TAGLICH BROTHERS
The Standard of Excellence in the Microcap Market
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Research Note

Investors should consider this report as only a single factor in making their investment decision.

Simulations Plus, Inc.

Rating: Speculative Buy

Howard Halpern
March 26, 2007

SLP $9.65 — (AMEX)

	FY (08/05) A	FY (08/06) A	***FY (08/07) E***	***FY (08/08) E***
Net sales (in millions)	$4.75	$5.86	***$7.85***	***$9.70***
Earnings per share	$0.03	$0.08	***$0.18***	***$0.28***

52-Week range*	$9.65 – $1.90	Fiscal year ends:	August
Shares outstanding a/o 01/15/07*	7.48 million	Revenue/shares (ttm)*	$0.78
Approximate float*	3.31 million	Price/Sales (ttm)*	12.4X
Market Capitalization	$69 million	Price/Sales (2008)E*	8.5X
Tangible Book value/shr	$0.77	Price/Earnings (ttm)*	80.4X
Price/Book*	12.0X	Price/Earnings (2008)E*	34.5X

* All per share figures reflect the 2-1 stock split effective August 14, 2006.

Simulations Plus, Inc., based in Lancaster, California, is a developer of drug discovery and development software, which is licensed to and used in the conduct of drug research by major pharmaceutical and biotechnology companies worldwide. The Company operates a wholly-owned subsidiary called Words+, Inc. that is focused on producing computer software and specialized hardware for use by people with disabilities. Web address: www.simulations-plus.com

Key Investment Considerations:

We are maintaining coverage of Simulations Plus, Inc. (AMEX: SLP) with a Speculative Buy recommendation and increasing our twelve-month price target to $10.80 per share from our prior price target of $8.15 per share. The increase in our price target is due to the growth prospects we anticipate for fiscal 2007 and 2008.

On February 26, 2007, SLP updated fiscal 2007 net sales guidance at its annual shareholders meeting. Management is estimating that fiscal 2007 top line results should increase by at least $2.0 million versus fiscal 2006 results, reaching approximately $7.850 million for the twelve month period ending August 31, 2007.

On February 12, 2007, Simulations Plus announced that a top five pharmaceutical company signed a five-year extension to a master services agreement. This is a contract extension that adds to an agreement signed two years ago.

Based on updated public guidance from Management for fiscal 2007 and current licensing trends and renewals, we are adjusting our forecasts for fiscal 2007. Our net sales and net income forecasts are $7.846 million and $1.571 million or $0.18 per diluted share, respectively. Our prior forecasts called for net sales and net income of $7.241 million and $1.311 million or $0.15 per diluted share, respectively.

We are adjusting our estimates for fiscal 2008. Given current licensing trends, renewals, and potential for new customers, our revised net sales and net income forecasts are $9.695 million and $2.405 million or $0.28 per diluted share. Our prior forecasts called for net sales and net income of $8.270 million and $1.950 million or $0.23 per diluted share.

**** Please view our disclaimer located on page 10.***

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The Company

Simulations Plus, Inc. (AMEX: SLP), founded in 1996, went public during June of 1997 through a $5.0 million initial public offering. The Company, which has 35 employees (33 full-time and 2 part-time), includes 15 professionals in research and development, 7 in production, and 1 in information technology/repairs. Nine employees have Ph.D.s and one is a Ph.D. candidate. In addition, four have one or more Master's degrees. SLP continues to seek additional scientists to expand its Life Sciences team. According to the first quarter earnings conference call, a Ph.D. was just hired and joined the Life Sciences team during March 2007.

SLP's net sales are derived from two distinct operations:

- Simulations Plus, Inc., develops and licenses software for pharmaceutical research and development, and performs contract studies for pharmaceutical and biotechnology companies. The Company's software offerings are in two major areas: simulation and cheminformatics (the use of computer and informational techniques, applied to a range of problems in the field of chemistry). The offerings focus on discovery chemistry, ADMET (absorption, distribution, metabolism, elimination, and toxicity) and on tools for discovery chemistry in the pharmaceutical and biotechnology industries. The Company's software assists pharmaceutical scientists to predict certain key potential drug dynamics and compounds rapidly, thereby increasing the likelihood of eliminating multi-million dollar clinical trial failures and speeding up the time to market of effective new medications.

- The Words+ Inc., subsidiary, which was founded in 1981, produces computer software and specialized hardware for use by people with severe disabilities, as well as a personal productivity software program called Abbreviate! for the retail market.

Balance Sheet Snapshot as of November 30, 2006

The Company had cash of $2.103 million versus $1.685 million as of its fiscal year ended August 31, 2006. According to the January 16, 2007, first quarter press release, with receivables due in the following weeks, the Company expected cash to exceed $3.0 million. Working capital was $3.267 million versus $3.050 million as of August 31, 2006. Total assets, which stood at $6.534 million, are primarily comprised of cash, inventory, accounts receivable (that totaled $3.737 million) and a deferred tax asset of $0.890 million.

Also, the Company had total liabilities of $0.779 million, retained earnings of $0.464 million, and total shareholders' equity of $5.755 million. At the end of fiscal 2006, the Company had total liabilities of $0.845 million with an accumulated deficit of $0.390 million, and total shareholders' equity of $5.669 million.

