

**Emblaze Ltd**  
("Emblaze" or "the Group")

**Interim results for six months ended 30 June 2009**

Ra'anana, Israel, 28 August 2009: Emblaze Ltd, the technology services group (LSE: BLZ), announces its financial results for the six months ended 30 June 2009. 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 Formula Systems (1985) Ltd. ("Formula"). The Innovation arm relates to the in-house investments made by the Group in technology research and development of future wireless and cellular products.

**Financial Highlights:**

- Group revenues have increased by approximately 8% in NIS terms as the vast majority of the Group revenues are generated in NIS. In translation to the reporting currency, US Dollar, revenues in H1 2009 have reached \$270.8 million, representing a decrease compared with H1 of 2008 (\$289.6 million). The reduction in revenue is a result of devaluation of exchange rates, which affected the translation of income generated in NIS into US Dollar.
- Operating profit of Growth arm increased to \$15.5 million (H1 2008: \$14 million). The consolidated operating profit increased to \$7.4 million (H1 2008: operating loss of \$4.2 million) as a result of lower R&D expenses of the Group's Innovation arm in the first half of 2009.
- Operating expenses reduced to \$54.5 million (H1 2008 \$75.4 million).
- Net profit of Growth arm attributed to Group shareholders increased to \$2.9 million (H1 2008: \$2.7 million). The continued investment in the Monolith and other Innovation arm projects resulted in consolidated net loss of \$4.35 million (H1 2008: net loss of \$10.8 million).
- Group total assets decreased to \$594.7 million (31 December 2007: \$639.3 million). The decrease is a result of distribution of dividends by Formula, exchange rate affects and investments in the Innovation arm.
- Strong cash position with consolidated cash and short terms investments of \$150.4 million.

**Operational Highlights:**

- Formula continued to perform well with all Growth arm subsidiaries generating positive operating and net profits despite challenging economic conditions.
- The Monolith project is being kept under a veil of strict secrecy due to obvious commercial and trade practices until actual commercial launch. However, Management reports that samples of the Monolith are now being tested by several global operators and that the project is in-line with its expectations for potentially gaining orders from operators and being ready for manufacturing by the end of 2009.
- EMOZE continued to expand through further agreements with operators and handset manufacturers.

Naftali Shani, Chairman of Emblaze, stated: "In the first half of 2009 our Growth arm continued the prudent cost saving strategy, which was translated into a strong cash position. Despite the inevitable impact of a world wide recession, we are pleased to report all Growth arm subsidiaries generated positive operating and net profits despite the global economy crisis. Although second quarter conditions remained challenging, we are beginning to see signs that the business environment is improving and we believe we are well positioned to take advantage of that. We also expect the Monolith mobile device to be ready for manufacturing by the end of 2009 and believe it has the potential to increase revenues and profits for the Group in 2010."

## Overview

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

<b><u>Emblaze Group - Financial Highlights</u></b> <b>(unaudited)</b> <b>US\$ in millions</b>	<b>Six months ended</b> <b>June 30, 2009</b>		
	<b><u>Growth</u></b> <b><u>Activity</u></b>	<b><u>Innovation</u></b> <b><u>Arm</u></b>	<b><u>Total</u></b>
Revenues	268.6	2.2	270.8
Gross profit	60.8	1.2	62
Operating income (loss)	15.5	(8.1)	7.4
Consolidated net income (loss)	13.1	(7.5)	5.6
Net income (loss) attributed to Group shareholders	2.9	(7.3)	(4.4)

\* Corporate expenses were allocated to Innovation arm

## GROWTH ACTIVITY

The Growth activity of the Group includes 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 2009 totaled \$268.6 million compared to \$287.3 million in the first half of 2008. Most of the decline in revenue is attributed to the negative impact of the devaluation of the NIS against the US Dollar. Formula's operating income in the first half of 2009 was \$16.7 million compared to \$15.5 million in the first half of 2008, an increase of 7.7%. The net income generated from continuing operation in the six months ended 30 June 2009 was \$7.1 million compared to \$7.3 million in the same period of 2008.

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

## **Matrix IT Ltd. (TASE: MTRX)**

### ***Overview***

Despite the economic slowdown and slow start to the year, Matrix continues to improve its results in the second quarter of 2009 as well as maintain its leading position in the IT Israeli market.

