Emblaze Ltd
(“Emblaze” or “the Group”)

Interim results for six months ended 30 June 2010

Ra’anana, Israel, 31 August 2010: Emblaze Ltd (LSE: BLZ), announces its financial results for the six months ended 30 June 2010. All references to $ are to US Dollars.

Financial Highlights:

- Group revenues have increased by 15% to $265.6 million in the first half of 2010 compared to $230.1 million in the first half of 2009.
- Operating income increased by 58.2% to $18.8 million up from $11.9 million in the same period last year. The increase is mainly attributed to the improvement in Formula's operating income.
- Net income attributable to Company's shareholders from continuing operations amounted to $0.7 million (H1 2009: $0.1 million).
- Net loss attributable to Company's shareholders amounted to $5.9 million (H1 2009: net loss of $4.4 million). The increase in net loss is mainly the result of one-time expenses recorded as part of the discontinued manufacturing activity of ELSE’s mobile device.
- Group total assets decreased to $578.0 million (31 December 2009: $599.0 million). The decrease is a result of distribution of dividends by Formula, exchange rate effects and investments in the innovation arm.
- Group consolidated cash and short terms investments as at 30 June 2010 amounted to $142.5 million.

Operational Highlights:

- Further improvement in Formula’s profitability, demonstrating the continuous demand for the products and services offered by the subsidiaries of Formula, as well as the cost-saving measures implemented throughout the group.
- On 30 June 2010, Emblaze announced its decision to cease further investments towards manufacturing of the First ELSE™ mobile device by its subsidiary ELSE Ltd, mainly due to critical delays in deliveries by third parties, and to concentrate efforts only on licensing the ELSE INTUITION™ platform and technology in order to realize its potential upside. According to accounting standards, the First ELSE manufacturing activity has been treated as discontinued operation in the financial statements for all reported periods.
- EMOZE continued to expand through further agreements with operators and handset manufacturers.

Naftali Shani, Chairman of Emblaze, stated: “This has not been an easy start to the year for Emblaze as we had to cease the investment in the manufacturing of the First ELSE. However, the steps that we have taken, which include a range of cost savings measures, will, I believe, prove to be prudent over the coming months. We are evaluating several strategic options for the group and are optimistic about the prospects of Emoze to contribute to Emblaze results going forward. With the bad news now behind it, Emblaze can move forward with confidence”.

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 millions	**Six months ended June 30, 2010**		
	Formula	**Innovation Arm**	**Total**
Revenues	262.5	3.1	265.6
Gross profit	65.5	1.7	67.2
Operating income (loss)	21.3	(2.5)	18.8
Consolidated net income (loss)	15.6	(9.4)	6.2
Net income (loss) attributed to Group shareholders	3.2	(9.1)	(5.9)

* Corporate expenses were allocated equally between Formula and the Innovation Arm.

FORMULA ACTIVITY

Formula is dually listed on NASDAQ and TASE and is principally engaged, through its subsidiaries, in providing software consulting services, developing proprietary software products and providing computer-based business solutions.

The Formula group revenues for the first half of 2010 totaled $262.6 million compared to $227.9 million in the first half of 2009. Formula's operating income in the first half of 2010 was $22.3 million compared to $16.3 million in the first half of 2009, an increase of 37%. Net income attributable to Formula shareholders reached $8.6 million compare to $7.1 million in the same period in 2009.

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 concluded the second half of 2010 with growth in all sectors of its activity and maintains its leading position in the Israeli IT market. Earnings for the period ended 30 June 2010 amounted to $197.1 million (H1 2009: $179.6 million). Matrix's operating profit and net profit for the period ending 30 June 2010 reached $16.5 million (H1 2009: $13.2 million) and $11.2 million (H1 2009: 10.6 million), respectively. As at 30 June 2010 Matrix's cash and short-term investment balances amounted to approximately $82.3 million.

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

Magic's revenues for the six-month period ended 30 June 2010 totaled $41.2 million compares with revenues of $27.4 million for the same period in 2009. Operating income reached $3.8 million, compares to $1.7 million in first half of 2009 and net income reached $3.8 million compared to $1.8 million in same period of 2009. During the reported period, Magic successfully signed up new partners in Europe. New customers and license sales for uniPaaS and iBOLT, particularly in Japan, Germany and France have increased. In addition, Magic gained significant media momentum for its Cloud and Mobile enterprise application platform.