Management believes that existing capital and anticipated funds from operations will be sufficient to meet cash needs for working capital and capital expenditures for the foreseeable future.

Recent Developments

On January 31, 2007, the Company announced it released extensions to ADMET Predictor™ to enhance anti-HIV activity discovery capabilities. The new models predict the ability of potential new drug molecules to interfere with the replication of the human immunodeficiency virus Type 1 (HIV-1) by interfering with an essential enzyme know as HIV integrase.

On February 12, 2007, Simulations Plus announced that a top five pharmaceutical company signed a five-year extension to a master services agreement. This is a contract extension that adds to an agreement signed two years ago. Management stated that while the revenues from this agreement are expected to be modest in comparison to software sales this client, it shows the demand for SLP's expertise in training for users of its software and consulting services.

Outlook

We believe the Company's primary simulation software products (GastroPlus™, ADMET Predictor™, ADMET Modeler™, DDDPlus™, and ClassPharmer™) need to gain exposure to a wider audience within the community of researchers in the Pharmaceutical, Biotechnology, and Drug Discovery Industries of the Healthcare Sector.

This should be accomplished through continued exposure at large conferences around the world and an increase in the Company's sales personnel. According to the Company's SEC filings, members of its staff have been speakers or presenters at over 40 prestigious scientific meeting worldwide over the past three years. In addition, Management has publicly stated that it will add to its scientific staff. According to the Company's 10-K filing, it increased the number of Ph.D.'s on its staff by four (nine at the end of fiscal 2006 versus five at the end of fiscal 2005). The increase in its professional staff is important since they all have the potential to bring in new customers due to their knowledge and interaction with scientists. According to the first quarter earnings conference call, an additional Ph.D. was hired and began working during March 2007.

Additionally, as a result of the established relationships with large pharmaceutical companies, other researchers within those companies are likely to be exposed to Simulations Plus product offerings. This could lead to increased activity related to its ADMET Partners global licensing program for large pharmaceutical companies.

Management has publicly stated that:

- The Company's customer base, which continues to grow, should build the base for future license renewals. During the Company's earnings conference calls and public presentations, Management reiterated that prior acquisitions not only added software offerings to its portfolio (the recently released ClassPharmer™ 4.2), but increased by approximately 30 its customer base, as well as adding approximately 1,800+ names to its database of potential customers;

- In fiscal 2006, the Company began selling multi-year licenses on an annual basis. Management believes this should eliminate the extreme lumpiness in reported top and bottom line results the Company experienced in the past;

- In fiscal 2007, year-over-year revenue is expected to increase by at least $1.0 million, due to an increase in the Company's customer base. During the first quarter earnings press release, the Company's CFO stated that it appears at this time (half way through the fiscal second quarter of 2007) that a year-over-year increase of $1.0 million will be achieved before the end of the second quarter of fiscal 2007;

- On December 14, 2006, the Company announced F. Hoffmann-LaRoche renewed and expanded its global licenses of GastroPlus™ for two additional years. Based on SEC filings, the prior global licenses from this customer was approximately $1.5 million (over a three year term) or approximately $0.500 million per year;

- On December 21, 2006, Simulations Plus announced it received a purchase order from a top five pharmaceutical company for expanded global licenses. According to Management, this is a renewal of a global license that slipped from the first quarter of fiscal 2006 to the second quarter of fiscal 2006. Based on SEC flings, the prior revenue from this global license was approximately $0.300 million;

- On January 9, 2007, the Company announced it received a purchase order from the U.S. Food and Drug Administration to license its GastroPlus™ simulation software;

- On February 12, 2007, Simulations Plus announced that a top 5 pharmaceutical company signed a five-year extension to a master services agreement. This is a contract extension that adds to an agreement signed two years ago;

- Increase in demand for consulting services due to a shortage of expertise in simulation and modeling personnel within pharmaceutical and biotechnology companies. The evidence of internal growth in this area is that in fiscal 2005, 2006, and so far in 2007, the Company had undertaken 2, 3, and 5 contract studies, respectively;

- Seek accretive acquisitions; and

- Continue in-house development of new offerings such as MembranePlus™, as well as enhancement to exiting products that customers have requested. In addition, Management has stated that additional product developments are under way that can not be discussed for competitive reasons.

We believe that the Words+ subsidiary will continue to be slightly profitable in fiscal 2007. Aiding Management's efforts in this subsidiary is expansion of platforms for SAM™ software and internationalization of the software into the French and German markets. Also, the addition of a new California sales representative and a marketing effort being conducted by the national sales consultant should benefit results in future periods.

Projections

Based on updated public guidance (February 26, 2007) from Management for fiscal 2007 and current licensing trends and renewals, we are adjusting our net sales forecast for fiscal 2007 to $7.846 million versus our prior estimate of $7.241 million. Our estimate incorporates the continued renewal of software licenses (i.e., F. Hoffmann-LaRoche renewal) and expansion of existing customers through new product offerings, as well as enhancements to existing products, and the hiring of additional professionals in its Life Sciences department. We anticipate net sales growth for simulations software products in fiscal 2007 of approximately 61.4% to $5.142 million. Our net sales expectation for the Words+ subsidiary for fiscal 2007 is $2.704 million, which is approximately a 1.3% increase versus fiscal 2006.

