

מסמך רישום

CIMATRON LTD.

סימטרון בע"מ

(להלן: "החברה")

רישום למסחר של: 9,786,140 מניות רגילות רשומות על שם בנות 0.1 ש"ח ערך נקוב כל אחת (להלן: "מניות רגילות"); ועד 823,630 מניות רגילות שינבעו ממימושן של אופציות (options), שאינן רשומות למסחר.

ניירות הערך של החברה רשומים למסחר בבורסה בארה"ב:

National Association of Securities Dealers Automated Quotations system – Capital Market

NASDAQ-CM

סימן ניירות הערך של החברה בבורסה לניירות ערך בתל אביב: סימט

סימן ניירות הערך של החברה בבורסה בארה"ב: CIMT

ניירות הערך של החברה יירשמו למסחר לפי הוראות פרק 3 לחוק ניירות ערך, התשכ"ח-1968, ולפיכך דיווחי החברה יהיו בשפה האנגלית ותוכנם יהא בהתאם למתכונת הדיווח שלה בחו"ל

תאריך: 27 בפברואר, 2011

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חלק שני – מסמכים נוספים

1. אישור הבורסה לניירות ערך בתל אביב בע"מ לרישום למסחר של המניות והמניות שתנבענה מממוש האופציות.
2. דו"ח שנתי של החברה לשנת 2009 מיום 28 ביוני, 2010 (FORM 20-F), לרבות הנספחים לדו"ח זה, אשר צורפו על דרך ההפניה:
 - 2.1. תקנון החברה;
 - 2.2. הסכם שירותים בין החברה לבין DBSI Investments Ltd.;
 - 2.3. הסכם זכויות רישום מיום 3 ביוני 2007 בין החברה לבין Kotek 2 B.V. ו- DBSI Investments Ltd.;
 - 2.4. הסכם זכויות רישום מיום 31 בדצמבר 2007 בין החברה לבין William F. Gibbs;
 - 2.5. הסכם העסקה מיום 2 בינואר, 2008 בין William F. Gibbs לבין Cimatron Gibbs LLC.
3. תיקון הדו"ח השנתי של החברה לשנת 2009 מיום 29 ביוני, 2010 (FORM 20-F/A).

- .4 דיווח שפרסמה החברה ביום 11 באוגוסט, 2010 (FORM 6-K).
- .5 דיווח שפרסמה החברה ביום 10 בנובמבר, 2010 (FORM 6-K).
- .6 דיווח שפרסמה החברה ביום 23 בנובמבר, 2010 (FORM 6-K).
- .7 דיווח שפרסמה החברה ביום 30 בדצמבר, 2010 (FORM 6-K).
- .8 דיווח שפרסמה החברה ביום 8 בפברואר, 2011 (FORM 6-K).
- .9 דיווח שפרסמה החברה ביום 8 בפברואר, 2011 (FORM 6-K).
- .10 תשקיף לטובת בעלי מניות בחברה מיום 8 בספטמבר, 2009 (FORM F-3).

חלק ראשון

1. **שם החברה:** סימטרון בע"מ ובאנגלית - Cimatron Ltd. (לשעבר מיקרו קד בע"מ).
2. **מקום התאגדות החברה:** ישראל.
3. **תאריך התאגדות החברה:** 12 באוקטובר 1982.
4. **סוגי ניירות הערך שהנפיקה החברה:**
 - 4.1 מניות רגילות, הרשומות למסחר ב-NASDAQ Capital Market.
 - 4.2 מניות רגילות רדומות, המוחזקות בידי החברה לאחר שנרכשו במסגרת רכישה חוזרת.
 - 4.3 מניות רגילות שינבעו ממימושן של אופציות (options) שהוקצו לעובדים, יועצים, נותני שירותים, דירקטורים ונושאי משרה של החברה וחברות בנות בחו"ל, הרשומות למסחר תחת טופס S-8.
 - 4.4 מניות רגילות שינבעו ממימושן של אופציות (options) שיוקצו לעובדים, יועצים, נותני שירותים, דירקטורים ונושאי משרה של החברה וחברות בנות בחו"ל, ואשר אינן רשומות למסחר תחת טופס S-8.
5. **מקום רישום ניירות הערך למסחר:** NASDAQ Capital Market.
6. **כמות ניירות הערך הרשומה למסחר:**
 - 6.1 9,178,184 מניות רגילות. כל המניות חופשיות מחסימה בהתאם לדינים הרלבנטיים בארה"ב. בנוסף, ההון המונפק של החברה, כולל 607,956 מניות רגילות רדומות, המוחזקות בידי החברה לאחר שנרכשו במסגרת רכישה חוזרת.
 - 6.2 823,630 מניות שתנבענה ממימוש אופציות (options) תחת תוכנית האופציות של החברה, אשר מיועדות להענקה לעובדים, יועצים, נותני שירותים, דירקטורים ונושאי משרה של החברה וחברות בנות בחו"ל, מתוכן רשומות למסחר תחת טופס S-8 205,130 מניות רגילות שינבעו ממימוש אופציות. נכון למועד מסמך הרישום קיימות 181,713 אופציות למניות רגילות שהוענקו לניצעים והינן בתוקף¹.
7. **התאריך שבו נרשמו ניירות הערך לראשונה למסחר בבורסת NASDAQ-CM:** 21 במרץ 1996.
8. **פרטים אודות החברה:**
 - 8.1 מען רשום: רחוב גוש עציון 11, גבעת שמואל 54030.
 - 8.2 מס' טלפון ומס' פקס בישראל: 073-2370114, 073-2376267.
 - 8.3 שם החברה לרישומים: החברה לרישומים של בנק לאומי לישראל בע"מ.

¹ מובהר כי לגבי ההפרש בין סה"כ כמות האופציות לכמות הרשומה למסחר תחת טופס S-8 (618,500 מניות שינבעו ממימוש אופציות), היה והחברה תקצה אופציות אלו, המניות בגינן תהיינה מניות חסומות עד להגשת טופס S-8 נוסף.

9. סימון ניירות הערך:

9.1. בבורסה בחו"ל (NASDAQ-CM): CIMT

9.2. בבורסה לניירות ערך בתל אביב בע"מ: סימט

10. אנשי קשר של החברה:

10.1. איש קשר עם גופי הפיקוח והאכיפה של הדין הזר: אילן ארז, סמנכ"ל כספים.

10.2. כתובתו של איש הקשר: רחוב גוש עציון 11, גבעת שמואל 54030.

10.3. מס' טלפון ומס' פקס: 073-2370260; 073-2370267.

10.4. איש קשר עם הרשות לניירות ערך: אילן ארז, סמנכ"ל כספים.

10.5. כתובתו של איש הקשר בישראל: רחוב גוש עציון 11, גבעת שמואל 54030.

10.6. מס' טלפון ומס' פקס בישראל: 073-2370260; 073-2370267.

10.7. American Stock Transfer & Trust Company: Transfer Agent

11. תיאור המניות:

11.1. הון המניות הרשום של החברה מורכב מ- 19,950,000 מניות רגילות בנות 0.1 ש"ח ערך נקוב כל אחת.

11.2. הון המניות המונפק של החברה מורכב מ- 9,178,184 מניות רגילות על שם בנות 0.1 ש"ח ערך נקוב כל אחת. בנוסף, ההון המונפק של החברה, כולל 607,956 מניות רגילות רדומות, המוחזקות בידי החברה לאחר שנרכשו במסגרת רכישה חוזרת.

11.3. בהתאם לתקנון החברה, לחברה היכולת לתקן את תקנונה ולהקצות מניות בכורה. נכון למועד מסמך רישום זה לחברה אין מניות בכורה בהון הרשום או המונפק. החברה מתחייבת, כי כל עוד מניותיה רשומות למסחר בבורסה בתל אביב היא לא תוציא, לא תקצה ולא תנפיק מניות מסוג שונה מזה הרשום למסחר בבורסה בתל אביב, למעט בהקצאה המקיימת את הוראות סעיף 46ב(א)(1) לחוק ניירות ערך, תשכ"ח-1968.

11.4. המניות זכאיות להשתתף בחלוקת מלוא דיבידנד או מניות הטבה שיוכרו עליהם לאחר תאריך מסמך רישום זה.

12. עיקרי הזכויות הנלוות למניות של החברה

החברה התאגדה על פי חוקי מדינת ישראל וכפופה לחוק החברות, התשנ"ט – 1999 ("חוק החברות").

להלן תיאור של עיקרי הזכויות הנלוות למניות הרגילות של החברה על פי תקנון החברה ותזכיר ההתאגדות שלה (להלן ביחד: "מסמכי ההתאגדות").

האמור להלן הינו תיאור כללי, שאינו מתיימר להיות תיאור ממצה או פרשנות מוסמכת של הדין ואינו מהווה תחליף לעיון במסמכי ההתאגדות. בנוסף, תקציר זה אינו מתיימר לתאר את החוקים הפדרליים של ארה"ב העוסקים בניירות ערך, את תקנות או כללי ה – Securities and

Exchange Commission, את תקנות ה – NASDAQ או מקורות נורמטיביים אחרים החלים על החברה ועל בעלי מניותיה.

12.1. אסיפות בעלי מניות

12.1.1. **זכות הצבעה** – כל בעל מניות זכאי בכל אסיפת בעלי מניות לקול אחד עבור כל מניה הרשומה על שמו במרשם בעלי המניות.

12.1.2. **זימון אסיפות** - אסיפה כללית שנתית תתקיים לפחות אחת לכל שנה קלנדרית, בתוך תקופה שלא תעלה על חמישה עשר (15) חודשים לאחר קיום האסיפה הכללית האחרונה, במועד ובמקום כפי שיקבע על ידי הדירקטוריון. באסיפה זו יבחרו דירקטורים, ימונו רואי החשבון המבקרים של החברה ויתקבלו החלטות נוספות הנדרשות על פי חוק החברות. דירקטוריון החברה רשאי, כל אימת שימצא לנכון, לכנס אסיפה כללית מיוחדת, בזמן ובמקום, בין אם בתוך ישראל או מחוץ לה, כפי שיקבע על ידי הדירקטוריון, ויהא מחויב לעשות כן על-פי דרישה בכתב ובהתאם לסעיף 63 לחוק החברות.

12.1.3. **הודעה על זימון אסיפה** – למעט במקרים הקבועים בחוק או בתקנות של הבורסה בה רשומים ניירות הערך של החברה למסחר, לכל בעל מניות תינתן הודעה בכתב על כל אסיפה ובה פרטי מועד ומיקום האסיפה. ההודעה תימסר לא פחות מ-21 ימים טרם מועד האסיפה.

12.1.4. **מניין חוקי** – המניין החוקי לכינוס אסיפה יתהווה בנוכחות שני בעלי מניות או יותר, נוכחים בעצמם או באמצעות שלוח, המחזיקים בלפחות 33% מזכויות ההצבעה בחברה. בהיעדר מנין חוקי, תדחה האסיפה לאותו מקום ולאותה שעה בשבוע שלאחר מכן, או למקום ומועד אחר כפי שייקבע על ידי יו"ר הדירקטוריון בהסכמת רוב הנוכחים בישיבה. המניין החוקי באסיפה הנדחית יהיה אותו מניין חוקי.

12.1.5. **החלטה ללא אסיפה** – החלטה בכתב אשר נושאת את חתימותיהם של כל בעלי המניות אשר זכאים באותו מועד להשתתף ולהצביע באסיפה הכללית, או שכל בעלי מניות אלה נתנו לה את הסכמתם תחשב כהחלטה אשר התקבלה פה אחד על ידי אסיפה כללית אשר כונסה וקוימה כדין.

12.1.6. **הרוב הנדרש לקבלת החלטות** – החלטה של בעלי מניות תחשב כהחלטה שהתקבלה אם אושרה על ידי רוב בעלי זכויות ההצבעה, אשר נוכחים באסיפה בעצמם או באמצעות שלוח, ומשתתפים בהצבעה.

12.2. הדירקטוריון

12.2.1. **מבנה הדירקטוריון** – מספר הדירקטורים בחברה לא יעלה על 15 דירקטורים ולא יפחת מ-2 דירקטורים.

12.2.2. **מינוי והפסקת כהונה** - דירקטורים (למעט דירקטורים חיצוניים) נבחרים וכהונתם מופסקת על ידי בעלי המניות באסיפה הכללית השנתית של בעלי המניות. תקופת כהונתו של דירקטור תפקע במועד האסיפה הכללית השנתית הבאה לאחר האסיפה הכללית בה מונה. כהונתו של דירקטור תופסק טרם פקיעתה כאמור במקרים הבאים: (א) מוות או אי כשירות משפטית של הדירקטור, (ב) הדירקטור הוכרז כפושט רגל, (ג) הדירקטור מנוע מלכהן כדירקטור בשל דרישות כל חוק קיים, (ד) הדירקטוריון הפסיק את כהונתו

של הדירקטור בהתאם לסעיף 231 לחוק החברות, או (ה) ניתן צו בית משפט בהתאם לסעיף 233 לחוק החברות.

12.3. **הזכות להשתתף בחלוקת דיבידנדים** – בעלי המניות זכאים להשתתף בחלוקת דיבידנד על ידי החברה באופן יחסי להחזקותיהם במניות החברה שבגינן משולם הדיבידנד.

12.4. **פירוק** – במקרה שהחברה תפורק, אזי, בכפוף לדין החל ולזכויות בעלים של מניות שצמודות להן זכויות מיוחדות במקרה של פירוק, נכסיה של החברה יחולקו בין בעלי המניות באופן יחסי להחזקותיהם במניות החברה.

12.5. **התנאים לשינוי הזכויות הנלוות למניות** – בהתאם למסמכי ההתאגדות החברה רשאית לשנות את תקנונה בהחלטה שהתקבלה ברוב רגיל באסיפה הכללית של החברה.

12.6. **הגנה מפני השתלטות** – במסמכי ההתאגדות של החברה קיים המנגנון העשוי להיחשב כמנגנון הגנה מפני השתלטות: לדירקטוריון החברה הסמכות להנפיק מניות בכורה ולקבוע את הזכויות הנלוות להן. נכון למועד פרסום מסמך הרישום לא הונפקו מניות בכורה על ידי החברה ולחברה אין כוונה להנפיק מניות אלו. ראו גם את התחייבות החברה בסעיף 11.3 לעיל.

13. **אישור הבורסה לניירות ערך בתל אביב בע"מ**

הבורסה לניירות ערך בתל אביב בע"מ נתנה את אישורה לרישום למסחר של המניות והמניות שתנבענה ממימוש האופציות (כמפורט בסעיף 6 לעיל) הנרשמות על פי מסמך רישום זה, כאמור לעיל.

אין לראות באישור כאמור של הבורסה אישור לפרטים המובאים במסמך רישום זה או לשלמותם, ואין בו משום הבעת דעה על החברה או על טיבם של ניירות הערך הנרשמים על פי מסמך רישום זה.

חלק שני – מסמכים נוספים

אישור הבורסה לניירות ערך בתל אביב בע"מ לרישום למסחר של המניות
והמניות שתנבענה ממימוש האופציות.



הבורסה לניירות ערך

27 פברואר, 2011
166019

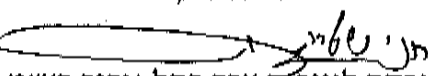
לכבוד
סימטרון בע"מ
רחוב גוש עציון 11
גבעת שמואל 54030

א"י,

הנדון: אישור לרישום ניירות ערך למסחר בבורסה

1. ניתן בזה אישור לרישום בבורסה של ניירות הערך הבאים:
 - א. 9,786,140 מניות רגילות בנות 0.1 ש"ח ע"י כ"א שבהון חברת סימטרון בע"מ (להלן: "החברה"), כשמתוכן 607,956 מניות שהינן מניות רדומות, המוחזקות בידי החברה.
 - ב. 181,713 מניות רגילות בנות 0.1 ש"ח ע"י כ"א, שתנבענה ממימוש אופציות (לא רשומות - OPTIONS), שהוקצו במסגרת תוכנית אופציות של החברה לעובדים, נושאי משרה, דירקטורים, נותני שירותים ויועצים.
 - ג. 641,917 מניות רגילות בנות 0.1 ש"ח ע"י כ"א, שתנבענה ממימוש אופציות (לא רשומות - OPTIONS), שתוקצינה בעתיד במסגרת תוכנית אופציות של החברה.
2. תוקפו של אישור זה מותנה בהגשת מסמך הרישום תוך 60 יום מיום 27.2.11. בנוסף תוקף האישור לרישום של המניות שתנבענה ממימוש אופציות (לא רשומות), כמפורט בסעיף 1.1 לעיל, מותנה בהקצאת האופציות תוך 12 חודשים מיום 27.2.11.
3. אישור זה ניתן על סמך הבקשה, טיוטת מסמך הרישום מיום 16.2.11 ודפי תיקונים עד ליום 27.2.11 שהמצאתם לנו, וכפוף לאישורים הדרושים על פי דין.
4. אין לראות באישור זה של הבורסה אישור לפרטים המובאים בטיוטת מסמך הרישום ובמכתב או למהימנותם או לשלמותם ואין בו משום הבעת דיעה כלשהי על החברה או על טיבם של ניירות הערך הנרשמים למסחר.
5. נבקשכם:
 - א. לבוא עמנו בדברים לשם קביעת המועד בו ירשמו ניירות הערך למסחר בבורסה. מועד הרישום בבורסה לא יקדם מיום המסחר השלישי שלאחר יום הגשת מסמך הרישום ולא יאוחר מחודש ימים לאחר הגשתו.
 - ב. בעתיד, כל אימת שהדבר יתחייב, הנכם מתבקשים להודיע לנו מהם השינויים ביתרת המניות, האופציות (הלא רשומות) וכתבי האופציה (הלא רשומים) כתוצאה מהוראות מימוש שיתקבלו בחברה.
6. אישורנו זה מחליף את אישורנו מיום 24.2.11 סימוכין 165982, ובא במקומו.

בכבוד רב,


חני שלבי
הבורסה לניירות ערך בתל-אביב בע"מ

הבורסה לניירות ערך בתל-אביב בע"מ

נספח 2

דו"ח שנתי של החברה לשנת 2009 מיום 28 ביוני, 2010 (FORM 20-F)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.....

For the transition period from _____ to _____

Commission file number 000-27974



CIMATRON LTD.

(Exact name of Registrant as specified in its charter)

Israel

(Jurisdiction of incorporation or organization)

11 Gush Etzion St.,

Givat Shmuel 54030, Israel

(Address of principal executive offices)

Ilan Erez

11 Gush Etzion St.,

Givat Shmuel 54030, Israel

Telephone +972-3-531-2060

Facsimile: +972-3-531-2097

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which
registered

**Ordinary Shares, par
value**

NASDAQ Capital Market

NIS 0.10 per share

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the Annual Report:

9,085,288 Ordinary Shares, par value NIS 0.10 per share

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Not applicable

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer: Accelerated filer: Non-accelerated filer:

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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PART I**Item 1. Identity of Directors, Senior Management and Advisers.**

Not Applicable

Item 2. Offer Statistics and Expected Timetable.

Not Applicable

Item 3. Key Information.**Selected Financial Data**

Our historical consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and are presented in U.S. dollars. The selected historical consolidated financial information as of December 31, 2008 and 2009 and for each of the three years ended December 31, 2007, 2008 and 2009 have been derived from, and should be read in conjunction with, the consolidated financial statements of Cimatron Ltd. ("Cimatron" or the "Company") and notes thereto appearing elsewhere in this annual report. The selected financial data as of December 31, 2005, 2006 and 2007 and for each of the years ended December 31, 2005 and 2006 have been derived from the audited financial statements of Cimatron not included in this annual report.

The information presented below is qualified by the more detailed historical consolidated financial statements set forth in this annual report, and should be read in conjunction with those consolidated financial statements, the notes thereto and the discussion under Item 5 - Operating and Financial Review and Prospects - included elsewhere in this annual report.

	Year ended December 31,				
	2009	2008	2007	2006	2005
(In thousands of US\$, except per share data)					
Statement of Income Data:					
Revenue:					
Products	13,191	20,066	14,331	9,642	8,968
Services	19,766	20,909	14,309	11,817	11,957
Total	<u>32,957</u>	<u>40,975</u>	<u>28,640</u>	<u>21,459</u>	<u>20,925</u>
Cost of revenue:					
Products	4,567	5,725	3,867	2,154	3,367
Services	1,619	2,044	1,573	1,469	1,568
Total	<u>6,186</u>	<u>7,769</u>	<u>5,440</u>	<u>3,623</u>	<u>4,935</u>
Gross profit	26,771	33,206	23,200	17,836	15,990
Research and development costs, net	5,736	6,930	4,281	4,426	4,815
Selling, general and administrative expenses	21,992	25,750	17,243	13,362	15,650
Operating profit (loss)	(957)	526	1,676	48	(4,475)
Financial income (expenses), net	19	(80)	353	574	(148)
Company's equity in results of affiliated company	-	-	(52)	(105)	(5)
Other income (expenses)	(41)	-	(3)	(5)	1
Income (loss) before taxes	(979)	446	1,974	512	(4,627)
Taxes on income	949	237	-	(27)	(2)
Income (loss) after income taxes	<u>(30)</u>	<u>683</u>	<u>1,974</u>	<u>485</u>	<u>(4,629)</u>
Less: Net loss (gain) attributable to the noncontrolling interest	44	41	(51)	29	36
Net income attributable to Cimatron's shareholders	<u>14</u>	<u>724</u>	<u>1,923</u>	<u>514</u>	<u>(4,593)</u>
Net income (loss) per share	0.00	0.08	0.24	0.07	(0.59)
Weighted average number of shares outstanding	9,156	9,341	7,866	7,835	7,835

	December 31,				
	2009	2008	2007	2006	2005
(In thousands of US\$)					
Balance Sheet Data:					
Cash and cash equivalents	6,684	5,727	9,026	5,597	2,708
Short-term investments	-	-	-	-	2,167
Total cash, cash equivalents and short-term investments	6,684	5,727	9,026	5,597	4,875
Working capital	4,506	3,816	6,121	5,342	4,328
Total assets	32,680	33,870	27,327	17,907	16,442
Total liabilities	16,581	17,671	16,294	9,086	8,456
Shareholders' equity	16,099	16,199	11,033	8,821	7,986

Risk Factors

This annual report and statements that we may make from time to time may contain forward-looking information. There can be no assurance that actual results will not differ materially from our expectations, statements or projections. Factors that could cause actual results to differ from our expectations, statements or projections include the risks and uncertainties relating to our business described below. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business operations.

Risks Related to our Business

We face intensive competition in our industry.

The CAD/CAM software industry, characterized by rapid advances in technology and changing customer requirements, is highly competitive. We design, develop, manufacture, market and support a family of modular, high performance, fully integrated, computer-aided design/computer aided manufacturing, or CAD/CAM, software products. Traditionally, our competitors in the CAD/CAM market are at both the high and low end of the market. The lower end of the market consists of dedicated Numerical Control, or NC, programming systems offerings, which have limited or no modeling capability, while the high end of the market, including our Cimatron E and GibbsCAM product families, consists of integrated CAD/CAM systems, Mill/Turn and Multi Task Machining software. Many high-end market products are roughly similar to our Cimatron E and GibbsCAM product lines.

As the CAD/CAM software industry is highly fragmented and characterized by many relatively small and privately owned companies, we face competition from numerous companies in relation to all of our products. In addition, some of our competitors are more established, benefit from greater market recognition and have greater financial, production and marketing resources than us. We believe that, due to the large number of companies that operate in this market, we do not have a single major competitor or a group of competitors. The principal factors permitting our products to compete successfully against our competitors' products are:

- the compatibility of our products with other software applications and existing and emerging industry standards;
- our ongoing product and feature development;
- the offering of unique innovative products to the tooling and manufacturing industries;
- the level of our product breadth and integration;
- the technical expertise and support that we provide;
- the flexibility of our products;
- the reputation we maintain among certain independent distributors of our products, to which we refer as Providers and/or Resellers; and
- the relatively low overall price and total cost of ownership of our products combined with the high-end capabilities of our products.

Although we believe that the attributes of our products provide us with a competitive advantage over our competitors, there can be no assurance that the marketplace will consider Cimatron E and/or GibbsCAM to be superior to existing competing products. In addition, new competitors may arise in each of the markets in which we currently operate. Furthermore, as we enter new geographic markets, we may encounter significant competition from companies that are more established in such markets. Accordingly, there can be no assurance that our existing or future products will successfully compete against our competitors' products.

We are heavily reliant on the sale of two families of products.

Sales and services related to the Cimatron E product family have historically accounted for substantially all of our revenue. While we introduced the GibbsCAM product family following our merger with Gibbs System, Inc. ("Gibbs"), if sales of the Cimatron E family and/or the GibbsCAM family were to decline, or fail to grow, or the profit margin on these products were to decrease significantly, our business, financial condition and results of operations would be materially and adversely affected.

Our business depends significantly upon sales by our customers of products in the consumer market. This market is extremely competitive and is highly susceptible to fluctuations in demand.

Our products are designed for use by manufacturers of consumer products or consumer product components. The consumer products market is intensely competitive and price sensitive. Sales of consumer products have historically been dependent upon discretionary spending by consumers. Consumers may defer or alter purchasing decisions based on economic conditions or other factors, and accordingly could cause a reduction in demand for products manufactured by our customers. Softened consumer demand for consumer products has been causing a decline in the demand for our products. Current global economic conditions, especially ongoing, tight credit conditions and high unemployment, may continue to cause a decrease in demand for our products in the near term and possibly longer. Softening in demand for consumer products has caused and may continue to cause uncertainty with respect to our expected revenues and has adversely affected, and may continue to adversely affect, our revenues and operating results.

Unfavorable economic and market conditions and reduced consumer spending have caused, and may continue to cause decreased demand for our products and services and have harmed, and may continue to harm, our business, financial condition and results of operations.

We are subject to the effects of global, economic and market conditions. Many of the world's largest economies and financial institutions are still experiencing sluggish economic activity, depressed asset prices, liquidity problems and limited availability of credit. Prevailing global and U.S. macroeconomic conditions such as inflation and the weakening of the U.S. dollar in relation to many world currencies which make it more expensive to import consumer products into the U.S., as well as microeconomic conditions such as ongoing, tight local credit markets which have been negatively impacting the ability of manufacturers to obtain growth and working capital from local lenders, have been negatively impacting, and may continue to negatively impact our enterprise business. To the extent that our business continues to be adversely affected as a result of such unfavorable economic and market conditions, our operating results may be materially adversely affected.

The crisis in world credit markets has had a particularly severe impact on financing in the manufacturing sector in which many of our customers operate and thereby threatens a continued reduction in our primary source of revenues.

The primary consumers for our products and services are typically small to medium-sized companies involved in the mechanical engineering and manufacturing industry, subcontractors that supply major corporations within the core mechanical engineering and manufacturing industry and departments or divisions within these major corporations. The manufacturing industry has been particularly hard-hit by the global credit crisis, as manufacturers have found it very difficult to obtain the financing that they need in order to make capital expenditures for new hardware to be used in their operations. Because of the lack of financing for new hardware, manufacturers have had, and may continue to have, lesser demand for our software products and services, which are compatible with, and dependent upon, such hardware. This rippling effect has begun to have, and could continue to have, a material adverse effect on our primary source of revenues, thereby impacting our operating results and overall financial condition in a material, negative manner.

One of our shareholders beneficially owns a substantial amount of our Ordinary Shares and may therefore influence our affairs.

As of May 31, 2010, DBSI Investments Ltd. or DBSI, beneficially owns approximately 46.85% of our share capital. Accordingly, DBSI effectively has the ability to control the outcome of most matters submitted to a vote of our shareholders, including the election of members of our board of directors and approval of significant corporate transactions. The concentration of ownership of our Ordinary Shares by DBSI could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our Ordinary Shares that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our Ordinary Shares. This concentration of ownership may also adversely affect our share price, especially if this shareholder sells substantial amounts of our Ordinary Shares under our currently effective resale registration statement on Form F-3. See "Item 7. Major Shareholders and Related Party Transactions" for additional details.

Integration of recent acquisitions and any future acquisitions of companies or technologies may distract our management and disrupt our business. In addition, the issuance by us of securities as consideration payable in such acquisitions could be dilutive to our existing shareholders.

One of our strategies is to acquire or make investments in complementary businesses, technologies, services or products if appropriate opportunities arise. For instance, in July 2005 we initiated the acquisition of our Italian distributor by acquiring 27.5% of the shares of it, along with an option to purchase the remaining outstanding shares of that company from its stockholders. In July 2007 we exercised our option to increase our holdings in our Italian distributor to 51%, and in July 2008, we completed our acquisition of the distributor by exercising our option to acquire the remaining 49% of its stock. During August 2006, we acquired the remaining 69.83% of the outstanding shares of our Korean provider, which thereafter became a wholly owned subsidiary. In January 2008 we completed the merger of Gibbs into a wholly owned subsidiary – Cimatron Gibbs LLC. As consideration in the merger with Gibbs, we paid cash in the amount of approximately \$5 million and we issued 1,500,000 of our Ordinary Shares, which now represent approximately 16.5% of our issued and outstanding share capital. See "Item 5. Operating and Financial Review and Prospects – Overview" for additional details. We may in the future engage in discussions and negotiations with companies about our acquiring or investing in those companies' businesses, products, services or technologies. We cannot give assurances that we will be able to identify future suitable acquisition or investment candidates, or, if we do identify suitable candidates, that we will be able to make the acquisitions or investments on commercially acceptable terms or at all. In addition, in the context of our merger with Gibbs or any future acquisition or investment in another company, we could experience difficulties assimilating that company's personnel, operations, technology or products and service offerings into our own or in retaining and motivating key personnel from these businesses. Any such difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations. Furthermore we cannot provide assurance that we will realize the benefits and/or synergies of any business combination with another company. In addition, we may incur indebtedness or dilute our existing shareholders by issuing equity securities to pay for any future acquisitions.

We are subject to several risks as a result of our international sales.

To date, our products have been sold primarily in Europe, the Far East, North America and Israel. We expect that international sales will continue to represent a substantial portion of our business. Companies that engage in international sales are subject to a number of risks, such as:

- agreements may be difficult to enforce through a foreign company's legal system;
- foreign countries could impose additional withholding or other taxes on our income;
- foreign countries could impose tariffs or adopt other restrictions on foreign trade;
- fluctuations in exchange rates;
- changes in general economic conditions in one or more countries could affect product demand;
- the protection of intellectual property rights in foreign countries may be limited or more difficult to enforce; and
- difficulties in managing overseas subsidiaries and international operations, including difficulty in retaining or replacing local management.

There can be no assurance that these and similar factors will not have a material adverse effect on our future international sales and, consequently, on our business, future prospects and results of operations.

Many customers of the CAD/CAM industry have migrated their operations to the Far East. In order to remain competitive in the industry, we need to penetrate the Far East markets; operation in these markets subjects us to specific risks.

Many mold, tool, die and fixture makers have migrated or intend to migrate their operations to markets in the Far East, such as China, in order to take advantage of the relatively lower cost of labor available in those markets for their manufacturing activities. We anticipate that this migration will continue. In order to continue to compete in the CAD/CAM software industry, we will need to increase our penetration of these markets. Many of those markets, including China, are characterized by lower prices and by higher usage of pirated copies of software products. While those markets are also often much larger than a number of our traditional markets in Europe, to the extent that we cannot offset the effects of lower prices and higher incidents of pirated software usage, our revenues and profitability may be materially adversely affected.

We are reliant upon independent distributors to market and support our products.

We rely on independent distributors, to whom we refer as Providers, to market, sell, service and support our products worldwide. Generally, our relationships with our Providers are based on agreements with two-year terms (subject to rolling two-year extensions) and which enable Providers to purchase our products at a discounted price. While we have exclusive relationships with certain of our Providers, there can be no assurance that these Providers will give high priority to the marketing and support of our products. The results of our operations could be adversely affected by changes in the financial condition of a Provider, which could occur rapidly, or to other changes in our current Providers' business or marketing strategies. There can be no assurance that we will retain our current Providers, nor can there be any assurance that, in the event that we lose any of our Providers, we will be successful in recruiting other highly professional and technically competent Providers to represent us. Any such changes in our distribution channels, especially those in the Far East and Europe, could materially adversely affect our business, operating results and financial condition. Given that approximately 90% of Gibbs' total revenues in 2007 resulted from sales made by Gibbs' independent distributors, whom we refer to as Resellers, the merger with Gibbs has increased our reliance on independent distributors, as approximately 35% of our consolidated revenues in each of 2008 and 2009 has been generated via Providers and Resellers, in the aggregate. See "Item 4 - Information on the Company - Business Overview."

Volatility in oil prices may significantly impact our customers' costs of operations, which could cause unpredictable sales patterns for us by affecting demand for our products.

Many of our customers use oil-based products as an integral part of their manufacturing processes, including as components of their products. Volatility in the cost of crude oil, which is subject to many economic and political factors that are beyond our customers' control, has resulted in substantial global fluctuations in the price of oil-based products in the last couple of years. These fluctuations have caused and may continue to cause periodic increases or decreases in the operating expenses of our customers. To the extent that these customers accordingly increase or decrease their prices, demand for their products may fall or rise, thereby causing a great deal of variability in their ability and readiness to purchase our products. In addition, in the case of a rise in oil prices and an accompanying rise in our customers' expenses, they may respond by placing pressure on the prices that they are willing to pay for our products. In that event, our business and results of operation may be adversely affected.

Following our acquisition of MicroSystem, the consolidation of its results of operations, denominated in Euros, with our own, exposes us to shifts in the Euro-dollar exchange rate that may have a material impact on our results of operations.

Following the exercise of both of our options to increase our holdings in MicroSystem, our Italian Provider, first to 51% and then to 100%, in July 2007 and July 2008, respectively, we have fully consolidated the results of Microsystem (as of the 3rd quarter of 2007). The consolidation of Microsystem's financial statements has been increasing, and may continue to increase, the impact of changes in the Euro - dollar exchange rate on our revenues and expenses, as substantially all of Microsystem's revenues and expenses are Euro-denominated.

We cannot assure you that we will continue to remain profitable on an annual or quarterly basis in the future.

We incurred a net loss of approximately \$4.6 million back in 2005. Although we had net income of approximately \$0.5 million in 2006, \$1.9 million in 2007, \$0.7 million in 2008 and \$14 thousand in 2009, along with net income of \$1.4 million in the fourth quarter of 2009, we incurred net losses of approximately \$0.6 million, \$0.1 million and \$0.7 million in the first three quarters of 2009, respectively, despite our cost-cutting measures implemented due to the global economic downturn, and we cannot be certain that we will remain profitable on an annual basis or avoid losses on a quarterly basis proceeding forward.

We may experience significant fluctuations in our quarterly results, which makes it difficult for investors to make reliable period-to-period comparisons and may contribute to volatility in the market price for our Ordinary Shares.

Our quarterly revenues, gross profits and results of operations have fluctuated significantly in the past and may be subject to continued fluctuation in the future. The following events may cause such fluctuations:

- changes in timing of orders, especially large orders, for our products and services;
- changes in the prices for our products and services;
- adverse economic conditions and international exchange rate and currency fluctuations;
- delays in the implementation of our solutions by customers;
- changes in the proportion of service and license revenues;
- timing of product releases;
- changes in the economic conditions of the various industries in which our customers operate;
- price and product competition;
- increases in selling and marketing expenses, as well as other operating expenses;

- technological changes; and
- political instability in the Middle East.

A substantial portion of our expenses, including most product development, selling and marketing expenses, must be incurred in advance of when revenue is generated. If our projected revenue does not meet our expectations, we are likely to experience a shortfall in our operating profit relative to our expectations, or, even an operating loss (as was the case in the first three quarters of 2009 and in the year 2009 as a whole). As a result, we believe that period-to-period comparisons of our historical results of operations are not necessarily meaningful and that you should not rely on them as an indication for future performance. Also, our quarterly results of operations have, on separate occasions, been below the expectations of public market analysts and investors and the price of our Ordinary Shares subsequently decreased. If that would happen again in the future, the price of our Ordinary Shares would likely decrease again.

Because of our international operations, changes in exchange rates against the U.S. dollar have and could continue to have a significant effect on our results of operations. In addition, local economic conditions or currency fluctuations could cause customers to decrease or cancel orders or default on payment.

Although part of our revenues are denominated and paid in U.S. dollars, the majority are not so denominated and paid. Therefore inflation and fluctuations in the U.S. dollar exchange rate have and may continue to have a material effect on our revenue. In addition, a significant portion of our international sales is denominated in Euros, and in the future additional sales may be denominated in currencies other than U.S. dollars, thereby exposing us to gains and losses on non-U.S. currency transactions. In particular, if the Euro depreciates relative to the U.S. dollar (as has been the case thus far in 2010 due to the financial crisis in several European Union countries, during which the Euro has depreciated by approximately 14% relative to the U.S. dollar, through May 31, 2010), that would reduce our U.S. dollar recorded revenues and profitability from our Euro denominated sales. We may choose to limit this exposure by entering into hedging transactions. However, hedging transactions may not prevent exchange-related losses, and our business may be harmed by exchange rate fluctuations. Furthermore, as we seek to expand our sales to regions throughout the world, we might be exposed to risks of customers located in countries suffering from uncertain economic environments such as high inflation and solvency problems. Those issues and devaluation in local currencies of our customers relative to the U.S. dollar where our sales are denominated in U.S. dollars could cause customers to decrease or cancel orders or default on payment.

As applied to our Israeli operations, where we incur a portion of our operating expenses, to the extent that the value of the New Israeli Shekel (or NIS) appreciates relative to the U.S. dollar, our expenses on a U.S. dollar cost basis increase. We cannot predict any future trends in the rate of devaluation or appreciation of the NIS against the U.S. dollar. If the U.S. dollar cost of our operations in Israel continues to increase, our U.S. dollar-measured results of operations will be adversely affected. The NIS appreciation in relation to the U.S. dollar amounted to 9.0%, 1.1% and 0.7% for the years ended December 31, 2007, 2008 and 2009, and 1.6% for the first quarter of 2010. We are also exposed to the risk that even if the NIS devaluates relative to the U.S. dollar (which was not the case in any of 2007, 2008 or 2009), the rate of inflation in Israel may exceed the rate of this devaluation or that the timing of this devaluation will lag behind inflation in Israel. The Israeli rate of inflation amounted to 3.4%, 3.8% and 3.9% for the years ended December 31, 2007, 2008 and 2009, respectively, thereby compounding the impact of the appreciation of the NIS relative to the U.S. dollar in each such year and further adversely affecting our U.S. dollar measured results of operations.

In 2009, as had been the case prior to 2006, we once again experienced decreases in our revenues from products, which was part of an overall decrease in our revenues during 2009. If this trend continues, it will likely adversely affect our gross margins and profitability.

As had been the case in 2005, when our revenues from the sale of products decreased relative to their level in 2004, our product revenues fell by 34% during 2009, to \$13.2 million from \$20.1 million during 2008. This trend was part of an overall decrease in our revenues in 2009, from \$41 million in 2008 to \$33 million in 2009. During 2006, 2007 and 2008, our revenues from the sales of products had increased each year, from approximately \$9.0 million in 2005 to approximately \$9.6 million in 2006, \$14.3 million in 2007 and \$20.1 in 2008. At the same time, revenues from maintenance and services also increased during the last two years of such three year stretch, increasing to approximately \$20.9 million in 2008 from approximately \$14.3 million in 2007 and approximately \$11.8 million in 2006, only to decrease once again in 2009 to \$19.8 million. Our gross margin from most of our products is higher than our gross margin from services. This is because our cost of services, which includes expenses of salaries and related benefits of the employees and subcontractors engaged in providing the services, is relatively higher than our cost of products. If our overall percentage of revenues comprised by maintenance and service revenues continues to increase, our gross margins and profitability will likely be adversely affected. In addition, if our revenues from the sale of products continue to decrease, such decrease may adversely affect our future maintenance and service revenues, as it may result in a smaller user base to purchase maintenance and service contracts from us.

Furthermore, if we are unable to reverse the trend of 2009 and our overall decrease in revenues in 2009 continues into future periods, that will very likely have an adverse effect on our ability to remain profitable.

If we are unable to accurately predict and respond to market developments or demands, or if our products are not accepted in the marketplace, our business will be adversely affected.

It is difficult to predict demand and CAD/CAM market acceptance for our solutions and products. We cannot guarantee that the market for our solutions and products will grow or that they will become widely accepted. If the market for our solutions and products does not develop as quickly as we expect, our future revenues and profitability will be adversely affected. Changes in technologies, industry standards, client requirements and new product introductions by existing or future competitors could render our existing offerings obsolete and unmarketable, or require us to develop new products. If our solutions and products do not achieve or maintain market acceptance or if our competitors release new products that achieve quicker market acceptance, have more advanced features, offer better performance or are more price competitive, our revenues may not grow and may even decline. In addition, if a product we develop and introduce does not achieve market acceptance, we may not be able to recover the costs associated with developing the product, which would have a negative effect on our profitability.

If we are unable to attract, train and retain qualified personnel, we may not be able to achieve our objectives and our business could be harmed.

Our future success depends on our ability to absorb and retain senior employees and to attract, motivate and retain highly qualified professional employees. Competition for these employees can be intense, especially in a number of our key markets and locations. The process of locating, training and successfully integrating qualified personnel into our operations can be lengthy and expensive. The market for the qualified personnel we require is very competitive because of the limited number of people available with the necessary technical and sales skills and understanding of our products and technology. This is particularly true for the markets in which the majority of our research and development personnel are located, namely Israel and in the State of California, as competition for qualified personnel is intense in those markets. We may not be able to compete effectively for the personnel we need. Any loss of members of senior management or key technical personnel, or any failure to attract or retain highly qualified employees as needed, could materially adversely affect our ability to achieve our research and development and sales objectives.

Under current Israeli and California laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We have entered into non-competition agreements with substantially all of our employees in Israel and in California. These agreements prohibit our employees, during the term of their employment with us and after they cease working for us, from competing directly with us or working for our competitors for a limited period. However, under current Israeli and California laws, we may be unable to enforce these agreements and it may be difficult for us to restrict our competitors from gaining the expertise our former employees gained while working for us.

We are affected by volatility in the securities markets.

Securities markets have in recent years experienced volatility that has particularly affected the securities of many high-technology companies. The volatility has often been unrelated to the operating performance of these companies, including Cimatron, and has been aggravated due to the current, ongoing uncertainty in global financial markets. As a result, we may experience difficulties in securing the additional financing required to effectively operate and grow our business due to the volatility in the price of our shares, resulting in a material adverse affect on our business and results of operations.

Risks Related to Licenses and Intellectual Property

We rely, to a certain extent, on third parties' software. If we lose the ability to continue to license that software, our business could be materially adversely affected.

To date, most of the software relating to the Cimatron E family of products has been developed internally by our research and development staff. However, to accelerate our product development and improve our time to market, we also review opportunities to acquire or license products or technologies from third parties. Mainly, we utilize software tools and engines that we acquire from Spatial Corp., a subsidiary of Dassault Systems, and D-Cubed, for the representation and processing of three dimensional objects and surfaces in order to expedite the continued development of our Cimatron E product family. In addition, we use software from ModuleWorks GmbH, a German company, for advanced 5-Axis NC calculations, and advanced metal forming software from Forming Technologies Incorporated (FTI), a Canadian company. We rely, to a certain extent, upon such third parties' abilities to enhance their current products and develop new products on a timely and cost-effective basis that will meet changing customer requirements and emerging industry standards or other technological changes. Our business would be disrupted if functional versions of the third party software we rely on were either no longer available to us or no longer offered to us on commercially reasonable terms and we may, as a result, suffer a material adverse effect on our business and operations. Most of the software relating to GibbsCAM has also been developed internally, however, Gibbs, like Cimatron, also relies on certain third party software and tools embedded in GibbsCAM product.

We may not be successful in protecting our intellectual proprietary technology and this could result in the loss of revenue.

We primarily rely on a combination of trade secret, copyright and trademark laws, together with non-disclosure agreements and trademark measures (such as software protection "locks"), to establish and protect proprietary rights in our products. The measures afford only limited protection and, accordingly, there can be no assurance that the steps that we take to protect these proprietary rights will be adequate to provide misappropriation of the technology or independent development of similar technology by others. This is particularly a problem in foreign countries where the laws may not protect our proprietary rights as fully as the laws of the United States do. For instance, we have encountered significant piracy problems in certain jurisdictions, including in Brazil, Taiwan, Israel and China, where we face significant competition from pirated copies of our products. These problems may increase as many of our customers and their competitors migrate their businesses to lower cost labor markets in the Far East. Despite our best efforts to protect proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary.

We may be subject to litigation to determine the scope of proprietary rights of others.

Significant and protracted litigation may be necessary to protect our intellectual property rights, to determine the scope of the proprietary rights of others or to defend against claims of infringement. We believe that our systems do not infringe upon any existing third-party proprietary rights, and to our knowledge there have been no claims of infringement by us of third-party proprietary rights to date; however, there can be no assurance that any such claims will not be asserted against us in the future. If infringement is alleged, we could be required to discontinue the use of certain software codes or processes, to cease the manufacture, use and sale of infringing products, to incur significant litigation damages, costs and expenses and to develop non-infringing technology or to obtain licenses to the alleged infringing technology. There can be no assurance that we would be able to develop alternative technologies or to obtain such licenses on terms commercially acceptable to us, if at all.

Risks Related to our Operations in Israel

We may be adversely affected if the rate of inflation in Israel exceeds the rate of devaluation (if any) of the New Israeli Shekel against the U.S. dollar.

Our functional currency is the U.S. dollar, while a portion of our expenses, principally salaries and the related personnel expenses, are in NIS. As a result, we are exposed to the risk that the rate of inflation in Israel will exceed the rate of devaluation (if any) of the NIS in relation to the U.S. dollar or that the timing of any such devaluation will lag behind inflation in Israel. We cannot predict any future trends in the rate of inflation/ deflation in Israel. If the U.S. dollar cost of our operations in Israel increases, our U.S. dollar-measured results of operations will be adversely affected. The Israeli rate of inflation amounted to 3.4%, 3.8% and 3.9% for the years ended December 31, 2007, 2008 and 2009 respectively.

Security, political and economic instability in Israel may impede our ability to operate and harm our financial results.

Our principal executive offices and research and development facilities are located in Israel. In addition, a portion of our sales is made to customers in Israel. Accordingly, security, political and economic conditions in Israel may directly affect our business. Over the past several decades, a number of armed conflicts have occurred between Israel and its Arab neighbors. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could affect adversely our operations. From October 2000 until recently, terrorist violence in Israel increased significantly and negotiations between Israel and Palestinian representatives effectively ceased. In February 2006, Hamas, a radical Islamic organization, won the Palestinian Parliament elections. In July and August 2006, significant fighting took place between Israel and Hezbollah in Lebanon, resulting in rockets being fired from Lebanon into northern Israel. In December 2008 and January 2009, there was an escalation in violence between Israel and Hamas, and significant hostilities along Israel's border with the Gaza Strip. Despite the cessation of such escalation, there can be no assurance that the relative calm that has been achieved will continue. Increased hostilities, future armed conflicts, political developments in other states in the region, or continued or increased terrorism could make it more difficult for us to conduct our operations in Israel, which could increase our costs and adversely affect our financial results. Furthermore, several countries still restrict business with Israel and Israeli companies. These restrictive laws and policies may limit our ability to sell our products in those countries.

Our operations may be disrupted by the obligation of our personnel to perform military service.

Many of our officers and employees in Israel are obligated to perform annual military reserve duty and may be called to active duty under emergency circumstances. At various times over the last five years, there have been significant call-ups of military reservists, and it is possible that there will be additional call-ups in the future. While we have operated effectively despite these conditions in the past, we cannot assess what impact these conditions may have in the future, particularly if emergency circumstances arise. Our operations could be disrupted by the absence for a significant period of one or more of our executive officers or key employees or a significant number of our other employees due to military service. Any disruption in our operations would harm our business.

The government programs and tax benefits that we currently receive and previously received require us to meet several conditions and may be terminated or reduced in the future, which would increase our costs and taxes.

We benefit from certain government programs and tax benefits, particularly as a result of tax exemptions and reductions resulting from the approved enterprise status of our manufacturing facilities in Israel. To be eligible for these programs and tax benefits, we must continue to meet conditions, including making specified investments in property and equipment and financing a percentage of investments with share capital. If we fail to meet such conditions in the future, the tax benefits would be canceled and we could be required to refund the tax benefits already received, together with an adjustment based on the Israeli consumer price index and an interest factor. These programs and tax benefits may not be continued in the future at their current levels or at any level. From time to time, the Israeli Government has discussed reducing or eliminating the availability of these grants, programs and benefits and there can be no assurance that the Israeli Government's support of grants, programs and benefits will continue. If grants, programs and benefits available to us or the laws, rules and regulations under which they were granted are eliminated or their scope is further reduced, or if we fail to meet the conditions of existing grants, programs or benefits and are required to refund grants or tax benefits already received (together with interest and certain inflation adjustments) or fail to meet the criteria for future "Approved or Privileged Enterprises," our business, financial condition and results of operations could be materially adversely affected including an increase in our provision for income taxes.

In connection with research and development grants received from the Office of the Chief Scientist of Israel, or the OCS, we must pay royalties to the OCS on the revenue derived from the sale of products, technologies and services developed with the grant from the OCS. The terms of the OCS grants and the law pursuant to which grants are made may impair our ability to manufacture products or transfer technologies developed using OCS grants outside of Israel. The transfer to a non-Israeli entity of technology developed with OCS funding, including pursuant to a merger or similar transaction, and the transfer of rights related to the manufacture of more than ten percent of a product developed with OCS funding are subject to approval by an OCS committee and to various conditions, including payment by us to the OCS of a percentage of the consideration paid to us or our shareholders in the transaction in which the technology is transferred. In connection with a merger or similar transaction, the amount payable would be a fraction of the consideration equal to the relative amount invested by the OCS in the development of the relevant technology compared to the total investment in our company, net of financial assets that we have at the time of the transaction, but in no event less than the amount of the grant. In addition, in the event that the committee believes that the consideration to be paid in a transaction requiring payment to the OCS pursuant to the provisions of the law described above does not reflect the true value of the technology or the company being acquired, it may determine an alternate value to be used as the basis for calculating the requisite payments. These restrictions may impair our ability to enter into agreements for those products or technologies, without OCS approval. We cannot be certain that any approval of the OCS will be obtained on terms that are acceptable to us, or at all. Furthermore, in the event that we undertake a transaction involving the transfer to a non-Israeli entity of technology developed with OCS funding pursuant to a merger or similar transaction, the consideration available to our shareholders may be reduced by the amounts we are required to pay to the OCS.

In connection with our grant applications, we have made certain representations, including information provided in periodical performance reports, and we have committed to certain performance-based covenants. The funding from the OCS is subject to the accuracy of these representations and covenants and to our compliance with the conditions and restrictions imposed by the OCS. If we fail to comply with any of these conditions or restrictions, we could be required to repay any grants previously received, together with an adjustment based on the Israeli consumer price index and an interest factor in addition to certain other penalties. In addition, if we fail to comply with any of these conditions or restrictions, we would likely be ineligible to receive OCS grants in the future.

We may be required to pay royalties to the OCS in respect of sales since January 1, 2005.

We believe that the majority of products that we have sold since January 1, 2005 are not based on technology developed with funds provided by the OCS and that, accordingly, such sales should not be subject to the payment of royalties to the OCS. Therefore, the royalty reports we submitted to the OCS for the period starting January 1, 2005 and thereafter have reflected significantly reduced royalty obligations in comparison to our royalty reports for the years prior to 2005. In addition, during the second half of 2005 we initiated a process with the OCS in an attempt to obtain the agreement of the OCS with our position and to the cessation of our obligation to pay future royalties. This process has not been concluded as of the date of this annual report. Although we believe we have strong arguments to support our position, we have accrued royalty expenses in our financial reports for the periods from January 1st, 2005 to March 31st, 2010 in the amount of \$3.1 million, but we have not paid any royalties associated with the products mentioned above to the OCS. In light of the above-mentioned facts, we intend to consider our next steps with the OCS and whether further royalty expenses accruals will be necessary. A determination that we are in fact obligated to pay royalties in respect of sales after January 1, 2005 could negatively impact our liquidity and if that determination is made after we cease to accrue for any such royalties on our financial statements or if the amount that we become obligated to pay exceeds the amounts for which we have accrued in our financial statements, such payments would negatively impact our earnings.

It may be difficult to effect service of process and enforce judgments against directors or officers in Israel.

We are incorporated in Israel. The majority of our executive officers and directors are located outside the United States, and a majority of our assets and the assets of these persons are located outside the United States. Therefore, a judgment obtained against us or any of them in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. Further, if a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency. It also may be difficult for you to assert U.S. securities law claims in original actions instituted in Israel since Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agreed to hear such a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

Item 4. Information on the Company.

History and Development of the Company

We design, develop, manufacture, market and support a family of modular, high-performance, CAD/CAM software products. Our products provide an integrated design through manufacturing solution for small-to-medium-sized companies and manufacturing divisions of large corporations, and interface easily with other CAD/CAM systems. They offer high-end functionality, especially in the areas of design for manufacturing and manufacturing, at an attractive price/performance ratio. These attributes have made our CAD/CAM products especially popular in the design and manufacturing segments of the CAD/CAM market, particularly among mold, tool, die and fixture makers, as well as discrete part manufacturers. We focus our research and development efforts on providing complete design through manufacturing solutions to the specific needs of this market segment. We are committed to providing mold, tool, die and fixture makers and discrete part manufacturers with comprehensive, cost-effective CAD/CAM solutions that streamline manufacturing cycles, enable collaboration with outside vendors and shorten delivery time. Following our merger with Gibbs, we have enhanced our product offering for discrete part manufacturers.

In July 2005 we acquired an initial 27.5% of the shares of Microsystem Srl, our Italian distributor, for 575,000 Euro. Under the agreement, we also received an option to acquire up to 100% of Microsystem from Microsystem's shareholders and Microsystem's shareholders received an option to require us to purchase 49% of Microsystem's share capital under specific circumstances. In July 2008, we completed the acquisition of 100% of Microsystem's shares. See "Item 5. Operating and Financial Review and Prospects – Overview" for additional details regarding the transactions with Microsystem and the options received both by us and Microsystem's shareholders. The transactions were designed to significantly enhance Microsystem's financial position and balance sheet, and to strengthen our leading position in Italy, one of our key markets in Western Europe. Under the terms of the initial agreement, Microsystem's marketing, sales, and support groups remained in their current offices throughout Italy, nevertheless, in the last three years Microsystem went through a comprehensive restructuring and turnaround.

During August 2006, we acquired the remaining 69.83% of the outstanding shares of KCT Co. Ltd, our South Korean provider for approximately \$225,000 plus an additional payment subject to collection of certain receivables, following which such provider became our wholly owned subsidiary.

During January 2008, we merged Gibbs System, Inc., also known as Gibbs & Associates, with and into a newly established US subsidiary (Cimatron Gibbs LLC) of Cimatron Technologies Inc, our US subsidiary. As consideration in the transaction, Cimatron paid to Mr. William F. Gibbs, founder, Chairman and CEO of Gibbs System, and its sole shareholder, cash of approximately \$5 million, as well as 1,500,000 newly issued Ordinary Shares of Cimatron.

Our full, legal name is Cimatron Ltd. and we were incorporated under Israeli law in 1982. Our corporate headquarters are located at 11 Gush Etzion Street, Givat Shmuel 54030, Israel. Our telephone number is 972-3-531-2121 and our web site is located at www.cimatron.com. Our U.S. agent is Cimatron Technologies, Inc., with an address at 26800 Meadowbrook Road, Suite 113, Novi, Michigan 48377.

Industry Background

Manufacturers worldwide face ever-increasing pressures to produce high-quality and increasingly complex products in the shortest time possible and at minimum cost. To meet these demands and keep pace with market changes, production commitments and the need for product differentiation, companies are increasing their reliance on CAD/CAM software tools to automate the designing, drafting and manufacturing of their products.

The development process for the mechanical design and manufacturing of products generally includes the following steps:

- conceptual design of the product and its components;
- tool design and detailed design for manufacturing;
- creating the toolpath data in the form of numerical control, or NC, codes that provide the instructions for a machine to cut a part according to specifications received; and
- manufacturing the product.

The earliest users of CAD/CAM systems were dedicated design and engineering departments of large organizations that could afford the cost and complexity of "high-end" CAD/CAM systems. These systems were used by highly trained designers and engineers, who were responsible for a particular portion of the manufacturing process. The systems also generally operated on mainframe computers or high-end workstations which often required many months to master. To improve efficiency, large corporations that operate with high-cost, highly complex CAD/CAM systems have increasingly outsourced a portion of the design and manufacturing process to subcontractors.

This created a large market need for easier-to-use, less programming-intensive CAD/CAM solutions that operate on different hardware and operating systems and interface with a variety of software systems. In addition, as a result of continuing market pressure and technological changes, including personal computers offering improved price and performance, divisions of large companies also shifted towards CAD/CAM software providing more cost-effective solutions and shorter learning curves which could co-exist in the corporate design and manufacturing environment. However, while many of these systems were designed to provide advanced conceptual design capabilities, they were more limited in their detailed design for manufacturing and toolpath creation capabilities. As a result, they did not meet the needs of users involved in the manufacturing process, such as mold, tool, die and fixture makers.

At the other end of the market were low-cost, dedicated toolpath creation software products, which were limited in their design capabilities. These limitations caused the process of taking data regarding the conceptual design of the product and creating a detailed design for manufacturing to remain largely manual. As a result, subcontractors and manufacturing divisions of large corporations were hampered in their ability to take complex conceptual designs received from the design departments of the manufacturer and produce appropriate molds, tools, dies or fixtures in a timely manner. As a result, an increasing number of these subcontractors and manufacturing divisions have begun or are continuing to seek comprehensive design through manufacturing automation solutions to compete more effectively.

These trends have created a market for an integrated CAD/CAM system which is geared towards small-to medium-sized subcontractors or divisions of large corporations involved in the manufacturing process, particularly mold, tool, die and fixture makers. These users have a unique set of needs that have generally not been met by traditional CAD/CAM systems.

The CAD/CAM software industry that developed in response to these needs is highly fragmented and characterized by many relatively small and privately owned companies. We believe that, due to the large number of companies that operate in this market, we do not have a single major competitor or a group of competitors. The principal factors permitting our products to compete successfully against our competitors' products are:

- the compatibility of our products with other software applications and existing and emerging industry standards;
- our ongoing product and feature development;
- the offering of unique innovative products to the tooling and manufacturing industries;
- the level of our product breadth and integration;
- the technical expertise and support that we provide;
- the flexibility of our products;
- the reputation we maintain among certain independent distributors of our products, to which we refer as Providers; and
- the relatively low overall price and total cost of ownership of our products combined with the high-end capabilities of our products.

Business Overview

Principal Operations, Products and Developments

Following our merger with Gibbs System, Inc., we currently have two main product lines – CimatronE and GibbsCAM:

Cimatron E

Cimatron E, our CAD/CAM solution for the tooling and production industries, was initially released in September 2001. We released our newest major version of the Cimatron E (Version 9.0) in June 2009. Cimatron E provides comprehensive tools, applications and process-automation solutions for the tooling and manufacturing industries.

With Version 9 of Cimatron E, Cimatron helps toolmakers and manufacturers of complex discrete parts step up to new levels of productivity, introducing breakthrough improvements such as:

- A new application for transfer die design
- A new die quote generator
- Greater mold design automation
- A new application for defining electrode measuring points and probe path
- New machining strategies for High Speed Machining (HSM) and 5-Axis milling
- New capabilities for handling Product Manufacturing Information (PMI) throughout the design and manufacturing process

Cimatron E encompasses a set of powerful and easy-to-use 3D design tools. The unified solid-surface-wireframe environment allows the user to manipulate important data or create conceptual part designs with equal ease. In the design process, Cimatron E integrates tools to split part geometry, find and implement changes, create electrodes and inserts, and detail tooling components. During manufacturing, Cimatron E implements 2.5 to 5 axis toolpaths using high-speed machining, knowledge of stock remaining and templates to reduce programming and machining time. The mission critical tasks of splitting the model, applying engineering changes, and extracting electrodes and inserts are all handled by Cimatron's "Quick Tooling" wizard-based applications.

Cimatron E communicates with most other CAD/CAM systems, runs on personal computers, as well as engineering workstations employing Windows based operating systems (which are the primary operating systems used for the personal computer and workstation platforms on which our products are used) and transfers data easily and reliably among different hardware and software environments.

Cimatron E is built around a set of compatible "modules" using a unified database, which can be accessed and modified for all applications. Users can move easily among wireframe, surface and solid models choosing the application most appropriate for a specific job. Cimatron E enables the user to work top-down (*i.e.*, beginning at the conceptual level and moving down to subassemblies and individual parts) or bottom-up (*i.e.*, modeling elements first and then grouping them into assemblies), and permits the user to combine the two approaches. Cimatron E stores product data hierarchically to ensure overall structural integrity of the product and the ability to interface with engineering data management systems. Cimatron E's CAM applications operate directly on the design model to generate intelligent toolpaths for NC manufacturing processes and enable fast and accurate graphic simulation of NC operations. In addition, Cimatron E includes advanced data exchange interfaces, which enable the transfer of CAD/CAM data between ourselves and other CAD/CAM systems through industry standard interfaces, as well as several dedicated interfaces. Cimatron E offers an intuitive and consistent user interface throughout all applications (*e.g.*, design, drafting and NC). Since all applications have the same look and feel, there is no need for the user to relearn the operation of the system with each module. Cimatron E's architecture is based upon a software kernel, which includes database utilities, the graphic sub-system and the user interface, which provide the operating environment for all applications. Applications are separate from the software kernel, which facilitates enhancement of the applications, reduces development and maintenance costs and enables efficient technological updates to the system's components, without affecting the application base.

The Cimatron E product family includes the following basic modules:

Designer Solution

Designer Solution is a CAD-only solution. It provides users with full 3D design and modeling capabilities, as well as fully associative 2D drawing and sketching functions. Designer Solution includes a hybrid 3D wireframe, surfaces and solid modeler, with full assembly support. Designer Solution includes SAT, STL, PFM and one DI optional module (DWG, DXF or VDA).

NC Solution

NC Solution is a manufacturing-only solution. This base solution offers comprehensive milling, drilling, simulation and verification capabilities up to 2.5 axes + 2X Positioning. NC Solution provides access to a wide range of CAD capabilities necessary to undertake any NC job. The system includes tool libraries and a post processor. NC Solution includes SAT, STL, PFM and one DI optional module (DWG, DXF or VDA).

Master Solution

Master Solution includes all features of the Designer Solution and the NC Solution integrated into an end-to-end system, providing the tools and capabilities users need for designing and manufacturing complex CAD/CAM projects. Master Solution includes SAT, STL, PFM and one DI optional module (DWG, DXF or VDA)

Electrode Solution

Electrode Solution includes all the tools necessary to create and design EDM electrodes out of a given part model, including the industry leading QuickElectrode application. Electrode Solution comes complete with a choice of one DI optional module (IGES, STEP or VDA). The Electrode Solution is competitively priced in comparison with a similar general purpose configuration.

Electrode Pro Solution

Electrode Pro Solution includes the tools necessary to create, design and manufacture EDM electrodes, including the industry leading QuickElectrode application and full 3X milling tools. Electrode Pro Solution comes complete with a choice of one DI module (IGES, STEP or VDA). The Electrode Pro Solution is competitively priced in comparison with a similar general purpose configuration.

Student Package

The Cimatron Student Package is a limited Cimatron package for students' home use. The package covers most of Cimatron E's capabilities, and enables execution of small non-commercial projects. CAD modules include the following: Wire-frame, Surfacing and Solid part Modeling; Assembly; Drafting; Sketcher; Catalog Tools; QuickSplit; QuickCompare; QuickElectrode; and MoldDesign. CAM modules include 2.5X - 3X milling and 3X simulator. The system includes read-only Data Interface for IGES, VDA, STEP, DXF, and DWG. The package is protected via software mechanism and does not require a hardware protection plug.

View Only System

View Only System provides tools to view and check CAD/CAM projects. The system includes powerful 3D modeling and drafting capabilities, as well as key Cimatron modules, such as QuickSplit, QuickElectrode and viewing of 2.5X - 3X milling, including the 3X simulator. No "save" is possible with a View Only system. The system includes read-only translators to all leading standard formats: DXF, DWG, IGES, STEP, VDA, SAT, STL, and PFM.

In addition, the Cimatron E product family includes the following optional vertical applications, optimized for manufacturing:

Mold Design

A complete Mold Design vertical application based on hybrid 2D/3D technology. Mold Design automates the mold base and component design process, and offers an innovative parametric and fully associative approach to the mold housing design process. Optimized applicative tools support the various mold design sub-systems, such as Cooling, Ejection, Sliders and Lifters and Inserts.

Die Design

The Die Design application allows the user to create complex strips for progressive dies, as well as transfer dies. It offers analysis tools, nesting and strip layout tools, and many advanced forming tools (bend, unbend, twist, unfold and more) that allow the creation of intermediary shapes that form the strip. In addition it includes a set of tools that help the user create and locate a complex array of trimming punches on the strip.

Following Strip Design, the application allows the user to build the die tool around the strip. It includes tools for creation of die sets as well as trimming and forming punches and other die components.

Quick Electrode

Quick Electrode is an EDM electrode design package used to automate the whole electrode process. Quick Electrode is used for burn area selection, electrode design, management, documentation and manufacturing. It also includes the generic EDM Setup utility, which exports burning parameters from Quick Electrode.

ECO Manager

This is a complete Change Management application. It contains interactive tools that automatically compare between two geometry sets to identify engineering changes. It marks and displays the differences and changes, and saves the results in different file levels, supporting multiple ECO handling.

5 Axes Production

Complete package for 5X milling and drilling, including 5X Rough, finish and local operations. Ideal for complex tasks, such as milling inlets and impellers, 5X Production is mainly used for discrete part manufacturing in demanding industries, such as Aerospace.

Micro-Milling

Dedicated NC application for milling miniature high precision parts, with sub-micron tolerances. Micro Milling allows the use of all Cimatron NC procedures with very small tools and for very fine geometry. Micro milling is supported in 3X and 5X configurations.

Die Quote Generator

A stand-alone database-driven application for assessing the cost of designing and building a die and for creating professional quotations, complete with blanking information, images and price breakdown, and customized to the user's needs. The Die Quote Generator is integrated with the CimatronE Die Design application, retrieving relevant design information, such as the blank shape and size and the list of punches.

GibbsCAM®

GibbsCAM, our CAD/CAM solution for discrete part production manufacturing, was first released in 1993. The current shipping version, GibbsCAM 2009 v9.5, was released in February 2010. GibbsCAM provides a comprehensive suite of tools, applications and process-automation/standardization solutions for industrial manufacturers.

GibbsCAM is a modular product family of PC-based, computer-aided manufacturing software, which allows customers to configure a seat of software specific to their current functionality needs, while protecting their investment by allowing the system to be seamlessly expanded over time to meet their ongoing needs. GibbsCAM focuses on ease-of-use through an advanced graphical user interface (GUI) design, interactive graphics, full data associativity between part geometry, process and toolpath, and machining efficiency. GibbsCAM provides manufacturing-focused wireframe, surface and solid modeling (CAD) as well as a comprehensive range of CAM functionality for CNC toolpath creation. It provides post processing and machine simulation for a wide variety of CNC machines, including 3- through 5-axis mills, lathes, mill-turns, Swiss machine, wire-EDM, and multi-task machines (MTM). Since original part design is usually performed by a different user and different CAD software, GibbsCAM provides a variety of CAD data import options covering virtually all brands of CAD software in use today. GibbsCAM is certified under Autodesk's AICAP program, is a Solid Edge Voyager Select Product and is a SolidWorks Certified CAM Product. GibbsCAM is certified for use on Windows XP, Windows Vista and Windows 7, Microsoft's currently supported Windows operating systems.

