16 September 2013

SimiGon Ltd
("SimiGon" or "the Company")

Interim Results for the six months ended 30 June 2013

Continued strong growth in revenues and net profit

SimiGon Ltd, a global leader in providing simulation solutions, announces its interim results for the six months ended 30 June 2013.

Financial Highlights

- Revenues increased by 20% to $4.16 million (H1 2012: $3.47 million)
- Net profit increased 24% to $0.22 million (H1 2012: $0.18 million)
- Cash, restricted cash and equivalent balances, increased by 19% to a total of $8.45 million as at 30 June 2013 (31 December 2012: $7.11 million, 30 June 2012: $6.98 million) with no bank debt remaining
- Gross margins of 65% (H1 2012: 70%), reflecting SimiGon's increased role as a prime contractor by providing complementary third party hardware and programs
- Basic and diluted EPS of 0.5 cents (H1 2012: 0.4 cents)

Operational Highlights

- Secured access to a major new geographical region by winning a significant contract worth $6.7 million, further establishing SimiGon's position as a prime contractor in the aviation training market
- Secured a further contract with an existing major European partner to provide Simulation Based Training ("SBT") solutions for a new clients' Academic Training Center ("ATC")
- Secured additional contract from the U.S. Air Force Air Education Training Command ("AETC") to support and maintain all of the T-6A Modular Training Devices ("MTD") used in the training of all Remote Piloted Aircraft ("RPA") students
- Successful delivery of SIMbox technology simulation training solutions to a South American country's armed forces, as announced in August 2012
- Entered the sixth year of supporting Lockheed Martin's F-35 Lightning II Joint Strike Fighter ("JSF") training program, providing long term revenue visibility to the company
- Continues to meet project milestones for the UK Military Flying Training System ("UKMFTS"), a partnership of over five years
- Partnership with Check 6 progressing well as SimiGon delivered its systems ahead of schedule, exceeding client expectations and increasing the potential for further expanding the relationship

Ami Vizer, Chief Executive Officer of SimiGon, stated: "We are delighted to report a further six months of excellent operational progress, continued revenue growth and increased profits. We continue to execute on our long term strategy and achieve our targets evidenced by the successful transition to become a major prime contractor, enhancing SimiGon's reputation as a market leader and company of choice for the world's largest simulation training programmes.

“Looking ahead, we have excellent revenue visibility, a strong order book in place and an encouraging pipeline of business leads, which leads us to expect that revenues for the full year will be slightly ahead of market expectations.

“We are delighted with the ongoing success of SimiGon and are confident that this will continue in the second half of 2013 and beyond.”

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Overview

SimiGon is pleased to report strong revenue growth and increased profitability, in the first half of 2013, for the fifth consecutive period/half year. Revenues increased by 20% to $4.16 million (2012: $3.47 million) with a $0.22 million profit, up from $0.18 million in H1 2012.

The positive momentum taken into the first half of 2013 reflects the Company's successful transition to become prime contractor. SimiGon has now proven its ability to deliver training systems as a prime contractor, further enhancing its reputation in the industry and cementing its leading position as the preferred supplier of training and simulation technologies for the world's largest military flight training programmes.

The role of prime contractor enables SimiGon to target and win significantly larger and more lucrative contracts than was previously possible. It also gives the Company a direct relationship with the customer, a greater share of revenues and profit, and greater potential for further deals with the same customer.

As stated previously moving up in the supply chain and becoming a prime contractor involves an increase in hardware sales alongside SimiGon's software solutions. The Company's continued successful transition to becoming an established prime contractor led to an increase in selling third-party hardware along with its software technology solutions, which as a result, impacted margins in the first half (65% compared with 70% last year). The Company expects margins to increase in the second half following the successful deployment of the hardware systems.

The sale of hardware along with our software technology solutions enables SimiGon to provide a total and comprehensive solution to its customers as was a stated target for the Company.

Operational Review

In the first half of 2013, SimiGon has continued to secure new contracts while expanding and diversifying its customer base.

Significant contract win in the period

In June, SimiGon announced that it has been selected as a prime contractor to deliver a SIMbox based training solution, in a contract worth $6.7 million. SimiGon was awarded this contract despite competition from major competitors, a significant endorsement of the Company's market leading training solutions. Delivery of this contract has already begun and will initially be delivered over an 18 month period with revenues from the deal expected to begin in the second half of 2013. Subsequent phases of the programme have yet to be awarded and SimiGon is confident of being considered when this takes place.

Successful delivery of contracts as prime contractor

In August 2012 SimiGon announced that it had signed a substantial contract to provide a South American country's armed forces with its SIMbox training and simulation technology platform. This contract was the first time a country's armed forces had chosen SIMbox as the training system to be deployed across its entire armed services. SimiGon is successfully delivering this contract on time and on budget, further validating SimiGon's ability as a prime contractor.