We are adjusting our net sales forecast for net sales forecast to $9.695 million versus our prior estimate of $8.950 million. Our revised forecast would be a 23.6% increase versus our fiscal 2007 forecast. Our estimate is based on current licensing trends, renewals, and potential for new customers, as well as expansion of licenses with existing customers for additional sites and/or new products. We anticipate net sales growth for simulations software products in fiscal 2008 of approximately 33.3% to $6.856 million. Our net sales expectation for the Words+ subsidiary for fiscal 2007 is $2.839 million, which is approximately a 5.0% increase versus fiscal 2006.

The table on top of the next page illustrates the cost structure we anticipate for fiscal 2007 and 2008, versus actual results achieved in 2006.

Cost Structure

	2006A	**2007E**		**2008E**	
	Actual	**Prior**	**Revised**	**Prior**	**Revised**
Gross Margin	72.60%	74.85%	74.88%	75.70%	75.71%
SG&A expenses (as a Percent of Net Sales)	50.76%	43.25%	41.00%	40.56%	37.08%
Research and Development (as a Percent of Net Sales)	7.60%	9.38%	9.03%	8.27%	7.63%
Operating Margin	14.23%	22.23%	24.85%	26.87%	30.99%
Pre-tax Margin	15.18%	23.78%	26.28%	28.66%	32.64%

Source: Company filings and Taglich Brothers estimates

Based on our net sales and cost structure estimates, EBITDA should approach $2.428 million in fiscal 2007 and $3.485 million in fiscal 2008, versus EBITDA of $1.196 million in fiscal 2006. Our revised net income forecast for fiscal 2007 is $1.571 million or $0.18 per diluted share in fiscal 2007. Our prior forecast called for net income of $1.311 million or $0.15 per diluted share. Our net income forecast for fiscal 2008 is $2.405 million or $0.28 per diluted share versus our prior estimate of $1.950 million or $0.23 per diluted share. Our EPS forecasts are based on average fully diluted shares of 8.553 million and 8.573 million, respectively. ***(Investors need to be aware that all are per share number reflects the effect of the two-for-one stock split that becomes effective August 14, 2006.).***

Our net income estimate for fiscal 2007 and 2008 assumes that the Company will pay or record taxes at 23.80% and 24.02%, respectively. In fiscal 2005 and 2006, the Company recorded tax rates of 24.66% and 23.96%. We estimate that the Company has federal net operating loss (NOL) carryforwards of approximately $2.6 million, which expire through 2024. Investors should be aware that the Company in future periods may reassess its deferred tax valuation, which could impact bottom line results. Since this involves the judgment of Management, we have not included any such changes to the deferred tax valuation in our estimates.

Risks

Growth Management

Investors need to be aware that as the Company becomes increasingly successful, it must meet the challenges associated with growth. If the Company is not successful in meeting these challenges, its business will be adversely impacted. Additionally, Management believes that future success will depend on the ability to attract, hire, and retain qualified personnel in order to expand the Company's overall intellectual knowledge base.

Sales Cycle

Investors should be aware that the Company's sales cycle for its pharmaceutical software products tends to average about six months. The long sales cycle is because customers frequently need to obtain approvals from multiple decision makers prior to the purchase order being placed.

Technology

The Company's strongest area of growth is its software products for pharmaceutical research. In general the software industry is highly competitive and changes rapidly. The Company's operating results could be significantly affected by its ability to maintain and increase acceptance of its current and future products by researchers in the industry.

Customer Concentration

International sales accounted for 29.0% and 24.0% of net sales for the first three months of fiscal 2007 and 2006, respectively. For simulation software sales, three customers accounted for 22.0% of net sales for the first quarter of fiscal 2007, and four customers represented approximately 75.0% of the net accounts receivable. For the Words+ subsidiary, one government agency accounted for 27.9% of net sales during the first quarter of fiscal 2007, and one customer represented approximately 30.0% of the net accounts receivable.

Revenue Recognition

Simulation Plus accounts for the licensing of software in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 97-2 (Software Revenue Recognition). The application of SOP 97-2 requires judgment, including whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence (VSOE) of fair value exists for those elements.

The end users receive certain elements of its products over a period of time. These elements include free post-delivery telephone and e-mail support and the right to receive unspecified upgrades/enhancements. In accordance with SOP 97-2, Management has evaluated these agreements and recognized the entire license fee on the date the software is delivered to and accepted by the customer. In order to recognize the fee in this manner, the Company must meet all the criteria required, including: 1) the post contract customer support (PCS) fee is included in the initial licensing fee; 2) the PCS included with the license is for one year or less; 3) the estimated cost of providing the PCS during the arrangement is insignificant; and 4) unspecified upgrades/enhancements during the PCS arrangements have been and are expected to continue to be minimal and infrequent.

Changes to the elements in a software arrangement, the ability to identify VSOE for those elements, the fair value of the respective elements, the costs associated with providing PCS, and changes to a product's estimated life cycle could materially impact the amount of earned and unearned revenue. Going forward, Management has stated that multi-year software licenses will be unlocked and invoiced at the beginning of each license year, which will require recognizing revenues one year at a time.

