

13 September 2005

Adamind Ltd (Adamind or “the Company”)

Interim Results for the six months ended 30 June 2005

Adamind Ltd (LSE: ADA), the leading provider of media adaptation for multimedia messages (MMS) and content services markets, announces its maiden financial results for the six months ended 30 June 2005 since its flotation in February 2005.

Financial highlights

- Revenues increased 121% to \$3.2m (Combined Pro-forma* H1 2004: \$1.4m)
- Operating loss reduced by 62% to \$0.83m (Combined Pro-forma H1 2004: \$2.2m)
- Net cash as of 30 June 2005 amounted to \$28.9m
- Net profit with interest income was \$58K
- Gross margin maintained at 91%
- On track to deliver further growth for the full year 2005 and beyond

* Adamind was formed in November 2004 from the merger of the transcoding business units of Royal Philips Electronics and Emblaze Ltd; Philips MP4NET and Emblaze Transcoding. These are the combined financial information of two business of H1 2004 as if the business combination had occurred on January 1, 2003.

Operational highlights

- Firmly established commercial relationship with leading systems integrators such as IBM and OEM relationship with four of the top six multimedia messaging centre (MMSC) infrastructure vendors (Ericsson, LogicaCMG, Motorola and Openwave)
- Two new infrastructure channel partners added: Critical Path and CBOSS
- Total number of Adamind-enabled mobile networks up by 10 to more than 90 worldwide
- Verizon Wireless launches MMS service; nearly 30% of their subscribers have registered for MMS services
- Strategic partnership with Ericsson broadened to include video content adaptation and support for Digital Rights Management
- Revenues already being generated from providing media adaptation for services beyond picture messaging, such as video, digital rights management, e-mail and MMS virus elimination
- Announced today that the Company, with IBM as the system integrator, has sold directly to SMART Communications of Philippines.

Shailendra Jain, chief executive of Adamind, said: “We have delivered a solid set of maiden half-year results following Adamind’s flotation in February. The growth reflects an increasing pace of network infrastructure investment by mobile network operators as multi-media messaging and other rich content services become increasingly popular with end-users worldwide.

“The Company entered the second half with a solid order book amid signs of rising MMS traffic volumes. With Adamind’s long term prospects directly tied to the volume of MMS and content traffic passing through many of the world’s leading mobile networks, our confidence in delivering further growth in revenues for the full year and in 2006 is reinforced.”

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Overview

In announcing its maiden results since its flotation in February 2005, Adamind is pleased to report a strong operating performance in the first half of 2005, reflecting the Company's success in establishing its media adaptation software as a preferred choice of leading systems integrators such as IBM and four of the world's top six MMSC infrastructure vendors: Ericsson, LogicaCMG, Motorola and Openwave.

In addition to strengthening the Company's ties with the top MMSC vendors and systems integrators Adamind has also increased its direct selling efforts. Today's announcement with SMART Communications is a result of these efforts.

Revenues increased by 121% to \$3.2m compared with the corresponding combined pro forma results of last year and were also higher than revenues of \$3.06m for the whole of 2004. Operating losses reduced to \$0.83m (Combined Pro-forma H1 2004: \$2.2m). Gross margin was maintained at 91%.

The first half of 2005 has seen a strong uplift in demand for Adamind's media adaptation software as network operators launch MMS and other content services (such as picture messages, music and video downloads) as a means of boosting average revenues per user. At the same time advanced new multimedia handsets and other mobile devices are becoming available in greater numbers and at affordable prices. This provides a sound platform for growth in demand for Adamind's software, which enables MMS and other content to be delivered to any mobile device through any network. Over the period the total number of operators using Adamind's solutions increased to more than 90 thus maintaining the Company's leadership in terms of deployments.

Adamind also benefited from higher volumes of MMS traffic running through networks as well as the launch of a wider range of content services by some operators. Rising traffic volumes result in operators buying higher capacity usage for software while additional applications results in more licensing fees for the Company.

Significant MMS deployments since flotation

In March 2005, it was announced that Adamind deployed its media adaptation platform integrated into the Motorola MMSC at Verizon Wireless, one of the two largest North American mobile phone companies with more than 40 million subscribers. Since the launch of the service nearly 30% of the subscribers have registered for MMS and is now making a growing contribution to Adamind's revenues.

