



Emblaze Ltd.
Interim results for six months ended 30 June 2007

Record results for the Group and net profits from continuing operations

Ra'anana, Israel, 6 September 2007: Emblaze Ltd (“Emblaze” or “the Group”), the technology services group (LSE: BLZ), announces its financial results for the six months ended 30 June 2007.

First half financial highlights

- Revenues reached \$127.9m (H1 2006: \$3.2m*), reflecting maiden contribution from the Formula Systems (1985) Ltd (“Formula”) operation
- Net profit from continuing operations amounted to \$4.4m (H1 2006: \$4.1m loss)
- Group net assets up to \$151.2m from \$146.5m as at 31 December 2006
- Trading during second half of 2007 continues to be strong
- Moved to 4 cents of earnings per share from continued operations (H1 2006: 3 cents loss)
- Raising revenue guidance for the full year from \$340m to \$360m

Second quarter operating highlights

- Formula second quarter revenues were \$124.7m, while income from continuing operations increased to \$4.6m (Q2 2006: \$1.4m)
- Sold interest in BluePhoenix for \$64m, creating a capital gain of approx. \$6m (Formula recorded capital gain of \$17.7m, classified as discontinued operation)*
- Raised \$20m for Sapiens through private placement at a 12% premium to the prevailing share price
- After the end of the period, raised approx. \$60m for Matrix through the issuance of unlisted bonds to institutional investors in the Tel-Aviv stock exchange

(*) According to accounting rule (SFAS No. 144), the comparative figures of any discontinued operation must be re-classified. Therefore, the results of operations of the trading and distribution business of Emblaze Mobile, which were scaled down earlier this year, were re-classified back to H1 2006 and year end 2006 and present the majority of the “Discontinued Operations” line.

In addition, BluePhoenix activity has never been consolidated into Emblaze figures and hence under the accounting rules is not classified as discontinued operations in the Group reports. Accordingly, the entire net contribution of the BluePhoenix activity was recorded in one line under “Other Income” and therefore, does not influence the operation sections in the Profit and Loss statement of H1 2007.

Guy Bernstein, Chief Executive Officer of Emblaze, said: “Emblaze is going through restructuring throughout the Group and these results are a confirmation of the steps we are taking. We are delighted to return to operating profitability.

Looking ahead, we are carrying on streamlining our costs and improving operations throughout our subsidiaries. The Group also continues to examine opportunities to optimise its asset base through various corporate actions including mergers and acquisitions. As a result of this and improving performance of the subsidiaries in their markets the management team is confident in its ability to deliver solid results for the second half of 2007.”

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Overview

The first six months of 2007 have been characterised by significant action to reorganise and streamline the Group's activities.

As announced previously, the Group's activities are now focused on two business segments operating globally. The first segment is focused on software and IT products and services through Matrix, Magic and Sapiens. The second segment is concentrated on innovation businesses that management believe have a potential for delivering an upside in shareholder value namely, Emblaze Mobile, emoze, Emblaze V CON and Orca.

Group revenues in the period under review are \$127.9m and the Group moved into profits with income from continuing operations of \$4.4m (H1 2006: \$4.1m loss).

The results reflect a maiden contribution from Formula, which was consolidated into Emblaze's results from the second quarter. In addition, the Group achieved a strong improvement at all operating subsidiaries as a result of actions implemented by the Group management to streamline operations and reduce costs.

Operational Highlights

Formula (NASDAQ & TASE: FORTY)

Formula revenues increased 19% to \$124.7m in the second quarter with an operating profit of \$6.7m (an increase of 145% over Q2 2006) and net profit of \$22.3m.

Excluding the impact of the BluePhoenix disposal, Formula's net income from continued operations increased to \$4.6m in the second quarter compared with \$1.4m in Q2 2006. The strong underlying improvement in its profits stemmed from reorganisation and efficiency measures implemented by Emblaze management since the Group took control of Formula.

