

SCITEX CORPORATION LTD.

(An Israeli Corporation)

INTERIM REPORT

(UNAUDITED)

AT SEPTEMBER 30, 2003

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TABLE OF CONTENTS

	Page
AUDITORS' REVIEW REPORT	2
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:	
Balance sheets	3-4
Statements of operations	5
Statements of shareholders' equity	6
Statements of cash flows	7-8
Notes to financial statements	9-10

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

November 2, 2003

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

Dear Sirs,

Re: Review of condensed consolidated unaudited interim financial statements for the periods ended September 30, 2003

At your request, we have reviewed the condensed consolidated interim balance sheet of Scitex Corporation Ltd. (the "Company") and its subsidiaries as of September 30, 2003 and the condensed consolidated statements of operations for the nine and three month periods then ended and shareholders' equity and cash flows for the nine 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 associated companies. The Company's interest in capital deficiency, as reflected in the balance sheet at September 30, 2003 is \$1,588 and the Company's share in losses of which, for the nine and three month periods then ended, is approximately \$2,578 and \$1,160, respectively.

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,
Kesselman & Kesselman

SCITEX CORPORATION LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED BALANCE SHEETS

AT SEPTEMBER 30, 2003

	September 30, 2003	December 31, 2002
	(Unaudited)	(Audited)
	U.S. dollars in thousands	
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	68,123	30,969
Short-term investments	2,583	2,561
Restricted deposit	18,262	20,203
Trade receivables	107,462	95,054
Other receivables	10,186	9,900
Inventories (note 3)	60,428	51,561
Deferred income taxes	<u>17,977</u>	<u>20,974</u>
T o t a l current assets	285,021	231,222
INVESTMENTS AND OTHER NON-CURRENT ASSETS	9,316	67,012
PROPERTY, PLANT AND EQUIPMENT , net of accumulated depreciation and amortization	36,378	36,857
GOODWILL , net of accumulated amortization	24,624	22,408
OTHER INTANGIBLE ASSETS , net of accumulated amortization	<u>23,140</u>	<u>12,057</u>
	<u>378,479</u>	<u>369,556</u>

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

_____))
Nachum Shamir) President & Chief Executive Officer

Date of approval of the financial statements: November 2, 2003

	September 30, 2003	December 31, 2002
	(Unaudited)	(Audited)
	U.S. dollars in thousands	
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Short-term bank credit and loans	47,553	31,936
Current maturities of banks long-term loans	1,016	5,248
Note payable issued to an investee company		18,523
Trade payables	25,240	22,200
Accrued liabilities and other	<u>68,224</u>	<u>57,011</u>
T o t a l current liabilities	<u>142,033</u>	<u>134,918</u>
LONG-TERM LIABILITIES:		
Loans from banks, net of current maturities	1,392	5,493
Deferred income taxes	1,838	5,033
Liability for employee rights upon retirement	4,354	2,933
Convertible long-term loan	<u>6,762</u>	
T o t a l long-term liabilities	<u>14,346</u>	<u>13,459</u>
T o t a l liabilities	<u>156,379</u>	<u>148,377</u>
MINORITY INTEREST	<u>4,415</u>	
SHAREHOLDERS' EQUITY:		
Share capital - ordinary shares of NIS 0.12 par value (authorized - September 30, 2003 and December 31, 2002 - 48,000,000 shares; issued and outstanding - September 30, 2003 and December 31, 2002 - 43,467,388 shares)	6,205	6,205
Capital surplus	368,104	364,619
Accumulated other comprehensive income	451	801
Accumulated deficit	(152,868)	(146,239)
Treasury shares - at cost (September 30, 2003 and December 31, 2002 - 448,975 shares)	<u>(4,207)</u>	<u>(4,207)</u>
T o t a l shareholders' equity	<u>217,685</u>	<u>221,179</u>
	<u><u>378,479</u></u>	<u><u>369,556</u></u>

