



Emblaze Ltd.
Interim results for six months ended 30 June 2008

Ra'anana, Israel, 29 August 2008: Emblaze Ltd (“Emblaze” or “the Group”), the technology services group (LSE: BLZ), announces its financial results for the six months ended 30 June 2008. All references to \$ are to US Dollars.

Emblaze Group consists of two main operating arms: Growth and Innovation. The Growth arm relates to the stable, mature and operational companies managed under the Formula group. The Innovation arm relates to the in-house investments made by the Group in technology research and development of future wireless and cellular products.

Growth Arm Financial Highlights

- Formula, our growth arm, has continued the constant growth trend throughout its group activities. All its subsidiaries contributed positively to the increasing operational results: Matrix continued to grow both in revenues and in operating profit; Magic presented an impressive operating profit in the second quarter and Sapiens reported a seventh consecutive quarter of operational profit
- Revenues for the six months ended 30 June 2008 totaled \$287.3 million compared to \$235.7 million in the same period of 2007, an increase of 22%.
- Operating income in the first half of 2008 was \$15.5 million compared to \$12.3 million in the first half of 2007, an increase of 26%.
- Net income generated from continuing operation in the six months ended 30 June 2008 was \$7.3 million compared to \$6.4 million in the same period of 2007.
- Cash and short term investments totaled approximately \$203 million as of 30 June 2008 and current ratio was 2.4.
- In April 2008, Formula distributed a cash dividend of approximately \$10 million, or \$0.76 per share.

Innovation Arm Financial and Operational Highlights

- The innovation activities, mainly Emblaze Mobile and Emoze, represent major investments in research and development, funded primarily by the Group’s own cash and dividends distributed by the growth arm. This is a cash intensive operation, focusing investments in cutting edge technologies of high-risk and potentially high-reward in terms of growth and profitability once such technologies have come to fruition. All innovation arm development activities have been progressing positively over the past six months towards their commercial goals.
- Emblaze Mobile has made significant advances in the development of its cutting edge mobile device (“Monolith”) in cooperation with Sharp, Access and other global vendor partners.
- Launch date of the Monolith was delayed by six months to mid 2009, due to technological complexities. However, Emblaze Mobile management believes this delay will have no impact on the device’s lead over potential competition or its commercial potential.

- Initial discussions with top global operators have begun and yielded enthusiastic responses, and start of commercial negotiations for device purchases.
- The management of Emblaze Mobile has been making efforts to raise capital investment from external sources to fund the continued development of the Monolith. Despite difficulties in obtaining the external finance, caused mainly due to the negative general sentiment in the global financial markets, the management of Emblaze Mobile maintains discussions with several interested investment groups from the US and Japan and remains positive about its ability to achieve the capital raise in the medium term.
- Emoze is an advanced technology enabling almost any mobile device to have BlackBerry*- like push-mail and PIM services on the move. The management believes it is the only real Push Email and PIM technology capable of operating on over 500 million devices. Emoze has been aggressively perfecting the technology for both corporate and consumer use and intends to expand the usage of its products via global OEM with handset makers and strategic distribution partnerships.
* BlackBerry is ® of RIM
- Investments in research and development of the Monolith and Emoze technology in the first half of 2008 amounted to approximately \$15 million and it is estimated that the Emblaze Group will invest additional \$28 million in cash until the launch of the Monolith by mid 2009, including on-going expenses for the Emoze operation and assuming very conservatively that no external finance will be obtained.
- Innovation arm investments are the main contributor to the Group's consolidated loss over the six months period and will continue to generate a loss going forward over 2009. On the upside, subject to a successful launch of the Monolith during mid 2009, Emblaze Mobile management expects significant potential revenues from the sale of the product and its related services and licenses to be booked already in 2009 and the company itself to become one of the most significant contributors to group profitability and shareholder's value in the following year.
- Such investments in cutting edge innovation and development are deemed by us to be of core value and strategic essence to the Group's overall potential and future growth in profitability and shareholders' value.