The GibbsCAM product family includes the following module options:

Mill

GibbsCAM Production Milling supports 2- through simple 3 -axis wireframe machining with full functionality for contouring, pocketing with unlimited bosses/islands, thread milling, face milling, 2D/3D spiral creation, drilling with support for many drill cycles, tapping, and boring. Simple 4th-axis positioning is also supported. Automatic cycles for face milling, such as spiral, zig-zag, back and forth and one direction, allow material to be cleaned off the top of a part. GibbsCAM Production Milling provides easy to use, powerful programming capability for milling machine tools.

Lathe

GibbsCAM Production Turning supports full 2-axis wireframe machining with full functionality for contouring, automatic roughing, multiple hills and valleys, plunge roughing, threading, repetitive shape roughing, drilling, tapping and boring. Advanced functionalities, such as maintaining an awareness of the current stock condition, make programming lathes not only easy but also extremely efficient. GibbsCAM Production Turning provides easy to use, powerful capability for programming turning centers.

Solid Import

GibbsCAM Solids Import provides entry-level support for machining solid models. Solid models can be read, viewed and manipulated. Geometry can be selected and extracted for machining. Using this option users can import a solid model, view it, extract geometry from selected edges, which can then be machined. This option is ideal for users who have been machining wireframe geometry who want to expand their capabilities to support rudimentary machining of solids.

2.5D Solids

GibbsCAM 2.5D Solids provides significant surface and solid modeling capabilities. Functionality to directly machine surfaces and solids is also included. With this module, users have the ability to create, import and modify solid models and then generate programs to machine them. Specialized tools are also provided to import, repair and automatically solidify surface data. Using GibbsCAM 2.5D Solids, CNC programs can be created faster and easier, making users more efficient and productive.

SolidSurfacer®

GibbsCAM SolidSurfacer provides higher-level surface and solid modeling capabilities. Advanced functionality to machine surfaces and solids is also included. GibbsCAM's intuitive graphical user interface allows complex surface and solid functions to be easy to use. Using SolidSurfacer, users can address the demanding surface and solid modeling and machining requirements for complex mold, tool and die work.

Advanced CS

GibbsCAM's standard functionality is to machine on conventional, orthogonal coordinate systems (XY, XZ, YZ planes). The Advanced CS option introduces support for non-orthogonal coordinate systems allowing local coordinate systems to be defined in any 3D orientation.

Rotary Mill

GibbsCAM Rotary Mill supports machining using a rotary 4th axis. The part geometry can either be radially defined, or can be flat geometry which is wrapped around an axis. This functionality is ideally suited for roller dies, feed screws, threading, engraving and any other application where geometry is machined around an axis.

4-Axis Milling

GibbsCAM 4-Axis Milling supports machining using a rotary 4th axis. The part geometry is 3D wireframe geometry with surface controls, typically extracted from radially prismatic solid models. The user has complete control over the tool's orientation relative to the part, including lead and lag angles. This functionality is ideal of off-center, Y-axis milling, such a camshafts, or pockets or grooves with variable tapers on the floors and walls.

5-Axis Simultaneous Milling

GibbsCAM 5-Axis introduces support for 4th and 5th axis simultaneous rotary milling of multiple surfaces and solid models. Full support for tool types (ball, flat, bull, conical, and lollipop) is provided with collision checking of the tool tip, tool shaft and holder. With complete control over all aspects of the tool axis, superior surface finishes can be realized. Task oriented dialog panels are provided to only display the parameters specific to a particular machining situation, such as projection machining, swarf milling, mold cavity machining, cylinder head machining, electrode machining, and turbine blade shaft finishing. A set of dialog panels are also provided specifically for machining impellers: floor machining, general rouging and blade finishing. A variety of posting solutions are also available from Gibbs posts, ProXYZ 5-axis drivers, or APT-CL, which allows users to make use of established posting solutions.

TMS (Tombstone Management System)

GibbsCAM TMS supports part placement and program generation of multiple parts positioned on a tombstone fixture, a high-efficiency mode of machining on 4-axis horizontal machining centers. Various sequences can be examined and compared to identify the optimal machining strategy, minimizing traversals and tool changes. Full flexible is provided to the user while developing the program, allowing different aspects to be resolved independently and then optimized as a whole. When complete, TMS outputs a complete G-code program, with optional sub-routines, canned cycles and B-rotation positions.

MTM™ (Multi-Task Machining)

GibbsCAM MTM™ (Multi-Task Machining) was specifically designed to address the CNC programming requirements of multi-task machine tools, providing powerful programming tools that are easy to learn and use with the ultimate in flexibility and configurability. Machining processes are easily defined with GibbsCAM's intuitive graphical user interface that provides seamless access to both turning and milling capabilities, and GibbsCAM's associativity allows operations to be updated easily when modifications are made. Factory-supplied post processors output multi-flow NC code complete with utility operations and sync codes.

Wire-EDM

Designed to handle the most demanding Wire-EDM programs while being easy-to-use, GibbsCAM Wire-EDM supports programming 2- thru 4-axis CNC Wire-EDM machines. With a very flexible and robust graphical user, novice users will find the system easy to understand and learn, while experienced users will find it a straightforward, efficient way to access its breadth of capability and options. GibbsCAM Wire-EDM provides the user with complete control over the Wire-EDM machining operations. Post processors for all major brands of Wire-EDM machines are included.

Machine Simulation

GibbsCAM Machine Simulation allows programs and corresponding machine tool motions to be graphically verified before running them on an actual CNC machine tool, avoiding potential mistakes which could result in scrap or potential machine crashes. While verifying the program, potential opportunities for optimization can also be identified, allowing the program to be further refined. Machine Simulation also provides an environment in which to do a virtual set-up of the machine tool, allowing various set-up parameters to also be verified before going to the actual machine tool.

Data Exchange Options

In order to ensure that GibbsCAM is able to work with data files from the widest variety of CAD sources, a comprehensive selection of various data exchange options are available. These range from DXF/DWG, to IGES, VDA-FS, STEP AP203/AP214, CATIA V4, CATIA V5, Pro/ENGINEER, NX and Granite, and ACIS. In addition, GibbsCAM has the ability to read the native data files of most popular CAD systems: SolidEdge, NX, SolidWorks, Catia V4 and V5, Pro-E Wildfire, Rhinoceros, and KeyCreator. The data exchange options or capabilities may require other GibbsCAM options.

CutDATA

Machining feeds and speeds database

VoluMill™ Wireframe

VoluMill Wireframe is a plug-in toolpath engine for ultra high-performance 2- and 3-axis roughing that allows the programmer to establish and maintain ideal machining conditions and use high speeds and federates.

VoluMill™ Solids

VoluMill Solids is a plug-in toolpath engine for ultra high-performance 2-axis, 3-axis and 3D Model roughing that allows the programmer to establish and maintain ideal machining conditions and use high speeds and federates.

Post Processors

GibbsCAM offers a variety of approaches to generate G-code for machine tools. For users who prefer to develop their own posts, GibbsCAM offers PostHASTE, a template-based post processing system along with over 225 post templates. For users who already have a legacy posting system based on APT-CL, GibbsCAM outputs APT-CL output. GibbsCAM also has a library of over 8500 post processors for a wide variety of controller and machine tool configurations. For the ultimate level of support, GibbsCAM also offers high-efficiency, custom post processors created by a team of expert developers.

Marketing and Distribution

We employ a broad range of marketing activities to promote our products and develop name recognition and visibility. We use print and online advertising, trade shows, seminars, direct mail, online promotions, and regional marketing development in an effort to further penetrate the tooling and manufacturing segments of the CAD/CAM market. In addition to online promotions, we use the Internet as a marketing tool that increases our visibility in the marketplace, offers downloadable product demonstrations and facilitates communication between our clients and us.

Additionally, we have been increasing our penetration to the target market of mold, tool, die and fixture makers, as well as discrete part manufacturers, in an effort to become the lead supplier of CAD/CAM solutions to those segments of the manufacturing market. Our strategy involves examining the functionality of current and future products through in-depth focus-meetings with mold, tool, die fixture and discrete part makers, thereby making customers partners in the development of custom solutions for those market segments.

Following our merger with Gibbs, we distribute our products to end-users in over 35 countries in five continents through certain of our subsidiaries, directly in Israel and the US, and through a network of independent Providers and Resellers. Between us, our subsidiaries (including Gibbs) and our Providers and Resellers, our family of products has more than 40,000 installations.

Providers

We believe that our Providers are technically competent in the mechanical engineering and manufacturing aspects of CAD/CAM markets and offer a full range of sales, service and support functions. Most of the Providers assume overall responsibility for the integrity of each end-user customer's CAD/CAM system in their respective territories, including selling, installation, training and maintenance. Providers are, in most cases, carefully selected on the basis of their ability to distribute and service our entire product line, with special emphasis on the ability of their engineering and sales teams to provide customer support.

We furnish our Providers with technical guidance and marketing and sales resources. Providers regularly visit our Israeli headquarters, while our employees from various departments visit Providers' sites. Our relationship with our Providers is further enhanced by international conferences, that we organize from time to time, regional workshops and cooperative exhibitions, and participation in local user meetings.

Providers serve as an integral part of our marketing and service network around the world. They give our products a local "feel" by (a) offering technical support in the end-user's native language, (b) being available to attend to customer needs during local business hours, (c) translating our manuals, product and marketing literature into the local language and (d) frequently organizing user programs and seminars. Providers continually develop new ways to adapt and enhance our products to meet their respective customers' regional and company-specific needs.

A typical agreement with a Provider is for a term of two years (subject to rolling two-year extensions). Our Providers are distributors and our agreements with them enable the Providers to purchase our products at a discounted price. Certain of our Providers act as our exclusive distributors in a single country or region. Other than our larger Provider in Japan, no Provider accounted for more than 0.8% of our total consolidated revenue for the year ended December 31, 2009. In July 2005 we acquired 27.5% of our Italian Provider and an option to purchase its remaining outstanding shares from its stockholders. In July 2007 we exercised our option to increase our holdings in our Italian Provider to 51%, and in July 2008, we completed the acquisition of such Provider by exercising our option to acquire the remaining 49% of its stock. These latter two holdings increases changed our Italian Provider's status from an independent Provider to a subsidiary.

There can be no assurance that all existing relationships with our Providers will be renewed. We believe that with the exception of our larger Provider in Japan, the termination of our relationship with a single Provider would not adversely affect us; however, the termination of our relationship with several of our Providers at approximately the same time or with one of our two Providers in Japan which accounted for 4.5% of our total consolidated revenue in 2009 could adversely affect us. There can be no assurance that, in the event that we lose any of our Providers, we will be successful in recruiting replacement professional and technically competent Providers.

Gibbs Resellers

We believe that our Resellers are technically competent in the mechanical engineering and manufacturing aspects of CAD/CAM markets and offer a full range of sales, service and support functions. Most of the Resellers assume overall responsibility for the integrity of each end-user customer's CAD/CAM system in their respective territories, including selling, installation, training and maintenance. Resellers are, in most cases, carefully selected on the basis of their ability to distribute and service our entire product line. US-based Resellers count on Gibbs corporate personnel and resources for much of their service and support. Training is also provided at Gibbs' corporate headquarters based in Moorpark, CA, USA. In international markets, Resellers are selected with special emphasis on their ability to provide customer service, support, and training.

We furnish our Resellers with technical guidance and marketing, and technical and sales resources, in addition to our products and associated documentation. Resellers visit Gibbs' headquarters in California, while our employees from various departments visit our Resellers' sites as needed. Our relationship with our Resellers is further enhanced by international conferences that we organize from time to time, regional workshops and cooperative exhibitions, and participation in local user meetings.

Resellers serve as an integral part of our marketing and service network around the world. They give our products a local "feel" by (a) offering technical support in the end-user's native language, (b) being available to attend to customer needs during local business hours, (c) translating our manuals, product and marketing literature into the local language and (d) frequently organizing user programs and seminars. Resellers continually develop new ways to adapt and enhance our products to meet their respective customers' regional and company-specific needs.

A typical agreement with a Reseller is for a term of one year (subject to rolling one-year extensions). According to the terms of our agreements with them, the Resellers are able to purchase our products at a discounted price. Certain of our Resellers act as our only "sales agent" in a single country or region, even though we do not have an exclusivity agreement with any Reseller.

Gibbs' Resellers include eight who comprise the Gibbs "President's Club." Each of these eight Resellers is an independent company that primarily engages in reselling Gibbs products and that represents the Resellers with the highest total sales of Gibbs products for the preceding year. Other than the eight Presidents' Club Resellers, no Reseller accounted for more than 1.0% of Cimatron's total consolidated revenue for the year ended December 31, 2009. Even among the Presidents' Club members themselves, none accounted for more than 2.3% of Cimatron's total consolidated revenue during 2009.

There can be no assurance that all existing relationships with our Resellers will be renewed. We believe that with the exception of our President's Club Members, the termination of our relationship with a single Reseller would not adversely affect us; however, the termination of our relationship with several of our Resellers at approximately the same time or with many of our President's Club Resellers could adversely affect us. There can be no assurance that in the event that we lose any of our Resellers we will be successful in recruiting replacement professional and technically competent Resellers.

Subsidiaries

Our strategy over the years has been to increase our direct involvement in certain key markets in which we felt our Providers were not maximizing our business opportunities, through the formation or acquisition of marketing and support subsidiaries. In furtherance of this strategy, we have incorporated subsidiaries in France, Japan, United Kingdom, China, as well as India, where we formed a subsidiary at the end of 2005 that started commercial activities during the second quarter of 2006. We have also acquired all of the outstanding voting interests in Cimatron Technologies, Inc., our North American Provider, and have had our German subsidiary, Cimatron GmbH, purchase all of the Cimatron-related business of our German Provider, including, as of February 2009, the hiring of the former key employees of Gibbs' German Reseller. During August 2006, we acquired the remaining 69.83% of the outstanding shares of our Korean Provider following which it became a wholly owned subsidiary. In January 2005 we announced the formation of Cimatron Guangzhou, a new joint venture in Guangzhou, China, with SGV, a distributor of our products since 1998. In late 2006 we transferred our business activity in France to an independent Provider and substantially ceased the activity of our French subsidiary. During 2007 we transitioned our business activity in the United Kingdom from our United Kingdom subsidiary to an independent Provider with the intent of achieving greater efficiencies in our United Kingdom business. In July 2005, July 2007 and July 2008, we engaged in a series of transactions whereby we acquired an initial 27.5%, an additional 23.5%, and the remaining 49% of the outstanding shares of our Italian Provider, thereby transforming it into our wholly-owned subsidiary. See "Item 5. Operating and Financial Review and Prospects – Overview" for additional details regarding the merger with Gibbs and with respect to the transaction with Microsystem, our Italian Provider, and our increase in holdings thereof.

Customers

Our end-users are typically small to medium-sized companies involved in the mechanical engineering and manufacturing industry, subcontractors that supply major corporations within the core mechanical engineering and manufacturing industry, and departments or divisions within these major corporations. Our customers are located in over 35 countries worldwide.

In the years ended December 31, 2009, 2008 and 2007, approximately 54%, 58% and 66%, respectively, of our revenues were from Europe; approximately 3%, 3% and 4%, respectively, of our revenues were from Israel; approximately 15%, 12% and 18%, respectively, of our revenues were from the Far East; approximately 27%, 25% and 11%, respectively, of our revenues were from North America; and approximately 1%, 2% and 1%, respectively, of our revenues were from other countries.

Geographical Breakdown of Our Revenue

The following tables present a geographical breakdown of our revenues from products and services for the last three years (in thousands of U.S. dollars):

2009

Geographical Region	Products		Services	
	Amount	Percent	Amount	Percent
Europe	6,278	47.6%	11,516	58.3%
Israel	493	3.7%	461	2.3%
Far East	2,725	20.7%	2,065	10.5%
North America	3,382	25.6%	5,636	28.5%
Other	313	2.4%	88	0.4%
Total	13,191	100.0%	19,766	100.0%

2008

Geographical Region	Products		Services	
	Amount	Percent	Amount	Percent
Europe	10,619	53.0%	13,380	64.0%
Israel	628	3.1%	505	2.4%
Far East	3,277	16.3%	1,807	8.6%
North America	5,162	25.7%	4,954	23.7%
Other	380	1.9%	263	1.3%
Total	20,066	100.0%	20,909	100.0%

2007

Geographical Region	Products		Services	
	Amount	Percent	Amount	Percent
Europe	8,946	62.4%	9,885	69.2%
Israel	507	3.5%	664	4.6%
Far East	3,622	25.3%	1,621	11.3%
North America	1,176	8.2%	2,094	14.6%
Other	80	0.6%	45	0.3%
Total	14,331	100.0%	14,309	100.0%

Other than our Provider agreements and certain maintenance contracts with customers in Israel, we currently have no significant long-term contracts with any customer, and sales are generally made pursuant to purchase orders received from distributors.

Potential Fluctuations in Operating Results; Seasonality*Potential Fluctuations in Operating Results*

See “Item 3 - Risk Factors - We may experience significant fluctuations in our quarterly results, which makes it difficult for investors to make reliable period-to-period comparisons and may contribute to volatility in the market price for our Ordinary Shares” for a discussion of factors that may cause annual or quarterly fluctuations in the results of our operations.

Seasonality

We sell our products to corporations and our sales are therefore subject to the fiscal and budgeting cycles of such corporations. Accordingly, a large percentage of our sales occur in the fourth quarter, while sales in the third quarter are traditionally lowest due to the summer vacation. Sales in the first and second quarters are generally slower than in the fourth quarter but higher than in the third quarter. Nevertheless, there have been certain years with a different seasonality pattern, and we cannot guarantee that such a pattern will hold true in every future year.

Organizational Structure

As of May 31, 2010, our principal shareholder, DBSI, holds 4,265,950 shares, representing approximately 46.85% of our outstanding share capital, and effectively has the ability to control the outcome of most matters submitted to a vote of our shareholders. See “Item 7. Major Shareholders and Related Party Transactions” for additional details.

For information about Cimatron’s subsidiaries and its beneficial ownership therein, see Exhibit 8.1.

Property, Plants and Equipment

We do not own any real property. We lease the office premises that we occupy in Givat Shmuel, Israel from a private commercial property owner pursuant to the terms of a lease agreement we entered into in February 2003. Until January 2006 we occupied an aggregate of approximately 2,100 square meters at this facility. As of January 10, 2006, we occupy approximately 1,750 square meters at this facility. The initial term of this lease expired on June 30, 2006 and, after we exercised our option to extend the lease for an initial period of three years, we have further extended the lease for an additional five years, through June 30, 2014, and reduced the occupied space to approximately 1,491 square meters. In 2009, the aggregate annual lease payments for the office premises were approximately \$307,000.

Following the merger with Gibbs, we lease office space in Moonpark, California from a limited liability company controlled by Mr. Gibbs. In connection with the merger with Gibbs, the termination date of the lease was advanced from 2020 to December 31, 2012, with an option for us to extend the lease for an additional 5 years. The rent due to be paid during the initial term is \$24,710 per month.

The following table presents a breakdown of our approximate aggregate annual lease payments for office premises worldwide for the year 2009 (in thousands of U.S. Dollars):

<u>ENTITY</u>	<u>LOCATIONS</u>	<u>APPROXIMATE ANNUAL EXPENSE (in thousands of US\$)</u>
Cimatron parent company	Givat Shmuel, Israel (corporate headquarters)	307
Cimatron Gibbs LLC	Moonpark, California	308
North American subsidiary	Michigan and Illinois (U.S.)*	62
German subsidiary	Ettlingen, Hamm, Nurenberg, Koln and Ismaning	243
Italian subsidiary	Bologna, Milano, Ancona, Treviso	220
Japanese subsidiary	Tokyo	5
Chinese subsidiaries	Beijing, Wuxi, Chengdu, Shanghai Guangzhou, Wuhan	79
Korean subsidiary	Seoul	24
	Total	<u>1,248</u>

* These offices are responsible for our selling and marketing activities in Canada as well.

Item 4A. Unresolved Staff Comments.

Not Applicable

Item 5. Operating and Financial Review and Prospects.

Overview

We design, develop, manufacture, market and support a family of modular, high-performance, CAD/CAM software products. Our products provide an integrated design through manufacturing solution for small-to-medium sized companies and manufacturing divisions of large corporations, and interface easily with other CAD/CAM systems.

We have consummated various important acquisitions that have impacted our results of operations over the past few years. In July 2005 we acquired an initial 27.5% of the shares of Microsystem Srl, our Italian distributor, for 575,000 Euro. Pursuant to the exercise of two call options that were granted to us as part of the relevant transactions, we acquired the remaining 72.5% of Microsystems, in two stages of 23.5% and 49%, in July 2007 and July 2008, respectively, for aggregate consideration of \$599,250 and \$1.25 million, respectively. We accounted for the original acquisition under the equity method, and, accordingly, as of July 1, 2005, we commenced recording our share of Microsystems's profits or losses in our consolidated financial statements. Following our exercise of the first call option and the increase in our holding in Microsystem to 51% in July 2007, we fully consolidated the results of Microsystem into our financial statements. Now that Microsystem is our wholly-owned subsidiary, its results will continue to remain fully consolidated with those of our parent company.

During August 2006, we acquired the remaining 69.83% of the outstanding shares of KCT Co. Ltd, our South Korean provider for approximately \$225,000 plus an additional payment subject to collection of certain receivables, following which such provider became our wholly owned subsidiary.

During January 2008, we merged Gibbs System, Inc., also known as Gibbs & Associates, with and into a newly established US subsidiary (Cimatron Gibbs LLC) of Cimatron Technologies Inc, our US subsidiary. As consideration in the transaction, we paid to Mr. William F. Gibbs, founder, Chairman and CEO of Gibbs System, and its sole shareholder, approximately \$5 million in cash, as well as 1,500,000 newly issued Ordinary Shares of Cimatron. Following such transaction, Cimatron Gibbs LLC acts as a separate unit in the Cimatron group that is responsible for the marketing, selling and developing of the GibbsCAM product family, in substantially the same manner as conducted prior to the merger.

In June 2009, we released our newest major version of Cimatron E (Version 9.0), which enables toolmakers and manufacturers of complex discrete parts to step up to new levels of productivity and which introduces breakthrough improvements, as described in greater detail in "Item 4- Business Overview" above.

Revenues

We derive revenues mainly from (a) sale of our products, including software and hardware components, and (b) services which include primarily maintenance fees and the provision of technical support for our software products and, to a lesser extent, fees from the provision of engineering, training, consulting and implementation services. Revenues from sales of our products are generated by a relatively large number of sales and no one customer accounts for a material portion of our revenues. We provide maintenance services mainly pursuant to maintenance contracts, which usually provide for annual maintenance fees. Generally, maintenance contracts are for a one-year term. It has been our experience that most of our customers who purchase maintenance contracts elect to receive maintenance services from us on a continuing basis. While customers in most markets do purchase maintenance services from us, most of our customers in the Far East (other than in Japan) generally do not purchase maintenance but instead purchase product upgrades on a case-by-case basis.

Cost of Revenues

Our cost of revenues consists of six major components: (a) the cost of our Israel-based operations, which include primarily salaries (mostly for technical support personnel), subcontractors and facilities costs, (b) hardware costs in Israel and for our subsidiaries, (c) royalties payable to third parties for third party software and maintenance, (d) royalties payable to the Israeli Office of the Chief Scientist, (e) amortization of capitalized software development costs, and (f) amortization of intangible assets.

Software Development Costs

Costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional development costs are capitalized. Based on our product development process, technological feasibility is established upon completion of a working model. Any capitalization of software development costs continues up to the time the software is available for general release to customers. However, during 2007, 2008 and 2009, costs incurred between the completion of the working model and the point at which the products were ready for general release were insignificant. Therefore, all research and development costs incurred in 2007, 2008 and 2009 have been expensed.

Primary and Reporting Currency

We market and sell our products and services in Europe, the Far East, North America and Israel and derive a significant portion of our revenues from customers in Europe and Asia. A majority of our revenues in 2007, 2008 and 2009 were from customers in Europe. Since our financial results are reported in U.S. dollars, decreases in the rate of exchange of non-U.S. dollar currencies in which we make sales relative to the U.S. dollar will decrease the U.S. dollar-based reported value of those sales. To the extent that decreases in exchange rates are not offset by a reduction in our costs, that may in the future materially adversely affect our results of operations.

Our reporting currency is the U.S. dollar while a portion of our expenses, principally salaries and the related personnel expenses are in New Israeli Shekels, or NIS. As a result, we are exposed to the risk that the U.S. dollar will devalue relative to the NIS, or, even if the NIS devalues relative to the U.S. dollar, that the rate of inflation in Israel will exceed such rate of devaluation of the NIS relative to the U.S. dollar or that the timing of such devaluation will lag behind inflation in Israel. Any such U.S. dollar devaluation or excessive Israeli inflation has the effect of increasing the U.S. dollar cost of our operations. In 2007, 2008 and 2009, the U.S. dollar devaluated relative to the NIS and there was an accompanying rise in Israeli inflation, thereby together causing an increase in the U.S. dollar cost of our operations. If the U.S. dollar cost of our operations in Israel continues to increase, our U.S. dollar-measured results of operations will continue to be adversely affected.

Following the merger with Gibbs, however, we have experienced an increase in the relative portion of our U.S. dollar based expenses and revenues as a percentage of our total expenses and revenues, thereby reducing the relative impact of the above-described, currency exchange rate related factors. For the fiscal years ended December 31, 2008 and 2009, our U.S. dollar based operating expenses constituted 36% and 35%, and our U.S. dollar based revenues constituted 42% and 44%, respectively, of our total consolidated operating expenses and revenues for such fiscal years.

See "Liquidity and Capital Resources – Impact of Inflation and Currency Devaluation on Results of Operation, Liabilities and Assets" for information relating to our policy of hedging against currency fluctuations.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which were prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate these estimates on an ongoing basis. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that application of the following critical accounting policies entails the most significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenues in accordance with the American Institute of Certified Public Accountants ("AICPA") ASC 985-605-15, "Software Revenue Recognition", as amended (formerly: "Statement of Position "SOP" 97-2"). Revenues from software license fees are recognized when persuasive evidence of an arrangement exists, the software product covered by written agreement or a purchase order signed by the customer has been delivered, the license fees are fixed and determinable and collection of the license fees is considered probable. When software arrangements involve multiple elements we allocate revenue to each element based on the relative fair values of the elements. Our determination of fair value of each element in multiple element arrangements is based on vendor-specific objective evidence ("VSOE"). We limit our assessment of VSOE for each element to the price charged when the same element is sold separately.

In judging the probability of collection of software license fees we continuously monitor collection and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. In connection with customers with whom we have no previous experience, we may utilize independent resources to evaluate the creditworthiness of those customers. For some customers, typically those with whom we have long-term relationships, we may grant extended payment terms. We perform on-going credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current creditworthiness, as determined by our review of their current credit information. If the financial situation of any of our customers were to deteriorate, resulting in an impairment of their ability to pay the indebtedness they incur with us, additional allowances may be required.

Most of our software products do not require significant customization or modification. Service revenues include consulting services, post-contract customer support and maintenance and training. Consulting revenues are generally recognized on a time and material basis. Software maintenance agreements provide technical customer support and the right to unspecified upgrades on an if-and-when-available basis. Post-contract customer support revenues are recognized ratably over the term of the support period (generally one year), and training and other service revenues are recognized as the related services are provided. Deferred revenues represent mainly amounts received on account of service agreements.

Our sales are made pursuant to standard purchase orders, containing payment terms averaging between 30 - 120 days. For some customers with whom we have long-standing relationships and based on past experience with those customers and the same software products, we may grant payment terms of up to 180 days. Any payment terms that exceed 180 days must be approved by our Chief Financial Officer prior to the signing of any purchase order.

Our arrangements do not substantially include any refund provisions nor are payments subject to milestones. In addition, substantially all of our arrangements do not contain customer acceptance provisions.

Allowance for Doubtful Accounts

We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us (e.g. bankruptcy filings, substantial down-grading of credit ratings), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on the length of time the receivables are past due and on our historical experience in collecting such receivables.

Impairment of long-lived assets

We regularly review whether facts and circumstances exist which indicate that the carrying amount of assets may not be recoverable. We assess the recoverability of the carrying amount of our long-lived assets based on expected undiscounted cash flows. If an asset's carrying amount is determined to be not recoverable, we recognize an impairment loss based upon the difference between the carrying amount and the fair value of such asset, in accordance with ASC 360-10 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("ASC 360-10") (formerly: "SFAS No. 144").

Operating Results

	Year ended December 31,		
	2009	2008	2007
In thousands of US\$ (except per share data)			
Statement of Income Data:			
Revenue:			
Products	13,191	20,066	14,331
Services	19,766	20,909	14,309
Total	<u>32,957</u>	<u>40,975</u>	<u>28,640</u>
Cost of revenue:			
Products	4,567	5,725	3,867
Services	1,619	2,044	1,573
Total	<u>6,186</u>	<u>7,769</u>	<u>5,440</u>
Gross profit	26,771	33,206	23,200
Research and development costs	5,736	6,930	4,281
Selling, general and administrative expenses	21,992	25,750	17,243
Operating income (loss)	(957)	526	1,676
Financial income (expenses), net	19	(80)	353
Company's equity in results of affiliated company	-	-	(52)
Other income (expenses)	(41)	-	(3)
Income (loss) before taxes	(979)	446	1,974
Taxes on income	949	237	-
Income (loss) after income taxes	(30)	683	1,974
Less: Net loss (gain) attributable to the noncontrolling interest	44	41	(51)
Net income attributable to Cimatron's shareholders	<u>14</u>	<u>724</u>	<u>1,923</u>
Net income (loss) per share (basic and diluted)	<u>0.00</u>	<u>0.08</u>	<u>0.24</u>
Weighted average number of shares outstanding	<u>9,156</u>	<u>9,341</u>	<u>7,866</u>
December 31,			
	2009	2008	2007
Balance Sheet Data:			
Cash and cash equivalents	6,684	5,727	9,026
Long term marketable investments	-	-	1,158
Working capital	4,506	3,816	6,121
Total assets	32,680	33,870	27,327
Total liabilities	16,581	17,671	16,294
Shareholders' equity	16,099	16,199	11,033

Revenue

Our total revenues decreased in 2009, to approximately \$33.0 million, from approximately \$41.0 million in 2008, after having increased in 2008 from approximately \$28.6 million in 2007. Our revenues from the sale of products decreased in 2009 to approximately \$13.2 million from approximately \$20.1 million in 2008, after having increased in 2008 from approximately \$14.3 million in 2007. The decrease in the sale of products in 2009 relative to 2008 was primarily attributable to (i) the global economic downturn that started to affect us in mid-2008, but which was reflected on a full year basis in 2009, and (ii) the appreciation of the dollar relative to the Euro over the course of 2009 relative to 2008, which reduced the dollar value of the Euro-denominated product sales that we made in 2009. The increase in the sale of products in 2008 relative to 2007 was attributable to (i) the consolidation of Gibbs which began to be reflected in our results from the beginning of 2008, (ii) the consolidation of Microsystem's results, which began to be reflected in our results for the third quarter of 2007, but which was first reflected on a full year basis in 2008, and (iii) the depreciation of the dollar relative to the Euro over the course of 2008 relative to 2007, which increased the dollar value of the Euro-denominated product sales that we made in 2008. As a percentage of revenues, our revenues from the sale of products continued to decrease slightly in 2009, falling to approximately 40% in 2009, after having been approximately 49% in 2008 and approximately 50% in 2007. Our revenues from maintenance and services decreased in 2009 to approximately \$19.8 million, from approximately \$20.9 million in 2008, after having increased in 2008 from approximately \$14.3 million in 2007. The decrease in 2009 primarily reflected a decrease in services revenues, as such revenues are more product-related and were therefore impacted by the decrease in product sales, whereas maintenance revenues remained practically unchanged from 2008. The increase in maintenance and service revenues in 2008 as compared to 2007 was primarily attributable to the same factors that caused an increase in our products sales over the same period of time. As a percentage of revenues, our revenues from maintenance and services continued to increase during 2009, to approximately 60% from approximately 51% in 2008, and approximately 50% in 2007.

Because, during 2009, 54% of our revenues were derived from Europe, changes in the Euro-dollar exchange rate can significantly influence our revenues. Since mid 2007, the Euro-dollar exchange rate had an increasing influence on our revenues and results of operation due to the consolidation of Microsystem's financial results with ours, since substantially all of Microsystem's revenues are Euro-denominated.

While we believe that the trend of migration of European mold, tool, die and fixture makers operations to low cost labor markets in the Far East, where markets are also characterized by lower prices and by higher usage of pirated copies of software products, may continue, we have previously adjusted our European strategy slightly in order to increasingly focus on penetrating the high end European market, in which such migration is less prevalent. At the same time, we continue with our sales efforts in China and in other emerging markets. In addition, following the Gibbs acquisition in early 2008, we have begun to introduce the GibbsCAM product line into our legacy Cimatron sales channels in Germany, Italy, China, South Korea and Israel, and ultimately in all of our other sales channels.

Cost of Revenue

Cost of revenue decreased in 2009, to approximately \$6.2 million, from approximately \$7.8 million in 2008, after having increased in 2008 from approximately \$5.4 million in 2007. The decrease in 2009 relative to 2008 was mainly due to (i) lower product sales that resulted in lower payments to third party technology and hardware vendors, and lower royalties owed to the OCS, and (ii) cost reduction measures that we took during 2009 in order to mitigate the effects of the global economic downturn. The increase in 2008 relative to 2007 was mainly due to (i) the consolidation of Gibbs-related costs starting in the first quarter of 2008 and (ii) the consolidation of Microsystem-related costs for the full year of 2008 (as opposed to merely for the last two quarters of 2007).

Gross Profit

Gross profit, as a percentage of total revenue, was 81%, in 2009, 2008 and 2007. The gross margin in 2009 remained unchanged as compared to 2008 despite a decrease in revenue, mainly due to (i) lower cost-of-revenue in 2009, which is dependent on revenue, and (ii) cost reduction measures that we took during 2009 in order to mitigate the effects of the global economic downturn. While the gross profit, as a percentage of total revenue, was the same in 2008 as in 2007, it should be noted that in 2008, the cost of revenue included \$0.6 million of non-cash amortization expense attributable to the amortization of part of the acquired intangible assets of Gibbs. There was no amortization of these assets in 2007, as the Gibbs merger took place in January 2008. Accordingly, excluding this amortization, our gross margin in 2008 was higher than in 2007, mainly due to a different revenue mix, with a lower percentage of third party hardware products sales and a higher percentage of software and services sales.

Research and Development Expenses, net

Research and development expenses primarily consist of salaries and related costs with respect to employees engaged in ongoing research, design and development activities. Research and development expenses were \$5.7 million in 2009, \$6.9 million in 2008 and \$4.3 million in 2007. The decrease in 2009 was mainly due to cost reduction measures that we took during 2009 in order to mitigate the effects of the global economic downturn. These measures were intended to increase the efficiency of our R&D organization, rather than reducing its output, and, therefore, our development plans and rate remained unchanged as compared to 2008. The increase in research and development costs in 2008 relative to 2007 was primarily due to the consolidation of Gibbs results beginning with the first quarter of 2008.

Selling, General and Administrative Expenses

Selling expenses consist of costs relating to promotion, advertising, trade shows and exhibitions, compensation (including sales commissions), sales support, travel and travel-related expenses, and royalties to the Fund for the Encouragement of Marketing of the Government of Israel, or the Marketing Fund (when applicable), including all such expenses for our subsidiaries. We did not receive any grants from the Marketing Fund in the years 2007, 2008 or 2009 and do not expect to receive any such grants in the future. General and administrative expenses consist of (a) compensation costs for administration, finance and general management personnel, (b) office maintenance and administrative costs, (c) rent, (d) fees paid to DBSI and Koonras Technologies Ltd., our former significant shareholder ("Koonras"), for management services, (e) reserves for doubtful debts and (f) amortization of investment in acquired companies.

Selling, general and administrative expenses decreased in 2009 to \$22.0 million, from \$25.8 million in 2008, after having increased in 2008 from \$17.2 million in 2007. The decrease in 2009 was mainly due to (i) lower revenues that resulted in lower commission payments to our sales employees and agents, (ii) cost reduction measures that we took during 2009 in order to mitigate the effects of the global economic downturn and (iii) the appreciation of the dollar relative to the Euro over the course of 2009 relative to 2008, which reduced the dollar value of the Euro-denominated selling, general and administrative expenses that we incurred in 2009. The primary reason for the increase of such expenses in 2008 relative to 2007 was the consolidation of Gibbs' results (and the accompanying selling, general and administrative expenses) beginning in the first quarter of 2008, and the full year consolidation of Microsystem's results (and related expenses) in 2008, as compared to consolidation in only the second half of the year in 2007. In addition, in 2008, our general and administrative expenses included \$0.4 million of non-cash amortization expense stemming from the amortization of part of the acquired intangible assets of Gibbs and Microsystem, while in 2007 such expenses included only \$0.1 million of non-cash amortization expense related to the acquired intangible assets of Microsystem. Commencing with the third quarter of 2007, the Euro-dollar exchange rate has had an increasing influence on our revenues and results of operations due to the consolidation of Microsystem's financial results with ours, as substantially all of Microsystem's revenues and expenses are Euro-denominated.

Financial Income (Expenses), net

Financial income (expenses), net, consists primarily of interest earned on our cash reserves, interest paid on our short term and long term credits from financial institutions, gains (losses) from sale of bonds and funds, as well as interest on trade receivables, and currency translation adjustments between the U.S. dollar exchange rate and the NIS and Euro exchange rates, imposed on our assets and liabilities. Financial income (expense), net, was approximately \$0.0 million in 2009, as compared to approximately \$(0.1) million in 2008 and approximately \$0.4 million in 2007. During 2009 and 2008, the interest that we received on our cash reserves was significantly lower than in 2007, due to the global trend of reduced interest rates. Moreover, the \$6 million aggregate consideration that we paid in 2008 in the merger with Gibbs and the acquisition of the last 49% of Microsystem's shares was funded from our accumulated cash and cash equivalents; therefore, we had a lower interest-bearing cash balance in 2009 and 2008 as compared to 2007.

Tax Income, net

Tax income, net, in 2009 and 2008, consists primarily of changes in deferred tax assets and deferred tax liabilities, and to a lesser extent, in current tax expenses. Tax income, net, was \$0.9 million in 2009 compared to \$0.2 million in 2008 and \$0.0 million in 2007. The increase in 2009 relative to 2008 was primarily due to an increase in deferred tax assets, as a result of an increase in US loss carry-forwards that we believe we would be able to use in the foreseeable future. The increase in 2008 relative to 2007 was primarily due to net changes in deferred tax assets and liabilities, which resulted mostly from our merger with Gibbs in early 2008.

Net Income Attributable to Cimatron Shareholders

We recorded net income attributable to Cimatron shareholders of approximately \$0.0 million, \$0.7 million and \$1.9 million in 2009, 2008 and 2007, respectively. The decrease in 2009 relative to 2008 was mainly due to the decrease in our revenues in 2009, partially offset by lower expenses as compared to 2008, and partially offset by the above-described tax income. The decrease in 2008 relative to 2007 was primarily due to (i) \$1.0 million of non-cash amortization expense in 2008 stemming from the amortization of the acquired intangible assets of Gibbs and Microsystem, while in 2007 such non-cash amortization expense amounted to only \$0.1 million, related to the acquired intangible assets of Microsystem, and (ii) \$0.8 million of income attributable to Gibbs' assumed support contracts that could not be recognized in fiscal 2008 or thereafter due to business combination accounting principles.

Effective Corporate Tax Rate

We and each of our subsidiaries are subject to corporate taxes in various countries in which we and they operate. In Israel we received a final tax assessment through the tax year ended December 31, 2006. As of the date of this report, our subsidiary in Germany is under tax assessment process for the tax years 2004-2007. Generally, as of January 1, 2010, Israeli companies are subject to corporate tax of 25% on taxable income and are subject to capital gains tax at a rate of 25% on capital gains derived after January 1, 2003. The corporate tax rate was reduced in July 2005, from 31% for the 2006 tax year to 29% for the 2007 tax year, 27% for the 2008 tax year, 26% for the 2009 tax year and 25% for the 2010 tax year, and is furthermore scheduled to decline to 24% in 2011, 23% in 2012, 22% in 2013, 21% in 2014, 20% in 2015 and 18% in 2016 and thereafter. Our effective corporate tax rate in Germany in the year ended December 31, 2009 was 25%. We believe that our effective tax rates in the U.S., Italy, China, Japan, India and Korea would have been approximately 34%, 31%, 25%, 31%, 34% and 24.2%, respectively, for the year ended December 31, 2009, had we not incurred tax losses in such countries. We believe that we had tax loss carryforwards in Israel in the aggregate amount of approximately \$6.5 million as of the end of 2009. In addition, as of December 31, 2009, we had approximately \$4.0 million in net operating loss carryforwards in North America, \$0.2 in China and \$0.1 million in Korea. There can be no assurance that we will be able to use all the above-mentioned tax loss carryforwards at any time in the future. We expect that if our profits increase and our subsidiaries utilize their respective loss carryforwards, particularly in countries with relatively high corporate tax rates, our consolidated effective tax rate will increase.

We have been previously granted "Approved Enterprise" status under the Israeli Law for the Encouragement of Capital Investments, 1959. Consequently, we were eligible for certain Israeli tax benefits. Income derived from our Approved Enterprise plan was exempt from tax for a period of two years, commencing in the first year in which we generated taxable income from such Approved Enterprise (subsequent to use of all Israeli tax loss carryforwards), and was subject to a reduced tax rate of 25% for a further five years, respectively. See Note 12.A of the notes to our consolidated financial statements included elsewhere in this annual report.

Liquidity and Capital Resources

We finance our operations primarily from funds provided by operations and, to a lesser extent, from accumulated cash and cash generated by the sale of our investments. We believe that our accumulated cash, in addition to cash generated from operations and available funds, will be sufficient to meet our cash requirements for working capital and capital expenditures for at least the next 12 months. Thereafter, if cash generated from operations is insufficient to satisfy our liquidity requirements, we may sell additional equity or debt securities or obtain credit facilities. Prior to the closing of the merger with Gibbs in early 2008 we obtained two credit lines from banks for an aggregate amount of \$8 million. Annual interest rates under these credit lines varied from Libor + 0.9% to Libor +1.2%. Both credit lines were secured by negative pledges and certain financial covenants, such as minimum equity and minimum equity as percentage of total balance sheet assets, maximum financial debt and maximum financial debt as a percentage of total balance sheet assets, minimum cash balance, minimum current ratio, minimum EBITDA and maximum ratio between financial debt and EBITDA. As of December 31, 2009, we were in compliance with the covenants under these credit lines, and there was no outstanding amount drawn thereunder. Given the recent global financial crisis, there is no assurance that if and when we would need to draw upon these credit lines, the banks from which we obtained the credit lines would agree to provide to us any credit without further covenants or guarantees, or that they would agree to provide us any credit at all.

As of December 31, 2009, we had \$6.7 million in cash and cash equivalents. During 2009, net cash provided by operating activities was \$1.3 million, and was mainly comprised of our net profit of \$0.0 million, decrease in accounts receivable and prepaid expenses of \$1.9 million, and non-cash use of depreciation and amortization of \$1.6 million, as partially offset by decrease in trade payables, accrued expenses and other liabilities of \$1.2 million, and increase in net deferred tax assets of \$1.0 million.

During 2009, net cash used in investing activities was \$0.3 million, and was mainly comprised of \$0.3 million used for capital expenditures. Our capital expenditures for 2009 were mostly for the purchase of computers, computer equipment and other office equipment.

During 2009, net cash used in financing activities was \$0.0 million, and was mainly comprised of \$0.3 million of cash provided by short term bank credit, offset by \$0.1 million repayment of long term credit, and \$0.2 million used pursuant to our ongoing share repurchase program, which had been announced back in June 2008.

As of December 31, 2009, Microsystem had outstanding a long-term government loan of \$0.32 million, of which \$0.1 is to be repaid during 2010.

These activities caused our aggregate amount of cash and cash equivalents to increase to \$6.7 million as of December 31, 2009, as compared to \$5.7 million as of December 31, 2008; our short-term credit obligations to increase to \$0.5 million as of December 31, 2009, as compared to \$0.2 million as at December 31, 2008; and our long-term credit obligations to be reduced to \$0.2 million as of December 31, 2009, as compared to \$0.3 million as at December 31, 2008.

As of December 31, 2009, our working capital was \$4.5 million and our total assets were \$32.7 million, compared to \$3.8 million and \$33.9 million, respectively, as of December 31, 2008. The increase in working capital resulted mainly from increase of cash and cash equivalents of \$1.0 million, increase in other account receivables of \$0.6 million, and decrease in trade payables of \$0.8 million somewhat offset by decrease in trade receivables of \$1.7 million,

Our trade receivables, net of allowance for doubtful accounts totaled \$5.4 million on December 31, 2009, compared to \$7.1 million on December 31, 2008. The collection cycle for such trade receivables remained practically unchanged during 2009 compared to 2008. We believe that, generally, the quality of receivables remained unchanged and we will continue our efforts to shorten our collection cycles. Nevertheless, given the current global economic downturn, we cannot guarantee that collection cycles from one or more of our customers or Providers and Resellers will not lengthen relative to the past.

Concentration of credit risk.

Financial instruments that potentially subject us to concentration of credit risk consist principally of cash and cash equivalents, short-term investments and accounts receivable. Our cash and cash equivalents and short-term investments are invested in deposits mainly with major banks in the United States, Europe and Israel. We believe that the financial institutions holding our cash funds are financially sound. Our accounts receivable are generated from a large number of customers located in Europe, Asia, the United States and Israel. We perform ongoing evaluations of our accounts receivable and maintain an allowance for doubtful accounts that we believe is adequate to cover all anticipated losses with respect to our accounts.

Impact of Inflation and Currency Devaluation on Results of Operations, Liabilities and Assets

Although part of our revenues are denominated and paid in U.S. dollars, the majority are not so denominated and paid. Therefore we believe that inflation and fluctuations in the U.S. dollar exchange rate may have a material effect on our results of operations. The cost of our Israel operations, as expressed in U.S. dollars, is influenced by the extent to which any increase in the rate of inflation in Israel is not offset (or is offset on a lagging basis) by a devaluation of the NIS in relation to the U.S. dollar.

The exchange rate between the U.S. dollar and the NIS decreased slightly during 2009, from 3.802 NIS to one dollar at the start of the year to 3.775 NIS to one dollar at the end of the year and has remained mostly steady during the period of time since the conclusion of 2009, having ranged from a high of 3.870 NIS to one dollar to a low of 3.667 NIS to one dollar since December 31, 2009 (through May 31, 2010). The high and low exchange rates between the NIS and U.S. dollar during the 6 most recent months, as published by the Bank of Israel, were as follows:

MONTH	LOW (1 U.S. dollar = __ NIS)	HIGH (1 U.S. dollar = __ NIS)
November 2009	3.741	3.826
December 2009	3.772	3.815
January 2010	3.667	3.765
February 2010	3.704	3.796
March 2010	3.713	3.787
April 2010	3.682	3.749
May 2010	3.730	3.870

The average exchange rate, using the average of the exchange rates on the last day of each month during the period, for each of the five most recent fiscal years, was as follows:

<u>Period</u>	<u>Exchange Rate</u>
January 1, 2005 - December 31, 2005	4.503 NIS/\$1
January 1, 2006 - December 31, 2006	4.466 NIS/\$1
January 1, 2007 - December 31, 2007	4.085 NIS/\$1
January 1, 2008 - December 31, 2008	3.591 NIS/\$1
January 1, 2009 - December 31, 2009	3.927 NIS/\$1

In 2007, the rate of Israeli inflation was approximately 3.4% and the U.S dollar devaluated against the NIS by 9.0%. In 2008, the rate of Israeli inflation was approximately 3.8% and the U.S dollar devaluated against the NIS by 1.1%. In 2009, the rate of Israeli inflation was approximately 3.9%, and the U.S. dollar devaluated against the NIS by 0.7%.

Since our financial results are reported in dollars, fluctuations in the rates of exchange between the dollar and non-dollar currencies may have a material effect on our results of operations. We therefore use currency exchange forward contracts and currency exchange options to hedge the impact of the variability in the exchange rates on future cash flows from certain Euro-denominated transactions, as well as certain NIS-denominated expenses. Our policy is to hedge up to 100% of our Euro denominated future cash flows to protect against a reduction in reported operating income arising from depreciation of the Euro relative to the U.S. dollar and to hedge up to 100% of our NIS denominated expenses to protect against an increase in reported expenses arising from depreciation of the U.S. dollar relative to the NIS. However, we may decide not to hedge in accordance with this policy where, in our judgment, the applicable exchange rate is sufficiently low. The counter-parties to our forward contracts and currency exchange options are major financial institutions with high credit ratings. We believe that the risk of incurring losses on such forward contracts and currency exchange options related to credit risks is remote and that any losses would be immaterial. As of December 31, 2009, we had currency exchange forward transactions to sell \$5.2 million for a total amount of NIS 20.6 million until December 31, 2010. As of March 31, 2010, we had currency exchange forward transactions to sell \$3.54 million for a total amount of NIS 13.9 million until December 31, 2010. See "Item 11 - Quantitative and Qualitative Disclosure about Market Risk" for a description of hedging and other similar transactions.

Research and development, patents and licenses, etc.

We conduct our research and development operations primarily in Israel and to a small extent in Russia. Following the merger with Gibbs in January 2008 we now also have substantial research and development operations in California. Our research and development efforts have been financed through internal resources and through programs sponsored by the Chief Scientist of the Government of Israel, or the OCS. In the years ended December 31, 2007, 2008 and 2009, our gross research and development expenditures were \$4.3 million, \$7.1 million and \$5.9 million, respectively (15%, 17% and 18% of total revenues, respectively). Prior to 2001, we were granted royalty-bearing grants from the OCS for research and development activities. Under the provisions of Israeli law in effect until 1996, royalties of 2%-3% of the revenues derived from the sale of software products developed under a research and development program funded by the OCS and certain related services must be paid to the State of Israel. Pursuant to an amendment effected in 1996 with respect to OCS programs funded in or after 1994, royalties of revenues derived from products developed according to such programs are generally payable to the State of Israel at the rate of 3% during the first three years, 4% over the following three years and 5% in or after the seventh year of the relevant OCS program. The maximum aggregate royalties will not, however, exceed 100% (for programs funded prior to 1994, 100% to 150%) of the U.S. dollar-linked value of the total grants received from the OCS. Pursuant to an amendment effected in 2000, effective with respect to OCS programs funded in or after 2000, the royalty rates described above were updated to 3%, during the first three years, and 3.5%, in or after the fourth year, of the revenues derived in connection with products developed under such programs. Pursuant to an amendment effected on January 1, 1999 with respect to OCS programs approved in or after 1999, funds received from the OCS shall bear annual interest at a rate equal to LIBOR for twelve months. As of December 31, 2009, our contingent liability with respect to such grants was approximately \$0.7 million, including applicable interest, contingent upon our generating revenues from sales of products developed with funds provided by the OCS.

We believe that the majority of products that we have sold since January 1, 2005 are not based on technology developed with funds provided by the OCS and that, accordingly, such sales should not be subject to the payment of royalties to the OCS. Therefore, the royalty reports we have submitted to the OCS for the period starting January 1, 2005 and thereafter have reflected significantly reduced royalty obligations in comparison to our royalty reports for the years prior to 2005. In addition, during the second half of 2005 we initiated a process with the OCS in an attempt to obtain the agreement of the OCS with our position and to the cessation of our obligation to pay future royalties. Following this application and further correspondence between the OCS and us, the OCS appointed an external professional examiner to examine our claim from a technological point of view. This examiner submitted his report to the OCS in November 2005. In December 2005, the OCS appointed a second professional examiner to submit a second opinion regarding our technological claim. During January 2006 our management met with the OCS in an attempt to, among other things, accelerate the OCS's treatment of our application. In September 2006 we received a letter from the OCS rejecting our application. Following further inquiries made by us, we continued corresponding with the OCS and in January 2007 our management met again with the OCS. As a result of this meeting the OCS agreed to continue its examination of our application. In July 2007 we met with an OCS examiner and two additional OCS representatives. We followed up on this meeting via further inquiries to the OCS staff as to when they expect to conclude their examinations and provide a final decision; however, to date, we have not received any final decision from the OCS.

Although we believe that we have strong arguments to support our position, we have accrued royalty expenses in the amount of \$3.1 million in our financial reports for the periods from January 1, 2005 through March 31, 2010, but we have not paid to the OCS any royalties associated with the products mentioned above. In light of the above-mentioned facts, we continue to evaluate and consider our next steps with the OCS, including without limitation, whether further royalty expense accruals will be necessary. See "Item 3. Risk Factors - We may be required to pay royalties to the OCS in respect of sales since January 1, 2005" for a discussion of the risks to us arising from the possibility that we may be obligated to pay to the OCS the amount we have accrued with regard to this issue or even more than such amount.

The State of Israel does not own proprietary rights in technology developed with OCS funding and there is no restriction on the export of products manufactured using technology developed with OCS funding. The technology is, however, subject to transfer restrictions, as described below. These restrictions may impair our ability to sell our technology assets or to outsource manufacturing and the restrictions continue to apply even after we have paid the full amount of royalties payable for the grants. In addition, the restrictions may impair our ability to consummate a merger or similar transaction in which the surviving entity is not an Israeli company.

The transfer to a non-Israeli entity of technology developed with OCS funding, including pursuant to a merger or similar transaction, and the transfer of rights related to the manufacture of more than ten percent of a product developed with OCS funding are subject to approval by an OCS committee and to the following conditions:

- *Transfer of Technology.* If the committee approves the transfer of OCS-backed technology, such a transfer would be subject to the payment to the OCS of a portion of the consideration we receive for such technology. The amount payable would be a fraction of the consideration equal to the relative amount invested by the OCS in the development of such technology compared to our total investment in the technology, but in no event less than the amount of the grant. However, in the event that in consideration for our transfer of technology out of Israel we receive technology from a non-Israeli entity for use in Israel, we would not be required to make payments to the OCS if the approval committee finds that such transfer of non-Israeli technology would significantly increase the future return to the OCS.
- *Transfer of Manufacturing Rights.* The committee is authorized to approve transfers of manufacturing rights only if the transfer is conditioned upon either (1) payment of increased aggregate royalties, ranging from 120% to 300% of the amount of the grant plus interest, depending on the percentage of foreign manufacture or (2) a transfer of manufacturing rights into Israel of another product of similar or more advanced technology.
- *Merger or Acquisition.* If the committee approves a merger or similar transaction in which the surviving entity is not an Israeli company, such a transaction would be subject to the payment to the OCS of a portion of the consideration paid. The amount payable would be a fraction of the consideration equal to the relative amount invested by the OCS in the development of such technology compared to the total investment in the company, net of financial assets that the company has at the time of the transaction, but in no event less than the amount of the grant.

In the event that the committee believes that the consideration to be paid in a transaction requiring payment to the OCS pursuant to the provisions of the law described above does not reflect the true value of the technology or the company being acquired, it may determine an alternate value to be used as the basis for calculating the requisite payments.

In the years ended December 31, 2007, 2008 and 2009, we paid or accrued royalties to the OCS in the amount of \$0.8 million, \$0.5 million and \$0.3 million, respectively. We intend to consider whether further accruals will be necessary in light of the facts described above concerning our application to the OCS to recognize our claim that we are no longer obligated to pay royalties on a majority of our sales subsequent to January 1, 2005.

In addition to the OCS grants, we received grants from the Fund for the Encouragement of Overseas Marketing of the Israeli Government's Ministry of Industry and Trade, with respect to which we are obligated to pay royalties amounting to 3% to 4% of the incremental exports, up to a maximum of 100% of the grants received. Our contingent liability as of December 31, 2009 with respect to such grants was \$0.6 million, contingent upon our incremental exports.

In addition, we are currently participating in a four year project of the European Sixth Research and Technological Development Framework Program, as part of a consortium led by European companies, with respect to machining of very high precision parts and molds aimed at mass production of optical lenses. Grants received under this project are not subject to any future royalty payments. In 2009, 2008 and 2007 we recorded in our profit and loss statements \$120,000, \$121,000 and \$16,000, respectively, of grants received.

Trend Information

We are subject to various trends and uncertainties in the CAD/CAM business, including changing customer demands, new products developed by competitors, consolidation of operations and the use of cost-cutting measures. Following is a summary of the material trends and uncertainties influencing our operations:

Cash and Cash Equivalents. The consideration in the merger with Gibbs and the consideration for our acquisition of the remaining 49% of Microsystem, including related costs, were funded from accumulated cash and cash equivalents, thereby reducing our cash and cash equivalents in 2008 by approximately \$6.0 million. In 2009, we reversed this trend, having experienced an increase in cash and cash equivalents of approximately \$1.0 million, due mostly to positive cash flow from operating activities, which was offset partially by repurchases under our share buyback plan and purchases of property and equipment.

Merger with Gibbs, Acquisition of Microsystem, and Related Effects. As a result of the merger with Gibbs in 2008, we have experienced, since such time (relative to the periods prior thereto), an increase in the following: (i) our overall expenses and revenues; (ii) the relative portion of the U.S. dollar based expenses and revenues of our company group; and (iii) geographic diversity due mainly to an increase in sales in the U.S. market. As a result of our completion of our acquisition of Microsystem and the consolidation of Microsystem's results with ours (commencing in the third quarter of 2007, but first reflected on a full year basis in 2008), we began to experience (a) a further increase in our overall expenses and revenues and (b) an increase in the European portion of our revenues and product sales, and related expenses, relative to the periods prior thereto.

Migration to Far East. Many mold, tool, die and fixture makers as well as discrete part manufacturers have migrated or intend to migrate their operations to markets in the Far East, such as China, in order to take advantage of the relatively lower cost of labor available in those markets for the manufacturing activities. We anticipate that this migration will continue and have expanded our operations in Asia, including in China, South Korea and India, in order to increase our share of those growing markets. Many of those markets, including China, South Korea and India, are characterized by lower prices and by higher usage of pirated copies of software products. While those markets are also often much larger than a number of our traditional markets in Europe, to the extent that we cannot offset the effects of lower prices and higher incidents of pirated software usage, our revenues and profitability may be adversely affected.

Maintenance Revenues. It has been our experience that most of our customers who purchase maintenance contracts elect to receive maintenance services from us on a continuing basis. While customers in most markets do purchase maintenance services from us, our customers in the Far East (other than in Japan, and South Korea to a certain extent) generally do not purchase maintenance but instead purchase product upgrades on a case-by-case basis. Accordingly, our maintenance revenues may be adversely impacted to the extent that our customer base shifts to those markets in the Far East where customers often do not purchase maintenance and there is no corresponding increase in customers in other markets.

Decrease in prices. The strong competition in the software business generally, and in the CAD/CAM business specifically, has caused prices of products in our industry to decrease. Such decrease in software prices has resulted in a decrease in our revenues and thus in our profits. As a result, we have been forced to employ cost-cutting measures. If the foregoing trend continues, we may have to employ additional cost-reduction measures.

Risk factors. In addition, our results of operations and financial condition may be affected by various other factors discussed in “Item 3 - Key Information - Risk Factors”, including market acceptance of our products, changes in political, military or economic conditions in Israel and in the Middle East, general slowing of local or global economies and decreased economic activity in one or more of our target industries.

E. Off-Balance Sheet Arrangements

Other than as discussed below, we are not party to any off-balance sheet arrangements or subject to any contingent liabilities.

1. With respect to our contingent liability relating to payment of royalties to the OCS, see “Research and development, patents, licenses, etc.” in this Item 5 above.

2. As consideration for grants received from the Fund for the Encouragement of Overseas Marketing of the Israeli Government’s Ministry of Industry and Trade, we are obligated to pay such Fund royalties amounting to 3% to 4% of the incremental exports, up to a maximum of 100% of the grants received. Our contingent liability as of December 31, 2009 was \$0.6 million, contingent upon our incremental exports.

F. Tabular Disclosure Of Contractual Obligations

The following table summarizes our contractual obligations and commercial commitments as of December 31, 2009:

Contractual Obligations as of December 31, 2009	Payments due by Period (US\$, in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating Leases	9,117	2,240	5,536	1,341	-
Purchase Obligations and Commitments ⁽¹⁾	1,910	1,027	883	-	-
Other Long-Term Liabilities	⁽²⁾ 4,116	4,116	-	-	-
Total Contractual Cash Obligations	15,143	7,383	6,419	1,341	-

(1) Certain obligations to software vendors reflected in the amounts recorded in this row assume that we achieve minimum revenue levels. To the extent that our revenues are lower than such minimum levels, our obligations will be reduced accordingly.

(2) Represents a provision for future severance pay obligations.

G. Safe Harbor

This annual report on Form 20-F contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (collectively, the "Safe Harbor Provisions"). These are statements that are not historical facts and include statements about our beliefs and expectations. These statements contain potential risks and uncertainties, and actual results may differ significantly. Forward-looking statements are typically identified by the words "believe," "expect," "intend," "estimate" and similar expressions. Such statements appear in this annual report and include statements regarding the intent, belief or current expectation of our company or our directors or officers. Actual results may differ materially from those projected, expressed or implied in the forward-looking statements as a result of various factors, including, without limitation, the factors set forth in Item 3 ("Key Information") under the caption "Risk Factors" ("Cautionary Statements"). Any forward-looking statements contained in this annual report speak only as of the date hereof, and we caution potential investors not to place undue reliance on such statements. We undertake no obligation to update or revise any forward-looking statements. All subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the Cautionary Statements.

Item 6. Directors, Senior Management and Employees.

Directors and Senior Management

As of the date of this annual report, our directors, senior management and key employees are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Yossi Ben Shalom	55	Chairman of the Board
William F. Gibbs	56	Vice Chairman of the Board
Barak Dotan	42	Director
Yoel Rosenthal	55	Director
David Golan	69	Director
Eti Livni	61	External Director
Rami Entin	59	External Director
Dan Haran	52	President and Chief Executive Officer
Ilan Erez	42	Chief Financial Officer

Yossi Ben Shalom is a co-founder of DBSI Investments Ltd. Prior to establishing DBSI Investments, Mr. Ben Shalom served as Executive Vice President and Chief Financial Officer of Koor Industries Ltd. (NYSE:KOR), from 1998 through 2000. Prior to that, he served as Chief Financial Officer of Tadiran Ltd. Mr. Ben Shalom has also been an active director on numerous boards, such as NICE Systems (NASDAQ:NICE), Machtshim Agan, Bank Klali and others. Mr. Ben Shalom holds a bachelor's degree in economics and a master's degree in business administration from Tel Aviv University.

William F. Gibbs is the founder of Gibbs System, Inc. (aka Gibbs and Associates), the makers of GibbsCAM. He joined Cimatron on January 2, 2008, with the merger of Gibbs into Cimatron's wholly owned subsidiary. Mr. Gibbs worked as a mechanical design engineer from 1972 to 1978. He designed his first CAM system for the Hasbach Co., as their VP of software development from 1978 to 1982. He started Gibbs and Associates as a contract programming service for CNC part programming in 1982, beginning CAM software development for the Macintosh computer in 1984. GibbsCAM, the 2nd generation Gibbs software, was first released in 1993. Mr. Gibbs holds a Bachelor of Science degree in computer science from the California State University at Northridge California.

Barak Dotan is a co-founder of DBSI Investments Ltd. Prior to establishing DBSI Investments, Mr. Dotan worked as Product Manager for Jacada (NASDAQ:JCDA), formerly CST and later managed private investments in high-tech and other areas. Mr. Dotan graduated summa cum laude from the Hebrew University of Jerusalem with a bachelor's degree in computer science and business administration.

Yoel Rosenthal has been the CFO of DBSI Investments Ltd. since 2001. Prior to joining DBSI, Mr. Rosenthal was a founder and partner of a private accounting firm in Israel, Bruckner, Rosenthal, Ingber & Co. Prior to that he held the position of Loan Officer for multinational corporations at the Bank of Montreal in the USA. Mr. Rosenthal holds an MBA from the University of California in Los Angeles and a BA in Economics and Accounting from Tel Aviv University.

David Golan has been a director on our board since 1992 and is a former Chairman of the Board. Mr. Golan is currently an independent businessman and a director. Previously he was an executive director in the Binat Group and served on the board of directors of several public and private companies. From May 1998 to September 2000 Mr. Golan was Managing Director in charge of Zeevi Holdings' investments, not including ZCT. From March 1997 to May 1998, he was the Chief Executive Officer of Clal Trading Ltd., a subsidiary of the IDB group. From 1992 to March 1997, he was Executive Vice President of Clal Trading. Mr. Golan was formerly president of Gal Weisfield Industries Ltd. Mr. Golan holds a bachelors degree in economics and statistics from Hebrew University in Jerusalem and a master's degree in business administration from New York University.

Eti Livni is currently active as a lawyer in commercial issues, environmental issues, intellectual property and also serves as an arbitrator and mediator in various disputes. Mrs. Livni also currently serves as a director in various Israeli public companies, including the Israel Military Industry (IMI), New Makefet Pension and Benefit Funds Management Ltd., and Alrov Ltd. From 2003 until 2006, Mrs. Livni served as a member of the 16th Knesset and as a member of several Knesset committees. From 1999 until 2006, Mrs. Livni was a member of the Shinui Party and was also acting as head of the women's section in the party. From 1995 until 2003, Mrs. Livni acted as a member of the managing committee of the Israeli Bar Association and as a member of the Association's ethics committee. Mrs. Livni holds an L.L.B from the Hebrew University of Jerusalem, and is a certified lawyer in Israel.

Rami Entin currently serves as an external director of Inter Colony Ltd., an Israeli publicly traded construction company. Mr. Entin is also a director of Hilan-Tech Ltd., of Incentives Solutions Ltd. and of Avnet Data Security Ltd., and serves as an external director of B.S.P. Biological Signals Processing Ltd. From 2002 until 2003, Mr. Entin was the chairman of the Hashavim Group, a data center for direct taxation and employment laws and a processor of wages and personnel data. From 1999 until 2001, Mr. Entin was Co-Chief Executive Officer and a director of Hilan-Tech Ltd., where he was in charge of financial, personnel, sales and marketing and Lotus Notes operations. From 1985 until 1999 he was financial manager and a director of Hilan Ltd., where he was in charge of financial and personnel operations. From 1981 until 1985, Mr. Entin worked for Kesselman & Kesselman, an accounting firm, where he served various publicly traded companies engaged in the services and industry fields. Mr. Entin holds a B.A. degree in accounting and economics and an M.B.A. degree from the Tel Aviv University, and is a certified accountant in Israel. He is also a graduate of the Advanced Management Program at Harvard University.

Dan Haran has been our President and Chief Executive Officer since July 2005. Mr. Haran joined Cimatron as Vice President of Marketing and Chief Operating Officer in November 2003 after having been employed by Comverse (Nasdaq:CMVT) where he held several senior management positions, most recently as Chief Operating Officer of the Intelligent Network Division. Prior to Comverse, Mr. Haran managed Medcon Systems, an Israeli-based start-up company. Mr. Haran holds a bachelor of science degree in computer engineering from the Technion, a master of science degree from the Weitzman Institute, and a master of business administration degree from Tel Aviv University.

Ilan Erez joined us as VP Finance in May 2005 and became our Chief Financial Officer in July 2005. From 1998 to 2005 Mr. Erez served as the Chief Financial Officer of Silicom Ltd., a NASDAQ listed company engaged in the design, manufacturing and selling of server-networking cards. He also served as VP Operations of Silicom from May 2001 until his departure. From 1996 to 1998 Mr. Erez served as a Controller and assistant to the Chief Executive Officer at Bio-Dar Ltd. From 1994 until 1996 Mr. Erez served as an auditor at Kesselman & Kesselman, a member of PriceWaterhouseCoopers. Mr. Erez is a Certified Public Accountant in Israel and holds a B.A in Accounting and Economics from the Hebrew University in Jerusalem and an LL.M. in Business Law from Bar-Ilan University.

Arrangements for the Election of Directors

DBSI Investments Ltd., our largest shareholder (holding approximately 46.85% of our share capital), controls the outcome of most matters submitted to a vote of our shareholders, including the election of members of our board of directors. Koonras and DBSI were parties to an agreement by which, among other matters, they would each appoint one-half of our directors, not including our external directors, and vote together at our shareholders' meetings. However, following Koonras' sale of 1,700,000 Ordinary Shares to DBSI and 854,360 Ordinary Shares to Kotek in May 2008 and June 2008, respectively, Koonras is no longer a shareholder of our company and such agreement has been terminated.