SimiGon has also exhibited the capability to fulfill the continued needs of the U.S. Air Force AETC with the successful delivery, as prime contractor, of its SIMbox based T-6A training systems following a contract signed in September 2011. The SIMbox MTD simulators are used to train undergraduate, RPA students for

Pilot Instrument Qualification training. The capability displayed during the successful delivery of this specific contract meant SimiGon were considered and later selected for a further contract from AETC, which was agreed in April this year. The value of the contract is US$405,000. SimiGon's success with this contract enhances the Company's market leading offering and positions it well for similar opportunities in a large and fast growing global market.

The Company is now in its second year of a five-year agreement with Check-6 Inc., a leading provider of training solutions to the energy and mining industries. This agreement, the Company's first major contract outside the aerospace and defence industry, saw SimiGon deliver its systems ahead of schedule and exceed expectations of the client. The successful implementation of SimiGon's systems will enhance the potential to expand the agreement with Check 6 further in the oil and gas industry.

Update on long term contracts

SimiGon has a number of long term contracts and partnerships that are all progressing well as sales continue to steadily increase.

During the first half of year 2013, SimiGon expanded its relationship with a major existing European customer with contracts worth value of US$0.6 million expected to be delivered during 2013 and 2014. The new contracts increase the integration of SimiGon's SIMbox technology at the development labs for this customer's Academic Training Center and also include licenses for a new clients' ATC. This is the fourth client that will use SimiGon's technology through its Strategic European customer. The companies have been working together since 2009 and this contract is a further expansion of an ongoing long term relationship.

Lockheed Martin is one of SimiGon's longest serving clients and the Company has been supporting Lockheed Martin's F-35 Lightning II JSF training program for over six years. As the JSF program progresses and enters its regular production and delivery phase SimiGon has continued to see an increase in demand. The JSF programme was a significant contributor to revenue in 2012 and sales have steadily grown in the first half of this year and are expected to continue for the remainder of 2013 and throughout 2014.

SimiGon continues to successfully meet all its project milestones for the UKMFTS. The three year partnership validates SimiGon's product capabilities allowing the company to showcase its product capabilities and increase probability of future sales.

SimiGon is pleased to report that all of its long term projects are progressing well with many existing clients expected to purchase further licenses over the course of 2013 and 2014. SimiGon now provides training and skill development required for survival by fighter pilots and astronauts, to oil and gas workers, preserving lives and protecting profits across the globe.

Financial Review

Revenues for the six months ended 30 June 2013 were $4.16 million as compared to $3.47 million for the six months ended 30 June 2012, reflecting an increase of 20%. Gross profit for the six months ended 30 June 2013 was $2.70 million, as compared to $2.43 million for the six months ended 30 June 2012. Accordingly, gross margins were 65% (H1 2012: 70%), the decrease reflecting that the Company has become active as a prime contractor (that is, the sales mix including the reselling of third-party hardware and programs) on certain contracts, and it is expected that the gross margins will increase in H2 2013 compared with the first half.

Net profit for the six months ended 30 June 2013 improved 24% to $0.22 million (H1 2012: Net profit of $0.18 million).

Total operating expenses for the six months ended 30 June 2013 increased to $2.43 million (H1 2012: $2.27 million). Research and development expenditure increased mainly due the investment made in new employees to help meet growing demand and support the Company's growth. Marketing expenses for the six months ended 30 June 2013 increased to $0.85 million as compared to $0.69 million for the six months ended 30 June 2012 and general and administration expenses the six months ended 30 June 2013 decreased to $0.45 million as compared to $0.50 million the six months ended 30 June 2012.

Operating income for the six months ended 30 June 2013 amounted to $0.27 million, significantly improving upon performance for the six months ended 30 June 2012.

Net financial expenses of $0.05 for the six months ended 30 June 2013 as compared to financial income of $0.01 million for the six months ended 30 June 2012 mainly due to the currency exchange rate movements.

Increase in the Company's net basic and diluted earnings per share for the six months ended 30 June 2013 of $0.005 as compared to $0.004 basic and diluted earnings per share for the six months ended 30 June 2012.

The Company's cash and equivalent balances, including restricted cash recorded, to insure future project performance, increased by 19% to a total of $8.45 million as at 30 June 2013 as compared to $7.11 million as at 31 December 2012 and to $6.98 million as at 30 June 2012: with no outstanding bank debt.

Outlook

SimiGon is pleased to report that the momentum gained from the strong results of the first half has continued into the second half of the year. As a result the Company now expects to report revenues for the full year slightly ahead of market expectations, demonstrating clear growth on previous years. SimiGon expects profits for the year to remain in line with market expectations reflecting the Company's expanded role as a prime contractor.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2013	December 31, 2012
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	7,609	6,550
Short-term bank deposits	511	556
Trade receivables	228	656
Other accounts receivable and prepaid expenses	70	41
Total current assets	8,418	7,803
NON-CURRENT ASSETS:		
Restricted cash	403	23
Long-term prepaid expenses	22	25
Fixed assets, net	136	132
Intangible assets, net	1,249	1,274
Total non-current assets	1,810	1,454
Total assets	10,228	9,257