Consolidated Results of Growth and Innovation arms combined - Financial Highlights

- Emblaze holds 50.1% of the Formula group. Formula achieved \$287 million in revenue and \$7.3 million in net income, of which \$3.1 million are contributed to the Emblaze Group results.
- Revenue reached \$289.6 million (H1 2007: \$125.3 million);
- Net loss amounted to \$10.8 million (H1 2007: net income of \$2.8 million) and is mainly the result of continuous R&D investments in the Innovation arm of the Group;
- Group net assets up to \$710.9 million from \$695.2 million as at 31 December 2007; and
- The sale of the Group holding in Orca Interactive, announced in May 2008, resulted in capital gain of approximately \$4.7 million, of which \$3.1 million were recognized in the reported period. The capital gain was classified as discontinued operations in the financial accounts for the first half of 2008.

Overview

The contribution of each activity to the Emblaze Group is presented in the table below (selected items)*:

Emblaze Group - Financial Highlights (unaudited) US\$ in thousands	Six months ended June 30, 2008		
	Growth Activity	Innovation Arm	Consolidated
Revenues	287,264	2,373	289,637
Gross profit.....	69,774	1,450	71,224
Operating income (loss)	14,031	(18,212)	(4,181)
Income (loss) from continuing operation	2,670	(16,542)	(13,872)
Income from discontinued operations	-	3,066	3,066
Net income (loss)	<u>2,670</u>	<u>(13,476)</u>	<u>(10,806)</u>

*) Corporate expenses were allocated to Growth and Innovation arms

GROWTH ACTIVITY

The growth activity of the Group includes Formula Systems (1985) Ltd. (“Formula”) and its subsidiaries. Formula is a NASDAQ and TASE listed company principally engaged, through its subsidiaries, in providing software consulting services, developing proprietary software products and providing computer-based business solutions.

The Formula group revenue for the first half of 2008 totaled \$287.3 million, an increase of 22% compared to \$235.7 million in the first half of 2007. Formula’s operating income in the first half of 2008 was \$15.5 million compared to \$12.3 million in the first half of 2007, an increase of 26%. The net income generated from continuing operation in the six months ended June 30, 2008 was \$7.3 million compared to \$6.4 million in the same period of 2007.

In April 2008, Formula distributed a cash dividend of approximately \$10 million, or \$0.76 per share.

Formula consists of established companies, with developed products and services that are delivering revenue and profit as outlined henceforth:

Matrix IT Ltd. (TASE: MTRX)

Matrix, one of Israel’s leading integration and information technology services companies, recorded an increase in revenue of 29% in the first half of 2008 to \$193 million, up from \$149.6 million in H1 2007. The Operational profit for the interim period amounted to \$13.8 million, up from \$10.7 million in the interim period of 2007. Net profit increased to \$10.5 million, up from \$9.1 million in H1 2007.

Pursuant to Matrix’s dividend policy of distributing 50% of its net profits, Matrix distributed dividends of approximately \$11.2 million on 30 March 2008 in consideration of 2007 profits. Cash and short term investments as at 30 June 2008 were \$111.5 million.

Matrix has won several significant projects during this quarter, enhancing its professional leadership in the implementation and management of large scale projects with leading top tier customers. In the first half of 2008, Matrix continues to maintain its position as Israel’s market leader in the financial sector, CRM, internet, ERP as well as provider of government and defense solutions.

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

Magic is a 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.

Magic’s revenues for the six months ended 30 June 2008 reached \$31.1 million, up from \$28.1 million in the same period of 2007, an increase of 11%. Operating income for the first half of 2008 was \$1.5 million compared to \$0.9 million in the same period of 2007. Net income from continuing operation for the first half of 2008 totaled \$1.7 million compared to net income of \$0.7 million in the same period of 2007.

In May, Magic introduced ‘uniPaaS’, the next generation of its eDeveloper solution. ‘uniPaaS’ features the industry’s broadest choice of deployment modes - on-premises/on-demand; software/SaaS; full client/web; global/local or any other form. It also offers full compatibility with eDeveloper V10. This technology provides Magic a significant competitive edge.

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, reached revenue in the first half of 2008 of \$21.5 million. Sapiens’s second quarter of 2008 shows its seventh consecutive quarter of operating profit. The operating profit in the first half of 2008 was \$1 million compared to \$0.3 million in the comparable period of 2007. During the first six months of the year, Sapiens generated \$2.8 million in cash flow from operations, reaching total cash equivalents and short term investments on hand of \$12 million. Sapiens is enjoying an increasing pipeline of potential deals with major customers' world wide.

