



Interim Results for the six months ended 30 June 2009

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 to 30 June 2009.

Financial Highlights

- Revenue increased by 0.5% to \$1.82 million (H1 2008: \$1.81 million).
- Net loss decreased by 33.7% to \$1.30 million (H1 2008: \$1.96 million).
- Cash, cash equivalents and short term bank deposits of \$2.52 million at 30 June 2009, and current maturities of a long term bank loan of \$0.58 million.
- Basic and diluted loss per share of \$0.03 (H1 2008: Basic and diluted loss per share of \$0.05).

Operational Highlights

- SimiGon continues its growth in the F16 world, and won an additional F16 training program in the European market.
- SimiGon continues its F-35 Lightning II Joint Strike Fighter (JSF) training program with Lockheed Martin. The Company expects this project to positively impact the revenues in the second half of 2009 and into 2010.
- SimiGon SIMbox product continues to expand into new markets, and was recently selected as the training platform and LMS for a lucrative Unmanned Aerial Vehicle program.
- The recently released version of SimiGon's SIMbox application continues to focus on creating a quintessential solution for organizations seeking to improve their training, training-management and increase operational readiness. The new version includes a new powerful physics engine with improved capabilities and performance for ground simulation. It also significantly enhances the scheduling capabilities of SIMbox.

Ami Vizer, President & Chief Executive Officer of SimiGon stated: "Our business results for the six months ended 30 June 2009 are similar to our expectations given the challenging economic conditions and the period's normal seasonality.

We were able to successfully plan ahead and focus on growing our main markets and primary partners. We are encouraged by the increased level of customer activity in this period. Moreover, existing programs such as the F-35 Lightning II Joint Strike Fighter (JSF) as well as the UK's Military Flying Training System are expected to positively impact SimiGon's revenue in the near future. SimiGon continues to make significant progress in the development of our next generation products while having an effective expense control.

Looking forward to the second half of 2009 and particularly to 2010, the Company expects to increase revenues as a result of our existing programs and other contracts we believe will be awarded shortly and will 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, Lockheed Martin has chosen SimiGon to provide simulation training for the UK's Military Flying Training System. These programs are helping SimiGon's development and provide further affirmation of the viability of SimiGon's training solutions. Lockheed Martin continues to expand its cooperation with SimiGon, and the use of its SIMbox technology, leveraging the foundations of the long-term productive relationship between the companies.

SimiGon is leveraging its success with existing blue cheap customers to effectively attract new partners and customers. In the past few months SimiGon have been 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 2009 was \$1.82 million (H1 2008: \$1.81 million), an increase of 0.5%. Gross profit for the six months ended 30 June 2009 was \$1.32 million (H1 2008: \$1.43 million).

Total operating expenses for the six months ended 30 June 2009 decreased by 22.3% to \$2.65 million (H1 2008: \$3.41 million). This decrease is primarily due to the positive impact of the currency exchange rate of the Israeli Shekel on salary expenses and reduction of salary expenses. Research and development expenses decreased to \$0.97 million (H1 2008: \$1.49 million), marketing expenses decreased to \$0.69 million (H1 2008: \$1 million) and general and administration expenses increased to \$0.99 million (H1 2008: \$0.91 million) mainly due to provision for a bad debt.

The operating loss for the six months ended 30 June 2009 has decreased to \$1.32 million (H1 2008: \$1.98 million loss). The net loss for the period has decreased from \$1.96 million in H1 2008 to \$1.30 million in H1 2009. This resulted in a net basic and diluted loss per share of \$0.03 (H1 2008: \$0.05 basic and diluted loss per share).

As of 30 June 2009, SimiGon had cash, cash equivalents and short term deposits in the amount of \$2.52 million, and current maturities of a long term bank loan of \$0.58 million.

As of 30 June 2009, the Company had 47 employees, compared to 52 employees at 30 June 2008.

Outlook

The Company's outlook is positive due to the increased level of new and existing customers' 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. These factors are expected to improve SimiGon's revenue in the near future. The Company is making significant progress in its next generation of products. SimiGon reduced its expenses in order to support an expected positive cash flow in the near future.

Notwithstanding the current challenging economic conditions, 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.