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

Sapiens's revenues for the six-month period ended 30 June 2010 totaled $24.4 million (H1 2009: $21 million), with net income of $2.9 million (H1 2009: $1.9 million). The growth in revenues and profits demonstrate a positive momentum towards Sapiens insurance software solutions portfolio, including its RapidSure Policy Administration solution, as well as the completion of the acquisition of Harcase Solutions.

INNOVATION ARM

ELSE Ltd.

As reported at the end of June 2010, the board of the directors of the Company has decided to cease further investment towards manufacturing of the First ELSE mobile device due to critical delays in deliveries by third parties. Efforts are currently undertaken for licensing the ELSE INTUITION platform and technology in order to realize its potential upside.

This decision will drastically reduce the Company's operational and development costs and will positively contribute to its route to profitability.

EMOZE Ltd.

EMOZE is providing transparent, synchronized mobile push-messaging solutions that include email, PIM (contacts and calendar) and a push content platform for consumers, mobile operators, manufacturers and enterprises. Emoze eliminates the need for mobile devices to check or poll servers, allowing for real-time messaging on a far wider range of mobile devices.
Emoze can actually transform most low-end mobile devices into BlackBerry*-like devices, providing the same push mail, PIM and content service. Thanks to its novel and efficient technology, Emoze is able to provide the ideal low-cost push solution for the mass market.

During the first six months of 2010, EMOZE continued to expand through licensing of its solutions with operators and handset manufacturers, specifically in the Far East markets.

* BlackBerry is a proprietary name of RIM

ZONE-IP Ltd.

ZONE-IP is engaged, through its subsidiary Emblaze VCON Ltd., in the development and deployment of high-performance, end-to-end videoconferencing solutions over IP and ISDN networks for enterprises of all sizes, focusing on desk top solutions.

The Company would like to use this opportunity to provide update on additional ongoing matters as follows:

Patent infringement:

Further to the Company's update dated 30 June 2010, Emblaze wishes to inform that on 28 July 2010 the Company filed a complaint against Apple Inc. for infringement of Emblaze's patents for media streaming technology. In February 2010, the Company also notified Microsoft Corporation that its Smooth Streaming* infringes on Emblaze's patents for media streaming technology and discussions are held with Microsoft with the aim to reach an amicable resolution by licensing said IP. The Company will evaluate its course of action pending the results of these discussions and will provide an update to the market when it is appropriate to do so.

* IIS Smooth Streaming is a proprietary name of Microsoft Corporation

HM Revenue Customs:

As reported by the Company on 30 June 2010, the legal proceedings in this matter are still ongoing. Final legal submissions were made to the Tribunal in early July 2010 and judgment is expected within a few months. Further update will be provided following developments in this matter

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About Emblaze

Emblaze Ltd is a group of technology companies addressing both growth and innovation activities and 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, ELSE Ltd. (formerly Emblaze Mobile), a design house for cutting-edge mobile technology; 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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2010	December 31, 2009
	Unaudited	**Audited**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 95,189	$ 107,617
Short-term investments and restricted deposits	47,293	58,622
Trade receivables, net	122,079	130,858
Other receivables and prepaid expenses	27,134	23,328
Inventories	4,531	4,356
Assets of discontinued operations	543	1,215
Total current assets	296,769	325,996
LONG-TERM RECEIVABLES AND INVESTMENTS	10,308	13,840
SEVERANCE FUND	45,237	45,022
PROPERTY AND EQUIPMENT, NET	10,677	10,277
GOODWILL	164,761	156,132
OTHER ASSETS, NET	50,279	47,766
Total assets	$ 578,031	$ 599,033

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

	June 30, 2010 Unaudited	December 31, 2009 Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 36,208	$ 44,668
Short-term liabilities to banks and others	9,783	10,469
Other payables and accrued expenses	89,653	93,937
Liability due to activity acquisition	3,287	210
Liabilities of discontinued operations	3,296	3,914
Debentures	14,316	14,639
Total current liabilities	156,543	167,837
LONG-TERM LIABILITIES		
Debentures	42,947	43,918
Liabilities to bank and other	5,618	8,556
Deferred tax liability	5,022	4,134
Other long term liabilities	1,778	1,300
Liability due to activities acquisition	4,753	1,517
Accrued severance pay	56,104	55,112
Total long-term liabilities	116,222	114,537
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary shares of NIS 0.01 par value - Authorized: 200,000,000 shares at June 30, 2010 and December 31, 2009 ; Issued: 140,578,154 shares at June 30, 2010 and December 31, 2009 ; Outstanding: 111,755,932 shares at June 30, 2010 and December 31, 2009	416	416
Additional paid-in capital	467,741	469,562
Treasury stock, at cost	(75,555)	(75,555)
Accumulated other comprehensive income	5,046	6,924
Accumulated deficit	(290,835)	(284,961)
Total Company's Shareholders' equity	106,813	116,386
Non- controlling interest	198,453	200,273
Total equity	305,266	316,659
Total liabilities and equity	$ 578,031	$ 599,033