The table below summarises the H1 2008 performance of our growth activity in comparison to its H1 2007 performance (selected items):

Formula Systems - financial highlights (unaudited)	Six months ended June 30,		% of change
	2008	2007	
	US\$ in thousands		
Revenues	287,264	235,720	22%
Gross profit.....	70,064	58,198	20%
Operating income	15,492	12,328	26%
Net income from continuing operation	7,282	6,442	13%

INNOVATION ARM

Our innovation arm includes advanced technology companies. While high-risk in nature, Emblaze believes in the potential value derived from such activities and will seek to mitigate risks by sharing its investment with leading global industry partners and close management.

Emblaze Mobile Ltd. (“Emblaze Mobile”)

Emblaze Mobile, wholly owned by the Emblaze Group, is a designer of advanced mobile devices. It has embarked on an ambitious project to design the ultimate “all-in-one” mobile device. The main principle of this futuristic device is to create an all-in-one communication device whereby each part of the device (e.g. telephone, camera, MP3 player, GPS, Email, movie player etc.) provides functionality to match standalone dedicated devices (like a digital camera, iPod etc.) while maintaining an exceptional ease and simplicity of use. The device is designed to have a revolutionary and intuitive operating system coupled with a unique User Interface that will rival giants such as Symbian and Windows Mobile in the market. Emblaze Mobile has signed an agreement with Japanese firms Sharp and Access for the development and manufacturing of the device.

EMOZE Ltd. (“EMOZE”)

EMOZE, a 95% subsidiary of the Emblaze Group, is a provider of Push email and PIM synchronization to mobile users. The company represents realisation of the ‘mobile office’ vision, accessible for all mobile users around the world.

During the first six months of 2008, EMOZE moved to address the business community with the recent release of an upgraded Enterprise Edition and launched the world’s first push mobile email solution for Java handsets, enabling over 800 mobile phone models to enjoy a BlackBerry*-like mobile email experience.

* BlackBerry is ® of RIM

ZONE-IP Ltd. (LSE:ZIP)

ZONE-IP Ltd. is a 65% held subsidiary of the Emblaze Group and a holding company for Emblaze VCON Ltd. Emblaze VCON is engaged in the development and deployment of Video over-IP Conferencing Solutions, enabling enterprises of all sizes to optimize their productivity and efficiency through enhanced interaction and communication.

Emblaze VCON has spent the first six months of the year reorganizing its existing product line and introducing the next generation of room systems - a new top of the range room system – xPoint, featuring ISDN and 4CIF technologies - and a new HD MCU – VCBpro with full audio and video transcoding.

Outlook

The positive momentum in the Group’s Growth business is continuing and the activity of the Innovation arm is closely monitored in order to mitigate the risks. We will continue to strengthen our business, both organically and via targeted mergers and acquisitions and in light of the general market conditions, we remain cautiously optimistic of our prospects for the year as a whole.

Enquiries:

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About Emblaze

Emblaze Ltd is a group of technology companies addressing both growth and innovation activities thus combining the stability of “bread and butter” mature technology enterprises with “high-risk / high-reward” investments in innovation.

Our Growth arm includes Formula Systems (NASDAQ: FORTY and TASE: FORT), which harbors the following subsidiaries: Magic Software Enterprises Ltd. (NASDAQ & TASE: MGIC) develops, markets and supports 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; Matrix IT Ltd. (TASE: MTRX) is one of Israel’s leading integration and information technology services companies, active in four principal areas: software solutions and services, software products, infrastructure solutions and hardware products, and training and assimilation.; Sapiens International Corporation N.V. (NASDAQ & TASE: SPNS) is a provider of IT solutions that modernize business processes to enable insurance and other companies to quickly adapt to changes; and nextSource Inc., designs, develops and implements web-based, high quality, innovative human capital management solutions.

Our Innovation arm includes Emblaze Mobile, a designer of advanced mobile devices; EMOZE, a provider of Push Email and synchronisation technology for mobile devices; and ZONE-IP (LSE: ZIP) (Emblaze V CON), a provider of wireless video communications technologies and conferencing solutions for operators and enterprise markets over IP networks.