As a result of the merger with Gibbs System, Mr. Gibbs was issued 1,500,000 Ordinary Shares, which represent approximately 16.47% of our outstanding share capital. Additionally, Mr. Gibbs has been appointed as the vice chairman of our board of directors. Under the merger agreement, we undertook to Mr. Gibbs that he will serve as the vice chairman of our board of directors as long as he continues to hold at least 9% of our issued and outstanding share capital.

Compensation

During the year ended December 31, 2009, we paid, in the aggregate, approximately \$1.17 million in direct remuneration to our directors and officers for services provided by them to our company in such capacities. Such sum does not include amounts expended by us for automobiles made available to our officers, expenses (including business travel, professional and business association dues and expenses) reimbursed to officers and other fringe benefits commonly reimbursed or paid by companies in the countries we operate. We pay each of our external directors, as well as Mr. David Golan and Mr. William F. Gibbs, an annual fee of approximately \$7,600, plus approximately \$454 for each meeting of the board of directors or a committee thereof attended and reimbursement for expenses incurred in connection with the discharge of responsibilities as a board member, including attendance at meetings of the board of directors.

Please see Item 7 – “Major Shareholders and Related Party Transactions” for a description of the employment agreement entered into with Mr. Gibbs, and the terms pursuant to which Cimatron Gibbs leases office space from Mr. Gibbs.

Board of Directors

Our Articles of Association provide for a board of directors of not less than two members. Each director, with the exception of external directors who are elected to serve for set periods of time (as described below), is elected to serve until the next annual general meeting of shareholders and until his or her successor has been duly elected. Officers serve at the discretion of the board.

Substitute Directors

Our Articles of Association provide that any director may, by written notice to us, appoint another person to serve as a substitute director and may cancel such appointment. A person may not serve as a substitute director for more than one director and may not serve both as a director and as a substitute director.

The term of appointment of a substitute director may be for one meeting of our board of directors or for a specified period or until notice is given of the cancellation of the appointment. Any substitute director will have all of the rights and obligations of the director appointing him or her, except the power to appoint a substitute (unless the instrument appointing him or her provides otherwise), and the right to remuneration. The substitute director may not act at any meeting at which the director appointing him or her is present. Unless the appointing director limits the time period or scope of any appointment, the appointment is effective for all purposes, but will expire upon the expiration of the appointing director's term. To our knowledge, no director currently intends to appoint any other person as a substitute director, except if the director is unable to attend a meeting of the board of directors.

External Directors

The Israeli Companies Law, 1999 (the "Companies Law") requires Israeli companies with shares that have been offered to the public in or outside of Israel to appoint at least two external directors.

No person may be appointed as an external director if the person or the person's relative, partner, employer or any entity under the person's control, has or had, on or within the two years preceding the date of the person's appointment to serve as external director, any affiliation with the company or any entity controlling, controlled by or under common control with the company. The term "affiliation" includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder.

No person may serve as an external director if the person's position or other business activities create, or may create, a conflict of interest with the person's responsibilities as an external director or may otherwise interfere with the person's ability to serve as an external director. If, at the time external directors are to be appointed, all current members of the board of directors are of the same gender, then at least one external director must be of the other gender.

External directors are to be elected by a majority vote at a shareholders' meeting, provided that either:

- the majority of shares voted at the meeting, including at least one-third of the shares held by non-controlling shareholders voted at the meeting, vote in favor of election of the director; or
- the total number of shares held by non-controlling shareholders voted against the election of the director does not exceed one percent of the aggregate voting rights in the company.

The initial term of an external director is three years, and he or she may be reelected to one additional term of three years by a majority vote at a shareholders' meeting. In addition, under a recent amendment to the regulations promulgated under the Companies Law, external directors of public companies whose shares are also registered for trading in certain stock exchanges outside of Israel, like ours, may be elected for additional three year terms (in excess of the original six year term) provided that in light of such external director's expertise and special contribution to the work of the company's board of directors and audit committee, the re-election of such external director is for the benefit of the company. An external director may be removed only by the same percentage of shareholders as is required for his or her election, or by a court, and then only if he or she ceases to meet the statutory requirements for his or her appointment or if he or she violates the duty of loyalty to the company.

Each committee of a company's board of directors that has the right to exercise powers delegated by the board must include at least one external director, and the audit committee is required to include all of the external directors. Our external directors are Eti Livni and Rami Entin, who will complete their current terms in April 2011, in accordance with Israeli law.

An external director is entitled to certain compensation as provided in regulations adopted under the Companies Law but is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with service provided as an external director.

Under the Companies Law, at least one of the external directors serving on a company's board of directors is required to have "financial expertise" and the other external director or directors are required to have "professional expertise." A director is deemed to have "professional expertise" if he or she either (i) has an academic degree in economics, business management, accounting, law or public service, (ii) has an academic or other degree or has completed other higher education, all in the field of business of the company or relevant for his/her position, or (iii) has at least 5 years experience as either a senior managing officer in the company's line of business with a significant volume of business, a public office, or a senior position in the company's main line of business. A director with "financial expertise" is a director that due to his or her education, experience and skills has a high expertise and understanding in financial and accounting matters and financial statements, in such a manner which allows him to deeply understand the financial statements of the company and initiate a discussion about the presentation of financial data. However, under regulations promulgated under the Companies Law, a public company whose shares are also registered for trading in certain stock exchanges outside of Israel, like ours, is not required to appoint an external director with financial and accounting expertise, if at such time there is another director serving on the board of directors of such company who has financial and accounting expertise and who is an independent director for purposes of membership on the audit committee thereof, in accordance with the applicable laws of the state in which such shares are registered (and the rules and regulations of such foreign stock exchange). Our board of directors has determined that Mr. Entin has the requisite "financial expertise" while Ms. Livni has "professional expertise" as required of our external directors under the Companies Law.

Audit Committee

The Companies Law requires public companies to appoint an audit committee. The responsibilities of the audit committee include identifying irregularities in the management of the company's business, approving related party transactions as required by law, and reviewing the quarterly and annual balance sheet reports and recommending their approval before our board or directors. An audit committee must consist of at least three directors, including all of the external directors of the company. The chairman of the board of directors, any director employed by or otherwise providing services to the company, and a controlling shareholder or any relative of a controlling shareholder, may not be a member of the audit committee.

Under the Nasdaq rules, we are required to have at least three independent directors on the audit committee. In addition, Nasdaq requires that the members of the audit committee (a) not have any relationship to the company that may interfere with the exercise of their independence, and (b) must be financially literate.

Under the Nasdaq rules and the Sarbanes-Oxley Act of 2002, the audit committee (i) has the sole authority and responsibility to select, evaluate, and, where appropriate, replace the company's independent auditors, (ii) is directly responsible for the appointment, compensation and oversight of the work of the independent auditors for the purpose of preparing its audit report or related work, and (iii) is responsible for establishing procedures for (A) the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters, and (B) the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters. The audit committee is required to consult with management but may not delegate these responsibilities. In addition, under the Sarbanes-Oxley Act, the audit committee is responsible, among other things, for the following:

- It has the sole authority to review in advance, and grant any appropriate pre-approvals of, (i) all audit and non-audit services to be provided by the independent auditors and (ii) all fees and other terms of engagement;
- Review and discussion with management and the independent auditors of the company's quarterly financial statements (including the independent auditors' review of the quarterly financial statements) prior to any required submission to shareholders, the SEC, any stock exchange or the public;
- Review and discussion with management and the independent auditors of the company's annual audited financial statements prior to any required submission to shareholders, the SEC, any stock exchange or the public;
- Recommendation to the board of directors, if appropriate, that the company's annual audited financial statements be included in the company's annual report;
- Review and discussion with management of all disclosures made by the company concerning any material changes in the financial condition or operations of the company;
- Review of disclosures made to the audit committee by the company's chief executive officer and chief financial officer during their certification process for the company's annual report about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the company's internal controls; and
- Review and approval of all related-party transactions.

As of the date of this annual report, Mr. David Golan, Ms. Eti Livni and Mr. Rami Entin are serving as members of our audit committee.

Internal Auditor

Under the Companies Law, a company's board of directors must appoint an internal auditor, nominated by the audit committee. The role of the internal auditor is to examine, among other matters, whether the company's actions comply with the law and orderly business procedure. Under the Companies Law, the internal auditor may be an employee of the company but not an office holder, or an affiliate, or a relative of an office holder or affiliate, and he may not be the company's independent accountant or its representative. During November 2007, we appointed Fahn Kanne Control Management, a member firm of Grant Thornton, as our internal auditor, replacing Ernst & Young – Kost, Forer, Gabbay & Kasierer Business Risk Services, which informed us that it could not continue to serve as our internal auditor due to a conflict of interests arising from auditing services provided to third parties.

Compensation of Executive Officers

In lieu of appointing a separate board committee with responsibility for setting appropriate compensation levels for our executive officers, our board of directors as a whole, including a majority of our independent directors (as determined pursuant to the Nasdaq rules), serves as the body with authority for establishing such compensation levels. In setting compensation levels, our board is guided by the levels of compensation provided to executives in other companies in our industry and our home country, as adjusted to account for differences in size and other relevant distinguishing factors.

Directors' Severance Benefits Upon Termination of Employment

Except for the employment agreement entered into by our subsidiary Cimatron Gibbs LLC with William Gibbs in his role on behalf of such subsidiary (as described below in "Item 7- Major Shareholders and Related Party Transactions – Related Party Transactions") we have not entered into any service contracts with any members of our board of directors that provide for specific benefits upon termination of employment. Other than any termination notice provisions under Mr. Gibbs' employment contract, the only severance pay benefits that may be provided are required under Israeli law and are described below in the section titled "**Employees**".

Employees

The following table sets forth for the last three financial years, the number of our employees broken down into categories.

<u>Period ending December 31,</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Research and Development	76	78	56
Marketing, Sales and Customer Support	187	198	173
Management, Administration and Information Systems	24	25	22
Total	287	301	251

As of April 30, 2010, we employed 285 full-time personnel, of whom 77 (most of whom hold advanced technical degrees) were employed in research and development, 184 were employed in marketing, sales and customer support and 24 were employed in various administrative, information systems and management positions. Of these employees, 83 were employed in Israeli operations, 4 were employed in Russia, 13 were employed by our original North American subsidiary, Cimatron Technologies Inc., 62 were employed by Cimatron Gibbs LLC (the surviving entity in the merger with Gibbs) in North America, 35 were employed by our German subsidiary, 43 were employed by our Italian subsidiary, 36 were employed by our Chinese subsidiaries, 1 was employed by our Indian subsidiary and 8 were employed by our Korean subsidiary. In addition, we employed 6 subcontractors' or free-lance personnel on average during the year 2009, and as of March 31, 2010 we employed 3 subcontractors personnel.

Certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees in Israel by order of the Israeli Ministry of Labor. These provisions concern principally the length of the workday; minimum daily wages for professional workers, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums. In addition to salary and other benefits, certain of our marketing personnel are paid commissions based on our performance in certain territories worldwide.

Israeli law generally requires severance pay, which may be funded via Managers' Insurance (as described below), upon the retirement or death of an employee or termination of employment without cause (as defined in the law). The payments related thereto amount to approximately 8.33% of wages. The majority of our employees in Israel have subscribed to Section 14 of Israel's Severance Pay Law, 5723-1963 ("Section 14"). Pursuant to Section 14, our employees, covered by this section, are entitled only to monthly deposits, at such 8.33% rate, made on their behalf by our company, covering potential severance payments to them. Payments in accordance with Section 14 release us from any future severance liabilities in respect of those employees. With regards to employees in Israel that are not subject to Section 14, our liability for severance pay is calculated pursuant to the Severance Pay Law, based on the most recent salary of the relevant employee and the number of years of employment. Such employees are entitled to one month's salary for each year of employment (or a portion thereof for additional corresponding partial years of employment). Our liability for such employees is fully provided for via monthly deposits to the Managers' Insurance (as described below).

Israeli employees and employers are furthermore required to pay predetermined sums to the National Insurance Institute, which is similar to the United States Social Security Administration. Such amounts also include payments by the employee for national health insurance. The total payments to the National Insurance Institute are equal to approximately 17.43% of the employee's wages (up to a specified amount), of which the employee contributes approximately 69% and the employer contributes approximately 31%.

A general practice that we follow, which, as of May 2006, is also legally required, is the contribution of funds on behalf of our employees to a fund known as "Managers' Insurance." This fund provides a combination of savings plan, insurance and severance pay benefits to the employee, giving the employee payments upon retirement or death and securing the severance pay, if legally entitled, upon termination of employment. While prior to May 2006 we could decide whether each employee was entitled to participate in the plan, after that date, we are required to enable participation of all employees in the plan. Each employee is required to contribute an amount equal to 5% of his or her basic salary per month for the Managers' Insurance and we contribute an additional amount equal to between 13.3% and 15.8% of the monthly basic salary.

Share Ownership

1998 Share Option Plan

In April 1998, our board of directors adopted a share option plan (the "1998 Share Option Plan") pursuant to which 620,000 Ordinary Shares were reserved for issuance upon the exercise of options to be granted to our directors, officers, employees and consultants. The 1998 Share Option Plan is administered by our board, which designates the optionees and dates of grant. The exercise price of an option granted under the 1998 Share Option Plan may be no less than 85% of the fair market value of an Ordinary Share, as determined by the board on the date that the option is granted. Options granted vest over a period determined by the board, terminate three years after they become exercisable, and are non-assignable except by the laws of descent. The board has the authority to amend the terms of option grants, provided that any such amendment is in the best interest of a grantee. A grantee will be responsible for all personal tax consequences of a grant and the exercise thereof. In March 2000, the board adopted new guidelines for the grant and exercise of options to purchase Ordinary Shares reserved for issuance under the 1998 Share Option Plan. In August 2003, the board of directors approved the grant of options to purchase 150,000 of our Ordinary Shares at a price of \$2.50 per share to two of our officers. Such options began to vest commencing one year after the date of grant, at a vesting rate of 25% per year, subject to the continued employment of the officers. As of December 31, 2009 and March 31, 2010, 12,500 of such options were outstanding, carrying an exercise price of \$2.50 per share. For additional information relating to the stock options granted by us under the 1998 Share Option Plan, see Note 11.B to our financial statements included in Item 18.

As of March 31, 2010, only the above-referenced 12,500 options were outstanding, and no shares were reserved for future issuances, under the 1998 Share Option Plan, as the unallocated reserve under the plan had been previously transferred into the 2004 Share Option Plan (as defined below).

2004 Share Option Plan

In October 2004, our board of directors and shareholders adopted the 2004 Share Option and Restricted Shares Incentive Plan (the "2004 Share Option Plan") pursuant to which 240,000 Ordinary Shares were reserved for issuance upon the exercise of options to be granted to our directors, officers, employees and consultants. The 2004 Share Option Plan is administered by our board, which designates the optionees and dates of grant. The exercise price of an option granted under the 2004 Share Option Plan may be no less than 95% of the fair market value of an Ordinary Share, as determined by the board on the date that an option is granted. Options granted vest over a period determined by the board, terminate ten years from the date of grant, unless otherwise determined by the board, and are non-assignable except by the laws of descent. The board has the authority to amend the terms of the 2004 Share Option Plan, provided that any such amendment does not adversely effect any options granted thereunder. In February 2005, 238,500 options were granted to our employees under the 2004 Share Option Plan at an exercise price of \$2.20 per share and with a term of ten years, and in August 2005, our board of directors approved the grant of an additional 32,000 options under the plan, at an exercise price of \$2.00 per share and a term of 10 years, to our Chief Executive Officer. In December 2005, our board of directors increased the 2004 Share Option Plan reserve by an additional 250,000 shares. In May 2006 an additional 189,000 options were granted to Company employees under the 2004 Share Option Plan at exercise prices ranging from \$1.75-\$2.00 and with a term of five years. During August 2007, we granted an additional 74,000 options to our employees at an exercise price of \$2.78 and with a term of five years. During January 2008, we granted an additional 66,000 options to our employees at an exercise price of \$2.75 and with a term of five years, including 2,000 options to William F. Gibbs. All options granted under the 2004 Share Option Plan become exercisable pursuant to a three (3) year vesting schedule, as follows: (i) thirty three percent (33%) of the options become exercisable on the first anniversary of the grant date; and (ii) sixteen and one-half percent (16.5%) of the options become exercisable at the end of each subsequent six month period over the course of the following two (2) years, subject to the continued employment of each grantee by us and/or our subsidiaries. Each grantee is responsible for all personal tax consequences of a grant and the exercise thereof. We intend to grant additional options under the 2004 Share Option Plan to our various directors, executive officers and employees.

In November 2007, our board of directors approved the transfer of a pool of 618,500 unallocated options from the 1998 Share Option Plan to the 2004 Share Option Plan for future grants.

At March 31, 2010 options to purchase 579,916 of our Ordinary Shares were available for grants to our various directors, officers, employees and consultants under the 2004 Share Option Plan.

Repurchase of Our Shares

On June 4, 2008, our board of directors authorized the use of up to \$1 million of our available cash to repurchase our Ordinary Shares. Under the repurchase program, share purchases may be made from time to time at the discretion of management in the open market or in privately negotiated transactions depending on market conditions, share price, trading volume and other factors. Such purchases are to be made in accordance with the requirements of the Securities and Exchange Commission (the "SEC"). The repurchase program has no time limit, does not require us to acquire a specific number of shares, and may be suspended from time to time or discontinued. As of the date of this annual report, we have repurchased 431,406 of our shares pursuant to this repurchase plan at an average price of \$1.33 per share.

Together with the 166,100 shares that we had previously repurchased in the open market (during 2002 and 2003), at an average price of \$0.95 per share, we have repurchased an aggregate of 597,506 of our Ordinary Shares under share repurchase programs. Under Israeli law, while all such repurchased shares are considered to be part of our outstanding share capital that can be reissued by us in the future, they are "dormant shares" and as such they cannot be voted and do not provide any other rights, other than upon liquidation.

Beneficial Ownership by Officers and Directors

Messrs. Ben Shalom, Dotan and Rosenthal may each (subject to the disclaimer provided in footnote (3) to the table in Item 7 below) be deemed to have beneficial ownership of an aggregate of 4,265,950 of our Ordinary Shares, representing 46.85% of our issued and outstanding share capital, by virtue of their positions with DBSI. As indicated in the table appearing in Item 7 below, Mr. William F. Gibbs beneficially holds 1,501,333 or 16.49% of our outstanding Ordinary Shares, which includes 1,333 shares issuable upon exercise of options that are currently exercisable or will be exercisable within 60 days of May 31, 2010. As to our remaining board members, each of David Golan, Eti Livni and Rami Entin beneficially holds no Ordinary Shares. Among our executive officers, each of Dan Haran, our President and Chief Executive Officer and Ilan Erez, our Chief Financial Officer, beneficially holds less than 0.9% of our Ordinary Shares (after including shares that are issuable to them upon exercise of options that are either currently exercisable or will be exercisable within 60 days of May 31, 2010). The options held by each of our directors and executive officers are subject to the terms (including exercise price and expiration date) described above in the description of option grants under our 1998 Share Option Plan and 2004 Share Option Plan.

The Ordinary Shares held (or issuable upon exercise of options held) by our directors and executive officers do not have voting rights that differ from those enjoyed by all holders of our Ordinary Shares.

Item 7. Major Shareholders and Related Party Transactions.

Major Shareholders

The following table sets forth information, as of May 31, 2010, concerning the beneficial ownership (as defined in Form 20-F promulgated by the SEC) of our Ordinary Shares by (i) any person who is known to us to own at least 5% of the Ordinary Shares of our Company and (ii) all of our directors and executive officers as a group. The voting rights of our major shareholders do not differ from the voting rights of all other holders of our Ordinary Shares.

Name and Address	Number of Ordinary Shares	Percent of Ordinary Shares
DBSI Investments Ltd. 85 Medinat Hayehudim St. Herzliya, Israel	4,265,950	46.85%
William F. Gibbs 4017 N. Cedarpine Lane Moonpark, CA 93021 California, U.S	1,501,333 ⁽¹⁾	16.49%
3Kotek 2 B.V. Wielewaaleg 1, 4791, PD, Klundert, Netherlands	894,360 ⁽²⁾	9.82%
All directors and executive officers as a group (9 persons)	5,871,450 ⁽¹⁾⁽³⁾	1.2%

(1) Includes an aggregate of 1,500,000 Ordinary Shares and 1333 options to purchase Ordinary Shares beneficially held by William F. Gibbs.

(2) Of such 894,360 Ordinary Shares reported in this Statement, 854,360 Ordinary Shares are held by 3Kotek 2 B.V. ("Kotek") and 40,000 Ordinary Shares are held by a company wholly owned by Mr. Joel Koschitzki. Messrs. Jaap Stomp and Mr. Joel Koschitzki are the directors of Kotek and therefore may be deemed to beneficially own the Ordinary Shares held by Kotek. Messrs. Stomp and Koschitzki disclaim beneficial ownership of the Ordinary Shares held by Kotek.

(3) Includes an aggregate of 4,265,950 shares beneficially held by DBSI Investments Ltd. ("DBSI"), which are attributable to certain of our directors by virtue of the positions that they hold on the board of directors of DBSI. All of our directors to whom such share ownership is attributable disclaim such beneficial ownership. (Mr. Rosenthal in particular does not share in the equity ownership of DBSI).

Recent Significant Changes in the Percentage Ownership of Major Shareholders

On May 11, 2008, Koonras Technologies Ltd. ("Koonras"), a subsidiary of Polar Communications Ltd. and a then-current holder of approximately 27% of our Ordinary Shares, signed an agreement with DBSI pursuant to which Koonras was to sell to DBSI 1,700,000 Ordinary Shares (comprising approximately 18.67% of our current outstanding share capital) at a price per share of \$2.80. As a result of the consummation of such transaction on or about June 26, 2008, Koonras' holdings were reduced to 854,360 Ordinary Shares, representing approximately 9.1% of our share capital at the time. As a result of its acquisition of shares in such transaction, DBSI currently holds approximately 46.85% of our outstanding share capital.

On June 3, 2008, Koonras sold its remaining 854,360 Ordinary Shares that it then held to Kotek, a company incorporated under the laws of the Netherlands. As a result of the consummation of such transaction, Koonras is no longer a holder of our capital stock, and Kotek acquired an approximate 9.1% (as of such time) interest in our share capital.

As a result of Koonras' dispositions of the remaining Ordinary Shares of our stock that it held, Koonras and DBSI terminated the shareholders agreement to which they had previously been party. Under the agreement, each of Koonras and DBSI effectively had the ability to control the outcome of most matters that were submitted to a vote of our shareholders, including the election of members of our board of directors and approval of significant corporate transactions, as each of Koonras and DBSI was entitled to appoint one-half of our directors, not including our external directors, and each of them had agreed to vote together at our shareholders' meetings.

Record Holders

As of May 31, 2010, there were 30 record holders of our Ordinary Shares, of which 16 represented United States record holders owning an aggregate of approximately 42% of our outstanding Ordinary Shares.

Related Party Transactions

Services Agreement and Lease Agreement

Until February 2002, our former principal shareholder Zeevi Computers and Technology Ltd., or ZCT, provided us with certain corporate and administrative services, including, but not limited to, executive management, facilities and other such services as were agreed upon from time to time between us and ZCT. The primary executive management services that we received under the agreement represented the services of the chief executive officer and the chief financial officer of ZCT, who did not receive separate fees for such services. Pursuant to such agreement, we shared the expenses relating to the specific services we received from ZCT with the other subsidiaries of ZCT that also received such services from ZCT.

As of February 21, 2002, in connection with its sale of its equity interest in our company to Koonras and DBSI, ZCT assigned all rights and obligations under the foregoing services agreement to Koonras and DBSI. An assignment of this agreement to Koonras and DBSI was ratified by our shareholders on July 11, 2002. Following the consummation of the sale of 1,700,000 of our shares from Koonras to DBSI on June 24, 2008, and the related approval of our shareholders at such time, the management services agreement was assigned in full to DBSI, which will continue to provide all the services and receive the entire annual fee. The amount that we paid for services under this agreement totaled 1.76 million NIS in the year ended December 31, 2009.

Prior to the merger with Cimatron, Gibbs System, Inc. leased office space in Moonpark, California from a limited liability corporation controlled by Mr. Gibbs. In connection with the merger with Gibbs System, Inc. and the assignment of the lease to us in 2008, we entered into an amendment to the original terms of the lease, pursuant to which the expiration date for the term of the lease was brought forward from 2020 to December 31, 2012, with an option for us to extend the lease for an additional 5 years. Also a result of the lease amendment, the rent that we are obligated to pay during the initial term of the lease is \$24,710 per month (in lieu of \$22,464 per month).

Registration Rights

In October 2004, following approval by our board of directors, our audit committee and the requisite majority of our disinterested shareholders, in accordance with the related party transaction requirements of Israeli law, we entered into a registration rights agreement with Koonras and DBSI, then our two largest shareholders. Under the agreement, Koonras and DBSI had the right, subject to various conditions and limitations, to require us to file a registration statement for the resale of their shares or to include their shares in certain registration statements that we file. On June 3, 2008, in connection with the sale of certain of its Ordinary Shares to Kotek, Koonras assigned to Kotek all registration rights applicable to such shares under the registration rights agreement.

In January 2008, in connection with the merger agreement with Gibbs System, Inc., we granted to Mr. Gibbs certain registration rights with respect to the Ordinary Shares issued to him as part of the merger consideration. The grant of such registration rights was approved by our board. Pursuant to the registration rights agreement entered into with him, Mr. Gibbs has the right, subject to various conditions and limitations, to include his shares in certain registration statements that we file.

Demand Registration Rights

Under the above-described registration rights agreement with DBSI and Kotek (as successor to Koonras), DBSI and Kotek together, and pro-rata between themselves, are entitled to up to two demand registrations on Form F-1 (or an equivalent form) promulgated under the Securities Act at our expense, provided that the anticipated aggregate offering price for the shares to be registered, net of any underwriting discounts and commissions, exceeds US\$1,000,000.

Notwithstanding the foregoing, we are not required to effect a demand registration during the period starting with the date of filing of, and ending on the date that is one hundred eighty (180) days following the effective date of, a registration statement pertaining to our securities.

DBSI and Kotek, together, and pro-rata between themselves, also have the right to require us to effect up to four F-3 registrations, including for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act registering for resale from time to time by such holders of all of their shares (a "Shelf Registration Statement"), but no more than two such registrations in any 12 month period, in each case, at our expense, provided, however, that we are not required to bear the cost of more than one counsel for such holders. Under his registration rights agreement with us, Mr. Gibbs has the right to require us to effect up to two F-3 registrations, under substantially the same terms specified above.

We are required to use our best efforts to (a) cause a Shelf Registration Statement to be declared effective under the Securities Act within three months after the "demand" is made and (b) keep such Shelf Registration Statement continuously effective under the Securities Act until the expiration of five (5) years from the date that a Shelf Registration Statement is declared effective by the SEC.

Piggyback Registration

If (but without any obligation to do so) we propose to register for our own account any of our capital stock or other securities under the Securities Act in connection with a public offering of such securities solely for cash (subject to certain exceptions, such as the registration of employees options), then DBSI, Kotek and Mr. Gibbs shall be entitled to include their shares in such registration.

The underwriter of any such offering by us shall have the right to reduce the number of shares proposed to be registered in light of market conditions, and in such event (a) the capital stock that we propose to register shall have first priority for inclusion in the relevant registration statement, and following our priority, (b) DBSI, Kotek and Mr. Gibbs shall have priority (pro rata among them) to have their shares included in such registration, before any other shares are included.

In furtherance of our obligations to each of DBSI, Kotek and Mr. Gibbs under the above-described registration rights agreements, on September 8, 2009, we filed an F-3 registration statement registering the resale of the Ordinary Shares held by each such shareholder. Such registration statement was declared effective by the SEC on December 9, 2009.

Employment Agreement with William F. Gibbs

In connection with the merger with Gibbs in January 2008, Cimatron Gibbs LLC, our subsidiary into which the Gibbs business was merged, entered into an employment agreement with Mr. Gibbs. The employment agreement provides, among others, for (i) an annual base salary of USD \$160,000, (ii) an annual bonus based on increases in contribution to our sales in North America and to the sale of Gibbs products, and (iii) other fringe benefits as customary for comparable officers of our company group in the United States. Mr. Gibbs also signed non-compete undertakings for our benefit. On February 15, 2008, we announced that Mr. Gibbs was appointed as President North America. Mr. Gibbs, who continues to maintain his position as President and CEO of Cimatron Gibbs, is now responsible for promoting both Cimatron E and GibbsCAM product lines in North America. In addition, pursuant to an option grant approved in January 2008, Mr. Gibbs was granted 2,000 options to purchase our Ordinary Shares.

Item 8. Financial Information.

Consolidated Statements and Other Financial Information

Our consolidated financial statements and other financial information are included in this annual report in “Item 18 - Financial Statements”.

Legal Proceedings

Currently, and in the recent past, we are not and have not been a party to any legal proceedings, nor are there any legal proceedings (including governmental proceedings) pending or, to our knowledge, threatened against us or our subsidiaries, that our management believes, individually or in the aggregate, would have a significant effect on our financial position or profitability. From time to time, we may become party to litigation relating to the ordinary course of our operations. We intend to defend against any claims to which we may become subject, and to proceed with any claims that we may need to assert against third parties, in a vigorous fashion.

Dividend Distribution Policy

Certain of our enterprises are Approved Enterprises (as defined under the Israeli Law for the Encouragement of Capital Investments, 1959). In the event of a distribution to shareholders of cash dividends out of earnings subject to the exemption from the payment of corporate tax provided to an Approved Enterprise, we would be subject to tax at a rate of 25%. In our financial statements, we have not provided an allowance for deferred taxes on future distributions of tax-exempt earnings, as our management and board of directors have determined not to make any distribution that may result in such tax liability to us. Accordingly, such earnings have been considered to be permanently reinvested. Our tax-exempt earnings may be distributed to shareholders without subjecting us to taxes only upon a complete liquidation of our company.

Significant Changes

Since the date of our consolidated financial statements included in this annual report, there has not been a significant change in our Company other than as described in the notes to such financial statements (and as described immediately below).

See “Item 6. Directors, Senior Management and Employees – Repurchase of Our Shares” for additional details regarding our ongoing repurchase of our Ordinary Shares.

Item 9. The Offer and Listing.

Offer and listing details

Our Ordinary Shares were quoted on the Nasdaq Global Market (formerly the Nasdaq National Market) from March 1996 until April 17, 2001, from which time our Ordinary Shares have been quoted on the Nasdaq Capital Market (formerly the Nasdaq SmallCap Market). Through April 16, 2000, we were quoted under the symbol CIMTF and since April 17, 2000 we have been quoted under the symbol CIMT. The Ordinary Shares are not listed on any other stock exchange and have not been publicly traded outside of the United States. The table below sets forth the high and low bid prices of the Ordinary Shares, as reported by Nasdaq during the indicated fiscal periods:

Period	<u>High (U.S. \$)</u>	<u>Low (U.S. \$)</u>
Six most recent months:		
May 2010	1.95	1.32
April 2010	2.38	1.60
March 2010	2.20	1.61
February 2010	3.58	0.98
January 2010	1.29	1.10
December 2009	1.29	1.12
Two most recent full financial years and subsequent periods, by quarter:		
First Quarter 2010	3.58	0.98
Fourth Quarter 2009	1.41	1.00
Third Quarter 2009	1.09	0.80
Second Quarter 2009	1.18	0.61
First Quarter 2009	1.33	0.56
Fourth Quarter 2008	1.64	0.65
Third Quarter 2008	2.35	1.50
Second Quarter 2008	3.06	1.58
First Quarter 2008	3.98	2.53
Five most recent financial years:		
2009	1.41	0.56
2008	3.98	0.65
2007	4.58	1.34
2006	1.73	1.00
2005	2.14	1.05

Markets

Our shares are traded only on the Nasdaq Capital Market, where they are listed and traded under the symbol "CIMT".

Item 10. Additional Information.**Memorandum and Articles of Association****Register**

Our registration number at the Israeli registrar of companies is 52-004267-2.

Articles of Association; Israeli Companies Law

In December 2006, our shareholders adopted amended and restated articles of association for our company (the "Articles") which replaced in their entirety our previous articles of association, which were approved prior to the adoption of the Companies Law and were not always consistent with the provisions of the Companies Law. Our objective as stated in our Articles and in our Memorandum of Association is to engage in any lawful activity.

We currently have only one class of securities outstanding, our Ordinary Shares, par value NIS 0.10 per share. No preferred shares are currently authorized.

Holders of Ordinary Shares have one vote per share, and are entitled to participate equally in the payment of dividends and share distributions and, in the event of our liquidation, in the distribution of assets after satisfaction of liabilities to creditors. Our Articles may be amended by a resolution approved at a general meeting by a majority of the shares present and voting thereon (excluding abstained votes). Our shareholders' rights may not be modified in any other way unless otherwise expressly provided in the terms of issuance of the shares.

Our Articles require that we hold our annual general meeting of shareholders each year no later than 15 months from the last annual meeting, at a time and place determined by our board of directors, upon at least 21 days prior notice to our shareholders. No business may be commenced in any annual meeting until a quorum of two or more shareholders holding at least 33% of the voting rights are present in person or by proxy. Shareholders may vote in person or by proxy, and will be required to prove title to their shares as required by the Companies Law pursuant to procedures established by our board of directors. Resolutions regarding the following matters must be passed at a general meeting of shareholders:

- amendments to our Articles;
- appointment or termination of our auditors;
- appointment and dismissal of directors;
- approval of acts and transactions requiring general meeting approval under the Companies Law;
- increase or reduction of our authorized share capital or the rights of shareholders or a class of shareholders;
- any merger as provided in Section 320 of the Companies Law; and
- the exercise of our board of directors' powers by a general meeting, if the board of directors is unable to exercise its powers and the exercise of any of such powers is vital for our proper management, as provided in Section 52(a) of the Companies Law.

In addition, the Companies Law provides that an extraordinary meeting of our shareholders shall be convened by the board, at the request of any two directors or one quarter of the directors, or by request of one or more shareholders holding at least 5% of our issued share capital and 1% of the voting rights, or by request of one or more shareholders holding at least 5% of the voting rights. Shareholders requesting a special meeting must submit their proposed resolution(s) with their request.

Our Articles provide that our board of directors may from time to time, at its discretion, borrow or secure the payment of any sum of money for the objectives of our company. Our directors may raise or secure the repayment of such sum in a manner, time and terms as they see fit.

According to our Articles, our board of directors may delegate any authority that it has to a committee comprised of members of the board. Any committee to which the board's powers are delegated must abide by the regulations enacted by the board in respect of such delegated powers. In the absence of any such regulations, the committee must abide by our Articles. Our board has currently appointed one committee, which is our audit committee, as described above in Item 6.

Transactions with Certain Shareholders

The Companies Law codifies the fiduciary duties that "office holders," including directors and executive officers, owe to a company. An office holder, is defined in the Companies Law, as a (i) director, (ii) general manager, (iii) chief business manager, (iv) deputy general manager, (v) vice general manager, (vi) executive vice president, (vii) vice president, (viii) another manager directly subordinate to the managing director or (ix) any other person assuming the responsibilities of any of the forgoing positions without regard to such person's title. The duty of care prescribed by the Companies Law requires an office holder to act with the level of care, which a reasonable office holder in the same position would have acted under the same circumstances. The duty of loyalty prescribed by the Companies Law generally requires an office holder to act in good faith and for the good of the company.

The Companies Law requires that an office holder of a company promptly disclose any personal interest that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction by the company. In addition, if the transaction is an extraordinary transaction, as defined under Israeli law, the office holder must also disclose any personal interest held by the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing, or by any corporation in which the office holder is a 5% or greater shareholder, holder of 5% or more of the voting power, director or general manager or in which he or she has the right to appoint at least one director or the general manager. An extraordinary transaction is defined as a transaction not in the ordinary course of business, not on market terms, or that is likely to have a material impact on the company's profitability, assets or liabilities.

In the case of a transaction that is not an extraordinary transaction, after the office holder complies with the above disclosure requirement, only board approval is required unless the articles of association of the company provide otherwise. The transaction must not be adverse to the company's interest. If the transaction is an extraordinary transaction, then, in addition to any approval required by the articles of association, it must also be approved by the audit committee and by the board of directors, and, under specified circumstances, by a meeting of the shareholders.

Agreements regarding directors' terms of employment require the approval of the audit committee, the board of directors and the shareholders. In all matters in which a director has a personal interest, including matters of his/her terms of employment, he/she shall not be permitted to vote on the matter or be present in the meeting in which the matter is considered. However, should a majority of the audit committee or of the board of directors have a personal interest in the matter, then:

- all of the directors shall be permitted to vote on the matter and attend the meeting at which the matter is considered; and
- the matter requires approval of the shareholders at a general meeting.

According to the Companies Law, the disclosure requirements discussed above also apply to a controlling shareholder of a public company. In general, extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and agreements relating to employment and compensation terms of a controlling shareholder, require the approval of the audit committee, the board of directors and the shareholders of the company. The term "controlling shareholder" is defined as a shareholder who has the ability to direct the activities of a company, other than if this power derives solely from the shareholder's position on the board of directors or any other position with the company. The definition also includes shareholders that hold 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company.

The shareholder approval must either include at least one-third of the shares held by disinterested shareholders who are present in person or by proxy at the meeting and who are voting thereon, or, alternatively, the total shareholdings of the disinterested shareholders who vote against the transaction must not represent more than one percent of the voting rights in the company.

In addition, a private placement of securities that (i) includes the issuance of twenty percent or more of the company's outstanding voting rights (prior to such issuance) in which the consideration, in whole or in part, is not in cash or registered securities or is not at market value, and as a result of which a person holding five percent or more of the company's share capital or voting rights will increase or that will cause any person to become, as a result of the issuance, a holder of more than five percent of the company's outstanding share capital, or (ii) will cause any person to become, as a result of the issuance, a controlling shareholder of the company (as defined above), requires approval by the board of directors and the shareholders of the company. The regulations under the Companies Law provide certain exceptions. Any placement of securities that does not fit the above description may be issued at the discretion of the board of directors.

Under the Companies Law, a shareholder has a duty to act in good faith towards the company and other shareholders and refrain from abusing his power in the company, including, among other things, in connection with voting in the general meeting of shareholders on the following matters:

- any amendment to the articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- approval of interested party transactions that require shareholder approval.

In addition, any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and any shareholder who has the power to appoint or prevent the appointment of an office holder of the company is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty, except to state that the remedies generally available upon a breach of contract will apply also in the event of a breach of the duty to act with fairness.

Limitation on Ownership of Securities

The ownership and voting of our Ordinary Shares by non-residents of Israel are not restricted in any way by our Articles of Association or by the laws of the State of Israel, except for shareholders who are subjects of countries which are in a state of war with Israel.

Mergers and Acquisitions; Anti-Takeover Provisions

The Companies Law includes provisions with respect to the approval of corporate mergers that are applicable to us. These provisions require that the board of directors of each company that is party to the merger approve the transaction. In addition, the shareholders of each company must approve the merger by a vote of the majority of the company's shares, present and voting on the proposed merger at a shareholders' meeting. In determining whether the requisite majority has approved the merger, shares held by the other party to the merger or any person holding at least 25% of such other party or otherwise affiliated with such other party are excluded from the vote.

The Companies Law does not require court approval of a merger other than in specified situations. However, upon the request of a creditor of either party to the proposed merger, a court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties of the merger to their creditors.

A merger may not be completed unless at least 50 days have passed from the date that a proposal of the merger was filed with the Israeli Registrar of Companies by each merging company and 30 days from the date that shareholder approval of both merging companies was obtained. The merger proposal may be filed once a shareholder meeting has been called to approve the merger.

The Companies Law also provides that the acquisition of shares in a public company on the open market must be made by means of a tender offer if, as a result of the acquisition, the purchaser would become a 25% shareholder of the company. The rule does not apply if there already is another 25% shareholder of the company. Similarly, the law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would become a 45% shareholder of the company, unless there already is a 45% shareholder of the company.

If, following any acquisition of shares, the purchaser would hold 90% or more of the shares of the company, that acquisition must be made by means of a tender offer for all of the target company's shares. An acquirer who wishes to eliminate all minority shareholders must do so by means of a tender offer and acquire 95% of all shares not held by or for the benefit of the acquirer prior to the acquisition. However, in the event that the tender offer to acquire that 95% is not successful, the acquirer may not acquire tendered shares if by doing so the acquirer would own more than 90% of the shares of the target company.

Material Contracts

Other than the registration rights agreements, the services agreement and lease agreement described in "Item 7 - Major Shareholders and Related Party Transactions – Related Party Transactions," our current lease agreement described below, and the Microsystems investment contracts and the merger agreement between our subsidiary and Gibbs, both of which are described in "Item 4. Information on the Company- History and Development of the Company", all of the contracts to which we have been party over the past two years have been in the ordinary course of our business.

We lease the office premises that we occupy in Givat Shmuel, Israel from a private commercial property owner pursuant to the terms of a lease agreement we entered into in February 2003. Since January 10, 2006, we have occupied approximately 1,750 square meters at this facility. The initial term of the lease was three years, expiring in June 30, 2006, following which we exercised our option to extend the lease for an additional three years. In mid 2008, we further extended the lease for an additional five year period, through June 30, 2014, and reduced our occupied space to approximately 1,475 square meters.

Exchange Controls

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our Ordinary Shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding some transactions. However, legislation remains in effect under which currency controls can be imposed by administrative action at any time.

The ownership or voting of our Ordinary Shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our Memorandum of Association or Articles or by the laws of the State of Israel.

Taxation

The following discussion sets forth the material United States and Israeli tax consequences of the ownership of Ordinary Shares by a holder that holds our Ordinary Shares as capital assets.

The following discussion does not address the tax consequences to holders of Ordinary Shares to which special tax rules may apply, such as tax-exempt entities, certain insurance companies, broker-dealers, grantor trusts, real estate investment trusts or regulated investment companies, financial institutions or financial services entities, traders in securities that elect to mark to market, holders liable for alternative minimum tax, holders that actually or constructively own 10% or more of our voting stock, holders that hold Ordinary Shares as part of a straddle or a hedging or conversion transaction or holders whose functional currency is not the U.S. dollar. This discussion also does not apply to holders who acquired their Ordinary Shares pursuant to the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan. This discussion is based on the tax laws of Israel and the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, as in effect on the date of this document, as well as the Convention Between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income (the "U.S.-Israel Tax Treaty"), all of which are subject to change or change in interpretation, possibly with retroactive effect.

For purposes of this discussion, a "U.S. Holder" is any beneficial owner of Ordinary Shares that is:

a citizen or resident of the United States;

a corporation or other entity taxable as a corporation organized under the laws of the United States or any political subdivision of the United States;

an estate the income of which is subject to United States federal income taxation without regard to its source; or

a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) that has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person.

This discussion does not address any aspects of United States taxation other than federal income taxation. Holders are urged to consult their tax advisors regarding the United States estate, state and local and the Israeli and other tax consequences of owning and disposing of Ordinary Shares.

United States Federal Income Taxation of Owning and Selling Ordinary Shares.

Dividends and Distributions

U.S. Holders

Subject to the passive foreign investment company rules discussed below, U.S. Holders will include in gross income the gross amount of any dividend paid, before reduction of Israeli withholding taxes, by us out of current or accumulated earnings and profits, as determined for United States federal income tax purposes, as ordinary income when the dividend is actually or constructively received by the U.S. Holder. Dividends will be income from sources outside the United States for foreign tax credit limitation purposes, but generally will be "passive income" which is a type of income that is treated separately from other types of income for foreign tax credit limitation purposes. Dividends will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution included in income of a U.S. Holder will be the U.S. dollar value of the NIS payments made, determined at the spot NIS/U.S. dollar rate on the date such dividend distribution is included in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend distribution is included in income to the date such dividend distribution is converted into U.S. dollars will be treated as ordinary income or loss. Such gain or loss will generally be income from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a return of capital to the extent of the U.S. Holder's basis in the Ordinary Shares and thereafter as capital gain. We will notify our shareholders of any distribution in excess of current and accumulated earnings and profits at the time of such distribution in accordance with the requirements of the Internal Revenue Code.

Subject to certain limitations, the Israeli tax withheld in accordance with the U.S.-Israel Tax Treaty and paid over to Israel will be creditable against the U.S. Holder's United States federal income tax liability. To the extent a refund of the tax withheld is available to a U.S. Holder under the laws of Israel or under the U.S.-Israel Tax Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the U.S. Holder's United States federal income tax liability, whether or not the refund is actually obtained.

For certain non-corporate U.S. Holders, subject to the discussion below under “Passive Foreign Investment Company Rules” (the “PFIC discussion”), for taxable years before January 1, 2011, a dividend paid by us to certain shareholders will be taxed at the preferential tax rates applicable to long-term capital gains if (a) we are a “qualified foreign corporation” (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust and (c) such dividend is paid on our shares that have been held by such U.S. Holder for more than 60 days during the 120-day period beginning 60 days before the “ex-dividend date” (i.e., the first date that a purchaser of such Share will not be entitled to receive such dividend). Generally, we may be considered a “qualified foreign corporation” (a “QFC”) if we are eligible for the benefits of a comprehensive income tax treaty with the United States which includes an information exchange program that the United States Internal Revenue Service (the “IRS”) determines is satisfactory. However, even we are so eligible, we will not be treated as a QFC if we were a PFIC for the taxable year during which we paid a dividend or for the preceding taxable year. See the discussion below as to PFIC status.

Sale or Exchange of Ordinary Shares

U.S. Holders

Subject to the passive foreign investment company rules discussed below, a U.S. Holder that sells or otherwise disposes of Ordinary Shares generally will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount realized on the sale or disposition and the tax basis, determined in U.S. dollars, in the Ordinary Shares. Capital gain of a non-corporate U.S. Holder is generally taxed at a maximum rate of 15% if the Ordinary Shares were held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Non-U.S. Holders

A non-U.S. Holder will not be subject to United States federal income tax on gain recognized on the sale or other disposition of Ordinary Shares unless (i) the gain is “effectively connected” with the non-U.S. Holder’s conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment maintained in the United States (if that is required by an applicable income tax treaty as a condition for subjecting that non-U.S. Holder to United States taxation on a net income basis), or (ii) the non-U.S. Holder is an individual and present in the United States for at least 183 days in the taxable year of the sale and certain other conditions are met. In such cases, a non-U.S. Holder will be taxed in the same manner as a U.S. Holder. A corporate non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate, or at a lower rate if eligible for the benefits of an income tax treaty that provides for a lower rate, on “effectively connected” gains recognized.

Passive Foreign Investment Company Rules

We believe that our Ordinary Shares should not be treated as stock of a passive foreign investment company (a “PFIC”) for United States federal income tax purposes, but such a conclusion is a factual determination made annually and may be subject to change. A U.S. Holder may have less advantageous tax consequences upon the sale, exchange or receipt of dividends with respect to our shares if we are deemed a PFIC, unless such U.S. Holder makes certain elections which may have additional tax consequences.

Generally, a non-United States corporation is deemed to be a PFIC if either (i) 75% or more of its gross income (including the pro rata gross income of any company (United States or non-United States) in which such corporation is considered to own 25% or more of the stock by value) for the taxable year is passive income (generally referred to as the "income test") or (ii) 50% or more of the average value of its assets (including the pro rata value of the assets of any company in which such corporation is considered to own 25% or more of the stock by value) during the taxable year, measured at the end of each quarter, produce, or are held for the production of, passive income in the taxable year (generally referred to as the "asset test").

Based on the active nature of our assets and income, we do not believe that we have been a PFIC for the tax years through and ending on December 31, 2009, and we do not believe that we will be deemed a PFIC for the tax year ending December 31, 2010. However, the statutory provisions, legislative history and administrative pronouncements related to the application of the asset test leave unanswered a number of questions pertaining to the application of the PFIC rules. In addition, there are circumstances both in our control and out of our control that may affect our potential status as a PFIC. For example, sale of non-passive assets in exchange for passive assets (such as cash) may impact the percentage of passive assets in applying the assets test. Fluctuation in the market price of our shares may also impact the application of such test.

While we will attempt to manage our business so as to avoid PFIC status, to the extent consistent with our other business goals, we cannot predict whether our business plans will allow us to avoid PFIC status in the future or whether our business plans will change in a manner that affects our PFIC determination.

Taxation of U.S. Holders of PFIC Shares Generally

If we were deemed to be a PFIC for any taxable year during which a U.S. Holder held our Ordinary Shares and such holder failed to make certain elections, then the following would apply to the U.S. Holder:

- gain recognized by the U.S. Holder upon the disposition of, as well as income recognized upon receiving excess distributions on, our Ordinary Shares would be taxable as ordinary income ("excess distributions" are the portion of any distributions received in a taxable year in excess of 125% of the average annual distributions received in the three preceding taxable years, or, if shorter, during the U.S. Holder's holding period for our Ordinary Shares);
- the U.S. Holder would be required to allocate such excess distribution income and/or disposition gain ratably over such holder's entire holding period for our Ordinary Shares;

- the amount allocated to each year other than the year of the distribution payment or disposition would be subject to tax at the highest individual or corporate tax rate, as applicable, in effect for such other year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax liability for each such other year;
- the U.S. Holder would be required to file an annual return on IRS Form 8621 regarding distributions received on, and gain recognized on dispositions of, our Ordinary Shares; and
- any U.S. Holder who acquired our Ordinary Shares upon the death of a U.S. Holder would not receive a step-up of the income tax basis to the fair market value of such shares. Instead, such U.S. Holder beneficiary would have a tax basis equal to the decedent's basis, if lower.

U.S. HOLDERS OF OUR ORDINARY SHARES (AND/OR OPTIONS TO ACQUIRE OUR ORDINARY SHARES) SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE PFIC RULES, INCLUDING THE POSSIBILITY, AND ADVISABILITY OF, AND THE PROCEDURE AND TIMING FOR MAKING CERTAIN ELECTIONS THAT MIGHT HELP THEM TO AVOID CERTAIN OF THE ADVERSE CONSEQUENCES THAT WOULD RESULT IF WE WERE TO BE DEEMED A PFIC.

Information Reporting and Backup Withholding

U.S. information reporting requirements and backup withholding tax generally will apply to payments to some U.S non-corporate holders of Ordinary Shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Ordinary Shares by a payor within the United States to a holder of Ordinary Shares other than an "exempt recipient," including a corporation and any payee that is not a U.S. Holder that provides an appropriate certification.

A payor within the United States will be required to withhold at the fourth lowest rate of tax applicable to single individual taxpayers (currently 28%) on any payments of dividends on, or proceeds from the sale of, Ordinary Shares within the United States to a holder, other than an "exempt recipient," if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, backup withholding tax requirements.

Israeli Taxation

The following is a summary of the current tax law applicable to companies in Israel, with special reference to its effect on our subsidiaries and us. The following also contains a discussion of specific Israeli tax consequences to our shareholders and government programs from which we, and some of our subsidiaries, benefit. To the extent that the discussion is based on tax legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax authorities in question.

The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

General Corporate Tax Structure

Generally, as of January 1, 2010, Israeli companies are subject to corporate tax at a rate of 25% on taxable income. The effective tax rate payable by a company that derives income from an Approved Enterprise (as further discussed below), however, may be considerably less. Corporate tax rates, which were reduced from a rate of 31% for the 2006 tax year, to a rate of 29% for the 2007 tax year, 27% for the 2008 tax year, 26% for the 2009 tax year and 25% for the 2010 tax year, will further decline to 24% in 2011, 23% in 2012, 22% in 2013, 21% in 2014, 20% in 2015 and 18% in 2016 and thereafter. The difference between the annual changes in the Israeli Consumer Price Index and in the NIS/U.S. Dollar exchange rates causes a difference between taxable income and the income reflected in our financial statements. See Note 12.D to our consolidated financial statements included herein.

Following an additional amendment to the Israeli Income Tax Ordinance (the "Ordinance"), which came into effect on January 1, 2009, an Israeli corporation may elect a 5% rate of corporate tax (instead of 25%) for income from dividend distributions received from a foreign subsidiary which is distributed and used in Israel in 2009, or within one year after actual receipt of the dividend, whichever is later. The 5% tax rate is subject to various conditions, which include, inter alia, conditions with regard to the identity of the corporation that distributes the dividends, the source of the dividend, the nature of the use of the dividend income and the period during which the dividend income will be used in Israel.

Pursuant to the provisions of the Law for Amendment of the Income Tax Ordinance (No. 132), 5762-2002 (the "Reform Law") and the Law for Amendment of the Income Tax Ordinance (No. 147), 5765-2005, for Israeli companies, tax was applied in 2009 at a reduced rate of 25% on capital gains arising after January 1, 2003, instead of the regular corporate tax rate, which will be imposed on such gains as of 2010. In case of the sale of properties purchased before the adoption of the Reform Law, the reduced tax rate will apply only to the portion of the profit that arose after the adoption of the Reform Law, as computed according to the law. Further, the Reform Law states that capital losses carried forward for tax purposes may be offset against capital gains indefinitely. The Reform Law also provides for the possibility to offset capital losses from sale of properties outside Israel against capital gains in Israel.

Besides being subject to the general corporate tax rules in Israel, we have also from time to time applied for and received certain grants and tax benefits from, and participate in, programs sponsored by the Government of Israel, as described below.

Law for the Encouragement of Capital Investments, 1959

The Law for the Encouragement of Capital Investments, 1959 (the "Investment Law") provides that a proposed capital investment in production facilities or other eligible facilities may be designated as an Approved Enterprise. An application to the Investment Center of the Ministry of Industry and Trade (the "Investment Center"), must be submitted to obtain Approved Enterprise status. Each instrument of approval for an Approved Enterprise relates to a specific investment program that is defined both by the financial scope of the investment, including sources of funds, and by the physical characteristics of the facility or other assets.

The tax benefits available under any instrument of approval relate only to taxable profits attributable to the specific program and are contingent upon meeting the criteria set out in the instrument of approval. If a company has more than one approval or only a portion of its capital investments are approved, its effective tax rate is the weighted average of the various applicable tax rates, excluding any tax-exempt income. Subject to applicable provisions concerning income under the alternative package of benefits, if a company with one or more approvals distributes dividends, the dividends are deemed attributable to the entire company. As explained below, following the amendment of the Investment Law which became effective on April, 1, 2005, companies may receive tax benefits under the law without applying for an Approved Enterprise status.

Tax benefits for income from Approved Enterprises approved before April 1, 2005

Before April 1, 2005, an Approved Enterprise was entitled to receive a grant from the Government of Israel or an alternative package of tax benefits, which we refer to as alternative benefits. We have elected to forego the entitlement to grants and have applied for the alternative benefits, under which undistributed income that we generate from our Approved Enterprises will be completely tax-exempt for two years commencing from the year that we first produce taxable income and will be subject to a tax rate of 10% to 25% for an additional five to eight years, depending on the extent of foreign investment in the company. Alternative benefits are available to us until the earlier of (i) seven consecutive years, commencing in the year in which the specific Approved Enterprise first generates taxable income, (ii) twelve years from commencement of production and (iii) fourteen years from the date of approval of the Approved Enterprise status.

Dividends paid out of income generated by an Approved Enterprise (or out of dividends received from a company whose income is generated by an Approved Enterprise) are generally subject to withholding tax at the rate of 15%, or at the lower rate under an applicable tax treaty. This withholding tax is deductible at source by the Approved Enterprise. The 15% tax rate is limited to dividends and distributions out of income derived during the benefits period and actually paid at any time up to twelve years thereafter. We elected the alternative benefits track, and will additionally be subject to pay corporate tax at the rate of 25% in respect of the gross amount of the dividend that we may distribute out of profits which were exempt from corporate tax in accordance with the provisions of the alternative benefits track. If we are also deemed to be a Foreign Investors Company, or FIC (as defined below), and if the FIC is at least 49% owned by non-Israeli residents, the corporate tax rate paid by us in respect of the dividend we may distribute from income derived by our Approved Enterprises during the tax exemption period may be taxed at a lower rate.

Under the Investments Law, a company that has elected the alternative package of benefits is not obligated to distribute retained profits, and may generally decide from which year's profits to declare dividends. As we have elected the alternative benefits package, we are not obligated to attribute any part of dividends that we may distribute to exempt profits, and we may decide from which year's profits to declare dividends. We currently intend to reinvest any income that we may in the future derive from our Approved Enterprise programs and not to distribute the income as a dividend.

If we qualify as an FIC, our Approved Enterprises will be entitled to additional tax benefits. Subject to certain conditions, an FIC is a company with a level of foreign investment of more than 25%. The level of foreign investment is measured as the percentage of rights in the company (in terms of shares, rights to profits, voting and appointment of directors), and of combined share and loan capital, that are owned, directly or indirectly, by persons who are not residents of Israel. The determination as to whether or not a company qualifies as an FIC is made on an annual basis. Such a company will be eligible for an extension of the period during which it is entitled to tax benefits under its Approved Enterprise status (so that the benefit periods may be up to ten years) and for further tax benefits if the level of foreign investment exceeds 49%. If a company that has an Approved Enterprise program is a wholly owned subsidiary of another company, then the percentage of foreign investments is determined based on the percentage of foreign investment in the parent company.

The tax rates and related levels of foreign investments are set forth in the following table:

Percentage of non-Israeli ownership	Tax Rate
Over 25% but less than 49%	25%
49% or more but less than 74%	20%
74% or more but less than 90%	15%
90% or more	10%

The Investment Law also provides that an Approved Enterprise is entitled to accelerated depreciation on its property and equipment that are included in an approved investment program. This benefit is an incentive granted by the Israeli government regardless of whether the alternative benefits program is elected.

The benefits available to an Approved Enterprise are subject to the fulfillment of conditions stipulated in the Investment Law and its regulations and the criteria in the specific certificate of approval, as described above. If a company does not meet these conditions, it would be required to refund the amount of tax benefits, together with consumer price index linkage adjustment and interest. In February 2007 we received a letter from the Investment Center stating that our Approved Enterprise from April 2001 is about to be terminated if we do not submit a final performance report. We have decided not to pursue the completion of this investment plan, as we have not had any tax benefits from it, and we intend to apply for tax benefits pursuant to the amended law as described below, if and when relevant.

Tax benefits under an Amendment that became effective on April 1, 2005

On April 1, 2005, the Investment Law was significantly amended. This amendment applies to new investment programs and investment programs commencing after 2004, and does not apply to investment programs approved prior to December 31, 2004. The amendment provides that terms and benefits included in any certificate of approval that was granted before the amendment came into effect will remain subject to the provisions of the Investment Law as they were on the date of such approval. Furthermore, the Investment Center will continue to grant Approved Enterprise status to qualifying investments. However, the amendment limits the scope of enterprises that may be approved by the Investment Center by setting criteria for the approval of a facility as an Approved Enterprise, such as provisions generally requiring that at least 25% of the Approved Enterprise's income will be derived from export.

The amendment provides that Approved Enterprise status will only be necessary for receiving cash grants. As a result, it is no longer necessary for a company to acquire Approved Enterprise status in order to receive the tax benefits previously available under the alternative benefits provisions. Rather, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set out by the amendment. Companies are entitled to approach the Israeli Tax Authority for a pre-ruling regarding their eligibility for benefits under the amendment.

Tax benefits are available under the amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of their business income from export to specific markets with a population of at least 12 million. In order to receive the tax benefits, the amendment states that the company must make an investment that meets all the conditions set out in the amendment for tax benefits and exceeds a minimum amount specified in the Investment Law. Such investment allows the company to receive a Benefited Enterprise status, and may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to the Benefited Enterprise. Where the company requests to have the tax benefits apply to an expansion of existing facilities, only the expansion will be considered to be a Benefited Enterprise and the company's effective tax rate will be the weighted average of the applicable rates. In this case, the minimum investment required in order to qualify as a Benefited Enterprise is required to exceed a certain percentage of the value of the company's production assets before the expansion.

The extent of the tax benefits available under the amendment to qualifying income of a Benefited Enterprise are determined, inter alia, by the geographic location of the Benefited Enterprise. The location will also determine the period for which tax benefits are available.

Dividends paid out of income derived by a Benefited Enterprise will be treated similarly to payment of dividends by an Approved Enterprise under the alternative benefits track. Therefore, dividends paid out of income derived by a Benefited Enterprise (or out of dividends received from a company whose income is derived from a Benefited Enterprise) are generally subject to withholding tax at the rate of 15% or such lower rate as may be provided in an applicable tax treaty. The reduced rate of 15% is limited to dividends and distributions out of income derived from a Benefited Enterprise during the benefits period and actually paid at any time up to twelve years thereafter except with respect to an FIC, in which case the 12-year limit does not apply. A company qualifying for tax benefits under the amendment which pays a dividend out of income derived by its Benefited Enterprise during the tax exemption period will be subject to corporate tax in respect of the gross amount of the dividend at the otherwise applicable rate of 25%, or lower in the case of a qualified FIC which is at least 49% owned by non-Israeli residents. The dividend recipient would be subject to tax at the rate of 15% on the amount received which tax would be deducted at source.

As a result of the amendment, tax-exempt income generated under the provisions of the Investments Law, as amended, will subject us to taxes upon distribution of the tax-exempt income to shareholders or liquidation of the company, and we may be required to record a deferred tax liability with respect to such tax-exempt income.

The amendment sets a minimal amount of foreign investment required for a company to be regarded as an FIC.

The benefits available to a Benefited Enterprise are subject to the fulfillment of conditions stipulated in the Investment Law and its regulations. If a company does not meet these conditions, it would be required to refund the amount of tax benefits, together with consumer price index linkage adjustment and interest, or other monetary penalty.

Law for the Encouragement of Industrial Research and Development, 5744-1984

Under the Law for the Encouragement of Industrial Research and Development, 5744 -1984 (the "Research Law") and the regulations promulgated thereunder, research and development programs approved by the Research Committee of the Office of the Chief Scientist (the "Research Committee") are eligible for grants or loans if they meet certain criteria, in return for the payment of royalties from the sale of the product developed in accordance with the program. Once a project is approved, the Office of the Chief Scientist (the "OCS"), will award grants of up to 50% of the project's expenditures in return for royalties, usually at rates between 3% to 5% of sales of products developed with such grants, usually up to up to an aggregate of 100% of the dollar-linked value of the total grants received in respect of such program. Grants received under programs approved after January 1, 1999, are subject to interest at an annual rate of LIBOR for 12 months applicable to dollar deposits, which will accrue annually based on the LIBOR rate published on the first day of each year.

For information regarding restrictions upon, and conditions to, (a) the manufacture outside of Israel of products using technology developed using OCS funding and (b) the transfer of such technology to a non-Israeli entity whether through the direct transfer of the technology or through a transaction involving the company that received such funding, see "Item 5 – Operating and Financial Review and Prospects - Research and development, patents and licenses, etc."

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under specified conditions, a tax deduction for research and development expenditures, including capital expenditures, for the year in which they are incurred. These expenses must relate to scientific research and development projects, and must be approved by the relevant Israeli government ministry, determined by the field of research, and the research and development must be for the promotion or development of the enterprise. Furthermore, the research and development must be for the promotion of the company and carried out by or on behalf of the company seeking such tax deduction. The amount of such deductible expenses, however, is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. Expenditures not approved by the relevant Israeli government ministry, but otherwise qualifying for deduction, are deductible over a three-year period. . However, the amounts of any government grants made available to us are subtracted from the amount of the deductible expenses.

Law for the Encouragement of Industry (Taxes), 5672- 1969

The following preferred corporate tax benefits, among others, are available to "Industrial Companies" (which we believe we qualify as, as described below) under the Law for the Encouragement of Industry (Taxes), 5672-1969 (the "Industry Encouragement Law"):

- Deduction of purchases of know-how, patents and the right to use a patent over an eight year period for tax purposes.
- Deduction, for tax purposes, of expenses related to a public offering on the Tel Aviv Stock Exchange and on recognized stock markets outside of Israel over a three-year period in equal amounts.
- Accelerated depreciation rates on both equipment and buildings.
- The right to elect, under specified conditions, to file a consolidated tax return with additional related Israeli Industrial Companies and an industrial holding company.

Eligibility for Benefits Under Industry Encouragement Law

Eligibility for benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority. Under the law, an "Industrial Company" is defined as a company resident in Israel, at least 90% of the income of which, in any tax year, determined in Israeli currency, exclusive of income from government loans, and specific kinds of passive income such as capital gains, interest and dividends, is derived from an Industrial Enterprise owned by it. An Industrial Enterprise is defined as an enterprise whose major activity in a given tax year is industrial production activity.

We believe that we currently qualify as an Industrial Company within the definition under the Industry Encouragement Law. No assurance can be given that we will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Capital Gains Tax

Israeli law generally imposes a capital gains tax on the sale of capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares in Israeli companies, by both residents and non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. The law distinguishes between the "Real Gain" and the "Inflationary Surplus". The Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset's purchase price which is attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The Real Gain is the excess of the total capital gain over the Inflationary Surplus.

As of January 1, 2006, an individual is subject to a 20% tax rate on real capital gains derived from the sale of shares, as long as the individual has not demanded a deduction of interest and linkage differences in connection with the purchase and holding of the securities; and as long as the individual is not considered a "substantial shareholder" of the company issuing the shares, meaning a shareholder who holds directly or indirectly, including with others, at least 10% of any means of control in the issuer. A substantial shareholder (or a shareholder who has demanded a deduction of interest and linkage differences) will be subject to tax at a rate of 25% on real capital gains derived from the sale of shares issued by the company. The determination of whether the individual is a substantial shareholder will be made on the date that the securities are sold. In addition, the individual will be deemed to be a substantial shareholder if at any time during the twelve months preceding this date he or she had been a substantial shareholder. Israeli companies are subject to the corporate tax rate on capital gains derived from the sale of shares, unless such companies were not subject to the Income Tax Law (Adjustment for Inflation) 1985 (the "Adjustments Law") (or certain regulations) at the time of publication of the aforementioned Law for Amendment of the Income Tax Ordinance (No. 147), 5765-2005 that came into effect on January 1, 2006, in which case the applicable tax rate is 25%. The foregoing tax rates, however, will not apply to (i) dealers in securities; and (ii) shareholders who acquired their shares prior to an initial public offering (which shares may be subject to a different tax arrangement).

The tax basis of shares acquired prior to January 1, 2003 will be determined in accordance with the average closing share price in the three trading days preceding January 1, 2003. However, a request may be made to the tax authorities to consider the actual adjusted cost of the shares as the tax basis if it is higher than such average price.

However, according to the tax reform legislation, non-residents of Israel are exempt from any capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock exchange or regulated market outside of Israel (including from the sale of our Ordinary Shares), provided however that (i) such capital gains are not derived through a permanent establishment in Israel; (ii) such shareholders are not subject to the Adjustments Law; (iii) such shareholders did not acquire their shares prior to an initial public offering; and (iv) so long as our Ordinary Shares remain listed for trading as described above. However, non-Israeli corporations holding our Ordinary Shares will not be entitled to such exemption if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In some instances where our shareholders may be liable to Israeli tax on the sale of their Ordinary Shares, the payment of the consideration may be subject to the withholding of Israeli tax at the source.

U.S.-Israel Tax Treaty

Pursuant to the Convention Between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income, as amended (the "U.S.-Israel Tax Treaty"), the sale, exchange or disposition of Ordinary Shares by a person who (i) holds the Ordinary Shares as a capital asset; (ii) qualifies as a resident of the United States within the meaning of the U.S.-Israel Tax Treaty; and (iii) is entitled to claim the benefits afforded to such resident by the U.S.-Israel Tax Treaty (called a "Treaty U.S. Resident") will generally not be subject to Israeli capital gains tax. Such exemption will not apply if (i) such Treaty U.S. Resident is an individual and was present in Israel for more than 183 days during the relevant taxable year or (ii) such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting power of our company during any part of the 12-month period preceding such sale, exchange or disposition, subject to certain conditions, or (iii) the capital gains from such sale, exchange or disposition can be allocated to a permanent establishment in Israel. In such case, a sale, exchange or disposition of Ordinary Shares would be subject to Israeli capital gains tax, to the extent applicable; however, under the U.S.-Israel Tax Treaty, such Treaty U.S. Resident would be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to U.S. state or local taxes.