Formula contributed \$9.5m in net income to the Group results, of which \$6m are a result of the sale of the controlling stake in BluePhoenix in June 2007 for a total consideration of \$64m.

Matrix IT Ltd. (TASE: MTRX)

Matrix, one of Israel's leading integration and information technology services companies, recorded an increase of 7% in revenues and net profit of \$4.7m compared to \$4.0m in Q2 2006. With the intention to expand into international markets, Matrix recently completed its first acquisition in Bulgaria. In August 2007 despite difficult world-wide financial markets condition, raised approximately \$60 million through the issuance of unlisted bonds to institutional investors in the Tel-Aviv stock exchange. The bonds were rated AA3 by Midroog, a Moody's affiliate, which is the highest ever credit rating received by an IT company in Israel.

The company continues its two-digit number growth alongside continuous growth of net profit, even in a period that is traditionally considered to be slow for Israeli IT companies. The management expects to see further growth in the local market, specifically in the financial sector and the company is planning to further increase its efforts to enter the international markets which should deliver good results in the near future.

Magic Software Enterprises Ltd. (NASDAQ & TASE: MGIC)

Magic, provider of composite application development and deployment platforms with a service-oriented architecture (SOA), including application integration and business process management (BPM), with existing and legacy systems, has moved from net loss of approximately \$1.3 million in second quarter of 2006 to a net profit of \$0.8 million in the second quarter of 2007. Magic ended the second half of 2007 with net profit of \$1.8 million compared with a net loss of \$1.5 million in the first half of 2006. The net income also reflects in the company's cash flow from continuing operations which amounted in \$0.6 million for the quarter. Magic's revenue for the second quarter of 2007 increased by 11% to \$16.8 million and it has a solid balance sheet with total assets amounting to \$17 million.

The company is currently turning its focus onto its core business, sales execution and customer support.

Sapiens International Corporation N.V. (NASDAQ & TASE: SPNS)

Sapiens, a global provider of IT solutions that modernize business processes to enable insurance and other companies to quickly adapt to changes, is undergoing a reorganisation and operation efficiency program which already delivered improved operational profit for the second half of 2007 of \$0.3 million compared to operational loss of \$1.1 million in the second half of 2006. The company maintained its revenue level with approximately \$21.7 million and significantly improved its cash position by successfully completing a \$20 million private placement earlier this year and repaying part of its debt to certain Israeli institutional investors through the repurchase of the company's convertible debentures.

Going forward, the company is focused on profitability and growth as it tries to capture the strong opportunity in a large global market.

Innovation activities

Emblaze also believes in value derived from innovation and early stage technology companies. While high-risk in nature, such development investments will be shared with leading global industry partners and burn rate and budgets will be monitored and controlled in order to mitigate risks. This approach is maintained in Group companies such as Emblaze Mobile, emoze, Zone-IP (Emblaze V CON) and Orca Interactive.

The board of Emblaze believes that this strategic approach has established a solid platform for long term growth and profitability from well established technology companies addressing global markets coupled with innovative technology companies and high reward opportunities.

Outlook

Trading conditions in the second half have remained encouraging and Emblaze is making good progress to further improve the performance of all subsidiaries, in particular Formula. In addition, the Group continues to examine opportunities to optimise its asset base through various corporate actions. As a result, the Group is raising its revenue forecast for the full year to \$360m, compared with the previous revenue guidance of \$340m.