The Emblaze Group is traded on the London Stock Exchange (LSE: BLZ) since 1996. www.Emblaze.com

EMBLAZE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2008	December 31, 2007
	<u>Unaudited</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 163,176	\$ 172,456
Short-term investments	60,925	56,900
Trade receivables	155,770	141,922
Other receivables and prepaid expenses	30,207	37,220
Inventories	5,543	5,887
Assets held for sale and assets of discontinued operations	35	17,307
	<u>415,656</u>	<u>431,692</u>
Total current assets		
LONG-TERM RECEIVABLES AND INVESTMENTS	<u>22,245</u>	<u>25,481</u>
SEVERANCE PAY, NET	<u>45,027</u>	<u>37,599</u>
PROPERTY AND EQUIPMENT, NET	<u>17,497</u>	<u>16,297</u>
GOODWILL	<u>156,362</u>	<u>130,734</u>
OTHER ASSETS, NET	<u>54,134</u>	<u>53,443</u>
Total assets	<u><u>\$ 710,921</u></u>	<u><u>\$ 695,246</u></u>

EMBLAZE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	<u>Unaudited</u>	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 54,287	\$ 60,689
Short-term liabilities to banks and others	18,002	34,284
Other payables and accrued expenses	96,526	77,727
Liabilities held for sale and liabilities of discontinued operations	438	9,726
Convertible Debt	4,407	3,524
Total current liabilities	<u>173,660</u>	<u>185,950</u>
LONG-TERM LIABILITIES		
Convertible and non-convertible Debt	82,701	71,880
Liabilities to bank and other	23,997	23,685
Deferred tax liability	5,936	5,764
Other long term liabilities	2,570	4,287
Accrued severance pay	55,417	44,002
Total long-term liabilities	<u>170,621</u>	<u>149,618</u>
MINORITY INTEREST	<u>220,339</u>	<u>208,602</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares of NIS 0.01 par value -		
Authorized: 200,000,000 shares at December 31, 2007 and at June 30, 2008;		
Issued: 140,578,154 shares at December 31, 2007 and June 30, 2008;		
Outstanding: 111,476,687 shares at December 31, 2007 and at June 30, 2008	416	416
Additional paid-in capital	471,359	470,891
Treasury stock, at cost	(76,433)	(76,433)
Accumulated other comprehensive income	10,556	4,993
Accumulated deficit	(259,597)	(248,791)
Total shareholders' equity	<u>146,301</u>	<u>151,076</u>
Total liabilities and shareholders' equity	<u>\$ 710,921</u>	<u>\$ 695,246</u>

EMBLAZE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six months ended June 30,		Year ended December 31,
	2008	2007	2007
	<u>Unaudited</u>		
Revenues	\$ 289,637	\$ 125,305	\$ 387,276
Cost of revenues	<u>218,413</u>	<u>94,318</u>	<u>288,327</u>
Gross profit	<u>71,224</u>	<u>30,987</u>	<u>98,949</u>
Operating expenses:			
Research and development, net	17,628	4,038	13,742
Selling and marketing	26,338	12,757	36,681
General and administrative	<u>31,439</u>	<u>14,770</u>	<u>43,475</u>
<u>Total Operating Expenses</u>	<u>75,405</u>	<u>31,565</u>	<u>93,898</u>
Operating Income (loss)	(4,181)	(578)	5,051
Financial income (expenses)	(1,012)	21	(3,873)
Other income	<u>1,138</u>	<u>7,810</u>	<u>7,408</u>
Income (loss) before taxes on income	(4,055)	7,253	8,586
Taxes on income	<u>913</u>	<u>160</u>	<u>718</u>
Income (loss) before minority interest and equity gains (loss)	(4,968)	7,093	7,868
Equity in earnings (losses) of affiliated companies, net	(390)	859	528
Minority interest	<u>(8,514)</u>	<u>(4,166)</u>	<u>(11,400)</u>
Income (loss) from continuing operations	(13,872)	3,786	(3,004)
Gain (loss) from discontinued operations, net	<u>3,066</u>	<u>(947)</u>	<u>(232)</u>
Net Income (Loss)	<u>\$ (10,806)</u>	<u>\$ 2,839</u>	<u>\$ (3,236)</u>
Basic and diluted earnings (loss) per share:			
From continuing operations	\$ (0.12)	\$ 0.03	\$ (0.03)
From discontinued operations	<u>0.02</u>	<u>0.00</u>	<u>0.00</u>
Net loss per share	<u>\$ (0.10)</u>	<u>\$ 0.03</u>	<u>\$ (0.03)</u>
Weighted average number of shares used in computing basic and diluted earnings (loss) per share	<u>111,476,687</u>	<u>111,476,190</u>	<u>111,476,440</u>

