



## **Interim Results for the six months ended 30 June 2010**

SimiGon Ltd (together with its subsidiaries "SimiGon" or the "Company"), a global leader in providing simulation solutions, announces its interim results for the six months ended June 30, 2010.

### **Financial Highlights**

- Revenues were \$1.14 million for the six months ended June 30, 2010 as compared to \$1.82 million for the six months ended June 30, 2009
- Net loss of \$1.68 million for the six months ended June 30, 2010 as compared to Net loss of \$1.30 million for the six months ended June 30, 2009.
- Cash and cash equivalents and short term bank deposits of \$2.28 million. Total net current assets were \$2.93 million, including short term bank loans of \$0.19 million.
- Basic and diluted loss per share for the six months ended June 30, 2010 were \$0.041 as compared to Basic and diluted loss per share of \$0.034 for the six months ended June 30, 2009.
- Total cost of revenues and operating expenses for the six months ended 30 June 2010 were \$2.73 million, a decrease of 13.05% as compared to \$3.14 million for the six months ended 30 June 2009. The Company expects to see lower expenses during the next six months of 2010, as compared to the first six months of 2010.
- We have been encouraged by the progress in the third quarter in terms of revenue and orders, and expect a much improved second half compared to the first half.

### **Operational Highlights**

- SimiGon continues to support Lockheed Martin's F-35 Lightning II Joint Strike Fighter ("JSF") training program, as the Company's SIMbox Learning Management System ("LMS") was selected by Lockheed Martin ("LM") for JSF pilot training systems. This project is expected to positively impact SimiGon's revenues in future years.
- The strategic project with LM for the Advance Jet Training and Rear Crew phases of the UK Military Flying Training System is successfully being supported by SimiGon, and LM delivered its first delivery of Flight Training Devices ("FTD") based on SimiGon's technology.
- The Company's training and simulation platform, SIMbox, was selected for a lucrative Unmanned Aerial Vehicle program, a Joint Terminal Attack Controller program, a Crane Operator training program and as the infrastructure for a Homeland Security Lab.
- Reflecting the success of the training systems that SimiGon provides to the Israeli Air Force ("IAF"), SimiGon delivered a new Electronic Warfare trainer for the IAF.

- SimiGon continues its \$2 million contract with a strategic European customer. According to this contract, SimiGon is the Simulation Based Training (SBT) system provider for its client's new Academic Training Center and is its baseline solution for other similar programs.
- The Company continues to invest in further advanced development of the SIMbox technology infrastructure, providing complete Web-based simulation through Full Mission Simulator capabilities for organizations seeking to improve their training, training management and increase operational readiness. The improved capabilities and performance of the simulation and LMS platform, position SIMbox as a leading application and serve to increase the Company's growth potential.

Ami Vizer, Chief Executive Officer of SimiGon stated: "Although our results for the six months ended 30 June 2010 were below our expectations, they reflect the challenging economic conditions and the industry's normal seasonality. However, we continue to be successful in growing our markets and primary partners. We are excited by the activities of our customers in this period, and believe that, existing programs such as the F-35 Lightning II Joint Strike Fighter, as well as the UK's Military Flying Training System will positively impact SimiGon's revenue in the next 12 months. SimiGon is maintaining its focus on the development of our next generation products whilst having effective expense controls, and the Company continues to make significant progress in this regard. The Company's market position remains strong as a leading training and simulation supplier in the world's top pilot training programmes and our partnership-oriented business model, sound technology and unique products provide a solid growth platform for the company."

**SimiGon Ltd**

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## **Overview**

SimiGon has established a leading position in the market of PC-based training and simulation solutions, as a preferred supplier of training and simulation technologies for the world's largest military flight training programmes. 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.

SimiGon is extremely pleased that SIMbox had been selected by Lockheed Martin as a Learning Management System for the F-35 Lightning II Joint Strike Fighter training program. In addition to this business relationship, Lockheed Martin has chosen SimiGon to provide simulation training for the UK's Military Flying Training System. These programs increase SimiGon's development capabilities, providing further affirmation of the viability of SimiGon's training solutions.