Also in March 2005, Adamind's software was deployed at TELUS Mobility as part of Openwave's multimedia messaging services centre (MMSC) solution for its operator customer base across North America. The media adaptation software is deployed at Openwave's MMSC to provide an overall streamlined and scalable messaging platform to operators across North America.

At the time of the flotation it was a stated aim of the Company to penetrate into more high growth regions. In February the Company announced a tie up with CBOSS, the largest MMSC infrastructure vendor in Russia and Eastern Europe, which will enable Azercell to offer seamless MMS and rich mobile content services to their customer base.

Beyond picture messages

The Company has also made considerable progress with its strategy of providing media adaptation for services beyond picture messaging. Over the period Adamind expanded its offering to rich media

content beyond person to person MMS to be sent over any network and any device. Its products are now being deployed to enable audio/video content service to be transmitted to any handset over mobile networks. Also, Adamind now addresses the market of e-mail traffic and elimination of MMS viruses.

Adamind has announced today deployment of its software at the heart of Nokia's MMSC at Philippine's SMART Communications to deliver picture messaging, animated e-cards, polyphonic ringtones, cartoons and movies to its 20 million subscribers. This deal is expected to generate significant revenues in 2005 and 2006.

Adamind has broadened its alliance with Ericsson, the world's leading telecom supplier, which has integrated Adamind's video content adaptation software and digital rights management in addition to picture messaging as part of its network infrastructure solution. This has already started generating revenues but is expected to contribute more significantly in 2006

In the early part of the second half the Company announced the alliance with Critical Path, Inc. to address the market for email traffic. The alliance with Critical Path, Inc. a leading provider of messaging software and services, marks the first significant step by Adamind to address the market for email traffic. By embedding Adamind's software, Critical Path's Memova Mobile bridges the gap between Internet email and MMS, enabling consumers to exchange multimedia-rich email messages and providing operators with a new way to drive MMS usage. This means every user with an MMS-enabled device can send and receive email with picture, audio and video attachments. Revenues from this alliance will commence in the latter part of 2005.

Last week Adamind announced that it has deployed its virus detection capabilities and anti-abuse support to eliminate spread of the CommWarrior MMS virus among Singapore's MobileOne's, MMS-active subscribers.

Independent industry experts such as Strategy Analytics believe a full scale threat from virus attack is some way away, however, it seems likely that viruses will be created that are capable of infecting devices with most or all of the major operating systems. The fact that viruses can propagate via MMS rather than just Bluetooth (which was the case in the earliest viruses) significantly increases the broader threat. The wireless industry, is expected to ensure that virus protection services are built into networks as opposed to devices and avoid the mistakes of the PC market. To this end Adamind is well placed to benefit from such action.

Financial Review

Revenues increased by 121% to \$3.2m (Pro-forma H1 2004: \$1.4m). The Company has benefited from rising MMS traffic volumes, new capacity upgrades by operators and take up of additional content services by operators.

The Company had a one-off currency gain of \$0.6m after the Company converted its approx £14m net proceeds from the AIM placing into US dollars. This resulted in the company having net cash from operating activities of \$0.65m and posting a small net profit of \$0.06m.

Sales and marketing expenditure amounted to \$1.2m compared with \$0.82m in H1 2004 combined pro forma numbers. Spending is expected to rise during the second half as the Company's builds a global sales infrastructure and fosters direct deals with operators. Net cash as of 30 June amounted to \$28.9m.

Gross margins for the half amounted to 91% and are expected to be maintained between the 89-91% range.

Research and Development

Research and development expenditure net amounted to \$1.6m (Combined Pro-forma H1 2004: \$1.9m), representing 49% on first half revenues for 2005. It is likely that spending in this area will continue to be significant as the Company develops more products to take advantage of the considerable market opportunities available.

Outlook

Adamind has established a solid foundation for the full year with good first half results as multi-media messaging and other rich content services become increasingly popular with end-users worldwide.

The Company entered the second half with a solid order book and signs of rising MMS traffic volumes. With Adamind's long term prospects directly tied to the volume of MMS and content traffic passing through many of the world's leading mobile networks, our confidence in delivering further growth in revenues for the full year and in 2006 is reinforced.

