

SimiGon Ltd

("SimiGon" or "the Company")

Interim Results for the six months ended 30 June 2017

SimiGon Ltd (LSE: SIM), a global leader in providing simulation and training solutions, announces its interim results for the six months ended 30 June 2017 (the "Period").

Financial Highlights

- Net loss of \$0.45 million (H1 2016: Net profit of \$0.83 million)
- Revenues of \$2.19 million (H1 2016: \$3.29 million)
- Gross margin 78% (H1 2016: 78%)
- Basic and diluted loss per share \$0.01 (H1 2016: Basic and diluted earnings per share \$0.02)
- Paid 2016 annual dividend of 0.136 cents per share

Operational Highlights

- Continued success in securing new business in core defence-related market:
 - Successful leveraging of the potential scope of work for upgrading the USAF T-6A Flight Training Devices (FTD)
 - Successful development efforts in support of Lockheed Martin's UK Military Flight Training System (UKMFTS) including extended onsite support and additional license contracts
- Delivery milestones achieved for large scaled contracts as prime contractor, including the successful completion of all systems delivery milestones for \$6.7 million contract announced in June 2013
- Continued to support major military flight training programmes including the support for large European aircraft training program and the U.S. Air Force Air Education Training Command on its T-6 Modular training devices
- Continue to identify additional opportunities and expand into the commercial vertical and civilian training markets
- 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 Event

- Awarded \$100,000 prime contract with the US Federal Aviation Administration, representing SimiGon's expansion into the civilian Unmanned Aircraft Systems vertical markets
- Shareholder approval secured for share buyback programme which the Company intends to launch in the near future

Mr. Ami Vizer, Chief Executive Officer of SimiGon, stated: "As disclosed on our trading update (announced on 28 July 2017), the financial results for the Period have been affected mainly by the procedural delays in concluding the signatory processes over the contract with the Israeli Air Force for F16 maintenance trainers (announced on 20 June 2016) and by costs incurred as a result of additional Research & Development (R&D) investment to ensure capitalization of new market opportunities. Nonetheless, we continued to execute 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".

“Having contracted revenue visibility of more than \$21 million over the next ten years of which approximately 80% relates to recurring revenue streams over various timeframes, demonstrates the underlying progress we are making in the business for having long term viability of the business and the success of the transition to the recurring revenue model. While this transition has contributed to the short term revenue decrease, our belief is that this revenue model presents a much stronger business proposition to our partners, clients, employees and shareholders”.

“Based on the existing recurring revenue streams of the Company together with new streams initiated, SimiGon has already secured contracted revenue which is expected to be recognised in FY2018 of an amount over \$5 million. Having a bedrock foundation of expected profitability for future growth with a team working tirelessly to execute management’s business plan and deliver investor results, the Board looks to the future with optimism and is confident in the Company’s ability to deliver growth over the long term”.

Overview

During the first half of the year, the Company continued to achieve further progress with the underlying business, including the successful delivery milestones of its long term contracts. This includes, for example, final deliveries and acceptance for a \$6.7m aviation training contract initially awarded in June 2013, delivering project milestones with Check-6 for training in the energy and mining industries and successfully continuing deliveries in relation to the 5.5 year contract worth \$7.9 million for civilian aviation training solutions in the Far East. In addition, as a result of successful deliveries and proven technology, SimiGon was awarded with additional work scope in relation to UKMFTS program and was able to leverage the potential scope of work on the contract signed with the USAF in relation to the T-6A FTD program.

Secondly, our R&D team is 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 in order to leverage the Company’s technology beyond the core defence market into commercial verticals and civilian / consumer applications and to be in line with a fundamental shift in training through immersive experiences, including Virtual Reality (VR) and Augmented Reality (AR), rather than reading manuals.