Accounting Pronouncements

In December 2004, the FASB issued Statement of Accounting Standard No. 123R, Share-Based Payment, a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS 123R requires all companies to measure compensation expense for all share-based payments (including employee stock options and options issued pursuant to employee stock purchase plans) based upon the fair value of the stock-based awards at the date of grant, and is effective for the Company for fiscal year beginning September 1, 2006.

As a result of adopting SFAS No. 123R on September 1, 2006, SLP's stock-based compensation was $0.006 million for the three months ended November 30, 2006.

Seasonality

Historically, (the last year years), third and fourth fiscal quarters have generated higher revenues and bottom line results compared to the first and second fiscal quarters of the year (the Company's fiscal year ends August 31). Management believes that sales of its Words+ products to schools are slightly seasonal, with greater sales to schools during the March to May and June to August periods.

Management believes that sales of pharmaceutical simulations, which began in the first quarter of fiscal 1999, are not expected to show significant seasonal behavior, even though a significant portion of the pharmaceutical industry has extended summer holidays. However, since the Company is likely to generate revenue through large multi-year licenses for its pharmaceutical software, sales are likely to show quarterly spikes.

Intellectual Property Rights

Despite the Company's best efforts to protect its intellectual property rights, third parties may infringe or misappropriate those rights, or otherwise independently develop substantially equivalent products and/or services. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm its business and/or ability to compete.

Government Regulation

The Company's pharmaceutical software products are tools used in research and development and do not need to obtain approval by the Food and Drug Administration or other government agency. Approximately 17.0% of the Company's products for the disabled are funded by Medicare or Medicaid programs. However, changes in government regulations regarding the use of augmentative communication aids and other assistive technology under such funding could affect the Company's operations of its Words+ subsidiary. On January 1, 2001, Medicare began funding augmentative communication devices for the first time and over the Company's 22-year history, the trend has been toward increasing funding from government agencies. There can be no assurance that government funding for such devices will continue, or if it does continue, that the Company's products will continue to meet the requirements imposed for funding of such devices.

Vendor(s)

The Company's subsidiary purchases most of the notebook computers for its disability related computer products from a single vendor. In addition, it uses a number of pictographic symbols that are used in its software products which are licensed from a third party. The inability of the Company to obtain computers used in its products or to renew its licensing agreement to use pictographic symbols could negatively impact its financial position, results of operations, and cash flows.

Legal Issues

While the Company may from time to time be involved in various claims, lawsuits or disputes with third parties, the Company is not a party to any significant litigation and is not aware of any significant pending or threatened litigation against the Company.

On April 6, 2006, the Company received notice from a liquidator for the former French subsidiary of Bioreason (Bioreason SARL), saying that the liquidator had initiated legal action against SLP in the French courts with respect to ClassPharmer distribution rights to European customers, and is claiming commissions and legal fees with respect to European customers. Management has been working through the Company's U.S. attorneys and a law firm in Paris. SLP filed a counterclaim for its rights and lost sales against Bioreason SARL's assets by sending a debt recovery declaration to the liquidator on June 15, 2006. Management believes the documentation from the purchase of certain secured assets of Bioreason clearly shows the rights to the disputed accounts. Although Management is pursuing the Company's rights aggressively, there can be no assurance that the outcome will be favorable. According to SEC filings, Management expects resolution of this issue in calendar 2007.

Foreign Exchange Risks

Even though most of the Company's transactions are in U.S. dollars, revenues are generated from overseas customers. Specifically, the Company is compensated in Japanese yen by most Japanese customers. During the first quarter of fiscal 2007, the Company experienced a small loss from currency exchange. If foreign currency transactions increase significantly, then SLP may mitigate this effect through foreign currency forward contracts whose market-to-market gains or losses are recorded in other income or expense at the time of the transaction. To date, exchange rate exposure has not resulted in a material impact.

Federal Reserve

Investors should be aware that if the Federal Reserve were to resume increasing interest rates (during their August, September, October, and December 2006 meetings, as well as January, February, and March 2007 meetings, the Federal Reserve Board of Governors did not increase the federal funds target rate by 25 basis points as it did in its previous seventeen meetings), it is likely to have a negative impact on valuation multiples.

Miscellaneous Risk

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

Liquidity is a potential concern. Based on our calculations, the average daily-volume during calendar 2004 increased to approximately 8,340 shares from 7,685 shares in calendar 2003. During calendar 2005 average daily-volume decreased to 4,424 shares a day. During calendar 2006, average daily-volume increased to 21,398 shares a day. Since the July 20, 2006 announcement that the Company's Board of Directors approved a two-for-one stock split, average daily volume increased to 60,705 shares traded a day (for the period ended February 28, 2006). According to Yahoo Finance, as of March 26, 2007, average daily volume for the past three months was 118,082 shares. Investors need to be aware that by nature a thinly traded equity can have significant price volatility.