EMBLAZE LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

| | December 31, 2006 | June 30, 2007 |
|---|----------------------|-------------------|
| | | <u>Unaudited</u> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 10,784 | \$ 147,624 |
| Short-term bank deposits | 237 | 9,464 |
| Restricted deposit | 5,110 | 7,916 |
| Accrued interest | 983 | 531 |
| Short-term marketable securities | 21,631 | 13,746 |
| Restricted short-term marketable securities | 25,752 | 30,961 |
| Trade receivables | 1,800 | 130,179 |
| Other receivables and prepaid expenses | 2,509 | 23,162 |
| Inventories | 1,407 | 4,984 |
| <u>Total current assets</u> | <u>70,213</u> | <u>368,567</u> |
| LONG-TERM INVESTMENTS: | | |
| Long-term marketable securities | 24,188 | 15,954 |
| Restricted long-term marketable securities | 25,357 | 10,435 |
| Long-term deposits | - | 238 |
| Other long-term investments | 84,110 | 8,481 |
| Severance pay fund | 690 | 31,143 |
| <u>Total long-term investments</u> | <u>134,345</u> | <u>66,251</u> |
| PROPERTY AND EQUIPMENT, NET | <u>1,017</u> | <u>16,191</u> |
| INTANGIBLE ASSETS, NET | <u>1,230</u> | <u>178,510</u> |
| ASSETS OF DISCONTINUED OPERATIONS | <u>42,858</u> | <u>21,398</u> |
| <u>Total assets</u> | <u>\$ 249,663</u> | <u>\$ 650,917</u> |

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

EMBLAZE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share and per share data

| | December 31, 2006 | June 30, 2007 |
|--|--|-------------------|
| | | <u>Unaudited</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term loans | \$ 45,423 | \$ 76,220 |
| Trade payables | 2,257 | 55,106 |
| Debenture | - | 3,671 |
| Other payables and accrued expenses | 18,126 | 75,893 |
| <u>Total current liabilities</u> | <u>65,806</u> | <u>210,890</u> |
| LONG-TERM LIABILITIES: | | |
| Liabilities to banks and others | - | 42,283 |
| Debenture | - | 8,697 |
| Deferred taxes | - | 3,077 |
| Other long-term liabilities | 847 | 3,752 |
| Accrued severance pay | 1,133 | 37,397 |
| <u>Total long-term liabilities</u> | <u>1,980</u> | <u>95,206</u> |
| LIABILITIES OF DISCONTINUED OPERATIONS | <u>32,937</u> | <u>12,003</u> |
| MINORITY INTERESTS | <u>2,448</u> | <u>181,561</u> |
| SHAREHOLDERS' EQUITY: | | |
| Share capital - | | |
| Ordinary shares of NIS 0.01 par value - | | |
| | Authorized: 200,000,000 shares at December 31, 2006 and | |
| | June 30, 2007; Issued: 140,578,154 shares at December 31, 2006 | |
| | and June 30, 2007; Outstanding: 111,473,687 and 111,476,687 | |
| | shares at December 31, 2006 and June 30, 2007, respectively | |
| | 416 | 416 |
| Additional paid-in capital | 468,400 | 468,742 |
| Treasury stock, at cost | (76,441) | (76,433) |
| Accumulated other comprehensive loss | (328) | 1,248 |
| Accumulated deficit | (245,555) | (242,716) |
| <u>Total shareholders' equity</u> | <u>146,492</u> | <u>151,257</u> |
| <u>Total liabilities and shareholders equity</u> | <u>\$ 249,663</u> | <u>\$ 650,917</u> |

EMBLAZE LTD. AND ITS SUBSIDIARIES

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

EMBLAZE LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
U.S. dollars in thousands, except share and per share data