Thirdly, SimiGon’s Software as a Service (SaaS-based) business model is already addressing the market with SaaS-based contracts in addition to its traditional licenses business. The proportion of the overall business derived from SaaS-based contracts now represents over half of the business in terms of total revenue, which the Company expects to stay at approximately a consistent level of overall business over the near-term. It is SimiGon’s flexibility in being able to offer both business models that is a key differentiator in the market. The Company’s base of annuity SaaS-based contracts enhance SimiGon’s base of recurring revenues, providing greater visibility of revenue that is under contract but not yet recognized and thereby supporting future growth. This is demonstrated in the Group’s 10 year visible revenue of over \$21 million of contracted revenue, of which approximately 80% relates to recurring revenue streams over various timeframes. Of this, \$5 million of contracted revenue is already secured and expected to be recognized in FY2018.

As announced in the trading update in July, the ongoing procedural delays with the Israeli Air Force prevented the Company from recording expected estimated revenue of approximately \$0.8 million in the Period. Combined with the ongoing investment in the business, both have impacted the reported results for the Period. For the six months ended 30 June 2017, revenue was \$2.19 million (H1 2016: \$3.29 million) and net loss before tax of \$0.47 million (H1 2016: net profit before tax of \$0.81 million).

The Company maintains a strong balance sheet with liquid cash balances of \$8.3 million as at 30 June 2017 as compared to \$8.14 million as at 31 December, 2016.

As a Company that develops advanced training and simulation technologies and solutions, having 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 and civil aviation. In addition, the company continued to commercialise opportunities in vertical civilian markets such as the oil and gas industry, professional truck drivers, medical, maintenance training and soft skills training. This provides the Company with a huge expanded market opportunity to pursue as a result of the fundamental shift in training through experience rather than through manuals.

SimiGon's position in the simulation and training market is strengthening for multiple reasons. Foremost, the Company is delivering on its contracts and meeting and exceeding its obligations to the satisfaction of customers and partners. This leads to high probability of additional work scope for existing programs and new projects with our clients.

Operational Review

SimiGon's core technology platform, SIMbox, and associated services was developed to provide large simulation training programmes to governments and private sector organisations. 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 type can be applied across multiple devices to create a learning environment for a range of domains.

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:

Military and defence related industry

The Company's history and foundations are rooted in supplying large training and simulation environments to the military sector and defence-related industries. Within these core operations, the Company continues to cement its position as a preferred technology supplier for the world's largest military training programmes, such as the UKMFTS and the USAF T-6A FTD. The Company's track record of on-time and in budget project deliveries has led to winning new military-related contracts in different geographic territories, as well as expanding relationships with existing customers into other areas of the organisation's operations. The Company has a solid mix of military opportunities ahead.

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 \$584.04 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. The emerging trend towards ‘learning by doing’ simulation is gaining momentum, with consumers demanding visual and interactive problem solving to routine learning and training regimes, such as civilian aviation and driving.

Through its extensive IP and experience, 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 Israeli Air Force contract announced on 20 June 2016 to provide new F-16 maintenance trainer is a military program, the system capabilities can be 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.

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 investment programme. The Group's technology platform is now compatible and fully supports VR capabilities. In recognizing this as an emerging trend in the training landscape, the Company has ensured it remains equipped to meet customer demand. In addition, the Company has invested in its graphic engine to provide best-in-class user experience. It is this attention to user experience and interface that continues to differentiate SimiGon from the wider market. On the marketing side, the Company has invested in its marketing efforts and collateral, including the launch of a new corporate website along with improvements to its online marketing capabilities. These have been designed to support the Group as it ramps up its campaigns to capture new markets and customers beyond its traditional core defence-related industries.

Significant contracts

New contracts

The \$2 million contract with the Israeli Air Force announced in June 2016, to provide new F16 maintenance trainers to its technician school in Haifa, is still progressing and the Company believes sign off is imminent and that the delayed revenue in relation to this contract is expected to be recognized in the second half of the year.

Long term contracts

The Company has an increasing portfolio of long term partnerships developing further business and providing revenue visibility. Many of these partnerships are expected to continue with additional contracts through 2017 and beyond.

