

SCITEX CORPORATION LTD.

(An Israeli Corporation)

INTERIM REPORT

(UNAUDITED)

AT MARCH 31, 2005

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The amounts are stated in U.S. dollars (\$) in thousands.

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May 9, 2005

The Board of Directors of
Scitex Corporation Ltd.
Tel Aviv.

Dear Sirs,

Re: Review of condensed consolidated unaudited interim financial statements for the period ended March 31, 2005

At your request, we have reviewed the condensed consolidated interim balance sheet of Scitex Corporation Ltd. (the "Company") and its subsidiaries as of March 31, 2005 and the condensed consolidated statements of operations for the three month period then ended and shareholders' equity and cash flows for the three month period then ended. Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. Inter alia, these procedures included: reading of the aforementioned financial statements, reading of minutes of meetings of shareholders and the board of directors and its committees, and making inquiries of Company officers responsible for financial and accounting matters.

We received the review reports of other independent auditors regarding their review of the condensed interim financial statements of certain subsidiaries, whose statements reflect total assets of \$15,763,000 as of March 31, 2005, and revenues of \$8,238,000 for the three month periods ended March 31, 2005. We received the review reports of other independent auditors regarding their review of the condensed interim financial statements of a certain associated company, the Company's investment in which, as reflected in the balance sheet at March 31, 2005 is approximately \$19,000 and the Company's share in losses of which is approximately \$105,000 for the three month period then ended.

Since our review was limited in scope and did not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on these condensed consolidated interim financial statements.

During our review, including our perusal of the reports of the other independent auditors mentioned above, nothing came to our attention that indicated that significant adjustments should be made in the said interim condensed consolidated financial statements in order for them to be considered as having been prepared in accordance with accounting principles generally accepted in the United States and in accordance with the SEC regulations for interim statements (Regulation S-X: Item 210.10-01).

Sincerely yours,

SCITEX CORPORATION LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED BALANCE SHEETS

AT MARCH 31, 2005

	March 31, 2005	December 31, 2004
	(Unaudited)	(Audited)
	U.S. dollars in thousands	
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	84,065	85,892
Short-term investments	57,385	56,693
Restricted deposit	17,998	18,000
Trade receivables	32,822	33,585
Other receivables	7,842	7,369
Deferred income taxes	556	758
Inventories	<u>40,375</u>	<u>36,726</u>
T o t a l current assets	<u>241,043</u>	<u>239,023</u>
INVESTMENTS AND OTHER NON-CURRENT ASSETS	<u>4,971</u>	<u>9,987</u>
PROPERTY, PLANT AND EQUIPMENT , net of accumulated depreciation and amortization	<u>9,882</u>	<u>9,147</u>
GOODWILL	6,863	6,714
OTHER INTANGIBLE ASSETS , net of accumulated amortization	<u>8,146</u>	<u>9,282</u>
	<u><u>270,905</u></u>	<u><u>274,153</u></u>

_____))
Ami Erel) Chairman of the Board of Directors

_____))
Raanan Cohen) Interim President & Chief Executive Officer

	March 31, 2005	December 31, 2004
	(Unaudited)	(Audited)
	U.S. dollars in thousands	
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Short-term bank credit and loans including current maturities	33,330	34,312
Trade payables	21,946	21,877
Income taxes payable	16,101	16,437
Accrued and other liabilities	20,994	23,763
Current liabilities related to discontinued operation	1,235	2,193
	<u>93,606</u>	<u>98,582</u>
LONG-TERM LIABILITIES:		
Loans, net of current maturities:		
Banks	8,215	8,802
Other	2,560	2,540
Liability for employee rights upon retirement	4,318	4,178
	<u>15,093</u>	<u>15,520</u>
LONG-TERM LOANS FROM RELATED PARTIES CONVERTIBLE INTO SHARES OF A SUBSIDIARY		
	<u>1,579</u>	<u>1,551</u>
	<u>110,278</u>	<u>115,653</u>
MINORITY INTEREST	<u>5,157</u>	<u>4,226</u>
SHAREHOLDERS' EQUITY:		
Share capital - ordinary shares of NIS 0.12 par value (authorized - March 31, 2005 and December 31, 2004 - 48,000,000 shares; issued and outstanding - March 31, 2005 and December 31, 2004 - 43,467,388 shares)	6,205	6,205
Capital surplus	279,003	278,812
Accumulated other comprehensive loss	(952)	(327)
Deferred stock compensation	(668)	(517)
Accumulated deficit	(95,818)	(97,599)
Treasury shares, at cost (March 31, 2005 and December 31, 2004 - 5,401,025 shares)	<u>(32,300)</u>	<u>(32,300)</u>
	<u>155,470</u>	<u>154,274</u>
	<u>270,905</u>	<u>274,153</u>

The accompanying notes are an integral part of these condensed financial statements.