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

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

	Nine months ended September 30		Three months ended September 30	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
	U.S. dollars in thousands (except per share data)			
REVENUES:				
Sales	114,409	101,757	40,664	31,197
Service and supplies	88,300	75,411	30,870	26,473
T o t a l revenues	<u>202,709</u>	<u>177,168</u>	<u>71,534</u>	<u>57,670</u>
COST OF REVENUES:				
Cost of sales	59,030	51,997	20,027	14,948
Cost of service and supplies	58,276	54,307	20,019	18,669
T o t a l cost of revenues	<u>117,306</u>	<u>106,304</u>	<u>40,046</u>	<u>33,617</u>
GROSS PROFIT	85,403	70,864	31,488	24,053
RESEARCH AND DEVELOPMENT				
EXPENSES - net	20,319	17,493	6,673	5,924
SELLING AND MARKETING EXPENSES	36,133	31,788	11,626	10,432
GENERAL AND ADMINISTRATIVE EXPENSES	19,817	16,552	6,971	5,610
AMORTIZATION OF INTANGIBLE ASSETS	4,679	2,431	1,535	814
OPERATING INCOME	4,455	2,600	4,683	1,273
FINANCIAL EXPENSES (INCOME) - net	812	1,508	(611)	395
OTHER EXPENSES (INCOME) - net	423	827	(3,697)	465
INCOME BEFORE TAXES ON INCOME	3,220	265	8,991	413
TAXES ON INCOME	(8,839)	(1,199)	(2,501)	(227)
SHARE IN LOSSES OF ASSOCIATED				
COMPANIES	(4,116)	(3,070)	(1,690)	(952)
MINORITY INTERESTS IN LOSSES OF				
A SUBSIDIARY	3,106	—	163	—
INCOME (LOSS) FOR THE PERIOD	<u>(6,629)</u>	<u>(4,004)</u>	<u>4,963</u>	<u>(766)</u>
INCOME (LOSS) PER SHARE - Basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.09)</u>	<u>\$ 0.12</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE NUMBER OF				
SHARES OUTSTANDING - in thousands:				
Basic and diluted	<u>43,018</u>	<u>43,018</u>	<u>43,018</u>	<u>43,018</u>

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

SCITEX CORPORATION LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Share capital	Capital surplus	Accumulated other comprehensive income (loss)	Accumulate deficit	Treasury shares	Total
	U . S . d o l l a r s i n t h o u s a n d s					
BALANCE AT JANUARY 1, 2003 (audited)	6,205	364,619	801	(146,239)	(4,207)	221,179
CHANGES DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2003 (unaudited):						
Loss for the period				(6,629)		(6,629)
Other comprehensive income (loss), net, in respect of:						
Currency translation adjustments			(350)			(350)
Available-for-sale securities			748			748
Realization of available-for-sale securities			(748)			(748)
Total comprehensive loss						<u>(6,979)</u>
Beneficial conversion feature relating to convertible preferred shares issued by Aprion Digital Ltd.		3,485				3,485
BALANCE AT SEPTEMBER 30, 2003 (unaudited)	<u>6,205</u>	<u>368,104</u>	<u>451</u>	<u>(152,868)</u>	<u>(4,207)</u>	<u>217,685</u>
BALANCE AT JANUARY 1, 2002 (audited)	6,205	364,619	7,754	(114,209)	(4,207)	260,162
CHANGES DURING THE NINE MONTH ENDED SEPTEMBER 30, 2002 (unaudited):						
Loss for the period				(4,004)		(4,004)
Other comprehensive income (loss), net, in respect of:						
Currency translation adjustments			(28)			(28)
Available-for-sale securities			(49,375)			(49,375)
Total comprehensive loss						<u>(53,407)</u>
BALANCE AT SEPTEMBER 30, 2002 (unaudited)	<u>6,205</u>	<u>364,619</u>	<u>(41,649)</u>	<u>(118,213)</u>	<u>(4,207)</u>	<u>206,755</u>

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

SCITEX CORPORATION LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30	
	2003	2002
	(Unaudited)	
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period	(6,629)	(4,004)
Minority interests in loss of subsidiary	(3,471)	
Write-down of investment in associated company	2,458	
Share in losses of equity investments	4,116	3,070
Depreciation and amortization	14,745	12,298
Deferred income taxes - net	1,526	2
Interest on long-term note payable		708
Interest on convertible long-term loan	225	
Capital gain on other investment	(2,823)	
Loss (gain) from disposal of fixed assets	547	(75)
Changes in operating asset and liability items:		
Increase in short-term investments - net	(22)	(33)
Increase in accounts receivable	(12,249)	(12,317)
Increase (decrease) in trade payables and accruals	7,590	(6,589)
Decrease (increase) in inventories	(9,475)	3,087
Other items - net		390
Net cash used in operating activities	<u>(3,462)</u>	<u>(3,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiary consolidated for the first time*	771	
Purchase of fixed assets	(1,896)	(6,913)
Purchase of intangible assets	(280)	(2,845)
Investment in associated companies and other investments	(2,150)	(2,417)
Restricted deposit	3,427	(20,103)
Proceeds from disposal of other investments	53,886	
Proceeds from sale of fixed assets		1,582
Net cash provided by (used in) investing activities	<u>53,758</u>	<u>(30,696)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term bank credit - net	4,279	3,523
Long-term loans received	612	
Repayment of long-term loans	(444)	
Repayment of long-term note payable	(18,523)	
Convertible loan received	934	
Net cash provided by (used in) financing activities	<u>(13,142)</u>	<u>3,523</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	37,154	(30,636)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	<u>30,969</u>	<u>61,592</u>
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	<u><u>68,123</u></u>	<u><u>30,956</u></u>

