



15 September 2014

**SimiGon Ltd**

("SimiGon" or "the Company")

**Interim Results for the six months ended 30 June 2014**

**Continued 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 2014.

**Financial Highlights**

- Revenues increased by 5% to \$4.37 million (H1 2013: \$4.16 million)
- Net profit increased by 205% to \$0.67 million (H1 2013: \$0.22 million)
- Gross margin of 73% (H1 2013: 65%)
- Gross cash up at \$9.71 million (31 December 2013: \$8.61 million, 30 June 2013: \$8.12 million) and the Company has no outstanding bank debt
- Basic and diluted EPS of \$0.014 (H1 2013: \$0.005)
- Paid maiden dividend in May 2014 and intends to maintain annual dividend payment

**Operational Highlights**

- Delivering on project milestones on \$6.7 million contract awarded in June 2013
- Entered civil aviation market with first contract in China, initially worth \$0.75 million
- Secured additional licences and maintenance support agreements as part of its partnership to support Lockheed Martin's F-35 Lightning II Joint Strike Fighter ("JSF") training program
- Continues to meet project milestones for long term contracts including the UK Military Flying Training System ("UKMFTS") and Check-6, the Company's first major contract outside the aerospace and defence industry

**Post period-end events**

- Awarded additional three year maintenance and support contract worth \$0.8 million for major existing European customer
- Signed new license agreement with Corporacion de Alta Tecnologia para la Defensa (Codaltec), a leading Latin American high technology corporation

Ami Vizer, Chief Executive Officer of SimiGon, said: "We are pleased to report that SimiGon continues to deliver strong growth in revenue and profitability as a result of achieving milestones set out in our growth strategy. We have cemented our position as a prime contractor for major, long term simulation training programmes, expanded into new territories and diversified our offer. We are pleased with the good performance in the first half which reflected sales from the successful delivery of key projects and our expansion into the civil aviation market in China.

"Looking ahead, SimiGon has excellent revenue visibility based on our long term contracts and a strong order book in place. As a result the board enters the second half with increasing confidence of delivering continued year-on-year growth for full year 2014."

**Enquiries:**

**SimiGon Ltd**

Ami Vizer, Chief Executive Officer

Efi Manea, Chief Financial Officer

[www.simigon.com](http://www.simigon.com)

Tel: +1 (407) 951 5548

**finnCap** (NOMAD & Broker)

Stuart Andrews / Henrik Persson

Tel: +44 (0) 207 220 0500

**Luther Pendragon** (Public Relations)

Harry Chathli / Alexis Gore / Oliver Hibberd

Tel: + 44 (0) 207 618 9100

## **Overview**

SimiGon is pleased to report its seventh consecutive period of revenue growth and increased profitability. The first half of 2014 has seen revenues increase by 5% to \$4.37 million (H1 2013: \$4.16 million) with increase in the net profit of 205% to \$0.67 million as compared to \$0.22 million in H1 2013.

This continued success in the first half of 2014 has come from expansion in to new territories, long-term contracts, that continue to progress well, and a successful transition to become prime contractor. Continued growth across markets and verticals, and ongoing determination to deliver precisely on schedule and to clients' specifications, serves to further enhance SimiGon's reputation and cement its position as a leading supplier of training and simulation technologies for the world's largest military flight training programmes.

The Company has continued to concentrate on its ability to secure further contracts in the role of prime contractor. Being a prime contractor enabled SimiGon to target and win significantly larger and more lucrative contracts than was previously possible. It has also given the Company a direct relationship with the end customer, a greater share of project revenues and profit, and greater potential for further deals with the same customer.

The combined effect of the above is that the Company is confident in its continuing ability to secure new revenue projects and its business development prospects remain strong. To facilitate the Company's growth and expansion, while also ensuring the high quality and delivery targets demanded by customers are maintained, SimiGon will invest in increasing the number and talent within its workforce.

The Board remains confident that its strategy will provide continuing growth in both the short term and longer term.