SCITEX CORPORATION LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31	
	2005	2004
	(Unaudited)	
	U.S. dollars in thousands (except per share data)	
REVENUES:		
Products	22,138	18,718
Services and supplies	14,443	10,507
T o t a l revenues	<u>36,581</u>	<u>29,225</u>
COST OF REVENUES:		
Cost of products	12,812	9,701
Cost of services and supplies	8,160	6,758
T o t a l cost of revenues	<u>20,972</u>	<u>16,459</u>
GROSS PROFIT	15,609	12,766
RESEARCH AND DEVELOPMENT EXPENSES, net	2,963	3,127
SELLING AND MARKETING EXPENSES	4,580	3,848
GENERAL AND ADMINISTRATIVE EXPENSES	4,515	4,752
AMORTIZATION OF INTANGIBLE ASSETS	1,138	1,534
OPERATING INCOME (LOSS)	2,413	(495)
FINANCIAL INCOME, net	957	581
OTHER EXPENSES, net	(32)	(168)
INCOME (LOSS) BEFORE TAXES ON INCOME	3,338	(82)
TAXES ON INCOME	(531)	(477)
SHARE IN RESULTS OF ASSOCIATED COMPANY	(105)	(372)
MINORITY INTERESTS IN A SUBSIDIARY	(921)	(450)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>1,781</u>	<u>(1,381)</u>
NET INCOME FROM DISCONTINUED OPERATION	<u>-</u>	<u>51,670</u>
NET INCOME FOR THE PERIOD	<u><u>1,781</u></u>	<u><u>50,289</u></u>
EARNINGS (LOSS) PER SHARE (“EPS”) - BASIC:		
Continuing operations	\$ 0.05	\$(0.03)
Discontinued operation	\$ 0.00	\$ 1.20
	<u>\$ 0.05</u>	<u>\$ 1.17</u>
EARNINGS (LOSS) PER SHARE (“EPS”) - DILUTED:		
Continuing operations	\$ 0.04	\$(0.03)
Discontinued operation	\$ 0.00	\$ 1.20
	<u>\$ 0.04</u>	<u>\$ 1.17</u>
WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF EPS (in thousands):		
Basic	<u>38,066</u>	<u>43,018</u>
Diluted	<u>38,138</u>	<u>43,018</u>

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SCITEX CORPORATION LTD.

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CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	<u>Share capital</u>	<u>Capital surplus</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Accumulate deficit</u>	<u>Deferred Stock Compensation</u>	<u>Treasury shares</u>	<u>Total</u>
	<u>U . S . d o l l a r s i n t h o u s a n d s</u>						
BALANCE AT JANUARY 1, 2005 (audited)	6,205	278,812	(327)	(97,599)	(517)	(32,300)	154,274
CHANGES DURING THE THREE MONTHS ENDED MARCH 31, 2005 (unaudited):							
Net income for the period				1,781			1,781
Other comprehensive loss, in respect of Available-for-sale securities			(625)				<u>(625)</u>
Total comprehensive income							<u>1,156</u>
Deferred stock compensation related to options granted to employees		191			(191)		-
Amortization of deferred stock compensation related to options granted to employees					40		40
BALANCE AT MARCH 31, 2005 (unaudited)	<u>6,205</u>	<u>279,003</u>	<u>(952)</u>	<u>(95,818)</u>	<u>(668)</u>	<u>(32,300)</u>	<u>155,470</u>
BALANCE AT JANUARY 1, 2004 (audited)	6,205	368,104	(552)	(144,852)	-	(4,207)	224,698
CHANGES DURING THE THREE MONTHS ENDED MARCH 31, 2004 (unaudited):							
Net income for the period				50,289			50,289
Other comprehensive loss, in respect of realization of currency translation adjustments			706				<u>706</u>
Total comprehensive income							<u>50,995</u>
BALANCE AT MARCH 31, 2004 (unaudited)	<u>6,205</u>	<u>368,104</u>	<u>154</u>	<u>(94,563)</u>	<u>-</u>	<u>(4,207)</u>	<u>275,693</u>

The accompanying notes are an integral part of these condensed financial statements.