SimiGon continues in 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 eighth year of support, exceeding partner and end user expectations of SimiGon's technologies and performance.

The USAF maintenance and support contract awarded to SimiGon for the SIMbox based T-6A Modular Training Devices SimiGon delivered as part of a June 2011 contract demonstrates the long term nature of the relationship with this strategic customer. SimiGon continues in its efforts to support this customer and expand this relationship.

Check-6 Inc., one of the leading providers of training solutions to the energy and mining industries, is a textbook example of SimiGon's ability to help companies achieve new growth. Throughout this contract, SimiGon has successfully executed against its agreed deliverables. This relationship continues to yield long term business. 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 is receiving very positive customer reviews. SimiGon is certain that this relationship will continue and lead to additional future orders.

On 5 July 2017, SimiGon announced that it had successfully completed all systems delivery milestones and received the requisite client confirmations in relation to the \$6.7 million contract announced in June 2013.

The successful collaboration with the customer has led to a more advanced training system being developed. The final solution provided to the customer offers the trainees with personalized, dynamic training lessons while utilizing SimiGon's Virtual Instructor technology. The experience gained from this turnkey programme will be useful in marketing SIMbox training solution to other potential customers worldwide, extending SimiGon's market reach.

SimiGon's support for successful Unmanned Aerial Vehicle ("UAV") training solutions for a leading provider in the small tactical unmanned aircraft systems remains solid. Through SimiGon's ecosystem, the SIMbox technology supports initial operator training and advanced operational training at the schoolhouse. SimiGon continues to leverage this success in the UAV market.

Share buy-back programme

Given the Company's significant liquid cash balance of \$8.14 million as at 31 December 2016, and following approval by shareholders at the Annual General Meeting on 8 September 2017, the Board intends to put in place an irrevocable, non-discretionary programme for the repurchase of its ordinary shares. The Company intends to commence the buyback programme in the near future and will make a further announcement at this time.

Financial Performance

Revenue for the six months ended 30 June 2017 was \$2.19 million, compared to \$3.29 million for the six months ending 30 June 2016. Gross profit for the six months ended 30 June 2017 was \$1.72 million, compared to \$2.58 million for the six months ended 30 June 2016. Accordingly, gross margins maintained the same level of 78% for the Period and for the six months ended 30 June 2016. Net loss before tax for the Period amounted to \$0.45 million compared to \$0.81 million for the six months ended 30 June 2016.

Total operating expenses for the Period increased by 21% to \$2.17 million as compared to \$1.79 million for the six months ended 30 June 2016. 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.

The increased cost base is broken down as follows: Research and development expenses for the six months ended 30 June 2017 increased by 24% to \$1.0 million as compared to \$0.8 million for the six months ended 30 June 2016, mainly due to increase in salary and related benefits expenses; marketing expenses for the six months ended 30 June 2017 increased by 29% to \$0.64 as compared to \$0.5 million for the six months ended 30 June 2016, mainly due to sales commissions and salary expenses; general and administration expenses for the six months ended 30 June 2017 increased by 9.1% to \$0.53 million as compared to \$0.48 million for the six months ended 30 June 2016, mainly due to professional fees and public company expenses.

The Company has recorded a net income tax credit of \$0.14 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 2017 amounted to \$0.45 million (H1 2016: operating profit \$0.79 million). Net basic and diluted loss per share amounted to \$0.01

for the six months ended 30 June 2017 as compared to earnings per share of \$0.02 for the six months ended 30 June 2017.

As at 30 June 2017 the Company had liquid cash of \$8.3 million as compared to \$8.14 million as at 31 December 2016 and trade receivables of \$1.63 million compared to \$2.92 million for the year ended 31 December 2016. \$0.9 million of the trade receivables balance has been collected since 30 June 2017.

In light of the strong cash position and further to the Company's declared intention to pay an annual dividend, a dividend of 0.136 cents per share, equating to approximately 19% of the Company's earnings per share and to approximately 19% of the Company's net profit for the year ended December 31 2016 was paid to shareholders on 26 May 2017.