## **Operational Review**

SimiGon continues to deliver on all its major contracts, a key focus for the Company in the first half of 2014. This success has further cemented the Company's leading position as a proven provider of simulation training solutions. In addition the first half saw SimiGon expand its geographic footprint, enter the large and potentially very lucrative civil aviation market, and expand its customer base.

### *Delivery of major contract as prime contractor*

SimiGon announced in June 2013 that it had signed a contract valued at \$6.7 million of a major training program. This contract opened up a new geographical region and was a milestone contract for the Company both in terms of the value of the order and the scope of its requirements.

SimiGon is successfully delivering its training systems and meeting its contracted key milestones. The Company expects that its good performance will put SimiGon in a good position to be selected for potential subsequent phases of the programme.

### *Expansion into Chinese civil aviation market*

In February, SimiGon revealed that it had expanded on its core growth strategy and entered the Chinese civil aviation market in a joint venture (JV) agreement with a leading aviation services company based in China.

The agreement, which is initially valued at \$0.75 million, involves the creation of a new entity dedicated to develop its own training solutions using SimiGon's SIMbox licenses.

A move into the civil aviation market has been a long term strategic goal for SimiGon and with China's position as the fastest growing aviation market in the world, the JV provided an ideal platform for SimiGon to enter this attractive growth sector and region.

#### *New contract wins*

As announced in September 2014, SimiGon signed a new license agreement with Corporacion de Alta Tecnologia para la Defensa (Codaltec), a leading Latin American high-technology corporation.

Codaltec was formed in August 2012 by the Colombian Government to meet the defense sector's needs, including training and simulation for their armed forces. As a result of the successful delivery and performance of SimiGon's systems, Codaltec has agreed to extend the agreement and purchase additional SimiGon software licenses to support its numerous training programs.

The partnership demonstrates how companies can adopt SimiGon's technology to enhance their offering by rapidly delivering a higher quality training and simulation solution for their customers. It is a major endorsement for SimiGon and a milestone in the Company's relationship with Codaltec that the scope of the initial agreement has been expanded.

SimiGon have been working with a major existing European customer since September 2009 and continued to strengthen this relationship in August 2014 when it announced a three year agreement valued at \$0.8 million to provide additional maintenance and support services for the customer's simulation training centers.

#### *Long term contracts*

The Company has a large number of long term partnerships that it continues to develop and deliver, providing good revenue visibility going forward. Many of its long term projects are expected to expand with clients purchasing further licenses throughout 2014 and 2015.

Highlighting the longevity of SimiGon's partnerships, the Company is now in its seventh year supporting Lockheed Martin's JSF training program and agreed additional licenses and ongoing maintenance support agreements as part of its ongoing long term partnership.

SimiGon is also in its sixth year supporting Lockheed Martin's UKMFTS and continues to work with AETC, a relationship which began in late 2011, to support and maintain all of the T-6A Modular Training Devices used in the training of all Remote Piloted Aircraft students.

SimiGon continues to successfully deliver on its exclusive contract with Check-6 Inc., one of the leading providers of training solutions to the energy and mining industries. Throughout this contract SimiGon has exceeded customer expectations in both the execution and performance of its systems. As a result, the Company remains confident that following successful delivery the possibility remains to extend the partnership with additional agreements.

## **Financial Performance**

Revenues for the six months ended 30 June 2014 were \$4.37 million as compared to \$4.16 million for the six months ended 30 June 2013, reflecting an increase of 5%. Gross profit for the six months ended 30 June 2014 was \$3.21 million, as compared to \$2.7 million for the six months ended 30 June 2013. Accordingly, gross margins increase to 73% for the six months ended 30 June 2014 as compared to 65% for the six months ended 30 June 2013.

Net profit for the six months ended 30 June 2014 improved by 205% to \$0.67 million as compared to \$0.22 million for the six months ended 30 June 2013.

Total operating expenses for the six months ended 30 June 2014 increased by 4% to \$2.53 million (H1 2013: \$2.43 million). Research and development expenses for the six months ended 30 June 2014 were \$1.13 million as compared to \$1.12 million for the six months ended 30 June 2013. Marketing expenses for the six months ended 30 June 2014 decreased by 2% to \$0.83 million as compared to \$0.85 million for the six months ended 30 June 2013 and general and administration expenses for the six months ended 30 June 2014 were \$0.58 million as compared to \$0.45 million the six months ended 30 June 2013.

