

SimiGon Ltd

("SimiGon" or "the Company")

Interim Results for the six months ended 30 June 2018

SimiGon Ltd (LSE: SIM), a global leader in providing simulation and training solutions, announces its interim results for the six months ended 30 June 2018 (the "Period").

Financial Highlights

- Period-on-period increase in revenues to \$2.40 million (H1 2017: \$2.19 million)
- Gross margin in line with comparative period 77% (H1 2017: 78%)
- Net loss of \$0.26 million (H1 2017: net loss \$0.45 million) before doubtful debt provision of \$0.45 million
- Basic and diluted loss per share \$0.01 (H1 2017: Basic and diluted loss per share \$0.01)
- Purchased a total of 255,000 Ordinary Shares as part of the Company's share buyback program.

Operational Highlights

- Continued success in securing additional business in core defence-related market:
 - Awarded additional onsite support services contract for the sixteen T-6A Level 5 Flight Training Devices (FTDs) with the United States Air Force ("USAF");
 - Contracted to provide USAF with Virtual Reality (VR) Aircraft De-icing Simulation Based Training;
 - Secured additional work scope for Lockheed Martin's UK Military Flight Training System (UKMFTS);
- Continued to secure additional business in other domains beside defence-related market and signed a contract with the US Federal Aviation Administration ("FAA");
- Continued to support major military flight training programmes including:
 - The USAF Air Education and Training Command Undergraduate Remotely Piloted Aircraft Training ("URT");
 - Successful development and delivery efforts in support of Lockheed Martin's UKMFTS program;
 - Supplying software and services as part of long term relationship with a major existing European customer;
- Achieved delivery milestones for \$2 million contract announced in June 2016 for the Israeli Air Force for F16 maintenance trainers (IAF F16 Maintenance Trainer); and
- Ongoing R&D efforts to enable simulation based training across all hardware devices and positioning the Company for new high growth market opportunities

Post Period Events

- Bought back 100,000 ordinary shares of 0.01 NIS each in the capital of the Company at the price of 14.5 pence and 117,000 ordinary shares of 0.01 NIS each in the capital of the Company at the price of 14 pence as part of the on-going share buyback program.
- Release of SIMbox version 5.7, August 2018, providing many new platform capabilities along with major performance upgrades.

Mr. Ami Vizer, Chief Executive Officer of SimiGon, stated: “We are pleased to report increased revenues and, excluding the one-time provision for doubtful debts provision, the financial results for the Period show an improvement in losses as compared to the related period in 2017.

“We continued to execute upon our strategy for the underlying business, deliver project milestones for long term contracts and build our strategic position as a technology partner to our customers. Looking at the number of the contracts we are currently working on, we are confident in our upside potential.

SimiGon continue to expect, based on contracted backlog orders, revenue for the full financial year of approximately \$5 million and \$14.5 million over the next ten years. Having a bedrock foundation of expected profitability for future growth, with a dedicated team working tirelessly to execute management's business plan and deliver investor results, the Board is confident in the Company's ability to deliver growth over the long term.”

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Overview

During the first half of the year, the Company achieved successful delivery milestones of its long term contracts. This includes milestones on the IAF F-16 Maintenance Trainer program; with Check-6 for energy and mining sector training; and to the FAA's AURS. In addition, as a result of successful deliveries and proven technology, SimiGon was awarded with additional work scope for the UKMFTS program of approximately \$0.4 million as well as the USAF T-6A FTD Contractor Logistics Support program of approximately \$0.3 million.

Secondly, our R&D team has continued making major advances in simulation streaming, graphic engine capabilities, and Training Management System infrastructure to further improve SIMbox technology and increase market penetration across military and civilian training markets. Significant progress has been made in adapting the platform for expansion into new domains by leveraging the Company's technology beyond its core defence market into commercial verticals and civilian / consumer applications. This positions SimiGon to take full advantage of a fundamental shift in industry training methodology from traditional training techniques to more technology rich, immersive methods such as Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR).