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

	Share capital	Additional paid-in capital	Treasury Stock, at cost	Accumulated other comprehensive income (loss)	Accumulated deficit	Total comprehensive income (loss)	Total
Balance as of December 31, 2006	416	463,848	(7,381)	(2,187)	(235,716)		218,980
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						\$ (7,980)	
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
Tax benefits related to exercise of options in a subsidiary	-	243	-	-	-		243
Increase of investment due to decrease in percentage in holding in a development stage subsidiary	-	1,897	-	-	-		1,897
Share based compensation expenses	-	352	-	-	-		352
Comprehensive loss:							
Unrealized gains from available-for-sale marketable securities, net	-	-	-	752	-	\$ 752	752
Foreign currency translation adjustments	-	-	-	4,569	-	4,569	4,569
Net loss	-	-	-	-	(3,236)	(3,236)	(3,236)
Total comprehensive Income						\$ 2,085	
Balance as of December 31, 2007	416	470,891	(76,433)	4,993	(248,791)		151,076
Tax benefits related to exercise of options in a subsidiary		87					87
Share based compensation expenses		381					381
Comprehensive loss:							
Realized gains from available-for-sale marketable securities, net	-	-	-	(529)	-	\$ (529)	(529)
Foreign currency translation adjustments	-	-	-	6,092	-	6,092	6,092
Net loss	-	-	-	-	(10,806)	(10,806)	(10,806)
Total comprehensive Income						\$ (5,243)	
Balance as of June 30, 2008 (unaudited)	416	\$ 471,359	\$ (76,433)	\$ 10,556	\$ (259,597)		\$ 146,301

EMBLAZE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Year ended
	June 30,		December 31,
	2008	2007	2007
	Unaudited		
Cash flows from operating activities:			
Net income (loss)	\$ (10,806)	\$ 2,839	\$ (3,236)
Less: loss (gain) from discontinued operations	(3,061)	947	232
Income (loss) from continuing operations	(13,867)	3,786	(3,004)
Depreciation and amortization	7,124	3,875	11,459
Amortization of marketable debt securities premiums and accretion of discounts, net	(16)	167	380
Share based compensation expenses	381	150	577
Share based compensation expenses of subsidiaries	1,215	216	577
Net loss (gain) on sales of marketable securities and changes in accrued interest, net	(1,962)	112	2,019
Impairment of investment in marketable securities and others	912	-	4,215
Equity (gain) losses, net	390	(859)	(528)
Changes in value of long term loans and deposits, net	(45)	179	708
Other income and capital losses (gains), net	172	(7,064)	(8,580)
Minority interests in gains of subsidiaries	8,514	4,166	11,400
Decrease (increase) in trade receivables, other receivables and prepaid expenses and inventories	11,748	(170)	(3,730)
Decrease in trade payables, other payables and accrued expenses, accrued severance pay, net and other long term liabilities	(1,144)	(17,304)	(15,437)
Changes in deferred tax, net	309	(1,815)	(1,903)
Other	-	(133)	(349)
Net cash provided by (used in) operating activities from continuing operations	13,731	(14,694)	(2,196)
Net cash used in operating activities from discontinued operations	(2,556)	(3,385)	(10,429)
Net cash provided by (used in) operating activities	11,175	(18,079)	(12,625)
Cash flows from investing activities:			
Purchase of property and equipment, net	(2,218)	(1,308)	(3,176)
Proceeds from sale of property and equipment	567	51	108
Investment in (proceeds from) short-term bank deposits	(3,193)	(1,214)	5,899
Investment in short-term marketable securities	(7,872)	-	(27,391)
Proceeds from maturity of short-term marketable securities	1,053	4,193	801
Investment in long-term marketable securities	-	(1,682)	(2,680)
Proceeds from sales, calls and maturity of marketable securities	13,022	28,479	76,917
Proceeds from (investment in) long-term bank deposits and restricted deposits	2,561	(223)	(10,233)
Capitalization of software development and other costs of subsidiaries	(3,800)	(1,971)	(4,355)
Purchase of minority interest in subsidiaries	(8,300)	(2,834)	(4,368)
Proceeds from realization of investments	15,400	59,461	62,279

