

Cimatron Ltd.

Q1/2010 Results Conference Call May 25, 2010

Conference Coordinator:

Ladies and gentlemen, thank you for standing by.

Welcome to the **Cimatron 1st 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 today's 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, May 25th, 2010.

With us on 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 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 first quarter 2010 results Conference Call.

I guess a good way to describe Q1 2010 is "so far, so good". On one hand, we see stability and even a slight recovery in most of our markets. In particular, we are pleased to see significant increase of CimatronE product sales in several key territories, including Germany, North America and China. Maintenance revenues are stable worldwide, and we are overall pleased with the small non-GAAP operational and net profit. Cash flow is positive, gross margins are higher than last year, and expenses are well controlled. Please bear in mind the strong seasonality in our industry, where every Q1 is significantly weaker than the preceding Q4. Q1 2010 follows the same pattern.

On the other hand, the new crisis in Europe casts a shadow over an already fragile recovery. Over 50% of Cimatron's revenues are from Europe, and our bottom line for the remainder of the year could be affected by a weaker Euro. Furthermore, any turmoil in the financial markets usually also spreads into, and affects, the real economy and the manufacturing sector. While we see no such immediate impact, we are somewhat cautious with respect to the rest of 2010.

Cimatron has relatively little business in the most troubled Euro-zone countries, namely Greece, Ireland, Portugal and Spain. The great majority of our business in Europe comes from Germany and Italy. It is the overall nervousness in Europe and the weak Euro that could affect our results.

So, interesting times lie ahead. Meanwhile, we continue our investment in R&D, with very exciting developments to be revealed later this year. We also continue to invest in expanding our distribution network in developing markets, with two new resellers recently signed in South-East Asia. We are confident that our strong market position, solid balance sheet, excellent product lines and a growing distribution network will help us cope with whatever challenges 2010 has to offer.

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

Ilan Erez:

Thank 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 earnings press release issued yesterday.

Revenues for the quarter were 7.9 million Dollars, compared to 7.8 million Dollars in the first quarter of 2009.

The revenue breakdown this quarter was as follows - License revenues: 38%, Maintenance revenues: 53%, other professional services revenues: 8%, and hardware revenues: 1%. The geographical revenue breakdown for the quarter was as follows: Europe: 52%, North America: 28%, Asia Pacific: 15%, and Rest of the World: 5%.

Gross Profit for the quarter was 6.8 million Dollars, representing 86% of revenues, as compared to 6.5 million Dollars, or 83% of revenues, in the first quarter of 2009. The increase in gross margin is attributed to lower hardware sales in Q1/10, as compared to Q1/09, and to the budget control measures that we took over the course of last year, which are having a stronger impact on our profitability this year.

Operating expenses in the quarter were 6.7 million dollars, same as in the first quarter of last year. Nevertheless, on a constant currency basis, this quarter's operating expenses were approximately 200 thousand Dollars lower than in the first quarter of last year, due to the budget control measures that we took.

Operating profit in the quarter was 143 thousand dollars, compared to operating loss of (265) thousand dollars in the first quarter of 2009.

Net profit for the quarter was 55 thousand Dollars, or 1 Cent per diluted share, compared to a net loss of (407) thousand Dollars, or (4) Cents per diluted share recorded in the corresponding quarter of 2009.

As of March 31st, 2010, our **cash and cash equivalents balance, net of cash liabilities**, was 6.3 million Dollars, as compared to 5.1 million Dollars at the end of March 2009, with positive cash flow from operating activities of 659 thousand Dollars in Q1/10.

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. The first question is from Don McKiernan of Landolt Securities. Please go ahead.

Don McKiernan: Thank you. I was wondering if you knew why the stock traded so actively about three months ago and if you know of any significant shareholder, excuse me, I have a bad cold, any significant shareholders were selling three months ago in all that volume?

Ilan Erez: Well, we probably do not know anything that you don't know. We could guess that the relatively good results of Q4 '09 made some impact, but we have no other information regarding that.

Don McKiernan: But no significant shareholders or insiders sold that you're aware of?

Ilan Erez: Not, no. Not that I know.

Danny Haran: We do know the major stockholders like DBSI or Mr. Gibbs, we know, did not sell anything. It was, it was within the public. We were also surprised by the huge volume of that day and some following days. So apparently, some, somebody took positions. Others may have sold them. But no, none of the insiders.

Don McKiernan: Okay. Thank you.

Operator: The next question is from David Cohen of Athena Capital Management.

Please go ahead.

David Cohen: Good afternoon, guys.

Danny Haran: Hello.

David Cohen: A couple of quick questions. First of all, just could you remind me when we anniversary the cost cuts from last year? Is that something that went on pretty much all year long, or was that mostly a first half phenomenon last year?

Danny Haran: No, they were, there were a few steps. And there's no like specific anniversary that we can point to. We started as soon as the magnitude of the crisis became apparent, but this, these things take time. So we took them throughout the year. I cannot really point out the specific date, but I can say that all the effects will be shown in 2010, whereas in 2009, it was gradually accumulating.

David Cohen: Great. And then the second question is with regard to China. I'm wondering if you can give us any kind of insight as to what your recent experience has been there in terms of building the sales base and customer psychology and things like that?

Danny Haran: Okay. I guess overall the last quarter as well as the previous quarter were actually quite good in China. We were able to close some significant deals with several large companies, which is always a good thing. We keep focusing in China, I think I mentioned that several times already, we keep focusing on government-affiliated companies or large significant companies that have relations with outside foreign companies like in Taiwan or Hong Kong. And we're seeing, we're seeing good success in that area. Overall, the price per seat of the deals we can close is good compared to other places. Very comparable to most other places. I think payment, I guess payments are good. We're not seeing like any specific bad debt. So overall good and positive signs from China. The downside in China, one of them is that we have very little maintenance revenues. Most of our customers, even

our bigger and serious customers are not on maintenance, but they prefer to buy upgrades. So we have less, fewer recurring revenues that we can plan or build upon at the beginning of the year. But in terms of product revenues, new software licenses, we're seeing a nice uptake. And we're pushing ahead also with GibbsCAM, because most of the revenues so far are coming from CimatronE, and now we're giving a big push to the GibbsCAM products, and we hope to go even further and increase our presence in China.

David Cohen: Thanks, Danny.

Danny Haran: Sure.

Operator: If there are any additional questions, please press *1. If you wish to cancel your request, please press *2. Please stand by while we poll for more questions. There are no further questions at this time. A replay of the call will be available on Cimatron's website: www.cimatron.com, starting tomorrow. Mr. Haran, would you like to make your concluding statements?

Danny Haran: Well, thank you all for participating, and we look forward to see you or hear you in the coming conference calls as the year unfolds. Thank you very much, guys. Bye-bye.

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

(End of conference call)