During the Period, revenue was \$2.40 million (H1 2017: \$2.19 million) and loss before tax expenses of \$0.67 million (H1 2017: loss before income tax of \$0.47 million). The key contributor to the increased loss is the recording of a doubtful debt provision in a total of \$0.45 million related to a delay in payment from a particular

customer in the civilian training market, as previously announced. Though discussions continue with that a customer and legal action has been initiated, the Company has now recorded a full (as opposed to partial) doubtful debt provision for the client's entire outstanding debt. Removing any future expected revenues from this customer has led to a revision in our forward backlog order book from the previously announced \$20 million to \$14.5 million, which we expect to recognise over the next ten years.

The Company maintains a strong balance sheet with liquid cash balances of \$7 million as at 30 June 2018.

The Company continues to execute its strategy for the underlying business, delivering project milestones for long term contracts and building on its strategic position as a technology partner to its customers.

The Company is confident that the work it has continued to do in relation to research and development and repositioning itself to be seen as a leading technology partner across a number of markets will come to fruition. Encouraged by the expected increase in revenue during the Period as compared to the six months ended 30 June 2017, the Company is confident potential new contracts will be realized during the second half of the year.

As a Company that develops advanced training and simulation technologies and solutions, with the military and defense industry as its core business targets, SimiGon continued its push to expand into other sectors during the first half of the year.

During the Period, the Company continued to identify new market opportunities to support training for the civilian sector, including civilian drivers, civilian aviation and industrial training. In addition, the company has continued efforts to grow vertical Government and Civilian training markets such as the oil and gas industry, professional truck drivers, and other technician training markets. The number of potential markets that can benefit from SimiGon's transformational "learning by doing" training technologies that fully leverage VR is substantial and mark another fundamental shift in the training world, learning through (simulated) experience versus traditional methods.

SimiGon's market position is strengthening for multiple reasons. As the Company is delivering and meeting and exceeding its obligations to the satisfaction of customers and partners, there is a positive pattern of returning customers contracting SimiGon for additional work scope for existing programs and new projects with our clients. Along with this, the Company is continuously investing and improving in its R&D. This has a dynamo effect of greater capabilities to meet more customer and program requirements and thus, create more market opportunities.

Operational Review

SimiGon's core technology platform, SIMbox, and support services were developed for large simulation training programmes for the Government and Commercial sectors. The Company has been at the forefront of designing and providing highly technical simulation and training solutions in markets to increase learning efficiencies, reduce risk and save costs for its clients. By leveraging the highly agile, core SIMbox technology platform, simulation content of any domain can be applied across multiple devices to create a truly immersive learning environment.

SimiGon's strategic, simulation-based training programs are available as a license model or on a Software as a Service (SaaS) basis, and have the flexibility and capabilities to address a broad range of training domains across many sectors.

Markets

The Company characterizes its target markets as follows:

Aerospace and defence related industry

The Company's history and foundations are rooted in supplying large training and simulation environments to the aerospace and defence market. Within these core operations, the Company continues to cement its position as a preferred technology supplier for the world's largest military training programmes. The Company's track record of cost effective deliveries has led to winning new military-related contracts in different geographical areas, as well as expanding relationships with existing customers into other areas of the organisation's operations.

Civilian and Commercial vertical markets

The civilian, Smart Education and Learning market, representing new expansion opportunities for SimiGon, is expected to grow from \$193.24 billion in 2016 to \$586 billion by 2021*.

The Company is very excited by these market opportunities available in the shifting training paradigms taking place within the civilian and mass consumer segments, led by VR devices.

As a hardware agnostic training platform, SimiGon answers the market need for suitable simulation software to take advantage of the full immersion training capacity of VR Consumers demand visual and interactive problem solving to routine learning and training regimes, such as civilian aviation, technician training and truck driving. Through its extensive Intellectual Property and experience as the first Company to provide PC/laptop-based simulation and training, SimiGon is ideally positioned to take advantage of this cultural and demographic shift and provide the wider consumer market with the comprehensive training environment solution needed. For example, while the IAF contract, announced on 20 June 2016, to provide F-16 maintenance trainers is a military program, the system capabilities is being leveraged to pursue civilian aviation maintenance training.

Among the Company's advances in the civilian segment include a \$100,000 contract with the US Federal Aviation Administration ("FAA") to deliver its SIMbox simulation development tools and training in support of the FAA's advanced Unmanned Aircraft Systems ("UAS") Research Simulator. This contract is a significant milestone in SimiGon's expansion into civilian vertical markets and demonstrates the market's recognition of SIMbox as an effective R&D toolset for design and development as well as an advanced training system platform.

