4%, mainly due to the decrease in trade receivables.

Subsequent event after balance sheet date

On March 18, 2008, Payton Industries, the parent company of Payton Planar signed a Memorandum of Understanding (MOU) with ACP Advanced Cores Production (ACP) regarding an acquisition of 100% of ACP's shares. ACP is a private Israeli company, who manufactures and markets amorphous magnetic cores, mainly for the transformers industry.

The acquisition will amount to USD 600 thousand in cash and additional USD 350 – USD 400 thousand, within three years, as an agreed percentage of ACP's future sales. The MOU is non-binding and the agreement is subject to completion of a technical, financial and legal due-diligence.

'The acquisition of ACP is in line with our objectives & business strategy looking for M&A business opportunities to extend our core business with synergetic product lines', confirms David Yativ, Chairman of the Board of Directors and CEO.

Outlook

Order and purchase backlog as of December 31, 2007 were USD 3,903 thousand; compared to 5,332 thousand last year. As of March 24, 2008 the backlog significantly increased and amounted to USD 6,619 thousand. The backlog is composed only of firm orders. The management estimates that most of the backlog as of 31.12.07 will be supplied until end of September, 2008.

External risk factors

The devaluation of the USD in relation to the local Israeli currency (New Israeli Shekel - NIS) causes an increase in the company's labor costs since most of the salaries and other operating costs are fixed in local NIS. The devaluation of the USD in relation to the Chinese currency also impacts the company's cost of goods sold since Payton Planar is subcontracting to Chinese ventures. Other changes in external factors that may affect Payton's results are related to telecom market fluctuations and to the rise in metals prices, especially copper, steel, tin and silver which are part of the transformers bill of materials.

Independent Auditors' Report – 25 March 2008

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 accounts, 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, 2007, 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".

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
or contact Michal Lichtenstein, CFO at 00- 972-3-9611164 -Michal@paytongroup.com
or Alexandra Niehe at 00-32 57-21 44 54 - aniehe@citigate.be

Payton Planar Magnetics Ltd.

Consolidated Income Statement

Audited - USD thousands	2007	2006
Revenues	<u>18,957</u>	<u>21,564</u>
Cost of sales	<u>9,493</u>	<u>10,275</u>
Gross profit	9,464	11,289
Development costs	581	543
Selling and marketing expenses	1,439	1,465
General and administrative expenses	<u>1,963</u>	<u>1,945</u>
Operating income	5,481	7,336
Finance income	586	280
Finance expense	(181)	(56)
Other income	-	4
Profit before income taxes	5,886	7,564
Income taxes	<u>(974)</u>	<u>(721)</u>
Profit for the year	<u>4,912</u>	<u>6,843</u>

Number of shares : 17,670,775

Basic and diluted earnings per ordinary share	0.28	0.39
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Consolidated Balance Sheet

Audited – USD thousands	31/12/2007	31/12/2006
ASSETS		
Current assets	<u>22,280</u>	<u>17,323</u>
Non-current assets	<u>1,812</u>	<u>1,064</u>
Total assets	<u>24,092</u>	<u>18,387</u>
Liabilities and shareholders' equity		
Current liabilities	<u>4,875</u>	<u>4,012</u>
Non-current liabilities	<u>124</u>	<u>194</u>
Shareholders' equity	<u>19,093</u>	<u>14,181</u>
Total liabilities and shareholders' equity	<u>24,092</u>	<u>18,387</u>

Consolidated Cash Flow Statement

Audited - USD thousands	<u>2007</u>	<u>2006</u>
Operating activities		
Net profit for the year	4,912	6,843
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation	207	207
Capital gain on sale of equipment	-	(4)
(Decrease) increase in liability for employee severance benefits, net	(70)	90
Decrease (increase) in trade receivables	1,016	(2,142)
(Increase) decrease in other accounts receivable	(77)	108
Increase in inventory	(38)	(309)
Increase in trade payables	8	347
Increase in other payables and tax liability	825	1,549
Deferred taxes	45	276
Finance expenses from transaction with controlling shareholder	34	24
Loss from (gain on) marketable securities	75	(14)
Interest paid	-	*16
Interest received	(436)	*(207)
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Cash flows generated from operating activities	6,501	6,784
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Investing activities		
Investments in marketable securities	(3,289)	(400)
Investments in deposits, net	(413)	*(1,099)
Investment in property, plant and equipment	(1,014)	(178)
Proceeds from sale of equipment	9	4
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Cash flows used for investing activities	(4,707)	(1,673)
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Financing activities		
Short-term bank credit, net	-	*(596)
Repayment of loan to parent company	-	(428)
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Cash flows used for financing activities	-	(1,024)
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Increase in cash and cash equivalents	1,794	4,087
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Cash and cash equivalents at beginning of the year	7,269	3,182
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Cash and cash equivalents at end of the year	9,063	7,269
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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.

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 164 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).