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2013	December 31, 2012
	Unaudited	Audited
	U.S. dollars in thousands	
EQUITY AND LIABILITIES		
CURRENT LIABILITIES:		
Trade payables	150	140
Deferred revenues	1,733	1,005
Other accounts payable and accrued expenses	638	678
Total current liabilities	2,521	1,823
NON-CURRENT LIABILITIES:		
Employee benefit liabilities, net	151	141
Other non-current liabilities	743	748
Total non-current liabilities	894	889
Total liabilities	3,415	2,712
EQUITY:		
Share capital	113	113
Additional paid-in capital	16,152	16,110
Accumulated deficit	(9,452)	(9,678)
Total equity	6,813	6,545
Total liabilities and equity	10,228	9,257

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Year ended December 31,
	2013	2012	2012 *)
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues	4,155	3,473	6,805
Cost of revenues	1,458	1,040	1,367
Gross profit	2,697	2,433	5,438
Operating expenses:			
Research and development	1,121	1,078	2,145
Selling and marketing	852	694	1,568
General and administrative	453	495	1,015
Total operating expenses	2,426	2,267	4,728
Operating income	271	166	710
Other income	-	-	26
Financial income	33	79	126
Financial expenses	(84)	(68)	154
Net income	220	177	708
Basic and diluted earnings per share in U.S. dollars	0.005	0.004	0.02
Weighted average number of shares used in computing Basic earnings per share in thousands	44,617	43,812	44,617
Weighted average number of shares used in computing diluted earnings per share in thousands	46,054	44,098	45,187

*) The comparatives been restated to reflect the implementation of IAS 19 (Revised) Employee Benefits.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Year ended December 31,
	2013	**2012**	**2012 *)**
	Unaudited		**Audited**
Net income	220	177	708
Other comprehensive income:			
Actuarial gain (losses) from defined benefits plan	6	-	(16)
Total comprehensive income	226	177	692

*) The comparatives been restated to reflect the implementation of IAS 19 (Revised) Employee Benefits.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
	U .S. dollars in thousands (except share amounts)				
Balance as of December 31, 2011	44,134,769	105	15,997	(10,370)	5,732
Net income	-	-	-	708	708
Other comprehensive income:					
Actuarial losses from defined benefit plan *)	-	-	-	(16)	(16)
Total comprehensive income:	-	-	-	692	629
Issuance of shares	3,009,106	8	-	-	8
Share-based compensation	-	-	112	-	112
Exercise of stock options	9,304	*) -	1	-	1
Balance as of December 31, 2012	47,153,179	113	16,110	(9,678)	6,545
Net income	-	-	-	220	220
Other comprehensive income:					
Actuarial losses from defined benefit plan *)	-	-	-	6	6
Total comprehensive income	-	-	-	226	226
Share-based compensation	-	-	42	-	42
Balance as of June 30, 2013 (unaudited)	47,153,179	113	16,152	(9,452)	6,813

*) The comparatives been restated to reflect the implementation of IAS 19 (Revised) Employee Benefits.

	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total equity
	U .S. dollars in thousands (except share amounts)				
Balance as of January 1, 2012 (audited)	44,134,769	105	15,997	(10,370)	5,732
Total comprehensive income	-	-	-	177	177
Issuance of shares	2,175,565	1	-	-	1
Share-based compensation	-	-	19	-	19
Balance as of June 30, 2012 (unaudited)	46,310,334	106	16,016	(10,193)	5,929

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income	220	177	708 *)
Adjustments to reconcile net to net cash provided by operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	47	40	98
Disposal of fixed assets	-	-	(26)
Finance cost	(1)	1	(3)
Share-based compensation	42	19	(12)
Accrued interest on non-current liabilities	(5)	(3)	112
Change in employee benefit liabilities, net	16	19	17 *)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	428	962	584
Decrease (increase) in other accounts receivable and prepaid expenses	(26)	228	260
Increase (decrease) in trade payables	10	(46)	(34)
Increase (decrease) in deferred revenues	728	1,031	892
Increase (decrease) in other accounts payable and accrued expenses	(38)	(31)	(84)
	1,201	2,220	1,804
Interest paid	-	(1)	(1)
Interest received	1	**) -	4
	1	(1)	3
Net cash provided by operating activities	1,422	2,396	2,515

*) The comparatives been restated to reflect the implementation of IAS 19 (Revised) Employee Benefits.

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2013	Six months ended June 30, 2012	Year ended December 31, 2012
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Proceeds from disposal of fixed assets	-	-	36
Increase in restricted cash	(380)	(23)	(23)
Decrease (Increase) in Short-term bank deposits	45	(46)	(45)
Purchase of fixed assets	(26)	(45)	(103)
Net cash used in investing activities	(361)	(114)	(135)
Cash flows from financing activities:			
Proceeds from share issuance	-	-	2
Exercise of stock options	-	-	1
Repayment of bank loan	-	(188)	(188)
Proceeds from (repayment of) governmental fund	(2)	105	124
Net cash used in financing activities	(2)	(83)	(61)
Increase (decrease) in cash and cash equivalents	1,059	2,199	2,319
Cash and cash equivalents at beginning of period	6,550	4,231	4,231
Cash and cash equivalents at end of period	7,609	6,430	6,550

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

Receivable in respect of issuance of shares	-	-	6