Earnings for the period ended 30 June 2009 amounted to \$179.6 million (H1 2008: \$193 million). Matrix generates its income in New Israeli Shekel. The reduction in revenue is only in translation of the revenues from NIS to US Dollar. In NIS, Matrix shows growth of approximately 7.5% in its revenues for H1 2009 compared to H1 2008. Operating profit and net profits for the period ending 30 June 2009 reached \$13.3 million (H1 2008: 13.7 million) and \$10.6 million (H1 2008: 10.5 million), respectively. As at 30 June 2009 Matrix's cash and short-term investment balances amounted to approximately \$78.2 million.

### ***Operational success***

During the second quarter of 2009, Matrix won several projects including the work related to the core systems of three hospitals in Israel, upgrading hardware and software systems of a leading credit card company, projects in finance and security, wide scope testing project for a governmental body, implementing significant system projects in the financial sector, and developing IPHONE designated solutions for financial sector clients.

### ***Matrix Dividend policy***

In April 2009, Matrix distributed a dividend in a total of NIS33.6 million (approximately \$7.9 million) and in July 2009 distributed additional NIS11.8 million (approximately \$3.9 million). In June 2009, the board of directors of Matrix has resolved that pursuant to the required qualifications and legal requirements, Matrix will commence henceforth a quarterly distribution of dividend to its shareholders.

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

### ***Overview***

Magic's revenues for the six months ended 30 June 2009 reduced to \$27.4 million, down from \$31.1 million in the same period of 2008. The reduction in revenues is mainly due to the downturn in global economic conditions, particularly in Magic's Japanese and US markets. However, Magic succeeded in compensating for the reduction in revenues with improved operational efficiency and shortened sales cycle. These measures have allowed Magic to present an increase in its profitability. Operating income for the first half of 2009 grew to \$1.7 million, up from \$1.5 million in the first half of 2008. Net income for the first half of 2009 was \$1.8 million, up from \$1.7 million in the first half of 2008. Total cash, cash equivalents and short-term investments as of 30 June 2009 increased to \$37 million compared to \$33 million at December 31, 2008.

In the second half of 2009, Magic will continue to focus on operational efficiencies and tight control over costs as it waits for business to return to normal seasonal patterns.

### ***Operational success***

During the second quarter of 2009, Magic saw signs of improvement within its US and Japanese markets as it has won a significant number of new customers, many of which are in the US. In addition, Magic is now implementing more than 50 uniPaaS RIA projects with Japanese customers and has won four new Japanese partners. The uniPaaS application platform continues to be adopted by worldwide customers, including the Norfolk and Norwich University NHS Trust in the UK. The iBOLT business and process integration suite has new connectors and adaptors for HL7 (healthcare), Lotus Notes, and the Data Replicator for Salesforce.com. The expanded iBOLT range facilitated project wins in a number of countries including Austria, the US, and the Netherlands.

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

### ***Overview***

In the second half of 2009, Sapiens continued to improve its performance and more than doubled its operational profit from the first half of 2008, reaching \$2.3 million. Its net income for the second half of 2009 amounted to \$1.9 million, up from a loss of \$1.7 million in the second half of 2008. Revenue in H1 of 2009 reached \$21 million, compared with \$21.5 million in the equivalent period last year. This decrease is primarily due to revenues being deferred in a project that will be off-set in the second half.

### ***Operational success***

Sapiens sees growing interest and opportunities for its products suites including the Sapiens INSIGHT for Closed Books platform, the Sapiens INSIGHT for Reinsurance, as well as the Sapiens windows for eMerge applications.

## **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. The costs associated with our Innovation arm remain in line with management expectations.

### **Emblaze Mobile Ltd. (“Emblaze Mobile”)**

Emblaze Mobile, wholly owned by the Emblaze Group, is a designer of advanced mobile devices. It is engaged in the development of the Monolith, an “all in one” communications device. Samples of the device are being tested by several global operators and management believes Emblaze Mobile is in-line with its expectations for potentially gaining orders from operators and being ready for manufacturing by the end of 2009.

### **EMOZE Ltd. (“EMOZE”)**

EMOZE, a 95% subsidiary of the Emblaze Group, is a provider of Push email and PIM synchronisation to mobile users based on proprietary technology developed in-house. The company represents realisation of the ‘mobile office’ vision, accessible for all mobile users around the world thanks to its efficiency and low cost for the mass market. EMOZE provides push email to any ISP email account (pop3/imap), Gmail, Hotmail and Yahoo users as well as push messaging and friend list synchronization to Facebook and soon to other social networks.

During the first six months of 2009, EMOZE continued to expand through agreements with operators for use by subscribers and through agreements with handset manufacturers to offer the EMOZE service directly to users.

EMOZE has launched a unique platform that can push rich content to almost any handset, using the EMOZE existing clients for Operating Systems that are commonly deployed on most handsets. EMOZE is presently capable of delivering such service, and the business potential could be significant for any content provider wishing to send its content to many mobile users the same way that they are used to doing with desktops and laptops.

