Interim Results for the six months to 30 June 2007

SimiGon Ltd (the Company together with its subsidiary "SimiGon" or the "Group"), a global leader in providing simulation solutions, announces its interim results for the six months to 30 June 2007.

Financial Highlights

- Turnover was in-line with revised guidance of $ 1.53m (H1 2006: $3.7m)
- Loss before tax was $1.87m (H1 2006: Profit $1.01m)
- Gross margin at 63.7% (2006: 84.1%)
- Strong balance sheet with net cash and short-term deposits of $6.1m at 30 June 2007 ($1.64m at 30 June 2006 and $8.9m at 31 December 2006)

Operational Highlights

- Continued to leverage its core product SIMbox to increase market share in existing markets and laid solid foundations in newer markets
- Partner of choice to provide Learning and simulation systems within Lockheed Martin's winning bids for the UK's Military Flying Training System and Singapore's Basic Wings Course
- Post Balance sheet events:
  - Lockheed Martin's selects SIMbox technology for its JSF NxLearn training program, the world's largest programme of its kind
  - Canadian Air force extends SimiGon contract for Winged Warriors exercise

Ami Vizer, Chief Executive Officer of SimiGon stated: "While much of the growth we had expected to see in 2007 has been pushed back, SimiGon is making significant progress in its core business as it establishes itself as the partner of choice to deliver simulation training for the largest training programs in the world.

The selection of our technology by Lockheed Martin for the JSF training program, is a very significant milestone for SimiGon, one which we will leverage to win additional programs in the defence sector as well as the commercial markets.

"Looking ahead, although the growth in new territories is taking longer than anticipated, the Group has many opportunities in its core areas. As a result, we are confident about the long term growth prospects of the Group and our ability to deliver shareholder value."

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Operational Review

Since the beginning of the year the Group has continued to leverage its core product SIMbox to increase market share in its existing markets and laid solid foundations in newer markets. The Group is the partner of choice to provide learning and simulation systems within Lockheed Martin's winning bids for the UK's Military Flying Training System and Singapore's Basic Wings Course.

As stated in its statement of 8 June 2007, sales growth were lower than expected due to delay of a programme with a customer in the Far East to ensure compliance with applicable regulations.

Also, in Europe, two customers have delayed their purchase of the Group's D-Brief systems until next year. In addition the Group also saw slower sales in its AirTrack products to the commercial airlines who are taking longer to upgrade their in-flight entertainment system.

Though most of the Group’s earnings are from North American defence-related contracts, the Group has identified several opportunities in Europe and long term sales growth in this region is expected.

The Group successfully delivered an Air Traffic Control training system to a leading Middle Eastern air force.

After the end of the first half, the Group was delighted to announce that the NxLearn Learning Management System, built around its unique learning framework, SIMbox, has been selected for the F-35 Lightning II Joint Strike Fighter (JSF) training program. NxLearn will be an integral part of the JSF training system and is one element of NxSys, a Lockheed Martin (NYSE: LMT) integrated training system infrastructure. The SIMbox technology in NxLearn provides a variety of training benefits, allowing easy creation and distribution of advanced SCORM 2004 content. By providing solutions for multiple requirements, NxLearn will enable the JSF program to meet critical support lifecycle costs. Lockheed Martin anticipates that F-35 training systems will be delivered over the lifespan of the JSF program.

Additionally, SimiGon has been selected to provide the technological infrastructure for the Tactical Aviation Training course of Canada's Air Force, extending a successful relationship between the two parties. SimiGon's AirBook technology is planned to be at the heart of Winger Warrior 2007, the Canadian Air Force's next major virtual training exercise, which will take place in October, although deployment of the systems is expected to take place in August 2007.

The Group continues to invest in research and development to ensure it maintains its position as a leading developer and global supplier of e-simulation software to the defence, aviation and industrial sectors.

Financial Performance

Revenue for the six months ended 30 June 2007 was $1.53 million (H1 2006: $3.7 m) decrease of 59 %. Gross profit for the six months ended 30 June 2007 was $0.98 million (H1 2006: $2.99 million).

Total operating expenses for the six months ended 30 June 2007 increased by 55 % to $3.02 million (H1 2006: $1.95 million), the increase in research and development expenses to $1.33 million (H1 2006: $1.15 million), sales and marketing expenses to $0.87 million (H1 2006:$0.47 m) and general and administration expenses to $0.81 million (2006: $0.3 million) is due to salary increases and the costs related to being a public company.

An operating loss of $2.04 million was incurred (H1 2006: $1.04 million profit). This resulted in a net loss for the first half of $1.87 million compared to a net profit of $1.01 million in H1 2006.The Group reports a net basic and diluted loss per share of $0.05 (H1 2006: $0.03 basic and diluted earnings per share).

As of 30 June 2007, SimiGon had cash, cash equivalent and deposits in the amount of $6.15 million.
As of 30 June 2007, the Group had 64 employees, compared to 55 employees in 30 June 2006.

Outlook

The market for simulation and training technologies and services remains robust and continued to grow and SimiGon is making significant progress in its core business as it establishes itself as the partner of choice to deliver simulation training.

2007 will be a transitional year in which SimiGon is growing beyond small short term programs to being part of multi million long term contracts with the world's best known defence contractors. This enables the Group to have a steady revenue stream and good visibility of future revenue. However, the risks in the initial stages is that there is a timing lag between ,being selected as the preferred supplier of simulation training technology and commencement of the delivery of the systems. Hence, it is difficult to predict from when the Group will start recognizing the revenues.