Israeli Taxation of Non-Residents

Non-residents of Israel, including corporations, will generally be exempt from any Israeli capital gains tax derived from the sale of our Ordinary Shares so long as (i) the gains are not derived through a permanent establishment that the non-resident maintains in Israel, (ii) the shares remain listed for trading on a designated stock market and (iii) the shares were purchased after being listed on the designated stock market. These provisions dealing with capital gains are not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income. However, non-Israeli corporations holding our Ordinary Shares will not be entitled to the foregoing exemptions if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary of or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In addition, pursuant to the U.S.-Israel Tax Treaty, the rules (including the limitations) described above under the heading "U.S.-Israel Tax Treaty" govern the sale, exchange or disposition of Ordinary Shares by a person who (i) holds the Ordinary Shares as a capital asset; (ii) qualifies as a resident of the United States within the meaning of the U.S.-Israel Tax Treaty; and (iii) who is a Treaty U.S. Resident.

Non-residents of Israel are subject to income tax on income accrued or derived from sources in Israel. These sources of income include passive income, such as dividends, royalties and interest, as well as non-passive income from services rendered in Israel. On distribution of dividends other than bonus shares or stock dividends, income tax is withheld at the source at the following rates: (i) 20% for dividends paid to an individual or foreign corporation who is not a substantial shareholder; (ii) 25% for dividends paid to a substantial shareholder at any time during the 12-month period preceding such distribution, unless a different rate is provided in a treaty between Israel and the shareholder's country of residence; and (iii) 15% for dividends generated by an Approved Enterprise or Benefited Enterprise, unless in each case a different rate is provided in a treaty between Israel and shareholder's country of residence. Under the U.S.-Israel Tax Treaty, the maximum tax on dividends paid to a holder of Ordinary Shares who is a Treaty U.S. Resident is 25%. The maximum tax rate on dividends not generated by an Approved Enterprise paid to a U.S. corporation holding at least 10% of our issued voting power during the part of the tax year which precedes the date of payment of the dividend and during the whole of its prior tax year, is generally 12.5%.

A non-resident of Israel who receives dividends from which tax was withheld is generally exempt from the duty to file returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer, and the taxpayer has no other taxable sources of income in Israel.

Documents on Display

We are required to file reports and other information with the SEC under the Exchange Act and the regulations thereunder applicable to foreign private issuers. Reports and other information filed by us with the SEC may be inspected and copied at the SEC's public reference facilities described below. Although as a foreign private issuer we are not required to file periodic information as frequently or as promptly as United States companies, we generally do publicly announce our quarterly and year-end results promptly and file periodic information with the SEC under cover of Form 6-K. As a foreign private issuer, we are also exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting, short-swing profit and other provisions of Section 16 of the Exchange Act and the rules promulgated thereunder.

This annual report and the exhibits thereto, are available for inspection and copying at the public reference facilities of the SEC located at 100 F Street N.W., Washington, D.C. 20549, and the SEC's regional offices located in New York, New York and Chicago, Illinois. Copies of all or any part of the annual report or other filings may be obtained from these offices after payment of fees required by the SEC. Please call the SEC at 1-800-SEC-0330 for further information. The Exchange Act file number for our SEC filing is 000-27974.

The SEC also maintains a website at <http://www.sec.gov> from which certain filings may be accessed.

All documents referenced herein concerning us are archived and may also be inspected at our head offices located at 11 Gush Etzion Street, Givat Shmuel, Israel. Information about us is also available on our website at <http://www.cimatron.com>. Such information is not part of this annual report.

Item 11. Quantitative and Qualitative Disclosures About Market Risks.

We are exposed to market risks from changes in foreign currency exchange rates and interest rates, which could impact our results of operations and financial condition. We seek to manage the exposure to these market risks through our regular operating and financing activities and through the use of foreign currency exchange contracts and other financial instruments.

All of such financial instruments are managed and controlled under a program of risk management in accordance with established policies. These policies are reviewed and approved by our board of directors. Our treasury operations are subject to an internal audit on a regular basis.

As of December 31, 2009 we had currency exchange forward transactions to sell \$5.2 million for a total amount of NIS 20.6 until December 31, 2010. As of March 31, 2010, we had currency exchange forward transactions to sell \$3.54 million for a total amount of NIS 13.9 million until December 31, 2010.

Interest Rate Risks

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We have not used derivative financial instruments in our investment portfolio. As of December 31, 2009, we had financial assets totaling approximately \$6.7 million, comprised of cash and bank deposits, all of which may be considered fixed rate financial assets. Given the current low interest rates in the financial markets, assuming a 10% interest rate decrease, the net decrease in our earnings would be negligible, holding other variables constant.

In addition, under the two credit lines that we obtained prior to the closing of our merger with Gibbs, the annual interest rates on outstanding principal amounts may vary from Libor + 0.9% to Libor + 1.2%. As of March 31, 2010, there were no outstanding amounts drawn thereunder. Given the current global financial crisis, there is no assurance that if and when we would need to draw upon these credit lines, the banks from which we obtained the credit lines would agree to provide to us any credit without further covenants or guarantees, or that they would agree to provide us any credit at all.

Currency Exchange Rate Risks

Our operating and pricing strategies take into account changes in exchange rates over time. However, there can be no assurance that future fluctuations in the value of foreign currencies will not have a material adverse effect on our business, operating results or financial condition. Since the beginning of 2000, we have been using financial instruments to hedge the following foreign currency exposure risks:

Our Subsidiaries - We operate internationally and our subsidiaries in Germany and Italy conduct their respective operations in Euros. This exposes us to market risk from changes in foreign exchange rates to the extent that the functional currency of our subsidiaries will decline in value as compared to the U.S. dollar, resulting in a foreign currency exchange rate loss. Assuming an adverse 20% foreign exchange rate fluctuation, we would experience exchange rate losses of approximately \$884,000.

Our Providers - Commencing on June 1, 2000 we initiated a Euro denominated price list for all of our Providers in countries whose currency is linked to the Euro. Our revenues from these Providers are therefore exposed to exchange rate differences between the Euro and the United States dollar. Assuming an adverse 20% foreign exchange rate fluctuation, we would experience exchange rate losses from these Providers of approximately \$108,000.

In the period from January 1, 2010 through May 31, 2010, the Euro depreciated relative to the U.S. dollar by approximately 14% due to the ongoing financial crisis in various countries of the European Union. A continuation of such trend would have an adverse impact on our U.S. dollar denominated financial results. See "Item 3 - Risk Factors" - for a discussion of the risks to us arising from this possibility.

Because of our international operations, changes in exchange rates against the U.S. dollar have and could continue to have a significant effect on our results of operations. In addition, local economic conditions or currency fluctuations could cause customers to decrease or cancel orders or default on payment.

Expenses in New Israeli Shekels

The cost of our Israel operations, as expressed in U.S. dollars, is influenced by the extent to which any increase in the rate of inflation in Israel is not offset (or is offset on a lagging basis) by a devaluation of the NIS in relation to the U.S. dollar. The inflation rate in Israel was 3.9%, 3.8% and 3.4% in 2009, 2008 and 2007, respectively. The appreciation of the NIS against the U.S. dollar was 0.7%, 1.1 % and 9.0% in 2009, 2008 and 2007, respectively. Assuming a 10% devaluation of the U.S. dollar against the NIS, and assuming a maximum deviation of 1% in inflation, we would experience exchange rate losses of approximately \$0.8 million excluding the effect of our hedging transactions.

A significant portion of our expenditures is employee compensation-related. Salaries are paid in NIS and may be adjusted for changes in the CPI through salary increases or adjustments. This increases salary expenses in U.S. dollar terms. The devaluation / appreciation of the NIS against the U.S. dollar decreases / increases employee compensation expenditures as expressed in dollars proportionally. Some of our other NIS-based expenses are either currently adjusted to U.S. dollars or are adjusted to the CPI.

Item 12. Descriptions of Securities Other than Equity Securities.

Not Applicable

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15T. Controls and Procedures.

(a) *Disclosure Controls and Procedures* - Our management evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of December 31, 2009. Based on their evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures were effective as of December 31, 2009.

(b) *Management's Annual Report on Internal Control Over Financial Reporting* - Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective can only provide reasonable assurance with respect to financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our principal executive and principal financial officers, assessed our internal control over financial reporting as of December 31, 2009. Our management based its assessment on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management has concluded that, as of December 31, 2009, our internal control over financial reporting is effective.

Attestation Report of the Registered Public Accounting Firm - This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

(c) *Changes in Internal Control Over Financial Reporting* - Based on the evaluation conducted by our management, with the participation of our principal executive and principal financial officers, pursuant to Rules 13a-15(d) and 15d-15(d) promulgated under the Exchange Act, our management (including such officers) has concluded that there has been no change in our internal control over financial reporting that occurred during 2009, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert.

Our board of directors has determined that Rami Entin, who serves on the audit committee of our board of directors and who meets the "independence" definition under the Nasdaq Stock Market Listing Rules, qualifies as our "audit committee financial expert," as defined under the rules and regulations of the SEC, as well as our external director with "financial expertise" under the Companies Law.

Item 16B. Code of Ethics.

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Controller and persons performing similar functions, and which complies with the rules promulgated by the SEC. We will provide to any person, without charge, upon request, a copy of the code of ethics and respond to any questions concerning the code. Requests to receive a copy of the code of ethics should be sent to us at our corporate headquarters located at 11 Gush Etzion Street, Givat Shmuel 54030, Israel, Attention: Chief Financial Officer. In addition, we have adopted a code of business conduct that applies to all of our directors, officers and employees, and which complies with the rules of the Nasdaq Capital Market.

The chairman of our audit committee may approve a request by our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, Controller or any person performing similar functions for a waiver from the requirements of our code of ethics pertaining to (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationship; (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we must file with, or submit to, the SEC and in other public communications made by us; (iii) compliance with applicable governmental laws, rules and regulations; (iv) the prompt internal reporting of violation of the code of ethics to the chairman of our audit committee; and (v) accountability for adherence to the code of ethics; provided in each case that the person requesting such waiver provides to our audit committee a full disclosure of the particular circumstances relating to such request. The chairman of our audit committee will first determine whether a waiver of the relevant requirements of the code of ethics is required and, if such waiver is required, whether a waiver will be granted. The person requesting such waiver may be required to agree to certain conditions before a waiver or a continuing waiver is granted.

Any amendments to the code of ethics and all waivers from compliance with the code of ethics granted to the persons subject thereto will be publicly disclosed by us as, and to the extent, required by any applicable law, rule and regulations. No such amendment has been adopted, nor waiver provided, by us during the fiscal year ended December 31, 2009.

Item 16C. Principal Accountant Fees and Services.**Audit Fees**

The aggregate fees billed for professional services rendered to us by our principal accountants for the audit of our financial statements in 2008 and 2009 were \$74,000 and \$70,000, respectively.

Audit-Related Fees

We incurred no fees for assurance and related services rendered to us by our principal accountants that were reasonably related to the audit of our financial statements in 2008 and 2009 (aside from the fees included under "Audit Fees" above).

Tax Fees

The aggregate fees billed for professional services rendered to us by our principal accountants for tax compliance, tax advice and tax planning in 2008 and 2009 were \$4,000 and \$5,000, respectively

All Other Fees

In 2008 and 2009, the aggregate fees billed for additional professional services rendered to us by our principal accountants, other than for services described in the above categories, were \$10,000 and \$0, respectively.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Accountants

The audit committee of our board of directors is responsible for the oversight of our independent accountants' work. The audit committee's policy is to pre-approve all audit and non-audit services provided by our independent accountants, Brightman Almagor Zohar & Co., a member of Deloitte Touche Tohmatsu. These services may include audit services, audit-related services, tax services and other services, as described above. Our audit committee sets forth the basis for its pre-approval in detail, listing the particular services or categories of services which are pre-approved, and setting forth a specific budget for such services. Additional services may be pre-approved by the audit committee on an individual basis. Once services have been pre-approved, our independent accountants and management then report to the audit committee on a periodic basis regarding the extent of services actually provided in accordance with the applicable pre-approval, and regarding the fees for the services performed. Such fees for 2008 and 2009 were pre-approved by the audit committee in accordance with these procedures, including a \$5,000 maximum amount that was pre-approved by the audit committee in August 2009 for tax compliance services related to the tax assessment process for our German subsidiary in Germany.

In December 2009, our shareholders approved the engagement of Brightman Almagor Zohar & Co., a member of Deloitte Touche Tohmatsu, as our independent auditors for the fiscal year ended December 31, 2009 and until the next annual shareholder meeting. Such approval followed the pre-approval by our board of directors and audit committee of such engagement (in the case of the audit committee, as described above).

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**Issuer Purchases of Equity Securities⁽¹⁾**

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs
January 2009	20,200	1.04	20,200	753,223
February 2009	9,934	0.97	9,934	743,574
March 2009	4,900	0.81	4,900	739,588
April 2009	18,500	0.84	18,500	724,141
May 2009	19,600	0.90	17,300	706,462
June 2009	29,600	0.90	29,600	679,710
July 2009	6,500	0.84	6,500	674,225
August 2009	11,900	0.86	11,900	663,980
September 2009	18,300	0.92	18,300	647,188
October 2009	11,450	1.11	11,450	634,502
November 2009	10,404	1.16	10,404	622,404
December 2009	300	1.20	300	622,044
Total	161,588	0.94	161,588	

(1) On June 4, 2008 we announced that our board of directors had approved the use of up to \$1 million of our available cash to repurchase our Ordinary Shares. Under the repurchase program, share purchases may be made from time to time at the discretion of management in the open market or in privately negotiated transactions depending on market conditions, share price, trading volume and other factors. Such purchases will be made in accordance with the requirements of U.S. securities laws. For portions of the authorized repurchase amount, we have entered into plans that are compliant with Rule 10b5-1 and Rule 10b-18 under the Exchange Act that are designed to facilitate such purchases. The repurchase program has no time limit, does not require us to acquire a specific number of shares, and may be suspended from time to time or discontinued.

Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.*Nasdaq Listing Requirements*

Nasdaq rules enable foreign private issuers, such as us, to comply with the prevalent practice in our jurisdiction of incorporation in place of certain Nasdaq listing requirements. To the extent that we choose to do so, we are required to disclose in our annual reports filed with the SEC each Nasdaq listing requirement that we do not follow and describe the home country practice that we follow in lieu of such requirement.

We have chosen not to comply with Nasdaq Listing Rules 5605(e)(2) (requiring companies to adopt a formal written charter or board resolution addressing the company's nominations process), 5605(b)(1) (requiring a majority of the board of directors to be comprised of independent directors) and 5605(b)(2) (requiring regularly scheduled meetings of a listed company's independent directors). Under Israeli law, the board nominations process is conducted by the full board of directors. Similarly, under Israeli law, all matters that are subject to the approval of a company's board of directors are discussed by the full board of directors. Furthermore, under Israeli law, the board of directors needs to include external directors (as described in "Item 6- Directors, Senior Management and Employees- Board of Directors- External Directors") but independent or external directors do not need to comprise a majority of the board. In addition, we do not intend to comply (if and when the events underlying such rule become relevant) with the Nasdaq listing requirement for shareholder approval for the establishment of, and amendments to, stock option or purchase plans (Nasdaq Listing Rule 5635(c)), which matter is not subject to shareholder approval under Israeli law and practice.

We have also chosen to follow our home country practice in lieu of compliance with Nasdaq Listing Rule 5605(d), which requires that the compensation of the chief executive officer and all other executive officers of our company be determined, or recommended to the board for determination, either by a majority of the independent directors, or by a compensation committee comprised solely of independent directors. Under the Companies Law, the compensation of such officers is determined by the full board of directors, and there is no requirement for a recommendation or determination by independent directors or a compensation committee. If the chief executive officer or any other executive officer is also a director, then the Companies Law requires that the terms of compensation of the officer must be approved by the audit committee, board of directors and shareholders of a company and that the officer may not be present when the audit committee or board of directors discusses or acts upon the terms of his or her compensation.

As a foreign private issuer we are also entitled to follow our home country practice in lieu of compliance with the Nasdaq rule that requires disclosure of the compensation of our directors and members of our administrative, supervisory or management bodies. Since under the Companies Law such disclosure is not required on an individual basis, the compensation of our executive officers is provided on an aggregate basis.

PART III

Item 17. Financial Statements

We have elected to provide financial statements and related information pursuant to Item 18.

Item 18. Financial Statements

See pages F-1 through F-32 appended hereto.

Item 19. Exhibits

- 1.1 Amended and Restated Articles of Association of Cimatron Ltd.*
- 4.1 Services Agreement by and between Cimatron Ltd and DBSI Investments Ltd. ("DBSI"), as assigned to DBSI by Zeevi Computers and Technology Ltd.**
- 4.2 Registration Rights Agreement, dated June 3, 2007, by and among Cimatron Ltd., 3Kotek 2 B.V. (as successor in interest to Koonras Technologies Ltd.) and DBSI Investments Ltd.***
- 4.3 Registration Rights Agreement, dated December 31, 2007, by and between Cimatron Ltd. and William F. Gibbs.****
- 4.4 Employment Agreement, dated as of January 2, 2008, by and between William F. Gibbs and Cimatron Gibbs LLC (formerly known as Nortamic LLC).*****
- 8.1 List of Cimatron Ltd. Subsidiaries.
- 12.1 Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Exchange Act.
- 12.2 Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Exchange Act.
- 13 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 Consent of Brightman Almagor Zohar & Co., Certified Public Accountants, a member of Deloitte Touche Tohmatsu
- 15.2 Consent of Lucas, Horsfall, Murphy & Pindroh, LLP
- * Incorporated by reference to Exhibit A to our Proxy Statement for our 2006 Annual General Meeting of Shareholders, included in our Current Report on Form 6-K, filed with the SEC on November 22, 2006.
- ** Incorporated by reference to our Registration Statement on Form F-1, File No. 333-1484, as amended, filed with the SEC on February 16, 1996.
- *** Incorporated by reference to Exhibit 4.2 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed with the SEC on June 28, 2007 (File No. 0-27974).
- **** Incorporated by reference to Exhibit 4.2.3 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed with the SEC on June 30, 2008 (File No. 0-27974).
- ***** Incorporated by reference to Exhibit 4.2.5 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed with the SEC on June 30, 2008 (File No. 0-27974).

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CIMATRON LTD.By: /s/ Dan Haran

Name: Dan Haran

Title: President and Chief Executive Officer

Date: June 28, 2010

CIMATRON LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009

CIMATRON LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Shareholders of
Cimatron Ltd.**

We have audited the accompanying consolidated balance sheets of Cimatron Ltd (the "Company") and its subsidiaries as of December 31, 2009 and 2008 and the related statements of operations, shareholders' equity and comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiary, which statement reflect total assets constituting approximately 8% and 7% of consolidated total assets as of December 31, 2009 and 2008, respectively, and total revenues constituting approximately 28% and 24% of consolidated total revenues for the years ended December 31, 2009 and 2008. Those statements were audited by other auditor, whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the abovementioned subsidiary, is based solely on the report of the other auditor.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and report of the other auditor, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2009 and 2008 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

/s/ Brightman Almagor Zohar & Co.
Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tohmatsu

Tel-Aviv, Israel
March 25, 2010

CIMATRON LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	<u>Note</u>	<u>December 31,</u>	
		<u>2 0 0 9</u>	<u>2 0 0 8</u>
ASSETS			
Current assets			
Cash and cash equivalents		\$ 6,684	\$ 5,727
Trade accounts receivable, net of allowance for doubtful accounts of \$1,404 and \$1,319 as of December 31, 2009 and 2008 respectively	4	5,422	7,108
Other accounts receivable and prepaid expenses	5	3,111	2,515
Inventory		197	182
Total current assets		<u>15,414</u>	<u>15,532</u>
Deposits with insurance companies and severance pay funds	9	<u>2,935</u>	<u>2,719</u>
Property and equipment	6		
Cost		9,725	9,454
Less - accumulated depreciation		8,679	8,142
Property and equipment, net		<u>1,046</u>	<u>1,312</u>
Other assets			
Software development costs, net	7	40	79
Goodwill, net		8,910	8,910
Other Intangible Assets		4,335	5,318
Total other assets		<u>13,285</u>	<u>14,307</u>
Total assets		<u><u>32,680</u></u>	<u><u>33,870</u></u>

The accompanying notes are an integral part of the financial statements

CIMATRON LIMITED**CONSOLIDATED BALANCE SHEETS**
(in thousands, except share data) (cont)

	Note	December 31,	
		2009	2008
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term bank credit		456	155
Related parties		138	131
Trade payables		1,064	1,865
Other liabilities and accrued expenses	8	6,853	7,217
Deferred revenues		2,397	2,348
Total current liabilities		<u>10,908</u>	<u>11,716</u>
Long-term liabilities			
Accrued severance pay	9	4,104	3,933
Long term loan		204	293
Deferred tax liability		1,365	1,729
		<u>5,673</u>	<u>5,955</u>
Contingent liabilities and commitments	10	-	-
Shareholders' equity			
Cimatron Ltd. Shareholders' equity:			
<u>Share capital:</u>	11		
Ordinary shares of NIS 0.10 par value (Authorized -19,950,000 shares, issued and outstanding - 9,560,698 shares at December 31, 2009 and 9,560,698 at December 31, 2008)		304	304
Additional paid-in capital and other capital surplus		18,204	18,131
Accumulated deficit		(1,894)	(1,908)
<u>Accumulated other comprehensive loss:</u>			
Foreign currency translation adjustments		(158)	(249)
Unrealized gain on derivative instruments		233	314
		<u>16,689</u>	<u>16,592</u>
Treasury stock, at cost; 475,410 and 313,822 shares at December 31, 2009 and 2008 respectively		(542)	(389)
Total Cimatron Ltd. shareholders' equity		<u>16,147</u>	<u>16,203</u>
Noncontrolling interest		(48)	(4)
Total equity		<u>16,099</u>	<u>16,199</u>
Total liabilities and shareholders' equity		<u>32,680</u>	<u>33,870</u>

The accompanying notes are an integral part of the financial statements.

CIMATRON LIMITED**CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)**

	Note	Year ended December 31,		
		2009	2008	2007
Revenues:				
Products	14a	\$ 13,191	\$ 20,066	\$ 14,331
Maintenance and Services		19,766	20,909	14,309
Total		<u>32,957</u>	<u>40,975</u>	<u>28,640</u>
Cost of revenues	14b			
Products		4,567	5,725	3,867
Services		1,619	2,044	1,573
Total		<u>6,186</u>	<u>7,769</u>	<u>5,440</u>
Gross profit		26,771	33,206	23,200
Research and development expenses, net		5,736	6,930	4,281
Selling, general and administrative expenses	14c	<u>21,992</u>	<u>25,750</u>	<u>17,243</u>
Operating income (loss)		(957)	526	1,676
Financial income (expenses), net		19	(80)	353
Company's equity in results of affiliated company		-	-	(52)
Other expenses		<u>(41)</u>	<u>-</u>	<u>(3)</u>
Income (loss) before income taxes		(979)	446	1,974
Income taxes	12	<u>949</u>	<u>237</u>	<u>-</u>
Net income (loss) after income taxes		(30)	683	1,974
Less: Net loss (gain) attributable to the noncontrolling interest		<u>44</u>	<u>41</u>	<u>(51)</u>
Net income attributable to Cimatron's shareholders		<u>\$ 14</u>	<u>\$ 724</u>	<u>\$ 1,923</u>
Net Income per share (basic and diluted)		<u>\$ 0.00</u>	<u>\$ 0.08</u>	<u>\$ 0.24</u>
Weighted average number of shares outstanding				
Basic earnings per share		<u>9,156</u>	<u>9,341</u>	<u>7,866</u>
Diluted earnings per share		<u>9,156</u>	<u>9,360</u>	<u>7,910</u>

The accompanying notes are an integral part of the financial statements.

CIMATRON LIMITED**STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**
(in thousands)

	<u>Non- controlling interest</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Retained earnings (accumulated deficit)</u>	<u>Treasury stock</u>	<u>Comprehensive income (loss)</u>	<u>Total shareholders' equity</u>
Total comprehensive income							<u>\$ 863</u>	
Balance at January 1, 2007	<u>\$ (24)</u>	<u>\$ 264</u>	<u>\$ 13,521</u>	<u>\$ (593)</u>	<u>\$ (4,188)</u>	<u>\$ (159)</u>		<u>\$ 8,821</u>
Changes during the year ended								
December 31, 2007:								
Net Income	51				1,923		1,974	1,974
Adjustment for the cumulative effect of prior years Adoption of Interpretation 48					(367)			(367)
Unrealized gain on available-for-sale securities				121			121	121
Unrealized loss on derivative instruments				(131)			(131)	(131)
Foreign currency translation adjustment	36			345			381	381
Exercise of stock options		1	113					114
Stock option compensation			120					120
Total comprehensive income							<u>2,345</u>	
Balance at December 31, 2007	<u>63</u>	<u>265</u>	<u>13,754</u>	<u>(258)</u>	<u>(2,632)</u>	<u>(159)</u>		<u>11,033</u>
Changes during the year ended								
December 31, 2008:								
Net Income (loss)	(41)				724		683	683
Issuance of shares		39	4,248					4,287
Investment in treasury stock						(230)		(230)
Unrealized gain on available-for-sale securities				88			88	88
Unrealized gain on derivative instruments				314			314	314
Foreign currency translation adjustment	(26)			(79)			(105)	(105)
Exercise of stock options			14					14
Stock option compensation			115					115
Total comprehensive income							<u>980</u>	
Balance at December 31, 2008	<u>(4)</u>	<u>304</u>	<u>18,131</u>	<u>65</u>	<u>(1,908)</u>	<u>(389)</u>		<u>16,199</u>

CIMATRON LIMITED**STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**
(in thousands)

	<u>Non- controlling interest</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Retained earnings (accumulated deficit)</u>	<u>Treasury stock</u>	<u>Comprehensive income (loss)</u>	<u>Total shareholders' equity</u>
Changes during the year ended								
December 31, 2009:								
Net Income (loss)		(44)			14		(30)	(30)
Investment in treasury stock						(153)		(153)
Unrealized loss on derivative instruments				(81)			(81)	(81)
Foreign currency translation adjustment				91			91	91
Stock option compensation			73					73
Total comprehensive income							<u>\$ (20)</u>	
Balance at December 31, 2009	<u>\$ (48)</u>	<u>\$ 304</u>	<u>\$ 18,204</u>	<u>\$ 75</u>	<u>\$ (1,894)</u>	<u>\$ (542)</u>		<u>\$ 16,099</u>

CIMATRON LIMITED**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(in thousands)

	Year ended December 31,		
	2009	2008	2007
CASH FLOWS - OPERATING ACTIVITIES			
Net (loss) Income	\$ (30)	\$ 683	\$ 1,974
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,575	1,584	891
Increase (decrease) in accrued severance pay	138	4	(210)
Gain from sale of property and equipment, net	-	(3)	-
Stock options compensation	73	115	120
Loss on disposal of closure of sites	43	-	-
Company's equity in results of affiliated company	-	-	51
Deferred taxes, net	(984)	(359)	(125)
Changes in assets and liabilities:			
Decrease in accounts receivable and prepaid expenses	1,854	2,475	20
Decrease (increase) in inventory	(15)	26	18
Decrease (increase) in deposits with insurance companies and severance pay fund	(216)	(16)	89
Increase (decrease) in trade payables, accrued expenses and other liabilities	(1,164)	(1,713)	547
Net cash provided by operating activities	1,274	2,796	3,375
CASH FLOWS - INVESTING ACTIVITIES			
Proceeds from sale and redemption of bonds	-	1,245	250
Purchase of property and equipment	(262)	(438)	(555)
Proceeds from sale of property and equipment	-	2	-
Cash disposal related to closure of sites	(46)	-	-
Additional payment for acquisition of subsidiary	-	(1,268)	-
Acquisition of subsidiary, net of cash acquired (Appendix A)	-	(4,761)	301
Net cash used in investing activities	(308)	(5,220)	(4)
CASH FLOWS - FINANCING ACTIVITIES			
Short-term bank credit	301	(637)	204
Long-term bank credit	(104)	4	(9)
Proceeds from issuance of shares upon exercise of options	-	14	114
Investment in treasury stock	(153)	(230)	-
Net cash used in (provided by) financing activities	44	(849)	309
Effect of exchange rate changes on cash	(53)	(26)	(251)
Net increase (decrease) in cash and cash equivalents	1,010	(3,273)	3,680
Cash and cash equivalents at beginning of year	5,727	9,026	5,597
Cash and cash equivalents at end of year	6,684	5,727	\$ 9,026
Supplemental information:			
Cash paid during the year for income taxes	\$ 4	\$ 32	\$ 47

The accompanying notes are an integral part of the financial statements.

CIMATRON LIMITED**APPENDIX TO STATEMENTS OF CASH FLOWS**
(U.S. dollars in thousands)

	<u>Year ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Appendix A - Acquisition of subsidiary, net of cash acquired			
Working capital - excluding cash		(879)	(2,938)
Goodwill		4,035	2,598
Other intangible assets		5,432	968
Property and equipment		158	444
Tax asset		302	-
Investment		-	(771)
		<u>9,048</u>	<u>301</u>
Issuance of shares		(4,287)	-
		<u>\$ (4,761)</u>	<u>\$ 301</u>
Appendix B - Non-cash transactions			
Purchase of property on credit	<u>\$ 10</u>	<u>\$ 5</u>	<u>\$ 28</u>

The accompanying notes are an integral part of the financial statements.

NOTE 1 - GENERAL

Cimatron Ltd. (the "Company" or "Cimatron") designs, develops, manufactures, markets and supports a family of CAD/CAM software solutions for mold, tool and die makers as well as manufacturers of discrete parts. The Cimatron product line includes the CimatronE and GibbsCAM brands with solutions for mold design, die design, electrodes design, 2.5 to 5 axes milling, wire EDM, turn, Mill-turn, rotary milling, multi-task machining, and tombstone machining. Cimatron's subsidiaries and distribution network serve and support customers in the automotive, aerospace, medical, consumer plastics, electronics, and other industries in over 40 countries worldwide.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with U.S. generally accepted accounting principles ("GAAP").

A. Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Financial statements in U.S. dollars

The reporting currency of the Company is the U.S. dollar (the "dollar").

The dollar is the functional currency of the Company and its subsidiaries in the United States and Canada. Transactions and balances originally denominated in dollars are presented at their original amounts. Non-dollar transactions and balances are remeasured into dollars in accordance with the principles set forth in Accounting Standards Codification ("ASC") 830-10 "Foreign Currency Translation" ("ASC 830-10") (formerly: Statement of Financial Accounting Standards ("SFAS") No. 52). All exchange gains and losses from remeasurement of monetary balance sheet items resulting from transactions in non-dollar currencies are recorded in the statement of operations as they arise.

The financial statements of certain subsidiaries whose functional currency is other than the dollar are translated into dollars in accordance with the principles set forth in ASC 830-10 (formerly: "SFAS No. 52"). Assets and liabilities have been translated at year-end exchange rates; results of operations have been translated at average exchange rates. The translation adjustments have been reported as a separate component of shareholders' equity.

C. Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All significant intercompany transactions and balances have been eliminated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**D. Cash and cash equivalents**

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash with original maturities of three months or less.

E. Marketable securities

The Company accounts for its investments in marketable securities in accordance with ASC 320-10, "Accounting for Certain Investments in Debt and Equity Securities" ("ASC 320-10") (formerly: "SFAS No. 115).

Management determines the appropriate classification of the Company's investments in marketable debt securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale.

As of December 31, 2007 all marketable debt securities were designated as available-for-sale and accordingly were stated at fair value, with the unrealized gains and losses reported in shareholders' equity under accumulated other comprehensive income (loss). Realized gains and losses on sales of investments, as determined on a specific identification basis, were included in the consolidated statement of operations. As of December 31, 2009 the Company had no investment in marketable securities.

F. Fair value of financial instruments

The financial instruments of the Company consist mainly of cash and cash equivalents, short-term investments, current accounts receivable, accounts payable and long-term liabilities. In view of their nature, the fair value of the financial instruments included in working capital of the Company is usually identical or close to their carrying amounts.

G. Concentrations of credit risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, and accounts receivable. The Company's cash and cash equivalents are invested primarily in deposits with major banks worldwide. Management believes that the financial institutions that hold the Company's investments are financially sound, and accordingly, minimal credit risk exists with respect to such investments. The Company's trade receivables are derived from sales to customers located primarily in the U.S., Europe, Asia and Israel. The allowance for doubtful accounts is provided with respect to all balances deemed doubtful of collection.

H. Allowance for doubtful accounts

The allowance for doubtful accounts is computed on a specific identification basis for accounts, the collection of which, in management's estimation, is doubtful.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**I. Inventory**

Inventory is presented at the lower of cost or market. Cost is determined by the "first in, first out" method.

J. Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the "straight-line" method, over the estimated useful life of assets, as follows:

Computers and software	3 years
Office furniture and equipment	5- 16.5 years

Leasehold improvements are amortized over the shorter of the life of the relevant lease or the service life of the improvements.

K. Impairment of long-lived assets

The Company regularly reviews whether facts and circumstances exist which indicate that the carrying amount of assets may not be recoverable. The Company assesses the recoverability of the carrying amount of its long-lived assets based on expected undiscounted cash flows. If an asset's carrying amount is determined to be not recoverable, the Company recognizes an impairment loss based upon the difference between the carrying amount and the fair value of such asset, in accordance with ASC 360-10 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("ASC 360-10") (formerly: "SFAS No. 144").

L. Software development costs

The Company capitalizes software development costs in accordance with ASC 985-20 "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" ("ASC 985-20") (formerly: "SFAS No. 86"). Capitalization of software development costs begins upon the establishment of technological feasibility, and continues up to the time at which the software is available for general release to customers. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors including, but not limited to, anticipated future gross product revenue, estimated economic life and changes in software and hardware technology.

Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of a working model and the point at which a product is ready for general release has been insignificant. Therefore, all research and development costs have been expensed.

M. Acquisition-related intangible assets

The Company accounts for its business combinations in accordance with SFAS No. 141 "Business Combinations" ("SFAS No. 141") and the related acquired intangible assets and goodwill in accordance with ASC 350-20 "Goodwill and Other Intangible Assets" ("ASC 350-20") (formerly: "SFAS No. 142"). ASC 805-10 specifies the accounting for business combinations and the criteria for recognizing and reporting intangible assets apart from goodwill.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**M. Acquisition-related intangible assets (cont.)**

Acquisition-related intangible assets result from the Company's acquisitions of businesses accounted for under the purchase method and consist of the value of identifiable intangible assets including developed software products, established workforce and trade names, as well as goodwill. Goodwill is the amount by which the acquisition cost exceeds the fair values of identifiable acquired net assets on the date of purchase. Acquisition-related intangible assets are reported at cost, net of accumulated amortization.

N. Stock-based compensation

The Company applied the provisions of ASC 718-10, "Share-Based Payment" ("ASC 718-10") (formerly: "SFAS No. 123 (Revised)"). ASC 718-10 requires employee share-based equity awards to be accounted for under the fair value method. Accordingly, stock-based compensation is measured at the grant date, based on the fair value of the award.

There were no option grants in 2009. The weighted average assumptions that were used in calculating such values during 2008 and 2007 were based on estimates at the date of grant as follows:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	2.25%	4.75%
Expected life of options	3.25 year	3.19 year
Expected volatility	84%	93%
Expected dividend yield	None	None

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**O. Revenue recognition**

The Company recognizes revenues in accordance with the American Institute of Certified Public Accountants ("AICPA") ASC 985-605-15, "Software Revenue Recognition", as amended (formerly: "Statement of Position "SOP" 97-2").

Revenues from software license fees are recognized when persuasive evidence of an arrangement exists, the software product covered by written agreement or a purchase order signed by the customer has been delivered, the license fees are fixed and determinable and collection of the license fees is considered probable. When software arrangements involve multiple elements the Company allocates revenue to each element based on the relative fair values of the elements. The Company's determination of fair value of each element in multiple element arrangements is based on vendor-specific objective evidence ("VSOE"). The Company limits its assessment of VSOE for each element to the price charged when such element is sold separately.

Service revenues include consulting services and post-contract customer support and training. Consulting revenues are generally recognized on a time and material basis. Software maintenance agreements provide technical customer support and the right to unspecified upgrades on an if-and-when-available basis. Post-contract customer support revenues are recognized ratably over the term of the support period (generally one year) and training and other service revenues are recognized as the related services are provided. Deferred revenues represent mainly amounts received on account of service agreements.

The Company's sales are made pursuant to standard purchase orders, containing payment terms averaging between 30 - 120 days. The Company's arrangements do not substantially include any refund provisions nor are payments subject to milestones. In addition, the Company's arrangements do not substantially contain customer acceptance provisions.

P. Research and development costs

Research and development costs are expensed as incurred.

Q. Deferred income taxes

Deferred income taxes are provided for temporary differences between the assets and liabilities, as measured in the financial statements and for tax purposes, at the tax rates expected to be in effect when these differences reverse, in accordance with ASC 740-10 "Accounting for Income Taxes" ("ASC 740-10") (formerly: "SFAS No. 109").

On January 1, 2007, the Company adopted the provisions of FASB interpretation ASC 740-10, "Accounting for Uncertainty in Income Taxes" (formerly: "FIN No. 48"), an interpretation of ASC 740-10. As a result of this adoption, the Company recognized a charge of \$367 to the beginning balance of the accumulated deficit on the accompanying consolidated balance sheet as of December 31, 2007.

R. Net income (loss) per ordinary share

Basic and diluted net income (loss) per share have been computed in accordance with ASC 260-10 "Earning per Share" (formerly: "SFAS No. 128") using the weighted average number of ordinary shares outstanding during the relevant fiscal year. Basic income (loss) per share excludes any dilutive effect of options and warrants.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**S. Derivative financial instruments**

The Company's primary objective in holding derivative financial instruments is to manage currency market risks. The Company transacts business in various currencies other than the U.S. dollar, primarily the Euro and New Israeli Shekel (the "NIS"). The Company has established balance sheet and forecasted transaction risk management programs to protect against volatility of future cash flows caused by changes in exchange rates. The Company uses currency forward contracts and currency options in these risk management programs. These programs reduce, but do not always entirely eliminate, the impact of currency exchange movements.

In accordance with ASC 815-10, "Accounting for Derivative Instruments and Hedging Activities" (formerly: "SFAS No. 133"), as amended, the Company recognizes all derivative instruments as either assets or liabilities on the balance sheet at fair value. Fair values of currency forward contracts and currency options are based on quoted market prices or pricing models using current market rates. The accounting for gains or losses from changes in fair value of a derivative instrument depends on whether it has been designated and qualifies for hedge accounting as well as on the type of hedging relationship. The criteria for designating a derivative as a hedge include the instrument's effectiveness in risk reduction and one-to-one matching for the derivative instrument to its underlying transaction. Gains and losses on derivatives that are not designated as hedges for accounting purposes are recognized currently in earnings.

The Company's outstanding derivative instruments as of balance sheet dates are included in other receivables and other accrued liabilities.

Currency forward contracts and currency options, which generally expire within 12 months and are used to hedge exposures to variability in expected future foreign-denominated cash flows, are designated as cash flows hedges. For these derivatives, the effective portion of the gain or loss is reported as a component of other comprehensive income in stockholders' equity and is reclassified into earnings in the same period or periods during which the hedged transaction affects earnings, and within the same income statement line item.

The ineffective portion of the gain or loss on the derivative in excess of the cumulative change in the present or future cash flows of the hedged item, if any, is recognized in financial income (expenses) net during the period of change.

The fair value of foreign currency forward contracts and foreign currency options outstanding at December 31, 2009 and 2008 were \$233 and \$314, respectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**T. Recently issued accounting pronouncements**

In June 2009, the FASB issued ASC 105, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". ASC 105 establishes the "FASB Accounting Standards Codification" ("Codification"), and was officially launched on July 1, 2009, for the purpose of serving as the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. In general, the Codification is not expected to change U.S. GAAP. All other accounting literature excluded from the Codification will be considered non-authoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements include the new Codification numbering system along with original references.

In October 2009, the FASB issued "Accounting Standards Update ("ASU") 2009-13 Multiple Deliverable Revenue Arrangements a consensus of EITF" (formerly topic 08-1) an amendment to ASC 605-25. The update provides amendments to the criteria in Subtopic 605-25 for separating consideration in multiple-deliverable arrangements. The amendments in this update establish a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence nor third-party evidence is available. The amendments in this update also will replace the term "fair value" in the revenue allocation guidance with the term "selling price" in order to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant.

The amendments will also eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The relative selling price method allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable's selling price.

The update will be effective for revenue arrangements entered into or modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. The adoption of this standard is not expected to have material impact on the Company's consolidated financial statements.

NOTE 3 - ACQUISITIONS

In January 2008 the Company completed the merger of Gibbs System Inc., ("Gibbs") developer of GibbsCAM®, software for programming CNC machine tools, into Cimatron Gibbs LLC, a wholly owned subsidiary of the Company's US-based subsidiary Cimatron Technologies, Inc. As consideration in the transaction, the Company paid cash in the amount of approximately \$5 million, as well as 1,500,000 newly issued ordinary shares of Cimatron, which represented approximately 16% of its issued and outstanding share capital immediately following the consummation of the merger.

This merger was accounted for in accordance with SFAS No. 141 and ASC 350-20, and the financial results of Gibbs have been included in the Company's financial statements beginning of the merger date.

The purchase price has been allocated on the basis of the estimated fair value of the assets purchased and the liabilities assumed. The excess of the purchase price over the fair value of the net tangible assets acquired has been attributed to intangible assets and goodwill. The purchase price attributed to intangible assets is being amortized over its estimated useful life, which is 5-7 years. In accordance with SFAS No. 141 and ASC 350-20, the amount attributed to goodwill is not amortized, but rather is subject to periodic impairment tests.

The following table summarizes the fair value of assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	852
Property and equipment	158
Other tangible assets	3,093
Other tangible liabilities	<u>(3,670)</u>
Net tangible assets acquired	433
Intangible assets acquired ⁽¹⁾	5,432
Goodwill	4,035
Total purchase price	<u>\$ 9,990</u>

(1) Intangible assets acquired are subject to amortization and include the following:

	Fair value	Estimated useful life (years)
Core technology	4,294	7.3
Brand name	1,138	5.4
	<u>\$ 5,432</u>	

NOTE 3 - ACQUISITIONS (cont.)

In June 2005, the Company completed the acquisition of 27.5% of the share capital of Microsystem Srl, a leading distributor of the Company's CAD/CAM products in Italy, for consideration of \$694. The Company had an option (the "First Call Option") to acquire up to additional 23.5% of Microsystem's share capital until June 30, 2007, for an additional consideration of approximately \$600. The Company exercised its option in June 2007. Upon exercise of the First Call Option the Company had a second option (hereinafter, the "Second Option"), at any time within a thirty day period (the "Second Exercise Period") starting at the expiration of twelve months from the exercise of the First Call Option to acquire up to the remaining 49% of Microsystem's share capital, for additional consideration of approximately \$1,250. In addition, once the Company exercised the First Call Option, the then-remaining other shareholders of Microsystem had an option to sell to the Company at any time during the Second Exercise Period the remaining 49% of Microsystem's share capital, for consideration of approximately \$1,250. The Company exercised its Second Option in July 2008. In accordance with EITF 00-4, following the exercise of the First Call Option and the increase in Cimatron's holding in Microsystem to 51%, the Company has consolidated 100% of the results of Microsystem starting with the third quarter of 2007.

This acquisition was accounted for in accordance with SFAS No. 141 and ASC 350-20. The purchase price was allocated on the basis of the estimated fair value of the assets purchased and the liabilities assumed. The excess of the purchase price over the fair value of the net tangible assets acquired was attributed to intangible assets and goodwill. The purchase price attributed to intangible assets is being amortized over their estimated useful life, which is approximately 6 years. In accordance with SFAS No. 141 and SFAS No. 142, the purchase price attributed to goodwill is not amortized, but rather is subject to periodic impairment tests.

The following table summarizes the fair value of assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	951
Property and equipment	430
Other tangible assets	3,940
Other tangible liabilities	<u>(6,218)</u>
Net tangible assets acquired	(897)
Intangible assets acquired ⁽¹⁾	764
Goodwill	<u>1,983</u>
Total purchase price	<u>\$ 1,850</u>

(1) Intangible assets acquired are subject to amortization and include the following:

	<u>Fair value</u>	<u>Estimated weighted-average useful life (years)</u>
Customer relationship	475	5
Distribution agreements	280	6
Backlog	<u>9</u>	0.5
	<u>\$ 764</u>	

NOTE 4 - TRADE ACCOUNTS RECEIVABLE

	December 31,	
	<u>2009</u>	<u>2008</u>
Accounts receivable	6,826	\$ 8,427
Less - allowance for doubtful accounts	<u>(1,404)</u>	<u>(1,319)</u>
	<u><u>5,422</u></u>	<u><u>\$ 7,108</u></u>

	Year ended December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Allowance for doubtful accounts at beginning of year	\$ 1,319	\$ 1,397	\$ 1,625
Provision	260	110	181
Translation adjustments	(1)	(2)	(11)
Newly consolidated subsidiary	-	-	206
Accounts receivable written off	<u>(174)</u>	<u>(186)</u>	<u>(604)</u>
Allowance for doubtful accounts at end of year	<u><u>\$ 1,404</u></u>	<u><u>\$ 1,319</u></u>	<u><u>\$ 1,397</u></u>

NOTE 5 - OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	<u>2009</u>	<u>2008</u>
Prepaid expenses	\$ 388	\$ 342
Deferred tax asset	1,685	1,087
Derivative instruments	233	314
Government institutions	553	491
Other	<u>252</u>	<u>281</u>
	<u><u>\$ 3,111</u></u>	<u><u>\$ 2,515</u></u>

NOTE 6 - PROPERTY AND EQUIPMENT

	December 31,	
	<u>2009</u>	<u>2008</u>
Cost:		
Computers and software	\$ 6,439	\$ 6,259
Office furniture and equipment	2,530	2,478
Vehicles	159	153
Leasehold improvements	597	564
	<u>9,725</u>	<u>9,454</u>
Accumulated depreciation:		
Computers and software	5,722	5,358
Office furniture and equipment	2,278	2,154
Vehicles	114	78
Leasehold improvements	565	552
	<u>8,679</u>	<u>8,142</u>
Property and equipment, net	<u><u>\$ 1,046</u></u>	<u><u>\$ 1,312</u></u>

NOTE 7 - SOFTWARE DEVELOPMENT COSTS, NET

	December 31,	
	<u>2009</u>	<u>2008</u>
Capitalized software development costs	193	\$ 193
Accumulated amortization	(153)	(114)
	<u>\$ 40</u>	<u>\$ 79</u>

NOTE 8 - ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	<u>2009</u>	<u>2008</u>
Employees and related liabilities	\$ 1,884	\$ 2,490
Accrued expenses	1,345	1,484
Accrued royalties	2,909	2,571
Taxes to government institutions	352	287
Deferred tax liability	363	385
	<u>\$ 6,853</u>	<u>\$ 7,217</u>

NOTE 9 - ACCRUED SEVERANCE PAY (DEPOSITS WITH INSURANCE COMPANIES AND SEVERANCE PAY FUNDS)

Until April 30, 2009 the Company's liability for severance pay in Israel was calculated pursuant to Israeli severance pay law based on the most recent salary of an employee multiplied by the number of years of employment as of the balance sheet date. Starting May 1, 2009, the calculation was changed, based on a certain provision of the Israeli law that allows the Company to recognize the accumulated funds deposited in monthly deposits with severance pay funds and insurance policies as the fulfillment of the Company's liability for severance pay, subject to such monthly deposits being in line with the requirements of said provision of the law.

The Company's liability for all of its employees is funded by monthly deposits with severance pay funds and insurance policies. An accrual is set up for any unfunded amount.

The deposited funds include profits accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds is based on the cash surrender value of the policies.

NOTE 10 - CONTINGENT LIABILITIES AND COMMITMENTS

- A.** In consideration of grants by the Chief Scientist of the Ministry of Industry and Trade of the Government of Israel (the "Chief Scientist"), the Company is obligated to pay the Chief Scientist, in respect of awarded grants, royalties of 3.5% of sales of products developed with funds provided by the Chief Scientist, until the dollar-linked amount of such royalty payments is equal to 100% of the grant payments received by the Company plus Libor interest rate (the Libor interest rate applies to grants received since January 1999). The Company's contingent liability to the Chief Scientist in respect of such grants as of December 31, 2009 is approximately \$684, contingent upon the Company's generating revenues from sales of products developed with funds provided by the Chief Scientist.

- B.** Regarding commitments in respect of the Company's approved enterprises, see Note 12.A.

- C.** In consideration of grants received from the Fund for the Encouragement of Overseas Marketing of the Israeli Government's Ministry of Industry and Trade (the "Fund"), the Company is obligated to pay the Fund royalties amounting to 3% to 4% of the Company's incremental exports, up to a maximum of 100% of the grants received.

The Company's contingent liability to the Fund as of December 31, 2009 is \$558, contingent upon the Company's incremental exports.

- D.** The Company uses technology in respect of which it is obligated to pay annual royalties to third parties, up to an amount of \$1,910, until December 31, 2013.

E. Lease commitments

The premises of the Company and its subsidiaries are leased under various operating lease agreements, which expire on various dates.

Rent expenses for the years ended December 31, 2009, 2008 and 2007 were approximately \$1,180, \$1,097, and \$1,050, respectively.

The Company leases its motor vehicles under cancelable operating lease agreements for periods through 2009. The minimum payment under these operating leases, that would be due upon the cancellation thereof, amounted to \$1,351 as of December 31, 2009.

NOTE 10 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)**E. Lease commitments (cont.)**

Future minimum lease commitments under the Company's operating leases as of December 31, 2009 are as follows:

Year ended December 31,	
2010	1,863
2011	1,840
2012	1,868
2013	1,595
2014 and thereafter	1,630
	<u>\$ 8,796</u>

NOTE 11 - SHAREHOLDERS' EQUITY**A. Share Trading Market**

The Company's shares are traded in the United States and are listed on the Nasdaq Capital Market.

B. Share Option Plans

In April 1998, the Company's Board of Directors adopted a stock option plan (the "1998 Share Option Plan") pursuant to which 620,000 of the Company's Ordinary Shares were reserved for issuance upon the exercise of options to be granted to directors, officers, employees and consultants of the Company. The 1998 Share Option Plan is administered by the Company's Board, which designates the optionees and dates of grant thereunder. The exercise price of an option granted under the 1998 Share Option Plan may be no less than 85% of the fair market value of an Ordinary Share, as determined by the Board on the date that the option is granted. Options granted vest over a period determined by the Board, terminate three years after they become exercisable, and are non-assignable except by the laws of descent. The Board has the authority to amend the terms of option grants, provided that any such amendment is not adverse to the best interest of any grantee affected thereby.

In March 2000, the Board adopted new guidelines for the options to purchase Ordinary Shares reserved for issuance under the 1998 Share Option Plan. Options granted thereunder were henceforth to be exercisable commencing two years after the date of grant at a rate of 50% on the second anniversary of the date of grant and 25% in each of the following two years, subject to the continued employment of each employee/grantee.

In August 2003 the Board approved the grant of options to purchase 150,000 of the Company's shares at a price of \$2.50 per share to two officers of the Company under the 1998 Share Option Plan. These options became exercisable commencing one year after the date of grant at a rate of 25%-33.3% per year, subject to the continued employment of the officers. 12,500 of such options were outstanding at December 31, 2009, at an exercise price of \$2.50 per share. As of December 31, 2009, no other options were outstanding under the 1998 Share Option Plan. In addition, no shares are reserved for future issuances under that plan, as such reserve has been previously transferred into the 2004 Share Option Plan (as defined below).

In October 2004, the Company's Board of Directors adopted an additional share option plan (the "2004 Share Option Plan") pursuant to which 240,000 Ordinary Shares were reserved for issuance upon the exercise of options to be granted to directors, officers, employees and consultants of the Company. The exercise price of an option granted under the 2004 Share Option Plan may be no less than 95% of the fair market value of an Ordinary Share, as determined by the Board on the date that an option is granted. An option granted under the 2004 Share Option Plan may be exercised over a 10-year term unless otherwise determined by the Board. A grantee is responsible for all personal tax consequences of a grant and the exercise thereof.

NOTE 11 - SHAREHOLDERS' EQUITY (cont.)**B. Share Option Plans (cont.)**

In February 2005, 238,500 options, with an exercise price of \$2.20 per share, were granted under the 2004 Share Option Plan to employees of the Company, and in August 2005, the Board of Directors approved the grant of an additional 32,000 options, with an exercise price of \$2.00 per share, to a Company employee, under such plan. 154,572 options from such grants were outstanding at December 31, 2009.

In December 2005, our Board of Directors increased the 2004 Share Option Plan share reserve by an additional 250,000 shares.

In May 2006 an additional 189,000 options, with exercise prices of \$1.75-\$2.00 and with terms of five years, were granted to Company employees under the 2004 Share Option Plan, and in August 2007, an additional 79,000 options, with an exercise price of \$2.78 and with a term of five years, were granted to Company employees under such plan. As of December 31, 2009, 236,084 options from such grants were outstanding.

In January 2008, the Company granted an additional 66,000 options, with an exercise price of \$2.75 and a term of five years, to Company employees, and in April 2008, an additional 2,000 options, also with an exercise price of \$2.75 and a term of five years, were granted to a Company employee under the 2004 Share Option Plan. As of December 31, 2009, an aggregate of 49,500 options from such grants were outstanding. Such options become exercisable pursuant to a three (3) year vesting schedule, as follows: (i) thirty-three percent (33%) of the options become exercisable on the first anniversary of the grant date; and (ii) sixteen and one-half percent (16.5%) of the options become exercisable at the end of each subsequent six month period over the course of the following two (2) years, subject to the continued employment of each employee/grantee.

In November 2007, the Company's Board of Directors approved the transfer of a pool of 618,500 unallocated options from the 1998 Share Option Plan to the 2004 Share Option Plan for future grants.

The Company intends to grant additional options under the 2004 Share Option Plan to various of its directors, executive officers and employees. At December 31, 2009 options to purchase 596,416 of the Company's Ordinary Shares were available under the 2004 Share Option Plan for grants to directors, officers, employees and consultants of the Company.

NOTE 11 - SHAREHOLDERS' EQUITY (cont.)**B. Share Option Plans (cont.)**

A summary of the status of the Company's stock option plans (both the 1998 Share Option Plan and the 2004 Share Option Plan) as of December 31, 2009, 2008 and 2007, and changes during the years ending on those dates, is presented below:

	Year ended December 31,					
	2009		2008		2007	
	(in thousands)					
	Shares underlying options	Weighted average exercise price	Shares underlying options	Weighted average exercise price	Shares underlying options	Weighted average exercise price
Outstanding at beginning of year	469,156	\$ 2.22	443,072	\$ 2.16	472,250	\$ 2.16
Granted	-	-	68,000	\$ 2.75	79,000	\$ 2.71
Exercised	-	-	(6,916)	\$ 1.97	(52,512)	\$ 2.17
Cancelled	(16,500)	\$ 2.32	(35,000)	\$ 2.55	(55,666)	\$ 2.95
Outstanding at year end	<u>452,656</u>	\$ 2.21	<u>469,156</u>	\$ 2.22	<u>443,072</u>	\$ 2.16
Options exercisable at year end	<u>404,739</u>	\$ 2.54	<u>424,167</u>	\$ 2.08	<u>305,417</u>	\$ 2.11
Weighted average fair value of options granted during the year	<u>-</u>		<u>\$ 1.62</u>		<u>\$ 1.72</u>	

NOTE 11 - SHAREHOLDERS' EQUITY (cont.)**B. Share Option Plans (cont.)**

The following table summarizes information about stock options outstanding at December 31, 2009:

<u>Range of exercise prices</u>	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Number of shares underlying outstanding options at December 31, 2009</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Weighted average exercise price</u>	<u>Number of shares underlying exercisable options at December 31, 2009</u>	<u>Weighted average exercise price</u>
\$1.75 - \$2.78	452,656	6.31	\$ 2.21	404,739	\$ 2.54

The following table summarizes information about stock options outstanding at December 31, 2008:

<u>Range of exercise prices</u>	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Number of shares underlying outstanding options at December 31, 2008</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Weighted average exercise price</u>	<u>Number of shares underlying exercisable options at December 31, 2008</u>	<u>Weighted average exercise price</u>
\$1.75 - \$2.78	469,156	7.31	\$ 2.22	424,167	\$ 2.08

NOTE 12 - INCOME TAXES**A. The Law for Encouragement of Capital Investments, 1959**

Commencing in 1994, the Company's operations were granted "approved enterprise" status under the Law for Encouragement of Capital Investments, 1959 (the "Investment Law"). Reduced tax rates applied to the Company's income from the approved enterprise (which was determined based upon the increase in the Company's revenue during the first year of its having the above-mentioned status as compared to the year before).

In April 2001 the Company was granted "approved enterprise" status with respect to additional operations (the Company's fourth approved enterprise), subject to the following terms:

- Tax exemption for 2 years, commencing in the first year in which the Company generated taxable income from its approved enterprise.
- For the remainder of the benefit period - 5 years - a reduced tax rate of 25%.

The period of tax benefits for such approved enterprise of the Company was to expire in 2015 or earlier, depending on when and whether the Company was to generate taxable income from such approved enterprise's operations.

Income derived from sources other than an "approved enterprise" is taxable at the ordinary corporate tax rate of 26% in 2009 ("regular Company Tax"). The regular Company Tax rate is to be reduced to 25% in 2010.

In the event of a distribution of cash dividends to shareholders of earnings subject to the approved enterprise exemption, the Company will be liable for tax at a rate of 25% on such earnings. The Company has not provided deferred taxes on future distributions of tax-exempt earnings, as management and the Board of Directors have determined not to make any distribution that may result in a tax liability for the Company. Accordingly, such earnings have been considered to be permanently reinvested. The tax-exempt earnings may be distributed to shareholders without subjecting the Company to taxes only upon a complete liquidation of the Company.

NOTE 12 - INCOME TAXES (cont.)**A. The Law for Encouragement of Capital Investments, 1959 (cont.)**

The tax benefits and grants described above are subject to fulfillment of the conditions stipulated in the Investment Law, the regulations promulgated thereunder and the criteria set forth in the Company's certificate of approval (for its approved enterprise status). The entitlement to the benefits is subject to completion and final approval by the Israel Investment Center (a division of Israel's Ministry of Industry, Trade and Labor) (the "Investment Center"), such approval being subject to fulfillment of all terms of the approved program. In the event of failure by an enterprise to comply with these conditions, the tax benefits could be cancelled, in whole or in part, and the enterprise would be required to refund the amount of cancelled benefits, including interest.

The completion of the Company's first, second and third approved enterprises have received final approval from the Investment Center.

On April 1, 2005, a significant amendment to the Investment Law became effective. Despite the amendment, any terms and benefits included in any certificate of approval that was granted before the amendment came into effect will remain subject to the provisions of the Investment Law, as in effect on the date of such approval. Pursuant to the amendment, the Investment Center will continue to grant approved enterprise status to qualifying investments. The amendment, however, limits the scope of enterprises that may be approved by the Investment Center by setting criteria for the approval of a facility as an approved enterprise, such as provisions generally requiring that at least 25% of an approved enterprise's income will be derived from export.

In February 2007 the Company received a letter from the Investment Center stating that its approved enterprise status that had been granted in April 2001 was going to be terminated shortly if the Company did not submit a final performance report with respect to the relevant approved enterprise. The Company has decided not to pursue the completion of its investment plan related to such approved enterprise, as it had not had any tax benefits from it, and it intends to apply for tax benefits pursuant to the amended Investment Law as described above, if and when relevant.

B. Current income taxes.

The Company's current income tax liability in 2009, 2008 and 2007, based on its income in such years, is presented in the following table:

	Year ended December 31,		
	2009	2008	2007
Income (loss) before taxes on income:			
Domestic (Israel)	\$ (2,075)	\$ 169	\$ 21
Foreign	1,096	277	2,005
	<u>(979)</u>	<u>446</u>	<u>2,026</u>
Deferred taxes	984	359	22
Current taxes	(35)	(122)	(22)
	<u>949</u>	<u>237</u>	<u>-</u>

NOTE 12 - INCOME TAXES (cont.)**C. Deferred income taxes**

On July 23, 2009, the Economic Efficiency Act (Revised Law for Implementation of the Economic Plan for 2009-2010), 5769-2009 (the "Arrangements Law") was published. Under the Arrangements Law, the Income Tax Ordinance (New Version), 5721-1961 (the "Income Tax Ordinance") was amended such that the 26% and 25% tax rates imposed upon Israeli companies in the years 2009 and 2010, respectively, will be gradually reduced beginning in the 2011 tax year, for which the corporate tax rate will be set at 24%, until the 2016 tax year, for which the corporate tax rate will be set at 18%. The company did not realize any deferred tax income as a result of the amendment to the Income Tax Ordinance.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the deferred tax assets and liabilities of the Company and its subsidiaries are as follows.

	December 31,	
	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
Loss carryforwards	\$ 3,542	\$ 2,822
Deferred revenues	-	765
Other reserve and allowances	<u>93</u>	<u>300</u>
Total deferred tax assets	3,635	3,887
Valuation allowance	<u>(1,950)</u>	<u>(2,800)</u>
	<u>\$ 1,685</u>	<u>\$ 1,087</u>
Deferred tax liabilities:		
Intangible assets	(1,718)	(2,092)
Software development costs	<u>(10)</u>	<u>(22)</u>
Total deferred tax liabilities	<u>(1,728)</u>	<u>(2,114)</u>
Total deferred tax assets (liabilities), net	<u>\$ (43)</u>	<u>\$ (1,027)</u>

The Company has provided valuation allowances in respect of deferred tax assets mainly resulting from net operating loss carry forwards in Israel. Management currently believes that it is more likely than not that those deferred tax assets will not be utilized in the foreseeable future.

NOTE 12 - INCOME TAXES (Cont.)

- D.** Under the Income Tax Law (Adjustments for Inflation) 1985, income for tax purposes was measured in terms of earnings in NIS, adjusted for the changes in the Israeli Consumer Price Index (the "CPI"), until tax year 2007. Such adjustments for inflation were not in effect starting in the tax year 2008. The following table presents a reconciliation of the Company's income taxes calculated at the statutory tax rate in Israel to the actual income tax reported in the Company's financial statements:

	Year ended December 31,		
	2009	2008	2007
Income (loss) before income taxes as reported in the consolidated statements of operations	\$ (979)	\$ 446	\$ 2,026
Income taxes under statutory tax rate	(180)	141	528
Increase (decrease) in taxes:			
Increase (decrease) in valuation allowance	(850)	(1,164)	(716)
Increase in taxes resulting from permanent differences and non deductible expenses	137	387	43
Differences in taxes arising from differences between Israeli currency income and dollar income, net *	(87)	(33)	33
Other	31	432	112
Income taxes in the statements of operations	(949)	(237)	-

* Differences between Israeli currency income and dollar income are based on changes in the Israeli CPI (the basis for computation of taxable income in Israel) and the exchange rate of Israeli currency relative to the dollar.

The Company adopted the provisions of ASC 740-10 on January 1, 2007 (formerly: "FIN 48"). As a result of its implementation, the Company recognized a \$367 increase to reserves for uncertain tax positions. This increase was accounted for as an adjustment to the beginning balance of the accumulated deficit on the accompanying consolidated balance sheet as of December 31, 2007.

The following reconciliation summarizes the Company's total gross unrecognized tax benefits:

	Year ended December 31, 2009
Balance at January 1, 2009	\$ 367
Gross change tax positions of current period	-
Gross change for tax positions of prior year	-
Balance at December 31, 2009	<u>\$ 367</u>

NOTE 12 - INCOME TAXES (cont.)**E. Tax assessments**

The Company has been issued final tax assessments by the Israeli income tax authorities through the tax year ended December 31, 2006.

As of December 31, 2009, the Company's subsidiary in Germany was under tax assessment process for the tax years 2004-2007.

NOTE 13 - TRANSACTIONS WITH RELATED PARTIES

- A.** In February 2002, Koonras Technologies Ltd., a subsidiary of Polar Investments Ltd. ("Koonras") and DBSI Investments Ltd. ("DBSI") consummated a transaction with Zeevi Computers and Technology Ltd. ("ZCT"), whereby they acquired all of the Ordinary Shares of the Company previously held by ZCT. Following the consummation of the sale of 1,700,000 Ordinary Shares from Koonras to DBSI on June 24, 2008, and the related approval by Cimatron's shareholders at such time, DBSI alone will continue to provide to the Company all of the management services that were previously provided to the Company by Koonras and DBSI, and will receive the entire annual management fee.
- B.** The following transactions between the Company, on the one hand, and Koonras and/or DBSI (significant shareholders of the Company), on the other hand, are reflected in the Company's financial statements:

	Year ended December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Management fees	\$ 452	\$ 484	\$ 400

NOTE 14 - SELECTED STATEMENTS OF OPERATIONS DATA**A. Revenues**

A breakdown of the Company's revenues by geographical region and based upon distribution of the Company's products by major distributors is provided below for the years 2009, 2008 and 2007:

	Year ended December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue by geographical region:			
Israel	\$ 954	\$ 1,133	\$ 1,171
Germany	8,232	10,411	9,876
Italy	7,204	10,105	7,384
Rest of Europe	2,358	3,482	1,571
Far East	4,790	5,084	5,243
USA	7,914	9,032	2,718
Rest of North America	1,105	1,084	552
Others	400	644	125
	<u>\$ 32,957</u>	<u>\$ 40,975</u>	<u>\$ 28,640</u>

Revenue through major distributors, as a percentage of total revenues:

Distributor (A)	4%	4%	7%
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B. Cost of revenues

	Year ended December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Hardware and software	\$ 3,488	\$ 4,497	\$ 3,004
Salaries and employee benefits	1,052	1,077	585
Amortization of capitalized software development cost	39	33	39
Royalties to the Chief Scientist	347	464	825
Amortization of other intangible assets	588	588	-
Depreciation	11	27	33
Other	676	1,057	955
	<u>6,201</u>	<u>7,743</u>	<u>5,441</u>
Decrease (increase) in inventory	(15)	26	(1)
	<u>\$ 6,186</u>	<u>\$ 7,769</u>	<u>\$ 5,440</u>

NOTE 14 - SELECTED STATEMENTS OF OPERATIONS DATA (cont.)**C. Selling, general and administrative expenses**

	Year ended December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Marketing costs	\$ 1,190	\$ 1,543	\$ 435
Selling expenses	15,904	18,900	13,512
General and administrative expenses	4,156	4,519	2,919
Amortization of other intangible assets	395	400	95
Depreciation	347	388	282
	<u>\$ 21,992</u>	<u>\$ 25,750</u>	<u>\$ 17,243</u>

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Subsidiaries

ENTITY	PLACE OF INCORPORATION
Cimatron Gibbs LLC*	United States
Cimatron Technologies, Inc.	United States
Cimatron Technologies, Inc.	Canada
Cimatron GmbH	Germany
Microsystem Srl	Italy
Cimatron Japan K.K	Japan
Cimatron Technologies (P) Ltd	India
Cimatron (Beijing) Technology Co. Ltd.	China
Cimatron (Guangzhou) Technology Co. Ltd.**	China
Korea Cimatron Technologies Co. Ltd.	Korea

* Cimatron Gibbs LLC is a wholly owned subsidiary of Cimatron Technologies, Inc. (US) and was incorporated on December 20, 2007 under the name of Nortamic LLC. On January 1, 2008 Gibbs System, Inc. merged with and into Cimatron Gibbs LLC, with Cimatron Gibbs LLC being the surviving entity.