## **ZONE-IP Ltd.**

Emblaze VCON Ltd., a wholly owned subsidiary of ZONE-IP Ltd., continues to invest further in the development of its products. In February 2009, Emblaze VCON announced that it has signed a distribution agreement with Enkay Technologies (India) Pvt. Ltd (“Enkay”) for exclusive distribution of its video conferencing range in India. Enkay commenced distribution of the Emblaze VCON products in India and already placed orders of \$300,000.

Emblaze VCON also began distribution of its video conferencing products in South America. First orders came from Argentina with more to come from Brazil & Mexico in the next few months.

On 24 June 2009, ZONE-IP canceled the admission of its shares to trading on the AIM Market.

### ***Outlook***

In the first half of 2009 our Growth arm continued the prudent cost saving strategy which was translated into a strong cash position. Despite the inevitable affects of a world wide recession, we are pleased to report all Growth arm subsidiaries generated positive operating and net profits.

Although second quarter conditions remained challenging, we are beginning to see signs that the business environment is improving and we believe we are well positioned to take advantage of that. We also expect the Monolith mobile device to be ready for manufacturing by the end of 2009 and believe it has the potential to increase revenues and profits for the Group in 2010.

### **Enquiries:**

Harry Chathli, Alexis Gore  
Corfin Communications

+44 (0)20 7977 0026

### **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 (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](http://www.Emblaze.com)

## CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<b><u>Unaudited</u></b>	<b><u>Audited</u></b>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 95,177	\$ 122,197
Short-term investments and restricted deposits	55,251	48,377
Trade receivables, net	140,804	159,508
Other receivables and prepaid expenses	19,482	17,309
Inventories	4,582	5,320
Assets of discontinued operations	31	31
<b>Total</b> current assets	<b><u>315,327</u></b>	<b><u>352,742</u></b>
LONG-TERM RECEIVABLES AND INVESTMENTS	<u>20,631</u>	<u>20,983</u>
SEVERANCE FUND	<u>41,827</u>	<u>39,047</u>
PROPERTY AND EQUIPMENT, NET	<u>13,842</u>	<u>15,716</u>
GOODWILL	<u>151,487</u>	<u>154,757</u>
OTHER ASSETS, NET	<u>51,633</u>	<u>56,022</u>
<b>Total</b> assets	<b><u>\$ 594,747</u></b>	<b><u>\$ 639,267</u></b>

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

**CONSOLIDATED BALANCE SHEETS**

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

	<b>June 30, 2009 Unaudited</b>	<b>December 31, 2008 Audited</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 51,267	\$ 60,011
Short-term liabilities to banks and others	12,062	13,014
Other payables and accrued expenses	86,401	103,311
Liability due to activity acquisition	210	6,954
Liabilities of discontinued operations	488	483
Convertible debt	4,618	5,157
	<u>155,046</u>	<u>188,930</u>
<b>Total</b> current liabilities		
<b>LONG-TERM LIABILITIES</b>		
Convertible and non-convertible Debt	54,958	56,004
Liabilities to bank and other	11,546	16,640
Deferred tax liability	5,969	6,819
Other long term liabilities	1,328	1,216
Liability due to activity acquisition	1,187	1,010
Accrued severance pay	53,620	51,518
	<u>128,608</u>	<u>133,207</u>
<b>Total</b> long-term liabilities		
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital:		
Ordinary shares of NIS 0.01 par value -		
Authorized: 200,000,000 shares at December 31, 2008 and at June 30, 2009; Issued: 140,578,154 shares at December 31, 2008 and June 30, 2009; Outstanding: 111,718,432 shares at December 31, 2008 and 111,755,932 at June 30, 2009		
	416	416
Additional paid-in capital	469,599	470,716
Treasury stock, at cost	(75,555)	(75,654)
Accumulated other comprehensive income	4,795	6,951
Accumulated deficit	(280,210)	(275,855)
	<u>119,045</u>	<u>126,574</u>
Total Company's Shareholders' equity		
Non- controlling interest	*) 192,048	*) 190,556
	<u>311,093</u>	<u>317,130</u>
<b>Total</b> equity		
<b>Total</b> liabilities and equity	<u>\$ 594,747</u>	<u>\$ 639,267</u>

\*) Reclassified according to FAS 160.