Looking ahead, although the growth in new territories is taking longer than anticipated, the Group has many opportunities in its core areas and is part of the largest training programs in the world. As a result, the management team is confident in the long term growth prospects of the Group and its ability to deliver shareholder value.

CONSOLIDATED BALANCE SHEETS

	June 30, 2007	December 31, 2006
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	6,145	8,226
Short-term bank deposit	-	655
Trade receivables	906	1,299
Other accounts receivable and prepaid expenses	223	215
Total current assets	7,274	10,395
PROPERTY AND EQUIPMENT, NET	201	179
INTANGIBLE ASSETS, NET	1,612	-
Total assets	9,087	10,574
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank loans	-	200
Trade payables	401	139
Deferred revenues	89	104
Other accounts payable and accrued expenses	999	785
Total current liabilities	1,489	1,228
SEVERANCE PAY LIABILITY	300	252
Total liabilities	1,789	1,480
EQUITY:		
Share capital	89	89
Additional paid-in capital	14,327	14,251
Accumulated deficit	(7,118)	(5,246)
Total equity	7,298	9,094
Total equity and liabilities	9,087	10,574

July 30, 2007			
Date of approval of the financial statements	Alistair Rae Non-executive Chairman of the Board of Directors	Ami Vizer Chief Executive Officer	Haim Yatim Chief Financial Officer

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CONSOLIDATED STATEMENTS OF OPERATIONS

	Six months ended June 30,		Year ended December 31,
	2007	2006	2006
	Unaudited		Audited
	U.S. dollars in thousands		
Revenues	1,537	3,709	7,517
Cost of revenues	558	721	1,196
Gross profit	979	2,988	6,321
Operating expenses:			
Research and development expenses	1,338	1,148	1,985
Selling and marketing expenses	872	470	939
General and administrative expenses	812	329	887
Total operating expenses	3,022	1,947	3,811
Operating profit (loss)	(2,043)	1,041	2,510
Financial income (expenses), net	171	(34)	10
Profit (loss) for the period	(1,872)	1,007	2,520
Basic earnings (loss) per share for the period in US dollars	(0.05)	0.03	0.08
Diluted earnings (loss) per share for the period in US dollars	(0.05)	0.03	0.07

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

	Share capital	Additional paid-in capital	Accumulated deficit	Total equity (deficiency)
	U.S. dollars in thousands			
	Unaudited			
Balance as of January 1, 2006 (audited)	73	5,746	(7,766)	(1,947)
Shareholders' waiver of interest on loan	-	85	-	85
Issuance of shares, net *)	14	8,397	-	8,411
Exercise of warrant issued to a bank	2	(2)	-	-
Share-based compensation	-	25	-	25
Profit for the year	-	-	2,520	2,520
Balance as of December 31, 2006 (audited)	89	14,251	(5,246)	9,094
Share-based compensation	-	76	-	76
Loss for the period	-	-	(1,872)	(1,872)
Balance as of June 30, 2007	89	14,327	(7,118)	7,298

*) Net of issuance expenses of $ 1,619 in 2006.

	Share capital	Additional paid-in capital	Accumulated deficit	Total equity (deficiency)
	U.S. dollars in thousands			
	Unaudited			
Balance as of January 1, 2006 (audited)	73	5,746	(7,766)	(1,947)
Shareholders' waiver of interest on loan	-	85	-	85
Share-based compensation	-	5	-	5
Profit for the period	-	-	1,007	1,007
Balance as of June 30, 2006	73	5,836	(6,759)	(850)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Year ended December 31,
	2007	2006	2006
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Profit (loss) for the period	(1,872)	1,007	2,520
Adjustments to reconcile profit (loss) to net cash provided by (used in) operating activities (a)	644	(1,103)	(2,236)
Net cash provided by (used in) operating activities	(1,228)	(96)	284
Cash flows from investing activities:			
Investment in short-term deposit	-	(767)	(182)
Proceeds from short-term deposit	655	-	-
Purchase of intangible assets and goodwill	(1,250)	-	-
Purchase of property and equipment	(58)	(33)	(82)
Net cash used in investing activities	(653)	(800)	(264)
Cash flows from financing activities:			
Issuance of shares, net	-	-	8,411
Proceeds from short-term bank loans		200	-
Repayment of long-term loans from banks	-	-	(1,502)
Repayment of short-term bank loans	(200)	(200)	-
Net cash provided by (used in) financing activities	(200)	-	6,909
Increase (decrease) in cash and cash equivalents	(2,081)	(896)	6,929
Cash and cash equivalents at beginning of period	8,226	1,297	1,297
Cash and cash equivalents at end of period	6,145	401	8,226

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
(a) Adjustments to reconcile profit (loss) to net cash provided by (used in) operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	61	31	65
Share-based compensation	76	5	25
Accrued interest on loans from shareholders	-	53	66
Accrued severance pay, net	48	12	185
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	393	160	(695)
Decrease (increase)in other accounts receivable and prepaid expenses	(8)	304	231
Increase (decrease) in trade payables	262	2	(37)
Decrease in deferred revenues	(15)	(1,689)	(2,389)
Increase (decrease) in other accounts payable and accrued expenses	(173)	19	313
	644	(1,103)	(2,236)
(b) Supplemental disclosure of cash flows:			
Cash paid during the period for: Interest	-	5	80
Cash received during the period for: Interest	173	29	105
Supplemental disclosure of non cash activities:			
Shareholders waiver of interest on loans	-	85	85
Purchase of intangible assets and goodwill (see Note 3c)	387	-	-