** We hold only 60% of the shares of this joint venture.

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/RULE 15d-14(a) UNDER
THE EXCHANGE ACT**

I, Dan Haran, certify that:

1. I have reviewed this annual report on Form 20-F of Cimatron Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 28, 2010

By /s/ Dan Haran
Dan Haran
President and Chief Executive
Officer

Exhibit 12.2**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/RULE 15d-14(a) UNDER
THE EXCHANGE ACT**

I, Ilan Erez, certify that:

1. I have reviewed this annual report on Form 20-F of Cimatron Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 28, 2010

By /s/ Ilan Erez
Ilan Erez
Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF
FINANCIAL OFFICER****CERTIFICATION PURSUANT TO
RULE 13a-14(b)/RULE 15d-14(b) UNDER THE EXCHANGE ACT
AND 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Cimatron Ltd. (the "Company") on Form 20-F for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Dan Haran, Chief Executive Officer of the Company, and Ilan Erez, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 28, 2010

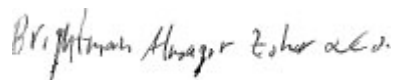
By /s/ Dan Haran
Dan Haran
President and Chief Executive
Officer

By /s/ Ilan Erez
Ilan Erez
Chief
Financial
Officer

EX-15.1 6 exhibit_15-1.htm EXHIBIT 15.1

Exhibit 15.1**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING
FIRM**

We consent to the incorporation by reference in Registration Statements Nos. 333-12458, and 333-140809 on Form S-8 and Nos. 333-161781, on Form F-3, of our report, dated March 25, 2010, relating to the consolidated financial statements of Cimatron Ltd. (the "Company") for the year ended December 31, 2009, appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2009.



Brightman Almagor Zohar & Co.

Certified Public Accountants

A member of Deloitte Touche Tohmatsu

Tel Aviv, Israel

June 28, 2010

EX-15.2 7 exhibit_15-2.htm EXHIBIT 15.2

Exhibit 15.2Lucas, Horsfall, Murphy & Pindroh, LLP

Certified Public Accountants and Business Advisors

June 28, 2010

Brightman Almagor Zohar & Co.
Certified Public Accountants
A member of Deloitte Touche Tohmatsu
Tel Aviv, Israel

We consent to the incorporation by reference in Registration Statements Nos. 333-12458, and 333-140809 on Form S-8, and No. 333-161781, on Form F-3, of our report, dated February 2, 2010, relating to the consolidated financial statements of Cimatron Gibbs, LLC (not presented separately herein) for the year ended December 31, 2009 appearing in this annual report on Form 20-F of Cimatron Ltd.

LUCAS, HORSFALL, MURPHY & PINDROH, LLP

Lucas, Horsfall, Murphy & Pindroh, LLP
Pasadena, California

נספח 2.1

תקנון החברה

PROPOSAL 4**AMENDMENT AND RESTATEMENT OF THE CURRENT ARTICLES OF ASSOCIATION
WITH AMENDED AND RESTATED ARTICLES OF ASSOCIATION**

The Board of Directors has authorized to amend and restate the Company's existing Articles of Association with the Amended and Restated Articles of Association attached hereto as **Exhibit A**. In February 2000 the Israeli Company's Ordinance (New Version)-1983 was replaced by the Israeli Companies Law. Since our existing Articles were approved before the enactment of the Companies Law, they are not always consistent with the new provisions of the new law. In light of the foregoing, the Board has resolved to amend and restate the existing Articles so as to conform the Articles to the Israeli Companies Law.

The affirmative vote of the holders of 75% of the voting power represented and voting at the Meeting in person or by proxy is necessary for the approval of the amendment and restatement of the current Articles of Association of the Company. Consequently, only Ordinary Shares that are voted in favor of the amendments will be counted toward the achievement of such majority. Ordinary Shares present at the Meeting that are not voted or Ordinary Shares present by proxy where the Shareholder properly withheld authority to vote for the amendments (including broker non-votes) will not be counted toward the proposed Resolutions' achievement of a majority.

The Board of Directors recommends a vote FOR the amendment and restatement of the current Articles of Association with the Amended and Restated Articles of Association.

It is proposed that the following Resolution be adopted at the Meeting:

RESOLVED to amend and restate the current Articles of Association of the Company with the Amended and Restated Articles of Association attached hereto as Exhibit A.

IT IS IMPORTANT THAT YOUR PROXY BE RETURNED PROMPTLY BY MAIL. THE PROXY MAY BE REVOKED AT ANY TIME BY YOU BEFORE IT IS EXERCISED. IF YOU ATTEND THE MEETING IN PERSON, YOU MAY WITHDRAW ANY PROXY AND VOTE YOUR OWN ORDINARY SHARES.

By Order of the Board of Directors

Rimon Ben-Shaoul
CHAIRMAN OF THE BOARD OF DIRECTORS

Givat Shmuel, Israel
Date: November 22, 2006

- 8 -

Exhibit A

THE COMPANIES LAW, 5759-1999

A COMPANY LIMITED BY SHARES

AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

CIMATRON LTD.

PRELIMINARY

1. In these Articles, unless the context otherwise requires:

“**Articles**” shall mean the Articles of Association of the Company as shall be in force from time to time.

The “**Board**” shall mean the Company’s board of directors.

The “**Company**” shall mean Cimatron Ltd.

“**External Directors**” shall mean directors appointed and serving in accordance with Sections 239 through 249A of the Law.

The “**Law**” shall mean the Companies Law, 5759-1999, as it may be amended from time to time, and any regulations promulgated thereunder.

“**Memorandum**” shall mean the Company’s memorandum of association as shall be in force from time to time.

The “**Office**” shall mean the registered Office of the Company, as it shall be from time to time.

“**Office Holder**” shall mean every director and every other person included in such definition under the Law, including the executive officers of the Company.

The “**Ordinance**” shall mean the Companies Ordinance (New Version) 1983, as amended, and any regulations promulgated thereunder, that are still in effect from time to time.

“**Seal**” shall mean any of: (1) the rubber stamp of the Company, (2) the facsimile signature of the Company, or (3) the electronic signature of the Company as approved by the Board.

A “**Shareholder**” shall mean any person or entity that is the owner of at least one share, or any fraction thereof, in the Company, in accordance with Section 177 of the Law.

The “**Shareholders Register**” shall mean the Register of Shareholders that is to be kept pursuant to Section 127 of the Law or, if the Company shall keep branch registers, any such branch register, as the case may be.

“**writing**” shall mean handwriting, typewriting, facsimile, print, lithographic printing and any other mode or modes of presenting or reproducing words in visible form.

In these Articles, subject to this Article and unless the context otherwise requires, expressions defined in the Law or any modification thereof in force at the date on which these Articles become binding on the Company, shall have the meaning so defined; and words importing the singular shall include the plural, and vice versa; words importing the masculine gender shall include the feminine; and words importing persons shall include companies, partnerships, associations and all other legal entities. The titles of the Articles or of a chapter containing a number of Articles are not part of the Article.

PUBLIC COMPANY; LIMITED LIABILITY AND COMPANY OBJECTIVES

2. The Company is a public company as such term is defined in Section 1 of the Law. The liability of the Company’s Shareholders is limited and, accordingly, each Shareholder’s responsibility for the Company’s obligations shall be limited to the payment of the nominal value of the shares held by such Shareholder, subject to the provisions of the Articles and the Law.
3. The Company’s objectives are to carry on any business and perform any act which is not prohibited by law. The Company may also make contributions of reasonable sums to worthy purposes even if such contributions are not made on the basis of business considerations.

CAPITAL

4. Share Capital

The share capital of the Company shall consist of NIS 1,995,000 consisting of 19,950,000 Ordinary Shares (the “**Ordinary Shares**”), each having a nominal value of NIS 0.1. The powers, preferences, rights, restrictions, and other matters relating to the Ordinary Shares are as set forth in the Articles.

5. Allotment of Shares

Subject to the Law, the Memorandum and the Articles and to the terms of any resolution creating new shares, (a) the unissued shares from time to time shall be under the control of the Board which may allot, issue or otherwise dispose of the same to such persons, against cash, or for such other consideration which is not cash, with such restrictions and conditions, in excess of their nominal value, at their nominal value, or at a discount to their nominal value and/or with payment of commission, and at such times as the Board shall deem appropriate, and (b) the Board shall have the power to cause the Company to grant to any person the option to acquire from the Company any unissued shares, in each case on such terms as the Board shall deem appropriate.

6. Bearer Shares

The Company shall not issue bearer shares or exchange a share certificate for a bearer share certificate.

7. Special Rights

Subject to the Law, the Memorandum and the Articles, and without prejudice to any special rights previously conferred upon the holders of any existing shares or class of shares, the Company may, from time to time, create shares with such preferential, deferred, qualified or other special rights, privileges, restrictions or conditions, whether in regard to dividends, voting, return of capital or otherwise as may be stipulated in the resolution or other instrument authorizing such new shares.

8. Consolidation and Subdivision; Fractional Shares

With regard to its capital the Company may:

8.1. From time to time, by resolution of its Shareholders subject to the Articles and the Law:

- 8.1.1. Consolidate and divide all or any of its issued or unissued share capital into shares bearing a per share nominal value which is larger than the per share nominal value of its existing shares;
- 8.1.2. Cancel any shares which at the date of the adoption of such resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- 8.1.3. Subdivide its shares (issued or outstanding) or any of them, into shares of smaller per share nominal value than is fixed by these Articles. The resolution pursuant to which any share is subdivided may determine that, as among the holders of the shares resulting from such subdivision, one or more of such shares may, as compared with the others, have special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares;
- 8.1.4. Reduce its share capital in any manner, including with and subject to any incidental authorities and/or consents required by law.

- 8.2. Upon any consolidation or subdivision of shares which may result in fractional shares, the Board may settle any difficulty which may arise with regard thereto, as it deems fit, including, without limitation, by:
- 8.2.1. Allotting, in contemplation of, or subsequent to, such consolidation or other action, such shares or fractional shares sufficient to preclude or remove fractional shareholdings;
- 8.2.2. Subject to Section 295 of the Law, making such arrangements for the sale or transfer of the fractional shares to such other shareholders of the Company at such times and at such price as the Board thinks fit so as to most expeditiously preclude or remove any fractional shareholdings and cause the transferees of such fractional shares to pay the full fair market value thereof to the transferors, and the Board is hereby authorized to act as agent for the transferors and transferees with power of substitution and off-setting for purposes of implementing the provisions of this sub-Article 8.2.2.
- 8.2.3. To the extent as may be permitted under the Law, redeeming or purchasing such fractional shares sufficient to preclude and remove such fractional shareholding; and
- 8.2.4. Determining, as to the holders of shares so consolidated, which issued shares shall be consolidated into each share of a larger nominal value.

INCREASE OF CAPITAL

9. Increase of Capital

- 9.1. The Company may from time to time, whether or not all the shares then authorized have been issued, and whether or not all the shares theretofore issued have been fully called up for payment, increase its authorized share capital. Any such new capital shall be of such amount and divided into shares of such nominal amounts and (subject to any special rights then attached to any existing class of shares) bear such rights or preferences or be subject to such conditions or restrictions (if any) as the resolution approving such share capital increase shall provide.
- 9.2. Except so far as otherwise provided in such resolution or pursuant to the Articles, such new shares shall be subject to all the provisions of the Articles applicable to the shares of such class included in the existing share capital.

10. Variation of Class Rights

- 10.1. If at any time the share capital of the Company is divided into different classes of shares, the right attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied only upon consent of a separate general meeting of the holders of the shares of that class. The provisions of these Articles relating to general meetings of Shareholders shall *mutatis mutandis* apply to every such separate general class meeting.

10.2. Unless otherwise provided by these Articles, the increase in an authorized class of shares, or the issuance of additional shares thereof out of the authorized and unissued share capital, shall not be deemed, for the purposes of Article 10.1 to vary, modify or abrogate the rights attached to previously issued shares of such class or of any other class of shares.

11. Redeemable Shares

The Company shall have the power to issue redeemable shares and redeem the same all in accordance with, and subject to, the provisions of the Law.

SHARES

12. Issuance of Share Certificates; Replacement of Lost Certificates

12.1. Share certificates shall be issued, upon the written request of a Shareholder, under the Seal and shall bear the signature of any person or persons so authorized by the Board.

12.2. Each Shareholder shall be entitled to one or more numbered certificate(s) for all the shares of any class registered in his name, each of which shall state the number of shares represented by the certificate, their serial numbers and may also specify the amount paid on account of their nominal value.

12.3. A share certificate registered in the Shareholders Register in the names of two or more persons shall be delivered to the person first named in the Shareholders Register in respect of such co-ownership and the Company shall not be obligated to issue more than one certificate to all the joint holders.

12.4. A share certificate which has been defaced, lost or destroyed, may be replaced, and the Company shall issue a new certificate to replace such defaced, lost or destroyed certificate upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board in its discretion, deems fit.

13. Registered Holder

Except as otherwise provided in these Articles, the Company shall be entitled to treat each Shareholder as the absolute owner thereof, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by statute, be obligated to recognize any equitable or other claim to, or interest in, such share on the part of any other person.

14. Payment in Installment

If pursuant to the terms of allotment or issue of any share, all or any portion of the price thereof shall be payable in installments, every such installment shall be paid to the Company on the due date thereof by the then registered holder(s) of the share or the person(s) then entitled thereto.

15. Calls on Shares

- 15.1. The Board may, from time to time, as it in its discretion deems fit, make calls for payment upon shareholders in respect of any sum which has not been paid up in respect of shares held by such Shareholders and which is not, pursuant to the terms of allotment or issue of such shares or otherwise, payable at a fixed time, and each Shareholder shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board. Unless otherwise stipulated in the resolution of the Board (and in the notice referred to below), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all the shares in respect of which such call was made.
- 15.2. Notice of any call for payment by a Shareholder shall be given in writing to such Shareholder not less than fourteen (14) days prior to the time of payment fixed in such notice, and shall specify the time and place of payment, and the person to whom such payment is to be made. Prior to the time for any such payment fixed in a notice of a call given to a Shareholder, the Board may in its absolute discretion, by notice in writing to such Shareholder, revoke such call in whole or in part, extend the time fixed for payment thereof, or designate a different place of payment or person to whom payment is to be made. In the event of a call payable in installments, only one (1) notice thereof need be given.
- 15.3. If pursuant to the terms of allotment or issue of a share or otherwise, an amount is made payable at a fixed time (whether on account of such share or by way of premium), such amount shall be payable at such time as if it were payable by virtue of a call made by the Board and for which notice was given in accordance with this Article 15, and the provisions of these Articles with regard to calls (and the non-payment thereof) shall be applicable to such amount (and the non-payment thereof).
- 15.4. Joint holders of a share shall be jointly and severally liable to pay all calls for payment in respect of such share and all interest payable thereon.
- 15.5. Any amount called for payment which is not paid when due shall bear interest from the date fixed for payment until actual payment thereof, at such rate and payable at such time(s) as the Board may prescribe.
- 15.6. Upon the allotment of shares, the Board may provide for differences among the allottees of such shares as to the amounts and times for payment of calls for payment in respect of such shares.

16. Prepayment

With the approval of the Board, any Shareholder may pay to the Company any amount not yet payable in respect of his shares, and the Board may approve the payment by the Company of interest on any such amount until the same would be payable if it had not been paid in advance, at such rate and time(s) as may be approved by the Board. The Board may at any time cause the Company to repay all or any part of the money so advanced, without premium or penalty. Nothing in this Article 16 shall derogate from the right of the Board to make any call for payment before or after receipt by the Company of any such advance.

17. Forfeiture and Surrender

17.1. If any Shareholder fails to pay an amount payable by virtue of a call, or interest thereon as provided for in accordance herewith, on or before the day fixed for payment of the same, the Board may, at any time after the day fixed for such payment, so long as such amount (or any portion thereof) or interest thereon (or any portion thereof) remains unpaid, forfeit all or any of the shares in respect of which such payment was called for. All expenses incurred by the Company in attempting to collect any such amount or interest thereon, including, without limitation, attorneys' fees and costs of legal proceedings, shall be added to, and shall, for all purposes (including the accrual of interest thereon), constitute a part of, the amount payable to the Company in respect of such call.

17.2. Upon the adoption of a resolution as to the forfeiture of a Shareholder's share, the Board shall cause notice thereof to be given to such Shareholder, which notice shall state the place that payment is to be made and that, in the event of the failure to pay the entire amount so payable by a date specified in the notice (which date shall be not less than seven (7) days after the date such notice is given and which may be extended by the Board), such shares shall be *ipso facto* forfeited, provided, however, that, prior to such date, the Board may nullify such resolution of forfeiture, but no such nullification shall prevent the Board from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

17.3. Without derogating from Articles 17.1 and 17.2 hereof, whenever shares are forfeited as herein provided, any and all dividends declared in respect of such shares and not actually paid shall be deemed to have been forfeited at the same time as the forfeiture of such shares.

17.4. The Company, by resolution of the Board, may accept the voluntary surrender of any share. A surrendered share shall be treated as if it had been forfeited.

17.5. Any share forfeited or surrendered as provided herein shall become the property of the Company, and the same, subject to the provisions of these Articles, may be sold, re-allotted or otherwise disposed of, as the Board deems fit.

- 17.6. Any Shareholder whose shares have been forfeited or surrendered shall cease to be a Shareholder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 15.5 above, and the Board, in its discretion, may, but shall not be obligated to, enforce the payment of such monies, or any part thereof. In the event of such forfeiture or surrender, the Company, by resolution of the Board, may accelerate the date(s) of payment of any or all amounts then owing to the Company by the Shareholder in question (but not yet due) in respect of all shares owned by such Shareholder, solely or jointly with another.
- 17.7. The Board may at any time, before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it deems fit, but no such nullification shall prevent the Board from re-exercising its powers of forfeiture pursuant to this Article 17.
- 17.8. A declaration in writing by a director or secretary of the Company that a share in the Company has been duly forfeited on the date stated in the declaration shall be conclusive evidence of the facts therein stated against all persons claiming to be entitled to the share.
- 17.9. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

18. Lien

- 18.1. Except to the extent the same may be waived or subordinated in writing, the Company shall have a first and paramount lien upon all the shares registered in the name of each Shareholder (without regard to any equitable or other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, for his debts or other liabilities to the Company arising from any amount payable by such Shareholder in respect of any unpaid or partly paid share, whether or not such debt or other liability has matured. Such lien shall extend to all dividends from time to time declared or paid in respect of such share. Unless otherwise provided, the registration by the Company of a transfer of shares shall be deemed to be a waiver on the part of the Company of the lien (if any) existing on such shares immediately prior to such transfer.
- 18.2. The Board may cause the Company to sell a share subject to such a lien when the debt or other liability giving rise to such lien has matured, in such manner as the Board deems fit, but no such sale shall be made unless such debt or other liability has not been satisfied within seven (7) days after written notice of the intention to sell shall have been served on such Shareholder, his executors or administrators.
- 18.3. The net proceeds of any such sale, after payment of the costs thereof, shall be applied in or toward satisfaction of the debts or other liabilities of such Shareholder in respect of such share (whether or not the same have matured), and the remainder (if any) shall be paid to the Shareholder, his executors, administrators or assigns.

19. Sale After Forfeiture or Surrender or in Enforcement of Lien

Upon any sale of a share after forfeiture or surrender or for enforcing a lien, the Board may appoint any person to execute an instrument of transfer of the share so sold and cause the purchaser's name to be entered in the Shareholders Register in respect of such share. The purchaser shall be registered as the Shareholder and shall not be obligated to supervise the application of the proceeds of such sale and after his name has been entered in the Shareholders Register in respect of such share, the validity of the sale shall not be affected by any defect or illegality in the sale proceedings. The sole remedy of any person aggrieved by any such sale shall be in damages only and against the Company exclusively.

20. Purchase of the Company's Shares

The Company may, subject to and in accordance with the provisions of the Law, purchase or undertake to purchase, provide finance and or assistance or undertake to provide finance and/or assistance directly or indirectly, with respect to the purchase of its shares or securities which may be converted into shares of the Company or which confer rights upon the holders thereof to purchase shares of the Company.

TRANSFER OF SHARES

21. Registration of Transfer

21.1. No transfer of shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board) has been submitted to the Company (or its transfer agent), together with the share certificate(s) or such other evidence of title as the Board may reasonably require.

21.2. The Board may, in its discretion to the extent it deems necessary and subject to any restrictions in the Law or the rules of any stock exchange upon which the Ordinary Shares are listed, close the Shareholders Register for registrations of transfers of shares during any year for a period to be determined by the Board, and no registrations in the Shareholders Register of transfers of shares shall be made by the Company during any such period during which the Shareholders Register is so closed.

TRANSMISSION OF SHARES

22. Decedents' Shares

22.1. In case of a share registered in the name of two or more holders, the Company may recognize the survivor(s) as the sole owner(s) thereof unless and until the provisions of Article 22.2 have been effectively invoked.

22.2. Any person becoming entitled to a share in consequence of the death of any person, upon producing evidence of the grant of probate or letters of administration or declaration of succession (or such other evidence as the Board may reasonably deem sufficient), shall be registered as a Shareholder in respect of such share, or may, subject to the regulations as to transfer herein contained, transfer such share. However, nothing herein shall release the estate of a deceased holder (whether sole or joint) of a share from any obligation to the Company with respect to any share held by the deceased.

23. Receivers and Liquidators

23.1. The Company may recognize any receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate shareholder, and a trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceeding with respect to a Shareholder or its properties, as being entitled to the shares registered in the name of such Shareholder.

23.2. Any such receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate Shareholder and any such trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceedings with respect to a Shareholder or its properties, upon producing such evidence as the Board may deem sufficient as to his authority to act in such capacity or under this Article, shall with the consent of the Board (which the Board may grant or refuse in its absolute discretion), be registered as a Shareholder in respect of such shares, or may, subject to the provisions as to transfer herein contained, transfer such shares.

RECORD DATE FOR NOTICES OF GENERAL MEETINGS

24. Record Date for Notices of General Meetings

Notwithstanding any other contrary provision of these Articles and subject to applicable law, the Board may fix a date, not exceeding forty (40) days (unless a longer period is allowed by the Law), and not less than four (4) days, prior to the date of any general meeting of the Shareholders, as the date of which Shareholders entitled to notice of and to vote at such meeting shall be determined, and all persons who were holders of record of voting shares on such date and no others shall be entitled to notice of and to vote at such meeting. A determination of Shareholders of record entitled to notice of and to vote at any meeting shall apply to any adjournment of such meeting, provided, however, that the Board may fix a new record date for the adjourned meeting.

GENERAL MEETINGS

25. Annual Meetings

A general meeting shall be held at least once in every year at such time, being not more than fifteen (15) months after the last preceding general meeting, and at such place, within or out of the State of Israel, as may be prescribed by the Board. Such general meetings shall be called “**Annual General Meetings**.”

26. Extraordinary General Meetings

All general meetings other than Annual General Meetings shall be called “**Extraordinary General Meetings**” (and together with the Annual General Meetings, the “**General Meetings**”). The Board may, whenever it thinks fit, convene an Extraordinary General Meeting, at such time and place, within or out of the State of Israel, as may be determined by the Board, and shall be obligated to do so upon a request in writing in accordance with Section 63 of the Law.

27. Powers of the General Meeting

Subject to the provisions of the Articles and the Law, the function of the General Meeting shall be to elect the members of the Board, including External Directors; to appoint the Company’s auditor; to approve acts and transactions that require approval by a general meeting under the provisions of Sections 255 and 268 to 275 of the Law; to increase and reduce the authorized share capital, in accordance with the provisions of Sections 286 and 287 of the Law; to approve any amendment to these Articles; and to approve a resolution to consummate a Merger as defined in Section 1 of the Law.

28. Notice of General Meetings; Omission to Give Notice

Subject to these Articles, applicable law and regulations, including the applicable laws and regulations of any stock market on which the Company’s shares are listed, prior notice of at least 21 days of any general meeting, specifying the place, date and hour of the meeting, shall be given as, hereinafter provided, to the Shareholders thereunto entitled pursuant to these Articles and the Law. The accidental omission to give notice to any Shareholder or the non-receipt of any such notice sent to such Shareholder shall not invalidate any resolution passed or the proceedings held at that meeting. With the consent of all the Shareholders entitled to receive notice thereof, a meeting may be convened upon shorter notice or without any notice and in such manner, generally, as shall be approved by such Shareholders.

PROCEEDINGS AT GENERAL MEETINGS

29. Quorum

29.1. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. The quorum for each General Meeting shall be two or more Shareholders present in person, or by proxy, or deemed by the Law, to be present at such meeting, holding, in the aggregate, at least, 33% of the voting rights in the issued share capital of the Company.

- 29.2. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the request of the Shareholders, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same place and time (and no notice of such adjournment shall be required to be provided to the Shareholders), or to such day and at such time and place as the Chairman (as defined below) may determine with the consent of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting on the question of adjournment. No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called. If a quorum is not present at the second meeting within half an hour from the time appointed for the meeting, the meeting shall stand adjourned, and the provisions of this Article 29.2 shall apply to any such adjourned meeting.
- 29.3. The Board of Directors may determine, in its discretion, the matters that may be voted upon at the meeting by proxy in addition to the matters listed in Section 87(a) to the Companies Law.

30. Chairman

The Chairman, if any, shall preside as chairman at every General Meeting of the Company. If there is no such Chairman, or if at any meeting he is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling to act as Chairman, the Shareholders present shall choose one of the Shareholders present to be chairman. The chairman of any general meeting shall not, by virtue of such office, be entitled to vote at any general meeting nor shall the chairman of a meeting have a second or casting vote (without derogation, however from the rights of such chairman to vote as a Shareholder or proxy of a Shareholder if, in fact, he is also a Shareholder or a duly appointed proxy).

31. Adoption of Resolutions at General Meetings

- 31.1. Resolutions of the Shareholders with respect to all matters (including any amendment to these Articles and to consummate a Merger, as defined in Section 1 of the Law) shall be deemed adopted if approved by the holders of a simple majority of the voting power of the Company represented at the meeting in person or by proxy and voting thereon, other than as required by the Law.
- 31.2. Every question submitted to a general meeting shall be decided by a show of hands, but if a written ballot is demanded by any Shareholder present in person or by proxy and entitled to vote at the meeting, the same shall be decided by such ballot. A written ballot may be demanded before the voting on a proposed resolution or immediately after the declaration by the chairman of the meeting of the results of the vote by a show of hands. If a vote by written ballot is taken after such declaration, the results of the vote by a show of hands shall be of no effect, and the proposed resolution shall be decided by such written ballot. The demand for a written ballot may be withdrawn at any time before the same is conducted, in which event another Shareholder may then demand such written ballot. The demand for a written ballot shall not prevent the continuance of the meeting for the transaction of business other than the question on which the written ballot has been demanded.

31.3. A declaration by the chairman of the meeting that a resolution has been carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

32. Resolutions In Writing

A resolution in writing signed by all Shareholders then entitled to attend and vote at General Meetings or to which all such Shareholders have given their written consent (by letter, telegram, telex, facsimile or otherwise) shall be deemed to have been unanimously adopted by a General Meeting duly convened and held.

VOTES OF SHAREHOLDERS

33. Voting Power

Subject to the provisions of Article 34 and subject to any provision in the Articles conferring special rights as to voting, or restricting the right to vote, every Shareholder shall have one vote for each share held by him of record, on every resolution, without regard to whether the vote thereon is conducted by a show of hands, by written ballot or by any other means.

34. Voting Rights

34.1. In the case of joint holders, the vote of the senior holder to tender a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For the purpose of this Article, seniority shall be determined by the order in which the names appear in the Shareholders Register (or in the Company's transfer agent records). The appointment of a proxy to vote on behalf of a jointly held share shall be executed by the senior holder.

34.2. No Shareholder shall be entitled to vote at any general meeting (or be counted as a part of the quorum thereat), unless all calls and other sums then payable by him in respect of his shares in the Company have been paid.

34.3. Any Shareholder entitled to vote may vote either personally or by proxy (who need not be a shareholder of the Company), or, if the Shareholder is a company or other corporate body, by a representative authorized pursuant to Article 34.4.

- 34.4. A company or other corporate body that is a Shareholder of the Company may, by resolution of its directors or any other managing body thereof, authorize any person to be or to appoint its representative at any meeting of the Company. Any person so authorized shall be entitled to exercise on behalf of such Shareholder all the power which the latter could have exercised if it were an individual shareholder. Upon the request of the chairman of the meeting, written evidence of such authorization (in form reasonably acceptable to the chairman) shall be delivered to him.

PROXIES

35. Instrument of Appointment

- 35.1. The instrument appointing a proxy shall be in writing in such form as may be approved by the Board from time to time in compliance with applicable law. Such proxy shall be duly signed by the appointor or such person's duly authorized attorney or, if such appointor is a company or other corporate body, under its common seal or stamp or the hand of its duly authorized agent(s) or attorney(s).
- 35.2. The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall either be presented to the chairman at the meeting at which the person named in the instrument proposes to vote or be delivered to the Company (at its Registered Office, at its principal place of business, or at the offices of its registrar or transfer agent, or at such place as the Board of Directors may specify) not less than two (2) hours before the time fixed for such meeting, except that the instrument shall be delivered (i) twenty-four (24) hours before the time fixed for the meeting where the meeting is to be held in the United States and the instrument is delivered to the Company at its Registered Office or principal place of business, or (ii) forty-eight (48) hours before the time fixed for the meeting where the meeting is to be held outside of the United States of America and Israel and the instrument is delivered to the Company's registrar or transfer agent. Notwithstanding the above, the chairman shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept any and all instruments of proxy until the beginning of a General Meeting
- 35.3. The Board may cause the Company to send, by mail or otherwise, instruments of proxy to Shareholders for use at any general meeting.

36. Effect of Death of Appointer or Revocation of Appointment

- 36.1. A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the prior death or bankruptcy of the appointing member (or of his attorney-in-fact, if any, who signed such instrument), or the transfer of the share in respect of which the vote is cast, unless written notice of such matters shall have been received by the Company or by the chairman of such meeting prior to such vote being cast.

36.2. An instrument appointing a proxy shall be deemed revoked (i) upon receipt by the Company or the Chairman, subsequent to receipt by the Company of such instrument, of written notice signed by the person signing such instrument or by the member appointing such proxy canceling the appointment thereunder (or the authority pursuant to which such instrument was signed) or of an instrument appointing a different proxy (and such other documents, if any, required under Article 35 for such new appointment), provided such notice of cancellation or instrument appointing a different proxy were so received at the place and within the time for delivery of the instrument revoked thereby as referred to in Article 35 hereof, or (ii) if the appointing member is present in person at the meeting for which such instrument of proxy was delivered, upon receipt by the chairman of such meeting of written notice from such member of the revocation of such appointment, or if and when such member votes at such meeting. A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the revocation or purported cancellation of the appointment, or the presence in person or vote of the appointing member at a meeting for which it was rendered, unless such instrument of appointment was deemed revoked in accordance with the foregoing provisions of this Article 36.1 at or prior to the time such vote was cast.

37. Multiple Proxies

A Shareholder is entitled to vote by a separate proxy with respect to each share held by him provided that each proxy shall have a separate letter of appointment containing the serial number of the share(s) with respect to which the proxy is entitled to vote. Where valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting, the instrument which is delivered last (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the others as regards that share. However, if the Board, or some other person as may be authorized by the Board for such purpose, is unable to determine which was the last delivered, none of them shall be treated as valid in respect of that share. Delivery of an instrument appointing a proxy or any other instrument, as aforesaid, shall not preclude a Shareholder from attending and voting in person at the meeting.

BOARD OF DIRECTORS

38. Number of Directors

The Board shall be composed of not more than fifteen (15) members and not less than two (2) members.

39. Qualification of Directors

No person shall be disqualified from serving as a director by reason of not holding shares in the Company or by reason of his having served as a director of the Company in the past.

40. Continuing Directors in the Event of Vacancies

In the event that, one or more vacancies is created in the Board, including without limitation a situation in which the number of directors is less than the maximum number permitted under Article 38 (a “**Vacancy**”), the continuing directors may continue to act in every matter, and, may appoint directors to temporarily fill any such Vacancy, provided, however, that if the number of directors is less than three (3), they may only act in (i) an emergency; or (ii) to fill the office of director which has become vacant; or (iii) in order to call a General Meeting of the Company for the purpose of electing Directors to fill any or all Vacancies, so that at least three (3) Directors are in office as a result of said meeting. Notwithstanding the foregoing, in the event of Vacancy of an External Director, the Company shall elect a new External Director or take such other action as required under the Companies Law.

41. Vacation of Office; Removal of Directors

41.1. The office of a director shall be vacated, ipso facto, upon his death or if he be found legally incompetent; if he becomes bankrupt, if he is prevented by applicable law from serving as a director of the Company, if the Board terminates his office according to Section 231 of the Law, or if a court order is given in accordance with Section 233 of the Law.

41.2. The office of a director shall be vacated by his written resignation. Such resignation shall become effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later.

42. Remuneration of Directors

Subject to the provisions of the Law, a director may be paid remuneration by the Company for his services as director to the extent such remuneration shall have been approved by a General Meeting of the Company.

43. Conflict of Interests; Approval of Related Party Transactions

43.1. Subject to the provisions of the Law and the Articles, the Company may enter into any contract or otherwise transact any business with any director in which contract or business such director has a personal interest, directly or indirectly; and may enter into any contract or otherwise transact any business with any third party in which contract or business a director has a personal interest, directly or indirectly.

43.2. A director or other Office Holder, shall not participate in deliberations concerning, nor vote upon a resolution approving, a transaction with the Company in which he has a personal interest, except as otherwise provided in the Law.

44. Alternate Directors

- 44.1. A director may, by written notice to the Company given in the manner set forth in Article 44.2 below, appoint any individual who is qualified to serve as a director (provided that such individual is not a member of the Board and is not an Alternate Director) as an alternate for himself (in these Articles referred to as “**Alternate Director**”), remove such Alternate Director and appoint another Alternate Director in place of any Alternate Director appointed by him whose office has been vacated for any reason whatsoever. Notwithstanding the foregoing, a director that is a member of a Committee of the Board (as defined below) may appoint as his Alternate Director on such Committee of the Board a member of the Board, but provided that such director is not already a member of such Committee of the Board and further provided that if such person is appointed as an Alternate Director for an External Director, such Alternate Director shall have the same accounting and financial expertise or other professional expertise as possessed by the appointing director (as such accounting, financial and professional expertise may be promulgated and amended from time to time). An External Director may not appoint an Alternate Director for himself except as set forth in the immediately preceding sentence. The appointment of an Alternate Director shall be subject to the consent of the Board. Unless the appointing director, by the instrument appointing an Alternate Director or by written notice to the Company, limits such appointment to a specified period of time or restricts it to a specified meeting or action of the Board, or otherwise restricts its scope, the appointment shall be for all purposes, and for a period of time concurrent with the term of the appointing director.
- 44.2. Any notice to the Company pursuant to Article 44.1 shall be given in person to, or by sending the same by mail to the attention of the General Manager of the Company at the principal office of the Company or to such other person or place as the shall have determined for such purpose, and shall become effective on the date fixed therein, or upon the receipt thereof by the Company (at the place as aforesaid), whichever is later, subject to the consent of the Board if the appointee is not then a member of the Board, in which case the notice will be effective as of the date of such consent.
- 44.3. An Alternate Director shall have all the rights and obligations of the director who appointed him, provided however, that (i) he may not in turn appoint an alternate for himself (unless the instrument appointing him otherwise expressly provides), and (ii) that an Alternate Director shall have no standing at any meeting of the Board or any committee thereof while the director who appointed him is present, and (iii) that the Alternate Director is not entitled to remuneration.
- 44.4. An Alternate Director shall be responsible for his or her own acts and defaults.
- 44.5. The office of an Alternate Director shall be vacated under the circumstances, mutatis mutandis, set forth in Article 41 and Article 44.1, and such office shall ipso facto be vacated if the director who appointed such Alternate Director ceased to be a director.

POWERS AND DUTIES OF DIRECTORS

45. Powers of Board of Directors

45.1. General

In addition to all powers and authorities of the Board as specified in the Law, the determination of the Company's policies, and the supervision of the Chief Executive Officer of the Company (as defined herein) and the Company's officers shall be vested in the Board. In addition, the Board may exercise all such powers and do all such acts and things as the Company is authorized to exercise and do, and are not hereby or by law required to be exercised or done by the Company in a General Meeting or by the Chief Executive Officer under his express or residual authority. The authority conferred on the Board by this Article 45.1 shall be subject to the provisions of the Law, the Articles and any regulation or resolution consistent with the Articles adopted from time to time by the Company in a General Meeting, provided, however, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board which would have been valid if such regulation or resolution had not been adopted.

45.2. Borrowing Power

The Board may from time to time, in its discretion, cause the Company to borrow or secure the payment of any sum or sums of money for the purposes of the Company, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions in all respects as it thinks fit, and, in particular, by the issuance of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the undertaking or the whole or any part of the property of the Company, both present and future, including its uncalled or called but unpaid capital for the time being.

45.3. Reserves

The Board may, from time to time, set aside any amount(s) out of the profits of the Company as a reserve or reserves for any purpose(s) which the Board, in its absolute discretion, shall think fit, and may invest any sum so set aside in any manner and from time to time deal with and vary such investments, and dispose of all or any part thereof, and employ any such reserve or any part thereof in the business of the Company without being bound to keep the same separate from other assets of the Company, and may subdivide or redesignate any reserve or cancel the same or apply the funds therein for another purpose, all as the Board may from time to time think fit.

46. Exercise of Powers of Directors

- 46.1. A meeting of the Board at which a quorum is present shall be competent to exercise all the authorities, powers and discretions vested in or exercisable by the Board.
- 46.2. Except as otherwise specifically set forth in these Articles or as required by the Law, a resolution proposed at any meeting of the Board shall be deemed adopted if approved by a majority of the directors present when such resolution is put to a vote and voting thereon.
- 46.3. A resolution in writing signed by all directors then in office and lawfully entitled to vote thereon (as conclusively determined by the chairman of the Audit Committee, (if any) and in the absence of such determination – by the Chairman), or to which all such directors have given their written consent (by letter, telegram, telex, facsimile, telecopier or otherwise), shall be deemed to have been unanimously adopted by a meeting of the Board duly convened and held. If the Board adopts resolutions as set forth in the immediately preceding sentence, minutes including such resolutions, including a resolution to vote on such matters without convening a meeting of the Board, shall be prepared and the Chairman will sign such minutes.

47. Delegation of Powers

- 47.1. The Board may, subject to the provisions of the Law and any other applicable law, delegate any or all of its powers to committees, each consisting of two or more persons (who are Directors), and it may from time to time revoke such delegation or alter the composition of any such committee. Any Committee so formed (in these Articles referred to as a “**Committee of the Board**”), shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board. The meetings and proceedings of any such Committee of the Board shall be governed, with the relevant changes, by the provisions herein contained for regulating the meetings of the Board, so far as not superseded by any regulations adopted by the Board under this Article. Unless otherwise expressly provided by the Board in delegating powers to a Committee of the Board, such Committee shall not be empowered to further delegate such powers. In accordance with and subject to Section 271 of the Law, the Compensation Committee of the Board (if any) shall have the full power and authority to approve the terms of compensation of the Office Holders of the Company, other than Office Holders who are also directors.
- 47.2. Without derogating from the provisions of Article 47.1, the Board may, subject to the provisions of the Law, from time to time appoint a secretary to the Company, as well as officers, agents, employees and independent contractors, as the Board may deem fit, and may terminate the service of any such person. The Board may, subject to the provisions of the Law, determine the powers and duties, as well as the salaries and emoluments, of all such persons, and may require security in such cases and in such amounts as it deems fit.

47.3. The Board may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purpose(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it thinks fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

ELECTION AND REMOVAL OF DIRECTORS

48. Election and Removal of Directors

Directors, except for the External Directors, shall be elected at the Annual General Meeting by the vote of the holders of a majority of the voting power represented at such meeting in person or by proxy and voting on the election of directors, and each director shall serve, subject to Article 41 hereof, and with respect to a director appointed pursuant to Article 40 hereof, subject to such Article, until the Annual General Meeting next following the Annual General Meeting at which such director was appointed, or his earlier removal pursuant to this Article 48. Except with respect to the removal of External Directors, the shareholders shall be entitled to remove any Director(s) from office, by a simple majority of the voting power of the Company represented at the meeting in person or by proxy and voting thereon.

49. Nominations to the Board

49.1. Nominations for the election of directors may be made by the Board or a committee appointed by the Board or by any Shareholder holding at least 1% of the outstanding voting power in the Company. However, and without limitation of Section 63 of the Law, any such Shareholder may nominate one or more persons for election as directors at a General Meeting only if a written notice of such Shareholder's intent to make such nomination or nominations has been given to the secretary of the Company not later than (i) with respect to an election to be held at an Annual General Meeting of shareholders, ninety (90) days prior to the anniversary date of the immediately preceding annual meeting, and (ii) with respect to an election to be held at a Extraordinary General Meeting of shareholders for the election of Directors, at least ninety (90) days prior to the date of such meeting. Each such notice shall set forth: (a) the name and address of the Shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the Shareholder is a holder of record of shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the Shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and (d) the consent of each nominee to serve as a director of the Company if so elected and a declaration signed by each of the nominees declaring that there is no limitation under the Law for the appointment of such a nominee and that all the information that is required under the Law to be provided to the Company in connection with such an appointment has been provided. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

- 49.2. Notwithstanding the provisions of Article 48, External Directors shall be elected and hold office in accordance with the provisions of the Law.
- 49.3. Notwithstanding the provisions of Articles 49.1 and 49.2, no person shall be nominated or appointed to the office of a director if such person is disqualified, under the Law, from being appointed as a director.
- 49.4. A director's term (including External Directors) shall begin either on the date of his appointment to the Board or at such later date designated in the resolution appointing such director.
50. Subject to the provisions of Articles 40 and 48, the Board may at any time appoint any other person as a director, whether to fill a vacancy or as an addition to the then current number of directors, provided that the total number of directors shall not at any time exceed any maximum number (if any) fixed by or in accordance with these Articles. Any director so appointed shall hold office until the Annual General Meeting at which the term for the other directors of his class expires, unless otherwise stated in the appointing resolution.

PROCEEDINGS OF THE BOARD

51. Meetings of the Board

- 51.1. The Board may meet and adjourn its meetings at such places either within or without the State of Israel and otherwise regulate such meetings and proceedings as the directors think fit, provided that meetings shall be convened at least once every three (3) months. Subject to all of the other provisions of the Articles concerning meetings of the Board, the Board may meet by telephone conference call or similar communication equipment so long as each director participating in such call can hear, and be heard by, each other director participating in such call. The directors participating in this manner shall be deemed to be present in person at such meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 51.2. Board meetings may be convened at any time by the Chairman. The Chairman shall convene a Board meeting upon the written request of any two directors (or one director if the Board is comprised of fewer than 6 directors) as soon as practicable after receiving such request and shall otherwise convene a Board meeting as provided by the Law.

52. Notice

- 52.1. Notice of a Board meeting shall contain the information required by the Law and shall be delivered to the directors not less than two (2) days before such meeting.
- 52.2. Notice of a meeting of the Board shall be given in writing, and may be sent by hand, post, facsimile or electronic mail to a director at the address, facsimile number or electronic mail address given by such director to the Company for such purpose. Any such notice shall be deemed duly received, if sent by post, three (3) days following the day when any such notice was duly posted and if delivered by hand or transmitted by facsimile transmission or electronic mail, such notice shall be deemed duly received by the director on the date of delivery or, as the case may be, transmission of the same.
- 52.3. Notwithstanding anything contained to the contrary herein, failure to deliver notice to a director of any such meeting in the manner required hereby may be waived (in advance or retroactively) by such director and a meeting shall be deemed to have been duly convened notwithstanding such defective notice if such failure or defect is waived (in advance or retroactively), by all directors entitled to participate at such meeting and to whom notice was not duly given. The presence of a director at any such meeting shall be deemed due receipt of prior notice or a waiver of any such notice requirement by such director.

53. Quorum

- 53.1. A quorum at a meeting of the Board shall be constituted by the presence in person, or by telephone or similar communication equipment of a majority of the directors then in office who are lawfully entitled to participate and vote at the meeting. If within a half hour (or within such longer time as the Chairman may decide) from the time appointed for the holding of the Board meeting a quorum is not present, the Board meeting shall stand adjourned to the same day in the next week at the same time and place.
- 53.2. If at any adjourned Board meeting a quorum is not present within half an hour (or within such longer time as the Chairman may decide) from the time appointed for holding the meeting, the Board meeting shall be adjourned in accordance with the provisions of this Article 53. No business shall be transacted at a meeting of the Board unless the requisite quorum is present.

54. Chairman

The Board may from time to time elect by resolution or otherwise appoint a director to be chairman (the “**Chairman**”) or deputy chairman and determine the period for which each of them is to hold office. The Chairman, or in his absence the deputy chairman, shall preside at meetings of the Board, but if no such Chairman or deputy chairman shall be elected or appointed, or if at any meeting the Chairman or deputy chairman shall not be present within fifteen (15) minutes after the time appointed for holding such meeting, or if the Chairman, or, if applicable, deputy chairman, is unwilling or unable to chair such meeting, the directors present shall choose one of their number to be chairman of such meeting. The Chairman shall not have a second or casting vote at any Board meeting. The Chief Executive Officer of the Company may not serve as the Chairman, other than pursuant to Section 121 of the Law.

55. Validity of Acts

Subject to the provisions of the Law, all *bona fide* actions of any meeting of the Board, or of a Committee of the Board, or of any person acting as a director or a member of such Committee shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such director or such committee or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed or had duly continued in office and was qualified.

CHIEF EXECUTIVE OFFICER

56. Subject to the Articles and the Law, the Board may from time to time appoint one or more persons, whether or not directors, as the General Manager, Chief Executive Officer, and/or President of the Company (the “**Chief Executive Officer**”). Subject to the Law, the powers, authorities and responsibilities of any such Chief Executive Officer shall be those that the Board may, at its discretion, lawfully confer on the same. The Board may, from time to time, as the Board may deem fit, modify or revoke, such title(s), duties and authorities the Board conferred as aforesaid. Subject to the Articles and the Law, any such appointment(s) and any such powers, authorities and responsibilities may be either for a fixed term or without any limitation of time, and may be made upon such conditions and subject to such limitations and restrictions as the Board may, from time to time, determine and the Board may from time to time (subject to the provisions of any applicable law or the rules of any stock exchange upon which securities of the Company are listed and of any contract between any such person(s) and the Company) determine the salary of any such person(s) and remove or dismiss any such person(s) from office and appoint another or others in his or their place.
57. The management and the operation of the Company’s affairs and business in accordance with the policies determined by the Board shall be vested in the Chief Executive Officer, in addition to all powers and authorities of the Chief Executive Officer, as specified in the Law. Without derogating from the above, all powers of management and executive authority which are not vested by the Law or by the Articles in another organ of the Company shall be vested in the Chief Executive Officer.

MINUTES

58. The Company shall cause minutes to be recorded of all general meetings of the Company and also of all appointments of directors and Office Holders and of the proceedings of all meetings of the Board and any Committees thereof. Such minutes shall set forth the names of persons present and all business transacted at such meetings. Any such minutes of any meeting, if purporting to be signed by the chairman of such meeting or of the next succeeding meeting, or by the Chairman or the secretary of the Company, shall be prima facie evidence of the facts therein stated. Minutes of a meeting shall be kept at the Office for the period, and in the manner, prescribed in the Law.

DIVIDENDS AND RESERVES59. Declaration of Dividends

Subject to the provisions of the Law, the Board may from time to time declare such dividends as may appear to the Board to be justified by the profits of the Company and cause the Company to pay such dividends. The Board shall have the full authority to determine the time for payment of such dividends, and the record date for determining the Shareholders entitled thereto, provided such date is not prior to the date of the resolution to distribute the dividend and no Shareholder who shall be registered in the Shareholders Register with respect to any shares after the record date so determined shall be entitled to share in any such dividend with respect to such shares.

60. Amount Payable by Way of Dividends

Subject to any special or restricted rights conferred upon the holders of shares as to dividends, any dividend paid by the Company shall be allocated among the Shareholders entitled thereto in proportion to the sums paid up or credited as paid up on account of the nominal value of their respective holdings of the shares in respect of which such dividend is being paid without taking into account the premium paid up for the shares. The amount paid up on account of a share which has not yet been called for payment or fallen due for payment and upon which the Company pays interest to the shareholder shall not be deemed, for the purposes of this Article, to be a sum paid on account of the share.

61. Interest

No dividend shall bear interest as against the Company.

62. Payment in Kind

62.1. A dividend may be paid, wholly or partly, by the distribution of specific assets, and, in particular, by distribution of paid-up shares, debentures or debenture stock of any other company, or in any one or more such ways.

62.2. The Board may resolve that: any monies, investments, or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or to the credit of any reserve fund for the redemption of capital, or to the credit of a reserve fund for the revaluation of real estate or other assets of the Company or any other reserve fund or investment funds or assets in the hands of the Company and available for dividends, or representing premiums received on the issue of shares and standing to the credit of the share premium account, be capitalized and distributed among such of the Shareholders as would be entitled to receive the same if distributed by the way of dividend and in the same proportion on the basis that they become entitled thereto as capital; and that all or any part of such capitalized fund be applied on behalf of such Shareholders in paying up in full, either at nominal or at such premiums as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards the payment, in full or in part, of the uncalled liability on any issued shares or debentures or debenture stock; and that such distribution or payment shall be accepted by such Shareholders in full satisfaction of their share and interest in the said capitalized sum.

63. Implementation of Powers under Article 62

For the purpose of giving full effect to any resolution under Article 62 and without derogating from the provisions of Article 8.2 hereof, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient, and, in particular, may issue certificates for fractional amounts of shares or other securities, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any shareholder upon the footing of the value so fixed, or that fractions of less value than the nominal value of one share may be disregarded in order to adjust the rights of all parties, and may vest any such cash, shares, debentures, debenture stock or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Board. Where required, a proper contract shall be filed in accordance with Section 291 of the Law, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund.

64. Dividends on Unpaid Shares

64.1. Without derogating from Article 60 hereof, the Board may give an instruction which shall prevent the distribution of a dividend to the holders of shares, the full amount payable in respect of which has not been paid up.

64.2. The Board may deduct from any dividend payable to any Shareholder all sums of money (if any) presently payable by such Shareholder to the Company on account of calls or otherwise in relation to the shares of the Company. The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or toward the satisfaction of the debts, liabilities or engagement in respect of which the lien exists.

65. Retention of Dividends

65.1. The Board may retain any dividend or other monies payable or property distributable in respect of a share on which the Company has a lien, and may apply the same in or toward satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

65.2. The Board may retain any dividend or other monies payable or property distributable in respect of a share in respect of which any person is, under Article 21 entitled to become a Shareholder, or which any person is, under such Article, entitled to transfer, until such person shall become a shareholder in respect of such share or shall transfer the same.

66. Unclaimed Dividends

All unclaimed dividends or other money payable in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The payment by the Board of any unclaimed dividend or such other moneys into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of seven (7) years from the date of declaration of such dividend, and any such other moneys unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, provided, however, that the Board may, at its discretion, cause the Company to pay any such dividend or such other moneys, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company.

67. Payment

Any dividend or other money payable in cash in respect of a share may be paid by check or warrant sent through the post to, or left at, the registered address of the person entitled thereto or by transfer to a bank account specified by such person (or, if two or more persons are registered as joint holders of such share or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, to any one of such persons or to his bank account), or to such person and at such address as the person entitled thereto may be writing direct. Every such check or warrant shall be made payable to the order of the person to whom it is sent, or to such person as the person entitled thereto as aforesaid may direct, and payment of the check or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such check or warrant shall be sent at the risk of the person entitled to the money represented thereby.

68. Receipt from a Joint Holder

If two or more persons are registered as joint holders of any share, or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, any one of them may give an effective receipt for any dividend or other monies payable or property distributable in respect of such share.

ACCOUNTS AND AUDIT

69. Books of Account

The Board shall cause accurate books of account to be kept in accordance with the provisions of the Law, and of any other applicable law. Such books of account shall be kept at the Registered Office of the Company, or at such other place or places as the Board may think fit, and they shall always be open to inspection by all directors. No Shareholder, not being a director, shall have any right to inspect any account or book or other similar document of the Company, except as conferred by law or authorized by the Board or by a resolution duly adopted at a General Meeting.

70. Audit

At least once in every fiscal year the accounts of the Company shall be audited and the correctness of the profit and loss account and balance sheet certified by one or more duly qualified auditors.

71. Auditors

The appointment, authorities, rights and duties of the Auditor(s) of the Company, shall be regulated by applicable law, provided, however, that in exercising its authority to fix the remuneration of the auditor(s), the Shareholders in a general meeting may act (and in the absence of any action in connection therewith shall be deemed to have so acted) to authorize the Board and/or a Committee of the Board to fix such remuneration subject to such criteria or standards, if any, as may be provided in such resolution, and if no such criteria or standards are so provided, such remuneration shall be fixed in an amount commensurate with the volume and nature of the services rendered by such auditor(s).

BRANCH REGISTERS

72. Branch Registers

Subject to and in accordance with the provisions of the Law and to all orders and regulations issued thereunder, the Company may cause branch registers to be kept in any place outside Israel as the Board may think fit, and, subject to all applicable requirements of law, the Board may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

RIGHTS OF SIGNATURES

73. Rights of Signature

The Board shall be entitled to authorize any person or persons (who are not required to be directors) to act and sign on behalf of the Company, and the acts and signature of such person(s) on behalf of the Company shall bind the Company insofar as such person(s) acted and signed within the scope of his or their authority.

NOTICES

74. Notices

74.1. Any written notice or other document may be served by the Company upon any Shareholder either personally or by sending it by prepaid mail (airmail if sent internationally) addressed to such Shareholder at his address as described in the Shareholders Register or such other address as he may have designated in writing for the receipt of notices and other documents. Any written notice or other document may be served by any Shareholder upon the Company by tendering the same in person to the secretary or the Chief Executive Officer of the Company at the principal office of the Company or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Office. Any such notice or other document shall be deemed to have been served forty-eight (48) hours after it has been posted (seven (7) business days if sent internationally), or when actually received by the addressee if sooner than forty-eight hours or seven days, as the case may be, after it has been posted, or when actually tendered in person, to such shareholder (or to the secretary or the Chief Executive Officer). Notice sent by telegram, telex, facsimile or electronic mail shall be deemed to have been served when actually received by the addressee, it shall be deemed to have been duly served, when received, notwithstanding that it was defectively addressed or failed, in some other respect, to comply with the provisions of this Article 74.1.

- 74.2. All notices to be given to the shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Shareholders Register or in the records of the Company's transfer agent, and any notice so given shall be sufficient notice to the holders of such share.
- 74.3. Any Shareholder whose address is not described in the Shareholders Register, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.
- 74.4. Notwithstanding anything to the contrary contained herein and subject to the provisions of the Law, notice to a Shareholder may be served, as general notice to all Shareholders, in accordance with applicable rules and regulations of any stock exchange upon which the Company's shares are listed.
- 74.5. Subject to applicable law, any Shareholder, director or any other person entitled to receive notice in accordance with these Articles or law, may waive notice, in advance or retroactively, in a particular case or type of cases or generally, and if so, notice will be deemed as having been duly served, and all proceedings or actions for which the notice was required will be deemed valid.
- 74.6. The accidental omission to give notice of a meeting to any Shareholder or the non-receipt of notice by any Shareholder entitled to receive notice shall not invalidate the proceedings at any meeting or any resolution(s) adopted by such a meeting.

INSURANCE AND INDEMNITY OF OFFICERS

Subject to the provisions of the Law with regard to such matters and to the maximum extent permitted under the Law:

75. Insurance

The Company may enter into a contract for the insurance of the liability, in whole or in part, of any of its Office Holders with respect to an obligation imposed on such Office Holder due to an act performed by the Office Holder in the Office Holder's capacity as an Office Holder of the Company arising from any of the following:

75.1. a breach of duty of care to the Company or to any other person;

75.2. a breach of the duty of loyalty to the Company, provided that the Office Holder acted in good faith and had reasonable grounds to assume that the act that resulted in such breach would not harm the interests of the Company; and

75.3. a financial liability imposed on such Office Holder in favor of any other person.

76. Indemnity

76.1. Subject to the provisions of the Law including the receipt of all approvals as required therein or under any applicable law, the Company may resolve retroactively to indemnify an Office Holder of the Company with respect to the following liabilities and expenses, provided that such liabilities or expenses were incurred by such Office Holder in such Office Holder's capacity as an Office Holder of the Company:

76.1.1. a financial liability imposed on an Office Holder in favor of another person by any judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court in respect of an act performed by the Office Holder.

76.1.2. reasonable litigation expenses, including attorneys' fees, expended by the Office Holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment (as defined in the Law) was filed against such Office Holder as a result of such investigation or proceeding; and (ii) no financial liability as a substitute for the criminal proceeding (as defined in the Law) was imposed upon him or her as a result of such investigation or proceeding or if such financial liability was imposed, it was imposed with respect to an offence that does not require proof of criminal intent.

76.1.3. reasonable litigation costs, including attorney's fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder by the Company or in its name or by any other person or in a criminal charge in respect of which the Office Holder was acquitted or in a criminal charge in respect of which the Office Holder was convicted for an offence which did not require proof of criminal intent.

76.2. Subject to the provisions of the Law including the receipt of all approvals as required therein or under any applicable law, the Company may undertake in advance to indemnify an Office Holder of the Company with respect to those liabilities and expenses described in the following Articles:

76.2.1.Sub-Article 76.1.2 and 76.1.3; and

76.2.2.Sub-Article 76.1.1, provided that the undertaking to indemnify:

76.2.2.1.is limited to such events which the directors shall deem to be likely to occur in light of the operations of the Company at the time that the undertaking to indemnify is made and for such amounts or criteria which the directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances; and

76.2.2.2.the undertaking to provide such indemnification shall set forth such events which the directors shall deem to be likely to occur in light of the operations of the Company at the time that the undertaking to indemnify is made, and the amounts and/or criteria which the directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances.

77. Exemption

Subject to the provisions of the Law including the receipt of all approvals as required therein or under any applicable law, the Company may release, in advance, any Office Holder from any liability for damages arising out of a breach of a duty of care towards the Company, other than breach of such duty of care towards the Company in a distribution (as such term is defined in the Law).

78. The provisions of Articles 75, 76 and 77 are not intended, and shall not be interpreted, to restrict the Company in any manner in respect of the procurement of insurance or in respect of indemnification (i) in connection with any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder, or (ii) in connection with any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under law; provided that the procurement of any such insurance or the provision of any such indemnification shall be approved by the Board of the Company. Any modification of Articles 75 through 77 shall be prospective in effect and shall not affect the Company's obligation or ability to indemnify an Office Holder for any act or omission occurring prior to such modification.

79. Any amendment to the Law adversely affecting the right of any Office Holder to be indemnified or insured pursuant to Articles 75 and 76 shall be prospective in effect, and shall not affect the Company's obligation or ability to indemnify or insure an Office Holder for any act or omission occurring prior to such amendment.

WINDING UP80. Winding Up

If the Company is wound up, then subject to applicable law and to the rights of the holders of shares with special rights upon winding up, the assets of the Company available for distribution among the members shall be distributed to them in proportion to the respective holdings of the shares in respect of which such distribution is being made.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIMATRON LIMITED

By: /s/ Ilan Erez

Ilan Erez
Chief Financial Officer

Dated: November 22, 2006

נספח 2.2

הסכם שירותים בין החברה לבין DBSI Investments Ltd.

INTERCORPORATE AGREEMENT

dated as of January 15, 1996

between

CEMATRON LTD. ("Cimatron")

an Israeli corporation

and

CLAL COMPUTERS AND TECHNOLOGY LTD. ("CCT")

an Israeli corporation

WITNESSETH:

WHEREAS: Cimatron is a subsidiary of CCT; and

WHEREAS: Cimatron is preparing to issue its Ordinary Shares ("Cimatron Ordinary Shares") to the public in connection with an initial public offering of Cimatron Ordinary Shares; and

WHEREAS: Cimatron desires that CCT continue to provide, and CCT is willing to continue to provide to Cimatron certain services.

NOW, THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

I. Provision of Services and Utilization of Facilities

A. For the period commencing January 1, 1996, and terminating on December 31, 1996, or such longer period as CCT and Cimatron shall agree, CCT will make available to Cimatron the services of CCT's corporate and administrative staff as set forth herein (the "Services"):

- (a) its executive management personnel, for overall supervision over the services provided by CCT to Cimatron;
 - (b) its fleet management staff, for monitoring and controlling fleet vehicles;
 - (c) certain legal services provided by CCT's internal legal counsel;
 - (d) certain services provided by affiliates of CCT, including tax advice and other corporate services; and
 - (e) such other personnel of CCT whose services the parties agree are necessary and desirable to permit Cimatron to operate its business in the ordinary course.
- B. In addition, CCT shall make available certain premises of CCT to the Company pursuant to the terms of the lease agreement in the form to be agreed to between the parties.

The Services to be performed hereunder and the number of personnel to be involved therewith shall be set forth in such further detail from time to time and as may be determined by the mutual agreement of the parties. Nothing herein shall obligate Cimatron to acquire Services of any kind or nature from CCT.

2. Fees for Services

- (a) During the period from January 1, 1996 through December 31, 1996, Cimatron will pay to CCT a fee for the Services provided during such year calculated as follows: as soon as practicable after the date hereof, Cimatron will provide CCT with its projected sales for the year ending December 31, 1996 (the "Cimatron Sales") together with a description of the category of Services which Cimatron will request CCT to provide during such year (the "Specified Services") and the number of employees Cimatron expects to employ during such year. As soon as practicable after the date hereof, CCT will present to Cimatron its projected consolidated sales for the year ending December 31, 1996 (the "CCT Sales") and its projected consolidated expenses to provide the Specified Services to the extent requested by its other subsidiaries (the "Requesting Subsidiaries"), including Cimatron (the "CCT Expenses"), as well as the number of all employees which the Requesting Subsidiaries (including Cimatron) expect to employ (the "CCT Employees"), set forth in such detail and with such supporting documentation as may be requested by Cimatron. After receipt

of the information referred to above and as soon as practicable after the date hereof, the parties shall determine the amount which Cimatron will pay to CCT under this section 2 (a) based upon the following formula:

$$\frac{\text{Fee}}{\text{CCT Expenses}} = \frac{\text{Cimatron Sales}}{\text{CCT Sales}} \times \frac{\text{Number of Cimatron Employees}}{\text{All CCT Employees}}$$

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Thereafter, the parties will annually establish the fee to be paid by Cimatron to CCT for the Services following the foregoing procedure. Fees will be due and payable within 60 days after the end of each three-month period in the relevant year.

- (b) If in any year, by mutual agreement of Cimatron and CCT, CCT does not provide all the Services requested by Cimatron for such year, CCT and Cimatron will in good faith negotiate a reduction in the fee paid by Cimatron to CCT pursuant to the principles set forth in Section 2(a).

3. Intercorporate Relationship

From the date hereof, if CCT or any company or entity controlled by CCT (other than Cimatron) is apprised of or desires to initiate, or avail itself of, a business opportunity primarily in, or primarily related to, the Cimatron Business (as defined below) or which may otherwise be competitive with the Cimatron Business, then such opportunity will not be directly or indirectly considered or accepted by CCT or such company or entity until it has first been offered to and declined by Cimatron. The parties hereto will deal with one another on an arm's length basis in all transactions not covered by this Agreement, and in all amendments hereto and modifications hereof. CCT will act in respect of Cimatron in accordance with its obligations as a majority shareholder under applicable law. As used herein, the term "Cimatron Business" refers to the development and marketing of mechanical engineering CAD/CAM products.

4. Limitation of Liability

In providing Services, CCT shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner, but neither CCT nor any officer, director, employee or agent of CCT shall be liable to Cimatron for any error of judgment or mistake of law or for any loss incurred by Cimatron in connection with the

matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of CCT or from CCT's reckless disregard of obligations and duties under this Agreement.

5. Effective Date of Agreement

This Agreement shall be effective on the date first above written.

6. Amendment and Modification

Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated other than by an agreement in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

CLAL COMPUTERS AND TECHNOLOGY LTD

By: E. Ben-Avram

Name: Eliahu Ben-Avram

By: Z. Fuchs

Name: Zeev Fuchs

CIMATRON LTD.

By: Yehuda Frenkel

Name: Yehuda Frenkel

By: Maki Yoeli

Name: Maki Yoeli

February 21, 2002

Koonras Technologies Ltd.
21 Ha'arbaa St.
Tel Aviv

D.B.S.I. Investments Ltd.
85 Medinat Ha'yehudim St.
Hertzliya

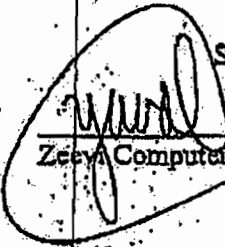
Gentlemen,

We, the undersigned, Zeevi Computers and Technology Ltd., hereby confirm that effective as of February __, 2002 (the "Closing Date"), we hereby assign our rights and obligations in accordance with the management services agreement between us and Cinatron Ltd. (the "Company") to both of you, jointly and severally, provided that you will duly and timely obtain any and all approvals required in connection with such an assignment.

We hereby declare that we shall not be entitled to any management fees or other payments from the Company under the management services agreement, following the Closing Date, provided that on Closing Date, you and us shall calculate any and all payments due and payable to us for the services rendered by us to the Company prior to the Closing Date in accordance with existing obligations or to the Company in the event it prepaid us for such services. Amounts due and payable as aforesaid to the Company by us (if any) shall be paid at the Closing.

You shall use your best efforts to cause the Company to duly and timely pay any and all payments due and payable to us under the sub-lease agreement and maintenance agreement between us and the Company, until the due termination of those agreements as was agreed between us and the Company, but in any event not later than January 31, 2003, as well as any amounts due and payable to us (if any) for services rendered by us until Closing Date to the Company under the management services agreement.

Sincerely,


Zeevi Computers and Technology Ltd.

We, the undersigned, jointly and severally, hereby declare and undertake as follows:

1. We hereby accept the aforementioned assignment in accordance with the terms and conditions set forth above, and undertake to be fully bound thereby and act in accordance therewith.
2. We hereby declare that in the event that any of aforesaid approvals is not obtained by us for any reason whatsoever, none of us shall have any claim or demand against you in connection therewith and the assignment (but not the cancellation of the payment obligation mentioned in the second paragraph in your above letter) hereof shall be null and void. We further acknowledge and undertake that we alone shall be responsible for the due and timely procurement of any and all approvals and will indemnify you and hold you harmless against any damage sustained by you should such any required approval should have been procured earlier than as aforesaid or should any of us breach its obligation to procure same.

3. We declare and undertake that we have and shall have the ability, skills, experience, resources and personnel required for the purpose of rendering management services to the Company in a manner, scope and quality similar to those demonstrated by you while rendering the aforementioned management services to the Company.

Sincerely,

קורס טכנולוגיות בע"מ



Koonras Technologies Ltd.



D.B.S.I. Investments Ltd.

נספח 2.3

הסכם זכויות רישום מיום 3 ביוני 2007 בין החברה לבין Kotek 2 B.V. ו- DBSI Investments Ltd.

EX-4.2 3 exhibit_4-2.htm

Exhibit 4.2

REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

CIMATRON LTD.

AND

KOONRAS TECHNOLOGIES LTD.

D.B.S.I. INVESTMENTS LTD.

DATED JUNE 3, 2007

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the “**Agreement**”) is entered into as of the 3rd day of June, 2007, by and among **CIMATRON LTD.**, a company incorporated under the laws of the State of Israel (the “**Company**”), **KOONRAS TECHNOLOGIES LTD.**, a company incorporated under the laws of the State of Israel (“**Koonras**”) and **D.B.S.I. INVESTMENTS LTD.**, a company incorporated under the laws of the State of Israel (“**DBSI**”).

WHEREAS, Koonras and DBSI are holders of the Company’s Ordinary Shares, par value NIS 0.1 each (“**Ordinary Shares**”);

WHEREAS, the parties wish to set provisions governing the registration of the Company’s Ordinary Shares held by the Holders, as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS.

As used in this Agreement the following terms shall have the following respective meanings:

1.1. “**Board**” means the Board of Directors of the Company.

1.2. “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

1.3. “**Form F-1**” means such form under the Securities Act as in effect on the date hereof or any successor or similar registration form under the Securities Act subsequently adopted by the SEC.