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share data

	30 June 2005	31 December 2004
	<u>Unaudited</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,802	\$ 2,799
Short-term available-for-sale marketable securities and accrued interest	15,079	-
Trade receivables	819	233
Other accounts receivable and prepaid expenses	220	41
<u>Total current assets</u>	<u>24,920</u>	<u>3,073</u>
LONG-TERM HELD-TO-MATURITY MARKETABLE SECURITIES	5,029	-
SEVERANCE PAY FUNDS	116	33
EQUIPMENT, NET	408	413
INTANGIBLE ASSETS, NET	3,229	3,681
	<u>\$ 33,702</u>	<u>\$ 7,200</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 187	\$ 19
Employees and payroll accruals	538	305
Accrued expenses and other liabilities	1,269	616
Deferred revenues	351	304
<u>Total current liabilities</u>	<u>2,345</u>	<u>1,244</u>
ACCRUED SEVERANCE PAY	122	33
SHAREHOLDERS' EQUITY:		
Share capital -		
Series A Convertible Preferred shares of NIS 0.01 par value: Authorized: 0 and 5,000,000 shares as of 30 June 2005 and 31 December 2004, respectively; Issued and outstanding: 0 and 4,800,000 shares as of 30 June 2005 and 31 December 2004, respectively	-	11
Ordinary shares of NIS 0.01 par value : Authorized: 50,000,000 and 45,000,000 shares as of 30 June 2005 and 31 December 2004, respectively; Issued and outstanding: 35,363,636 and 19,200,000 shares as of 30 June 2005 and 31 December 2004, respectively	80	43
Additional paid-in capital	31,069	5,956
Share based compensation	115	-
Accumulated deficit	(29)	(87)
<u>Total shareholders' equity</u>	<u>31,235</u>	<u>5,923</u>
	<u>\$ 33,702</u>	<u>\$ 7,200</u>

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS

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

	Six months ended 30 June 2005	Six months ended 30 June 2004 *) Combined pro forma Unaudited	Year ended 31 December 2004 *) Combined pro forma
Revenues	\$ 3,187	\$ 1,441	\$ 3,060
Cost of revenues	<u>287</u>	<u>133</u>	<u>252</u>
Gross profit	<u>2,900</u>	<u>1,308</u>	<u>2,808</u>
Operating expenses:			
Research and development, net	1,563	1,883	3,545
Sales and marketing	1,192	821	1,595
General and administrative	527	341	730
Amortization of intangible assets	<u>451</u>	<u>443</u>	<u>782</u>
<u>Total operating expenses</u>	<u>3,733</u>	<u>3,488</u>	<u>6,652</u>
Operating loss	(833)	(2,180)	(3,844)
Financial income (expenses), net	<u>891</u>	<u>(68)</u>	<u>(80)</u>
Net profit (loss)	<u>\$ 58</u>	<u>\$ (2,248)</u>	<u>\$ (3,924)</u>
Basic net profit (loss) per Ordinary share	<u>\$ 0.00</u>	<u>\$ (0.12)</u>	<u>\$ (0.20)</u>
Weighted average number of Ordinary shares used in computing basic net profit (loss) per Ordinary share	<u>31,681,919</u>	<u>19,200,000</u>	<u>19,200,000</u>
Diluted net profit (loss) per Ordinary share	<u>\$ 0.00</u>	<u>\$ (0.12)</u>	<u>\$ (0.20)</u>
Weighted average number of Ordinary shares used in computing diluted net profit (loss) per Ordinary share	<u>33,906,437</u>	<u>19,200,000</u>	<u>19,200,000</u>

*) See also Note 3.

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Series A convertible Preferred shares		Ordinary shares		Additional paid-in capital	Accumulated deficit	Share based compensation	Total shareholders' equity
	Number	Amount	Number	Amount				
Balance as of November 2004 (date at commencement of operations)	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares *)	4,800,000	11	19,200,000	43	5,956	-	-	6,010
Net loss	-	-	-	-	-	(87)	-	(87)
Balance as of 31 December 2004	4,800,000	11	19,200,000	43	5,956	(87)	-	5,923
Issuance of Ordinary shares upon Initial Public Offering **)	(4,800,000)	(11)	16,163,636	37	25,113	-	-	25,139
Share based compensation	-	-	-	-	-	-	115	115
Net profit	-	-	-	-	-	58	-	58
Balance as of 30 June 2005 (unaudited)	-	\$ -	35,363,636	\$ 80	\$ 31,069	\$ (29)	\$ 115	\$ 31,235

*) Net of issuance expenses of \$ 100.