Operating income for the six months ended 30 June 2014 amounted to \$0.67 million, significantly improving upon performance for the six months ended 30 June 2013. This resulted in a net basic and diluted earnings per share of \$0.014 (H1 2013: Basic and diluted earnings per share of \$0.005).

The net financial expenses and income for the six months ended 30 June 2014 decrease to \$0.003 as compared to financial expenses of \$0.051 million for the six months ended 30 June 2013 mainly due income from interest and currency exchange rate movements.

The Company's cash and equivalent balances, including restricted cash recorded, to insure future project performance, increased by 18% to a total of \$10.09 million as at 30 June 2014 as compared to \$8.52 million as at 30 June 2013 and by 12% as compared to \$9.02 million as at 31 December 2013: with no outstanding bank debt.

In light of the strong cash position and its confidence in continued strong cash generation the Board decided to commence the payment of annual dividends at the Company's full year results. As a result, a maiden dividend was paid to shareholders in May 2014 at a value of 0.543 cents per share.

## **Outlook**

SimiGon continues to deliver strong growth in revenue and profitability as a result of achieving milestones set out in our growth strategy. The Company has cemented its position as a prime contractor for major, long term simulation training programmes, expanded into new territories and diversified its offer.

SimiGon has excellent revenue visibility based on our long term contracts and a strong forward order book greater than \$10 million to be recognised in future accounting periods. As a result the board enters the second half with increasing confidence of delivering continued year-on-year growth for full year 2014.

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>U.S. dollars in thousands</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	9,711	8,100
Short-term bank deposits	-	511
Trade receivables, net	682	249
Other accounts receivable and prepaid expenses	78	69
	<u>10,471</u>	<u>8,929</u>
<u>Total</u> current assets		
<b>NON-CURRENT ASSETS:</b>		
Restricted cash	374	404
Long-term prepaid expenses	32	31
Property, plant and equipment	110	115
Intangible assets, net	1,198	1,223
	<u>1,714</u>	<u>1,773</u>
<u>Total</u> non-current assets		
<u>Total</u> assets	<u><u>12,185</u></u>	<u><u>10,702</u></u>

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>U.S. dollars in thousands</b>	
<b>EQUITY AND LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	129	143
Deferred revenues	2,135	1,218
Other accounts payable and accrued expenses	909	808
<u>Total current liabilities</u>	<u>3,173</u>	<u>2,169</u>
<b>NON-CURRENT LIABILITIES:</b>		
Employee benefit liabilities, net	201	177
Other non-current liabilities	790	777
<u>Total non-current liabilities</u>	<u>991</u>	<u>954</u>
<u>Total liabilities</u>	<u>4,164</u>	<u>3,123</u>
<b>EQUITY:</b>		
Share capital	121	113
Additional paid-in capital	16,289	16,248
Accumulated deficit	(8,389)	(8,782)
<u>Total equity</u>	<u>8,021</u>	<u>7,579</u>
<u>Total liabilities and equity</u>	<u>12,185</u>	<u>10,702</u>

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**

	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands (except per share data)</b>		
Revenues	4,367	4,155	8,172
Cost of revenues	1,161	1,458	2,070
Gross profit	3,206	2,697	6,102
Operating expenses:			
Research and development	1,127	1,121	2,404
Selling and marketing	826	852	1,652
General and administrative	579	453	1,048
Total operating expenses	2,532	2,426	5,104
Operating income	674	271	998
Financial income	91	33	57
Financial expenses	(94)	(84)	159
Net income	671	220	896