| | Year ended December 31, 2006 | Six months ended June 30, | |
|---|------------------------------------|------------------------------|-----------------|
| | | 2006 | 2007 |
| | | <u>Unaudited</u> | |
| | | | \$ |
| | | | 127,87 |
| Revenues | \$ 7,629 | \$ 3,219 | 3 |
| Cost of sales | <u>4,071</u> | <u>1,613</u> | <u>95,152</u> |
| Gross profit | <u>3,558</u> | <u>1,606</u> | <u>32,721</u> |
| Operating expenses: | | | |
| Research and development, net | 5,571 | 2,573 | 4,495 |
| Selling and marketing | 7,185 | 4,270 | 24,090 |
| General and administrative | <u>6,634</u> | <u>2,832</u> | <u>4,110</u> |
| Total operating expenses | <u>19,390</u> | <u>9,675</u> | <u>32,695</u> |
| Operating income (loss) | (15,832) | (8,069) | 26 |
| Financial income, net | <u>5,831</u> | <u>3,732</u> | <u>1,126</u> |
| Income (loss) before taxes on income | (10,001) | (4,330) | 1,152 |
| Other income (loss) | (3,601) | 7 | 7,064 |
| Taxes on income | <u>-</u> | <u>-</u> | <u>(206)</u> |
| Income (loss) before minority interests in income (losses) of subsidiaries | (13,602) | (43,300) | 8,010 |
| Equity income (loss) | 327 | (797) | 859 |
| Minority interests in income (losses) of certain subsidiaries | <u>2,174</u> | <u>1,076</u> | <u>(4,435)</u> |
| Income (loss) from continuing operations | (11,101) | (4,051) | 4,434 |
| Income (loss) from discontinued operations | <u>1,262</u> | <u>15,098</u> | <u>(1,595)</u> |
| | | \$ | |
| | | 11,04 | |
| Net income (loss) | <u>\$ (9,839)</u> | <u>7</u> | <u>\$ 2,839</u> |
| Basic and diluted net earnings (loss) per share: | | | |
| | | \$ | |
| From continuing operations | \$ (0.09) | (0.03) | \$ 0.04 |
| From discontinued operations | <u>0.01</u> | <u>0.11</u> | <u>(0.01)</u> |
| Net earnings (loss) | <u>\$ (0.08)</u> | <u>\$ 0.08</u> | <u>\$ 0.03</u> |

EMBLAZE LTD. AND ITS SUBSIDIARIES

| | | | |
|---|--------------------|--------------------|--------------------|
| Weighted average number of shares used in computing basic earnings (loss) per share | <u>123,595,330</u> | <u>135,891,998</u> | <u>111,476,190</u> |
| Weighted average number of shares used in computing diluted net earnings (loss) per share | <u>123,595,330</u> | <u>136,172,046</u> | <u>111,518,352</u> |

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

EMBLAZE LTD. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share and per share data

| | Share capital | Additional paid-in capital | Treasury Stock, at cost | Accumulate d other comprehen sive income (loss) | Accumulate d deficit | Total comprehen sive loss | Total |
|---|------------------|----------------------------------|-------------------------------|---|-------------------------|------------------------------------|----------|
| | | \$ | | | | | |
| Balance as of January 1, 2006 | \$ | 848 | 463, \$ | \$ | (2,187) | (235,716) | \$ |
| Repurchase of shares from related parties, net | - | - | (70,953) | - | - | - | (70,953) |
| Issuance of shares upon exercise of stock options | - | 49 | 182 | - | - | - | 231 |
| Issuance of shares upon business combinations, net | - | 1,139 | 1,711 | - | - | - | 2,850 |
| Debt security from related party | - | 2,500 | - | - | - | - | 2,500 |
| Share based compensation expenses | - | 864 | - | - | - | - | 864 |
| Comprehensive loss: | | | | | | | |
| Unrealized gains from available-for-sale marketable securities, net | - | - | - | 1,905 | - | 1,905 | 1,905 |
| Foreign currency translation adjustments | - | - | - | (46) | - | (46) | (46) |
| Net loss | - | - | - | - | (9,839) | (9,839) | (9,839) |
| Total comprehensive loss | | | | | | <u>\$ (7,980)</u> | |
| Balance as of December 31, 2006 | 416 | 468,400 | (76,441) | (328) | (245,555) | - | 146,492 |
| Issuance of shares upon exercise of stock options | - | (1) | 8 | - | - | - | 7 |
| Share based compensation expenses | - | 343 | - | - | - | - | 343 |
| Comprehensive loss: | | | | | | | |
| Unrealized gains from available-for-sale marketable securities, net | - | - | - | 735 | - | 735 | 735 |
| Foreign currency translation adjustments | - | - | - | 841 | - | 841 | 841 |