***) Net of issuance expenses of \$ 2,906.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended 30 June 2005
	Unaudited
<u>Cash flows from operating activities:</u>	
Net profit	\$ 58
Adjustments to reconcile net profit to net cash provided by operating activities:	
Depreciation and amortization	570
Increase in trade receivables, other accounts receivable and prepaid expenses	(844)
Increase in trade payables, employees and payroll accruals, accrued expenses and other liabilities and severance pay, net	708
Share based compensation	115
Increase in deferred revenues	47
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Net cash provided by operating activities	654
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<u>Cash flows from investing activities:</u>	
Purchase of equipment	(113)
Investment in short-term available-for-sale marketable securities	(15,000)
Investment in long-term held-to-maturity marketable securities	(5,029)
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Net cash used in investing activities	(20,142)
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<u>Cash flows from financing activities:</u>	
Proceeds from issuance of shares	28,045
Issuance expenses	(2,554)
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Net cash provided by financing activities	25,491
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Increase in cash and cash equivalents	6,003
Cash and cash equivalents at the beginning of the period	2,799
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Cash and cash equivalents at the end of the period	\$ 8,802
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<u>Non-cash financing activities:</u>	
Conversion of Series A Convertible Preferred shares to Ordinary shares	\$ 11
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Issuance expenses payable	\$ 352
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The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

NOTE 1:- GENERAL

a. Background:

On 17 September 2004, Emblaze Ltd. ("Emblaze") a company organized under the laws of the State of Israel, and traded on the London Stock Exchange, entered into an agreement ("the Agreement") with DommelRiver Israel Ltd., Philips Digital Networks B.V. ("PDN") and Koninklijke Philips Electronics N.V. ("Philips") (all of the aforementioned Philips companies - "Philips Parties") to transfer their respective media adaptation business to a new Israeli-based company, Adamind Ltd. ("Adamind Ltd."). Emblaze agreed to contribute the Emblaze media adaptation business ("Emblaze Media Adaptation Business") and operations in consideration for the issuance of Ordinary shares of Adamind Ltd., and the Philips Parties agreed to contribute the MP4Net media adaptation business ("Philips MP4Net media adaptation business") to Adamind Ltd. in consideration for the issuance of Ordinary shares of Adamind Ltd., all as set forth in the Agreement. In addition, Emblaze agreed to make an equity investment of \$ 2,000 in Adamind Ltd. in consideration of the issuance of Series A Convertible Preferred shares of Adamind Ltd., as set forth in the Agreement (see c. and d. below).

Adamind Ltd. has a wholly-owned subsidiary in the U.S. ("Adamind Inc."), which is primarily engaged in marketing, sales, professional services and certain general and administrative functions associated with Adamind Ltd.'s activities.

b. Adamind develops and licenses proprietary media adaptation technology. Adamind's software products enable multimedia data applications and services to be accessible across disparate types of networks (mobile and fixed-wire) and consumer devices. The Company's core technologies aims to solve the problem of application-to-person and person-to-person media transactions (e.g., sending of images, video and ringtones) between non-compatible devices, enabling network operators to launch interoperable rich-media services including MMS, content download, mobile browsing and more, reaching a wealth of diversified mobile and other devices.

Adamind's solutions are primarily targeted at cellular network operators, multimedia messaging center vendors, and system integrators providing mobile infrastructure solutions worldwide.

c. Pursuant to the Agreement, on 7 November 2004, Emblaze transferred to Adamind Ltd. assets, including intellectual property, and liabilities related to the media adaptation business with a net carrying value in the accounts of Emblaze of \$ 610 in consideration of the issuance of 12,000,000 Ordinary shares. In addition, Emblaze transferred to Adamind Ltd. \$ 2,000 in cash as an equity investment in consideration of 4,800,000 Series A Convertible Preferred shares. The identification of the assets and liabilities transferred ("the transferred net assets") was agreed upon between Emblaze and Philips Parties pursuant to the Agreement and related documents entered into by and between Adamind Ltd., Emblaze and Philips Parties.

