SIMIGON

Interim Results for the six months ended 30 June 2011

Revenues increased by 131% to $2.43 million; Net Profit of $0.01 million and EPS of $0.0003

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 30 June 2011.

Financial Highlights

- Revenues increased by 131% to $2.43 million (H1 2010: $1.14 million)
- Gross margins were 83.1% (H1 2010: 66.7%)
- Net profit of $0.01 million (H1 2010: Net loss of $1.68 million)
- Total operating expenses decreased by 14.5% to $2.01 million, (H1 2010: $2.35 million)
- At 30 June 2011, cash and cash equivalents and short term bank deposits totalled $4.42 million. Total net current assets were $4.5 million, including short term bank loans of $0.56 million
- Basic and diluted earnings per share were $0.0003 (H1 2010: loss per share of $0.041)

Operational Highlights

- Entered the third year of supporting Lockheed Martin's F-35 Lightning II Joint Strike Fighter ("JSF") training program. This project made a significant contribution to revenues in the first half and is expected to continue to do so over the lifespan of the JSF programme
- After being chosen as partner of choice by Lockheed Martin, SimiGon has been successfully meeting project milestones over the past three years for the UK Military Flying Training System ("UK MFTS")
- SimiGon is in the second year of its long term contract as the simulation based training provider for a strategic European aircraft manufacturer. SIMbox is used as the baseline training solution for the client's Academic Training Center in several programs
- Continued to deliver a complete Live, Virtual and Constructive training solution for Unmanned Aerial Vehicle training program
- Continued to work closely with a strategic airline client to provide the AirTrack In-Flight Entertainment ("IFE") system, a complete software and hardware solution, which is a major milestone for the Company in the IFE arena
- Carried out strategic work with the United States Air Force Europe, where the Company is providing cost-effective training tools for Joint Terminal Attack Controller training

Post Period-End events

- SimiGon has been chosen as the prime contractor by the U.S. Air Force Air Education Training Command (“AETC”) for the delivery of SIMbox based T-6A Modular Training Devices (“MTD”). Under the terms of the contract, SimiGon will be paid $2.6 million for the successful delivery of the MTD

Ami Vizer, Chief Executive Officer of SimiGon, stated: "We are pleased to announce results that confirm our position as leading training and simulation supplier in the world's top pilot training programmes. This is also an affirmation of SimiGon’s long term plan to focus on strategic programs and to attract new partners with their own exciting long term growth potential.

“Looking ahead, SimiGon is successfully moving up the supply chain and becoming a prime contractor for training programmes which allows us to have more predictable revenues. Also, SimiGon is successfully expanding into other markets whilst maintaining its market leading position in the aerospace industry. As a result of our long term contracts as well as the recently won contracts, the Board is confident of the Company’s return to revenue growth for the full year 2011 compared with full year 2010.”

Enquiries:

SimiGon Ltd	
Ami Vizer, Chief Executive Officer	+972 (9) 9561777
Efi Manea, Chief Financial Officer	
Evolution Securities Ltd (NOMAD)	
Jeremy Ellis / Chris Clarke	+44 (0) 207 071 4300
Corfin Public Relations	
Harry Chathli, Alexis Gore	+44 (0) 207 596 2860

Overview

SimiGon is pleased to report revenue growth of over 100 per cent compared with the equivalent period in 2010. Specifically, the first half of the year is traditionally the Company's weakest half as most of the awards occur in the last quarter of the year. However, in the first half, there was a significant increase in the provision of training programmes for multiple clients delivering significant revenue growth.

This is a reflection of SimiGon's leading position in the market of PC-based training and simulation solutions, being the preferred supplier of training and simulation technologies for four of the world's largest military flight training programmes including the JSF and UK MFTS.

It has been demonstrated that using SimiGon's technology has allowed trainee pilots to learn in a safe environment, resulting in a more effective and efficient training programme and reducing training time and cost while increasing knowledge transfer and trainee success rates.