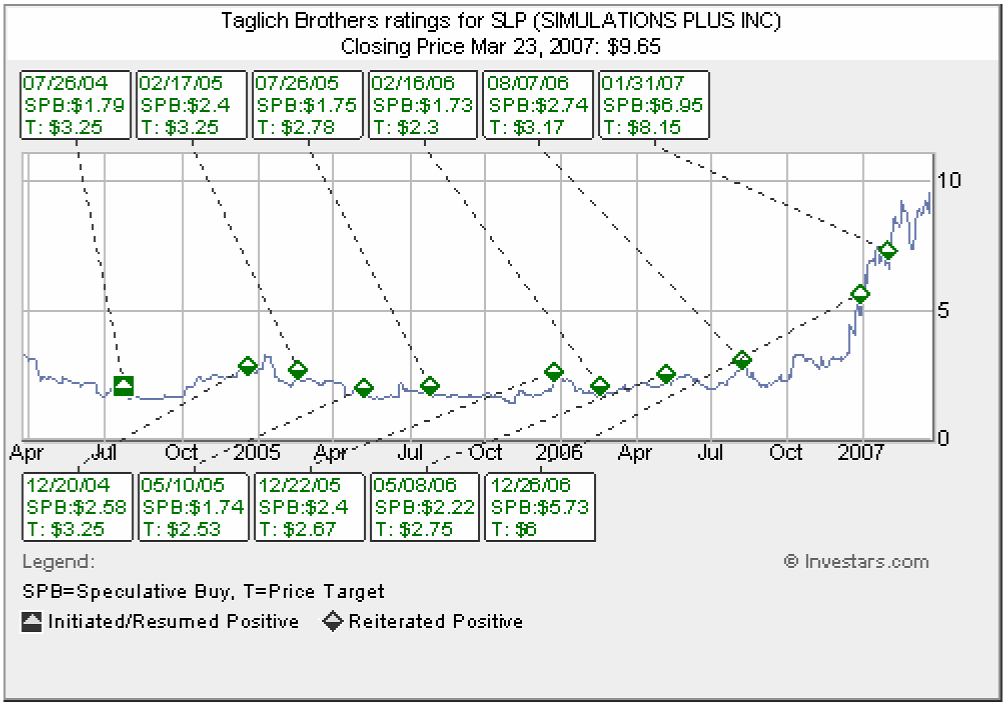
Valuation

We are maintaining coverage of Simulations Plus, Inc. (AMEX: SLP) with a Speculative Buy recommendation and increasing our twelve-month price target at $10.80 per share from our prior price target of $8.15 per share. The increase in our price target is primarily due to growth prospects we anticipate for fiscal 2007 and 2008.

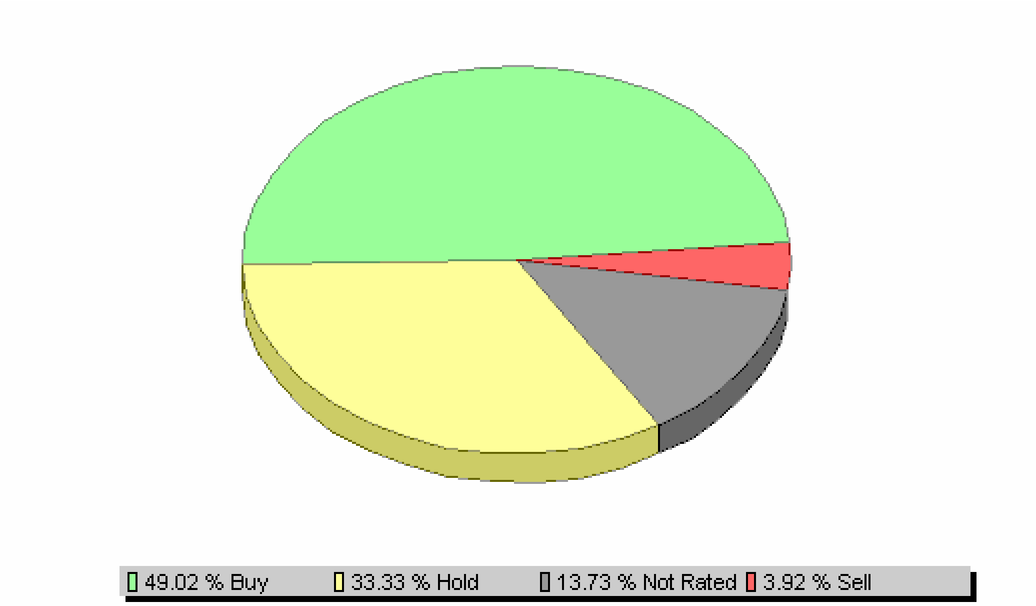
Our price target is based on the following valuation models discounted by 25% to account for microcap risk along with Company specific risks discussed earlier:

- A 12.4X, price-to-sales multiple, which is the Company's current trailing-twelve month multiple, applied to our net sales estimate of $1.13 per share for fiscal 2008; and
- A 52.7X, price-to-earnings multiple, which is the anticipated earnings per share growth for fiscal 2008 versus fiscal 2007, applied to our EPS estimate of $0.28 per share for fiscal 2008.