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

**CONSOLIDATED STATEMENTS OF OPERATIONS****U.S. dollars in thousands, except share and per share data**

	Six months ended June 30		Year ended December 31
	2009	2008	2008
	Unaudited		Audited
Revenues	\$ 270,779	\$ 289,637	\$ 595,617
Cost of revenues	208,810	218,413	454,126
Gross profit	61,969	71,224	141,491
Operating expenses:			
Research and development, net	8,196	17,628	33,157
Selling and marketing	22,247	26,338	50,153
General and administrative	24,086	31,439	59,945
<u>Total Operating Expenses</u>	<u>54,529</u>	<u>75,405</u>	<u>143,255</u>
Operating Income (loss)	7,440	(4,181)	(1,764)
Financial income (expenses)	2,777	(1,012)	(7,097)
Other income	107	1,138	(885)
Income (loss) before taxes on income	10,324	(4,055)	(9,746)
Taxes on income	4,766	913	4,339
Income (loss) before non-controlling interest and equity gains (loss)	5,558	(4,968)	(14,085)
Equity losses of affiliated companies, net	-	(390)	(216)
Income (loss) before non-controlling interest from continuing operations	5,558	(5,358)	(14,301)
Gain from discontinued operations, net	-	3,066	2,862
Consolidated net income (loss)	<u>5,558</u>	<u>(2,292)</u>	<u>(11,439)</u>
Less: net income attributable to non-controlling interest *)	(9,913)	(8,514)	(15,625)
Net loss attributable to Company's shareholders	<u>\$ (4,355)</u>	<u>\$ (10,806)</u>	<u>\$ (27,064)</u>
Basic and diluted loss per share to Company's shareholders:			
From continuing operations	<u>\$ (0.04)</u>	<u>\$ (0.12)</u>	<u>\$ (0.27)</u>
From discontinued operations	-	0.02	0.03
Net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>	<u>\$ (0.24)</u>
Weighted average number of shares used in computing basic and diluted earnings (loss) per share	<u>111,755,932</u>	<u>111,476,687</u>	<u>111,522,295</u>

\*) Reclassified according to FAS 160.

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

## 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	Non-controlling interest *)	Total equity	Total comprehensive income (loss)
Balance as of December 31, 2007	416	\$470,891	(76,433)	\$ 4,993	\$ (248,791)	\$208,602	\$359,678	\$-
Dividend to non-controlling interest shareholder's						(19,553)	(19,553)	-
Issuance of shares upon exercise of stock options		(803)	803			(3,609)	(3,609)	-
Purchase of treasury stock			(24)			-	(24)	-
Tax benefits related to exercise of options in a subsidiary		58				57	115	-
Share based compensation expenses		570				263	833	-
Comprehensive loss:						-		-
Realized gains and unrealized losses from available for sales marketable securities net				(961)		(394)	(1,355)	(961)
Foreign currency translation adjustment				2,919		384	3,303	2,919
Net loss					(27,064)	4,806	(22,258)	(22,258)
Balance as of December 31, 2008	416	\$470,716	\$ (75,654)	\$ 6,951	\$ (275,855)	\$190,556	\$317,130	
Total comprehensive loss								<u>\$(20,310)</u>
Decrease in subsidiaries holding due to sale of shares		(843)				1,214	371	
Dividend to non-controlling interest shareholders						(5,877)	(5,877)	
Tax benefits related to exercise of options in a subsidiary		(318)				(310)	(628)	
Exercised options		(99)	99			592	592	
Share based compensation expenses		143				755	898	
Non-controlling interest investment in subsidiaries	-	-	-	-	-	-	-	-
Comprehensive loss:								
Realized gains from available-for-sale marketable securities, net	-		-	(45)	-	(1,070)	(1,115)	(1,115)
Foreign currency translation adjustments	-	-	-	(2,111)	-	(3,725)	(5,836)	(5,836)
Net loss					(4,355)	9,913	5,558	5,558
Balance as of June 30, 2009 (unaudited)	416	469,599	(75,555)	4,795	(280,210)	192,048	311,093	
Total comprehensive loss								<u>\$ (1,393)</u>