NOTES TO FINANCIAL STATEMENTS**U.S. dollars in thousands****NOTE 1:- GENERAL (Cont.)**

d. Business combination:

Pursuant to the Agreement, on 7 November 2004, the Philips Parties agreed to contribute the Philips MP4Net media adaptation business to Adamind Ltd. in consideration for the issuance of Ordinary shares of Adamind Ltd. and other consideration paid by Emblaze.

The transaction has been accounted for under the purchase method of accounting, under which Adamind Ltd. is considered as the acquirer of the Philips MP4Net media adaptation business from Philips. Accordingly, the results of operations of Philips MP4Net media adaptation business were included in the consolidated statements of operations of Adamind Ltd., commencing 7 November 2004.

The estimated fair value of the identifiable assets acquired and liabilities assumed as of 7 November 2004 are as follows:

Current assets	\$ 262
Equipment	217
Acquired technology	2,266
Customer agreements	248
	<u>2,993</u>
Accrued expenses and other liabilities	(91)
Deferred revenues	(76)
	<u>(167)</u>
Fair value of net assets	2,826
Goodwill arising on acquisition	674
	<u>\$ 3,500</u>

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. The significant accounting policies and methods of computation applied in the preparation of the interim financial statements are the same as those applied in the annual financial statements of the Company as of 31 December 2004. In addition, in 2005 the Company adopted International Financial Reporting Standards ("IFRS") No. 2 (see c below) and implemented International Accounting Standard ("IAS") No. 32, "Financial Instruments: Disclosure and Presentation", and IAS 39, "Financial Instruments: Recognition and Measurement" (see b below), with respect to accounting for marketable securities

These financial statements have been prepared in a condensed format as of 30 June, 2005, and for the six months then ended ("interim financial statements"). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of 31 December 2004.

- b. Marketable securities:

The Company accounts for investments in debt securities in accordance with IAS 32 and IAS 39. Management determines the appropriate classification of its investments in marketable debt securities at the time of purchase and re-evaluates such determinations at balance sheet date. Debt securities that are designated as available-for-sale are stated at fair value, with unrealized gains and losses charge directly in shareholders' equity. Realized gains and losses on sales of investments, as determined on a specific identification basis, will be included in the statement of operations. As of 30 June 2005, no impairment has been identified.

- c. Adoption of new standards:

Commencing 1 January 2005, the Company has adopted IFRS 2, "Share Based Payment". IFRS 2 requires an expense to be recognized where the Company buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The main impact of IFRS 2 on the Company is the expense of employees' and directors' share options and other share-based incentives by using an option-pricing-model.

The Company has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 31 December 2004.

The effect of the adoption of IFRS 2 on the six months ended 30 June 2005 is an increase in the employee benefits expenses in the amount of \$ 115 with a corresponding increase in additional paid-in capital.

In December 2003, the International Accounting Standards Board ("IASB") released revised IAS 32 and IAS 39. These standards replace IAS 32 (revised 2000), and supersedes IAS 39 (revised 2000), and should be applied for annual periods beginning on or after 1 January 2005. The amendments do not have a material impact on the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In December 2003, as a part of the IASB's project to improve International Accounting Standards, the IASB released revisions to the following standards that supersede the previously released versions of those standards: IAS 1, "Presentation of Financial Statements", IAS 2, "Inventories"; IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"; IAS 10, "Events after Balance Sheet Date"; IAS 16, "Property, Plant and Equipment"; IAS 17, "Leases"; IAS 21, "The Effects of Changes in Foreign Exchange Rates"; IAS 24, "Related Party Disclosures"; IAS 27, "Consolidated and Separate Financial Statements"; IAS 28, "Investments in Associates"; IAS 31, "Interests in Joint Ventures"; IAS 33, "Earnings Per Share"; and IAS 40, "Investment Property". The revised standards should be applied for annual periods beginning on or after 1 January 2005. The amendments do not have a material impact on the consolidated financial statements.