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>December 31,</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Unaudited</b>		<b>Audited</b>
Net income	<u>671</u>	<u>220</u>	<u>896</u>
Other comprehensive income:			
Actuarial gain (losses) from defined benefits plan	<u>(9)</u>	<u>6</u>	<u>*) -</u>
<u>Total</u> comprehensive income	<u><u>662</u></u>	<u><u>226</u></u>	<u><u>896</u></u>
Basic and diluted earnings per share in U.S. dollars	<u><u>0.014</u></u>	<u><u>0.005</u></u>	<u><u>0.018</u></u>
Weighted average number of shares used in computing Basic earnings per share in thousands	<u><u>48,036</u></u>	<u><u>47,153</u></u>	<u><u>47,188</u></u>
Weighted average number of shares used in computing diluted earnings per share in thousands	<u><u>48,598</u></u>	<u><u>48,589</u></u>	<u><u>49,131</u></u>

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

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Number of shares</b>	<b>Share capital</b>	<b>Additional paid-in capital</b>	<b>Accumulated deficit</b>	<b>Total equity</b>
	<b>U.S. dollars in thousands (except share amounts)</b>				
Balance as of January 1, 2013	47,153,179	113	16,110	(9,678)	6,545
Net income	-	-	-	896	896
Other comprehensive income: Actuarial losses from defined benefit plan	-	-	-	*) -	*) -
Total comprehensive income	-	-	-	896	896
Issuance of shares	119,727	*) -	-	-	*) -
Share-based compensation	-	-	137	-	137
Exercise of stock options	19,800	*) -	1	-	1
Balance as of December 31, 2013	47,292,706	113	16,248	(8,782)	7,579
Net income	-	-	-	671	671
Other comprehensive income: Actuarial losses from defined benefit plan	-	-	-	(9)	(9)
Total comprehensive income	-	-	-	662	662
Dividend distribution	-	-	-	(269)	(269)
Share-based compensation	-	-	39	-	39
Exercise of stock options	2,209,429	8	2	-	10
Balance as of June 30, 2014 (unaudited)	<u>49,502,135</u>	<u>121</u>	<u>16,289</u>	<u>(8,389)</u>	<u>8,021</u>

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

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Number of shares</b>	<b>Share capital</b>	<b>Additional paid-in capital</b>	<b>Accumulated deficit</b>	<b>Total equity</b>
	<b>U.S. dollars in thousands (except share amounts)</b>				
Balance as of January 1, 2013	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)	<u>47,153,179</u>	<u>113</u>	<u>16,152</u>	<u>(9,452)</u>	<u>6,813</u>

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>December 31,</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
<u>Cash flows from operating activities:</u>			
Net income	671	220	896
Adjustments to reconcile net to net cash provided by operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	49	47	98
Finance income, net	*) -	(1)	(1)
Accrued interest on non-current liabilities	(4)	(5)	28
Share-based compensation	39	42	137
Change in employee benefit liabilities, net	15	16	36
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(433)	428	407
Increase in other accounts receivable and prepaid expenses	(2)	(26)	(21)
Increase (decrease) in trade payables	(14)	10	3
Increase (decrease) in deferred revenues	917	728	213
Increase (decrease) in other accounts payable and accrued expenses	118	(38)	132
	<u>685</u>	<u>1,201</u>	<u>1,032</u>
Interest received	*) -	1	1
Net cash provided by operating activities	<u>1,356</u>	<u>1,422</u>	<u>1,929</u>

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>December 31,</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
<u>Cash flows from investing activities:</u>			
Decrease (Increase) in restricted cash	30	(380)	(381)
Decrease (Increase) in Short-term bank deposits	511	45	45
Increase in long-term deposits	(3)	-	(12)
Purchase of fixed assets	(19)	(26)	(30)
Net cash provided by (used in) investing activities	519	(361)	(378)
<u>Cash flows from financing activities:</u>			
Proceeds from share issuance	-	-	*) -
Exercise of stock options	5	-	1
Dividend distribution	(269)	-	-
Repayment of governmental fund	-	(2)	(2)
Net cash used in financing activities	(264)	(2)	(1)
Increase in cash and cash equivalents	1,611	1,059	1,550
Cash and cash equivalents at beginning of period	8,100	6,550	6,550
Cash and cash equivalents at end of period	9,711	7,609	8,100

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

Receivable in respect of issuance of shares	5	-	*) -
---	---	---	------

\*) Represents an amount lower than \$ 1 thousand.