EMBLAZE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Year ended December 31, 2007
	June 30,		
	2008	2007	
	Unaudited		
Investment in and loans to affiliated and other companies	-	-	(2,319)
Cash paid for the acquisition of subsidiaries thereof, net of cash acquired	(11,830)	(4,802)	(5,305)
Payments to formally stockholders of consolidated company on behalf of purchase liability	(5,081)	-	-
Purchase of intangible assets by subsidiaries		-	(499)
Cash acquired in conjunction with the acquisition of Formula Systems (1985) Ltd, net of cash paid	-	88,865	88,865
Other	(138)	-	-
Net cash provided by (used in) investing activities from continuing operations	(9,829)	167,015	174,543
Net cash provided by investing activities from discontinued operations	9,745	2,858	11,447
Net cash provided by (used in) investing activities	(84)	169,873	185,990
Cash flows from financing activities:			
Proceeds from exercise of stock options in subsidiaries	632	874	1,626
Proceeds from exercise of stock options	-	8	7
Issuance of convertible debt in a subsidiary	-	-	64,602
Dividend to minority shareholders in a subsidiary	(10,683)	(2,887)	(3,498)
Short-term borrowing and bank credit, net	(17,033)	2,656	(37,793)
Repayment of long-term loans	(6,118)	(36,043)	(61,717)
Receipt of long-term loans	27	11,952	13,000
Issuance of ordinary shares in a subsidiary to minority shareholders, net		11,955	14,898
Deposits - SWAP deal in a subsidiary	1,193	-	(1,040)
Repayment of convertible debt in a subsidiary	(2,035)	(3,416)	(7,818)
Purchase of treasury stock in a subsidiary by a subsidiary thereof	-	2,731	3,017
Net cash used in financing activities from continued operations	(34,017)	(12,170)	(14,716)
Net cash provided by financing activities from discontinued operations	-	-	7
Net cash used in financing activities	(34,017)	(12,170)	(14,709)
Effect of exchange rate on cash of continuing operations	11,255	(2,305)	3,517

EMBLAZE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Year ended
	June 30,		December 31,
	2008	2007	2007
	Unaudited		
Increase (decrease) in cash and cash equivalents from continuing operations	\$ (18,860)	\$ 137,846	\$ 161,148
Increased (decrease) in cash and cash equivalents from discontinued operations	7,189	(527)	1,025
Cash and cash equivalents from continuing operations at the beginning of the year	172,456	10,784	10,784
Cash and cash equivalents from discontinued operations at the beginning of the year	2,393	1,892	1,892
Cash and cash equivalents from continuing operations at the end of the year	<u>163,176</u>	<u>145,912</u>	<u>\$ 172,456</u>
Cash and cash equivalents from discontinued operations at the end of the year	<u>2</u>	<u>4,083</u>	<u>\$ 2,393</u>

Six months ended		Year ended
June 30,		December 31,
2008	2007	2007
Unaudited		

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$ 3,456	\$ 2,362	\$ 6,322
Income taxes	2,900	1,697	5,109

EMBLAZE LTD. AND ITS SUBSIDIARIES

NOTE 1:- GENERAL

Emblaze Ltd. ("Emblaze" or "the Company") is an Israeli corporation. The Company's shares are traded on the London Stock Exchange ("LSE") under the symbol BLZ. The Company operates in two principal business segments, namely Growth and Innovation. The Growth segment relates to the development, production and marketing of information technology ("IT") solutions and services. The Innovation segment relates to research and development of technology for advanced wireless and cellular solutions and products.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2007, 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, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.