EMBLAZE LTD. AND ITS SUBSIDIARIES

| | | | | | | | |
|---|-----------|-----------|-----------|-----------------|--------------|---------|--------------|
| Net income | - | - | - | - | <u>2,839</u> | 2,839 | <u>2,839</u> |
| Total comprehensive loss | | | | | \$ | \$4,415 | |
| | | | | | | (242, | |
| Balance as of June 30, 2007 (unaudited) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$ 1,248</u> | <u>716)</u> | - | <u>\$</u> |

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

EMBLAZE LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

| | Year ended | Six months ended | |
|--|-------------------------|------------------|----------|
| | December 31, 2006 | June 30, 2006 | 2007 |
| | | Unaudited | |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ (9,839) | \$ 11,047 | \$ 2,839 |
| Less: gain (loss) from discontinued operations | 1,262 | 15,098 | (1,595) |
| Net income (loss) from continuing operations | (11,101) | (4,051) | 4,434 |
| Adjustments to reconcile net income (loss) from continuing operations to net cash used in operating activities from continuing operations: | | | |
| Depreciation and amortization | 907 | 275 | 3,936 |
| Amortization of marketable debt securities premium and accretion of discounts, net | 511 | 276 | 217 |
| Stock compensation expenses | 300 | 230 | 150 |
| Stock compensation expenses of subsidiaries | 461 | 85 | 189 |
| Net gain on sales of marketable securities and change in accrued interest | 41 | (56) | 112 |
| Equity gains (losses) in affiliated companies | (327) | 797 | (859) |
| Capital loss (gain), net | 3,601 | (7) | (7,064) |
| Minority interest | (2,174) | (1,076) | 4,435 |
| Changes in value of long term loans and deposits, net | - | - | 179 |
| Decrease (increase) in trade receivables, other receivables and prepaid expenses and inventories | 7,600 | 4,693 | 318 |
| Increase (decrease) in trade payables, other payables and accrued expenses, accrued severance pay, net and long-term liabilities | 2,491 | (2,022) | (18,824) |
| Deferred Tax | - | - | (1,815) |
| Other | 204 | (89) | (163) |
| Net cash provided by (used in) operating activities from continuing operations | 2,514 | (945) | (14,755) |
| Net cash used in operating activities from discontinued operations | 18,333 | 20,762 | (3,324) |
| Net cash provided by (used in) operating activities | 20,847 | 19,817 | (18,079) |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment, net | (395) | (244) | (1,377) |
| Proceeds from sale of property and equipment | 54 | - | 51 |
| Investment in short-term bank deposits and restricted deposits, net | 396 | 748 | (1,214) |
| Investment in short-term marketable securities | (111,945) | (103,048) | - |
| Proceeds from maturity of short-term marketable securities | 111,088 | 101,088 | 4,193 |

EMBLAZE LTD. AND ITS SUBSIDIARIES

| | | | |
|--|----------|----------|---------|
| Investment in long-term marketable securities | (12,994) | (12,994) | (1,682) |
| Proceeds from sales, calls and maturity of long-term marketable securities | 86,545 | 14,968 | 28,479 |
| Investment in long-term bank deposits and restricted deposits | 3,751 | (2,797) | (223) |
| Payment for Acquisition of Formula Systems | (84,414) | - | 88,865 |
| Acquisition of newly consolidated subsidiaries | - | - | (4,802) |

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont')