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
	2010	2009	2009
	Unaudited		Audited
Revenues	$ 265,616	$ 230,065	$ 473,843
Cost of revenues	198,413	172,017	354,830
Gross profit	67,203	58,048	119,013
Operating expenses:			
Research and development, net	4,315	3,807	7,774
Selling and marketing	22,084	22,096	41,152
General and administrative	22,039	20,287	44,099
Other income	-	-	(2,014)
Total Operating Expenses	48,438	46,190	91,011
Operating Income	18,765	11,858	28,002
Financial income (expenses)	(1,530)	2,782	460
Other income (expenses)	(931)	107	(240)
Income before taxes on income	16,304	14,747	28,222
Taxes on income	3,205	4,728	7,969
Income before non-controlling interest and equity losses	13,099	10,019	20,253
Equity losses of affiliated companies, net	(378)	-	(335)
Income before non-controlling interest from continuing operations	12,721	10,019	19,918
Loss from discontinued operations, net	(6,554)	(4,461)	(6,514)
Consolidated net income	6,167	5,558	13,404
Less: net income attributable to non-controlling interest	(12,041)	(9,913)	(22,510)
Net loss attributable to Company's shareholders	$ (5,874)	$ (4,355)	$ (9,106)
Basic and diluted income (loss) per share to Company's shareholders:			
From continuing operations	$ *) -	$ *) -	$ (0.02)
From discontinued operations	$ (0.06)	$ (0.04)	$ (0.06)
Net loss per share	$ (0.06)	$ (0.04)	$ (0.08)
Weighted average number of shares used in computing basic and diluted earnings (loss) per share	111,755,932	111,755,932	111,755,932

*) Represents an amount lower than $ 0.01.

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

STATEMENTS OF CHANGES IN 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, 2008	$ 416	$ 470,716	$ (75,654)	$ 6,951	$ (275,855)	$ 190,556	$ 317,130	$ (20,310)
Decrease in the Company's holding in subsidiaries	-	(757)	-	-	-	1,716	959	-
Dividend to non–controlling interest shareholders	-	-	-	-	-	(15,369)	(15,369)	-
Non-controlling interests changes due to holding changes and exercise of put option	-	(595)	-	-	-	(2,937)	(3,532)	-
Issuance of shares upon exercise of options	*)	(99)	99	-	-	1,463	1,463	-
Share based compensation expenses	-	297	-	-	-	1,845	2,142	-
Comprehensive loss:								
Unrealized loss from available-for-sale marketable securities, net	-	-	-	(260)	-	(102)	(362)	(362)
Foreign currency translation adjustments	-	-	-	233	-	591	824	824
Net profit (loss)	-	-	-	-	(9,106)	22,510	13,404	13,404
Balance as of December 31, 2009	416	469,562	(75,555)	6,924	(284,961)	200,273	316,659	
Total comprehensive income								$ 13,866
Sale of subsidiary shares to minority	-	(1,419)	-	-	-	1,419	-	-
Sale of shares by subsidiaries to minority	-	(295)	-	-	-	(35)	(330)	-
Dividend to non–controlling interest shareholders	-	-	-	-	-	(13,350)	(13,350)	-
Share based compensation expenses	-	110	-	-	-	973	1,083	-
Exercise of options in a subsidiary						847	847	-
Increase in holding of subsidiary due to purchase of shares	-	(217)	-	-	-	161	(56)	-
Comprehensive loss:								
Unrealized loss (gain) from available-for-sale marketable securities and hedge funds, net	-	-	-	89	-	(8)	81	81
Foreign currency translation adjustments	-	-	-	(1,967)	-	(3,868)	(5,835)	(5,835)
Net profit (loss)	-	-	-	-	(5,874)	12,041	6,167	6,167
Balance as of June 30, 2010 (unaudited)	$ 416	$ 467,741	$ (75,555)	$ 5,046	$ (290,835)	$ 198,453	$ 305,266	
Total comprehensive income								$ 413