We believe these shares are must suitable for investors that can withstand the risks associated with a growth company. A shortfall and/or a slowing in growth could cause SLP's valuation multiples to contract, which would most likely result in a reduction in the share price.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	2	7.14%
Hold	1	6.25%
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public Companies mentioned in this report:

Abbott Laboratories	(NYSE: ABT)
Eli Lilly	(NYSE: LLY)
GlaxoSmithKline PLC	(NYSE: GSK)
Pfizer Inc.	(NYSE: PFE)

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Simulations Plus, Inc.
Consolidated Balance Sheets
(in thousands)

	August 2004 Fiscal Year End	August 2005 Fiscal Year End	August 2006 Fiscal Year End	Nov. 2006 1st Qtr End
ASSETS				
Current assets:				
Cash	$ 734	$ 1,754	$ 1,685	$ 2,103
Accounts receivable, net	1,705	1,098	1,589	1,214
Contracts receivable, net	-	-	194	186
Inventory	359	281	237	234
Deferred tax	186	60	109	190
Prepaid expense and other current assets	116	81	81	57
Total current assets	**3,100**	**3,274**	**3,895**	**3,984**
Long term receivables, net of present value discount	-	-	-	-
Capitalized computer software development costs, net	576	937	1,374	1,400
Property and Equipment, net	66	87	96	102
Contracts receivable	-	-	37	47
Customer relationships	-	-	100	92
Deferred tax	1,210	1,252	991	890
Other assets	11	11	18	18
Total assets	**$ 4,964**	**$ 5,561**	**$ 6,513**	**$ 6,534**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	153	91	215	141
Accrued payroll and other expenses	219	399	364	374
Accrued bonuses to officers	78	39	99	10
Accrued income taxes	2	2	2	-
Accrued warranty and service costs	32	28	35	35
Current portion of deferred revenue	11	132	129	157
Other current liabilities	-	-	0	-
Current portion of capitalized lease obligations	-	-	-	-
Total current liabilities	**495**	**690**	**845**	**717**
Capital lease obligations, net of current portion	3	-	-	-
Deferred Revenue	20	9	-	63
Stockholders' equity:				
Common stock, no par value; authorized 20,000,000 shares;	4	4	4	4
Additional paid-in capital	4,990	5,144	5,274	5,287
Accumulated deficit	(548)	(285)	390	464
Total stockholders' equity	**4,446**	**4,862**	**5,669**	**5,755**
Total liabilities and stockholders' equity	**$ 4,964**	**$ 5,561**	**$ 6,513**	**$ 6,534**
SHARES OUT	7,129	7,298	7,441	7,449

Simulations Plus, Inc.
Annual Income Statement Model
For the Years Ended August 31,
(in thousands)

	FY2004A	FY2005A	FY2006A	**FY2007E**	**FY2008E**
Net sales	5,207	4,753	5,855	**7,846**	**9,695**
Cost of sales	1,557	1,508	1,605	**1,971**	**2,355**
Gross Profit	3,650	3,244	4,250	**5,875**	**7,340**
Gross Margins	70.09%	68.27%	72.60%	**74.88%**	**75.71%**
Operating Expenses:					
Selling, general, and administrative	2,508	2,424	2,972	**3,217**	**3,595**
Research and development	515	525	445	**709**	**740**
Total Operating Expenses	3,023	2,948	3,417	**3,926**	**4,335**
EBITDA	850	503	1,196	**2,428**	**3,485**
Operating Income (loss)	626	296	833	**1,949**	**3,005**
Operating Margin	12.03%	6.23%	14.23%	**24.85%**	**30.99%**
Other income (expense)					
Interest income	73	43	21	**109**	**160**
Interest expense	(1)	(1)	(0)	**-**	**-**
Gain (Loss) on exhange of currency	-	(7)	23	**3**	**-**
Loss on sale of assets	-	15	11	**0**	**-**
Total Other Income (expense)	72	52	56	**112**	**160**
Pre-Tax Income (loss)	699	348	889	**2,062**	**3,165**
Pre-Tax Margins	13.42%	7.32%	15.18%	**26.28%**	**32.64%**
Income Tax Expense (Benefit)	(138)	86	213	**491**	**760**
Release of valuation allowance	-	-	-	**-**	**-**
Tax Rate	-19.73%	24.66%	23.96%	**23.80%**	**24.02%**
Net income (loss)	$ 836	$ 262	$ 676	**$ 1,571**	**$ 2,405**
Earnings per share -- Diluted	$ 0.11	$ 0.03	$ 0.08	**$ 0.18**	**$ 0.28**
Avg Shares Outstanding	7,790	7,961	8,144	**8,553**	**8,573**
Percent of Revenue					
Selling, general, and administrative	48.17%	51.00%	50.76%	41.00%	37.08%
Research and development	9.89%	11.04%	7.60%	9.03%	7.63%
YEAR / YEAR GROWTH					
Total Revenues	-5.07%	-8.72%	23.19%	34.01%	23.56%
Earnings per share	-67.95%	-69.33%	152.01%	121.35%	52.72%

Simulations Plus, Inc.
Income Statement Model
For the Year Ended August 31, 2005
(in thousands)