1.4. “**Form F-3**” means such form under the Securities Act as in effect on the date hereof or any successor or similar registration form under the Securities Act subsequently adopted by the SEC, which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.5. “**Holder(s)**” means Koonras and/or DBSI so long as they own of record of Registrable Securities or any assignee of record of such Registrable Securities in accordance with the provisions of this Agreement.

1.6. “**Prospectus**” means the prospectus included in the registration statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto and all material incorporated by reference in such prospectus.

1.7. “**Register**,” “**registered**,” and “**registration**” refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

1.8. “**Registrable Securities**” means all Ordinary Shares owned of record now or in the future by the Holders, and any and all securities issued or issuable with respect thereto upon any stock split or stock dividend, or into which such Ordinary Shares have been or may be converted to or exchanged into in connection with any merger, consolidation, recapitalization or similar event, until the earliest of (i) its effective registration under the Securities Act and resale in accordance with the registration statement covering it, or (ii) or its sale to the public pursuant to Rule 144.

1.9. “**Registration Expenses**” shall mean all expenses incurred by the Company in complying with Sections 2.2, 2.3 and 2.4 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders (selected by Holders of the majority of the Registrable Securities requesting such registration), blue sky fees and expenses and the expense of any special audits incident to or required by any such registration, but excluding Selling Expenses.

1.10. “**Rule 144**” means Rule 144 under the Securities Act, as such Rule may be amended from time to time.

1.11. “**SEC**” or “**Commission**” means the United States Securities and Exchange Commission.

1.12. “**Securities Act**” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.13. “**Selling Expenses**” shall mean, with respect to each Holder, its underwriting discounts and/or commissions, placement agent or broker fees and commissions and transfer taxes, if any, in connection with the sale of securities by such Holder.

2. **DEMAND REGISTRATION.**

2.1. Request for Registration. Subject to the conditions of this Section 2, if the Company shall receive a written request from Holders of 70% of the Registrable Securities (the “**Initiating Holders**”) that the Company file a registration statement on Form F-1 covering the registration of Registrable Securities having an anticipated aggregate offering proceeds for the Registrable Shares to be registered, net of underwriting discounts and commissions, exceeding \$1,000,000, then the Company shall, within thirty (30) days of the delivery thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2, and use its best efforts to effect, as promptly as reasonably possible, the registration under the Securities Act of the Registrable Securities that the Holders as are specified in the Initiating Holders’ request, together with the Registrable Securities of any Holder(s) joining in such request as are specified in a written request received by the Company within the above 30-day period.

2.2. Underwritten Offering.

2.2.1. If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2 or any request pursuant to Section 4 and the Company shall include such information in the written notice referred to in Section 2.1 or Section 4.1, as applicable. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with an internationally recognized underwriter(s) designated for such underwriting as the lead or managing underwriter(s) by the Initiating Holders, who shall be acceptable to the Company, its acceptance not to be unreasonably withheld.

2.2.2. Notwithstanding any other provision of this Section 2 or Section 4, if the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities so requested to be registered on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders); provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities of the Company are first entirely excluded from the underwriting and registration. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

2.3. Exclusions. The Company shall not be required to effect a registration pursuant to this Section 2 (without limiting any other provisions of this Section 2 to that effect):

2.3.1. After the Company has effected two (2) registrations pursuant to this Section 2, and such registrations have been declared or ordered effective;

2.3.2. During the period starting with the date of filing of, and ending on the date one hundred eighty (180) days following the effective date of the registration statement pertaining to the Company's securities; provided that the Company makes reasonable good faith efforts to cause such registration statement to become effective;

2.3.3. If within ten (10) days of receipt of a written request from Initiating Holders pursuant to Section 2.1, the Company gives notice to the Holders of the Company's good faith intention to file a registration statement for a public offering for a sale of the Company's shares for its own account within ninety (90) days, provided that the Company actually files such registration statement within such ninety (90) days and makes reasonable good faith efforts to cause such registration statement to become effective;

2.3.4. If the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2, an officer's certificate signed by order of the Board stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its shareholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than one hundred and twenty (120) days after receipt of the request of the Initiating Holders; provided that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period; or

3. **PIGGYBACK REGISTRATIONS.**

3.1. **Notice of Registration.** The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company for cash (but other than registration relating solely to employee benefit plans on Form F-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form F-4 or similar forms that may be promulgated in the future) and will afford each such Holder requesting to be included in such registration, in accordance with this Section 3.1, an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within twenty (20) days after delivery of the above-described notice by the Company, so notify the Company in writing specifying the number of Registrable Shares requested to be included. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

3.2. **Underwritten Offering.**

3.2.1. If the registration statement under which the Company gives notice under this Section 3 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities as part of its notice made pursuant to Section 3.1. In such event, the right of any such Holder to be included in a registration pursuant to this Section 3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company.

3.2.2. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders pro-rata, based on the total number of Registrable Securities held by the Holders; and third, to any shareholder of the Company (other than a Holder) on a pro rata basis. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

3.3. Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 3 prior to the effectiveness of such registration, whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 5 hereof.

4. SHELF REGISTRATION STATEMENT REGISTRATION.

4.1. Subject to the conditions of this Section 4, if the Company shall receive a written request(s) from any Holder (s) of Registrable Securities that the Company file a registration statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act registering the resale from time to time by the Holders thereof of all of the relevant Registrable Securities (the "**Shelf Registration Statement**"), then the Company shall, within thirty (30) days of the delivery thereof, give written notice of such request to all Holders, which may elect to join in such request, as specified in a written request given within fifteen (15) days after delivery of the Company's written notice. The Shelf Registration Statement shall be on Form F-3 or another appropriate registration statement permitting registration of such Registrable Securities for resale by the Holders in accordance with the methods of distribution elected by them and set forth in such Shelf Registration Statement. The Company shall use its best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act within 3 months after the Holders initial request in accordance with this Section and to keep such Shelf Registration Statement continuously effective under the Securities Act until the expiration of five (5) years (the "**Registration Period**") from the date the Shelf Registration is declared effective by the SEC.

4.2. Exclusions. The Company shall not be required to effect a registration pursuant to this Section 4 (without limiting any other provisions of this Section 4 to that effect):

4.2.1. After the Company has effected four (4) registrations pursuant to this Section 4, and such registrations have been declared or ordered effective;

4.2.2. If Form F-3 is not available for such offering by the Holders, or

4.2.3. If it is requested to effect more than two (2) registrations under this Section 4 in any twelve (12) month period;

4.2.4. If within ten (10) days of receipt of a written request from any Holder or Holders pursuant to this Section 4, the Company gives notice to such Holder or Holders of the Company's good faith intention to file a registration statement for a public offering within ninety (90) days, provided that the Company actually files such registration statement within such ninety (90) days and makes reasonable good faith efforts to cause such registration statement to become effective;

4.2.5. If the Company shall furnish to the Holders requesting a registration statement pursuant to this Section 2, an officer's certificate signed by order of the Board stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its shareholders for such Shelf Registration Statement to be effected at such time, in which event the Company shall have the right to defer the filing of the Shelf Registration Statement for a period of not more than one hundred and twenty (120) days after receipt of the request of the Holder or Holders under this Section 4; provided, that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period, or

4.2.6. In any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

4.3. Suspension.

4.3.1. In addition to any suspension rights under subsection 4.3.2 below, upon the happening of any pending corporate development, public filing with the SEC or similar event, that, in the judgment of the Company's Board, renders it advisable to suspend the use of the Prospectus or upon the request by an underwriter in connection with an underwritten public offering of the Company's securities, the Company may, on not more than two (2) occasions for not more than thirty (30) days on each such occasion, suspend use of the Prospectus, on written notice to each Holder (which notice will not disclose the content of any material non-public information and will indicate the date of the beginning and end of the intended period of suspension, if known), in which case each Holder shall discontinue disposition of Registrable Securities covered by the registration statement or Prospectus until copies of a supplemented or amended Prospectus are distributed to the Holders or until the Holders are advised in writing by the Company that sales of Registrable Securities under the applicable Prospectus may be resumed and have received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in any such Prospectus. The suspension and notice thereof described in this Section 4.3 shall be held by each Holder in strictest confidence and shall not be disclosed by such Holder.

4.3.2. Subject to subsection 4.3.3 below, in the event of: (i) any request by the SEC or any other federal or state governmental authority during the Registration Period for amendments or supplements to a registration statement or related prospectus or for additional information, (ii) the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of a registration statement or the initiation of any proceedings for that purpose, (iii) the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, or (iv) any event or circumstance which necessitates the making of any changes in the registration statement or Prospectus, or any document incorporated or deemed to be incorporated therein by reference, so that, in the case of the registration statement, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, then the Company shall deliver a certificate in writing to the Holders (the "**Suspension Notice**") to the effect of the foregoing (which notice will not disclose the content of any material non-public information and will indicate the date of the beginning and end of the intended period of suspension, if known), and, upon receipt of such Suspension Notice, the Holders will discontinue disposition of Registrable Securities covered by the registration statement or Prospectus (a "**Suspension**") until the Holders' receipt of copies of a supplemented or amended Prospectus prepared and filed by the Company, or until the Holders are advised in writing by the Company that the current Prospectus may be used, and have received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in any such prospectus. In the event of any Suspension, the Company will use its commercially reasonable efforts to cause the use of the Prospectus so suspended to be resumed as soon as possible after delivery of a Suspension Notice to the Holders. The Suspension and Suspension Notice described in this Section 4.3 shall be held by each Holder in strictest confidence and shall not be disclosed by such Holder.

4.3.3. Provided that a Suspension is not then in effect, the Holders may sell Registrable Securities under the registration statement, provided that the selling Holder arranges for delivery of a current Prospectus to the transferee of such Registrable Securities to the extent such delivery is required by applicable law.

4.4. Registrations effected pursuant to this Section 4 shall not be counted as demands for registration or registrations effected pursuant to Sections 2 or 3, respectively.

5. EXPENSES OF REGISTRATION.

5.1. Except as specifically provided herein, all Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Sections 2, 3 or 4 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered, pro rata on the basis of the number of shares so registered.

6. OBLIGATIONS OF THE COMPANY.

6.1. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

6.1.1. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to thirty (30) days (and in the case of registration pursuant to Section 4 one hundred during the Registration Period) or, if earlier, until the Holder or Holders have completed the distribution related thereto.

6.1.2. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in paragraph (a) above.

6.1.3. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

6.1.4. Use its reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

6.1.5. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

6.1.6. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing. The Company will use reasonable efforts to amend or supplement such prospectus in order to cause such prospectus not to include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

6.1.7. Use its reasonable efforts to furnish, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter, dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering addressed to the underwriters.

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6.1.8. Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities

exchange on which similar securities issued by the Company are then listed.

7. DELAY OF REGISTRATION; FURNISHING INFORMATION.

7.1. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2, 3 or 4 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be reasonably required to effect the registration of their Registrable Securities and so requested in writing by the Company.

7.2. The Company shall have no obligation with respect to any registration requested pursuant to Section 2 if, due to the operation of subsection 2.2, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.

8. INDEMNIFICATION.

In the event any Registrable Securities are included in a registration statement under Sections 2, 3 or 4:

8.1. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, its affiliates, the partners, officers, directors and shareholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will pay as incurred to each such Holder, its affiliates, partners, officers, directors, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity agreement contained in this Section 8.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

8.2. To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, directors, shareholders, legal counsel and accountants for the Company and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's its affiliates, partners, directors, shareholders or officers, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holder or any person who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will pay as incurred any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 8.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 8.2 exceed the net proceeds from the offering received by such Holder.

8.3. Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, shall, to the extent materially prejudicial to its ability to defend such action, relieve such indemnifying party of its liability to the indemnified party under this Section 8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.

8.4. If the indemnification provided for in this Section 8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

8.5. The obligations of the Company and Holders under this Section 8 shall survive completion of any offering of Registrable Securities in a registration statement and the termination of this Agreement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

8.6. The indemnification provisions of this Section 8 shall not be in limitation of any other indemnification provisions included in any other agreement.

9. ASSIGNMENT OF REGISTRATION RIGHTS; TRANSFER OF REGISTRABLE SECURITIES.

9.1. The rights to cause the Company to register Registrable Securities pursuant to this Agreement may be assigned by a Holder to any transferee or assignee of all or part of the Registrable Securities held by such Holder, that acquires at least 100,000 Registrable Securities (as adjusted for stock splits, combinations and other recapitalization events); provided, however, (i) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned, and (ii) such transferee shall agree to be subject to all provisions and restrictions set forth in this Agreement.

9.2. In the event of a sale of Registrable Securities by a Holder, such Holder must also deliver to the Company's transfer agent, with a copy to the Company, a certificate of subsequent sale reasonably satisfactory to the Company, so that ownership of the Registrable Securities may be properly transferred. The Company will cooperate to facilitate the timely preparation and delivery of certificates (unless otherwise required by applicable law) representing Registrable Securities sold.

10. AGREEMENT TO FURNISH INFORMATION.

Each Holder of Registrable Securities shall furnish to the Company such information regarding such Holder and the distribution proposed by such Holder as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Agreement.

11. RULE 144 REPORTING.

11.1. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company (at any time after it has become subject to such reporting requirements) agrees to use its best efforts to:

11.1.1. Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

11.1.2. File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

11.1.3. So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

12. MISCELLANEOUS.

12.1. Entire Agreement. This Agreement constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and supersede all prior negotiations, agreements and understandings of the parties of any nature, whether oral or written, relating thereto.

12.2. Amendment of Registration Rights. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company (subject to the required corporate approval) and Holders of 70% of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 12.1 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Agreement, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

12.3. Governing Law; Venue. This Agreement shall be governed by and construed under the laws of the State of Israel, without regard to the conflicts of law principles of such State. The parties hereto irrevocably submit to the exclusive jurisdiction of the Courts of the district of Tel Aviv-Jaffa in respect of any dispute or matter arising out of or connected with this Agreement.

12.4. Successors and Assigns. Subject to the provisions of Section 9, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of Registrable Securities from time to time.

12.5. Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

12.6. Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Holder's part of any breach, default or noncompliance under the Agreement or any waiver on such Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to Holders, shall be cumulative and not alternative.

12.7. Aggregation of Shares. All shares of the Company held or acquired by any Holder and any entity or person which controls, is controlled by or is under common control with such Holder (for the purpose of this Section, "control" shall mean the holdings directly or indirectly of a majority of the voting securities), shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, the applicability of any limitation under this Agreement, or calculating such Holder's pro rata share.

12.8. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) two (2) days after deposit with an internationally recognized courier, specifying two day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the address as set forth below or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto.

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If to the Company:

Cimatron Ltd.

11 Gush Etzion Street

Givat Shmuel 54030, Israel

Fax: +972-3-5312097

Attn: Dan Haran, Chief Executive Officer

With a mandatory copy to:

Meitar, Liquornik, Geva & Leshem, Brandwein - Law Offices
16 Abba Hillel Road
Ramat Gan 52506, Israel
Fax: 972-3-6103111
Attn: Asaf Harel, Advocate

If to Koonras:

21 Ha'arba'a St.

Tel Aviv, Israel

If to DBSI:

85 Medinat Ha'yehudim St.

Herzlia, Israel

12.9. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile transmission), all of which together shall constitute one instrument.

– Signature page follows –

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IN WITNESS WHEREOF, the parties have duly signed this Registration Rights Agreement as of the Effective Date.

THE COMPANY:

/s/ Dan Haran

CIMATRON LTD.

Name: Dan Haran

Title: CEO

THE HOLDERS:

/s/ Rimon Ben-Shaoul /s/ Ken lalo

KOONRAS TECHNOLOGIES LTD.

Name: Rimon Ben-Shaoul Ken Lalo

/s/ Yossi Ben-Shalom /s/ Barak Dotan

D.B.S.I. INVESTMENTS LTD.

Name: Yossi Ben-Shalom Barak Dotan

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נספח 2.4

הסכם זכויות רישום מיום 31 בדצמבר 2007 בין החברה לבין William F. Gibbs

EX-4 5 exhibit4_2-3.htm EXHIBIT 4.2.3

Exhibit 4.2.3

Execution Copy

REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

CIMATRON LTD.

AND

MR. WILLIAM F. GIBBS

DATED DECEMBER 31, 2007

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the “**Agreement**”) is entered into as of the 31st day of December, 2007, by and among **CIMATRON LTD.**, a company incorporated under the laws of the State of Israel (the “**Company**”), and **MR. WILLIAM F. GIBBS** (“**Gibbs**”).

WHEREAS, the Company and Gibbs are party to a Merger Agreement and a Plan of Reorganization (the “**Merger Agreement**”) that provides for the issuance of the Company’s Ordinary Shares, par value NIS 0.1 each (“**Ordinary Shares**”) to Gibbs; and

WHEREAS, in connection with the Merger Agreement, the Company has agreed to grant certain registration rights with respect to the Ordinary Shares issued to Gibbs thereunder;

NOW, THEREFORE, the parties agree as follows:

1. **DEFINITIONS.**

As used in this Agreement the following terms shall have the following respective meanings:

“**Additional Holders**” means Koonras Technologies Ltd and/or DBSI Investment Ltd, and any assignees of the foregoing.

“**Affiliate**” means an entity which controls, is controlled by or under common control with a Holder. For the purpose of this definition of Affiliate, “*control*” shall mean the ability, directly or indirectly, to direct the activities of the relevant entity, whether by contract, voting rights or otherwise.

“**Board**” means the Board of Directors of the Company.

“**Cimatron Shares**” means the Ordinary Shares issued to Gibbs under the Merger Agreement.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Form F-3**” means such form under the Securities Act as in effect on the date hereof or any successor or similar registration form under the Securities Act subsequently adopted by the SEC, which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

“**Holder(s)**” means Gibbs and/or any of his Affiliates as long as they own of record Registrable Securities in accordance with the provisions of this Agreement.

“**Prospectus**” means the prospectus included in the registration statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto and all material incorporated by reference in such prospectus.

“**Register,**” “**registered,**” and “**registration**” refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

“**Registrable Securities**” means all Cimatron Shares and any and all securities issued or issuable with respect thereto upon any stock split or stock dividend, or into which such Cimatron Shares have been or may be converted to or exchanged into in connection with any merger, consolidation, recapitalization or similar event, until the earliest of (i) their effective registration under the Securities Act and resale in accordance with the registration statement covering it, or (ii) or their sale to the public pursuant to Rule 144, or (iii) when the Holder is eligible to dispose all of its Registrable Securities under Rule 144 within a 90 day period.

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“**Registration Expenses**” shall mean all expenses incurred by the Company in complying with Sections 2 and 3 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration, but excluding Selling Expenses.

“**Rule 144**” means Rule 144 under the Securities Act, as such Rule may be amended from time to time.

“**SEC**” or “**Commission**” means the United States Securities and Exchange Commission.

“**Securities Act**” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Selling Expenses**” shall mean, with respect to each Holder, its underwriting discounts and/or commissions, placement agent or broker fees and commissions and transfer taxes, if any, in connection with the sale of securities by such Holder.

2. **PIGGYBACK REGISTRATIONS.**

2.1. **Notice of Registration.** The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company for cash (but other than registration relating solely to employee benefit plans on Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form F-4 or similar forms that may be promulgated in the future) and will afford each such Holder requesting to be included in such registration, in accordance with this Section 2.1, an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within twenty (20) days after delivery of the above-described notice by the Company, so notify the Company in writing specifying the number of Registrable Shares requested to be included. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

2.2. **Underwritten Offering.**

2.2.1. If the registration statement under which the Company gives notice under this Section 2 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities as part of its notice made pursuant to Section 2.1. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2 shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting to the extent

provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company.

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2.2.2. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders and the Additional Holders pro-rata, based on the total number of Ordinary Shares held by each of them requesting to be included in such registration; and third, if any, to any shareholder of the Company (other than the Holder and the Additional Holders) on a pro rata basis. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

2.3. **Right to Terminate Registration.** The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2 prior to the effectiveness of such registration, whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 4 hereof.

3. **SHELF REGISTRATION STATEMENT REGISTRATION.**

3.1. Subject to the conditions of this Section 3, if the Company shall receive a written request(s) from any Holder (the "**Initiating Holder**") or from any Additional Holder that the Company file a registration statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act registering the resale from time to time by the Holders thereof of all of the relevant Registrable Securities (the "**Shelf Registration Statement**"), then the Company shall, within thirty (30) days of the delivery thereof, give written notice of such request to all Holders, which may elect to join in such request, as specified in a written request given within fifteen (15) days after delivery of the Company's written notice. The Shelf Registration Statement shall be on Form F-3 or another appropriate registration statement permitting registration of such Registrable Securities for resale by the Holders in accordance with the methods of distribution elected by them and set forth in such Shelf Registration Statement. The Company shall use its best commercial efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act within 3 months after the Holders initial request in accordance with this Section and to keep such Shelf Registration Statement continuously effective under the Securities Act until the expiration of five (5) years (the "**Registration Period**") from the date the Shelf Registration is declared effective by the SEC.

3.2. **Underwritten Offering.** If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting then the Initiating Holders shall inform the Company in writing of their intention to do so and the intended plan of distribution and such information shall be included in the written notice referred to in Section 3.1. Distribution of the Registrable Securities by means of an underwriting shall be subject to the Company's consent. Notwithstanding any other provision of this Section 3, if the offering is done by means of an underwriting and the underwriter advises the Company that marketing factors require a limitation of the number of Registrable Securities to be underwritten then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto (including the Additional Holders), and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities (including the Additional Holders) so requesting to be registered on a pro rata basis, based on the number of Ordinary Shares then held by all such Holders (including the Additional Holders). Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

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3.3. **Exclusions.** The Company shall not be required to effect a registration pursuant to this Section 3 (without limiting any other provisions of this Section 3 to that effect):

3.3.1. After the Company has effected two (2) registrations pursuant to this Section 3 at the request of the Initiating Holder(s), and such registrations have been declared or ordered effective;

- 3.3.2. If the market price of the Registrable Securities to be registered thereunder is less than US \$250,000;
- 3.3.3. If Form F-3 is not available for such offering by the Holders;
- 3.3.4. If it is requested to effect more than one (1) registration under this Section 3 in any twelve (12) month period;
- 3.3.5. During the period starting with the date of filing of, and ending on the date one hundred eighty (180) days following the effective date of a registration statement pertaining to the Company's securities (but other than registration relating solely to employee benefit plans on Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to SEC Rule 145 transaction on Form F-4 or similar forms that may be promulgated in the future);
- 3.3.6. If within ten (10) days of receipt of a written request from Initiating Holders pursuant to this Section 3.1, the Company gives notice to the Initiating Holders of the Company's good faith intention to file a registration statement for a public offering within ninety (90) days, provided that the Company actually files such registration statement within such ninety (90) days and makes reasonable good faith efforts to cause such registration statement to become effective;
- 3.3.7. For a Holder if a registration statement filed pursuant to Section 2 herein is then effective and is available to such Holder for the resale of Registrable Securities;
- 3.3.8. If the Company shall furnish to the Initiating Holders requesting a registration statement pursuant to this Section 3, an officer's certificate signed by order of the Board stating that in the good faith judgment of the Board, (i) such registration may interfere with or affect the negotiation or completion of any material transaction or other material event that is being contemplated by the Company (whether or not final decision has been made to undertake such transaction at the time the right to delay is exercised), or (ii) such registration involves initial or continuing disclosure obligations that might not be in the best interest of the Company or its shareholders, or (iii) it would be otherwise seriously detrimental to the Company and its shareholders for such Shelf Registration Statement to be filled and/or effected at such time, any in each of the events described above the Company shall have the right to defer the filing of the Shelf Registration Statement for a period of not more than one hundred and twenty (120) days after receipt of the request of the Holder under this Section 3; provided, that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period, or
- 3.3.9. In any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

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3.4. Suspension.

- 3.4.1. In addition to any suspension rights under subsection 3.4.2 below, upon the happening of any pending corporate development, public filing with the SEC or similar event, that, in the judgment of the Company's Board, renders it advisable to suspend the use of the Prospectus or upon the request by an underwriter in connection with an underwritten public offering of the Company's securities, the Company may, on not more than two (2) occasions for not more than thirty (30) days on each such occasion, suspend use of the Prospectus, on written notice to each Holder (which notice will not disclose the content of any material non-public information and will indicate the date of the beginning and end of the intended period of suspension, if known), in which case each Holder shall discontinue disposition of Registrable Securities covered by the registration statement or Prospectus until copies of a supplemented or amended Prospectus are distributed to the Holders or until the Holders are advised in writing by the Company that sales of Registrable Securities under the applicable Prospectus may be resumed and have received copies of any additional or supplemental filings that are incorporate or deemed incorporated by reference in any such Prospectus. The suspension and notice thereof described in this Section 3.4 shall be held by each Holder in strictest confidence and shall not be disclosed by such Holder.
- 3.4.2. In the event of: (i) any request by the SEC or any other federal or state governmental authority during the Registration Period for amendments or supplements to a registration statement or related prospectus or for additional information, (ii) the issuance by the SEC or any other federal or state

governmental authority of any stop order suspending the effectiveness of a registration statement or the initiation of any proceedings for that purpose, (iii) the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, or (iv) any event or circumstance which necessitates the making of any changes in the registration statement or Prospectus, or any document incorporated or deemed to be incorporated therein by reference, so that, in the case of the registration statement, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, then the Company shall deliver a certificate in writing to the Holders (the “**Suspension Notice**”) to the effect of the foregoing (which notice will not disclose the content of any material non-public information and will indicate the date of the beginning and end of the intended period of suspension, if known), and, upon receipt of such Suspension Notice, the Holders will discontinue disposition of Registrable Securities covered by the registration statement or Prospectus (a “**Suspension**”) until the Holders’ receipt of copies of a supplemented or amended Prospectus prepared and filed by the Company, or until the Holders are advised in writing by the Company that the current Prospectus may be used, and have received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in any such prospectus. In the event of any Suspension, the Company will use its commercially reasonable efforts to cause the use of the Prospectus so suspended to be resumed as soon as possible after delivery of a Suspension Notice to the Holders. The Suspension and Suspension Notice described in this Section 3.4.2 shall be held by each Holder in strictest confidence and shall not be disclosed by such Holder.

- 3.4.3. Provided that a Suspension is not then in effect, the Holders may sell Registrable Securities under the registration statement, provided that the selling Holder arranges for delivery of a current Prospectus to the transferee of such Registrable Securities to the extent such delivery is required by applicable law.

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4. **EXPENSES OF REGISTRATION.**

Except as specifically provided herein, all Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Sections 2 or 3 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered, pro rata on the basis of the number of shares so registered.

5. **OBLIGATIONS OF THE COMPANY.**

- 5.1. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:
- 5.1.1. Prepare and file with the SEC a Shelf Registration Statement with respect to such Registrable Securities and use its commercially reasonable best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to the Registration Period or, if earlier, until the Holder or Holders have completed the distribution related thereto.
 - 5.1.2. Prepare and file with the SEC such amendments and supplements to Shelf Registration Statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in paragraph 5.1.1 above.
 - 5.1.3. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.
 - 5.1.4. Use its reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

- 5.1.5. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.
- 5.1.6. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing. The Company will use reasonable efforts to amend or supplement such prospectus in order to cause such prospectus not to include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

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- 5.1.7. Use its reasonable efforts to furnish, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter, dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering addressed to the underwriters.
- 5.1.8. Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

6. DELAY OF REGISTRATION; FURNISHING INFORMATION.

- 6.1. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2 and 3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be reasonably required to effect the registration of their Registrable Securities and so requested in writing by the Company.
- 6.2. If a registration pursuant to Section 3 is to be effected by means of an underwritten offering, the identity of the underwriter shall be determined by the Company, subject to the consent of the Initiating Holders which shall not be unreasonably withheld, and in such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein.
- 6.3. No Holder of Registrable Securities may participate in any underwritten registration under Section 3 unless such Holder (i) agrees to enter into a written underwriting agreement with the managing underwriter selected in the manner herein provided in such form and containing such provisions as are customary in the securities business for such an arrangement between such underwriter and companies of the Company's size and investment stature; provided, however, that no Holder shall be required to give representations and warranties pursuant to any such underwriting agreement other than as to their ownership of, and ability to transfer, such Holder's Registrable Securities; and (ii) provides any relevant information and completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, and other documents required under the terms of such underwriting arrangements.

7. INDEMNIFICATION.

In the event any Registrable Securities are included in a registration statement under Sections 2 or 3:

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- 7.1. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, its affiliates,

the partners, officers, directors and shareholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “**Violation**”) by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will pay as incurred to each such Holder, its affiliates, partners, officers, directors, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity agreement contained in this Section 7.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

- 7.2. To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, directors, shareholders, legal counsel and accountants for the Company and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder’s its affiliates, partners, directors, shareholders or officers, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holder or any person who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will pay as incurred any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 7.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 7.2 exceed the net proceeds from the offering received by such Holder.

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- 7.3. Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 7, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, shall, to the extent

materially prejudicial to its ability to defend such action, relieve such indemnifying party of its liability to the indemnified party under this Section 7, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 7.

- 7.4. If the indemnification provided for in this Section 7 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.
- 7.5. The obligations of the Company and Holders under this Section 7 shall survive completion of any offering of Registrable Securities in a registration statement and the termination of this Agreement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.
- 7.6. The indemnification provisions of this Section 7 shall not be in limitation of any other indemnification provisions included in any other agreement

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8. **ASSIGNMENT OF REGISTRATION RIGHTS; TRANSFER OF REGISTRABLE SECURITIES.**

- 8.1. The rights to cause the Company to register Registrable Securities pursuant to this Agreement may be assigned by a Holder to any Affiliate of the Holder that acquires at least 100,000 Registrable Securities (as adjusted for stock splits, combinations and other recapitalization events); provided, however, (i) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee and the securities with respect to which such registration rights are being assigned, and (ii) such transferee shall agree to be subject to all provisions and restrictions set forth in this Agreement and shall have the rights and privileges of a "Holder" under this Agreement.
- 8.2. In the event of a sale of Registrable Securities by a Holder, such Holder must also deliver to the Company's transfer agent, with a copy to the Company, a certificate of subsequent sale reasonably satisfactory to the Company, so that ownership of the Registrable Securities may be properly transferred. The Company will cooperate to facilitate the timely preparation and delivery of certificates (unless otherwise required by applicable law) representing Registrable Securities sold.

9. **AGREEMENT TO FURNISH INFORMATION**

Each Holder of Registrable Securities shall furnish to the Company such information regarding such Holder and the distribution proposed by such Holder as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Agreement.

10. **RULE 144 REPORTING.**

- 10.1. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company (at any time after it has become subject to such reporting requirements) agrees to use its best efforts to:

10.1.1. Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times;

10.1.2. File with the SEC, in a timely manner, all reports and other documents required of the Company under

the Exchange Act; and

10.1.3. So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

11. MISCELLANEOUS.

11.1. Expenses. Each of Gibbs and the Company shall pay its own expenses and costs incurred in connection with the negotiation, approval, authorization and execution of this Agreement.

11.2. Entire Agreement. This Agreement constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and supersede all prior negotiations, agreements and understandings of the parties of any nature, whether oral or written, relating thereto.

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11.3. Amendment of Registration Rights. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company (subject to the required corporate approval) and Gibbs. Any amendment or waiver affected in accordance with this Section 11.3 shall be binding upon all Holders and the Company. By acceptance of any benefits under this Agreement, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

11.4. Termination. This Agreement shall terminate and shall have no further force and effect at such time that the Holders cease to hold any Registrable Securities.

11.5. Governing Law; Venue. This Agreement shall be governed by and construed under the laws of the State of New York, without regard to the conflicts of law principles of such State. The parties hereto irrevocably submit to the exclusive jurisdiction of the Courts of New York located in the City of New York in respect of any dispute or matter arising out of or connected with this Agreement.

11.6. Successors and Assigns. Subject to the provisions of Section 8, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of Registrable Securities from time to time.

11.7. Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

11.8. Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Holder's part of any breach, default or noncompliance under the Agreement or any waiver on such Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to Holders, shall be cumulative and not alternative.

11.9. Aggregation of Shares. All Cimatron Shares held by any Holder and any Affiliate thereof, shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, the applicability of any limitation under this Agreement, or calculating such Holder's pro rata share.

11.10. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or

(iv) two (2) days after deposit with an internationally recognized courier, specifying two day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the address as set forth below or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto.

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If to the Company:

Cimatron Ltd.
11 Gush Etzion Street
Givat Shmuel 54030, Israel
Fax: +972-3-5312097
Attn: Danny Haran, Chief Executive Officer

With a mandatory copy to:

Meitar, Liquornik, Geva & Leshem, Brandwein - Law Offices
16 Abba Hillel Road
Ramat Gan 52506, Israel
Fax: 972-3-6103111
Attn: Asaf Harel, Advocate

If to Gibbs:

William F. Gibbs
4017 N Cedarpine Lane
Moorpark, CA 93021
home telephone: 805-529-1991
office telephone: 805-523-0004
office fax 805-523-0006
cell 805-377-1789
email: bill@gibbsCAM.com

With a mandatory copy to:

Farella Braun + Martel LLP
Russ Building
235 Montgomery Street
San Francisco, CA 94104
Attn: Brian Donnelly
Telephone: 415.954.4400
Direct Phone: 415.954.4465
Fax: 415.954.4480
Email: BDonnelly@fbm.com

11.11. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile transmission), all of which together shall constitute one instrument.

- Signature Page to Follow -

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IN WITNESS WHEREOF, the parties have duly signed this Registration Rights Agreement as of the Effective Date.

THE COMPANY:

CIMATRON LTD.

Name: Danny Haran

Title: CEO

THE HOLDER:

MR. WILLIAM F. GIBBS



נספח 2.5

הסכם העסקה מיום 2 בינואר, 2008 בין William F. Gibbs לבין Cimatron Gibbs LLC

EX-4 7 exhibit4_2-5.htm EXHIBIT 4.2.5

Exhibit 4.2.5*Execution Copy*

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “**Agreement**”) is made as of the 2ND day of January, 2008 (“**Effective Date**”) by and between William F. Gibbs, a resident of 4017 N Cedarpine Lane, Moorpark, CA 93021, United States of America (the “**Executive**”), and Nortamic, LLC, a California limited liability company with offices at 323 Science Drive, Moorpark, CA 93021 (the “**Company**”).

WHEREAS, the Company desires to employ Executive as its President and Chief Executive Officer, and Executive desires to be employed by the Company as its President and Chief Executive Officer, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, and intending to be legally bound, the parties, subject to the terms and conditions set forth herein, agree as follows:

- 1. Employment and Term.** The Company hereby agrees to employ Executive, and Executive hereby agrees to accept employment with the Company, in the position of the President and Chief Executive Officer of the Company (the “**Position**”), upon the terms set forth in this Agreement, for the period (the “**Term**”) commencing as of the Effective Date and continuing until terminated by either party in accordance with the provisions of Section 7. The Executive shall be under the direct supervision of, and comply with the directives of, the President and Chief Executive Officer of Cimatron Ltd. (“**Cimatron**”). During the Term, the Executive will form part of Cimatron’s management team.
- 2. Duties.** During the Term, Executive shall serve the Company faithfully and to the best of his ability and shall devote his full time, attention, skill and efforts to the performance of the lawful duties required by or appropriate for the Position. Accordingly, during the Term, Executive agrees not to accept any other employment or position (as an employee, consultant or otherwise) with any third party or otherwise engage in any other business activities. Executive shall be responsible for the efficient performance of his duties and of the responsibilities of the Position as determined by the Company on an on-going basis. During the Term, Executive agrees to refrain from engaging in any activity that does, will or could reasonably be deemed to conflict with the best interests of the Company. Provided, however, while performing services hereunder, Executive may serve as a member of a board of directors of one (1) non-competitive company, the identity of which has been approved in advance by the Company and engage in charitable and public service activities provided that such services or activities do not interfere with the performance of his duties and responsibilities under this Agreement.

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- 3. Compensation.** The Company shall pay Executive, and Executive hereby agrees to accept, as compensation for all services rendered hereunder and for Executive’s covenants provided for herein and in **Exhibit C**, the compensation set forth in this Section 3.

Base Salary. The Company shall pay Executive a base salary (the “**Base Salary**”) at the annual rate of US\$160,000, in equal semi-monthly installments. The Base Salary shall be subject to withholding for all applicable income, social security and other taxes and charges that are required by law to be withheld by the Company, or are requested to be withheld by Executive, and shall be withheld and paid in accordance with the normal payroll practice for similarly situated employees of the Company, Cimatron and Cimatron Technologies, Inc. (“**CTI**”) and together with the Company and Cimatron, the “**Company Group**”) in the United States as in effect from time to time.

Bonus Program. Executive shall be entitled to receive a bonus (the “**Annual Bonus**”) (subject to withholding as described above in Section 0) for each calendar year of continues employment ending (starting with the calendar year 2008) during the Term based upon the criteria set forth in Exhibit A attached hereto.

Fringe Benefits. Executive shall be entitled to health, life and disability insurance and other fringe benefit programs (including a 401(k) or similar plan funded by Executive) (the “**Benefits**”) of the Company on terms and conditions as are customary for other comparable officers and employees of the Company Group in the United States.

Reimbursement of Expenses. The Executive acknowledges and agrees that from time to time he may be required by the Company to travel abroad and inside the US as part of his work in the Company. Executive shall be reimbursed for all normal items of travel and miscellaneous expenses reasonably incurred by him on behalf of Company, provided that such expenses are documented and submitted to the Company all in accordance with the reimbursement policies of the Company Group as in effect from time to time.

Vacation The Executive shall be entitled to an annual vacation of twenty (20) business days per year. It is hereby clarified that the Executive must make every effort to take annual vacation, but if he is unable to utilize all his vacation days, he shall be entitled to accumulate the unused portion of his vacation days up to a ceiling of fifty (50) vacation days (the “**Ceiling**”). The balance of vacation days in excess of the Ceiling shall be paid in accordance with the Company’s policies as may be amended from time to time. Any outstanding vacation days due to the Executive as aforesaid upon the termination of his employment, shall be paid in accordance with applicable law.

4. **Stock Options.** Subject to the terms of Cimatron’s Stock Option Plan and the stock option agreement attached hereto as **Exhibit B**, the Executive shall be granted as promptly as possible after the date hereof (the “**Date of Grant**”) an option to purchase such number of Ordinary Shares of Cimatron as shall be agreed by the Company and the Executive (not to exceed 20,000 shares) at the then current fair market value of such Ordinary Shares (the “**Options**”). The Executive undertakes to take all actions and to sign all documents required, at the discretion of Cimatron, in order to give effect to and enforce the above terms and conditions. Any tax liability in connection with the Options (including with respect to the grant, exercise, sale of the Options or the shares receivable upon their exercise) shall be borne solely by the Executive.

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5. **Taxes; Section 409A of Internal Revenue Code.** Any tax liability in connection with any payments or compensation due to the Executive hereunder shall be borne solely by the Executive. The Company shall deduct from any such payments or compensation any relevant taxes and charges that are required by law to be withheld by the Company, or are requested to be withheld by Executive. Executive hereby elects to receive, and the Company hereby agrees to pay, the compensation payable to Employee under Section 7 of this Agreement (the “**Post-Termination Compensation**”) at the time, in the manner, and on the terms and conditions set forth in Section 7. The parties acknowledge and agree that the Post-Termination Compensation is intended to be for Executive’s compliance with the restrictions in Section 6 and is not to be considered deferred compensation or severance pay in connection with Executive’s employment under this Agreement. Notwithstanding the foregoing, however, if the payment of the Post-Termination Compensation is ever determined to be subject to Section 409A (“**Section 409A**”) of the Internal Revenue Code (the “**Code**”), (i) neither Executive nor the Company shall have the right to accelerate or defer any payment of such Post-Termination Compensation; (ii) the Post-Termination Compensation shall be payable only if Executive has incurred a Separation from Service from the Company (as defined below), (iii) Post-Termination Compensation shall be paid out of the Company’s general assets, and (iv) if Executive is a Code Section 416(i) key employee (determined without regard to Code Section 416(i)(5) which treats a key employee’s beneficiary as a key employee) of the Company at any time during the 12-month period ending on December 31st of the calendar year preceding the calendar year in which payment of Post-Termination Compensation commences, and if any Company’s stock is publicly traded on an established securities market or otherwise on the date of Executive’s Separation from Service, payments of the Post-Termination Compensation shall commence on the first regular Company payday in the seventh month following the month in which Executive’s Separation from Service occurs. If the Post-Termination Compensation is ever determined to be subject to Section 409A, a “**Separation from Service**” is deemed to occur if Executive dies, retires, or otherwise has a termination of employment with the Company; provided, that Executive’s employment relationship is treated as continuing intact while on sick leave or other bona fide leave of absence if the period of such leave does not exceed six months or longer, if Executive’s right to reemployment is provided either by statute or by contract; and provided, further, if Executive continues to provide services to the Company in any capacity after termination or expiration of this Agreement or termination of Executive’s employment relationship with the Company (the “**Post-Termination Services**”), the determination of whether a Separation from Service has occurred shall be made in accordance with Section 409A. For purposes of this paragraph, the term “Company” includes all other organizations that together with the Company are part of a Code Section 414(b-c) control group of organizations.

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6. **Confidentiality; Invention Assignment and Non-Compete.** Executive shall execute the Confidential

Information, Non-Compete and Invention Assignment Agreement attached hereto as **Exhibit C** simultaneously with the execution of this Agreement. Nothing set forth in **Exhibit C** shall limit or terminate any obligations that Executive may have pursuant to any other agreement of confidentiality, non-compete, or assignment of rights with the Company or any of its predecessor entities.

7. Termination. In the event of a termination of this Agreement, then the following shall apply:

In the event that the Company terminates the Executive's employment for "Cause" (as defined below) then (a) Executive shall be entitled to receive all accrued but unpaid (as of the effective date of such termination) Base Salary and Benefits, and (b) the Company may terminate the Executive's employment immediately and without prior notice. All Base Salary and Benefits shall cease at the time of such termination. Executive shall not be entitled to receive any Bonus for (i) the then current calendar quarter or calendar year, as may be the case. Except as specifically set forth in this Section 0, the Company shall have no liability or obligation to Executive hereunder by reason of such termination of the Executive.

For purposes of this Agreement, termination for "**Cause**" shall mean termination due to the occurrence of any of the following: (i) any material breach by Executive of any of the covenants set forth herein, including any covenants set forth in Exhibit C attached hereto, which, to the extent cureable, continues after notice and a reasonable opportunity to cure of 10 Business Days has been provided; (ii) Executive has been grossly negligent or has committed willful misconduct in carrying out his duties hereunder, which, to the extent cureable, continues after notice and a reasonable opportunity to cure of 10 Business Days has been provided; (iii) the Executive's conduct causing grave injury to the Company Group, monetarily or otherwise; (iv) conviction of a felony or other criminal act punishable by more than one (1) year in prison, or (v) commission by Executive of an intentional tort or an act involving moral turpitude or constituting fraud. If, as a result of arbitration, an arbitrator later determines that termination by the Company of Executive's employment purportedly for cause was without cause, the termination will be deemed a termination without cause, and Executive will be entitled to the benefits set forth in Section 7.2. For the purpose of this Agreement, "**Business Day**" means a day other than Saturday, Sunday or any day on which banks located in the State of California are authorized or obligated to close.

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The Company may terminate the Executive's employment at any time without "Cause", upon a prior written notice (a) during the first year of employment – of nine (9) months, (b) during the second year of employment – of six (6) months, and (c) at any time following two (2) years of employment – of three (3) months. In such event, Executive shall be entitled to receive all accrued but unpaid (as of the effective date of such termination) Base Salary, Benefits and a pro-rata amount (as determined in good faith by the Company's management) of the Bonus applicable to the then calendar quarter or calendar year, as may be the case, in exchange for a release of claims in the form attached hereto as **Exhibit D** to be executed by the Executive. Except as specifically set forth in this Section 0, the Company shall have no liability or obligation to Employee hereunder by reason of such termination.

The Company shall have the right at any time to terminate the Executive's employment if the Executive is substantially unable to perform the essential functions of the Position by reason of any mental, physical or other disability for a period of at least six (6) consecutive months (after any accommodations required by the American with Disabilities Act or applicable state law). This Agreement shall also terminate upon the death of the Executive. Termination pursuant to this Section 0 shall be deemed termination not for "Cause."

At any time after five (5) years from the date hereto, Executive shall be entitled to terminate his employment hereunder for any reason and for no reason, upon a prior written notice of three (3) months. A breach by the Executive of this Section shall be deemed a material breach of this Agreement.

Notwithstanding the provisions of Section 0 above, the Executive may terminate this Agreement at any time upon the occurrence of Good Reason (as defined below). In such event, Executive shall be entitled to compensation as set forth in Section 0 as though the Company had terminated the Executive's employment without "Cause." For this purpose, the term "**Good Reason**" shall mean (i) a material diminution in the Executive's authority, duties, title or responsibilities, provided, however, that a reduction in authority and responsibilities solely by virtue of the Company / CTI / Cimatron being acquired and made part of a larger entity will not constitute "Good Reason" to the extent the Executive remains Chief Executive Officer (or equivalent position) of a division, unit or subsidiary of the acquirer, which division, unit or subsidiary conducts substantially the same core business as was conducted by the Company prior to any such acquisition or similar corporate transaction, (ii) a decrease in Executive's Base Salary of 10% or greater,

except in the event that all employees of the Company Group who hold executive positions have a similar reduction in their respective base salaries, or (iii) the Company's material breach of this Agreement, which, to the extent curable, continues after notice and a reasonable opportunity to cure of 10 Business Days has been provided.

Notwithstanding anything to the contrary herein, the Company may immediately cease the Executive's employment and may shorten all or part of any notice period whether given by the Company or the Executive and in such event the Executive shall be entitled to all Base Salary and all other benefits as provided in Section 3 above (except for Bonus) as if the Executive would have been employed by the Company for duration of the applicable notice period specified above; provided, however, that Bonus payments will be made in accordance with the provisions of Section 0 and 0 above.

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Subject to the foregoing provisions of this Section 7, the employment relationship with the Company is one of employment at will and may be terminated by either Executive or the Company at any time, with or without cause or prior notice, subject always to the terms and conditions set forth above.

8. Representations, Warranties and Covenants of Executive. Executive represents and warrants to the Company that:

There are no restrictions, agreements or understandings whatsoever to which Executive is a party which would prevent or make unlawful Executive's execution of this Agreement or Executive's continued employment hereunder, or which is or would be inconsistent or in conflict with this Agreement or Executive's employment hereunder, or would prevent, limit or impair in any way the performance by Executive of the obligations hereunder;

Executive has disclosed to the Company in writing all restraints, confidentiality commitments or other employment restrictions that he has with any other employer, person or entity; and

In any event of the termination of this Agreement, the Executive shall, for as long as he is still an Executive of the Company (including any notice period), cooperate with the Company and use his best efforts to assist with the integration into the Company's organization of the person or persons who will assume the Executive's responsibilities.

- 9. Survival of Provisions.** The provisions of this Agreement set forth in Sections 5, 6, 7, 9, 10, 12, 13 and 14 hereof and Exhibit C attached hereto shall survive the termination of Executive's employment hereunder for any reason whatsoever.
- 10. Successors and Assigns.** Neither party may assign or transfer this Agreement nor any right or obligation herein, without the prior written consent of the other party, and any such prohibited assignment or transfer shall be null and void.
- 11. Entire Agreement; Amendments.** This Agreement and its exhibits supersede all prior agreements and understandings between the parties as to its subject matter. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

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- 12. Governing Law; Arbitration.** This Agreement shall be construed and enforced in accordance with, and shall be governed by, the laws of the State of California. In the event any claim or controversy arises concerning any provision of this Agreement, Company and Executive hereby agree that such claim or controversy, including the termination of employment, alleged intentional torts or allegations of harassment or discrimination between Company and Executive and commission disputes shall be settled by final, binding arbitration in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association, provided, however, that the impartial arbitrator shall be selected as follows: If Company and Executive are unable to agree upon an impartial arbitrator within five (5) days of a request for arbitration, the parties shall request a panel of five (5) labor and employment arbitrators from the American Arbitration Association and shall alternately strike names until a single arbitrator remains. Arbitration shall occur in the County of San Francisco, State of California. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Depositions may be taken and other discovery may be obtained during such arbitration proceedings to the same extent as authorized in civil

judicial proceedings, subject to any limitations placed on discovery by the arbitrator. If the Executive commences arbitration, he/she shall pay the initial fee, and all other fees shall be borne equally by the parties. Each party shall be solely responsible for its own attorney's fees.

- 13. Invalidity.** If any provision of this Agreement shall be determined to be void, invalid, unenforceable or illegal for any reason, the validity and enforceability of all of the remaining provisions hereof shall not be affected thereby. If any particular provision of this Agreement shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such amendment to apply only to the operation of such provision in the particular jurisdiction in which such adjudication is made; provided that, if any provision contained in this Agreement shall be adjudicated to be invalid or unenforceable because such provision is held to be excessively broad as to duration, geographic scope, activity or subject, such provision shall be deemed amended by limiting and reducing it so as to be valid and enforceable to the maximum extent compatible with the applicable laws of such jurisdiction.
- 14. Specific Enforcement.** Executive acknowledges that a material breach or threatened breach by Executive of any of the provisions contained herein or Exhibit C may cause the Company irreparable injury. Executive therefore agrees that, notwithstanding anything to the contrary in Section 14 above, the Company Group shall be entitled, in addition to any other right or remedy, to a temporary, preliminary and permanent injunction, without the necessity of proving the inadequacy of monetary damages or the posting of any bond or security, enjoining or restraining Executive from any such violation or threatened violation or from any other material violations which may cause material harm to the Company Group.
- 15. Shareholders Approval.** This Agreement (including the grant of the Options) is subject to the approval of the shareholders of Cimatron. The Company shall use reasonable best efforts to convene such meeting by April 30, 2008.
- 16. Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

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- 17. Notices.** Any notice hereunder by either party shall be given by personal delivery or by sending such notice by certified mail, return-receipt requested, or faxed, with confirmation of transmission retained, as the case may be, to the other party at its address set forth in the preamble to this Agreement or at such other address designated by notice in the manner provided in this section. Such notice shall be deemed to have been received upon the date of actual delivery if personally delivered or, in the case of mailing, seven (7) days after deposit with the U.S. mail, or, in the case of facsimile transmission, when confirmed by the facsimile machine report.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first written above.

NORTAMIC, LLC

By: _____

Name: _____

Title: _____

William F. Gibbs

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Exhibit A

Annual Bonus

The criteria for the annual bonus are comprised of two parts:

1. The Company will pay to the Executive 5% of the Annual Gibbs Growth (as defined below) for the relevant year of employment reported by the Financials.
2. The Company will pay to the Executive 10% of the Annual North America Cimatron Growth (as defined below) for the relevant year of employment reported by the Financials.

The calculations shall be made within 30 days of the approval of the Company's audited annual consolidated financial statements for the previous year (the "**Financials**") and payment of the bonus will be made promptly thereafter but in any event, no later than the end of the calendar year following the year covered by the Financials (for example — the bonus for 2008 will be determined based on the Financials of 2008 and will be paid promptly following the approval of the 2008 Financials but in any event no later than the end of 2009).

"Annual Gibbs Growth" shall mean the increase in contribution to the Company's business from the sales of Gibbs products, maintenance and services, as compared to the contribution in the prior year. With respect to any sales of Gibbs products, maintenance and services made through other entities within the Company Group (other than the Company) — only 50% of the revenues received by such entity from such sale shall be deemed part of the revenues of the Company for the purpose of the contribution calculation. The contribution shall be calculated in accordance with Financials and shall be based on the revenues received from such business less expenses related thereto.

"Annual North America Cimatron Growth" shall mean the increase in contribution to the Company Group's business from the sales of Cimatron E products in North America, as compared to such contribution in the prior year. The contribution shall be calculated in accordance with Financials and shall be based on the revenues received from such business less expenses related thereto (provided that payments made by CTI to Cimatron shall not be taken into consideration as expenses).

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Exhibit D

WAIVER AND RELEASE

In consideration of the payment obligation of Nortamic, LLC, the ("**Company**") for the severance benefits identified in that certain Employment Agreement entered into between the Company and Executive (the "**Employment Agreement**") pursuant to Section 7.2 of such Employment Agreement the undersigned ("**Executive**") on behalf of himself and his agents, representatives, heirs, partners, spouse, affiliates, predecessors, successors and assigns and any person acting by, through, under or in concert with each of them, or any of them, hereby releases and forever discharges Company, its agents, directors, officers, attorneys, employees, affiliates, predecessors, successors and assigns, and any person acting by, through, under or in concert with each of them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liabilities, claims, demands, losses, damages, costs or expenses, including but not limited to court costs and attorneys' fees, of any nature whatsoever, whether or not now known, claimed or suspected, fixed or contingent (hereinafter collectively referred to as "**Claims**") which Executive now has, ever had, ever claimed to have had, or hereafter may have arising out of, based upon or related in any manner whatsoever to the parties' activities prior to the execution of this Agreement including, without limiting the generality of the foregoing, all Claims related to any incentive plans or otherwise arising out of or in any way connected with Executive's employment relationship with Company; provided, however, that this waiver and release does not release or discharge Company from its obligations under any of the other provisions of this Waiver and Release or that certain Employment Agreement between Executive and the Company, or under the Merger Agreement and Plan of Reorganization entered into as of December 31, 2007 by and among Gibbs System, Inc., Cimatron Ltd., Cimatron Technologies, Inc., the Company, and Executive. This release includes any and all claims, direct or indirect, relating to the matters described in the foregoing sentence which might otherwise be made under any applicable state or federal authority, including but not limited to any claim arising under the state statutes dealing with discrimination in employment, Title VII of the Civil Rights Act of 1964, the Equal Pay Act of 1963, 42 U.S.C Executive Order 11246, the Rehabilitation Act, the Age Discrimination in Vietnam Era Veterans Reemployment Adjustment Act, the Age Discrimination in Employment Act, the Fair Labor Standards Act, state wage and hour statutes, all as amended, any regulations under such authorities, and any applicable contract, tort or other common law theories. Executive acknowledges that Executive has carefully read this Agreement and fully understands the terms of this separation release and has been advised that:

- (a) Executive should consult with personal legal counsel regarding the terms of this Agreement, and that advice is hereby reemphasized;
- (b) Executive has been provided with at least twenty-one (21) days to consider this agreement; and
- (c) Executive has the right to rescind this agreement within seven (7) days after its execution.

This Waiver and Release shall be effective on the ___ day after its signing by Executive.

WAIVER OF CIVIL CODE § 1542

Executive acknowledges that he has been advised by legal counsel and is familiar with the provisions of California Civil Code § 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

Executive, being aware of said code section, hereby expressly waives any rights he may have thereunder, as well as under any other statute or common law principal with similar effect.

Name: _____

Date

Acknowledged and Accepted by:

[COMPANY]

By: _____

Name: _____

Title: _____

תיקון הדו"ח השנתי של החברה לשנת 2009 מיום 29 ביוני, 2010 (FORM 20-F/A)

20-F/A 1 zk1008481.htm 20-F/A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.....

For the transition period from _____ to _____

Commission file number 000-27974

CIMATRON LTD.

(Exact name of Registrant as specified in its charter)

Israel

(Jurisdiction of incorporation or organization)

11 Gush Etzion St.,

Givat Shmuel 54030, Israel

(Address of principal executive offices)

Ilan Erez

11 Gush Etzion St.,

Givat Shmuel 54030, Israel

Telephone +972-3-531-2060

Facsimile: +972-3-531-2097

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Ordinary Shares, par value NIS 0.10 per share

Name of each exchange on which registered

NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the Annual Report:

9,085,288 Ordinary Shares, par value NIS 0.10 per share

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Not applicable

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer: Accelerated filer: Non-accelerated filer:

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

EXPLANATORY NOTE:

This Amendment No. 1 to the Annual Report on Form 20-F (the "Annual Report") of Cimatron Ltd. ("Cimatron") is being filed with the Securities and Exchange Commission (the "Commission") for the sole purpose of correcting the beneficial ownership percentage of all of Cimatron's directors and executive officers as a group (9 persons) that appeared in the final row of the beneficial ownership table in Item 7 (Major Shareholders and Related Party Transactions) on page 64 of the Annual Report. The relevant percentage that appeared in the original Annual Report (filed with the Commission on June 28, 2010)-- 1.2%-- reflected a typographical error and has been replaced with the corrected percentage-- 64.48%-- in this Amendment No. 1.

Item 7. Major Shareholders and Related Party Transactions.**Major Shareholders**

The following table sets forth information, as of May 31, 2010, concerning the beneficial ownership (as defined in Form 20-F promulgated by the SEC) of our Ordinary Shares by (i) any person who is known to us to own at least 5% of the Ordinary Shares of our Company and (ii) all of our directors and executive officers as a group. The voting rights of our major shareholders do not differ from the voting rights of all other holders of our Ordinary Shares.

<u>Name and Address</u>	<u>Number of Ordinary Shares</u>	<u>Percent of Ordinary Shares</u>
DBSI Investments Ltd. 85 Medinat Hayehudim St. Herzliya, Israel	4,265,950	46.85%
William F. Gibbs 4017 N. Cedarpine Lane Moonpark, CA 93021 California, U.S	1,501,333 ⁽¹⁾	16.49%
3Kotek 2 B.V. Wielewaaleg 1, 4791, PD, Klundert, Netherlands	894,360 ⁽²⁾	9.82%
All directors and executive officers as a group (9 persons)	5,871,450 ⁽¹⁾⁽³⁾	64.48%

(1) Includes an aggregate of 1,500,000 Ordinary Shares and 1333 options to purchase Ordinary Shares beneficially held by William F. Gibbs.

(2) Of such 894,360 Ordinary Shares, 854,360 Ordinary Shares are held by 3Kotek 2 B.V. ("Kotek") and 40,000 Ordinary Shares are held by a company wholly owned by Mr. Joel Koschitzki. Messrs. Jaap Stomp and Mr. Joel Koschitzki are the directors of Kotek and therefore may be deemed to beneficially own the Ordinary Shares held by Kotek. Messrs. Stomp and Koschitzki disclaim beneficial ownership of the Ordinary Shares held by Kotek.

(3) Includes an aggregate of 4,265,950 shares beneficially held by DBSI Investments Ltd. ("DBSI"), which are attributable to certain of our directors by virtue of the positions that they hold on the board of directors of DBSI. All of our directors to whom such share ownership is attributable disclaim such beneficial ownership. (Mr. Rosenthal in particular does not share in the equity ownership of DBSI).

Recent Significant Changes in the Percentage Ownership of Major Shareholders

On May 11, 2008, Koonras Technologies Ltd. ("Koonras"), a subsidiary of Polar Communications Ltd. and a then-current holder of approximately 27% of our Ordinary Shares, signed an agreement with DBSI pursuant to which Koonras was to sell to DBSI 1,700,000 Ordinary Shares (comprising approximately 18.67% of our current outstanding share capital) at a price per share of \$2.80. As a result of the consummation of such transaction on or about June 26, 2008, Koonras' holdings were reduced to 854,360 Ordinary Shares, representing approximately 9.1% of our share capital at the time. As a result of its acquisition of shares in such transaction, DBSI currently holds approximately 46.85% of our outstanding share capital.

On June 3, 2008, Koonras sold its remaining 854,360 Ordinary Shares that it then held to Kotek, a company incorporated under the laws of the Netherlands. As a result of the consummation of such transaction, Koonras is no longer a holder of our capital stock, and Kotek acquired an approximate 9.1% (as of such time) interest in our share capital.

As a result of Koonras' dispositions of the remaining Ordinary Shares of our stock that it held, Koonras and DBSI terminated the shareholders agreement to which they had previously been party. Under the agreement, each of Koonras and DBSI effectively had the ability to control the outcome of most matters that were submitted to a vote of our shareholders, including the election of members of our board of directors and approval of significant corporate transactions, as each of Koonras and DBSI was entitled to appoint one-half of our directors, not including our external directors, and each of them had agreed to vote together at our shareholders' meetings.

Record Holders

As of May 31, 2010, there were 30 record holders of our Ordinary Shares, of which 16 represented United States record holders owning an aggregate of approximately 42% of our outstanding Ordinary Shares.

Related Party Transactions

Services Agreement and Lease Agreement

Until February 2002, our former principal shareholder Zeevi Computers and Technology Ltd., or ZCT, provided us with certain corporate and administrative services, including, but not limited to, executive management, facilities and other such services as were agreed upon from time to time between us and ZCT. The primary executive management services that we received under the agreement represented the services of the chief executive officer and the chief financial officer of ZCT, who did not receive separate fees for such services. Pursuant to such agreement, we shared the expenses relating to the specific services we received from ZCT with the other subsidiaries of ZCT that also received such services from ZCT.

As of February 21, 2002, in connection with its sale of its equity interest in our company to Koonras and DBSI, ZCT assigned all rights and obligations under the foregoing services agreement to Koonras and DBSI. An assignment of this agreement to Koonras and DBSI was ratified by our shareholders on July 11, 2002. Following the consummation of the sale of 1,700,000 of our shares from Koonras to DBSI on June 24, 2008, and the related approval of our shareholders at such time, the management services agreement was assigned in full to DBSI, which will continue to provide all the services and receive the entire annual fee. The amount that we paid for services under this agreement totaled 1.76 million NIS in the year ended December 31, 2009.

Prior to the merger with Cimatron, Gibbs System, Inc. leased office space in Moonpark, California from a limited liability corporation controlled by Mr. Gibbs. In connection with the merger with Gibbs System, Inc. and the assignment of the lease to us in 2008, we entered into an amendment to the original terms of the lease, pursuant to which the expiration date for the term of the lease was brought forward from 2020 to December 31, 2012, with an option for us to extend the lease for an additional 5 years. Also a result of the lease amendment, the rent that we are obligated to pay during the initial term of the lease is \$24,710 per month (in lieu of \$22,464 per month).

Registration Rights

In October 2004, following approval by our board of directors, our audit committee and the requisite majority of our disinterested shareholders, in accordance with the related party transaction requirements of Israeli law, we entered into a registration rights agreement with Koonras and DBSI, then our two largest shareholders. Under the agreement, Koonras and DBSI had the right, subject to various conditions and limitations, to require us to file a registration statement for the resale of their shares or to include their shares in certain registration statements that we file. On June 3, 2008, in connection with the sale of certain of its Ordinary Shares to Kotek, Koonras assigned to Kotek all registration rights applicable to such shares under the registration rights agreement.

In January 2008, in connection with the merger agreement with Gibbs System, Inc., we granted to Mr. Gibbs certain registration rights with respect to the Ordinary Shares issued to him as part of the merger consideration. The grant of such registration rights was approved by our board. Pursuant to the registration rights agreement entered into with him, Mr. Gibbs has the right, subject to various conditions and limitations, to include his shares in certain registration statements that we file.

Demand Registration Rights

Under the above-described registration rights agreement with DBSI and Kotek (as successor to Koonras), DBSI and Kotek together, and pro-rata between themselves, are entitled to up to two demand registrations on Form F-1 (or an equivalent form) promulgated under the Securities Act at our expense, provided that the anticipated aggregate offering price for the shares to be registered, net of any underwriting discounts and commissions, exceeds US\$1,000,000.

Notwithstanding the foregoing, we are not required to effect a demand registration during the period starting with the date of filing of, and ending on the date that is one hundred eighty (180) days following the effective date of, a registration statement pertaining to our securities.

DBSI and Kotek, together, and pro-rata between themselves, also have the right to require us to effect up to four F-3 registrations, including for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act registering for resale from time to time by such holders of all of their shares (a "Shelf Registration Statement"), but no more than two such registrations in any 12 month period, in each case, at our expense, provided, however, that we are not required to bear the cost of more than one counsel for such holders. Under his registration rights agreement with us, Mr. Gibbs has the right to require us to effect up to two F-3 registrations, under substantially the same terms specified above.

We are required to use our best efforts to (a) cause a Shelf Registration Statement to be declared effective under the Securities Act within three months after the "demand" is made and (b) keep such Shelf Registration Statement continuously effective under the Securities Act until the expiration of five (5) years from the date that a Shelf Registration Statement is declared effective by the SEC.

Piggyback Registration

If (but without any obligation to do so) we propose to register for our own account any of our capital stock or other securities under the Securities Act in connection with a public offering of such securities solely for cash (subject to certain exceptions, such as the registration of employees options), then DBSI, Kotek and Mr. Gibbs shall be entitled to include their shares in such registration.

The underwriter of any such offering by us shall have the right to reduce the number of shares proposed to be registered in light of market conditions, and in such event (a) the capital stock that we propose to register shall have first priority for inclusion in the relevant registration statement, and following our priority, (b) DBSI, Kotek and Mr. Gibbs shall have priority (pro rata among them) to have their shares included in such registration, before any other shares are included.

In furtherance of our obligations to each of DBSI, Kotek and Mr. Gibbs under the above-described registration rights agreements, on September 8, 2009, we filed an F-3 registration statement registering the resale of the Ordinary Shares held by each such shareholder. Such registration statement was declared effective by the SEC on December 9, 2009.

Employment Agreement with William F. Gibbs

In connection with the merger with Gibbs in January 2008, Cimatron Gibbs LLC, our subsidiary into which the Gibbs business was merged, entered into an employment agreement with Mr. Gibbs. The employment agreement provides, among others, for (i) an annual base salary of USD \$160,000, (ii) an annual bonus based on increases in contribution to our sales in North America and to the sale of Gibbs products, and (iii) other fringe benefits as customary for comparable officers of our company group in the United States. Mr. Gibbs also signed non-compete undertakings for our benefit. On February 15, 2008, we announced that Mr. Gibbs was appointed as President North America. Mr. Gibbs, who continues to maintain his position as President and CEO of Cimatron Gibbs, is now responsible for promoting both Cimatron E and GibbsCAM product lines in North America. In addition, pursuant to an option grant approved in January 2008, Mr. Gibbs was granted 2,000 options to purchase our Ordinary Shares.

Item 19. Exhibits

- 1.1 Amended and Restated Articles of Association of Cimatron Ltd.*
- 4.1 Services Agreement by and between Cimatron Ltd and DBSI Investments Ltd. ("DBSI"), as assigned to DBSI by Zeevi Computers and Technology Ltd.**
- 4.2 Registration Rights Agreement, dated June 3, 2007, by and among Cimatron Ltd., 3Kotek 2 B.V. (as successor in interest to Koonras Technologies Ltd.) and DBSI Investments Ltd.***
- 4.3 Registration Rights Agreement, dated December 31, 2007, by and between Cimatron Ltd. and William F. Gibbs.****
- 4.4 Employment Agreement, dated as of January 2, 2008, by and between William F. Gibbs and Cimatron Gibbs LLC (formerly known as Nortamic LLC).*****
- 8.1 List of Cimatron Ltd. Subsidiaries.*****
- 12.1 Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Exchange Act.
- 12.2 Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Exchange Act.
- 13 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 Consent of Brightman Almagor Zohar & Co., Certified Public Accountants, a member of Deloitte Touche Tohmatsu.*****
- 15.2 Consent of Lucas, Horsfall, Murphy & Pindroh, LLP.*****

* Incorporated by reference to Exhibit A to our Proxy Statement for our 2006 Annual General Meeting of Shareholders, included in our Current Report on Form 6-K, filed with the SEC on November 22, 2006.

** Incorporated by reference to our Registration Statement on Form F-1, File No. 333-1484, as amended, filed with the SEC on February 16, 1996.

*** Incorporated by reference to Exhibit 4.2 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed with the SEC on June 28, 2007 (File No. 0-27974).

**** Incorporated by reference to Exhibit 4.2.3 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed with the SEC on June 30, 2008 (File No. 0-27974).

***** Incorporated by reference to Exhibit 4.2.5 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed with the SEC on June 30, 2008 (File No. 0-27974).

***** Incorporated by reference to Exhibit 8.1 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed with the SEC on June 28, 2010 (File No. 0-27974).

***** Incorporated by reference to Exhibit 15.1 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed with the SEC on June 28, 2010 (File No. 0-27974).

***** Incorporated by reference to Exhibit 15.2 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed with the SEC on June 28, 2010 (File No. 0-27974).

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Amendment No.1 to its annual report on its behalf.

CIMATRON LTD.