The Company is successfully leveraging its disruptive, baseline, commercial off-the-shelf (COTS) product into additional top layer application content and capabilities to deliver training environments in tangential vertical commercial markets, including commercial aviation, drivers, medical practitioners, energy and mining. These targeted verticals share similar characteristics to the Company's experience in the defence-related industries in that they are highly regulated, require complex and specialised skill training and have a zero margin for error. SimiGon continues to analyze opportunities to grow market share and broaden the applications for its base line software platform in these new domains.

*) Source: MARKETANDMARKETS (Market Research Reports - Smart Digital Education)

Business Model

SimiGon's strategy, in line with market requirements, is to focus on long-term, high value, stable SaaS license contracts that provide better revenue and profit visibility as a result of distributing over the Period in which they are provided rather than on single lump sum license sales.

With SaaS-based contracts, the recurring maintenance and support stream is already included in the contract terms. In addition, the Company maintains flexibility with its traditional perpetual license fee model where the Company is paid for software license and support, as well as providing turnkey solutions for customers and partners as a Prime contractor or Sub-contractor.

Growth Strategy

Across the Company's addressable market domains, the Group is focused on growing the business organically by increasing its footprint within the existing customer base through continuous product innovation; leveraging its experience and IP developed from existing contracts to win new customers and capture market share in established segments; and expanding the core technology platform's applicability to move into new market domains.

The highly scalable, COTS technology platform renders it ideally positioned to address new domains without major customizations. New projects and markets utilize the existing product infrastructure and developer tools to create the new application content; once developed, it is leveraged to target the full market.

R&D

The Company's organic growth strategy is driven by its commitment to investing in R&D to expand the Group's offering and ensure it remains at the forefront of new technology trends and industry developments. This ensures the Company is identifying suitable new opportunities while maintaining a programme of solutions upgrades and enhancements to deepen its relationship with existing clients and capture new customers.

During the Period, SimiGon achieved a number of milestones across its R&D programme. The Group's graphic engine has been wholly upgraded and can now support higher fidelity training devices to provide best-in-class user experience. While the Company has supported VR devices for more than twenty years, further R&D spending will further strengthen the Company's market position. In recognizing this emerging requirement in industry tenders, the Company has ensured it is equipped to meet customer demands. On the marketing side, the Company has had an increased focus on advertising and industry exhibitions, with booths at four industry symposiums, including the Singapore Airshow and ITEC in Europe. These efforts show existing and potential partners and customers the Group's newest developments and offers opportunities to capture new markets and customers.

Significant contracts

New contracts

On February 2018 SimiGon was awarded with additional onsite support services for the sixteen T-6A Level 5 Flight Training Devices (FTDs) with the USAF. Under the Contract's period of performance of 28 months, SimiGon will provide warranty support for the additional six simulators delivered as part of the task order with Booz Allen in 2016, and further onsite hardware and software support for all of the SIMbox-based simulators, including the ten simulators delivered to the USAF between 2011-2012 and then upgraded on 2016.

The Contract represents another milestone for SimiGon as it establishes a full CLS capability for the T-6A training devices. The simulators are used to provide thousands of training events annually for the Air Force's Undergraduate Remotely Piloted Aircraft Training program and it further demonstrates the market's recognition that SimiGon is capable of delivering support for the complete ecosystem, including software, hardware and onsite support.

On February 2018 the Company signed a contract with the US FAA to deliver the Company's SIMbox simulation software, SIMbox simulation development tools, and engineering services for the FAA's AURS. This was a follow-on order from the original contract announced in September 2017 and is worth approximately \$120,000 and has been factored into management's expectations for fiscal year 2018. The AURS supports human factors research and safety research within the FAA's Aerospace Human Factors Research Division. SIMbox delivers the user interface for the operators in an aircraft simulation environment as well as a central repository for all components with the embedded configuration management capability.

On May 2018 SimiGon was contracted to provide VR simulation based training for USAF De-icing technicians. As part of the Contract, SimiGon will deliver its SIMbox-based VR aircraft de-icing training product. By incorporating fully immersive VR with SimiGon's de-icing simulation product, USAF technicians will receive simulation based training that includes scoring, Playback/After Action Review, feedback reports, as well as a multi-player training capability.

