

**Cimatron Ltd.**  
**Q4/2009 Results Conference Call**  
**February 23, 2010**

**Conference Coordinator:**

Ladies and gentlemen, thank you for standing by.

Welcome to the **Cimatron 4th Quarter 2009 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, February 23<sup>rd</sup>, 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?

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**Danny Haran:**

Good morning and welcome to Cimatron's fourth quarter 2009 results Conference Call.

We are very pleased with the developments in Q4 2009. As we indicated during the previous conference call, the fourth quarter saw a significant rise in product revenues, in all markets. We believe the improvement goes beyond the traditional Q4 seasonality, and represents the beginning of true market recovery.

It has been an extremely challenging year in the CAD/CAM market. We have seen our product revenues plummet by 34% and our overall revenues drop by 21%. We believe other CAD/CAM vendors experienced similar declines. In spite of that difficult business climate, we managed to generate approximately \$750K in cash and even show a small profit in 2009. It required caution, discipline and ever-improved efficiency across the board. I am very satisfied with how the various company divisions coped with the situation. I feel we are now well positioned to take advantage of the opportunities that will present themselves as market conditions improve.

Our customers have experienced a difficult year as well, affected by the global economical crisis. Nevertheless, our maintenance revenues remained robust, down only 5% compared to 2008. This is an encouraging sign of continued confidence from our install base. We released two software versions in 2009, one for CimatronE and one for GibbsCAM. Both were well accepted by our customers, and undoubtedly supported the good performance in maintenance revenues. We remain committed to our core tooling and manufacturing industries, with more exciting developments to be released in 2010.

It has been two years since the merger with Gibbs and Associates. One of the major points of synergy that we identified from the very start is selling GibbsCAM through our legacy distribution network, notably our established sales divisions in places like Germany, Italy, China Korea and Israel. I am pleased to report that in 2009 we had more than \$1M worth of GibbsCAM revenues through these channels. I am confident that we will see even higher figures in the future, making the merger a true success for Cimatron.

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 press release issued yesterday.

**Revenues** for the quarter were 9.8 million Dollars, compared to 10.5 million Dollars in the fourth quarter of 2008.

In full year 2009, revenues were 33 million Dollars, compared to 41.8 million Dollars in 2008.

The revenue breakdown this quarter was as follows - License revenues: 41%, Maintenance revenues: 46%, other professional services revenues: 8%, and hardware revenues: 5%. The geographical revenue breakdown for the quarter was as follows: Europe: 56%, North America: 23%, Asia Pacific: 16%, and Rest of the World: 5%.

**Gross Profit** for the quarter was 8.2 million Dollars, representing 84% of revenues, as compared to 8.5 million Dollars, or 81% of revenues, in the fourth quarter of 2008.

In year 2009, Gross profit was 27.4 million Dollars, representing 83% of revenues, as compared to 34.6 million Dollars, or 83% of revenues, in 2008.

**Operating expenses** in the quarter were 7.2 million dollars, compared to 7.5 million Dollars in the fourth quarter of last year.

In year 2009, operating expenses were 27.3 million dollars, compared to 32.3 million Dollars in 2008.

Approximately 80% of the decrease in 2009 is attributed to actual decrease in expenses, while the remainder of the decrease reflects the changes in the Euro and Israeli Shekel rates against the US Dollar during this period, as compared to 2008.

**Operating profit** in the quarter was 1 million dollars, same as in the fourth quarter of 2008.

In full year 2009, Operating profit was 31 thousand dollars, compared to an operating profit of 2.3 million dollars in 2008.

**Net profit** for the quarter was 955 thousand Dollars, or 10 Cents per diluted share, compared to a net profit of 553 thousand Dollars, or 6 Cents per diluted share recorded in the corresponding quarter of 2008.

In full year 2009, Net profit was 46 thousand Dollars, or 1 Cent per diluted share, compared to a net profit of 2.2 million Dollars, or 23 Cents per diluted share recorded in 2008.

Our **cash and cash equivalents balance** at the end of December 2009 was 6.7 million Dollars, with positive cash flow from operating activities of 1.27 million Dollars in 2009, that resulted in a net cash increase of 745 thousand Dollars for the year.

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. Please stand by while we poll for your questions. The first question is from Don McKiernan of Landolt Securities. Please go ahead.

**Don McKeirnan:** Yeah, good morning, or afternoon there. What is the \$639,000 tax benefit rather than, looks like actual tax for the quarter?

**Ilan Erez:** Yeah, well, this is a tax asset that we had to increase due to our loss carried forward in the U.S. that we can see in the foreseeable future, that will be usable. Hence, accounting requires us to have this tax asset that was established in one time.

