

Cimatron Ltd.
Q2/2010 Results Conference Call
August 11, 2010

Conference Coordinator:

Ladies and gentlemen, thank you for standing by.

Welcome to **Cimatron's 2nd Quarter 2010 Results** Conference Call.

All participants are at present in a listen-only mode.

Following management's formal presentation, instructions will be given for the question and answer session. For operator assistance during the conference, please press * 0.

If you have not received a copy of yesterday's earnings release and would like to do so, please download it from the company website at the investors' pages: **www.cimatron.com**

As a reminder this conference is being recorded, August 11th, 2010.

With us on the line today are: **Mr. Danny Haran, Cimatron's president and CEO and Mr. Ilan Erez, Cimatron's CFO.**

Before I turn the call over to **Mr. Danny Haran** I would like to remind everyone that statements contained in this conference call which are not historical facts contain forward-looking information with respect to plans, projections, or future performance of the Company, the occurrence of which involve certain risks and uncertainties, which could cause actual results to differ materially from those currently anticipated. Such risks and uncertainties include dependence on economic and political conditions globally and in Israel, the impact of competition, supply constraints, as well as certain other risks and uncertainties which are detailed in the Company's filings with the various securities authorities.

I would like to turn over the call to Mr. Danny Haran, Cimatron's president and CEO.

Mr. Haran, would you like to begin?

Danny Haran:

Good morning and welcome to Cimatron's second quarter 2010 results Conference Call.

We are very pleased with the results of Q2 2010, and with the continuation of the recovery trend from Q1. In spite of the lower Euro exchange rate, we were able to generate an operational and net profit. The recovery in our industry seems to have picked up some steam, although it still feels tepid and quite fragile, with conflicting economic data not helping our customers' confidence and willingness to invest.

We are pleased to see stronger product sales compared to Q2 2009, mostly in North America, Germany, and Italy. Even Japan, which has been very weak for several quarters, seems to show some improvement, following renewed growth in NC machine sales.

The significant improvement of our profit in Q2 2010 confirms what we have said on previous occasions: at least 70% of every dollar added to our revenues – finds its way to our bottom line. The improved positive cash flow from operations, at plus \$3.9M during the first 6 months of 2010 relative to the equivalent period during 2009, is another confirmation of our efficient and cost-effective structure. Overall, we are well positioned to take advantage of the global economic recovery, as (and to the extent) that it unfolds.

Ilan Erez, our CFO, will now review the financial statements. Ilan, please:

Ilan Erez:

Thanks you Danny. Hello everybody and thank you for joining us.

The results we will present on this call are on a non-GAAP basis, as we believe they better represent the actual state of our business, and make comparisons to previous periods easier. We have also published our results on a GAAP basis, as well as a reconciliation between results on a GAAP and Non-GAAP basis, and those can be found in our press release issued yesterday.

Revenues for the quarter were 8.4 million Dollars, compared to 8.1 million Dollars in the second quarter of 2009, an increase of 7% on a constant currency basis.

In the first six months of 2010, revenues were 16.3 million Dollars, compared to 16.0 million Dollars in the corresponding period of 2009.

The revenue breakdown this quarter was as follows - License revenues: 35%, Maintenance revenues: 51%, other professional services revenues: 7%, and hardware revenues: 7%. The geographical revenue breakdown for the quarter was as follows: Europe: 52%, North America: 32%, Asia Pacific: 12%, and Rest of the World: 4%.

Gross Margin for the quarter was 83% of revenues, the same percentage as in the second quarter of 2009.

In the first six months of 2010, Gross margin was 84% of revenues, as compared to 83% of revenues in the first half of 2009.

Operating expenses in the quarter amounted to 6.4 million dollars, compared to 6.8 million Dollars in the second quarter of last year.

In the first six months of 2010, operating expenses were 13.0 million dollars, compared to 13.5 million Dollars in the corresponding period of 2009.

The reduction in expenses is a result of the measures we began to take during 2009 to mitigate the effects of the global financial crisis, which are reflected more fully in our 2010 results.

Operating profit in the quarter was 596 thousands dollars, compared to an operating loss of (70) thousand dollars in the corresponding period of 2009.

In the first six months of 2010 operating profit was 739 thousand dollars, compared to an operating loss of (335) thousand dollars in the corresponding period of 2009.

Net profit for the quarter was 433 thousand Dollars, or 5 Cents per diluted share, compared to a net profit of 73 thousand Dollars, or 1 Cent per diluted share recorded in the corresponding quarter of 2009.

In the first six months of 2010, Net profit was 488 thousand Dollars, or 5 Cents per diluted share, compared to a net loss of (332) thousand Dollars, or (4) Cents per diluted share recorded in the corresponding period of 2009.

In the first half of this year, financial expenses have been the main reason for the difference between operating profit and net profit, resulting primarily from the weakening of the Euro against the Dollar. We believe that if the Dollar to Euro exchange rate would stabilize in its current range, the effect of this exchange rate on our financial expenses in the second half of the year would be substantially lower than it was in the first half.

Our **net cash and cash equivalents balance** at the end of June 2010 was 9.0 million Dollars, with positive cash flow from operating activities of 3.9 million Dollars in the first half of 2010, as compared to 3.3 million Dollars in the first half of 2009, an increase of 19% year over year. As a reminder, we collect most of the maintenance contracts money in the first half of each year; hence, typically our cash balance by the end of Q2 is at its highest point during each year. Yet, we are pleased with the cash flow growth year over year, and believe it is another sign for our solid operating and financial condition.

We will now open the call for Questions and Answers. Operator, please.

Operator: Thank you. Ladies and gentlemen, at this time we will begin the question and answer session. If you have a question, please press *1. If you wish to cancel your request, please press *2. If you are using speaker equipment, kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by while we poll for your questions. I repeat, if you have a question, please press *1. If you wish to

cancel your request, please press *2. Please stand by while we poll for questions. There are no questions at this time. Before I turn the call over to Mr. Haran, I'd like everyone to know, a replay of this call will be available on Cimatron's website: www.cimatron.com, starting tomorrow. Mr. Haran, would you like to make your concluding statements, sir?

Danny Haran: Yes, I'd like to thank the participants, thank you for joining us, and we are looking forward for the next time, the next quarter, thank you very much.

Operator: Thank you. This concludes the Cimatron second quarter 2010 results conference call. Thank you for your participation. You may go ahead and disconnect.

(End of conference call)