Outlook

The Company continues to deliver against its stated strategy and it expects to gain momentum from its consistent emphasis on research and development. Over the past two years, the Company has grown its proportion of SaaS-based contracts, and this base of recurring revenues continues to support future growth by providing visibility of revenue under contract.

SimiGon's exposure to new markets is already proving successful, with the pipeline of potential new business growing stronger, whilst underpinned by the work performed in its core military market. The recent announcement of the Company's contract with the FAA in the US is an excellent example of how relevant its technology is to a wider market. The nature of what SimiGon's does enables it to scale rapidly and with the platform that it has in place and as it continues to execute against its strategy.

The Company is bullish for its future prospects, underpinned by more than \$21 million of contracted revenue over the next ten years. In addition, the combination of SimiGon's technology investments together with new revenue streams that have been created in 2017, SimiGon has created a very strong foundation for increased profitability for many years to come. Coupled with the business pipeline, the Board believes in the Group's long term growth prospects.

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2017	December 31, 2016
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	5,375	5,221
Short-term bank deposit	1,007	1,005
Short-term investments	1,918	1,913
Trade receivables	1,628	2,919
Other accounts receivable and prepaid expenses	222	61
	<u>10,150</u>	<u>11,119</u>
<u>Total current assets</u>		
NON-CURRENT ASSETS:		
Restricted cash	674	374
Long-term prepaid expenses and deposits	37	39
Deferred tax	245	223
Property, plant and equipment	100	111
Intangible assets	1,068	1,072
	<u>2,124</u>	<u>1,819</u>
<u>Total non-current assets</u>		
<u>Total assets</u>	<u>12,274</u>	<u>12,938</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2017	December 31, 2016
	Unaudited	Audited
	U.S. dollars in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	113	98
Deferred revenues	409	558
Other accounts payable and accrued expenses	689	684
<u>Total current liabilities</u>	<u>1,211</u>	<u>1,340</u>
NON-CURRENT LIABILITIES:		
Long term deferred revenues	8	38
Employee benefit liabilities, net	263	222
Other non-current liabilities	704	732
<u>Total non-current liabilities</u>	<u>975</u>	<u>992</u>
<u>Total liabilities</u>	<u>2,186</u>	<u>2,332</u>
EQUITY:		
Share capital	125	125
Additional paid-in capital	16,635	16,629
Accumulated deficit	(6,664)	(6,144)
<u>Total equity attributable to equity holders of the Company</u>	<u>10,096</u>	<u>10,610</u>
Non-controlling interests	(8)	(4)
<u>Total equity</u>	<u>10,088</u>	<u>10,606</u>
<u>Total liabilities and equity</u>	<u>12,274</u>	<u>12,938</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended		Year ended
	June 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Revenues	2,194	3,285	6,018
Cost of revenues	473	707	1,882
Gross profit	1,721	2,578	4,136
Operating expenses:			
Research and development	996	803	1,714
Selling and marketing	643	500	1,092
General and administrative	527	483	1,107
Total operating expenses	2,166	1,786	3,913
Operating (loss) profit	(445)	792	223
Financial income	61	92	172
Financial expenses	(82)	(74)	103
Income (loss) before income taxes	(466)	810	292
Income tax benefit	14	21	69
Net income (loss)	(452)	831	361