**Don McKeirnan:** Okay. So how much more of that is left to use up?

**Ilan Erez:** Approximately, it would be used in approximately three years from now.

**Don McKeirnan:** Going on for three years. Okay. How much, how much more in terms of U.S. dollars is left? Any idea?

**Ilan Erez:** Give or take \$4 million.

**Don McKeirnan:** And don't you collect a lot of maintenance revenue up front every year?

**Ilan Erez:** Yes, but the up front is usually during Q1 and Q2, it's not at the end of Q4.

**Don McKeirnan:** That's what I thought. So I was encouraged that your cash position was as strong as it is right now. And so in the first quarter, we'll see the cash level increase by a meaningful percent. Is that correct?

**Ilan Erez:** Usually you will see the big jump between Q1 and Q2.

**Don McKeirnan:** Okay.

**Ilan Erez:** By the end of Q2, is usually when you see the highest level of cash every year.

**Don McKeirnan:** Okay. And what parts of the world are the strongest right now in terms of 2010 outlook?

**Danny Haran:** I guess Germany looks good. China, probably looks promising. Japan is still questionable. Japan does not show strong recovery yet. Of course, we're hopeful that things will turn around, but I think the U.S. is okay, is pretty much okay. You know, we don't have significant backlog. And we, much of the revenues for each quarter come at the second half, almost the last month of each quarter. So our visibility is still limited. And we don't want to be blowing our horns too quickly and say, you know, it's over, everything is great. We see encouraging signs. We talked to customers, and they, on their side, see business coming in. And if that

trend will continue, then, you know, confidence levels will gradually increase and people will be more and more inclined to spend to actually revamp their software, improve their existing technology and so on. So we're seeing signs of that, still being very careful before we kind of officially say it's over.

**Don McKeirnan:** All right. And I noticed your R&D expenses have come down by a considerable number. Is that just reduced spending in general or, you know, can you give us a little more color on that?

**Danny Haran:** I don't think, no, nothing beyond some reduction. We had some salary reductions throughout 2009. Yeah, we had to use more vacation as part of the cost reduction measures. So we tried to use as much vacation as we could in the headquarters in Israel as well as in other places, Europe and the U.S. A few, very few, headcount reductions. Overall, trying to be as lean and efficient as we can. But there's nothing that changes in terms of where we invest or no product has been left behind or stopped development or anything like that. We remain, we keep investing in all the product lines, including some auxiliary additions like quoting modules at CimatronE, and MTM features in GibbsCAM, pretty much as we did before. No changes here.

**Don McKeirnan:** Okay. And now that we're two months into the first quarter, can you give us an idea of how things are going?

**Danny Haran:** Not too much. They're going okay. You know, we don't, we're not, we don't want to say anything beyond that. They're going okay. Stable overall compared to last year. Maybe some fluctuations. But usually, again, I mentioned that we see maybe half of the revenues of each quarter, and this is really typical to all our quarters, in the third month of the quarter. And especially in Q1, if you consider that the first

ten days have been really vacations in Europe and the U.S. So, so far, so good, but early to know.

**Don McKeirnan:** And is it possible to get back to 2008 revenue levels in 2010, or any thoughts on that?

**Danny Haran:** I personally do not believe that will happen. I think that we, I hope and believe we will see a recovery, but it will be slow. Going, coming back to the 2008 levels in one year, to my opinion, is unlikely. I mean, I'll be happy to be wrong here, but I think it will take more than one year to recover.

**Don McKeirnan:** And then my last question, and thanks for taking my questions, my last question is, competitively, how, what's the competitive landscape look like right now after this economic downturn that we've had? Are you still very competitive compared to your competition?

**Danny Haran:** I believe we are. I believe we are at least as competitive as a year ago. Maybe more so in several areas where we actually released some new product features, places like Die Design, for instance, some NC interesting features in the latest version. We believe that, we know for a fact that some of our competitors have let go of some people here and there. I mean, no one got away from this crisis unharmed. And we think that we because we took measures very early and we were very serious and cautious about this, and to a great extent, anticipated much of the decline, I think we were able to react quickly and then with minimum damage to our overall operations, than maybe some of the competition. But we'll have to wait and see.

**Don McKeirnan:** Well, thank you.

**Danny Haran:** You're welcome.

**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](http://www.cimatron.com), starting tomorrow. Mr. Haran, would you like to make your concluding statement?

**Danny Haran:** Yes. I just want to thank all that participated. We look forward to hear from you on the next conference call. And hopefully for a stronger 2010. Thank you.

**Operator:** Thank you. This concludes the Cimatron fourth quarter 2009 results conference call. Thank you for your participation. You may go ahead and disconnect.

(End of conference call)