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
	Unaudited	Unaudited	
Cash flows from operating activities:			
Consolidated net income	$ 6,167	$ 5,558	$ 13,404
Less: losses from discontinued operations*	(6,554)	(4,802)	(10,595)
Income from continuing operations	12,721	10,360	23,999
Depreciation and amortization	8,134	7,573	17,200
Gain from sale of a subsidiary	-	-	(4,284)
Impairment and amortization of marketable debt securities premiums and accretion of discounts, net	-	141	388
Share based compensation expenses	110	945	297
Share based compensation expenses of subsidiaries	665	143	1,877
Net loss (gain) on sales of marketable securities and changes in accrued interest, net	71	(1,653)	(2,794)
Impairment of investment in marketable securities and others	-	40	41
Equity (gain) losses, net	378	-	335
Revaluation of long term loans and deposits, net	(49)	(119)	(210)
Gain from sale of property and equipment	-	-	(2,219)
Decrease in trade receivables, other receivables and prepaid expenses and inventories	6,533	17,237	27,180
Amortization of debentures discount, changes in embedded derivative and increase in value and accrued interest on debentures	223	-	2,535
Decrease in trade payables, other payables and accrued expenses , accrued severance pay, net and other long term liabilities	(3,635)	(10,401)	(12,726)
Changes in deferred tax, net	(1,821)	511	329
Liability to option to non-controlling interest payment	-	(371)	(73)
Change in value of put options and derivatives	-	(1,933)	(2,709)
Other	153	(26)	294
Net cash provided by operating activities from continuing operations	23,483	22,447	49,460
Net cash used in operating activities from discontinued operations	(6,852)	(9,123)	(14,436)
Net cash provided by operating activities	16,631	13,324	35,024
Cash flows from investing activities:			
Purchase of property and equipment, net	(2,230)	(1,389)	(2,811)
Proceeds from sale of property and equipment	26	443	5,666
Investment in short and long-term bank deposits and restricted deposits	(954)	(13,886)	(36,144)
Proceeds from short-term bank deposits and short and long term restricted deposits	593	358	4,031
Proceeds from maturity of short-term marketable securities	-	3,292	
Investment in long-term marketable securities	(2,610)	(4,996)	
Proceeds from sales, calls and maturity of marketable securities	18,419	10,064	29,304
Capitalization of software development and other costs of subsidiaries	(4,264)	(3,366)	(6,960)
Purchase of non-controlling interest in subsidiaries	-	(20)	(6,455)
Proceeds from sale of subsidiary's operations	70	43	105

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
	Unaudited	Unaudited	
Proceeds from realization of investment	$ -	$ -	$ 4,320
Acquisition of newly consolidated subsidiaries	(10,832)	(6,455)	(1,262)
Payment to former stockholders of subsidiary in respect to a purchase liability	(960)		-
Other investments	(167)	(269)	-
Net cash used in investing activities of continuing operations	(2,909)	(16,181)	(10,206)
Net cash provided by (used in) investing activities from discontinued operations	642	(515)	(578)
Net cash used in investing activities	(2,267)	(16,696)	(10,784)
Cash flows from financing activities:			
Exercise of stock options in subsidiaries	171	(1,197)	1,224
Dividend to non-controlling interest shareholders in subsidiaries	(20,241)	(17,950)	(23,138)
Short-term borrowing and bank credit, net	168	1,496	(2,054)
Repayment of long-term loans in subsidiaries	(3,825)	(5,533)	(10,216)
Receipt (repayment) of short-term loans in subsidiaries	-	-	3,180
Deposits - SWAP deal in a subsidiary	-	1,026	1,060
Repayment of convertible debt in a subsidiary	-	(402)	(5,824)
Proceeds from sale of subsidiaries shares	-	921	959
Purchase of non- controlling interest	(1,006)	(992)	(3,774)
Net cash used in financing activities of continuing operations	(24,733)	(22,631)	(38,583)
Net cash used in financing activities of discontinued operations	-	-	-
Net cash used in financing activities from continuing operations	$ (24,733)	$ (22,631)	$ (38,583)
Effect of exchange rate on cash of continuing operations	$ (2,059)	$ (1,017)	$ (237)
Increase (decrease) in cash and cash equivalents from continuing operations	$ (6,218)	$ (17,382)	$ 434
Decrease in cash and cash equivalents from discontinued operations	(6,210)	(9,638)	(15,014)
Cash and cash equivalents from continuing and discontinued operations at the beginning of the period	107,617	122,197	122,197
Cash and cash equivalents from continuing operations at the end of the period	$ 95,189	$ 95,177	$ 107,617

* The cash flow related to the discontinued operation of Next Source was not separated due to immateriality.

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

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2009, are applied consistently in these financial statements.

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, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

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