U.S. dollars in thousands

| | Year ended December 31, 2006 | Six months ended, | |
|--|---------------------------------------|-------------------|----------|
| | | June 30, 2006 | 2007 |
| | | Unaudited | |
| Proceeds from realization of investment | - | - | 59,461 |
| Purchase of minority interest in subsidiaries | - | - | (2,834) |
| Capitalization of software development | - | - | (1,971) |
| Other investment | (1,215) | (2,340) | - |
| Net cash provided by (used in) investing activities from continuing operations | (9,129) | (4,619) | 166,946 |
| Net cash used in investing activities from discontinued operations | 2,038 | 2,158 | 2,927 |
| Net cash used in investing activities | (7,091) | (2,461) | 169,873 |
| Cash flows from financing activities: | | | |
| Repurchase of shares, net | (70,953) | - | - |
| Debt security from related party | - | 2,500 | - |
| Short-term bank credit, net | 44,759 | 31,944 | 2,656 |
| Long-term loan to related party | - | (70,000) | - |
| Proceeds from exercise of subsidiaries stock options, net | - | - | 874 |
| Proceeds from exercise of stock options, net | 257 | 155 | 8 |
| Dividend to minority shareholders in subsidiaries | - | - | (2,887) |
| Repayment of long term loans | - | - | (36,043) |
| Receipt of long term loans | - | - | 11,952 |
| Issuance in a subsidiary to minority shareholders, net | - | - | 11,955 |
| Debenture repayment | - | - | (3,416) |
| Sale of treasury stock in a subsidiary by a subsidiary thereof | - | - | 2,731 |
| Net cash provided by (used in) financing activities from continuing operations | (25,937) | (35,401) | (12,170) |
| Net cash provided by financing activities from discontinued operation | 713 | 783 | - |
| Net cash provided by (used in) financing activities | (25,224) | (34,618) | (12,170) |

EMBLAZE LTD. AND ITS SUBSIDIARIES

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|---|------------------|--------------|-------------------|
| Effect of exchange rate on cash for continuing operations | - | - | (2,305) |
| Effect of exchange rate translation adjustments on cash of discontinued operation | (966) | 439 | - |
| Increase (decrease) in cash and cash equivalents from continuing operations | (32,552) | (40,965) | 137,716 |
| Increase (decrease) in cash and cash equivalents from discontinued operations | 20,118 | 24,142 | (397) |
| Cash and cash equivalents from continuing operations at beginning of period | 15,237 | 15,237 | 10,784 |
| Cash and cash equivalents from discontinued operations at beginning of period | <u>9,873</u> | <u>9,873</u> | <u>1,892</u> |
| | | \$ | |
| Cash and cash equivalents from continuing operations at the end of period | <u>\$ 10,784</u> | <u>4</u> | <u>\$ 147,624</u> |
| | | 6,67 | |
| Cash and cash equivalents from discontinued operations at the end of period | <u>\$ 1,892</u> | <u>1,613</u> | <u>2,371</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont')

U.S. dollars in thousands

(1) Payment for acquisition of Formula System Ltd.

Estimated fair values of assets acquired and liabilities assumed at the date of acquisition:

| | |
|--|----------------|
| Working capital, excluding cash and cash equivalents | \$ (15,137) |
| Long term investments | (49,475) |
| Investment in affiliates | 87,160 |
| Property and equipment | (15,669) |
| Other assets and goodwill | (175,100) |
| Debenture | 15,387 |
| Long term liabilities | 81,980 |
| Minority interest | <u>159,719</u> |
| | <u>88,865</u> |

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

EMBLAZE LTD. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

Emblaze Ltd. ("Emblaze" or "the Company"), an Israeli corporation, is a holding company. The Company's subsidiaries and affiliated companies provide telecom operators with technologies, products and solutions for next generation services

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2006, are applied consistently in these financial statements.

b. Reclassification:

Certain reclassifications were made to prior years' financial statements to conform to the current year's presentation.

NOTE 3:- UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

Reclassification:

Certain amounts from prior year have been reclassified to conform to the current period presentation.
