SIMIGON

Interim Results for the six months ended 30 June 2008

SimiGon Ltd (together with its subsidiary "SimiGon" or the "Company"), a global leader in providing simulation solutions, announces its interim results for the six months to 30 June 2008.

Financial Highlights

- Revenue increased by 18.3% to $1.81 million (H1 2007: $1.53 million).
- Gross margin improved to 79% (H1 2007: 63.7%).
- Cash and cash equivalents of $3.1 million at 30 June 2008.
- Basic and diluted loss per share $0.05 (H1 2007: Basic and diluted loss per share $0.05).

Operational Highlights

- SimiGon continues to leverage its core product SIMbox, increasing market share in its existing markets, as well in other commercial markets.
- Lockheed Martin has selected SIMbox, Learning Management System, for the F-35 Lightning II Joint Strike Fighter (JSF) training program. The Company expects this project to impact positively on revenues in 2009. This contract is strategically important, as it strengthens SimiGon's position when bidding for new contracts in the future.
- SimiGon is the partner of choice for the provision of simulation training to Lockheed Martin in their winning bid for the UK's Military Flying Training System, an important element of a major long term programme. Revenues from this contract are expected to positively impact the Company in the second half of 2008 and 2009.
- BAE Systems in Australia has selected the Company's AirBook software for a desktop simulation training programme, designed for Royal Australian Air Force pilots.
- SimiGon has successfully developed a new Driver Awareness training and simulation application.
- SimiGon has been selected by the Individual Dental Education Assistant (IDEA) to provide simulation training applications for dentists. This further reflects the flexibility of SimiGon's SIMbox technology.
- SimiGon has been selected to provide additional advanced pilot training systems to the Israeli Air Force (IAF), reflecting the success of the training systems that SimiGon already provides to the IAF operational squadrons and to the Air Force Academy for initial pilot training.
- An improved version of the SIMbox application has been released, which includes an entirely new simulation graphic engine that will contribute to its continued growth potential. The graphic engine takes advantage of gaming technologies and new hardware processing capabilities to maximize the simulation performance.

Ami Vizer, President & Chief Executive Officer of SimiGon stated: "We expect to benefit from large, long term contracts that will have a significant, positive impact on our revenues. SimiGon remains well positioned for sustained growth, having established itself as a leading supplier of PC-based simulation training technology for the world's largest pilot simulation training programmes. SimiGon is also making significant progress using its technology infrastructure to deliver simulation training for civilian companies.

Looking forward to the second half of 2008 and particularly to 2009, the Company expects to increase revenues as a result of winning several major defence contracts. These programs, when coupled with our expansion into the wider commercial training market will provide additional long term, diversified revenues and provide a stronger platform for future growth."

SimiGon Ltd

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Overview

As a preferred supplier of training and simulation technologies for the world's largest military flight training programmes, SimiGon has established a leading position in the market of PC-based training and simulation solutions. The Company's reconfigurable SIMbox technology platform can be used for all types of training, across all domains. The Company expects to leverage its core product SIMbox to increase market share in its existing markets and create solid foundations in new markets.

Lockheed Martin has selected the SIMbox Learning Management System for the F-35 Lightning II Joint Strike Fighter (JSF) training program. Added to this success, the Company is now confirmed as the partner of choice to provide simulation training within Lockheed Martin's winning bids for the UK's Military Flying Training System and Singapore's Basic Wings Course. These contracts will help fuel SimiGon's development and provide further affirmation of the viability of SimiGon's training solutions. Using SIMbox's technology extends the long-term productive relationship enjoyed between Lockheed Martin and SimiGon.

Even though revenues from some customer contracts have been delayed, the Company's market position remains strong, supported by confirmation that it is a leading training and simulation supplier in the world's top pilot training programmes.

SimiGon is continuously examining and evaluating the potential to penetrate other commercial markets, to provide learning and training simulations using its advanced technological infrastructure. The company is currently examining learning and training simulations for dentists, hazardous materials training and driver awareness organizations.

Financial Performance

Revenue for the six months ended 30 June 2008 was $1.81 million (H1 2007: $1.53 million), an increase of 18.3%. Gross profit for the six months ended 30 June 2008 was $1.43 million (H1 2007: $0.98 million).

Total operating expenses for the six months ended 30 June 2008 increased by 12.93% to $3.41 million (H1 2007: $3.02 million). This increase is primarily due to the negative impact of the currency exchange rate of the strong Israeli Shekel, research and development expenses increasing to $1.49 million (H1 2007: $1.34 million), marketing expenses increasing to $1 million (H1 2007: $0.87 million) and general and administration expenses to $0.91 million (H1 2007: $0.81 million).

Despite these cost increases, the operating loss for the six months ended 30 June 2008 has decreased to $1.98 million (H1 2007: $2.04 million loss). The net loss for the period has however increased from $1.87 million in H1 2007 to $1.96 million in H1 2008. This resulted in a net basic and diluted loss per share of $0.05 (H1 2007: $0.05 basic and diluted earnings per share).

As of 30 June 2008, SimiGon had cash and cash equivalents and deposits in the amount of $3.1 million.

As of 30 June 2008, the Company had 52 employees, compared to 64 employees at 30 June 2007.