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS

	June 30, 2009	December 31, 2008
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	1,509	3,137
Short-term bank deposits	1,006	500
Trade receivables	1,231	1,880
Other accounts receivable and prepaid expenses	59	26
<u>Total current assets</u>	<u>3,805</u>	<u>5,543</u>
NON-CURRENT ASSETS:		
Long-term prepaid expenses	45	46
Property and equipment, net	132	155
Intangible assets, net	1,451	1,476
<u>Total non-current assets</u>	<u>1,628</u>	<u>1,677</u>
<u>Total assets</u>	<u>5,433</u>	<u>7,220</u>
EQUITY AND LIABILITIES		
CURRENT LIABILITIES:		
Current maturities of long-term loan	576	81
Trade payables	56	147
Deferred revenues	121	336
Other accounts payable and accrued expenses	507	601
<u>Total current liabilities</u>	<u>1,260</u>	<u>1,165</u>
LONG-TERM LIABILITIES:		
Severance pay liability	100	306
Long-term loan	387	869
<u>Total long-term liabilities</u>	<u>487</u>	<u>1,175</u>
<u>Total liabilities</u>	<u>1,747</u>	<u>2,340</u>
EQUITY:		
Share capital	98	90
Treasury shares	(3)	-
Additional paid-in capital	15,006	14,904
Accumulated deficit	(11,415)	(10,114)
<u>Total equity</u>	<u>3,686</u>	<u>4,880</u>
<u>Total equity and liabilities</u>	<u>5,433</u>	<u>7,220</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Year ended December 31,
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues	1,821	1,811	5,143
Cost of revenues	497	380	999
Gross profit	1,324	1,431	4,144
Operating expenses:			
Research and development	967	1,489	2,537
Selling and marketing	686	1,012	1,822
General and administrative	993	912	1,849
<u>Total operating expenses</u>	2,646	3,413	6,208
Operating loss	(1,322)	(1,982)	(2,064)
Financial income, net	21	24	84
Loss for the period	(1,301)	(1,958)	(1,980)
Other comprehensive income	-	-	-
Total comprehensive loss	(1,301)	(1,958)	(1,980)
Basic and diluted loss per share (in U.S. dollars)	(0.03)	(0.05)	(0.05)

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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, 2008 (audited)	89	14,521	-	(8,134)	6,476
Issuance of shares	1	210	-	-	211
Share-based compensation	-	173	-	-	173
Total comprehensive loss	-	-	-	(1,980)	(1,980)
Balance as of December 31, 2008 (audited)	90	14,904	-	(10,114)	4,880
Treasury shares (Note 3e)	-	-	(3)	-	(3)
Exercise of stock option (Note 3a)	3	-	-	-	3
Issuance of shares (Note 3b)	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

	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
U.S. dollars in thousands (except share amounts)				
Balance as of January 1, 2008 (audited)	89	14,521	(8,134)	6,476
Issuance of shares	*) -	167	-	167
Share-based compensation	-	86	-	86
Total comprehensive 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.

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Year ended December 31,
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Loss for the period	(1,301)	(1,958)	(1,980)
Adjustments to reconcile loss to net cash used in operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	60	71	134
Exchange rate and other differences	18	(52)	(70)
Share-based compensation	107	86	173
Accrued interest on long-term loan	13	15	4
Accrued severance pay, net	(206)	-	(45)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	649	15	(733)
Decrease (increase) in other accounts receivable and prepaid expenses	(32)	68	154
Increase (decrease) in trade payables	(91)	(37)	22
Increase (decrease) in deferred revenues	(215)	106	315
Decrease in other accounts payable and accrued expenses	(94)	(239)	(371)
	209	33	(417)
Interest paid	(31)	-	(5)
Interest received	7	52	75
	(24)	52	70
Net cash used in operating activities	(1,116)	(1,873)	(2,327)
<u>Cash flows from investing activities:</u>			
Investment in short-term deposit	(500)	-	(500)
Purchase of property and equipment	(15)	(47)	(50)
Net cash used in investing activities	(515)	(47)	(550)
<u>Cash flows from financing activities:</u>			
Issuance of shares, net	-	-	44
Exercise of stock options	3	-	-
Proceeds from long-term bank loans, net	-	-	946
Net cash provided by financing activities	3	-	990
Decrease in cash and cash equivalents	(1,628)	(1,920)	(1,887)
Cash and cash equivalents at beginning of period	3,137	5,024	5,024
Cash and cash equivalents at end of period	1,509	3,104	3,137

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30,	Year ended December 31,
2009	2008
Unaudited	Audited
U.S. dollars in thousands	

(a) Supplemental disclosure of non-cash financing activities:

Issuance of shares in consideration of liability due to
VTSG

-	167	167
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Issuance of restricted shares to senior management and
employees

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