By: /s/ Dan Haran

Name: Dan Haran

Title: President and Chief Executive Officer

Date: June 29, 2010

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/RULE 15d-14(a) UNDER
THE EXCHANGE ACT**

I, Dan Haran, certify that:

1. I have reviewed this annual report on Form 20-F/A of Cimatron Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 29, 2010

By: /s/ Dan Haran

Dan Haran
President and Chief Executive Officer

Exhibit 12.2**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/RULE 15d-14(a) UNDER
THE EXCHANGE ACT**

I, Ilan Erez, certify that:

1. I have reviewed this annual report on Form 20-F/A of Cimatron Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 29, 2010

By: /s/ Ilan Erez

Ilan Erez
Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF
FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(b)/RULE 15d-14(b) UNDER THE EXCHANGE ACT
AND 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Cimatron Ltd. (the "Company") on Form 20-F/A for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Dan Haran, Chief Executive Officer of the Company, and Ilan Erez, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 29, 2010

By: /s/ Dan Haran

Dan Haran
President and Chief Executive Officer

By: /s/ Ilan Erez

Ilan Erez
Chief Financial Officer

נספח 4

דיווח שפרסמה החברה ביום 11 באוגוסט, 2010 (FORM 6-K)

6-K 1 zk1008654.htm 6-K

SECURITIES AND EXCHANGE COMMISSION**WASHINGTON, D.C. 20549****FORM 6-K****REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934***For the month of August, 2010*

CIMATRON LIMITED

(Translation of Registrant's name into English)

11 Gush Etzion Street, Givat Shmuel, Israel
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

On August 10, 2010, Cimatron Ltd. (the "Registrant") issued a press release (the "Press Release") announcing and attaching its unaudited financial results for the quarter ended June 30, 2010. The Press Release is attached hereto as Exhibit 1.

The unaudited financial results of the Registrant for the quarter ended June 30, 2010 (as attached to the Press Release, and excluding any related quotes from the Registrant's management) are hereby incorporated by reference in the Registrant's registration statement on Form F-3, SEC File Number 333-161781.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIMATRON LIMITED

By: /s/ Ilan Erez

Ilan Erez

Chief Financial Officer

Dated: August 11, 2010



FOR IMMEDIATE RELEASE

Cimatron Reports Net profit of \$0.4M on a Non-GAAP Basis in the Second Quarter of 2010

- **\$3.9 million positive cash flow from operating activities in the first half of 2010, a 19% year-over-year increase**
- **Operating results in the first six months of 2010 improved by \$1.1M year-over-year**

Givat Shmuel, Israel, – August 10th, 2010– **Cimatron Limited (NASDAQ: CIMT)** ("Cimatron" or the "Company"), a leading provider of integrated CAD/CAM solutions for the toolmaking and manufacturing industries, today announced financial results for the second quarter of 2010.

The following provides details on Cimatron's GAAP and non-GAAP results for the second quarter and first six months of 2010:

GAAP:

Revenues for the second quarter of 2010 were \$8.4 million, compared to \$8.1 million recorded in the second quarter of 2009. For the first six months of 2010, revenues were \$16.3 million, compared to \$16.0 million in the same period of 2009.

Gross Income for the second quarter of 2010 was \$6.8 million as compared to \$6.6 million in the same period in 2009. Gross margin in the second quarter of 2010 was 81% of revenues, same as in the second quarter of 2009. For the first six months of 2010, gross income was \$13.5 million, compared to \$12.9 million in the same period of 2009. Gross margin for the six months ended on June 30th, 2010 was 83% compared to a gross margin of 81% in the first six months of 2009.

Operating profit in the second quarter of 2010 was \$350 thousand, compared to an operating loss of \$(317) thousand in the second quarter of 2009. In the first six months of 2010, Cimatron recorded an operating profit of \$247 thousand, compared to an operating loss of \$(829) thousand in the first six months of 2009.

Net Profit for the second quarter of 2010 was \$278 thousand, or \$0.03 per diluted share, compared to a net loss of \$(83) thousand, or \$(0.01) per diluted share recorded in the same quarter of 2009. In the first six months of 2010 net profit was \$178 thousand, or \$0.02 per diluted share, compared to a net loss of \$(646) thousand, or \$(0.07) per diluted share, in the first six months of 2009.



Non-GAAP:

Revenues for the second quarter of 2010 were \$8.4 million, compared to \$8.1 million recorded in the second quarter of 2009. For the first six months of 2010, revenues were \$16.3 million, compared to \$16.0 million in the same period of 2009.

Gross Income for the second quarter of 2010 was \$7.0 million as compared to \$6.7 million in the same period in 2009. Gross margin in the second quarter of 2010 was 83% of revenues, same as in the second quarter of 2009. In the first six months of 2010, gross income was \$13.8 million, compared to \$13.2 million in the first six months of 2009. Gross margin for the six months ended on June 30th, 2010 was 84%, compared to 83% in the first six months of 2009.

Operating Profit in the second quarter of 2010 was \$596 thousand, compared to an operating loss of \$(70) thousand in the second quarter of 2009. In the first six months of 2010, Cimatron reports an operating profit of \$739 thousand, compared to operating loss of \$(335) thousand in the first six months of 2009.

Net profit for the second quarter of 2010 was \$433 thousand, or \$0.05 per diluted share, compared to a net profit of \$73 thousand, or \$0.01 per diluted share recorded in the same quarter of 2009. In the first six months of 2010, net profit was \$488 thousand, or \$0.05 per diluted share, compared to a net loss of \$(332) thousand, or \$(0.04) per diluted share, in the first six months of 2009.

Commenting on the results, Danny Haran, President and Chief Executive Officer of Cimatron, said “We are very pleased with the second quarter results. The market trends from the first quarter continue and even intensify to some extent. We see improvement over last year and over the first quarter of 2010, in spite of less favorable currency exchange rates. Market conditions in most key territories seem to be improving, although the short-term economic outlook is still unclear. The budget control measures that we took during 2009 now translate directly to our bottom line, as we expected. We remain committed to investing and promoting our two product lines, CimatronE and GibbsCAM, and keep looking for additional M&A opportunities”, concluded Mr. Haran.

Conference Call

Cimatron's management will host a conference call tomorrow, August 11th, 2010 at 9:00 EST, 16:00 Israel time. On the call, management will review and discuss the results, and will answer questions by investors.

To participate, please call one of the following teleconferencing numbers. Please begin placing your call at least 5 minutes before the conference call commences.

USA: +1-888-668-9141

International: +972-3-9180610

Israel: 03-9180610

For those unable to listen to the live call, a replay of the call will be available from the day after the call at the investor relations section of Cimatron's website, at: www.cimatron.com



Reconciliation between results on a GAAP and Non-GAAP basis is provided in a table immediately following the Consolidated Statements of Income included herein. Non-GAAP financial measures consist of GAAP financial measures adjusted to include recognition of deferred revenues of acquired companies and to exclude amortization of acquired intangible assets and deferred income tax, as well as certain business combination accounting entries. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. We believe that these non-GAAP measures help investors to understand our current and future operating performance, especially as our two most recent acquisitions have resulted in amortization and non-cash items that have had a material impact on our GAAP results. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies.

About Cimatron

With over 25 years of experience and more than 40,000 installations worldwide, Cimatron is a leading provider of integrated, CAD/CAM solutions for mold, tool and die makers, as well as manufacturers of discrete parts. Cimatron is committed to providing comprehensive, cost-effective solutions that streamline manufacturing cycles, enable collaboration with outside vendors, and ultimately shorten product delivery time.

The Cimatron product line includes the CimatronE and GibbsCAM brands with solutions for mold design, die design, electrodes design, 2.5 to 5 axes milling, wire EDM, turn, Mill-turn, rotary milling, multi-task machining, and tombstone machining. Cimatron's subsidiaries and extensive distribution network serve and support customers in the automotive, aerospace, medical, consumer plastics, electronics, and other industries in over 40 countries worldwide.

Cimatron is publicly traded on the NASDAQ exchange under the symbol CIMT. For more information, please visit the company web site at: <http://www.cimatron.com>.

Safe Harbor Statement

This press release includes forward looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated. Such statements may relate to the Company's plans, objectives and expected financial and operating results. The words "may," "could," "would," "will," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions or variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond the Company's ability to control. The risks and uncertainties that may affect forward looking statements include, but are not limited to: currency fluctuations, global economic and political conditions, marketing demand for Cimatron products and services, long sales cycle, new product development, assimilating future acquisitions, maintaining relationships with customers and partners, and increased competition. For more details about the risks and uncertainties that relate to the Company's business, refer to the Company's filings with the Securities and Exchange Commission. The Company cannot assess the impact of or the extent to which any single factor or risk, or combination of them, may cause. Cimatron undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Contact:

Ilan Erez, Chief Financial Officer
Cimatron Ltd.
Tel.; 972-3-531-2121
E-mail: ilane@cimatron.com

CIMATRON LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(US Dollars in thousands, except for per share data)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Total revenue	8,399	8,123	16,316	15,966
Total cost of revenue	<u>1,572</u>	<u>1,539</u>	<u>2,823</u>	<u>3,047</u>
Gross profit	6,827	6,584	13,493	12,919
Research and development expenses, net	1,344	1,477	2,829	2,892
Selling, general and administrative expenses	<u>5,133</u>	<u>5,424</u>	<u>10,417</u>	<u>10,856</u>
Operating income (loss)	350	(317)	247	(829)
Financial income (expenses), net	(130)	132	(182)	(9)
Taxes on income	63	85	120	166
Other	<u>(9)</u>	<u>-</u>	<u>(8)</u>	<u>3</u>
Net income (loss)	274	(100)	177	(669)

נספח 5

דיווח שפרסמה החברה ביום 10 בנובמבר, 2010 (FORM 6-K)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934***For the month of November, 2010*

CIMATRON LIMITED

(Translation of Registrant's name into English)

11 Gush Etzion Street, Givat Shmuel, Israel
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

On November 10, 2010, Cimatron Ltd. (the "Registrant") issued a press release (the "Press Release") announcing and attaching its unaudited financial results for the quarter ended September 30, 2010. The Press Release is attached hereto as Exhibit 1.

The unaudited financial results of the Registrant for the quarter ended September 30, 2010 (as attached to the Press Release, and excluding any related quotes from the Registrant's management) are hereby incorporated by reference in the Registrant's registration statement on Form F-3, SEC File Number 333-161781.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIMATRON LIMITED

By: /s/ Ilan Erez

Ilan Erez
Chief Financial Officer

Dated: November 10, 2010



FOR IMMEDIATE RELEASE

Cimatron Reports Strong Third Quarter Results with Net Profit of \$0.9M on a Non-GAAP Basis

Givat Shmuel, Israel, – November 10th, 2010– Cimatron Limited (NASDAQ: CIMT) ("Cimatron" or the "Company"), a leading provider of integrated CAD/CAM solutions for the toolmaking and manufacturing industries, today announced financial results for the third quarter and first nine months of 2010.

Financial highlights

- **Q3/10 total revenue up 26% year-over-year on a constant currency basis**
- **Q3/10 new licenses revenue up 51% year-over-year on a constant currency basis**
- **Operating results in the first nine months of 2010 improved by \$2.5M year-over-year**
- **\$4.3 million positive cash flow from operating activities in the first nine months of 2010, an 86% year-over-year increase**
- **\$10.2M cash balance at end of Q3/10**

Commenting on the results, Danny Haran, President and Chief Executive Officer of Cimatron, said “We are very pleased with the strong third quarter results. We have seen solid growth in all our territories and all product lines, in what seems more and more like a sustainable market recovery. Traditionally, the third quarter is the weakest quarter of each year, due to the long summer vacations. This year presents a notable exception, with quarter-over-quarter improvement in all parameters from the second to the third quarter. The combination of continued revenue growth and tight budget control results in significant profitability improvement and strong cash flow. We are especially excited about the rapid growth in sales of new licenses, which is the best indication of market confidence and change in the business environment. Early indications suggest that this trend continues into Q4, which is traditionally the strongest quarter of each year”, concluded Mr. Haran.



The following provides details on Cimatron's GAAP and non-GAAP results for the third quarter and first nine months of 2010:

GAAP:

Revenues for the third quarter of 2010 were \$8.7 million, compared to \$7.2 million recorded in the third quarter of 2009. For the first nine months of 2010, revenues were \$25.1 million, compared to \$23.2 million in the same period of 2009.

Gross Profit for the third quarter of 2010 was \$7.3 million as compared to \$5.8 million in the same period in 2009. Gross margin in the third quarter of 2010 was 84% of revenues, compared to a gross margin of 80% in the same quarter of 2009. For the first nine months of 2010, gross profit was \$20.8 million, compared to \$18.7 million in the same period of 2009. Gross margin for the nine months ended on September 30th, 2010 was 83% compared to a gross margin of 81% in the first nine months of 2009.

Operating profit in the third quarter of 2010 was \$479 thousand, compared to an operating loss of \$(901) thousand in the third quarter of 2009. In the first nine months of 2010, Cimatron recorded an operating profit of \$726 thousand, compared to an operating loss of \$(1.73) million in the first nine months of 2009.

Net Profit for the third quarter of 2010 was \$320 thousand, or \$0.04 per diluted share, compared to a net loss of \$(731) thousand, or \$(0.08) per diluted share recorded in the same quarter of 2009. In the first nine months of 2010 net profit was \$498 thousand, or \$0.06 per diluted share, compared to a net loss of \$(1.38) million, or \$(0.15) per diluted share, in the first nine months of 2009.

Non-GAAP:

Revenues for the third quarter of 2010 were \$8.7 million, compared to \$7.2 million recorded in the third quarter of 2009. For the first nine months of 2010, revenues were \$25.1 million, compared to \$23.2 million in the same period of 2009.

Gross Profit for the third quarter of 2010 was \$7.5 million as compared to \$6.0 million in the same period in 2009. Gross margin in the third quarter of 2010 was 85% of revenues, compared to a gross margin of 82% in the same quarter of 2009. In the first nine months of 2010, gross profit was \$21.3 million, compared to \$19.2 million in the first nine months of 2009. Gross margin for the nine months ended on September 30th, 2010 was 85%, compared to 83% in the first nine months of 2009.

Operating Profit in the third quarter of 2010 was \$725 thousand, compared to an operating loss of \$(654) thousand in the third quarter of 2009. In the first nine months of 2010, Cimatron reports an operating profit of \$1.46 million, compared to operating loss of \$(989) thousand in the first nine months of 2009.



Net profit for the third quarter of 2010 was \$874 thousand, or \$0.10 per diluted share, compared to a net loss of \$(575) thousand, or \$(0.06) per diluted share recorded in the same quarter of 2009.

In the first nine months of 2010, net profit was \$1.36 million, or \$0.15 per diluted share, compared to a net loss of \$(907) thousand, or \$(0.10) per diluted share, in the first nine months of 2009.

Conference Call

Cimatron's management will host a conference call today, November 10th, 2010 at 9:00 EST, 16:00 Israel time. On the call, management will review and discuss the results, and will answer questions by investors.

To participate, please call one of the following teleconferencing numbers. Please begin placing your call at least 5 minutes before the conference call commences.

USA: +1-888-668-9141
International: +972-3-9180609
Israel: 03-9180609

For those unable to listen to the live call, a replay of the call will be available from the day after the call at the investor relations section of Cimatron's website, at: www.cimatron.com

Reconciliation between results on a GAAP and Non-GAAP basis is provided in a table immediately following the Consolidated Statements of Income included herein. Non-GAAP financial measures consist of GAAP financial measures adjusted to include recognition of deferred revenues of acquired companies and to exclude amortization of acquired intangible assets and deferred income tax, as well as certain business combination accounting entries. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. We believe that these non-GAAP measures help investors to understand our current and future operating performance, especially as our two most recent acquisitions have resulted in amortization and non-cash items that have had a material impact on our GAAP results. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies.



About Cimatron

With over 25 years of experience and more than 40,000 installations worldwide, Cimatron is a leading provider of integrated, CAD/CAM solutions for mold, tool and die makers, as well as manufacturers of discrete parts. Cimatron is committed to providing comprehensive, cost-effective solutions that streamline manufacturing cycles, enable collaboration with outside vendors, and ultimately shorten product delivery time.

The Cimatron product line includes the CimatronE and GibbsCAM brands with solutions for mold design, die design, electrodes design, 2.5 to 5 axes milling, wire EDM, turn, Mill-turn, rotary milling, multi-task machining, and tombstone machining. Cimatron's subsidiaries and extensive distribution network serve and support customers in the automotive, aerospace, medical, consumer plastics, electronics, and other industries in over 40 countries worldwide.

Cimatron is publicly traded on the NASDAQ exchange under the symbol CIMT. For more information, please visit the company web site at: <http://www.cimatron.com>.

Safe Harbor Statement

This press release includes forward looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated. Such statements may relate to the Company's plans, objectives and expected financial and operating results. The words "may," "could," "would," "will," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions or variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond the Company's ability to control. The risks and uncertainties that may affect forward looking statements include, but are not limited to: currency fluctuations, global economic and political conditions, marketing demand for Cimatron products and services, long sales cycle, new product development, assimilating future acquisitions, maintaining relationships with customers and partners, and increased competition. For more details about the risks and uncertainties that relate to the Company's business, refer to the Company's filings with the Securities and Exchange Commission. The Company cannot assess the impact of or the extent to which any single factor or risk, or combination of them, may cause. Cimatron undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Contact:

Ilan Erez, Chief Financial Officer

Cimatron Ltd.

Tel.: 972-73-237-0237

E-mail: ilane@cimatron.com

CIMATRON LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(US Dollars in thousands, except for per share data)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Total revenue	8,745	7,229	25,061	23,195
Total cost of revenue	<u>1,419</u>	<u>1,420</u>	<u>4,242</u>	<u>4,467</u>
Gross profit	7,326	5,809	20,819	18,728
Research and development expenses, net	1,493	1,497	4,322	4,389
Selling, general and administrative expenses	<u>5,354</u>	<u>5,213</u>	<u>15,771</u>	<u>16,069</u>
Operating income (loss)	479	(901)	726	(1,730)
Financial income (expenses), net	236	(8)	54	(17)
Taxes on income	(376)	144	(256)	310
Other	<u>1</u>	<u>(3)</u>	<u>(7)</u>	<u>-</u>
Net income (loss)	340	(768)	517	(1,437)
Less: Net (income) loss attributable to the noncontrolling interest	<u>(20)</u>	<u>37</u>	<u>(19)</u>	<u>60</u>
Net income (loss) attributable to Cimatron's shareholders	<u>\$ 320</u>	<u>\$ (731)</u>	<u>\$ 498</u>	<u>\$ (1,377)</u>
Net income (loss) per share - basic and diluted	<u>\$ 0.04</u>	<u>\$ (0.08)</u>	<u>\$ 0.06</u>	<u>\$ (0.15)</u>
Weighted average number of shares outstanding				
Basic EPS (in thousands)	<u>8,961</u>	<u>9,131</u>	<u>9,014</u>	<u>9,178</u>
Diluted EPS (in thousands)	<u>8,961</u>	<u>9,131</u>	<u>9,014</u>	<u>9,178</u>

CIMATRON LIMITED
RECONCILIATION BETWEEN GAAP AND NON-GAAP INFORMATION
(US Dollars in thousands, except for per share data)

	Three months ended						Nine months ended					
	September 30,						September 30,					
	2010			2009			2010			2009		
	GAAP	Adj.	NON-GAAP	GAAP	Adj.	NON-GAAP	GAAP	Adj.	NON-GAAP	GAAP	Adj.	NON-GAAP
Total revenue	8,745	-	8,745	7,229	-	7,229	25,061	-	25,061	23,195	-	23,195
Total cost of revenue (1)	<u>1,419</u>	<u>(147)</u>	<u>1,272</u>	<u>1,420</u>	<u>(147)</u>	<u>1,273</u>	<u>4,242</u>	<u>(441)</u>	<u>3,801</u>	<u>4,467</u>	<u>(441)</u>	<u>4,026</u>
Gross profit	<u>7,326</u>	<u>147</u>	<u>7,473</u>	<u>5,809</u>	<u>147</u>	<u>5,956</u>	<u>20,819</u>	<u>441</u>	<u>21,260</u>	<u>18,728</u>	<u>441</u>	<u>19,169</u>
Research and development expenses, net	1,493	-	1,493	1,497	-	1,497	4,322	-	4,322	4,389	-	4,389
Selling, general and administrative expenses (1)	<u>5,354</u>	<u>(99)</u>	<u>5,255</u>	<u>5,213</u>	<u>(100)</u>	<u>5,113</u>	<u>15,771</u>	<u>(297)</u>	<u>15,474</u>	<u>16,069</u>	<u>(300)</u>	<u>15,769</u>
Operating income (loss)	<u>479</u>	<u>246</u>	<u>725</u>	<u>(901)</u>	<u>247</u>	<u>(654)</u>	<u>726</u>	<u>738</u>	<u>1,464</u>	<u>(1,730)</u>	<u>741</u>	<u>(989)</u>
Financial income (expenses), net	236	-	236	(8)	-	(8)	54	-	54	(17)	-	(17)
Taxes on income (2)	(376)	308	(68)	144	(91)	53	(256)	126	(130)	310	(271)	39
Other	<u>1</u>	<u>-</u>	<u>1</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>340</u>	<u>554</u>	<u>894</u>	<u>(768)</u>	<u>156</u>	<u>(612)</u>	<u>517</u>	<u>864</u>	<u>1,381</u>	<u>(1,437)</u>	<u>470</u>	<u>(967)</u>
Less: Net (income) loss attributable to the noncontrolling interest	<u>(20)</u>	<u>-</u>	<u>(20)</u>	<u>37</u>	<u>-</u>	<u>37</u>	<u>(19)</u>	<u>-</u>	<u>(19)</u>	<u>60</u>	<u>-</u>	<u>60</u>
Net income (loss) attributable to Cimatron's shareholders	<u>\$ 320</u>	<u>\$ 554</u>	<u>\$ 874</u>	<u>\$ (731)</u>	<u>\$ 156</u>	<u>\$ (575)</u>	<u>\$ 498</u>	<u>\$ 864</u>	<u>\$ 1,362</u>	<u>\$ (1,377)</u>	<u>\$ 470</u>	<u>\$ (907)</u>
Net income (loss) per share - basic and diluted	<u>\$ 0.04</u>		<u>\$ 0.10</u>	<u>\$ (0.08)</u>		<u>\$ (0.06)</u>	<u>\$ 0.06</u>		<u>\$ 0.15</u>	<u>\$ (0.15)</u>		<u>\$ (0.10)</u>
Weighted average number of shares outstanding												
Basic EPS (in thousands)	<u>8,961</u>		<u>8,961</u>	<u>9,131</u>		<u>9,131</u>	<u>9,014</u>		<u>9,014</u>	<u>9,178</u>		<u>9,178</u>
Diluted EPS (in thousands)	<u>8,961</u>		<u>8,961</u>	<u>9,131</u>		<u>9,131</u>	<u>9,014</u>		<u>9,014</u>	<u>9,178</u>		<u>9,178</u>

(1) Non-GAAP adjustment to exclude non-cash amortization of acquired intangible assets.

(2) Non-GAAP adjustment to exclude the effect of deferred taxes.

CIMATRON LIMITED
CONSOLIDATED BALANCE SHEETS
(US Dollars in thousands)

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
ASSETS		
CURRENT ASSETS:		
Total cash, cash equivalents and short-term investments	\$ 10,173	\$ 6,684
Trade receivables	5,462	5,422
Other current assets	<u>2,752</u>	<u>3,308</u>
Total current assets	<u>18,387</u>	<u>15,414</u>
Deposits with insurance companies and severance pay fund	<u>3,126</u>	<u>2,935</u>
Net property and equipment	<u>931</u>	<u>1,046</u>
Total other assets	<u>12,800</u>	<u>13,285</u>
Total assets	<u>\$ 35,244</u>	<u>\$ 32,680</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	\$ 114	\$ 456
Trade payables	1,984	1,064
Accrued expenses and other liabilities	7,136	6,991
Deferred revenues	<u>4,492</u>	<u>2,397</u>
Total current liabilities	<u>13,726</u>	<u>10,908</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	4,136	4,104
Long-term loan	147	204
Deferred tax liability	<u>1,093</u>	<u>1,365</u>
Total long-term liabilities	<u>5,376</u>	<u>5,673</u>
Total shareholders' equity	<u>16,142</u>	<u>16,099</u>
Total liabilities and shareholders' equity	<u>\$ 35,244</u>	<u>\$ 32,680</u>

CIMATRON LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollars in thousands)

	<u>Noncontrolling Interest</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Retained earnings (accumulated deficit)</u>	<u>Treasury stock</u>	<u>Comprehensive income (loss)</u>	<u>Total shareholders' equity</u>
Balance at December 31, 2009	\$ (48)	\$ 304	\$ 18,204	\$ 75	\$ (1,894)	\$ (542)		\$ 16,099
Changes during the nine months ended September 30, 2010:								
Net income (loss)	19				498		517	517
Exercise of share options		-	11					11
Unrealized loss on derivative instruments				(116)			(116)	(116)
Other				281			281	281
Stock option compensation			45					45
Investment in treasury stock						(210)		(210)
Foreign currency translation adjustment				(485)			(485)	(485)
Total comprehensive income							<u>197</u>	
Balance at September 30, 2010	\$ (29)	\$ 304	\$ 18,260	\$ (245)	\$ (1,396)	\$ (752)		\$ 16,142

CIMATRON LIMITED
STATEMENTS OF CASH FLOWS
(US Dollars in thousands)

	Nine months ended	
	September 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 517	\$ (1,437)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,131	1,224
Increase (decrease) in accrued severance pay	(7)	301
Gain from sale of property and equipment, net	5	-
Stock option compensation	45	54
Deferred taxes, net	176	(259)
Changes in assets and liabilities:		
Decrease in accounts receivable and prepaid expenses	114	2,245
Decrease (increase) in inventory	3	(20)
Increase in deposits with insurance companies and severance pay fund	(191)	(241)
Increase in trade payables, accrued expenses and other liabilities	2,540	457
Net cash provided by operating activities	4,333	2,324
Cash flows from investing activities:		
Purchase of property and equipment	(271)	(264)
Net cash used in investing activities	(271)	(264)
Cash flows from financing activities:		
Short-term bank credit	(367)	(33)
Long-term bank credit	(66)	(4)
Proceeds from issuance of shares upon exercise of options	11	-
Investment in treasury stock	(210)	(128)
Net cash used in financing activities	(632)	(165)
Net increase in cash and cash equivalents	3,430	1,895
Effect of exchange rate changes on cash	59	(108)
Cash and cash equivalents at beginning of period	6,684	5,727
Cash and cash equivalents at end of period	\$ 10,173	\$ 7,514
Appendix A - Non-cash transactions		
Purchase of property on credit	\$ 28	\$ 20

נספח 6

דיווח שפרסמה החברה ביום 23 בנובמבר, 2010 (FORM 6-K)

6-K 1 zk1009064.htm 6-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934***For the month of November, 2010*

CIMATRON LIMITED

(Translation of Registrant's name into English)

11 Gush Etzion Street, Givat Shmuel, Israel
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIMATRON LIMITED

By: /s/ Ilan Erez

Ilan Erez
Chief Financial Officer

Dated: November 23, 2010

CIMATRON LTD.**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS****To be held on December 30, 2010****TO THE SHAREHOLDERS OF CIMATRON LTD.:**

You are cordially invited to attend the Annual General Meeting of Shareholders of Cimatron Ltd. (the "**Company**") to be held at 10:00 A.M. (Israel time), on December 30, 2010, at the Company's offices at 11 Gush Etzion Street, Givat Shmuel, Israel (the "**Meeting**") for the following purposes:

1. To reelect five directors to serve on the board of directors of the Company (the "**Board of Directors**") in addition to the two external directors of the Company (the "**External Directors**") who serve three year terms pursuant to the Israeli Companies Law - 1999 (the "**Companies Law**") and who are not subject to reelection at this Meeting.
2. To reappoint Brightman Almagor Zohar & Co. a member of Deloitte Touche Tohmatsu International, as the independent auditors of the Company for the year ending December 31, 2010 and until the next annual shareholders' meeting, and to further authorize the Board of Directors to fix the remuneration of such auditors based on the volume and nature of their services in accordance with Israeli law, such remuneration and the volume and nature of such services having been previously approved by the Audit Committee of the Board.
3. To transact such other business as may properly come before the Meeting or any adjournments of the Meeting.

We look forward to greeting those shareholders present at the meeting personally; however, whether or not you plan to be with us at the meeting, it is important that your shares be represented. Accordingly, you are kindly requested to sign, date and mail the enclosed proxy in the envelope provided, at your earliest convenience, so that the proxy is received at the Company's offices no later than twenty-four hours before the meeting.

Shareholders of record at the close of business on November 22, 2010 will be entitled to notice of, and to vote at the meeting.

Thank you for your cooperation.

Very truly yours,
By Order of the Board of Directors

Yossi Ben Shalom
Chairman of the Board of Directors

Date: November 23, 2010

PROXY STATEMENT

**CIMATRON LTD.
11 Gush Etzion St.
Givat Shmuel
Israel**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS
December 30, 2010**

The enclosed proxy is being solicited by our board of directors for use at our Annual General Meeting of shareholders to be held on December 30, 2010, at 10:00 A.M. at our offices located at 11 Gush Etzion Street, Givat Shmuel, Israel, or at any postponement or adjournment thereof (the "*Meeting*"). At the Meeting, shareholders will be asked to act upon the matters described in the accompanying Notice of Annual Meeting of Shareholders. Upon the receipt of a properly executed proxy in the form enclosed, the persons named as proxies therein will be entitled to vote our ordinary shares, par value New Israeli Shekels 0.10 each, represented thereby in accordance with the directions of the shareholders executing the proxy.

The proxy solicited hereby may be revoked at any time prior to its exercise, by means of a written notice delivered to us, by substitution of a new proxy bearing a later date or by a request for the return of the proxy at the Meeting. We expect to solicit proxies by mail and to mail this proxy statement and the enclosed form of proxy to our shareholders on or about November 25, 2010. Our directors, officers and employees may also solicit proxies by telephone, facsimile and personal interview. If your shares are held in "street name", you must get a proxy from your broker or bank in order to attend the Meeting and vote.

We will bear the cost of the preparation and mailing of its proxy materials and the solicitation of proxies. Copies of solicitation materials will be furnished to brokerage firms, nominees, fiduciaries and other custodians for forwarding to their principals, and the reasonable fees and expenses of such forwarding agents will be borne by us.

Only holders of record of our ordinary shares at the close of business on November 22, 2010 are entitled to notice of, and to vote at, the Meeting. On November 22, 2010, 8,959,242 of our ordinary shares were outstanding and entitled to vote. Each ordinary share is entitled to one vote on each matter to be voted at the Meeting. Our articles of association do not permit cumulative voting for the election of directors or for any other purpose. Unless otherwise stated below, each resolution proposed at the Meeting requires the affirmative vote of shareholders present in person or by proxy and holding our ordinary shares amounting in the aggregate to at least a majority of the votes actually cast with respect to such resolution. Ordinary shares present at the Meeting that are not voted or ordinary shares present by proxy where the shareholder properly withheld authority to vote for a resolution (including broker non-votes) will not be counted toward the achievement of the requisite vote for the particular resolution. However, abstentions and broker non-votes are counted as ordinary shares present for the purpose of determining a quorum.

The holders of 33% of our outstanding ordinary shares constitute a quorum for the Meeting. If within half an hour from the time the Meeting is convened a quorum is not present, the Meeting shall stand adjourned until January 6, 2011 at 10:00 A.M. at the same location as the adjourned meeting. If a quorum is not present at the second meeting within half an hour from the appointed time, then, subject to applicable law, any two or more shareholders present personally or by proxy shall be deemed a quorum, and shall be entitled to deliberate and to resolve in respect of the matters for which the Meeting was convened.

At the Meeting, shareholders will have an opportunity to review, ask questions and comment on the Company's Consolidated Balance Sheet as of December 31, 2009 and the Consolidated Statement of Income for the year then ended. The Company has published its audited financial statements for the fiscal year ended December 31, 2009, on March 25, 2010. The report can be accessed at <http://www.cimatron.com/Main/general.aspx?FolderID=21&lang=en> under "Link to SEC". You may request that a copy of the audited financial statement be mailed to you.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of November 22, 2010, the number of Ordinary Shares owned by (i) all of our shareholders known by us to own more than 5% of the our outstanding ordinary shares and (ii) all directors and officers as a group:

Name and Address	Number of Shares Owned	Percent of Shares
DBSI. Investments Ltd. 85 Medinat Hayehudim St. Herzliya, Israel	4,265,950	47.62%
William F. Gibbs ¹ 4017 N. Cedarpine Lane, Moorpark, CA 93021, California, U.S.A	1,501,667	16.56%
3Kotek 2 B.V Wielewaaleg 1, 4791, PD, Klundert, Netherlands ²	894,360	9.98%
All directors and executive officers as a group (9 persons) ³	5,875,117	64.79%

1 Includes an aggregate of 1,500,000 Ordinary Shares and 1,667 options to purchase Ordinary Shares beneficially held by William F. Gibbs.

2 Of such 894,360 Ordinary Shares, 854,360 Ordinary Shares are held by 3Kotek 2 B.V. ("**Kotek**") and 40,000 Ordinary Shares are held by a company wholly owned by Mr. Joel Koschitzki. Messrs. Jaap Stomp and Mr. Joel Koschitzki are the directors of Kotek and therefore may be deemed to beneficially own the Ordinary Shares held by Kotek. Messrs. Stomp and Koschitzki disclaim beneficial ownership of the Ordinary Shares held by Kotek.

3 Includes footnote No. 1 and also includes an aggregate of 4,265,950 shares beneficially held by DBSI, by virtue of the positions held by certain of our directors on the board of directors of DBSI, as to which such individuals disclaim beneficial ownership.

PROPOSAL 1

ELECTION OF DIRECTORS

Our board of directors has nominated the persons named below for re-election to our board of directors until the next annual general meeting of the Company and until their respective successors are duly elected. The affirmative vote of the holders of a majority of the voting power in our Company represented at the Meeting in person or by proxy and voting thereon is necessary for the election of the directors. Ordinary shares represented by properly executed proxies received by the Company, which are not revoked, will be voted at the Meeting in accordance with the instructions contained therein. The following nominees who are currently our directors have advised us that they will continue to serve as directors if re-elected. According to recent amendments to the Companies Law, each nominee is required to sign a declaration that he/she meets all the requirements of a director under the Companies Law. All nominees below have previously signed such declarations, which will be available for review at the meeting.

The following table provides certain relevant information concerning the nominees, including their principal occupation during the past five years.

<u>Nominee</u>	<u>Age</u>	<u>Principal Occupation</u>
Yossi Ben Shalom	55	Yossi Ben Shalom is a co-founder of DBSI Investments Ltd. Prior to establishing DBSI Investments, Mr. Ben Shalom served as Executive Vice President and Chief Financial Officer of Koor Industries Ltd. (NYSE:KOR), from 1998 through 2000. Prior to that, he served as Chief Financial Officer of Tadiran Ltd. Mr. Ben Shalom has also been an active director on numerous boards, such as NICE Systems (NASDAQ:NICE), Machtshim Agan, Bank Klali and others. Mr. Ben Shalom holds a bachelor's degree in economics and a master's degree in business administration from Tel Aviv University.
Barak Dotan	42	Barak Dotan is a co-founder of DBSI Investments Ltd. Prior to establishing DBSI Investments, Mr. Dotan worked as Product Manager for Jacada (NASDAQ:JCDA), formerly CST and later managed private investments in high-tech and other areas. Mr. Dotan graduated summa cum laude from the Hebrew University of Jerusalem with a bachelor's degree in computer science and business administration.
William F. Gibbs	56	William F. Gibbs is the founder of Gibbs System, Inc. (aka Gibbs and Associates), the makers of GibbsCAM. He joined Cimatron in January 2, 2008, with the merger of Gibbs into Cimatron. Mr. Gibbs worked as a mechanical design engineer from 1972 to 1978. He designed his first CAM system for the Hasbach Co., as their VP of software development from 1978 to 1982. He started Gibbs and Associates as a contract programming service for CNC part programming in 1982, beginning CAM software development for the Macintosh computer in 1984. GibbsCAM, the 2 nd generation Gibbs software, was first released in 1993. Mr. Gibbs holds a Bachelor of Science degree in computer science from the California State University at Northridge California.
Yoel Rosenthal	55	Yoel Rosenthal has been the CFO of DBSI Investments Ltd. since 2001. Prior to joining D.B.S.I., Mr. Rosenthal was a founder and partner of a private accounting firm in Israel, Bruckner, Rosenthal, Ingber & Co. Prior to that he held the position of Loan Officer for multinational corporations at the Bank of Montreal in the USA. Mr. Rosenthal holds an MBA from the University of California in Los Angeles and a BA in Economics and Accounting from Tel Aviv University.
David Golan	69	David Golan has been a director on our board since 1992 and is a former Chairman of the board. Mr. Golan is currently an independent businessman and a director. Previously he was an executive director in the Binat Group and served on the board of directors of several public and private companies. From May 1998 to September 2000 Mr. Golan was Managing Director in charge of Zeevi Holdings' investments, not including ZCT. From March 1997 to May 1998, he was the Chief Executive Officer of Clal Trading Ltd., a subsidiary of the IDB group. From 1992 to March 1997, he was Executive Vice President of Clal Trading. Mr. Golan was formerly president of Gal Weisfield Industries Ltd. Mr. Golan holds a bachelors degree in economics and statistics from Hebrew University in Jerusalem and a master's degree in business administration from New York University.

The Board of Directors recommends that the shareholders vote FOR the reappointment of the above mentioned as directors until the next annual general meeting of the Company and until their respective successors are duly elected.

The shareholders of the Company will be requested to adopt the following resolutions:

“RESOLVED, to approve the appointment Yossi Ben Shalom as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

RESOLVED, to approve the appointment of Barak Dotan as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

RESOLVED, to approve the appointment of William F. Gibbs as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.”

RESOLVED, to approve the appointment of Yoel Rosenthal as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

RESOLVED, to approve the appointment of David Golan as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

Any shareholder communication regarding director nominees should be directed to Ilan Erez, Vice President of Finance and Chief Financial Officer, 11 Gush Etzion St., Givat Shmuel, Israel.

Our articles of association specify that the number of directors on our board will be at least two but not more than fifteen.

PROPOSAL 2
RE-APPOINTMENT OF AUDITORS

The Audit Committee of the Board of Directors and the Board of Directors have authorized the re-appointment of the accounting firm of Brightman Almagor Zohar & Co. (a member of Deloitte Touche Tohmatsu International) to serve as our independent certified public accountant for the year ending December 31, 2010 and for the period until the next annual shareholders meeting. The Audit Committee of our Board of Directors and the Board of Directors believe that such appointment is appropriate and in the best interests of the Company and its shareholders. Subject to the authorization of the shareholders of the Company, the Board of Directors shall fix the remuneration of Brightman Almagor Zohar & Co. in accordance with the volume and nature of their services.

The affirmative vote of the holders of a majority of the voting power of the Company represented at the Meeting in person or by proxy and voting thereon is necessary for approval of the appointment of Brightman Almagor Zohar & Co. as the independent public accountant of the Company and the authorization of the Board of Directors to fix such auditor's remuneration. Ordinary shares represented by properly executed proxies received by the Company, which are not revoked, will be voted at the Meeting in accordance with the instructions contained therein.

The fees paid to Brightman Almagor Zohar & Co. for the year 2009 audit services were \$70 thousand and for the year 2009 tax services were \$5 thousand. In the year ending December 31, 2009, Brightman Almagor provided no additional non-audit services.

The Board of Directors recommends that the shareholders vote FOR the reappointment of Brightman Almagor Zohar & Co. as the independent public accountant of the Company for the year ending December 31, 2010 and until the next annual shareholders meeting, and for the authorization of the Board of Directors to fix such auditor's remuneration.

It is proposed that the following Resolution be adopted at the Meeting:

“RESOLVED that the re-appointment of Brightman Almagor Zohar & Co. (a member of Deloitte Touche Tohmatsu International) as the independent public accountant of the Company for the year ending December 31, 2010 and until the next annual shareholders meeting, and the authorization of the Board of Directors to fix the remuneration of such auditors in accordance with the volume and nature of their services, is hereby approved, such remuneration and the volume and nature of such services having been previously approved by the Audit Committee of the Board.”

By Order of the Board of Directors

Yossi Ben-Shalom
CHAIRMAN OF THE BOARD OF DIRECTORS

Givat Shmuel, Israel

Date: November 23, 2010

נספח 7

דיווח שפרסמה החברה ביום 30 בדצמבר, 2010 (FORM 6-K)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934***For the month of December, 2010*

CIMATRON LIMITED

(Translation of Registrant's name into English)

11 Gush Etzion Street, Givat Shmuel, Israel
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIMATRON LIMITED

By: /s/ Ilan Erez

Ilan Erez

Chief Financial Officer

Dated: December 30, 2010

**MINUTES OF THE ANNUAL GENERAL MEETING
OF THE SHAREHOLDERS OF
CIMATRON LTD.
(THE "COMPANY")**

HELD ON DECEMBER 30, 2010

Mr. Ilan Erez, the Vice President of Finance and Chief Financial Officer of the Company, duly appointed by the Board of Directors of the Company, called the Annual General Meeting (the "**Meeting**") to order at 10:00 AM (Israeli Time) at the offices of the Company, 11 Gush Etzion Street, Givat Shmuel, Israel, after notice was given in accordance with the Company's Articles of Association (the "**Articles**") to all the Company's shareholders of record as of November 22, 2010. Mr. Ilan Erez called the roll and announced the presence of the shareholders present at the Meeting in person or by proxy. Present in person or by proxy were shareholders holding, in the aggregate 6,258,212 Ordinary Shares, par value NIS 0.10 per share of the Company, constituting 69.85% of the voting power of the Company.

Mr. Ilan Erez declared that the Meeting could be lawfully held and that a quorum was present.

Mr. Ilan Erez was appointed as Chairman of the Meeting.

THE AGENDA:

1. To reelect five directors to serve on the board of directors of the Company (the "**Board of Directors**") in addition to the two external directors of the Company (the "**External Directors**") who serve three year terms pursuant to the Israeli Companies Law - 1999 (the "**Companies Law**") and who are not subject to reelection at this Meeting.
2. To reappoint Brightman Almagor Zohar & Co. a member of Deloitte Touche Tohmatsu International, as the independent auditors of the Company for the year ending December 31, 2010 and until the next annual shareholders' meeting, and to further authorize the Board of Directors to fix the remuneration of such auditors based on the volume and nature of their services in accordance with Israeli law, such remuneration and the volume and nature of such services having been previously approved by the Audit Committee of the Board.

THE MEETING

The Chairman then presented for consideration of the shareholders the following resolutions, all of which were duly adopted as indicated below:

1. **RESOLVED**, to approve the appointment of Yossi Ben Shalom as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.
-

For 6,148,932 Ordinary Shares, constituting 98.26% of the shares present in person or by proxy and voting thereon.

Against 101,680 Ordinary Shares, constituting 1.62% of the shares present in person or by proxy and voting thereon.

Withheld: 7,600 Ordinary Shares, constituting 0.12% of the shares present in person or by proxy and voting thereon.

2. RESOLVED, to approve the appointment of Barak Dotan as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

For: 6,148,942 Ordinary Shares, constituting 98.26% of the shares present in person or by proxy and voting thereon.

Against 101,670 Ordinary Shares, constituting 1.62% of the shares present in person or by proxy and voting thereon.

Withheld: 7,600 Ordinary Shares, constituting 0.12% of the shares present in person or by proxy and voting thereon.

3. RESOLVED, to approve the appointment of William F. Gibbs as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

For: 6,153,642 Ordinary Shares, constituting 98.33% of the shares present in person or by proxy and voting thereon.

Against 101,470 Ordinary Shares, constituting 1.62% of the shares present in person or by proxy and voting thereon.

Withheld: 3,100 Ordinary Shares, constituting 0.05% of the shares present in person or by proxy and voting thereon.

4. RESOLVED, to approve the appointment of Yoel Rosenthal as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

For: 6,148,942 Ordinary Shares, constituting 98.26% of the shares present in person or by proxy and voting thereon.

Against 101,670 Ordinary Shares, constituting 1.62% of the shares present in person or by proxy and voting thereon.

Withheld: 7,600 Ordinary Shares, constituting 0.12% of the shares present in person or by proxy and voting thereon.

5. RESOLVED, to approve the appointment of David Golan as director of the Company until the next annual general meeting of the Company and until his respective successor is duly elected.

For: 6,231,899 Ordinary Shares, constituting 99.58% of the shares present in person or by proxy and voting thereon.

Against 18,713 Ordinary Shares, constituting 0.30% of the shares present in person or by proxy and voting thereon.

Withheld: 7,600 Ordinary Shares, constituting 0.12% of the shares present in person or by proxy and voting thereon.

6. RESOLVED that the re-appointment of Brightman Almagor Zohar & Co. (a member of Deloitte Touche Tohmatsu International) as the independent public accountant of the Company for the year ending December 31, 2010 and until the next annual shareholders meeting, and the authorization of the Board of Directors to fix the remuneration of such auditors in accordance with the volume and nature of their services, is hereby approved, such remuneration and the volume and nature of such services having been previously approved by the Audit Committee of the Board..

For: 6,248,925 Ordinary Shares, constituting 99.85% of the shares present in person or by proxy and voting thereon.

Against: 2,387 Ordinary Shares, constituting 0.04% of the shares present in person or by proxy and voting thereon.

Abstain: 6,900 Ordinary Shares, constituting 0.11% of the shares present in person or by proxy and voting thereon.

IN WITNESS WHEREOF, all the aforementioned resolutions were duly adopted in accordance with the Articles of Association of the Company and all requirements prescribed by applicable law.

There being no further business, the Meeting was adjourned.

/s/ Ilan Erez

CHAIRMAN – Ilan Erez

נספח 8

דיווח שפרסמה החברה ביום 8 בפברואר, 2011 (FORM 6-K)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934***For the month of February, 2011*

CIMATRON LIMITED

(Translation of Registrant's name into English)

11 Gush Etzion Street, Givat Shmuel, Israel
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIMATRON LIMITED

By: /s/ Ilan Erez

Ilan Erez
Chief Financial Officer

Dated: February 8, 2011



FOR IMMEDIATE RELEASE

Cimatron Announces its Intention to Register its Shares for Dual Listing on the Tel Aviv Stock Exchange

Givat Shmuel, Israel, – February 8, 2011– Cimatron Limited (NASDAQ: CIMT) , a leading provider of integrated CAD/CAM solutions for the toolmaking and manufacturing industries, today announced its intention to register its shares for dual listing on the Tel Aviv Stock Exchange.

Dual listing on the Tel Aviv Stock Exchange (“TASE”) is allowed under Israeli law without any additional regulatory requirements for companies whose shares are listed on certain exchanges outside of Israel, including the NASDAQ Capital Market.

In order for Cimatron to qualify for the dual listing registration process, it needs to maintain a market capitalization of over NIS 135M for a period of at least 30 days prior to its registration with the TASE, based on the average price of the company’s shares in the NASDAQ Capital Market during such period. Cimatron’s current market capitalization (based on the current representative exchange rate of 3.676 NIS/\$US) is approximately NIS141.6M (\$US38.5M), and Cimatron has maintained an average market capitalization above the minimum required for 20 consecutive days.

Cimatron’s Board of Directors has approved the registration on the TASE, once (and if) Cimatron meets the requirements above.

“We are excited about the possibility of joining the TASE with this new dual listing,” said Yossi Ben-Shalom, Chairman of the Board of Directors of Cimatron. “We believe that this step will expand our exposure to the Israeli investment community and will increase the interest in Cimatron among Israel’s large and sophisticated institutional investors, as well as provide trading access for European investors during regular European business hours.”

In the event that Cimatron’s ordinary shares are registered for dual listing on the Tel Aviv Stock Exchange, such shares will continue to be listed on the NASDAQ Capital Market in the United States, and Cimatron will remain subject to the rules and regulations of NASDAQ and of the U.S. Securities and Exchange Commission.



About Cimatron

With over 28 years of experience and more than 40,000 installations worldwide, Cimatron is a leading provider of integrated, CAD/CAM solutions for mold, tool and die makers as well as manufacturers of discrete parts. Cimatron is committed to providing comprehensive, cost-effective solutions that streamline manufacturing cycles and ultimately shorten product delivery time.

The Cimatron product line includes the CimatronE and GibbsCAM brands with solutions for mold design, die design, electrode design, 2.5 to 5 Axis milling, wire EDM, turn, Mill-turn, rotary milling, multi-task machining, and tombstone machining. Cimatron's subsidiaries and extensive distribution network serve and support customers in the automotive, aerospace, medical, consumer plastics, electronics, and other industries in over 40 countries worldwide.

Cimatron's shares are publicly traded on the NASDAQ exchange under the symbol CIMT. For more information, please visit Cimatron's web site at: <http://www.cimatron.com>

Safe Harbor Statement

This press release includes forward looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risk and uncertainties that could cause actual results to differ materially from those anticipated. Such statements may relate to Cimatron's plans, objectives and expected financial and operating results. The words "may," "could," "would," "will," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions or variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond Cimatron's ability to control. The risks and uncertainties that may affect forward looking statements include, but are not limited to: currency fluctuations, global economic and political conditions, marketing demand for Cimatron products and services, long sales cycles, new product development, assimilating future acquisitions, maintaining relationships with customers and partners, and increased competition. For more details about the risks and uncertainties related to Cimatron's business, refer to Cimatron's filings with the Securities and Exchange Commission. Cimatron cannot assess the impact of or the extent to which any single factor or risk, or combination of them, may cause. Cimatron undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Contact:

Ilan Erez, Chief Financial Officer
Cimatron Ltd.
Tel.; 972-73-237-0114
E-mail: ilane@cimatron.com

דיווח שפרסמה החברה ביום 8 בפברואר, 2011 (FORM 6-K)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
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Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

On February 8, 2011, Cimatron Ltd. (the "Registrant") issued a press release (the "Press Release") announcing and attaching its unaudited financial results for the quarter ended December 31, 2010. The Press Release is attached hereto as Exhibit 1.

The unaudited financial results of the Registrant for the quarter ended December 31, 2010 (as attached to the Press Release, and excluding any related quotes from the Registrant's management) are hereby incorporated by reference in the Registrant's registration statement on Form F-3, SEC File Number 333-161781.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIMATRON LIMITED

By: /s/ Ilan Erez

Ilan Erez
Chief Financial Officer

Dated: February 8, 2011



FOR IMMEDIATE RELEASE

Cimatron Reports its Highest-Ever Revenues and Operating Profit in Q4/10

- \$11M in quarterly revenues and \$1.7M non-GAAP quarterly operating profit
- Record revenues in China and South Korea and strong growth in North America lead to revenues of \$36.1M and non-GAAP operating profit of \$3.1M in full year 2010

Givat Shmuel, Israel, – February 8th, 2011– Cimatron Limited (NASDAQ: CIMT) , a leading provider of integrated CAD/CAM solutions for the toolmaking and manufacturing industries, today announced financial results for the fourth quarter and full year 2010.

Financial highlights

- **2010 new licenses revenue up 30% year-over-year on a constant currency basis**
- **\$1.6M non-GAAP net profit in Q4/10, an increase of 63% year-over-year**
- **\$4.8 million positive cash flow from operating activities in 2010, a 275% year-over-year increase**
- **\$10.2M cash balance at end of 2010**
- **32 Cent non-GAAP EPS in 2010**

Commenting on the results, Danny Haran, President and Chief Executive Officer of Cimatron, said “We are very pleased with the record fourth quarter results and the overall strong 2010 results. As the global economic recovery continues, excellent results from key territories have made this possible. As we said many times before, and very well evidenced by the 2010 results, the vast majority of any additional revenues find their way to our bottom line. Early January sales figures suggest the continuation of that momentum into 2011, where we expect further developments, both on the product side and the sales channels”, concluded Mr. Haran.



The following provides details on Cimatron's GAAP and non-GAAP results for the fourth quarter and full year 2010:

The financial figures in this press release are unaudited. The Company believes that adjustments, if any, resulting from the audit process would be immaterial. The Company plans to release its audited financial statements for 2010 via a Report on Form 6-K in March 2011.

GAAP:

Revenues for the fourth quarter of 2010 increased 12.8% to \$11.0 million, compared to \$9.8 million recorded in the fourth quarter of 2009. In the full year ended December 31, 2010, revenues increased 9.5% to \$36.1 million, compared to \$33.0 million in 2009.

Gross Profit for the fourth quarter of 2010 was \$9.4 million as compared to \$8.0 million in the same period in 2009. Gross margin in the fourth quarter of 2010 was 85% of revenues, compared to a gross margin of 82% in the same quarter of 2009. In 2010, gross profit was \$30.2 million, compared to \$26.8 million in the same period of 2009. Gross margin in 2010 was 84% compared to a gross margin of 81% in 2009.

Operating profit in the fourth quarter of 2010 was \$1.4 million, compared to an operating profit of \$0.8 million in the fourth quarter of 2009, an increase of 82%. In 2010, Cimatron recorded an operating profit of \$2.1 million, compared to an operating loss of \$(1.0) million in 2009.

Net Profit for the fourth quarter of 2010 was \$1.1 million, or \$0.12 per diluted share, compared to a net profit of \$1.4 million, or \$0.15 per diluted share recorded in the same quarter of 2009. In 2010 net profit was \$1.6 million, or \$0.18 per diluted share, compared to a net profit of \$14 thousand, or \$0.00 per diluted share, in 2009.

Non-GAAP:

Revenues for the fourth quarter of 2010 increased 12.8% to \$11.0 million, compared to \$9.8 million recorded in the fourth quarter of 2009. In the full year ended December 31, 2010, revenues increased 9.5% to \$36.1 million, compared to \$33.0 million in 2009.

Gross Profit for the fourth quarter of 2010 was \$9.5 million as compared to \$8.2 million in the same period in 2009. Gross margin in the fourth quarter of 2010 was 86% of revenues, compared to a gross margin of 84% in the same quarter of 2009. In 2010, gross profit was \$30.8 million, compared to \$27.4 million in 2009. Gross margin in 2010 was 85%, compared to 83% in 2009.

Operating Profit in the fourth quarter of 2010 was \$1.7 million, compared to an operating profit of \$1.0 million in the fourth quarter of 2009, an increase of 62%. In 2010, Cimatron reports an operating profit of \$3.1 million, compared to operating profit of \$31 thousand in 2009.

Net profit for the fourth quarter of 2010 increased 63% to \$1.6 million, or \$0.17 per diluted share, compared to a net profit of \$1.0 million, or \$0.10 per diluted share recorded in the same quarter of 2009.

In 2010, net profit increased to \$2.9 million, or \$0.32 per diluted share, compared to a net profit of \$46 thousand, or \$0.01 per diluted share, in 2009.



Conference Call

Cimatron's management will host a conference call today, February 8th, 2011 at 9:00 EST, 16:00 Israel time. On the call, management will review and discuss the results, and will answer questions by investors.

To participate, please call one of the following teleconferencing numbers. Please begin placing your call at least 5 minutes before the conference call commences.

USA: +1-888-407-2553
International: +972-3-9180610
Israel: 03-9180610

For those unable to listen to the live call, a replay of the call will be available from the day after the call at the investor relations section of Cimatron's website, at: www.cimatron.com

Reconciliation between results on a GAAP and Non-GAAP basis is provided in a table immediately following the Consolidated Statements of Income included herein. Non-GAAP financial measures consist of GAAP financial measures adjusted to include recognition of deferred revenues of acquired companies and to exclude amortization of acquired intangible assets and deferred income tax, as well as certain business combination accounting entries. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. We believe that these non-GAAP measures help investors to understand our current and future operating performance, especially as our two most recent acquisitions have resulted in amortization and non-cash items that have had a material impact on our GAAP results. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies.



About Cimatron

With over 28 years of experience and more than 40,000 installations worldwide, Cimatron is a leading provider of integrated, CAD/CAM solutions for mold, tool and die makers as well as manufacturers of discrete parts. Cimatron is committed to providing comprehensive, cost-effective solutions that streamline manufacturing cycles and ultimately shorten product delivery time.

The Cimatron product line includes the CimatronE and GibbsCAM brands with solutions for mold design, die design, electrode design, 2.5 to 5 Axis milling, wire EDM, turn, Mill-turn, rotary milling, multi-task machining, and tombstone machining. Cimatron's subsidiaries and extensive distribution network serve and support customers in the automotive, aerospace, medical, consumer plastics, electronics, and other industries in over 40 countries worldwide.

Cimatron's shares are publicly traded on the NASDAQ exchange under the symbol CIMT. For more information, please visit Cimatron's web site at: <http://www.cimatron.com>

Safe Harbor Statement

This press release includes forward looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risk and uncertainties that could cause actual results to differ materially from those anticipated. Such statements may relate to Cimatron's plans, objectives and expected financial and operating results. The words "may," "could," "would," "will," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions or variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond Cimatron's ability to control. The risks and uncertainties that may affect forward looking statements include, but are not limited to: currency fluctuations, global economic and political conditions, marketing demand for Cimatron products and services, long sales cycles, new product development, assimilating future acquisitions, maintaining relationships with customers and partners, and increased competition. For more details about the risks and uncertainties related to Cimatron's business, refer to Cimatron's filings with the Securities and Exchange Commission. Cimatron cannot assess the impact of or the extent to which any single factor or risk, or combination of them, may cause. Cimatron undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Contact:

Ilan Erez, Chief Financial Officer
Cimatron Ltd.
Tel.: 972-73-237-0114
E-mail: ilane@cimatron.com

CIMATRON LIMITED
CONSOLIDATED STATEMENTS OF INCOME
(US Dollars in thousands, except for per share data)

	<u>Three months ended</u>		<u>Twelve months ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Total revenue	11,013	9,762	36,074	32,957
Total cost of revenue	<u>1,634</u>	<u>1,719</u>	<u>5,876</u>	<u>6,186</u>
Gross profit	9,379	8,043	30,198	26,771
Research and development expenses, net	1,692	1,347	6,014	5,736
Selling, general and administrative expenses	<u>6,282</u>	<u>5,923</u>	<u>22,053</u>	<u>21,992</u>
Operating income (loss)	1,405	773	2,131	(957)
Financial income, net	43	38	97	19
Taxes on income	(401)	639	(657)	949
Other	<u>1</u>	<u>(41)</u>	<u>(6)</u>	<u>(41)</u>
Net income (loss)	1,048	1,409	1,565	(30)
Less: Net (income) loss attributable to the noncontrolling interest	<u>45</u>	<u>(18)</u>	<u>26</u>	<u>44</u>
Net income attributable to Cimatron's shareholders	<u>\$ 1,093</u>	<u>\$ 1,391</u>	<u>\$ 1,591</u>	<u>\$ 14</u>
Net income per share - basic and diluted	<u>\$ 0.12</u>	<u>\$ 0.15</u>	<u>\$ 0.18</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding				
Basic EPS (in thousands)	<u>8,959</u>	<u>9,128</u>	<u>9,000</u>	<u>9,156</u>
Diluted EPS (in thousands)	<u>8,983</u>	<u>9,128</u>	<u>9,000</u>	<u>9,156</u>

CIMATRON LIMITED
RECONCILIATION BETWEEN GAAP AND NON-GAAP INFORMATION
(US Dollars in thousands, except for per share data)

	Three months ended						Twelve months ended					
	December 31,						December 31,					
	2010			2009			2010			2009		
	GAAP	Adj.	NON-GAAP	GAAP	Adj.	NON-GAAP	GAAP	Adj.	NON-GAAP	GAAP	Adj.	NON-GAAP
Total revenue	11,013	-	11,013	9,762	-	9,762	36,074	-	36,074	32,957	-	32,957
Total cost of revenue (1)	<u>1,634</u>	<u>(147)</u>	<u>1,487</u>	<u>1,719</u>	<u>(147)</u>	<u>1,572</u>	<u>5,876</u>	<u>(588)</u>	<u>5,288</u>	<u>6,186</u>	<u>(588)</u>	<u>5,598</u>
Gross profit	<u>9,379</u>	<u>147</u>	<u>9,526</u>	<u>8,043</u>	<u>147</u>	<u>8,190</u>	<u>30,198</u>	<u>588</u>	<u>30,786</u>	<u>26,771</u>	<u>588</u>	<u>27,359</u>
Research and development expenses, net	1,692	-	1,692	1,347	-	1,347	6,014	-	6,014	5,736	-	5,736
Selling, general and administrative expenses (1)	<u>6,282</u>	<u>(99)</u>	<u>6,183</u>	<u>5,923</u>	<u>(100)</u>	<u>5,823</u>	<u>22,053</u>	<u>(396)</u>	<u>21,657</u>	<u>21,992</u>	<u>(400)</u>	<u>21,592</u>
Operating income (loss)	<u>1,405</u>	<u>246</u>	<u>1,651</u>	<u>773</u>	<u>247</u>	<u>1,020</u>	<u>2,131</u>	<u>984</u>	<u>3,115</u>	<u>(957)</u>	<u>988</u>	<u>31</u>
Financial income, net	43	-	43	38	-	38	97	-	97	19	-	19
Taxes on income (2)	(401)	221	(180)	639	(726)	(87)	(657)	347	(310)	949	(999)	(50)
Other (3)	<u>1</u>	<u>-</u>	<u>1</u>	<u>(41)</u>	<u>43</u>	<u>2</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>	<u>(41)</u>	<u>43</u>	<u>2</u>
Net income (loss)	<u>1,048</u>	<u>467</u>	<u>1,515</u>	<u>1,409</u>	<u>(436)</u>	<u>973</u>	<u>1,565</u>	<u>1,331</u>	<u>2,896</u>	<u>(30)</u>	<u>32</u>	<u>2</u>
Less: Net (income) loss attributable to the noncontrolling interest	<u>45</u>	<u>-</u>	<u>45</u>	<u>(18)</u>	<u>-</u>	<u>(18)</u>	<u>26</u>	<u>-</u>	<u>26</u>	<u>44</u>	<u>-</u>	<u>44</u>
Net income attributable to Cimatron's shareholders	<u>\$ 1,093</u>	<u>\$ 467</u>	<u>\$ 1,560</u>	<u>\$ 1,391</u>	<u>\$ (436)</u>	<u>\$ 955</u>	<u>\$ 1,591</u>	<u>\$ 1,331</u>	<u>\$ 2,922</u>	<u>\$ 14</u>	<u>\$ 32</u>	<u>\$ 46</u>
Net income per share - basic and diluted	<u>\$ 0.12</u>		<u>\$ 0.17</u>	<u>\$ 0.15</u>		<u>\$ 0.10</u>	<u>\$ 0.18</u>		<u>\$ 0.32</u>	<u>\$ 0.00</u>		<u>\$ 0.01</u>
Weighted average number of shares outstanding												
Basic EPS (in thousands)	<u>8,959</u>		<u>8,959</u>	<u>9,128</u>		<u>9,128</u>	<u>9,000</u>		<u>9,000</u>	<u>9,156</u>		<u>9,156</u>
Diluted EPS (in thousands)	<u>8,983</u>		<u>8,983</u>	<u>9,128</u>		<u>9,128</u>	<u>9,000</u>		<u>9,000</u>	<u>9,156</u>		<u>9,156</u>

(1) Non-GAAP adjustment to exclude non-cash amortization of acquired intangible assets.

(2) Non-GAAP adjustment to exclude the effect of deferred taxes.

(3) Non-GAAP adjustment to exclude loss from discontinued operations.

CIMATRON LIMITED
CONSOLIDATED BALANCE SHEETS
(US Dollars in thousands)

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
ASSETS		
CURRENT ASSETS:		
Total cash, cash equivalents and short-term investments	\$ 10,221	\$ 6,684
Trade receivables	5,708	5,422
Other current assets	<u>2,275</u>	<u>3,308</u>
Total current assets	<u>18,204</u>	<u>15,414</u>
Deposits with insurance companies and severance pay fund	<u>3,279</u>	<u>2,935</u>
Net property and equipment	<u>949</u>	<u>1,046</u>
Total other assets	<u>12,469</u>	<u>13,285</u>
Total assets	<u>\$ 34,901</u>	<u>\$ 32,680</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	\$ 99	\$ 456
Trade payables	1,685	1,064
Accrued expenses and other liabilities	8,260	6,991
Deferred revenues	<u>2,275</u>	<u>2,397</u>
Total current liabilities	<u>12,319</u>	<u>10,908</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	4,297	4,104
Long-term loan	98	204
Deferred tax liability	<u>1,002</u>	<u>1,365</u>
Total long-term liabilities	<u>5,397</u>	<u>5,673</u>
Total shareholders' equity	<u>17,185</u>	<u>16,099</u>
Total liabilities and shareholders' equity	<u>\$ 34,901</u>	<u>\$ 32,680</u>

CIMATRON LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollars in thousands)

	<u>Noncontrolling Interest</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Retained earnings (accumulated deficit)</u>	<u>Treasury stock</u>	<u>Comprehensive income (loss)</u>	<u>Total shareholders' equity</u>
Balance at December 31, 2009	\$ (48)	\$ 304	\$ 18,204	\$ 75	\$ (1,894)	\$ (542)		\$ 16,099
Changes during the twelve months ended								
December 31, 2010:								
Net income (loss)	(26)				1,591		1,565	1,565
Exercise of share options		-	11					11
Unrealized loss on derivative instruments				(79)			(79)	(79)
Other				207			207	207
Stock option compensation			60					60
Investment in treasury stock						(210)		(210)
Foreign currency translation adjustment				(468)			(468)	(468)
Total comprehensive income							<u>1,225</u>	
Balance at December 31, 2010	\$ (74)	\$ 304	\$ 18,275	\$ (265)	\$ (303)	\$ (752)		\$ 17,185

CIMATRON LIMITED
STATEMENTS OF CASH FLOWS
(US Dollars in thousands)

	Twelve months ended	
	December 31,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 1,565	\$ (30)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,512	1,575
Increase in accrued severance pay	228	138
Gain from sale of property and equipment, net	8	-
Stock option compensation	60	73
Loss on disposal of businesses – discontinued operations	-	43
Deferred taxes, net	406	(984)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable and prepaid expenses	(583)	1,854
Decrease (increase) in inventory	13	(15)
Increase in deposits with insurance companies and severance pay fund	(344)	(216)
Increase (decrease) in trade payables, accrued expenses and other liabilities	1,908	(1,164)
Net cash provided by operating activities	4,773	1,274
Cash flows from investing activities:		
Purchase of property and equipment	(384)	(262)
Cash and cash equivalents disposed of discontinued operations	-	(46)
Net cash used in investing activities	(384)	(308)
Cash flows from financing activities:		
Short-term bank credit	(340)	301
Long-term bank credit	(98)	(104)
Proceeds from issuance of shares upon exercise of options	11	-
Investment in treasury stock	(210)	(153)
Net cash used in (provide by) financing activities	(637)	44
Net increase in cash and cash equivalents	3,752	1,010
Effect of exchange rate changes on cash	(215)	(53)
Cash and cash equivalents at beginning of period	6,684	5,727
Cash and cash equivalents at end of period	\$ 10,221	\$ 6,684
Appendix A - Non-cash transactions		
Purchase of property on credit	\$ 68	\$ 10

תסקיף לטובת בעלי מניות בחברה מיום 8 בספטמבר, 2009 (FORM F-3)

F-3 1 zk97215.htm

As filed with the Securities and Exchange Commission on September 8, 2009

Registration No. 333-()

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM F-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Cimatron Ltd.

(Exact Name of Registrant as Specified in its Charter)

State of Israel
(State or Other Jurisdiction of Incorporation or Organization)

Not Applicable
(I.R.S. Employer Identification Number)

Cimatron Ltd.
 11 Gush Etzion St., Israel
 Givat Shmuel 54030, Israel
 +972-3-531-2121
*(Address and Telephone Number
 of Registrant's Principal Executive Offices)*

Cimatron Technologies Inc.
 26800 Meadowbrook Road, Suite 113, Novi, Michigan 48377
 (+1) 248 596 9700
*(Name, Address and Telephone Number
 of Agent for Service)*

Copies of Communications to:
 David S. Glatt, Adv.
 Asaf Harel, Adv.
 Meitar Liguornik Geva & Leshem Brandwein
 16 Abba Hillel Road
 Ramat Gan 52506, Israel

Approximate date of commencement of proposed sale to the public:
 From time to time after effectiveness of this registration statement (except as otherwise described herein).