In addition to being part of the large training programmes, part of the Company's strategy has been to move up the supply chain and be a direct supplier of training programmes. This generally allows for quicker delivery time after being awarded the contract thereby allowing the Company to have better visibility of revenues. Post the period end, SimiGon was pleased to have been chosen as the prime contractor by the U.S. Air Force Air Education Training Command (AETC) for the delivery of SIMbox based T-6A Modular Training Devices (MTD). The SIMbox MTD simulators will be used to train undergraduate, Remotely Piloted Aircraft (RPA) students for Pilot Instrument Qualification training. The contract is expected to have a positive impact on FY 2011 revenues and contribute to improved visibility over FY 2012 revenues. Additionally, it positions SimiGon for similar opportunities globally as the T-6A is also used as a basic trainer by the Canadian Forces, the Luftwaffe of Germany, the Greek Air Force, the Israeli Air Force, and others.

SimiGon constantly surveys the potential to penetrate additional commercial markets, offering other industries learning and training simulations using its advanced technological infrastructure. The Company's success with leading defense and aerospace organisations and high profile training programs continue to draw interest from new partners and customers seeking to license SimiGon's technology, expanding the Company's reach worldwide.

The Company continues to invest in further advanced development of the SIMbox technology infrastructure, as the only company providing a fully integrated, enterprise training system supporting Web-based simulation through Full Mission Simulator capabilities. The improved capabilities and performance of the simulation and Learning Management System platform, position SIMbox as a leading application and serve to increase the Company's market share and attract future customers and program wins.

Financial Performance

Revenues for the six months ended 30 June 2011 were $2.43 million as compared to $1.14 million for the six months ended 30 June 2010. Gross profit for the six months ended 30 June 2011 was $2.02 million as compared to $0.76 million for the six months ended 30 June 2010.

Research and development expenses for the six months ended 30 June 2011 decreased by 4.35% to $0.88 million as compared to $0.92 million for the six months ended 30 June 2010. Marketing expenses for the six months ended 30 June 2011 decreased by 8.45% to $0.65 million as compared to

$0.71 million for the six months ended 30 June 2010 and general and administration expenses the six months ended 30 June 2011 decreased by 33.33% to $0.48 million as compared to $0.72 million the six months ended 30 June 2010 mainly due to lower salary expenses and doubtful debt provisions.

As a result, total operating expenses for the six months ended 30 June 2011 were $2.01 million, a decrease of 14.47% as compared to $2.35 million for the six months ended 30 June 2010.

The operating income for the six months ended 30 June 2011 amounted to $0.004 million as compared to $1.59 million loss for the six months ended 30 June 2010.

The financial income for the six months ended 30 June 2011 increased to $0.007 million as compared to $0.09 million loss for the six months ended 30 June 2010 mainly due to the currency exchange rate and decrease in banks loan interest.

The net profit for the six months ended 30 June 2011 amounted to $0.01 million as compared to not losses of $1.68 million for the six months ended 30 June 2010. This resulted in a net basic and diluted earnings per share for the six months ended 30 June 2011 of $0.0003 as compared to $0.041 basic and diluted loss per share for the six months ended 30 June 2010.

As of 30 June 2011, SimiGon had cash, cash equivalents and deposits in the amount of $4.42 million, and current maturities of short term bank loan of $0.56 million.

Outlook

The continuing macro environment continues to have an impact on the Company as delays to large contracts might postpone associated training programmes. However, as demonstrated by the performance in the first half, the Company is cautiously optimistic about the ramp up of these programmes that should result in continued growth in revenues from these long term contracts.

Also, SimiGon is successfully moving up the supply chain and becoming a prime contractor for training programmes which allows it to have more predictable revenues. In addition, the Company is successfully expanding into other markets whilst maintaining its market leading position in the aerospace and defense industry. As a result of the long term contracts as well as the recently won contracts, the Board is confident of the Company’s return to revenue growth for the full year 2011 compared with full year 2010.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2011	December 31, 2010
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	3,910	2,110
Short-term bank deposits	508	507
Trade receivables, net	1,542	3,377
Other accounts receivable and prepaid expenses	360	181
Total current assets	6,320	6,175
NON-CURRENT ASSETS:		
Long-term prepaid expenses	18	25
Fixed assets, net	76	85
Intangible assets, net	1,350	1,374
Total non-current assets	1,444	1,484
Total assets	7,764	7,659