Aircraft de-icing is a high skills task requiring annual training of military and commercial personnel working in cold weather aviation. Ice adds significant weight to aircraft and having "clean aircraft" is critical to safe travel. SimiGon understands the importance for operators to undergo adequate training to ensure proper operations, as mistakes can result in significant aircraft damage and flight cancellations. The Directors estimates the De-Icing market to include more than 100,000 trainees per year in the civilian market. SimiGon's technology and business model is well suited for rapid product rollout to meet expected market demand and the Company is looking forward to successfully leveraging its aircraft de-icing training product for substantial business growth.

Long term contracts

The Company maintained its solid portfolio of long term partnerships developing further business and providing revenue visibility. Many of these partnerships are expected to continue with additional contracts through 2018 and beyond.

SimiGon continued its successful delivery milestones for a \$2 million contract announced in June 2016 to provide F-16 maintenance simulation based training systems to the IAF's technician school in Haifa, Israel. This contract, in the maintenance training domain, is a new, lucrative vertical for SimiGon and will provide us with the experience and credentials to leverage for similar new business opportunities in other regions and other sectors.

SimiGon continues its successful support for UKMFTS as a technology and services provider to Lockheed Martin. The Company continues to deliver under this long term contract, now in its ninth year of support, exceeding partner and end user expectations of SimiGon's technologies and performance.

Ongoing USAF contracts for the continued maintenance and support for SIMbox-based T-6A FTD demonstrates the long term relationship with this strategic customer.

Check-6 Inc., one of the leading providers of training solutions to the energy and mining industries, is another example of SimiGon's ability to help companies achieve new growth. Throughout this contract, SimiGon has successfully executed on its agreed deliverables. This relationship continues to yield long term business prospects. The Company is optimistic that additional agreements will be executed to extend this relationship.

The Company continues to support a major existing European customer the Company has been supplying with software and services since 2009. The customer is operating SimiGon training solutions in four different training centers daily and has very positive customer reviews. SimiGon is certain that this relationship will continue and lead to additional future orders.

Share buy-back programme

On December 1, 2017 the Company put in place an irrevocable, non-discretionary programme for the repurchase of up to USD\$106,000 (approximately £79,000) of its ordinary shares (the "Programme"). The Programme is independently managed by finnCap Ltd, the Company's nominated adviser and broker, which will make trading decisions independently and without the influence of the Company. Any ordinary shares repurchased on behalf of the Company will be held in treasury and will be notified to a Regulatory Information Service in accordance with the AIM Rules for Companies. The Programme will last until the end of the Company's general meeting in 2018 or until the full USD\$106,000 has been utilized, whichever is the soonest. The Programme is conducted within the pre-set parameters and in accordance with the authority granted by the Company's shareholders to repurchase shares at its last general meeting held on 8 September 2017. To date, pursuant to the Programme, a total of 472,000 shares have been bought back.

Financial Performance

Revenue for the six months ended 30 June 2018 was \$2.40 million, compared to \$2.19 million for the six months ending 30 June 2017. Gross profit for the six months ended 30 June 2018 was \$1.85 million, compared to \$1.72 million for the six months ended 30 June 2017. Gross margins of 77% for the Period and for the six months ended 30 June 2018, compared to 78% for the six months ended 30 June 2017. Net loss before tax for the Period amounted to \$0.67 million compared to \$0.47 million for the six months ended 30 June 2017.

Total operating expenses for the Period increased by 15% to \$2.50 million as compared to \$2.17 million for the six months ended 30 June 2017. This increased cost base is part of a strategic decision by the Company to ensure that it continues to be on the front foot with respect to capitalizing on the many market opportunities available to the Company. Development of our existing software ensures that we maintain our position as one of the leading providers in the market. Personnel recruitment and investment we have made into our marketing and R&D strengthens our capabilities and enables us to move into new sectors. In addition, the increase in the operating expenses during the Period as compared to the six months ended 30 June 2017 is due doubtful debt provision of \$0.45 million for delay in payment from a particular customer in the civilian training market (as previously announced).