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Year ended December 31,
	2017	2016	2016
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Net income (loss)	(452)	831	361
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement loss from defined benefit plan	(2)	(6)	(2)
<u>Total comprehensive income (loss)</u>	<u>(454)</u>	<u>825</u>	<u>359</u>
Net income (loss) attributable to:			
Equity holders of the Company	(448)	831	365
Non-controlling interests	(4)	-	(4)
	<u>(452)</u>	<u>831</u>	<u>361</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(450)	825	363
Non-controlling interests	(4)	-	(4)
	<u>(454)</u>	<u>825</u>	<u>359</u>
Basic and diluted earnings (loss) per share (in U.S. dollars)	<u>(0.01)</u>	<u>0.02</u>	<u>0.01</u>
Weighted average number of shares used in computing basic earnings per share (in thousands)	<u>51,394</u>	<u>50,993</u>	<u>51,097</u>
Weighted average number of shares used in computing diluted earnings per share (in thousands)	<u>51,613</u>	<u>51,421</u>	<u>51,319</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Non- controlling interests	Total equity
	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total		
	U.S. dollars in thousands (except share amounts)						
Balance as of January 1, 2016 (audited)	50,993,154	124	16,526	(6,201)	10,449	-	10,449
Total comprehensive income	-	-	-	363	363	(4)	359
Dividend distribution	-	-	-	(306)	(306)	-	(306)
Share-based compensation	-	-	65	-	65	-	65
Share issuance	100,000	*) -	38	-	38	-	38
Exercise of stock options	301,035	1	-	-	1	-	1
Balance as of December 31, 2016 (audited)	51,394,189	125	16,629	(6,144)	10,610	(4)	10,606
Total comprehensive income (loss)	-	-	-	(450)	(450)	(4)	(454)
Dividend distribution	-	-	-	(70)	(70)	-	(70)
Share-based compensation	-	-	6	-	6	-	6
Balance as of June 30, 2017 (unaudited)	51,394,189	125	16,635	(6,664)	10,096	(8)	10,088

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

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>				<u>Total</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
	<u>Number of shares</u>	<u>Share capital</u>	<u>Additional</u>	<u>Accumulated</u>			
			<u>paid-in capital</u>	<u>deficit</u>			
<u>U.S. dollars in thousands (except share amounts)</u>							
Balance as of January 1, 2016 (audited)	50,993,154	124	16,526	(6,201)	10,449	-	10,449
Total comprehensive income	-	-	-	825	825	-	825
Dividend distribution	-	-	-	(306)	(306)	-	(306)
Share-based compensation	-	-	12	-	12	-	12
Balance as of June 30, 2016 (unaudited)	<u>51,394,189</u>	<u>124</u>	<u>16,538</u>	<u>(5,682)</u>	<u>10,980</u>	<u>-</u>	<u>10,980</u>

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	June 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income (loss)	(452)	831	361
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	26	30	87
Increase in deferred tax benefit	(22)	(21)	(64)
Financial income , net	(29)	(51)	(70)
Share-based compensation	6	12	65
Change in employee benefit liabilities, net	39	16	28
Changes in operating assets and liabilities:			
Decrease in trade receivables	1,291	594	796
Decrease (increase) in other accounts receivable and prepaid expenses	(161)	(6)	18
Increase (decrease) in trade payables	15	9	(25)
Increase (decrease) in deferred revenues	(179)	59	22
Increase (decrease) in other accounts payable and accrued expenses	-	(166)	(167)
	986	476	689
Net cash provided by operating activities	534	1,307	1,050

SIMIGON LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	June 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Increase in short-term deposits	-	-	(1,001)
Increase in restricted cash	(300)	-	-
Increase in long-term deposits	*) -	(26)	(26)
Purchase of fixed assets	(10)	(45)	(66)
Net cash used in investing activities	(310)	(71)	(1,093)
<u>Cash flows from financing activities:</u>			
Proceeds from share issuance	-	-	*) -
Dividend distribution	(70)	(306)	(306)
Receipt of refundable grants	-	22	25
Net cash used in financing activities	(70)	(284)	(281)
Increase (decrease) in cash and cash equivalents	154	952	(324)
Cash and cash equivalents at beginning of period	5,221	5,545	5,545
Cash and cash equivalents at end of period	5,375	6,497	5,221
(a) <u>Supplemental disclosure of significant non-cash transactions:</u>			
Receivable in respect of issuance of shares	-	-	1
Issuance of shares in respect of 2014 annual bonus to employees	-	-	38

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