Outlook

The Company's outlook is positive due to the large contracts that are expected to begin impacting revenues, starting in the second half of 2008 and especially in 2009. The Company is well prepared to compete for future contracts to be awarded in the military pilot training world. The Company is endeavoring to insulate itself from cyclical government spending by increasing its focus on the considerable opportunities within the commercial and industrial training markets, which are expected to begin impacting revenues in the second half of 2008 and beyond.

The Board is confident in the Company's outlook as it is well positioned for long term growth, following its success in providing PC-based training and simulation systems in various large scale military pilot training programmes.

CONSOLIDATED BALANCE SHEETS

	June 30, 2008	December 31, 2007
	Unaudited	
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	3,104	5,024
Trade receivables, net	1,132	1,147
Other accounts receivable and prepaid expenses	158	226
Total current assets	4,394	6,397
PROPERTY AND EQUIPMENT, NET	190	187
INTANGIBLE ASSETS, NET	1,501	1,528
Total assets	6,085	8,112
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	88	125
Deferred revenues	127	21
Other accounts payable and accrued expenses	733	1,139
Total current liabilities	948	1,285
LONG-TERM LIABILITIES:		
Severance pay liability, net	366	351
Total liabilities	1,314	1,636
EQUITY:		
Share capital	89	89
Additional paid-in capital	14,774	14,521
Accumulated deficit	(10,092)	(8,134)
Total equity	4,771	6,476
Total equity and liabilities	6,085	8,112

CONSOLIDATED STATEMENTS OF OPERATIONS

	Six months ended June 30, 2008	Six months ended June 30, 2007	Year ended December 31, 2007
	Unaudited	Unaudited	
	U.S. dollars in thousands (except per share data)		
Revenues	1,811	1,537	5,008
Cost of revenues	380	558	1,056
Gross profit	1,431	979	3,952
Operating expenses:			
Research and development	1,489	1,338	2,773
Selling and marketing	1,012	872	2,567
General and administrative	912	812	1,776
Total operating expenses	3,413	3,022	7,116
Operating loss	(1,982)	(2,043)	(3,164)
Financial income	56	179	298
Financial expenses	(32)	(8)	(22)
Loss	(1,958)	(1,872)	(2,888)
Basic and diluted loss per share (in U.S. dollars)	(0.05)	(0.05)	(0.08)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
	U.S. dollars in thousands			
Balance as of January 1, 2007	89	14,251	(5,246)	9,094
Exercise of employee share options	*) -	5	-	5
Share-based compensation	-	265	-	265
Loss	-	-	(2,888)	(2,888)
Balance as of December 31, 2007	89	14,521	(8,134)	6,476
Issuance of shares	*) -	167	-	167
Share-based compensation	-	86	-	86
Loss	-	-	(1,958)	(1,958)
Balance as of June 30, 2008 (unaudited)	89	14,774	(10,092)	4,771

*) Represents an amount lower than $ 1,000.

	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
	U.S. dollars in thousands			
Balance as of January 1, 2007	89	14,251	(5,246)	9,094
Share-based compensation	-	76	-	76
Loss	-	-	(1,872)	(1,872)
Balance as of June 30, 2007 (unaudited)	89	14,327	(7,118)	7,298

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2008	Six months ended June 30, 2007	Year ended December 31, 2007
	Unaudited	Unaudited	
	U.S. dollars in thousands		
Cash flows from operating activities:			
Loss	(1,958)	(1,872)	(2,888)
Adjustments to reconcile loss to net cash used in operating activities (a)	85	644	563
Net cash used in operating activities	(1,873)	(1,228)	(2,325)
Cash flows from investing activities:			
Proceeds from short-term deposit	-	655	655
Purchase of property and equipment	(47)	(58)	(87)
Purchase of intangible assets and goodwill	-	(1,250)	(1,250)
Net cash used in investing activities	(47)	(653)	(682)
Cash flows from financing activities:			
Exercise of employee stock options	-	-	5
Repayment of short-term bank loans	-	(200)	(200)
Net cash used in financing activities	-	(200)	(195)
Decrease in cash and cash equivalents	(1,920)	(2,081)	(3,202)
Cash and cash equivalents at beginning of period	5,024	8,226	8,226
Cash and cash equivalents at end of period	3,104	6,145	5,024

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2008	Six months ended June 30, 2007	Year ended December 31, 2007
	Unaudited	Unaudited	
	U.S. dollars in thousands		
(a) Adjustments to reconcile loss to net cash used in operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	71	61	134
Share-based compensation	86	76	265
Accrued severance pay, net	15	48	99
Changes in operating assets and liabilities:			
Decrease in trade receivables	15	393	152
Decrease (increase) in other accounts receivable and prepaid expenses	68	(8)	(11)
Increase (decrease) in trade payables	(37)	262	(14)
Increase (decrease) in deferred revenues	106	(15)	(83)
Increase (decrease) in other accounts payable and accrued expenses	(239)	(173)	21
	85	644	563
(b) Supplemental disclosure of cash flows:			
Cash received during the year for: Interest	52	173	272
(c) Supplemental disclosure of non-cash financing activities:			
Purchase of goodwill	-	387	333
Issuance of shares	167	-	-