SCITEX CORPORATION LTD.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended
	September 30
	2003
	(Unaudited)
	U.S. dollars
	in thousands
* Acquisition of subsidiary consolidated for the first time:	
Assets and liabilities of the subsidiary at date of acquisition:	
Deficiency in working capital (excluding cash and cash equivalents)	4,756
Fixed assets	(4,447)
Long-term loans and other liabilities	6,361
Minority interests in subsidiary at date of acquisition	7,886
Intangible assets arising on acquisition	(17,270)
Share in beneficial conversion feature of convertible preferred shares issued by a subsidiary	3,485
	<u>771</u>

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

SCITEX CORPORATION LTD.

(An Israeli Corporation)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT SEPTEMBER 30, 2003

(UNAUDITED)

NOTE 1 - GENERAL

The interim statements as of September 30, 2003 and for the nine and three month periods 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.

NOTE 2 - ACQUISITION

On January 1, 2003, the Company sold all of its shares in its wholly owned subsidiary - Scitex Vision Ltd. ("Scitex Vision"), to Aprion Digital Ltd. ("Aprion"), the Company's associated company, in exchange for additional preferred shares in Aprion. Subsequent to the transaction, the Company holds approximately 75% of Aprion's outstanding shares. Prior to the transaction, as of December 31, 2002, the Company held approximately 43% of Aprion's outstanding shares, and the carrying value of this investment in the Company's accounts was zero. The transaction is accounted for, by the Company, as a sale of 25% in Scitex Vision and as acquisition of additional shares in Aprion. The fair value of the transaction is \$ 9,000,000. As a result, the Company recognized a net capital gain amounting \$ 289,000 under "Other expenses - net" (\$ 3,774,000 capital gain resulting from the sale of a portion in Scitex Vision, net of \$ 3,485,000 a dilution loss relating to Aprion's preferred shares anti-dilution mechanism triggered by the transaction). In addition, the Company recognized a capital surplus of \$ 3,485,000 under "Beneficial conversion feature relating to convertible preferred shares issued by Aprion Digital Ltd." in its shareholders equity.

This acquisition was accounted for under the purchase method. As a result of the transaction the Company recorded technology and goodwill, amounting approximately \$ 14.8 million and approximately \$ 2 million, respectively, of which approximately \$ 3.8 million and zero, respectively, were credited to minority interest. The technology is being amortized over 6 years.

Commencing the transaction Aprion's financial statements were consolidated with those of the Company.

Here after are certain unaudited proforma combined statements of operations data for the three and nine month period ended September 30, 2002 as if the acquisition of additional shares in Aprion occurred on January 1, 2002. The proforma financial information is not necessarily indicative of the combined results, that would have been attained had the acquisition take place at the beginning of 2002, nor is it necessarily indicative of future results.

SCITEX CORPORATION LTD.

(An Israeli Corporation)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT SEPTEMBER 30, 2003

(UNAUDITED)

NOTE 2 - ACQUISITION (continued):

	Nine months ended September 30, 2002	Three months ended September 30, 2002
	(Unaudited)	(Unaudited)
	U.S. dollars in thousands (except per share data)	
Revenues	180,352	59,429
Loss for the period	17,993	5,109
Loss per share - basic and diluted	\$ (0.42)	\$ (0.12)

NOTE 3 - INVENTORIES

Composed as follows:

	September 30, 2003	December 31, 2002
	(Unaudited)	(Audited)
	U.S. dollars in thousands	
Components of systems and materials	18,190	13,844
Work in process	2,769	3,425
Finished products	39,469	34,292
	<u>60,428</u>	<u>51,561</u>

NOTE 4 - CONTINGENT LIABILITIES

On October 20, 2003, a NIS 14 million (approximately \$3.1 million) lawsuit was filed against Scitex, Aprion and others, including other shareholders of Aprion (among them, Scitex's two largest shareholders, Clal Electronics Industries Ltd. and Discount Investments Corporation Ltd.) and the directors of Aprion in the period relevant for the lawsuit (three of whom are present or former office holders of Scitex). The lawsuit was brought by C.D.I. Technologies (1999) Ltd, a shareholder of Aprion, in connection with the transaction to combine Scitex Vision and Aprion that was completed in January 2003. In particular, the lawsuit alleges that the terms of the transaction and the manner in which it was effected prejudiced the rights of CDI as a minority shareholder of Aprion.

At this time the Company's attorneys are still evaluating the claim, and neither Aprion nor the Company is able to give any realistic assessment as to the outcome of this matter, therefore no provision was recorded.