NOTE 3:- UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements has been prepared to give effect to the acquisition of Philips MP4Net media adaptation business by Adamind Ltd. ("the Transaction") under the purchase method of accounting as if it had occurred on 1 January 2003 after giving effect to the adjustments described in the accompanying notes. This financial statements is not intended to be a profit forecast and the profits of Adamind Ltd. will not necessarily be in line with such data.

The unaudited pro forma combined financial statements reflects the best estimates of Adamind Ltd.'s management; however, the actual results of operations may differ significantly from the pro forma amounts reflected herein because of various factors, including, without limitation, access to additional information, changes in value and changes in operating results between the date of preparation of the unaudited pro forma financial statements and the future operation of Adamind Ltd.

The following unaudited pro forma combined statements of operations for the six months ended 30 June 2004 and for the year ended 31 December 2004 give effect to the Transaction as if it had occurred on 1 January 2003 and combine the historical statements of operations of Emblaze Media Adaptation ("EMA") and Philips MP4Net media adaptation business for these periods.

Unaudited pro forma combined financial statements is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have actually been reported had the Transaction occurred at the beginning of the period presented, nor is it necessarily indicative of future results of operations. The unaudited pro forma combined financial statements are based upon the respective separate financial statements of EMA and Philips MP4Net media adaptation business. The pro forma adjustments are based on available financial statements and certain estimates and assumptions that Adamind Ltd.'s management believes are reasonable and that are set forth in the notes to the unaudited pro forma combined financial statements.

NOTES TO FINANCIAL STATEMENTS**U.S. dollars in thousands****NOTE 3:- UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)**

	Six months ended 30 June 2004				
	EMA	Philips MP4Net media adaptation business Unaudited	Adjustment	References	Combined pro forma Unaudited
Revenues	\$ 968	\$ 473	\$ -		\$ 1,441
Cost of revenues	75	58	-		133
Gross profit	893	415	-		1,308
Operating expenses:					
Research and development, net	642	1,256	(15)	A	1,883
Sales and marketing	344	477	-		821
General and administrative	233	108	-		341
Amortization of intangible assets	185	-	258	B	443
Total operating expenses	1,404	1,841	243		3,488
Operating loss	(511)	(1,426)	(243)		(2,180)
Financial expenses, net	-	(68)	-		(68)
Net loss	<u>\$ (511)</u>	<u>\$ (1,494)</u>	<u>\$ (243)</u>		<u>\$ (2,248)</u>
Basic and diluted net loss per Ordinary share					<u>\$ (0.12)</u>
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share					<u>19,200,000</u>

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 3:- UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

	Ten months ended 31 October 2004		From 7 *) November 2004 (date of commencement of operation) through 31 December 2004			Year ended 31 December 2004
	EMA Historical (Audited)	Philips MP4Net media adaptation business - -	Adamind Ltd. Historical (Audited)	Adjustment	References	Combined pro forma
Revenues	\$ 1,307	\$ 775	\$ 978			\$ 3,060
Cost of revenues	101	91	60			252
Gross profit	1,206	684	918			2,808
Operating expenses:						
Research and development, net	1,069	2,222	391	(137)	A	3,545
Sales and marketing	574	722	299			1,595
General and administrative	355	200	175			730
Amortization of intangible assets	264	-	150	368	C	782
<u>Total operating expenses</u>	<u>2,262</u>	<u>3,144</u>	<u>1,015</u>	<u>231</u>		<u>6,652</u>
Operating loss	(1,056)	(2,460)	(97)	(231)		(3,844)
Financial income (expenses), net	-	(90)	10			(80)
Net loss	<u>\$ (1,056)</u>	<u>\$ (2,550)</u>	<u>\$ (87)</u>	<u>\$ (231)</u>		<u>\$ (3,924)</u>
Basic and diluted net loss per Ordinary share						<u>\$ (0.20)</u>
Weighted average number of Ordinary shares used in computing basic and diluted net loss per Ordinary share						<u>19,200,000</u>

*) Date of commencement of operations; the results of operation from 1 November 2004 through 6 November 2004 were considered immaterial.

Reference:

- A Elimination of research and development costs related to duplicated activities.
- B Amortization of intangible assets acquired from Philips MP4Net media adaptation business for the six months ended 30 June 2004.
- C Amortization of intangible assets acquired from Philips MP4Net media adaptation business for the year ended 31 December 2004.