\*) Reclassified according to FAS 160.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	Six months ended		Year ended December 31, 2008
	June 30,		
	2009	2008	
	Unaudited		
<u>Cash flows from operating activities:</u>			
Net loss	\$ (4,355)	\$ (10,806)	\$ (27,063)
Less: gain from discontinued operations	-	(3,066)	(2,862)
Loss from continuing operations	(4,355)	(13,872)	(29,925)
Depreciation and amortization	7,566	7,129	14,632
Capital gain from sale of intangible assets	-	-	(1,616)
Amortization of marketable debt securities premiums and accretion of discounts, net	141	(16)	608
Share based compensation expenses	945	381	570
Share based compensation expenses of subsidiaries	143	1,215	1,768
Net loss (gain) on sales of marketable securities and changes in accrued interest, net	(1,653)	(1,962)	6,016
Impairment of investment in marketable securities and others	-	912	2,970
Equity losses, net	-	390	216
Revaluation of long term loans and deposits, net	(119)	(45)	(129)
Other income and capital losses, net	-	172	65
Non-controlling interests in gains (losses) of subsidiaries	9,913	8,514	15,625
Decrease (increase) in trade receivables, other receivables and prepaid expenses and inventories	17,368	11,748	(1,581)
Increase (decrease) in trade payables, other payables and accrued expenses, accrued severance pay, net and other long term liabilities	(14,846)	(1,144)	13,361
Changes in deferred tax, net	511	309	(2,218)
Liability to option to non-controlling interest payment	(371)	-	-
Change in value of put options and derivatives	(1,933)	-	727
Other	(26)	-	-
Net cash provided by operating activities from continuing operations	13,325	13,731	21,089
Net cash used in operating activities from discontinued operations	-	(2,556)	(2,170)
Net cash provided by (used in) operating activities	13,325	11,175	18,919
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment, net	(1,389)	(2,218)	(4,310)
Proceed from sale of intangible assets	-	-	1,622
Proceeds from sale of property and equipment	443	567	1,011
Proceeds from short-term bank deposits and short and long restricted deposits	(509)	(3,193)	(1,570)
Purchase (proceed) of trade marketable securities	1,399	(7,872)	(7,249)
Proceeds from maturity of short-term marketable securities	3,292	1,053	-
Investment in long-term marketable securities	(4,996)	-	(250)
Proceeds from sales, calls and maturity of marketable securities	8,665	13,022	16,999
Proceeds from long-term bank deposits and restricted deposits	-	2,561	-
Capitalization of software development and other costs of subsidiaries	(3,366)	(3,800)	(6,683)
Purchase of non-controlling interest in subsidiaries	(20)	(8,300)	(16,983)
Proceed from sales of previously held subsidiary	43	-	-

## CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Year ended
	June 30,		December 31,
	2009	2008	2008
	Unaudited		
Proceeds from realization of investment	-	15,400	-
Proceed from sales of subsidiary's operations	-	-	170
Investment in long term bank deposits net	(13,534)	-	-
Investment in and loans to affiliated and other companies	-	-	(1,157)
Payment to former stockholders of subsidiary in respect to a purchase liability	-	-	(5,973)
Cash paid for the acquisition of subsidiaries thereof , net of cash acquired	(6,455)	(11,830)	(13,633)
Payment to formally stockholders of consolidated company on behalf of purchase liability	-	(5,081)	-
Other investments	(269)	(138)	(756)
Net cash used in investing activities from continuing operations	(16,696)	(9,829)	(38,762)
Net cash provided by investing activities from discontinued operations	-	9,745	25,081
Net (cash used) in investing activities	(16,696)	(84)	(13,681)
<u>Cash flows from financing activities:</u>			
Exercise of stock options in subsidiaries	(1,195)	632	876
Dividend to non-controlling interest shareholders in subsidiaries	(17,950)	(10,683)	(10,683)
Short-term borrowing and bank credit, net	1,496	(17,033)	(20,928)
Repayment of long-term loans in subsidiaries	(4,283)	(6,118)	(10,855)
Receipt (repayment) of short-term loans in subsidiaries	(1,250)	27	(628)
Deposits - SWAP deal in a subsidiary	1,026	1,193	-
Repayment of convertible debt in a subsidiary	(402)	(2,035)	(18,128)
Proceeds from sale of subsidiaries shares	921	-	-
Purchase of non- controlling interest	(992)	-	-
Purchase of treasury stock	-	-	(24)
Net cash (used) in financing activities	(22,629)	(34,017)	(60,370)
Effect of exchange rate on cash of continuing operations	(1,020)	11,255	2,481
Decrease in cash and cash equivalents from continuing operations	\$ (27,020)	\$ (18,860)	\$ (75,562)
Increased (decrease) in cash and cash equivalents from discontinued operations	(1)	7,189	22,911
Cash and cash equivalents from continuing operations at the beginning of the period	122,197	172,456	172,456
Cash and cash equivalents from discontinued operations at the beginning of the period	1	2,393	2,393
Cash and cash equivalents from continuing operations at the end of the period	\$ 95,177	\$ 163,176	\$ 122,197
Cash and cash equivalents from discontinued operations at the end of the period	-	2	1

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

**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, 2008, 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, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

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