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the

following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Price per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Ordinary shares, nominal value NIS 0.10 each	6,620,310	\$ 0.91	\$6,024,482	\$ 336
Total	6,620,310	\$ 0.91	\$6,024,482	\$ 336

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the reported high and low prices of the Registrant's ordinary shares on the Nasdaq Capital Market on September 4, 2009

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant files a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. NO SELLING SHAREHOLDER MAY SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED SEPTEMBER 8, 2009

PROSPECTUS
CIMATRON LTD.
6,620,310 Ordinary Shares

This prospectus relates to the sale or other disposition, from time to time, by the selling shareholders identified in this prospectus, or their transferees, of up to 6,620,310 of our ordinary shares. We will pay all expenses of registering the foregoing ordinary shares. We will not receive any proceeds from the sale or other disposition of ordinary shares by the selling shareholders.

You should read both this prospectus, together with the additional information described under the heading "Incorporation of Certain Documents by Reference," before you decide to invest in our ordinary shares.

Our ordinary shares are traded on the Nasdaq Capital Market under the symbol "CIMT". On September 4, 2009, the last reported sale

price of our ordinary shares on the Nasdaq Capital Market was \$0.92 per share.

Investing in our ordinary shares involves a high degree of risk. See “Risk Factors” beginning on page 4 of this prospectus to read about factors you should consider before purchasing our ordinary shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 8, 2009.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since then.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the United States Securities and Exchange Commission, or the “SEC” or “Commission.”

Unless the context otherwise requires, all references in this prospectus to “Cimatron,” “we,” “our,” “our company,” “us” and the “Company” refer to Cimatron Ltd. and its consolidated subsidiaries.

All references in this prospectus to “ordinary shares” refer to our ordinary shares, par value 0.10 NIS per share.

All references in this prospectus to “dollars” or “\$” are to United States dollars.

All references in this prospectus to “shekels” or “NIS” are to New Israeli Shekels.

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information about us, the ordinary shares that may be sold from time to time, and our financial statements and the related notes, all of which appear elsewhere in this prospectus or in the documents incorporated by reference in this prospectus.

Our corporate name is Cimatron Ltd. for both legal and commercial purposes. Cimatron was organized under the laws of the State of Israel in 1982. Our address is 11 Gush Etzion Street, Givat Shmuel 54030, Israel, and our telephone number is +972-3-531-2121. We design, develop, manufacture, market and support a family of modular, high-performance, CAD/CAM software products. Our products provide an integrated design through manufacturing solution for small-to-medium-sized companies and manufacturing divisions of large corporations, and interface easily with other CAD/CAM systems. They offer high-end functionality, especially in the areas of design for manufacturing and manufacturing, at an attractive price/performance ratio. These attributes have made our CAD/CAM products especially popular in the design and manufacturing segments of the CAD/CAM market, particularly among mold, tool, die and fixture makers, as well as among discrete parts manufacturers. We focus our research and development efforts on providing complete design through manufacturing solutions to the specific needs of this market segment. We are committed to providing mold, tool, die and fixture makers, as well as to discrete parts manufacturers, with comprehensive, cost-effective CAD/CAM solutions that streamline manufacturing cycles, enable collaboration with outside vendors and shorten delivery time. Following our merger with Gibbs System, Inc. (also referred to herein as “Gibbs”), effected during January 2008, we have enhanced our product offering for discrete part manufacturers.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision regarding our ordinary shares. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. The trading price of our ordinary shares could decline due to any of these risks, and you may lose all or part of your investment. We are subject to various risks resulting from changing economic, political, industry, business and financial conditions. The principal factors are described below.

Risks Related to Our Business

We face intensive competition in our industry.

The CAD/CAM software industry, characterized by rapid advances in technology and changing customer requirements, is highly competitive. We design, develop, manufacture, market and support a family of modular, high performance, fully integrated, computer-aided design/computer aided manufacturing, or CAD/CAM, software products. Traditionally, our competitors in the CAD/CAM market are at both the high and low end of the market. The lower end of the market consists of dedicated Numerical Control, or NC, programming systems offerings, which have limited or no modeling capability, while the high end of the market, including our Cimatron E and GibbsCAM product families, consists of integrated CAD/CAM systems, Mill/Turn and Multi Task Machining software. Many high-end market products are roughly similar to our Cimatron E product. As the CAD/CAM software industry is highly fragmented and characterized by many relatively small and privately owned companies, we face competition from numerous companies in relation to all of our products. In addition, some of our competitors are more established, benefit from greater market recognition and have greater financial, production and marketing resources than us. We believe that, due to the large number of companies that operate in this market, we do not have a single major competitor or a group of competitors. The principal factors permitting our products to compete successfully against our competitors' products are:

- the compatibility of our products with other software applications and existing and emerging industry standards;
- our ongoing product and feature development;
- the offering of unique innovative products to the tooling industry;

- the level of our product breadth and integration;
- the technical expertise and support that we provide;

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- the flexibility of our products;
 - the reputation we maintain among certain independent distributors of our products, to which we refer as Providers; and
 - the relatively low overall price and total cost of ownership of our products combined with the high-end capabilities of our products.

Although we believe that the attributes of our products provide us with a competitive advantage over our competitors, there can be no assurance that the marketplace will consider Cimatron E and/or GibbsCAM to be superior to existing competing products. In addition, new competitors may arise in each of the markets in which we currently operate. Furthermore, as we enter new geographic markets, we may encounter significant competition from companies that are more established in such markets. Accordingly, there can be no assurance that our existing or future products will successfully compete against our competitors' products.

We are heavily reliant on the sale of two families of products.

Sales and services related to the Cimatron E product family have historically accounted for substantially all of our revenue. While we have introduced the GibbsCAM product family following our merger with Gibbs, if sales of the Cimatron E family and/or the GibbsCAM family were to decline, or fail to grow, or the profit margin on these products were to decrease significantly, our business, financial condition and results of operations would be materially and adversely affected.

Our business depends significantly upon sales by our customers of products in the consumer market. This market is extremely competitive and is highly susceptible to fluctuations in demand.

Our products are designed for use by manufacturers of consumer products or consumer product components. The consumer products market is intensely competitive and price sensitive. Sales of consumer products have historically been dependent upon discretionary spending by consumers. Consumers may defer or alter purchasing decisions based on economic conditions or other factors, and accordingly could cause a reduction in demand for products manufactured by our customers. Softening consumer demand for consumer products has in the past caused a decline in the demand for our products. Current global economic conditions, especially inflation and the credit crisis in the U.S., may cause a decrease in demand for our products in the near term and possibly longer. Any softening in demand for consumer products could cause uncertainty with respect to our expected revenues or adversely affect our revenues and operating results.

Unfavorable economic and market conditions and reduced consumer spending may lead to a decreased demand for our products and services and may harm our business, financial condition and results of operations.

We are subject to the effects of global, economic and market conditions. Many of the world's largest economies and financial institutions are currently experiencing a reduction in economic activity, decline in asset prices, liquidity problems and limited availability of credit. Prevailing global and U.S. macroeconomic conditions such as inflation and the weakening of the U.S. dollar in relation to many world currencies which make it more expensive to import consumer products into the U.S., as well as changes in microeconomic conditions such as tightening of local credit markets which could negatively impact the ability of manufacturers to obtain growth and working capital from local lenders, may negatively impact our enterprise business. To the extent that our business suffers as a result of such unfavorable economic and market conditions, our operating results may be materially adversely affected.

The crisis in world credit markets has had a particularly severe impact on financing in the manufacturing sector in which many of our customers operate and thereby threatens a continued reduction in our primary source of revenues.

The primary consumers for our products and services are typically small to medium-sized companies involved in the mechanical engineering and manufacturing industry, subcontractors that supply major corporations within the core mechanical engineering and manufacturing industry and departments or divisions within these major corporations. The manufacturing industry has been particularly hard-hit by the global credit crisis, as manufacturers have found it very difficult to obtain the financing that they need in order to make capital expenditures for new hardware to be used in their operations. Because of the lack of financing for new hardware, manufacturers have had, and may continue to have, lesser demand for our software products and services, which are compatible with, and dependent upon, such hardware. This rippling effect has begun to have, and could continue to have, a material adverse effect on our primary source of revenues, thereby impacting our operating results and overall financial condition in a material, negative manner.

One of the selling shareholders named in this prospectus beneficially owns a substantial amount of our ordinary shares and may therefore influence our affairs.

DBSI Investments Ltd. (also referred to herein as “DBSI”) beneficially owns approximately 45.6% of our share capital. Accordingly, DBSI effectively has the ability to control the outcome of most matters submitted to a vote of our shareholders, including the election of members of our board of directors and approval of significant corporate transactions. The concentration of ownership of our ordinary shares by DBSI could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our ordinary shares that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our ordinary shares. This concentration of ownership may also adversely affect our share price, especially if this shareholder sells substantial amounts of our ordinary shares under this registration statement.

Integration of recent acquisitions and any future acquisitions of companies or technologies may distract our management and disrupt our business. In addition, the issuance by us of securities as consideration payable in such acquisitions could be dilutive to our existing shareholders.

One of our strategies is to acquire or make investments in complementary businesses, technologies, services or products if appropriate opportunities arise. For instance, in July 2005 we initiated the acquisition of our Italian distributor by acquiring 27.5% of the shares of it, along with an option to purchase the remaining outstanding shares of that company from its stockholders. In July 2007 we exercised our option to increase our holdings in our Italian distributor to 51%, and in July 2008, we completed our acquisition of the distributor by exercising our option to acquire the remaining 49% of its stock. During August 2006, we acquired the remaining 69.83% of the outstanding shares of our Korean provider, which thereafter became a wholly owned subsidiary. In January 2008 we completed the merger of Gibbs into a wholly owned subsidiary – Cimatron Gibbs LLC. As consideration in the merger with Gibbs, we paid cash in the amount of approximately \$5 million and we issued 1,500,000 of our ordinary shares, which represent approximately 16% of our issued and outstanding share capital.

We may in the future engage in discussions and negotiations with companies about our acquiring or investing in those companies’ businesses, products, services or technologies. We cannot give assurances that we will be able to identify future suitable acquisition or investment candidates, or, if we do identify suitable candidates, that we will be able to make the acquisitions or investments on commercially acceptable terms or at all. In addition, in the context of our merger with Gibbs or any future acquisition or investment in another company, we could experience difficulties assimilating that company’s personnel, operations, technology or products and service offerings into our own or in retaining and motivating key personnel from these businesses. Any such difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations. Furthermore we cannot provide assurance that we will realize the benefits and/or synergies of any business combination with another company. In addition, we may incur indebtedness or dilute our existing shareholders by issuing equity securities to pay for any future acquisitions.

We are subject to several risks as a result of our international sales.

To date, our products have been sold primarily in Europe, the Far East, North America and Israel. We expect that international sales will continue to represent a substantial portion of our business. Companies that engage in international sales are subject to a number of risks, such as:

- agreements may be difficult to enforce through a foreign company’s legal system;
- foreign countries could impose additional withholding or other taxes on our income;
- foreign countries could impose tariffs or adopt other restrictions on foreign trade;
- fluctuations in exchange rates;
- changes in general economic conditions in one or more countries could affect product demand;

- the protection of intellectual property rights in foreign countries may be limited or more difficult to enforce; and
- difficulties in managing overseas subsidiaries and international operations, including difficulty in retaining or replacing local

management.

There can be no assurance that these and similar factors will not have a material adverse effect on our future international sales and, consequently, on our business, future prospects and results of operations.

Many customers of the CAD/CAM industry have migrated their operations to the Far East. In order to remain competitive in the industry, we need to penetrate the Far East markets; operation in these markets subjects us to specific risks.

Many mold, tool, die and fixture makers have migrated or intend to migrate their operations to markets in the Far East, such as China, in order to take advantage of the relatively lower cost of labor available in those markets for their manufacturing activities. We anticipate that this migration will continue. In order to continue to compete in the CAD/CAM software industry, we will need to increase our penetration of these markets. Many of those markets, including China, are characterized by lower prices and by higher usage of pirated copies of software products. While those markets are also often much larger than a number of our traditional markets in Europe, to the extent that we cannot offset the effects of lower prices and higher incidents of pirated software usage, our revenues and profitability may be materially adversely affected.

We are reliant upon independent distributors to market and support our products.

We rely on independent distributors, to whom we refer as Providers, to market, sell, service and support our products worldwide. Generally, our relationships with our Providers are based on agreements with two-year terms (subject to rolling two-year extensions) and which enable Providers to purchase our products at a discounted price. While we have exclusive relationships with certain of our Providers, there can be no assurance that these Providers will give high priority to the marketing and support of our products. The results of our operations could be adversely affected by changes in the financial condition of a Provider, which could occur rapidly, or to other changes in our current Providers' business or marketing strategies. There can be no assurance that we will retain our current Providers, nor can there be any assurance that, in the event that we lose any of our Providers, we will be successful in recruiting other highly professional and technically competent Providers to represent us. Any such changes in our distribution channels, especially those in the Far East and Europe, could materially adversely affect our business, operating results and financial condition. Whereas approximately 90% of Gibbs' total revenues in 2007 resulted from sales made by Gibbs' independent distributors, whom we refer to as Resellers, the merger with Gibbs has increased our reliance on independent distributors

Volatility in oil prices may significantly impact our customers' costs of operations, which could cause unpredictable sales patterns for us by affecting demand for our products.

Many of our customers use oil-based products as an integral part of their manufacturing processes, including as components of their products. Volatility in the cost of crude oil, which is subject to many economic and political factors that are beyond our customers' control, has resulted in substantial global fluctuations in the price of oil-based products in the last couple of years. These fluctuations have caused and may continue to cause periodic increases or decreases in the operating expenses of our customers. To the extent that these customers accordingly increase or decrease their prices, demand for their products may fall or rise, thereby causing a great deal of variability in their ability and readiness to purchase our products. In addition, in the case of a rise in oil prices and an accompanying rise in our customers' expenses, they may respond by placing pressure on the prices that they are willing to pay for our products. In that event, our business and results of operation may be adversely affected.

Following our acquisition of 100% of Microsystem, its results of operations will likely have a material impact on our results of operations.

Following the exercise of both of our options to increase our holdings in Microsystem, our Italian Provider, first to 51% and then to 100%, which increases were consummated in July 2007 and July 2008, respectively,, we have fully consolidated the results of Microsystem (as of the third quarter of 2007). Therefore, Microsystem's results of operation, including revenues, gross margins and operating income, will likely have a material effect on our results of operation including revenues, gross margins and operating income. The consolidation of Microsystem's financial statements will also increase the impact of changes in the Euro – dollar exchange rate on our revenues and expenses, as substantially all of Microsystem's revenues and expenses are Euro-denominated.

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We cannot assure you that we will continue to remain profitable on an annual basis or regain >profitability on a quarterly basis in the future.

We incurred a net loss of approximately \$4.6 million in 2005. Although we had net income of \$0.5 million in 2006, net income of \$1.9 million in 2007, and net income of \$0.7 million in 2008, we incurred a net loss of approximately \$0.56 million in the first quarter of 2009

and a net loss of approximately \$0.08 million in the second quarter of 2009, and we cannot be certain that we will regain or maintain (as the case may be) profitability on a quarterly or annual basis.

We may experience significant fluctuations in our quarterly results, which makes it difficult for investors to make reliable period-to-period comparisons and may contribute to volatility in the market price for our ordinary shares.

Our quarterly revenues, gross profits and results of operations have fluctuated significantly in the past and may be subject to continued fluctuation in the future. The following events may cause such fluctuations:

- changes in timing of orders, especially large orders, for our products and services;
- changes in the prices for our products and services;
- adverse economic conditions and international exchange rate and currency fluctuations;
- delays in the implementation of our solutions by customers;
- changes in the proportion of service and license revenues;
- timing of product releases;
- changes in the economic conditions of the various industries in which our customers operate;
- price and product competition;
- increases in selling and marketing expenses, as well as other operating expenses;
- technological changes; and
- political instability in the Middle East.

A substantial portion of our expenses, including most product development, selling and marketing expenses, must be incurred in advance of when revenue is generated. If our projected revenue does not meet our expectations, we are likely to experience a shortfall in our operating profit relative to our expectations. As a result, we believe that period-to-period comparisons of our historical results of operations are not necessarily meaningful and that you should not rely on them as an indication for future performance. Also, our quarterly results of operations have, on separate occasions, been below the expectations of public market analysts and investors and the price of our ordinary shares subsequently decreased. If that would happen in the future, the price of our ordinary shares will likely decrease again.

Because of our international operations, changes in exchange rates against the U.S. dollar have, and could continue to have, a significant effect on our results of operations. In addition, local economic conditions or currency fluctuations could cause customers to decrease or cancel orders or default on payment.

Although part of our revenues are denominated and paid in U.S. dollars, the majority are not so denominated and paid. Therefore, inflation and fluctuations in the U.S. dollar exchange rate have and may continue to have a material effect on our revenue. In addition, a significant portion of our international sales is denominated in Euros, and in the future additional sales may be denominated in currencies other than U.S. dollars, thereby exposing us to gains and losses on non-U.S. currency transactions. We may choose to limit this exposure by entering into hedging transactions. However, hedging transactions may not prevent exchange-related losses, and our business may be harmed by exchange rate fluctuations. Furthermore, as we seek to expand our sales to regions throughout the world, we might be exposed to risks of customers located in countries suffering from uncertain economic environments such as high inflation and solvency problems. Those issues and devaluation in local currencies of our customers relative to the U.S. dollar where our sales are denominated in U.S. dollars could cause customers to decrease or cancel orders or default on payment. To the extent that the value of the New Israeli Shekel increases against the U.S. dollar, our expenses on a U.S. dollar cost basis increase. We cannot predict any future trends in the rate of devaluation or appreciation of the NIS against the U.S. dollar. If the U.S. dollar cost of our operations in Israel continues to increase, our U.S. dollar-measured results of operations will be adversely affected. If the U.S. dollar cost of our operations in Israel continues to increase, our dollar-measured results of operations will be adversely affected. The New Israeli Shekel appreciation (devaluation) in relation to the U.S. dollar amounted to 8.2%, 8.9% and 1.1% for the years ended December 31, 2006, 2007 and 2008, and 10.2% and (6.4)% for the first and second quarters of 2009, respectively. We are also exposed to the risk that the rate of inflation in Israel will exceed the rate of devaluation of the NIS in relation to the U.S. dollar or that the timing of this devaluation will lag behind inflation in Israel. The Israeli rate of inflation (deflation) amounted to (0.1)%, 3.4% and 3.8% for the years ended December 31, 2006, 2007 and 2008, respectively.

In the first and second quarters of 2009, as had been the case prior to 2006, we once again experienced decreases in our revenues from products. If this trend continues, it will likely adversely affect our gross margins and profitability.

As had been the case in 2005, when our revenues from the sale of products decreased relative to their level in 2004, our product revenues fell by 41% during the first quarter of 2009, to \$2.9 million from \$4.9 million during the equivalent quarter of 2008, and by 36% during the second quarter of 2009, to \$3.3 million from \$5.1 million during the equivalent quarter of 2008. During 2006, 2007 and 2008, our revenues from the sales of products had increased each year, from approximately \$9.0 million in 2005, to approximately \$9.6 million in 2006, \$14.3 million in 2007 and \$20.1 million in 2008. At the same time, revenues from maintenance and services also increased during the last two years of such three year stretch, increasing to approximately \$20.9 million in 2008 from approximately \$14.3 million in 2007 and approximately \$11.8 million in 2006. Our gross margin from most of our products is higher than our gross margin from services. This is because our cost of services, which includes expenses of salaries and related benefits of the employees and subcontractors engaged in providing the services, is relatively higher than our cost of products. If our overall percentage of revenues comprised by maintenance and service revenues continues to increase, our gross margins and profitability will likely be adversely affected. In addition, if our revenues from the sale of products decrease, such decrease may adversely affect our future maintenance and service revenues, as it may result in a smaller user base to purchase maintenance and service contracts from us.

If we are unable to accurately predict and respond to market developments or demands, or if our products are not accepted in the marketplace, our business will be adversely affected.

It is difficult to predict demand and CAD/CAM market acceptance for our solutions and products. We cannot guarantee that the market for our solutions and products will grow or that they will become widely accepted. If the market for our solutions and products does not develop as quickly as we expect, our future revenues and profitability will be adversely affected. Changes in technologies, industry standards, client requirements and new product introductions by existing or future competitors could render our existing offerings obsolete and unmarketable, or require us to develop new products. If our solutions and products do not achieve or maintain market acceptance or if our competitors release new products that achieve quicker market acceptance, have more advanced features, offer better performance or are more price competitive, our revenues may not grow and may even decline. In addition, if a product we develop and introduce does not achieve market acceptance, we may not be able to recover the costs associated with developing the product, which would have a negative effect on our profitability.

If we are unable to attract, train and retain qualified personnel, we may not be able to achieve our objectives and our business could be harmed.

Our future success depends on our ability to absorb and retain senior employees and to attract, motivate and retain highly qualified professional employees. Competition for these employees can be intense, especially in a number of our key markets and locations. The process of locating, training and successfully integrating qualified personnel into our operations can be lengthy and expensive. The market for the qualified personnel we require is very competitive because of the limited number of people available with the necessary technical and sales skills and understanding of our products and technology. This is particularly true for the markets in which the majority of our research and development personnel are located, namely Israel and in the State of California, as competition for qualified personnel is intense in those markets. We may not be able to compete effectively for the personnel we need. Any loss of members of senior management or key technical personnel, or any failure to attract or retain highly qualified employees as needed, could materially adversely affect our ability to achieve our research and development and sales objectives.

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Under current Israeli and California laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We have entered into non-competition agreements with substantially all of our employees in Israel and in California. These agreements prohibit our employees, during the term of their employment with us and after they cease working for us, from competing directly with us or working for our competitors for a limited period. However, under current Israeli and California laws, we may be unable to enforce these agreements and it may be difficult for us to restrict our competitors from gaining the expertise our former employees gained while working for us.

We are affected by volatility in the securities markets.

Securities markets have in recent years experienced volatility that has particularly affected the securities of many high-technology companies. The volatility has often been unrelated to the operating performance of these companies, including Cimatron, and has been

aggravated due to the current crisis in global financial markets. As a result, we may experience difficulties in securing the additional financing required to effectively operate and grow our business due to the volatility in the price of our shares, resulting in a material adverse affect on our business and results of operations.

Risks Related to Licenses and Intellectual Property

We rely, to a certain extent, on third parties' software. If we lose the ability to continue to license that software, our business could be materially adversely affected.

To date, most of the software relating to the Cimatron E family of products has been developed internally by our research and development staff. However, to accelerate our product development and improve our time to market, we also review opportunities to acquire or license products or technologies from third parties. Mainly, we utilize software tools and engines that we acquire from Spatial Corp., a subsidiary of Dassault Systems, and D-Cubed, for the representation and processing of three dimensional objects and surfaces in order to expedite the continued development of our new Cimatron E product family. In addition, we use software from ModuleWorks GmbH, a German company, for advanced 5-Axis NC calculations, and advanced metal forming software from Forming Technologies Incorporated (FTI), a Canadian company. We rely, to a certain extent, upon such third parties' abilities to enhance their current products and develop new products on a timely and cost-effective basis that will meet changing customer requirements and emerging industry standards or other technological changes. Our business would be disrupted if functional versions of the third party software we rely on were either no longer available to us or no longer offered to us on commercially reasonable terms and we may, as a result, suffer a material adverse effect on our business and operations. Most of the software relating to GibbsCAM has also been developed internally, however, Gibbs, like Cimatron, also relies on certain third party software and tools embedded in GibbsCAM product.

We may not be successful in protecting our intellectual proprietary technology and this could result in the loss of revenue.

We primarily rely on a combination of trade secret, copyright and trademark laws, together with non-disclosure agreements and trademark measures (such as software protection "locks"), to establish and protect proprietary rights in our products. The measures afford only limited protection and, accordingly, there can be no assurance that the steps that we take to protect these proprietary rights will be adequate to provide misappropriation of the technology or independent development of similar technology by others. This is particularly a problem in foreign countries where the laws may not protect our proprietary rights as fully as the laws of the United States do. For instance, we have encountered significant piracy problems in certain jurisdictions, including in Brazil, Taiwan, Israel and China, where we face significant competition from pirated copies of our products. These problems may increase as many of our customers and their competitors migrate their businesses to lower cost labor markets in the Far East. Despite our best efforts to protect proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary.

We may be subject to litigation to determine the scope of proprietary rights of others.

Significant and protracted litigation may be necessary to protect our intellectual property rights, to determine the scope of the proprietary rights of others or to defend against claims of infringement. We believe that our systems do not infringe upon any existing third-party proprietary rights, and to our knowledge there have been no claims of infringement by us of third-party proprietary rights to date; however, there can be no assurance that any such claims will not be asserted against us in the future. If infringement is alleged, we could be required to discontinue the use of certain software codes or processes, to cease the manufacture, use and sale of infringing products, to incur significant litigation damages, costs and expenses and to develop non-infringing technology or to obtain licenses to the alleged infringing technology. There can be no assurance that we would be able to develop alternative technologies or to obtain such licenses on terms commercially acceptable to us, if at all.

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Risks Related to our Operations in Israel

We may be adversely affected if the rate of inflation in Israel exceeds the rate of devaluation of the New Israeli Shekel against the U.S. dollar.

Our functional currency is the U.S. dollar while a portion of our expenses, principally salaries and the related personnel expenses, are in new Israeli shekels, or NIS. As a result, we are exposed to the risk that the rate of inflation in Israel will exceed the rate of devaluation of the NIS in relation to the U.S. dollar or that the timing of this devaluation lags behind inflation in Israel. We cannot predict any future trends in the rate of inflation/ deflation in Israel. If the U.S. dollar cost of our operations in Israel increases, our U.S. dollar-measured results of operations will be adversely affected. The Israeli rate of inflation (deflation) amounted to (0.1)%, 3.4% and 3.8% for the years ended December 31, 2006, 2007 and 2008, respectively.

Security, political and economic instability in Israel may impede our ability to operate and harm our financial results.

Our principal executive offices and research and development facilities are located in Israel. In addition, a portion of our sales is made to customers in Israel. Accordingly, security, political and economic conditions in Israel may directly affect our business. Over the past several decades, a number of armed conflicts have occurred between Israel and its Arab neighbors. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could affect adversely our operations. From October 2000 until recently, terrorist violence in Israel increased significantly and negotiations between Israel and Palestinian representatives effectively ceased. In February 2006, Hamas, a radical Islamic organization, won the Palestinian Parliament elections. In July and August 2006, significant fighting took place between Israel and Hezbollah in Lebanon, resulting in rockets being fired from Lebanon into northern Israel. Recently, in December 2008 and January 2009, there was an escalation in violence between Israel and Hamas, and significant hostilities along Israel's border with the Gaza Strip. Despite the cessation of such escalation, there can be no assurance that the relative calm that has been achieved will continue. Increased hostilities, future armed conflicts, political developments in other states in the region, or continued or increased terrorism could make it more difficult for us to conduct our operations in Israel, which could increase our costs and adversely affect our financial results. Furthermore, several countries still restrict business with Israel and Israeli companies. These restrictive laws and policies may limit our ability to sell our products in those countries.

Our operations may be disrupted by the obligation of our personnel to perform military service.

Many of our officers and employees in Israel are obligated to perform annual military reserve duty and may be called to active duty under emergency circumstances. At various times over the last five years, there have been significant call-ups of military reservists, and it is possible that there will be additional call-ups in the future. While we have operated effectively despite these conditions in the past, we cannot assess what impact these conditions may have in the future, particularly if emergency circumstances arise. Our operations could be disrupted by the absence for a significant period of one or more of our executive officers or key employees or a significant number of our other employees due to military service. Any disruption in our operations would harm our business.

The government programs and tax benefits that we currently receive and previously received require us to meet several conditions and may be terminated or reduced in the future, which would increase our costs and taxes.

We benefit from certain government programs and tax benefits, particularly as a result of tax exemptions and reductions resulting from the approved enterprise status of our manufacturing facilities in Israel. To be eligible for these programs and tax benefits, we must continue to meet conditions, including making specified investments in property and equipment and financing a percentage of investments with share capital. If we fail to meet such conditions in the future, the tax benefits would be canceled and we could be required to refund the tax benefits already received, together with an adjustment based on the Israeli consumer price index and an interest factor. These programs and tax benefits may not be continued in the future at their current levels or at any level. From time to time, the Israeli Government has discussed reducing or eliminating the availability of these grants, programs and benefits and there can be no assurance that the Israeli Government's support of grants, programs and benefits will continue. If grants, programs and benefits available to us or the laws, rules and regulations under which they were granted are eliminated or their scope is further reduced, or if we fail to meet the conditions of existing grants, programs or benefits and are required to refund grants or tax benefits already received (together with interest and certain inflation adjustments) or fail to meet the criteria for future "Approved or Privileged Enterprises," our business, financial condition and results of operations could be materially adversely affected including an increase in our provision for income taxes.

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In connection with research and development grants received from the Office of the Chief Scientist of Israel, or the OCS, we must pay royalties to the OCS on the revenue derived from the sale of products, technologies and services developed with the grant from the OCS. The terms of the OCS grants and the law pursuant to which grants are made may impair our ability to manufacture products or transfer technologies developed using OCS grants outside of Israel. The transfer to a non-Israeli entity of technology developed with OCS funding, including pursuant to a merger or similar transaction, and the transfer of rights related to the manufacture of more than ten percent of a product developed with OCS funding are subject to approval by an OCS committee and to various conditions, including payment by us to the OCS of a percentage of the consideration paid to us or our shareholders in the transaction in which the technology is transferred. In connection with a merger or similar transaction, the amount payable would be a fraction of the consideration equal to the relative amount invested by the OCS in the development of the relevant technology compared to the total investment in our company, net of financial assets that we have at the time of the transaction, but in no event less than the amount of the grant. In addition, in the event that the committee believes that the consideration to be paid in a transaction requiring payment to the OCS pursuant to the provisions of the law described above does not reflect the true value of the technology or the company being acquired, it may determine an alternate value to be used as the basis for calculating the requisite payments. These restrictions may impair our ability to enter into agreements for those products or technologies, without OCS approval. We cannot be certain that any approval of the OCS will be obtained on terms that are acceptable to us, or at all. Furthermore, in the event that we undertake a transaction involving the transfer to a non-Israeli entity of technology developed with OCS funding pursuant to a merger or similar transaction, the consideration available to our shareholders may be reduced by the amounts we are required to pay to the OCS.

In connection with our grant applications, we have made certain representations, including information provided in periodical performance reports, and we have committed to certain performance-based covenants. The funding from the OCS is subject to the accuracy of these representations and covenants and to our compliance with the conditions and restrictions imposed by the OCS. If we fail to comply with any of these conditions or restrictions, we could be required to repay any grants previously received, together with an adjustment based on the Israeli consumer price index and an interest factor in addition to certain other penalties. In addition, if we fail to comply with any of these conditions or restrictions, we would likely be ineligible to receive OCS grants in the future. The inability to receive these grants would result in an increase in our research and development expenses.

We may be required to pay royalties to the OCS in respect of sales since January 1, 2005.

We believe that the majority of products that we have sold since January 1, 2005 are not based on technology developed with funds provided by the OCS and that, accordingly, such sales should not be subject to the payment of royalties to the OCS. Therefore, the royalty reports we submitted to the OCS for the period starting January 1, 2005 and thereafter have reflected significantly reduced royalty obligations in comparison to our royalty reports for the years prior to 2005. In addition, during the second half of 2005 we initiated a process with the OCS in an attempt to obtain the agreement of the OCS with our position and to the cessation of our obligation to pay future royalties. This process is still ongoing. Although we believe we have strong arguments to support our position, we have accrued royalty expenses in our financial reports for the periods from January 1st, 2005 to June 30th, 2009 in the amount of \$2.8 million, but we have not paid any royalties associated with the products mentioned above to the OCS. In light of the above-mentioned facts, we intend to consider our next steps with the OCS and whether further royalty expenses accruals will be necessary. A determination that we are in fact obligated to pay royalties in respect of sales after January 1, 2005 could negatively impact our liquidity and if that determination is made after we cease to accrue for any such royalties on our financial statements or if the amount that we become obligated to pay exceeds the amounts for which we have accrued in our financial statements, such payments would negatively impact our earnings.

It may be difficult to effect service of process and enforce judgments against directors or officers in Israel.

We are incorporated in Israel. The majority of our executive officers and directors are located outside the United States, and a majority of our assets and the assets of these persons are located outside the United States. Therefore, a judgment obtained against us or any of them in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. Further, if a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency. It also may be difficult for you to assert U.S. securities law claims in original actions instituted in Israel since Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agreed to hear such a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

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Risks Related to this Offering

Future sales of our ordinary shares in the public market under this registration statement could cause the market price for our ordinary shares to fall.

In light of the average trading volume of our shares, if one, or all, of DBSI, William Gibbs or 3Kotek 2 B.V. (also referred to herein as “Kotek”) sells substantial amounts of our ordinary shares under this registration statement, such sale may adversely affect our share price. A large number of such shares were previously subject to resale restrictions under applicable securities laws.

FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates historical information and forward-looking statements within the meaning of the federal securities laws. Statements looking forward in time are included in this prospectus pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause our actual results in future periods to be materially different from any future performance suggested herein, including all of the risks and uncertainties discussed under “Risk Factors” and elsewhere in this prospectus, as well as in the documents we have incorporated by reference. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements and you should therefore not rely on these forward-looking statements, which are applicable only as of the date hereof.

We urge you to consider that statements that use the terms “believe,” “do not believe,” “expect,” “plan,” “intend,” “estimate,” “anticipate,” “project” and similar expressions are intended to identify forward-looking statements. These statements reflect our current

views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Our actual results may differ materially from the results discussed in forward-looking statements. Factors that could cause our actual results to differ materially include, but are not limited to, those discussed above under "Risk Factors," elsewhere in this prospectus and in the documents we have incorporated by reference.

Except as required by applicable law, including the securities laws of the United States, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise and we disclaim any obligation to publicly revise any such statements to reflect any change in expectations or in events, conditions, or circumstances on which any such statements may be based.

OFFER STATISTICS AND EXPECTED TIMETABLE

The selling shareholders identified in this prospectus may sell from time to time up to 6,620,310 ordinary shares. We have agreed to maintain the effectiveness of this registration statement until the earliest of (i) five years after the effective date of this registration statement, (ii) such time as all of the shares registered under this registration statement have been sold pursuant to this registration statement or (iii) the date on which all of the shares registered under this registration statement may be resold without registration pursuant to Rule 144 under the Securities Act of 1933, as amended (sometimes referred to hereafter as the "Securities Act") or any other rule of similar effect.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth unaudited consolidated short-term debt and capitalization, determined in accordance with accounting principles generally accepted in the United States ("GAAP"), as at June 30, 2009. The information in this table should be read in conjunction with and is qualified by reference to the consolidated financial statements and notes thereto and other financial information incorporated by reference into this prospectus.

	<u>As of July 31, 2009</u> (Actual, in U.S.\$ thousands)
Short term debt	107
Long term debt	255
Total shareholders equity	14,914

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REASONS FOR THE OFFER AND USE OF PROCEEDS

The registration of the resale of the shares hereunder is being carried out pursuant to our obligations under existing registration rights agreements with the selling shareholders. Two of the selling shareholders – DBSI and Kotek – have certain registration rights pursuant to a registration rights agreement, dated as of June 3, 2007, by and among us, Koonras Technologies Ltd. ("Koonras") and DBSI (the "Registration Rights Agreement") with respect to the ordinary shares purchased by DBSI and Koonras from Zeevi Computers and Technology Ltd. in February 2002. Under the Registration Rights Agreement, we undertook to register all of the ordinary shares held as of the date thereof by Koonras and DBSI. On June 3, 2008, in connection with the sale of 854,360 of our ordinary shares to Kotek, Koonras assigned to Kotek all registration rights applicable to such shares under the Registration Rights Agreement.

The registration of the resale of the shares of the third selling shareholder – Mr. William F. Gibbs – is likewise being effected due to his registration rights under an existing registration rights agreement with us. On December 31, 2007, in connection with our consummation of our merger transaction with Gibbs System, Inc., we entered into a registration rights agreement with Mr. Gibbs with respect to the 1,500,000 shares issued to him as part of the merger consideration. Pursuant to such registration rights agreement, Mr. Gibbs has the right, subject to various conditions and limitations, to include his shares in certain registration statements that we file.

This prospectus has been prepared, and the registration statement of which this prospectus is a part has been filed with the SEC, to satisfy the foregoing registration obligations. Accordingly, this prospectus covers the disposition by the selling shareholders, or their transferees, of 6,620,310 ordinary shares held by the selling shareholders.

We will not receive any of the proceeds from the sale or other disposition of our ordinary shares, or interests therein, by the selling shareholders.

PRICE HISTORY OF OUR ORDINARY SHARES

Our ordinary shares were quoted on the NASDAQ Global Market System (formerly the Nasdaq National Market) from March 1996 until April 17, 2001, from which time our ordinary shares have been traded on the NASDAQ Capital Market (formerly the Nasdaq SmallCap Market). Through April 16, 2000, we were quoted under the symbol CIMTF and since April 17, 2000 we have been quoted under the symbol CIMT. The ordinary shares are not listed on any other stock exchange and have not been publicly traded outside the United States. The table below sets forth the high and low bid prices of the ordinary shares, as reported by NASDAQ during the indicated fiscal periods:

Period	High (U.S. \$)	Low (U.S. \$)
Six most recent months:		
August 2009	0.98	0.80
July 2009	0.95	0.81
June 2009	1.05	0.82
May 2009	1.18	0.80
April 2009	0.91	0.76
March 2009	0.98	0.72
Fiscal quarters during two most recent full financial years and subsequent quarters:		
Second Quarter 2009	1.18	0.76
First Quarter 2009	1.33	0.56
Fourth Quarter 2008	1.64	0.65

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Period	High (U.S. \$)	Low (U.S. \$)
Third Quarter 2008	2.35	1.50
Second Quarter 2008	3.06	1.58
First Quarter 2008	3.98	2.53
Fourth Quarter 2007	3.06	2.13
Third Quarter 2007	2.50	1.83
Second Quarter 2007	4.58	2.00
First Quarter 2007	3.30	1.34
Five most recent years:		
2008	3.98	0.65
2007	4.58	1.34
2006	1.73	1.00
2005	2.14	1.05
2004	2.95	1.25

On September 4, 2009, the last reported sale price of our ordinary shares on the Nasdaq Capital Market was \$0.92 per share.

SELLING SHAREHOLDERS

This prospectus covers an aggregate of 6,620,310 ordinary shares held by the selling shareholders.

The table below provides information about the beneficial ownership of each selling shareholder as to:

- the number of ordinary shares that are beneficially held by such selling shareholder and the percentage of our outstanding share capital constituted thereby;
- the maximum number of shares that may be offered by such selling shareholder under this prospectus and the percentage of our outstanding share capital constituted thereby; and
- the number of shares to be beneficially held by such selling shareholder following the offering (assuming that the maximum number of shares that may be offered by such shareholder hereunder are so offered, and no other shares are beneficially acquired by the shareholder) and the percentage of our outstanding share capital constituted thereby.

We cannot state with certainty the number of ordinary shares that will be beneficially owned by the selling shareholders after completion of this offering because the selling shareholders may sell or otherwise dispose of all, some or none of the ordinary shares beneficially owned by them prior to this offering, and may subsequently acquire the beneficial ownership of other ordinary shares. Our registration of these securities does not necessarily mean that the selling shareholders will dispose of any or all of the securities.

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The information provided in the table below is provided as of September 4, 2009 and is based on information provided by the selling shareholders. For purposes of calculating each person's or entity's percentage ownership of outstanding ordinary shares, there were 9,124,542 ordinary shares outstanding on September 4, 2009.

Name of selling shareholder	Number of shares beneficially owned prior to the offering	Percentage of outstanding ordinary shares prior to offering	Number of ordinary shares offered hereby	Percentage of outstanding ordinary shares represented by offered shares	Number of shares beneficially owned following the offering	Percentage of outstanding ordinary shares to be beneficially owned following the offering
DBSI Investments Ltd. (1)	4,265,950	46.7%	4,265,950	46.7%	0	0.0%
William F. Gibbs (2)	1,500,666	16.4%	1,500,000	16.4%	666	0.0%
3Kotek 2 B.V. (3)	894,360	9.8%	854,360	9.4%	40,000	0.4%

(1) The address of this selling shareholder is 85 Medinat Hayehudim St. Herzliya, Israel. DBSI is controlled by Barak Dotan through B.R.Y.N. Investments Ltd., a company under his control, and by Yossi Ben Shalom through Pulpit Rock Investments Ltd. and White Condor Investments Ltd., companies under his control. Mr. Dotan controls BRYN pursuant to the terms of a power of attorney granted to him by Mr. Boaz Dotan and Mrs. Varda Dotan ("Dotan"). Pursuant to the power of attorney, Barak Dotan is entitled to take all actions to which Dotan would be entitled by virtue of its shareholdings in BRYN, with the exception of the disposition of such shares. According to its terms, Dotan is required to give notice of not less than ninety days to (i) revoke the power of attorney thereby acquiring the ability to vote the shares of BRYN; and (ii) dispose of the shares of BRYN. Mr. Ben Shalom and Mr. Dotan, affiliates of DBSI, serve as members of our board of directors and may be deemed beneficial owners of the shares held by DBSI, and Mr. Yoel Rosenthal, the CFO of DBSI (who does not share in the equity ownership of DBSI), also serves on our board of directors. Each of such three members of our board of directors disclaims beneficial ownership of the shares held by DBSI (in the cases of Messrs. Ben-Shalom and Dotan, except to the extent of their respective pecuniary interests therein).

(2) The address of this selling shareholder is 4017 N. Cedarpine Lane, Moorpark, CA 93021, California, U.S.A. During January 2008, we merged Gibbs System, Inc. (also known as Gibbs & Associates) with and into a newly established US subsidiary (Cimatron Gibbs LLC) of Cimatron Technologies Inc, our US subsidiary. Following the merger with Gibbs, Mr. Gibbs was issued 1,500,000 ordinary shares, which represented at the time approximately 16% of our outstanding share capital. Additionally, Mr. Gibbs was appointed as the vice chairman of our Board of Directors. Under the merger agreement, we undertook to Mr. Gibbs that he will serve as the vice chairman of our Board of Directors as long as he continues to hold at least 9% of our issued and outstanding share capital.

(3) The address of 3Kotek 2 B.V., a company incorporated under the laws of the Netherlands, is Wielewaaleg 1, 4791, PD, Klundert, Netherlands. Of such 894,360 ordinary shares, 854,360 were acquired from Koonras on June 3, 2008 and are held by Kotek, and 40,000 were acquired from an affiliate on September 2, 2008 and are held by a company wholly owned by Mr. Joel Koschitzki. Messrs. Jaap Stomp and Joel Koschitzki are the directors of Kotek and therefore may be deemed to beneficially own the ordinary shares held by Kotek. Messrs. Stomp and Koschitzki disclaim beneficial ownership of the ordinary shares held by Kotek. (4) Based on information provided to us, we believe that none of the selling shareholders is either a registered broker-dealer or an affiliate of a registered broker-dealer.

Additional Background Information Concerning the Share Ownership of Major Shareholders

In February 2002, Koonras, a subsidiary of Polar Communications Ltd., and DBSI consummated a transaction with Zeevi Computers and Technology Ltd., or ZCT, by which they acquired, for approximately \$9,900,000, all of our ordinary shares previously held by ZCT, representing 64.3% of our share capital (including in this calculation 161,100 of our ordinary shares which we have subsequently repurchased and which, pursuant to Israeli law, cannot be voted and possess no rights other than upon liquidation). Following this transaction, each of Koonras and DBSI beneficially owned approximately 33% of our ordinary shares. Accordingly, DBSI and Koonras effectively had the ability to control the outcome of most matters that were submitted to a vote of our shareholders, including the election of members of our board of directors and approval of significant corporate transactions. Koonras and DBSI had entered into an agreement by

which, among other matters, they had each appointed one half of our directors, and vote together at our shareholders' meeting. Following the consummation of the transactions described below, Koonras no longer holds any shares of the Company and all such arrangements with DBSI were terminated.

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On May 11, 2008, DBSI and Koonras signed an agreement pursuant to which DBSI purchased 1,700,000 shares from Koonras (comprising approximately 18% of our outstanding share capital) at a price per share of \$2.80. Following the consummation of such transaction on or about June 26, 2008, DBSI held approximately 45.6% of our outstanding share capital.

Following the consummation of the sale of Koonras' remaining shares to Kotek, Kotek held approximately 9.1% of our share capital and Koonras no longer held any share capital of the Company.

PLAN OF DISTRIBUTION

The selling shareholders, which, as used herein, includes donees, pledgees, transferees or other successors-in-interest selling ordinary shares or interests in ordinary shares received after the date of this prospectus from a selling shareholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their ordinary shares or interests in ordinary shares on any stock exchange, market or trading facility on which the ordinary shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling shareholders may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which a broker-dealer solicits purchasers;
- block trades in which a broker-dealer will attempt to sell the ordinary shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales effected after the date the registration statement of which this prospectus is a part is declared effective by the SEC;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the selling shareholders to sell a specified number of ordinary shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling shareholders may, from time to time, pledge or grant a security interest in some or all of the ordinary shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the ordinary shares, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act, amending the list of selling shareholders to include the pledgees, transferees or other successors in interest as selling shareholders under this prospectus. The selling shareholders also may transfer the ordinary shares in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of ordinary shares or interests therein, the selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the ordinary shares in the course of hedging the positions that they assume. The selling shareholders may also sell ordinary shares short and deliver these securities to close out their short positions, or loan or pledge ordinary shares to broker-dealers that in turn may sell these securities. The selling shareholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of ordinary shares offered by this prospectus, which ordinary shares such

broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

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The aggregate proceeds to the selling shareholders from the sale of ordinary shares offered by them will be the purchase price of the ordinary shares less discounts or commissions, if any. Each of the selling shareholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of ordinary shares to be made directly or through agents. We will not receive any of the proceeds from this offering.

The selling shareholders also may resell all or a portion of the ordinary shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided that they meet the criteria and conform to the requirements of that rule.

The selling shareholders and any underwriters, broker-dealers or agents that participate in the sale of ordinary shares or interests therein may be “underwriters” within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit that they earn on any resale of the ordinary shares may be underwriting discounts and commissions under the Securities Act. Selling shareholders who are “underwriters” within the meaning of Section 2(11) of the Securities Act will be subject to any applicable prospectus delivery requirements of the Securities Act.

To the extent required, the ordinary shares to be sold, the names of the selling shareholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the ordinary shares may be sold in those jurisdictions only through registered or licensed brokers or dealers. In addition, in some states ordinary shares may not be sold unless they have been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling shareholders that the anti-manipulation rules of Regulation M under the Securities Exchange Act of 1934, as amended (sometimes referred to hereafter as the “Exchange Act”) may apply to sales of ordinary shares in the market and to the activities of the selling shareholders and their affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling shareholders for the purpose of satisfying any applicable prospectus delivery requirements of the Securities Act. The selling shareholders may indemnify any broker-dealer that participates in transactions involving the sale of the ordinary shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to indemnify the selling shareholders against liabilities, including liabilities under the Securities Act and state securities laws, relating to the registration of the ordinary shares offered under this prospectus.

We have agreed with the selling shareholders to keep the registration statement of which this prospectus constitutes a part effective until the earliest of (i) five years after the effective date of this registration statement, (ii) such time as all of the shares registered hereunder have been sold pursuant to this registration statement or (iii) the date on which all of the shares registered hereunder may be resold by the selling shareholders without registration by reason of Rule 144 under the Securities Act or any other rule of similar effect.

EXPENSES ASSOCIATED WITH THE REGISTRATION

We have agreed to bear all expenses relating to the registration of the ordinary shares registered pursuant to the registration statement of which this prospectus is a part. We estimate these expenses to be approximately \$534, as set forth below:

SEC registration fee	\$	336
Printing, EDGAR and photocopying fees	\$	200
Legal fees and expenses		N/A
Accounting fees and expense		N/A
Transfer agent and registrar fees and expenses		N/A
Miscellaneous expenses		N/A
Total Expenses	\$	536

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VALIDITY OF SECURITIES

The validity of the ordinary shares offered hereby will be passed upon for us by Meitar Liquornik Geva & Leshem Brandwein, Ramat-Gan, Israel.

EXPERTS

Our consolidated financial statements as of December 31, 2008 and for each of the three years in the period then ended incorporated in this prospectus by reference to our annual report on Form 20-F for the year ended December 31, 2008 (the "2008 Form 20-F") have been so incorporated in reliance on the report of Brightman Almagor Zohar & Co., an independent registered public accounting firm and a member of Delloite Touche Tohmatsu, given on the authority of said firm as experts in auditing and accounting.

MATERIAL CHANGES

Except as otherwise described in the 2008 20-F and our Reports on Form 6-K furnished to the SEC after December 31, 2008, all of which are incorporated by reference herein, no material changes in our affairs have occurred since December 31, 2008.

ENFORCEABILITY OF CIVIL LIABILITIES

Service of process upon us and upon our directors and officers and the Israeli experts named in this prospectus, a substantial number of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, because our principal assets and a substantial number of our directors and officers are located outside the United States, any judgment obtained in the United States against us or any of our directors and officers may not be collectible within the United States.

There is doubt concerning the enforceability of civil liabilities under the Securities Act and the Exchange Act in original actions instituted in Israel. However, subject to specified time limitations, Israeli courts may enforce a United States final executory judgment in a civil matter, including a monetary or compensatory judgment in a non-civil matter, obtained after due process before a court of competent jurisdiction according to the laws of the state in which the judgment is given and the rules of private international law currently prevailing in Israel. The rules of private international law currently prevailing in Israel do not prohibit the enforcement of a judgment by Israeli courts provided that:

- the judgment is enforceable in the state in which it was given;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to present his arguments and evidence;
- the judgment and the enforcement of the judgment are not contrary to the law, public policy, security or sovereignty of the State of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties; and
- an action between the same parties in the same matter is not pending in any Israeli court at the time the lawsuit is instituted in the foreign court.

We have irrevocably appointed Cimatron Technologies, Inc. as our agent to receive service of process in any action against us in any competent court of the United States arising out of this offering or any purchase or sale of securities in connection with this offering.

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If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus interest at an annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 under the Securities Act of 1933 with respect to the securities offered under this prospectus. However, as is permitted by the rules and regulations of the SEC, this prospectus, which is part of our registration statement on Form F-3, omits certain information, exhibits, schedules and undertakings that are set forth in the registration statement. For further information about us, and the securities offered by this prospectus, please refer to the registration statement.

We are subject to the reporting requirements of the Exchange Act that are applicable to a foreign private issuer. In accordance with the Exchange Act, we file reports with the SEC, including annual reports on Form 20-F, which we are required to file by June 30 of each year. We also furnish to the SEC, under cover of Form 6-K, material information that we are required to make public in Israel, that we file with, and that is made public by, any stock exchange on which our shares are traded, or that we distribute, or that is required to be distributed by us, to our shareholders.

The registration statement on Form F-3 of which this prospectus forms a part, including the exhibits and schedules thereto, and reports and other information filed by us with the SEC, may be inspected without charge and copied at prescribed rates at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material are also available by mail from the Public Reference Section of the SEC, at 100 F Street, N.E., Washington D.C. 20549, at prescribed rates. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the SEC (<http://www.sec.gov>). You can find additional information about us at our website, <http://www.cimatron.com>. The information contained on, or linked from, our website is not a part of this prospectus.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. In addition, our officers, directors and principal shareholders are exempt from the "short-swing profits" reporting and liability provisions contained in Section 16 of the Exchange Act and related Exchange Act rules.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with, or submit to, it, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information filed with or submitted to the SEC will update and supersede this information. We incorporate by reference into this prospectus the documents listed below:

- Our Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on June 29, 2009;
- Our Report on Form 6-K furnished to the SEC on August 12, 2009; and
- The description of our ordinary shares (which are registered under Section 12(b) of the Exchange Act), which was set forth in our Report on Form 6-K, furnished to the SEC on September 7, 2009

In addition, all amendments to the foregoing reports and all subsequent annual reports on Form 20-F and any reports on Form 6-K subsequently furnished to the SEC or portions thereof that we specifically identify in such Forms 6-K as being incorporated by reference into the registration statement of which this prospectus forms a part, shall be considered to be incorporated into this prospectus by reference and shall be considered a part of this prospectus from the date of filing or furnishing of such documents.

As you read the above documents, you may find inconsistencies in information from one document to another. If you find inconsistencies among such documents or between any such document and this prospectus, you should rely on the statements made in the most recent document.

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We will deliver to each person (including any beneficial owner) to whom this prospectus has been delivered a copy of any or all of the information that has been incorporated by reference into this prospectus but not delivered with this prospectus. We will provide this information upon written or oral request, and at no cost to the requester. Requests should be directed to:

Cimatron Ltd.
11 Gush Etzion Street, Givat Shmuel, 54030, Israel
Tel.: +972-3-531-2121
Fax: +972-3-531-2097

Attn.: Chief Financial Officer

You should rely only on the information contained or incorporated by reference in this prospectus or any supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and any underwriter or agent is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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6,620,310 Ordinary Shares

CIMATRON LTD.

PROSPECTUS

SEPTEMBER 8, 2009

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 8. Indemnification of Directors and Officers.

Exculpation of Office Holders

Under the Israeli Companies Law, 5759-1999 (referred to hereafter as the “Companies Law”), an Israeli company may not exempt an officer or director (an “Office Holder”) from liability with respect to a breach of his or her duty of loyalty, but may exempt in advance an Office Holder from his or her liability to the company, in whole or in part, with respect to a breach of his or her duty of care, if its articles of association so provide. Our articles of association allow our board of directors to resolve to exempt an office holder from his or her liability to the Company, in whole or in part, with respect to a breach of his or her duty of care, other than breach of such duty of care towards the Company in a distribution (as such term is defined in the Companies Law).

Office Holder Insurance

Our articles of association provide that we may carry a directors’ and officers’ liability insurance policy, which shall provide for payment of certain liability claims and the related expenses of our directors and officers in connection with threatened, pending, or completed actions, suits or proceedings against them in their capacities as directors and officers, in accordance with the Companies Law, with respect to:

- a breach of their duty of care to us or to any other person;
- a breach of their duty of loyalty to us, provided that the relevant Office Holder(s) acted in good faith and had reasonable cause to assume that the act or omission would not harm our interests; and
- a financial liability imposed upon them in favor of another person by reason of an act or omission of such person(s) in their capacities as Office Holder(s).

Indemnification of Office Holders

Our articles of association provide that we may indemnify and undertake to indemnify an Office Holder against:

- A financial liability imposed on him or her in favor of another person pursuant to a court judgment, including a compromise judgment or an arbitration decision approved by a court, by reason of an act or omission done by him or her in his or her capacity as an Office Holder;
- Reasonable litigations expenses, including attorney’s fees, actually incurred by such Office Holder or imposed on him or her by a court in an action, suit or proceeding brought against him or her by us or on our behalf or by others, or in connection with a criminal action from which he or she was acquitted, or in a criminal prosecution in which the Office Holder was convicted of

an offense that does not require proof of criminal intent, in each case by reason of an act or omission of such person in his or her capacity as an Office Holder; and

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- Reasonable litigation expenses, including attorneys' fees, expended by the Office Holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment (as defined in the Companies Law) was filed against such Office Holder as a result of such investigation or proceeding; and (ii) no financial liability as a substitute for the criminal proceeding (as defined in the Companies Law) was imposed upon him or her as a result of such investigation or proceeding, or, if such financial liability was imposed, it was imposed with respect to an offence that does not require proof of criminal intent, in each case by reason of an act or omission of such person in his or her capacity as an Office Holder.

Our articles of association also include a provision authorizing us to indemnify or undertake in advance to indemnify an Office Holder in respect of all or part of such Office Holder's liability to us for the liabilities and expenses described in the preceding paragraphs, provided that with respect to financial liabilities imposed on him or her in favor of another person pursuant to a court judgment, including a compromise judgment or an arbitration decision approved by a court, by reason of an act or omission carried out by him or her in his or her capacity as an Office Holder, any advance undertaking to indemnify is limited to those categories of events, and to such amounts and/or criteria, as our board of directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances.

Limitations on Insurance and Indemnification

The Companies Law provides that a company may not indemnify an Office Holder nor enter into an insurance contract that would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the Office Holder of his or her duty of loyalty, unless the Office Holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the Office Holder of his or her duty of care, if the breach was carried out intentionally or recklessly (excluding mere negligence);
- any act or omission carried out with the intent to derive an illegal personal benefit; or
- any fine or forfeit levied against the Office Holder as a result of a criminal offense.

Required Approvals

In addition, under the Companies Law, indemnification of, and procurement of insurance coverage for, our office holders must be approved by our audit committee and our board of directors and, in specified circumstances, by our shareholders.

Our shareholders have approved the indemnification of our directors to the maximum extent permitted by our articles of association and exculpation of our directors from all liability for damage resulting from any director's breach of care towards us, pursuant to the provisions of our articles of association. We have acquired directors' and officers' liability insurance covering our Office Holders for certain claims.

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Item 9. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
4.1	Amended and Restated Articles of Association of the Registrant. (1)
4.2	Form of Registration Rights Agreement, dated June 3, 2007, by and among the Registrant, 3Kotek 2 B.V. (as successor to Koonras Technologies Ltd.) and DBSI Investments Ltd. . (2)
4.3	Form of Registration Rights Agreement, dated December 31, 2007, by and between the Registrant and Mr. William F. Gibbs. (3)

- 5.1 Opinion of Meitar Liquornik Geva & Leshem Brandwein, counsel to the Registrant, as to the legality of the securities being offered under this registration statement.
 - 23.1 Consent of Brightman Almagor Zohar, Member of Delloite Touche & Co.
 - 23.2 Consent of Meitar Liquornik Geva & Leshem Brandwein (included in Exhibit 5.1).
 - 24.1 Power of Attorney (see the signature page to this registration statement).
- (1) Incorporated by reference to Exhibit A to the Registrant's proxy statement for its 2006 annual meeting of shareholders, included in the Registrant's report on Form 6-K, filed with the Securities and Exchange Commission on November 22, 2006.
 - (2) Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2006, filed with the Securities and Exchange Commission on June 28, 2007.
 - (3) Incorporated by reference to Exhibit 4.2.3 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2007, filed with the Securities and Exchange Commission on June 30, 2008.

Item 10. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a) (1)(i), (a) (1)(ii) and (a)(1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A of Form 20-F at the start of any delayed offering or throughout a continuous offering; provided, however, that this paragraph (4) shall not apply to the extent that such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

If the Registrant is subject to Rule 430C under the Securities Act of 1933, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness, provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to the directors, officers and controlling persons of the Registrant pursuant to the provisions described under "Item 8. Indemnification of Directors and Officers" above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Givat Shmuel, State of Israel, on September 8, 2009.

CIMATRON LTD.

By: /s/ Dan Haran

Dan Haran
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints each of Dan Haran and Ilan Erez, and each of them with power of substitution, as his or her attorney-in-fact, in all capacities, to sign any amendments to this registration statement (including post-effective amendments) and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact or their substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Dan Haran _____ Dan Haran	Chief Executive Officer (principal executive officer)	September 8, 2009
/s/ Ilan Erez _____ Ilan Erez	Chief Financial Officer (principal financial officer and principal accounting officer)	September 8, 2009

<u>/s/ Yossi Ben Shalom</u> Yossi Ben Shalom	Chairman of the Board of Directors	August 31, 2009
<u>/s/ William F. Gibbs</u> William F. Gibbs	Director	August 27, 2009
<u>/s/ Barak Dotan</u> Barak Dotan	Director	August 31, 2009
<u>/s/ David Golan</u> David Golan	Director	August 26, 2009
<u>/s/ Yoel Rosenthal</u> Yoel Rosenthal	Director	August 31, 2009
<u>/s/ Eti Livni</u> Eti Livni	Director	September 1, 2009
<u>/s/ Rami Entin</u> Rami Entin	Director	September 1, 2009

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Authorized Representative in the U.S.:

Cimatron Technologies Inc.

By:	<u>/s/ William F. Gibbs</u>
Name:	William F. Gibbs
Title:	President
Date:	<u>August 27, 2009</u>

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
4.1	Amended and Restated Articles of Association of the Registrant. (1)
4.2	Form of Registration Rights Agreement, dated June 3, 2007, by and among the Registrant, 3Kotek 2 B.V. (as successor to Koonras Technologies Ltd.) and DBSI Investments Ltd. . (2)
4.3	Form of Registration Rights Agreement, dated December 31, 2007, by and between the Registrant and Mr. William F. Gibbs. (3)

- 5.1 Opinion of Meitar Liquornik Geva & Leshem Brandwein, counsel to the Registrant, as to the legality of the securities being offered under this registration statement.
- 23.1 Consent of Brightman Almagor Zohar, Member of Delloite Touche & Co.
- 23.2 Consent of Meitar Liquornik Geva & Leshem Brandwein (included in Exhibit 5.1).
- 24.1 Power of Attorney (see the signature page to this registration statement).
- (1) Incorporated by reference to Exhibit A to the Registrant's proxy statement for its 2006 annual meeting of shareholders, included in the Registrant's report on Form 6-K, filed with the Securities and Exchange Commission on November 22, 2006.
- (2) Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2006, filed with the Securities and Exchange Commission on June 28, 2007.
- (3) Incorporated by reference to Exhibit 4.2.3 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2007, filed with the Securities and Exchange Commission on June 30, 2008.

EX-5.1 2 exhibit_5-1.htm

Exhibit 5.1
**MEITAR LIQUORNIK GEVA & LESHEM BRANDWEIN
| LAW OFFICES**

 16 Abba Hillel Silver Rd. Ramat Gan, 52506, Israel
 Tel. + 972 3 6103100 Fax. + 972 3 6103111 www.meitar.com

Dan Geva / Dr. Israel Leshem / Maya
 Liquornik / Israel Pfeffer / J. David
 Chertok / Dan Shamgar / Clifford
 M.J. Felig / Alon Gellert / Noam
 Sharon / Amos Goren / Moti Arad /
 Gidi Frishtik / Nadav Weisman /
 David S. Glatt / Yoram Movshovitz /
 Ronen Bezalel / Raanan Lerner /
 Michal Halperin / Renelle Joffe /
 Meir Akunis / Liat Schaffer / David
 Mirchin / Michael Rimon / Yoseph
 Cohen / Shaul Hayoun / Michael
 Haberman / Yoav Nahir / Aviv
 Avidan-Shalit / Tali Menashe /
 Debbie Kahila / Asaf Harel / Shira
 Azran / Ron Peleg / Amir Kaiser /
 Shaul Grossman / Yuval Sasson /
 William S. Galkin / Revital Peled /
 Jade Regavim / Ami H. Orkaby /
 Amir Raz / Odelia Nissan / Dan
 Tzafirir

Haim Machluf / Natalie Zukerman-
 Noy / Ronen Monosevich / Sara
 Shor / Adi Antler / Hila Silverstein /
 Naama Levi / Yael Weiss / Nurit
 Richulsky / Zehavit Tropper / Hodiya
 Schnider / Eran Pliskine / Shai
 Sharvit / Ariella Levita / Orit Tiger /
 Yael Kalman / Ilan Cohen / Efrat
 Haimi / Tal Paldi / Shlomit Wortzel /
 Adi Fremder / Yoav Friedmann /
 Liran Bar-Shalom / Sagit Chen /
 Hedvat Yanko / Avi Ben Moshe /
 Amit Yariv / Yuval Esteron / Daniel
 Sirkis / Rami Mor-Zehavi / Sarit C.
 Feld / Revital Kahlon / Lilach David-
 Timor / Keren Mizrahi / Keren
 Fienblit-Egozi / Gilad Schiff / Issar
 Birger / Moshe Orlin / Tomer Hill /
 Zehavit Azran-Kind / Talya
 Gerstler / Maya Kahanoff / Idit
 Farjun

Shay Erez / Tomer Sela / Amir
 Cohen / Shiri Torf / Olga Levit /
 Kobi Ben-Tzvi / Efrat Barak / Leora
 Heller / Einat Itzhak / Shai Bacal /
 Caroline Fligeltaub / Liat Hertzka /
 Moran Weizman / Nitsan Natanzon /
 Gilia Tamir / Dotan Barnea / Yannai
 Strauss / Noam Abehsera / Tsofnat
 Mazar / Shiran Kaplan / Assaf
 Farkash / Talia Naim / Michael
 Hoffman / Idan Tzror / Ronen Ziv /
 Tal Ascher

Of Counsel (Retired From
 Partnership) / Zvi Meitar / Dror
 Brandwein
 Of Counsel / Dr. Michael Gellert -
 Notary / Giora Ungar Prof. Miguel
 Deutch / Iris Cibulski-Havilio

September 7, 2009

Cimatron Ltd.
 11 Gush Etzion St.
 Givat-Shmuel 54030, Israel

Gentlemen:

We have acted as counsel to Cimatron Ltd., a company organized under the laws of the State of Israel (the “Company”), in connection with the registration statement on Form F-3 (the “Registration Statement”) filed with the Securities and Exchange Commission under the Securities Act of 1933 (the “Securities Act”) covering 6,620,310 ordinary shares of the Company, par value New Israeli Shekel 0.10 per share (the “Shares”), pursuant to (i) a registration rights agreement dated June 3, 2007 (the “DBSI Registration Rights Agreement”) by and among the Company and the shareholders party to such Agreement, and (ii) a registration rights agreement dated December 31, 2007 (the “Gibbs Registration Rights Agreement”, and together with the DBSI Registration Rights Agreement, the “Registration Rights Agreements”) by and among the Company and the shareholders

party to such Agreement.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Registration Statement and the Registration Rights Agreements and such other agreements, certificates, resolutions, minutes and other statements of corporate officers and other representatives of the Company and others and other documents provided to us by the Company as we have deemed necessary or appropriate as a basis for this opinion.

In rendering an opinion on the matters hereinafter set forth, we have assumed the authenticity of all original documents submitted to us as certified, conformed or photographic copies thereof, the genuineness of all signatures and the due authenticity of all persons executing such documents. We have assumed the same to have been properly given and to be accurate. We have also assumed the truth of all facts communicated to us by the Company and that all consents, minutes and protocols of meetings of the Company's board of directors and its audit committee which have been provided to us are true and accurate and have been properly prepared in accordance with the Company's memorandum and articles of association and all applicable laws. In addition, we have assumed that the Company has received the full consideration for the Shares.



Members of our firm are admitted to the Bar in the State of Israel, and we do not express any opinion as to the laws of any other jurisdiction. This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated.

Based upon and subject to the foregoing, we are of the opinion that the Shares have been duly authorized and validly issued and are fully paid and non-assessable.

We hereby consent to the filing of this opinion letter as an exhibit to the Registration Statement. We also consent to the appearance of our firm's name under the caption "Validity of Securities" in the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act, the rules and regulations of the Securities and Exchange Commission promulgated thereunder or Item 509 of Regulation S-K promulgated under the Securities Act.

This opinion letter is rendered as of the date hereof and we disclaim any obligation to advise you of facts, circumstances, events or developments that may be brought to our attention after the effective date of the Registration Statement that may alter, affect or modify the opinions expressed herein.

Very truly yours,

Meitar Liquornik Geva & Leshem Brandwein

Meitar Liquornik Geva & Leshem Brandwein

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EX-23.1 6 exhibit_23-1.htm

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement on Form F-3 of our report dated June 29, 2009, relating to the financial statements of Cimatron Ltd., appearing in the Annual Report on Form 20-F of Cimatron Ltd., for the year ended December 31, 2008. We also consent to the reference to us under the headings "Experts" in such Prospectus.

Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.
A Member of Deloitte Touche
Tohmatsu

Tel Aviv, Israel
September 7, 2009
