



**PAYTON GROUP**  
**INTERNATIONAL**

**PRESS RELEASE**  
**24 NOVEMBER 2005**

**THIRD QUARTER 2005:**  
**PAYTON ACCELERATES ITS SUCCESS PATH**  
**NET PROFIT OF USD 847 THOUSAND**

Payton Planar Magnetics Ltd. announced today its financial results for the third quarter 2005 (three-month period ending September 30, 2005).

Continuing on and accelerating its success path initiated in 2003, the Company presents for the third quarter sales revenue of USD 3,353 thousand and a net profit of USD 847 thousand.

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 third quarter 2005**

***Sales revenues***

The Company achieved during the third quarter sales revenues of USD 3,353 thousand. If this compares to the third quarter 2004 at a decrease of 2% (USD 3,422 thousand in Q3 2004), it represents an increase of 22.1% compared to the previous quarter (USD 2,747 thousand in Q2 2005).

***Cost of sales***

Cost of sales for the third quarter 2005 amounted to USD 1,790 thousand compared to USD 1,805 thousand for the same period last year.

***Gross profit***

Gross profit for the third quarter of 2005 amounted to USD 1,563 thousand compared to about USD 1,617 thousand (a slight decrease of 3%) for the same period last year and compared to USD 1,192 thousand (an increase of 31%) for the previous quarter Q2 2005. In terms of sales revenue, the gross profit represents 46.6% of sales, in line with the same period of last year (about 47%) but superior to the previous quarter Q2 2005 (about 43.4 %). The improvement in cost is explained by cost of sales reduction, mainly in labor costs, as result of using subcontract manufacturers as well as of the devaluation of the NIS in which local salaries are paid.

### **Expenses**

*Research and Development expenses (R&D)*, estimated based on employee's hour dedication, remained at nearly the same level as for the third quarter : R&D costs were about USD 120 thousand compared to about USD 127 thousand for the same period last year.

During the third quarter 2005, *Sales and Marketing expenses (S&M)* decreased from USD 258 thousand in 2004 (same period) to USD 251 thousand. 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. Most Company's S&M expenses are linked to the participation in major power electronic fairs throughout the world as well as to the collaboration with its sales representative network.

Finally, *General and Administrative (G&A)* expenses decreased from USD 348 thousand (third quarter 2004) to USD 339 thousand in the third quarter 2005.

### **Operating profit**

The total operating profit before financial expenses for the third quarter 2005 amounted to USD 853 thousand, compared to USD 884 thousand in the same period last year (a decrease of about 3.5%) and to USD 519 thousand to the previous quarter Q2 2005 (an increase of 64%).

### **Financial results**

During the third quarter 2005, the Company recorded a financial loss of USD 6 thousand compared to a loss of USD 19 thousand in the same period of last year and a loss of USD 35 thousand in the previous quarter (Q2 2005).

### **Results of the period**

The total result for the third quarter 2005 was a net profit of approximately USD 847 thousand. Compared to the third quarter of 2004, the net profit decreased slightly by about 2.2% but increased by about 73.9% compared to the previous quarter Q2 2005.

### **Outlook**

On September 30, 2005, the order and purchase backlog of the Company was USD 4,520 thousand (compared to the position on June 30, 2005 where the order and purchase backlog amounted to USD 3,693 thousand and to USD 2,279 thousand December 31, 2004). 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 third quarter 2006.

### **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 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](http://www.paytongroup.com) or contact Patrick Valkenberg, Citigate, at int-32-(0)2-713 07 21 or [pvalkenberg@incepta.be](mailto:pvalkenberg@incepta.be) or Michal Lichtenstein, Chief Finance Officer 00- 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.

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

	<b>Third Quarter 2005 (unaudited) (Jul – Sep)</b>	<b>Second Quarter 2005 (unaudited) (Apr – Jun)</b>	<b>Third Quarter 2004 (unaudited) (Jul – Sep)</b>
Sales revenues	3,353	2,747	3,422
Cost of sales	<u>(1,790)</u>	<u>(1,555)</u>	<u>(1,805)</u>
Gross result	1,563	1,192	1,617
Development costs	(120)	(117)	(127)
Selling & marketing expenses	(251)	(264)	(258)
General & administrative expenses	<u>(339)</u>	<u>(292)</u>	<u>(348)</u>
Operating profit (loss)	853	519	884
Net financial expenses	(6)	(35)	(19)
Other income (expense)	-	3	1
Net profit (loss) for the period	847	487	866
Basic and diluted net profit (loss) per ordinary share (in USD)*	0.05	0.03	0.05

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)