SimiGon is continuously examining and evaluating the potential to penetrate other commercial markets, to provide learning and training simulations using its advanced technological infrastructure. SimiGon is leveraging its success with existing blue chip customers to effectively attract new partners and customers and is regularly approached by leading organizations from the training and simulation market worldwide seeking to use SimiGon's technology.

## **Financial Performance**

Revenue for the six months ended 30 June 2010 was \$1.14 million as compared to \$1.82 million for the six months ended June 30, 2009. Gross profit for the six months ended 30 June 2009 was \$0.76 million as compared to \$1.32 million for the six months ended June 30, 2009.

Research and development expenses decreased to \$0.92 million as compared to \$0.97 million for the six months ended June 30, 2009. Marketing expenses for the six months ended June 30, 2010 increased to \$0.71 million as compared to \$0.69 million for the six months ended June 30, 2009 and general and administration expenses the six months ended June 30, 2010 decreased to \$0.72 million as compared to \$0.99 million the six months ended June 30, 2009 mainly due to lower salary expenses and doubtful debt provisions. As a result, total operating expenses for the six months ended 30 June 2010 were \$2.35 million, a decrease of 11.32% as compared to \$2.65 million for the six months ended June 30, 2009.

The operating loss for the six months ended 30 June 2010 amounted to \$1.59 million as compared to \$1.32 million loss for the six months ended June 30, 2009.

The financial income for the six months ended 30 June 2010 decreased to \$0.01 million as compared to \$0.17 million loss for the six months ended June 30, 2009 mainly due to the currency exchange rate. The financial expenses for the six months ended 30 June 2010 decreased to \$0.10 million as compared to \$0.15 million for the six months ended June 30, 2009.

The net loss for the six months ended 30 June 2010 amounted to \$1.68 million as compared to \$1.30 million for the six months ended 30 June 2009. This resulted in a net basic and diluted loss per share for the six months ended 30 June 2010 of \$0.041 as compared to \$0.034 basic and diluted earnings per share for the six months ended 30 June 2009.

As of 30 June 2010, SimiGon had cash and cash equivalents of \$2.28 and short term deposits in the amount of \$0.19 million.

As of 30 June 2010, the Company had 41 employees, as compared to 47 employees at 30 June 2009.

## **Outlook**

The Directors have a positive outlook following the Company's success in providing PC-based training and simulation systems in various large scale military aviation training programmes, together with the increased level of new and existing customer interest and existing programs such as the F-35 Lightning II Joint Strike Fighter (JSF) as well as the UK's Military Flying Training System, as these projects are expected to continue generate revenue for the Company. The Company continues to make significant progress in its next generation of products and will continue to reduce its expenses in support of a positive cash flow in the near future.

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2010	December 31, 2009
	Unaudited	Audited
	U.S. dollars in thousands	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	1,523	2,053
Short-term bank deposits	754	504
Trade receivables, net	1,670	3,301
Other accounts receivable and prepaid expenses	36	67
<u>Total</u> current assets	3,983	5,925
<b>NON-CURRENT ASSETS:</b>		
Long-term prepaid expenses	43	38
Property and equipment, net	100	104
Intangible assets, net	1,400	1,425
<u>Total</u> non-current assets	1,543	1,567
<u>Total</u> assets	5,526	7,492
<b>EQUITY AND LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term loan	188	895
Trade payables	48	157
Deferred revenues	113	205
Other accounts payable and accrued expenses	706	697
<u>Total</u> current liabilities	1,055	1,954
<b>NON-CURRENT LIABILITIES:</b>		
Employee benefit liabilities, net	109	101
Other non-current liabilities	654	89
<u>Total</u> long-term liabilities	763	190
<u>Total</u> liabilities	1,818	2,144
<b>EQUITY:</b>		
Share capital	98	98
Treasury shares	(3)	(3)
Additional paid-in capital	15,336	15,295
Accumulated deficit	(11,723)	(10,042)
<u>Total</u> equity	3,708	5,348
<u>Total</u> equity and liabilities	5,526	7,492