SCITEX CORPORATION LTD.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended	
	March 31	
	2005	2004
	(Unaudited)	
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	1,781	50,289
Net income from discontinued operation	-	51,670
Net income (loss) from continuing operations	1,781	(1,381)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:		
Income and expenses not involving cash flows:		
Minority interests in a subsidiary	921	450
Share in results of associated company, net	105	372
Depreciation and amortization	1,991	2,289
Settlement in respect of acquired technology	-	(390)
Provision for doubtful accounts	(69)	(117)
Loss on disposal of fixed assets	-	7
Amortization of deferred stock compensation	50	-
Long-term prepaid expenses	(45)	(62)
Loss from sale of available-for-sale securities	29	27
Write-off and write-down of investments in investee companies	32	325
Accrued severance pay, net	64	(280)
Interest on long term loans, net	58	45
Deferred income taxes, net	202	(25)
Changes in operating asset and liability items:		
Decrease in trade and other receivable	89	1,847
Increase in inventories	(3,643)	(2,213)
Increase (decrease) in accounts payable and accruals	(2,800)	689
Other items - net	-	(16)
Net cash provided by (used in) continuing operations	(1,235)	1,567
Net cash used in discontinued operation	(958)	(1,980)
Net cash used in operating activities	(2,193)	(413)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment in discontinued operation	-	236,890
Acquisition of assets and operations consolidated for the first time *	-	294
Acquisition of available-for-sale marketable securities	(5,048)	(21,597)
Proceeds from sale of marketable securities	3,972	-
Purchase of fixed assets	(1,596)	(539)
Proceeds from settlement in respect of unrealizable technology	-	1,000
Purchase of goodwill and intangible assets	(385)	(540)
Restricted deposits	5,002	(10,050)
Net cash provided by investing activities	1,945	205,458
Subtotal - forward	(248)	205,045

SCITEX CORPORATION LTD.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended	
	March 31	
	2005	2004
	(Unaudited)	
	U.S. dollars in thousands	
Subtotal - brought forward	<u>(248)</u>	<u>205,045</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term loans	(587)	(222)
Decrease in short-term bank credit, net	<u>(992)</u>	<u>(6,519)</u>
Net cash used in financing activities	<u>(1,579)</u>	<u>(6,741)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,827)	198,304
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>85,892</u>	<u>56,761</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>84,065</u>	<u>255,065</u>
* Acquisition of assets and operations consolidated for the first time:		
Assets and liabilities at the date of acquisition:		
Deficiency in working capital (excluding cash and cash equivalents)	-	574
Fixed assets - net	-	(140)
Investment in associated company	-	2,266
Intangible assets arising on acquisition	-	(2,987)
Long-term loans and other liabilities	-	581
Cash received (paid)	<u>-</u>	<u>294</u>

The accompanying notes are an integral part of these condensed financial statements.

SCITEX CORPORATION LTD.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT MARCH 31, 2005

(UNAUDITED)

NOTE 1 - GENERAL:

- a. The interim statements as of March 31, 2005 and for the three months period then ended (hereafter - the interim statements) were drawn up in condensed form, in accordance with generally accepted accounting principles applicable to interim statements. The accounting principles applied in preparation of the interim statements are consistent with those applied in the annual financial statements. Nevertheless, the interim statements do not include all the information and explanations required for the annual financial statements.

In management's opinion, interim financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information, in accordance with generally accepted accounting principles, for the reported periods. Results for interim periods are not necessarily indicative of the results to be expected for the entire year.

- b. On March 21, 2005, the Company announced that it is engaged in preliminary negotiations for the possible sale of its holdings in Scitex Vision Ltd. ("Scitex Vision"), in which it holds 75.5% of the issued share capital (69.5% on a fully diluted basis) for an enterprise value of Scitex Vision in the range of \$230 - \$250 million. The proposed transaction is subject to a due diligence process, negotiation and execution of definitive agreements. There is no assurance whatsoever that any transaction would result with respect to Scitex Vision or as to the terms, deal structure and the purchase price for Scitex Vision if a sale occurs.

NOTE 2 – SUBSEQUENT EVENTS:

- a. Further to note 10 (b)(1) of the 2004 annual financial statements, on April 6, 2005, the Company and the Company's two largest shareholders, Clal and Discount (the "Purchasers"), came to an agreement with CDI whereby the Purchasers agreed to purchase all of CDI's interest in Scitex Vision, constituting 1.89% of Scitex Vision's issued share capital (1.35% on a fully diluted basis) for \$1.6 million, plus additional contingent consideration to be paid if Scitex Vision undergoes an "exit event" within the next two years at a higher valuation than implied in the agreement. In the framework of the agreement, CDI dismisses all suits and other legal proceedings it had initiated or had threatened to initiate and the parties to the agreement (and certain other parties, mainly some other shareholders of Scitex Vision) are waiving all other claims and disputes in connection with Scitex Vision they may have against the others.
- b. On April 28, 2005, IDX Systems Corporation (NASDAQ:IDXC) signed a purchase agreement with RealTimeImage Ltd. (RTI), a 14.9% minority-owned affiliate of the Company, to acquire the assets of RTI for an estimated purchase price of \$15.5 million. RTI is recorded on Scitex's balance sheet at \$1.2 million as of March 31, 2005, and is accounted under the cost method. The closing of the acquisition is subject to certain terms and conditions. Also, the distribution of funds to the shareholders of RTI is subject to certain time and other limitations and processes, including under the purchase agreement.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT MARCH 31, 2005

(UNAUDITED)

NOTE 3 - INVENTORIES

Composed as follows:

	<u>March 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>	
Components of systems and materials	13,848	12,880
Work in process	1,139	843
Finished products	<u>25,388</u>	<u>23,003</u>
	<u>40,375</u>	<u>36,726</u>