The increased cost base is broken down as follows: Research and development expenses for the six months ended 30 June 2018 increased by 3% to \$1.03 million as compared to \$1.00 million for the six months ended 30 June 2017, mainly due to increase in salary and related benefits expenses; marketing expenses for the six months ended 30 June 2018 decreased by 22% to \$0.50 as compared to \$0.64 million for the six months ended 30 June 2017, mainly due to sales commissions and salary expenses; general and administration expenses for the six months ended 30 June 2018 increased by 83% to \$0.96 million as compared to \$0.53 million for the six months ended 30 June 2017, mainly due doubtful debt provision of \$0.45 million recorded due a delay in payment from a particular customer in the civilian training market (as previously announced).

The Company has recorded tax expenses for the Period of \$0.03 million as compared to net income tax credit of \$0.01 million for the six months ended 30 June 2017 mainly as a result of creating a deferred tax asset in relation to the expected utilization of carry forward losses against expected income in future years.

As a consequence of the factors above, the operating loss for the six months ended 30 June 2018 amounted to \$0.65 million as compared to operating loss of \$0.45 million for the six months ended 30 June 2017. Net basic and diluted loss per share amounted to \$0.01 for the six months ended 30 June 2018 as compared to similar loss per share of \$0.01 for the six months ended 30 June 2017.

As at 30 June 2018 the Company had liquid cash of \$6.97 million as compared to \$7.79 million as at 31 December 2017 and trade receivables of \$2.15 million compared to \$1.75 million for the year ended 31 December 2017. \$0.23 million of the trade receivables balance has been collected since 30 June 2018.

Outlook

SimiGon's track record of developing and delivering cost effective technologies and solutions for the simulation and training market is solid fact. Together with the current economic growth, focus on reversing pilot shortages and need to invest in training applications for new generations of workers, the Company looks forward to its next stage of growth and challenges. Part of SimiGon's competitive advantage is its ability to scale rapidly and support new business to execute its vision and long term business strategy.

SimiGon continues to broach new markets and customers. By increasing its SaaS-based contracts for greater recurring revenues and better revenue visibility, together with consistent R&D investment, the Company expects to resume cash flow positive activities and profitability.

SimiGon's technology, multiple recurring revenue streams, and new market opportunities has the Board confident in the Company's ability to achieve and maintain profitability and growth for many years to come.

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	4,080	4,868
Short-term bank deposit	1,011	1,010
Short-term investments	1,883	1,912
Short-term restricted cash	337	337
Trade receivables, net	2,151	1,748
Other accounts receivable and prepaid expenses	82	149
	<u>9,544</u>	<u>10,024</u>
<u>Total</u> current assets		
NON-CURRENT ASSETS:		
Restricted cash	38	337
Long-term prepaid expenses	39	34
Deferred tax	187	226
Property, plant and equipment	82	94
Goodwill and intangible asset	1,068	1,068
	<u>1,414</u>	<u>1,759</u>
<u>Total</u> non-current assets		
<u>Total</u> assets	<u>10,958</u>	<u>11,783</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018	December 31, 2017
	Unaudited	Audited
	U.S. dollars in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	108	133
Deferred revenues	313	401
Other accounts payable and accrued expenses	724	675
<u>Total current liabilities</u>	<u>1,145</u>	<u>1,209</u>
NON-CURRENT LIABILITIES:		
Employee benefit liabilities	282	289
Other non-current liabilities	695	704
<u>Total non-current liabilities</u>	<u>977</u>	<u>993</u>
<u>Total liabilities</u>	<u>2,122</u>	<u>2,202</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	125	125
Treasury shares	(53)	-
Additional paid-in capital	16,644	16,639
Accumulated deficit	(7,882)	(7,177)
<u>Total equity attributable to equity holders of the Company</u>	<u>8,834</u>	<u>9,587</u>
Non-controlling interests	2	(6)
<u>Total equity</u>	<u>8,836</u>	<u>9,581</u>
<u>Total liabilities and equity</u>	<u>10,958</u>	<u>11,783</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Year ended December 31,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues	2,395	2,194	4,335
Cost of revenues	546	473	975
Gross profit	1,849	1,721	3,360
Operating expenses:			
Research and development	1,030	996	2,092
Selling and marketing	503	643	1,170
General and administrative	964	527	1,056
Total operating expenses	2,497	2,166	4,318
Loss	(648)	(445)	(958)
Financial income	52	61	126
Financial expenses	(76)	(82)	125
Loss before income taxes	(672)	(466)	(957)
Income tax benefit (expense)	(34)	14	3
Net loss	(706)	(452)	(954)