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2011	December 31, 2010
	Unaudited	Audited
	U.S. dollars in thousands	
EQUITY AND LIABILITIES		
CURRENT LIABILITIES:		
Current maturities of loan	562	562
Trade payables	113	205
Deferred revenues	476	409
Other accounts payable and accrued expenses	672	691
Total current liabilities	1,823	1,867
NON-CURRENT LIABILITIES:		
Employee benefit liabilities, net	139	122
Long-term loan	-	188
Other non-current liabilities	730	460
Total non-current liabilities	869	770
Total liabilities	2,692	2,637
EQUITY:		
Share capital	98	98
Additional paid-in capital	15,683	15,644
Accumulated deficit	(10,709)	(10,720)
Total equity	5,072	5,022
Total liabilities and equity	7,764	7,659

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30, 2011	Six months ended June 30, 2010	Year ended December 31, 2010
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands (except per share data)		
Revenues	2,426	1,140	5,207
Cost of revenues	410	376	804
Gross income	2,016	764	4,403
Operating expenses:			
Research and development	884	918	1,760
Selling and marketing	649	714	1,711
General and administrative	479	722	1,478
Total operating expenses	2,012	2,354	4,949
Operating income (loss)	4	(1,590)	(546)
Financial income	128	11	75
Finance cost	(121)	(102)	(207)
Net profit (loss)	11	(1,681)	(678)
Basic and diluted earnings (loss) per share in U.S. dollars	0.0003	(0.041)	(0.0164)
Weighted average number of shares used in computing Basic earnings per share in thousands	41,642	41,381	41,361
Weighted average number of shares used in computing diluted earnings per share in thousands	41,707	41,381	41,361

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, 2010 (audited)	41,522,556	98	15,295	(3)	(10,042)	5,348
Total comprehensive loss	-	-	-	-	(678)	(678)
Issuance of shares	119,727	*) -	*) -	-	-	*) -
Share-based compensation	-	-	320	-	-	320
Issuance of Treasury shares	-	-	29	3	-	32
Balance as of December 31, 2010 (audited)	41,642,283	98	15,644	-	(10,720)	5,022
Net income	-	-	-	-	11	11
Share-based compensation	-	-	39	-	-	39
Balance as of June 30, 2011 (unaudited)	41,642,283	98	15,683	-	(10,709)	5,072

	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, 2010 (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.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Year ended December 31,
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income (loss) for the period	11	(1,681)	(678)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	48	56	110
Financial cost	8	13	22
Share-based compensation	39	41	320
Accrued interest on long-term loan	41	26	(33)
Accrued severance pay, net	17	8	21
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	1,834	1,631	(76)
Decrease in other accounts receivable and prepaid expenses	20	26	34
Increase (decrease) in trade payables	(92)	(109)	48
Increase (decrease) in deferred revenues	67	(92)	204
Increase (decrease) in other accounts payable and accrued expenses	(63)	9	(39)
	1,919	1,609	611
Interest paid	(15)	(16)	(33)
Interest received	6	2	7
	(9)	(14)	(26)
Net cash provided by (used in) operating activities	1,921	(86)	(93)
Cash flows from investing activities:			
Investment in short-term deposits	-	(248)	-
Purchase of fixed assets	(15)	(27)	(40)
Net cash used in investing activities	(15)	(275)	(40)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2011	Six months ended June 30, 2010	Year ended December 31, 2010
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
Cash flows from financing activities:			
Proceeds from treasury shares	-	-	32
Repayment of bank loan	(188)	(919)	(919)
Proceeds from government fund	82	-	327
Proceeds from short-term bank loans	-	750	750
Net cash provided by (used in) financing activities	(106)	(169)	190
Increase (decrease) in cash and cash equivalents	1,800	(530)	57
Cash and cash equivalents at beginning of period	2,110	2,053	2,053
Cash and cash equivalents at end of period	3,910	1,523	2,110

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

Return of restricted shares due to departure of employees	-	*)	-

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