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands (except per share data)</b>		
Revenues	1,140	1,821	6,057
Cost of revenues	376	497	977
Gross profit	764	1,324	5,080
Operating expenses:			
Research and development	918	967	1,833
Selling and marketing	714	686	1,610
General and administrative	722	993	1,566
Total operating expenses	2,354	2,646	5,009
Operating Income (loss)	(1,590)	(1,322)	71
Financial income	11	171	230
Finance cost	(102)	(150)	(229)
Income (loss) for the period	(1,681)	(1,301)	72
Total comprehensive income	(1,681)	(1,301)	72
Basic and diluted earnings (loss) per share (in U.S. dollars)	(0.041)	(0.034)	0.002

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Accumulated deficit	Total equity
	U.S. dollars in thousands (except share amounts)					
Balance as of January 1, 2009 (audited)	37,798,194	90	14,904	-	(10,114)	4,880
Total comprehensive income	-	-	-	-	72	72
Issuance of shares	2,263,383	5	(5)	*)	-	*)
Share-based compensation	-	-	396	-	-	396
Treasury shares	-	-	-	(3)	-	(3)
Exercise of stock option	1,460,979	3	-	-	-	3
Balance as of December 31, 2009 (audited)	41,522,556	98	15,295	(3)	(10,042)	5,348
Total comprehensive loss	-	-	-	-	(1,681)	(1,681)
Issuance of shares	119,727	*)	*)	-	-	*)
Share-based compensation	-	-	41	-	-	41
Balance as of June 30, 2010 (unaudited)	41,642,283	98	15,336	(3)	(11,723)	3,708

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

	Share capital	Additional paid-in capital	Treasury shares	Accumulated deficit	Total equity
	U.S. dollars in thousands				
Balance as of December 31, 2008 (audited)	90	14,904	-	(10,114)	4,880
Treasury shares	-	-	(3)	-	(3)
Exercise of stock option	3	-	-	-	3
Issuance of shares	5	(5)	*)	-	*)
Share-based compensation	-	107	-	-	107
Total comprehensive loss	-	-	-	(1,301)	(1,301)
Balance as of June 30, 2009 (unaudited)	98	15,006	(3)	(11,415)	3,686

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

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Year ended December 31,
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Profit (Loss) for the period	(1,681)	(1,301)	72
Adjustments to reconcile loss to net cash used in operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	56	60	125
Exchange rate and other differences	13	18	26
Share-based compensation	41	107	396
Accrued interest on long-term loan	26	13	26
Accrued severance pay, net	8	(206)	(205)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	1,631	649	(1,421)
Decrease (increase) in other accounts receivable and prepaid expenses	26	(32)	(33)
Increase (decrease) in trade payables	(109)	(91)	10
Decrease in deferred revenues	(92)	(215)	(131)
Increase (decrease) in other accounts payable and accrued expenses	9	(94)	93
	1,609	209	(1,114)
Interest paid	(16)	(31)	(50)
Interest received	2	7	20
	(14)	(24)	(30)
Net cash used in operating activities	(86)	(1,116)	(1,072)
<u>Cash flows from investing activities:</u>			
Investment in short-term deposits	(248)	(500)	-
Purchase of fixed assets	(27)	(15)	(23)
Net cash used in investing activities	(275)	(515)	(23)
<u>Cash flows from financing activities:</u>			
Issuance of shares, net	*)	-	-
Exercise of stock options	-	3	3
Repayment of bank loan	(919)	-	(81)
Proceeds from government fund	-	-	89
Proceeds from long-term bank loans	750	-	-
Net cash provided by (used in) financing activities	(169)	3	11
Decrease in cash and cash equivalents	(530)	(1,628)	(1,084)
Cash and cash equivalents at beginning of period	2,053	3,137	3,137
Cash and cash equivalents at end of period	1,523	1,509	2,053

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

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
(a) <u>Supplemental disclosure of non-cash financing activities:</u>			
Return of the Company's Ordinary shares in connection with the settlement with VTSG	<u>-</u>	<u>-</u>	<u>3</u>
Issuance of restricted shares to senior management and employees	<u>-</u>	<u>5</u>	<u>5</u>
Return of restricted shares due to departure of employees	<u>*)</u>	<u>-</u>	<u>*)</u>

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