



*PAYTON GROUP*  
*INTERNATIONAL*

**PRESS RELEASE**

**25 May 2006**

## **FIRST QUARTER 2006 RESULTS**

### **NET PROFIT OF USD 931 thousands**

### **IMPRESSIVE OPENING FOR 2006**

Payton Planar Magnetics Ltd announced today its financial results for the first quarter of 2006 (three-month period ending 31 March 2006). The company realised during the first quarter an increase both in terms of revenues and net profit compared to the first quarter 2005. Net profit for the first quarter reached USD 931 thousand, continuing the impressive progress of 2005.

Payton Planar Magnetics Ltd is an Israeli-based high-tech company listed on Eurolist by Euronext Brussels (ticker: PAY) and active in the field of planar transformers and inductors.

#### **Key figures of income statement:**

##### **Sales Revenues**

Sales revenues for the first quarter (three-month period ending 31 March 2006) were USD 3,670 thousand compared to USD 2,787 thousand for the same period last year (Q1 2005). This represents an increase of about 31.7%.

Backlog orders (composed of firm orders only) to be executed in the coming quarters amounted on 31 March 2006 to about USD 5,206 thousand.

##### **Cost of sales**

Cost of sales for the Q1 2006 amounted to USD 2,030 thousand compared to USD 1,537 thousand in the same quarter last year (Q1 2005). This increase is in line with the increase in sales revenues generated.

##### **Gross Profit**

Following the increase of revenues and the limitation of costs, the Group's gross profit increased from USD 1,250 thousand in Q1 2005, to USD 1,640 thousand for the first quarter 2006. The Group's gross margin remained about the same level in the first quarter of 2006 and in the first quarter of 2005 (about 45%), a slight decrease (about 1%) compare to the gross margin in last quarter of 2005.

##### **Expenses**

General&Administrative (G&A) expenses for the first quarter amounted to about USD 408 thousand, compared to USD 322 thousand in the same period last year. The increase in these expenses during the first quarter compared with the last quarter of

2005 is mainly due to the Company's share increase in the allocation of its Parent Company joint G&A expenses. Development costs increased from USD 116 thousand in the first quarter of 2005 to USD 129 thousand in the present first quarter.

#### **Taxes on income of the quarter**

In the first quarter of 2006 the group recognised a net deferred tax asset amounting to USD 80 thousand generated from updating the net tax assets. This net increase compared to the situation on 31 December 2005 resulted of reassessed estimations in respect of previously unrecognised deferred tax assets related to the carry forward of unused tax losses.

#### **Net Profit for the period**

The first quarter 2006 ended with a net profit of USD 931 thousand, almost doubling the net profit of the first quarter 2005 (USD 483 thousand). The net results for the first quarter 2006 visualizes an impressive growth compared to 2005 (annual net profit of USD 3,303 thousand).

#### **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 180 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).*

<p>For more information, please visit Payton's web site at <a href="http://www.paytongroup.com">www.paytongroup.com</a> or contact Patrick Valkenberg, Citigate, at int-32-(0)2-7130721 or <a href="mailto:pvalkenberg@citigate.be">pvalkenberg@citigate.be</a> or Michal Lichtenstein, Chief Finance Officer 00- 972-3-9611164 or <a href="mailto:Michal@paytongroup.com">Michal@paytongroup.com</a></p>
---

#### **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.

In US Dollars thousands (except for number of and profit by share)

	unaudited	
	First Quarter 2006	First Quarter 2005
Sales revenues	3,670	2787
Cost of sales	2,030	1,537
Gross result	1,640	1,250
Development costs	129	116
Selling & marketing expenses	299	288
General & administrative expenses	408	332
Operating profit (loss)	804	514
Net financial result	47	(30)
Net operating profit (loss) after financial result	851	484
Other income (expense)	-	(1)
Profit before taxes on income	851	483
Taxes on income	80	
Net profit (loss) for the period	931	483
Number of shares	17,600,000	17,600,000
Profit per share (in USD)	0.053	0.027