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended		Year ended
	June 30,		December 31,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Net loss	<u>(706)</u>	<u>(452)</u>	<u>(954)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) from defined benefit plan	<u>9</u>	<u>(2)</u>	<u>(11)</u>
<u>Total comprehensive loss</u>	<u>(697)</u>	<u>(454)</u>	<u>(965)</u>
Net loss attributable to:			
Equity holders of the Company	(714)	(448)	(952)
Non-controlling interests	<u>8</u>	<u>(4)</u>	<u>(2)</u>
	<u>(706)</u>	<u>(452)</u>	<u>(954)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company	(705)	(450)	(963)
Non-controlling interests	<u>8</u>	<u>(4)</u>	<u>(2)</u>
	<u>(697)</u>	<u>(454)</u>	<u>(965)</u>
Basic and diluted loss per share (in U.S. dollars)	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
Weighted average number of shares used in computing basic and diluted earnings per share (in thousands)	<u>51,399</u>	<u>51,394</u>	<u>51,444</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>							<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Number of shares</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Treasury shares</u>	<u>Accumulated deficit</u>	<u>Total</u>			
	<u>U.S. dollars in thousands (except share amounts)</u>								
Balance as of January 31, 2017 (audited)	51,394,189	125	16,629	-	(6,144)	10,610	(4)	10,606	
Total comprehensive income (loss)	-	-	-	-	(963)	(963)	(2)	(965)	
Dividend distribution	-	-	-	-	(70)	(70)	-	(70)	
Share-based compensation	-	-	10	-	-	10	-	10	
Balance as of December 31, 2017 (audited)	51,394,189	125	16,639	-	(7,177)	9,587	(6)	9,581	
Total comprehensive loss	-	-	-	-	(705)	(705)	8	(697)	
Treasury shares	-	-	-	(53)	-	(53)	-	(53)	
Share-based compensation	-	-	5	-	-	5	-	5	
Balance as of June 30, 2018 (unaudited)	*) 51,394,189	125	16,644	(53)	(7,882)	8,834	2	8,836	

*) Includes a total of 255,000 shares held in treasury.

	<u>Attributable to equity holders of the Company</u>						<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Number of shares</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>			
	<u>U.S. dollars in thousands (except share amounts)</u>							
Balance as of January 1, 2017 (audited)	51,394,189	125	16,629	(6,144)	10,610	(4)	10,606	
Total comprehensive income	-	-	-	(450)	(450)	(4)	(454)	
Dividend distribution	-	-	-	(70)	(70)	-	(70)	
Share-based compensation	-	-	6	-	6	-	6	
Balance as of June 30, 2017 (audited)	51,394,189	125	16,635	(6,664)	10,096	(8)	10,088	

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	June 30,		December 31,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net loss	(706)	(452)	(954)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	22	26	55
Deferred tax	39	(23)	(3)
Financial income , net	9	(29)	(36)
Share-based compensation	5	6	10
Change in employee benefit liabilities, net	2	39	57
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(403)	1,291	1,171
Decrease (increase) in other accounts receivable and prepaid expenses	64	(160)	(105)
Increase (decrease) in trade payables	(25)	15	35
Increase (decrease) in deferred revenues	(88)	(179)	(195)
Increase (decrease) in other accounts payable and accrued expenses	37	*) -	5
	(338)	986	994
Net cash provided by (used in) operating activities	(1,044)	534	40

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

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	June 30,		December 31,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Decrease (increase) in restricted cash	299	(300)	(300)
Increase in long-term deposits	(2)	*) -	-
Purchase of treasury shares	(53)	-	-
Purchase of property, plant and equipment	(10)	(10)	(34)
	234	(310)	(334)
<u>Cash flows from financing activities:</u>			
Dividend distribution	-	(70)	(70)
Receipt of refundable grants	22	-	11
	22	(70)	(59)
Increase (decrease) in cash and cash equivalents	(788)	154	(353)
Cash and cash equivalents at beginning of period	4,868	5,221	5,221
	4,080	5,375	4,868
	4,080	5,375	4,868

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