	Q1(11/04)A	Q2 (02/05)A	Q3 (05/05)A	Q4 (08/05)A	**FY2005A**
Net sales	1,066	1,032	1,424	1,230	**4,753**
Cost of sales	322	371	428	387	**1,508**
Gross Profit	744	661	996	843	**3,244**
Gross Margins	*69.80%*	*64.06%*	*69.93%*	*68.54%*	**68.27%**
Operating Expenses:					
Selling, general, and administrative	632	535	645	612	**2,424**
Research and development	114	131	134	146	**525**
Total Operating Expenses	746	667	779	757	**2,948**
EBITDA	41	51	272	139	**503**
Operating Income (loss)	(1)	(6)	218	86	**296**
Operating Margin	*-0.12%*	*-0.55%*	*15.28%*	*6.96%*	**6.23%**
Other income (expense)					
Interest income	17	15	7	5	**43**
Interest expense	(0)	-	(0)	(0)	**(1)**
Gain (Loss) on exhange of currency	2	-	(5)	(4)	**(7)**
Loss on sale of assets	5	-	3	7	**15**
Total Other Income (expense)	24	15	6	8	**52**
Pre-Tax Income (loss)	23	9	223	93	**348**
Pre-Tax Margins	*2.11%*	*0.86%*	*15.67%*	*7.59%*	**7.32%**
Income Tax Expense (Benefit)	-	-	50	36	**86**
Release of valuation allowance	-	-	-	-	**-**
Tax Rate	*0.00%*	*0.00%*	*22.40%*	*38.35%*	**24.66%**
Net income (loss)	$ 23	$ 9	$ 173	$ 58	**$ 262**
Earnings per share -- Diluted	$ 0.00	$ 0.00	$ 0.02	$ 0.01	$ 0.03
Avg Shares Outstanding	8,287	8,230	7,916	7,411	**7,961**
Percent of Revenue					
Selling, general, and administrative	59.26%	51.90%	45.25%	49.74%	51.00%
Research and development	10.66%	12.72%	9.41%	11.84%	11.04%
YEAR / YEAR GROWTH					
Total Revenues	-6.35%	-24.62%	15.51%	-16.10%	-8.72%

Simulations Plus, Inc.
Income Statement Model
For the Year Ended August 31, 2006
(in thousands)

	Q1(11/05)A	Q2 (02/06)A	Q3 (05/06)A	Q4 (08/06)A	**FY2006A**
Net sales	819	1,482	1,788	1,766	**5,855**
Cost of sales	332	387	433	452	**1,605**
Gross Profit	487	1,095	1,355	1,314	**4,250**
Gross Margins	*59.50%*	*73.88%*	*75.76%*	*74.39%*	**72.60%**
Operating Expenses:					
Selling, general, and administrative	629	688	796	860	**2,972**
Research and development	97	120	119	110	**445**
Total Operating Expenses	726	807	914	970	**3,417**
EBITDA	(181)	380	544	452	**1,196**
Operating Income (loss)	(239)	287	441	344	**833**
Operating Margin	*-29.16%*	*19.39%*	*24.64%*	*19.48%*	**14.23%**
Other income (expense)					
Interest income	3	6	4	8	**21**
Gain (Loss) on exhange of currency	(5)	4	10	14	**23**
Loss on sale of assets	0	3	5	3	**11**
Total Other Income (expense)	(2)	13	19	26	**56**
Pre-Tax Income (loss)	(241)	300	460	370	**889**
Pre-Tax Margins	*-29.38%*	*20.24%*	*25.71%*	*20.93%*	**15.18%**
Income Tax Expense (Benefit)	(42)	52	74	130	**213**
Release of valuation allowance	-	-	-	-	**-**
Tax Rate	*17.46%*	*17.17%*	*16.00%*	*35.13%*	**23.96%**
Net income (loss)	$ (199)	$ 248	$ 386	$ 240	**$ 676**
Earnings per share -- Diluted	$ (0.03)	$ 0.03	$ 0.05	$ 0.03	$ 0.08
Avg Shares Outstanding	7,299	8,180	8,226	8,200	**8,144**
Percent of Revenue				48.70%	
Selling, general, and administrative	76.79%	46.41%	44.48%	48.70%	50.76%
Research and development	11.87%	8.08%	6.64%	6.80%	7.60%
YEAR / YEAR GROWTH					
Total Revenues	-23.22%	43.62%	25.54%	43.58%	23.19%
Earnings per share	-1101.59%	2728.81%	114.50%	276.49%	152.01%

Simulations Plus, Inc.
Income Statement Model
For the Year Ended August 31, 2007
(in thousands)

	Q1(11/06)A	Q2 (02/07)E	Q3 (05/07)E	Q4 (08/07)E	**FY2007E**
Net sales	1,456	1,875	2,285	2,230	**7,846**
Cost of sales	441	450	530	550	**1,971**
Gross Profit	1,015	1,425	1,755	1,680	**5,875**
Gross Margins	*69.69%*	*76.00%*	*76.80%*	*75.35%*	**74.88%**
Operating Expenses:					
Selling, general, and administrative	757	760	825	875	**3,217**
Research and development	184	175	175	175	**709**
Total Operating Expenses	940	935	1,000	1,050	**3,926**
EBITDA	194	610	875	750	**2,428**
Operating Income (loss)	75	490	755	630	**1,949**
Operating Margin	*5.12%*	*26.13%*	*33.03%*	*28.26%*	**24.85%**
Other income (expense)					
Interest income	16	20	35	38	**109**
Gain (Loss) on exhange of currency	3	-	-	-	**3**
Loss on sale of assets	0	-	-	-	**0**
Total Other Income (expense)	19	20	35	38	**112**
Pre-Tax Income (loss)	94	510	790	668	**2,062**
Pre-Tax Margins	*6.44%*	*27.20%*	*34.56%*	*29.96%*	**26.28%**
Income Tax Expense (Benefit)	21	115	185	170	**491**
Release of valuation allowance	-	-	-	-	**-**
Tax Rate	*22.00%*	*22.55%*	*23.43%*	*25.44%*	**23.80%**
Net income (loss)	$ 73	$ 395	$ 605	$ 498	**$ 1,571**
Earnings per share -- Diluted	$ 0.01	$ 0.05	$ 0.07	$ 0.06	$ 0.18
Avg Shares Outstanding	8,549	8,550	8,555	8,560	**8,553**
Percent of Revenue					
Selling, general, and administrative	51.96%	40.52%	36.12%	39.24%	41.00%
Research and development	12.61%	9.35%	7.66%	7.85%	9.03%
YEAR / YEAR GROWTH					
Total Revenues	77.87%	26.55%	27.78%	26.26%	34.01%
Earnings per share	NMF	52.13%	50.56%	99.06%	121.35%

Simulations Plus, Inc.
Income Statement Model
For the Year Ended August 31, 2008
(in thousands)

	Q1(11/07)E	Q2 (02/08)E	Q3 (05/08)E	Q4 (08/08)E	**FY2008E**
Net sales	1,780	2,320	2,820	2,775	**9,695**
Cost of sales	505	545	645	660	**2,355**
Gross Profit	1,275	1,775	2,175	2,115	**7,340**
Gross Margins	*71.63%*	*76.50%*	*77.13%*	*76.21%*	**75.71%**
Operating Expenses:					
Selling, general, and administrative	800	835	985	975	**3,595**
Research and development	185	185	185	185	**740**
Total Operating Expenses	985	1,020	1,170	1,160	**4,335**
EBITDA	410	875	1,125	1,075	**3,485**
Operating Income (loss)	290	755	1,005	955	**3,005**
Operating Margin	*16.28%*	*32.54%*	*35.63%*	*34.42%*	**30.99%**
Other income (expense)					
Interest income	40	40	40	40	**160**
Total Other Income (expense)	40	40	40	40	**160**
Pre-Tax Income (loss)	330	795	1,045	995	**3,165**
Pre-Tax Margins	*18.53%*	*34.26%*	*37.05%*	*35.86%*	**32.64%**
Income Tax Expense (Benefit)	90	190	250	230	**760**
Release of valuation allowance	-	-	-	-	**-**
Tax Rate	*27.29%*	*23.90%*	*23.93%*	*23.11%*	**24.02%**
Net income (loss)	$ 240	$ 605	$ 795	$ 765	**$ 2,405**
Earnings per share -- Diluted	$ 0.03	$ 0.07	$ 0.09	$ 0.09	$ 0.28
Avg Shares Outstanding	8,565	8,570	8,575	8,580	**8,573**
Percent of Revenue					
Selling, general, and administrative	44.95%	36.00%	34.95%	35.12%	37.08%
Research and development	10.40%	7.96%	6.55%	6.67%	7.63%
YEAR / YEAR GROWTH					
Total Revenues	22.21%	23.72%	23.41%	24.45%	23.56%
Earnings per share	226.86%	52.76%	31.14%	53.25%	52.72%

Simulations Plus, Inc.
Cash Flow Statement
(in thousands)

	FY2004A	FY2005A	FY2006A	Q1 2007A
Cash Flows from Operating Activities				
Net Income (loss)	$ 836	$ 262	$ 676	$ 73
Depreciation and amortization of property and equipment	43	43	48	12
Amortization of capitalized software development	181	164	287	107
Amortization of customer relationships	-	-	28	8
Stock-based compensation	-	-	-	6
Contribution of equipment at book value	-	-	-	1
Loss on sale of assets	-	(15)	(11)	-
	1,060	454	1,028	208
Changes In:				
Accounts receivable	(12)	608	(275)	372
Inventory	(152)	77	44	3
Deferred tax	(105)	84	211	21
Other assets	(50)	35	(8)	24
Accounts payable	(22)	(62)	124	(75)
Accrued payroll and other expenses	(20)	177	(34)	9
Accrued bonuses to officers	(56)	(39)	60	(88)
Income taxes	(41)	-	-	(2)
Accrued warranty and service costs	(12)	(5)	7	0
Deferred revenue	(15)	110	(12)	90
Net Changes in Working Capital	(485)	985	119	355
Net cash Provided by Operations	575	1,438	1,148	563
Cash Flows from Investing Activities				
Purchase of property and equipment	(44)	(71)	(62)	(18)
Purchases of Bioreason's assets	-	-	(826)	-
Capitalized computer software development costs	(221)	(475)	(480)	(133)
Proceeds from sale of assets	-	23	21	-
Cash Flows from Investing Activities	(265)	(522)	(1,347)	(151)
Cash Flows from Financing Activities				
Payments on capitalized lease obligations	(4)	-	-	-
Proceeds from the exercise of stock options	168	104	131	6
Net cash provided by Financing	164	104	131	6
Net change in Cash	474	1,020	(69)	418
Cash Beginning of Period	261	734	1,754	1,685