

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-12332

SCITEX CORPORATION LTD.

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

1 Maskit Street, Industrial Park, 46103 Herzlia B, Israel

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Ordinary Shares, NIS 0.12 nominal (par) value per share

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Ordinary Shares, NIS 0.12 nominal (par) value per share

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

43,018,413 Ordinary Shares, NIS 0.12 nominal (par) value per share, at December 31, 2000.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 Item 18

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INTRODUCTION

Unless indicated otherwise by the context, all references in this report to “we”, “us”, “our”, or “Scitex” include Scitex Corporation Ltd. (the “Registrant” or the “Company”) and its wholly-owned subsidiaries.

Certain information contained in this Annual Report on Form 20-F, including, without limitation, information appearing under “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects”, are forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are based on various assumptions (some of which are beyond our control) and may be identified by the use of forward-looking terminology, such as “may”, “can be”, “will”, “expects”, “anticipates”, “intends”, “believes”, “projects”, “continues”, “plans”, “seeks”, “potential”, and similar words and phrases. Actual results could differ materially from those contained in forward-looking statements due to a variety of factors, including, but not limited to, (1) risks in product and technology development, (2) market acceptance of new products and continuing product demand, (3) the impact of competitive products and pricing, (4) changes in domestic and foreign economic and market conditions, (5) timely development and release of new products by strategic suppliers, and (6) the impact of our accounting policies. Except as may be required by law, we do not undertake, and specifically disclaim, any obligation to release publicly the results of any revisions which may be required to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such forward-looking statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

BALANCE SHEET DATA

	December 31,				
	2000	1999	1998	1997	1996
	(Dollars in thousands)				
Working capital	\$59,682	\$274,922	\$245,296	\$321,281	\$320,077
Cash, cash equivalents and short term investments	48,079	82,251	83,367	159,357	135,153
Total assets	686,088	615,804	565,508	668,727	704,734
Non current liabilities	45,918	2,691	4,483	907	496
Capital stock	6,205	6,196	6,194	6,187	6,187
Redeemable preferred stock	--	--	--	--	--
Shareholders' equity	\$507,375	\$427,887	\$401,233	\$500,109	\$500,727

STATEMENT OF OPERATIONS DATA

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(In thousands, except per share amounts)				
Revenues:					
Equipment Sales	\$230,081	\$475,370	\$441,399	\$426,591	\$453,523
Service	72,888	146,814	137,823	134,183	119,232
Supplies	<u>40,699</u>	<u>68,266</u>	<u>61,089</u>	<u>56,885</u>	<u>51,350</u>
Total revenues	343,668	690,450	640,311	617,659	624,105
Cost of revenues:					
Cost of equipment sales	118,322	242,442	227,564	234,220	274,341
Cost of service	61,751	118,365	108,274	110,771	118,272
Cost of supplies	<u>18,535</u>	<u>35,908</u>	<u>33,198</u>	<u>28,535</u>	<u>23,383</u>
Total cost of revenues	198,608	396,715	369,036	373,526	415,996
Gross profit	145,060	293,735	271,275	244,133	208,109
Expenses					
Research and development - net	38,492	65,522	66,498	57,610	61,273
Acquired in-process R&D			44,264		
Sales and marketing	59,640	101,449	100,855	91,327	108,076
General and administrative	28,190	65,799	74,142	72,584	142,152
Amortization of goodwill and other intangible assets	10,617	11,393	9,285	6,215	8,491
Restructuring costs	—	—	—	—	56,100
Operating income (loss)	8,121	49,572	(23,769)	16,397	(167,983)
Financial income - net	1,404	3,432	4,971	5,941	4,683
Other income (expenses) – net	199,411	1,221	1,634	(1,000)	(239)
Income (loss) before taxes on income	208,936	54,225	(17,164)	21,338	(163,539)
Taxes on income (tax benefit)	34,139	9,180	2,231	1,500	(1,699)
Share in income (losses) of associated companies - net	(79,594)	(21,481)	(14,897)	(2,742)	156
Net income (loss) from continuing operations	95,203	23,564	(34,292)	17,096	(161,684)
Discontinued operations					
Loss from operations	—	—	(13,831)	(16,514)	(16,595)
Income (loss) from disposal of assets	1,097	6,950	(62,704)	—	—
Total income (loss) from discontinued operations	1,097	6,950	(76,535)	(16,514)	(16,595)
Cumulative effect of an accounting change at the beginning of the year	(20,609)	—	—	—	—
Net income (loss)	\$75,691	\$30,514	(\$110,827)	\$582	(\$178,279)
Earnings (loss) per share - basic					
Continuing operations	\$2.22	\$0.55	(\$0.80)	\$0.40	(\$3.77)
Discontinued operations	\$0.03	\$0.16	(\$1.78)	(\$0.39)	(\$0.39)
Cumulative effect of an accounting change	\$(0.48)	—	—	—	—
	\$1.77	\$0.71	(\$2.58)	\$0.01	(\$4.16)
Earnings (loss) per share - diluted					
Continuing operations	\$2.20	\$0.55	(\$0.80)	\$0.40	(\$3.77)
Discontinued operations	\$0.03	\$0.16	(\$1.78)	(\$0.39)	(\$0.39)
Cumulative effect of an accounting change	\$(0.48)	—	—	—	—
	\$1.75	\$0.71	(\$2.58)	\$0.01	(\$4.16)
Cash dividends declared per share	—	—	—	—	\$0.39
Weighted average number of shares outstanding (in thousands) - basic	42,847	42,661	42,929	42,809	42,809
- diluted	43,299	42,983	42,929	43,154	42,809

RISK FACTORS

The following important factors, together with others that appear with the forward-looking statements, or in Scitex's other Securities and Exchange Commission filings, could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, Scitex in this Annual Report on Form 20-F.

- ***Our performance significantly depends on the results of operations of Creo Products Inc.***

As at December 31, 2000, our holdings in Creo Products Inc. represented approximately 54% of our total assets. Since Creo constitutes such a large percentage of our overall assets, its results of operations could have a significant and direct impact on our results of operations, since we include Creo financial results on an equity basis. If Creo experiences difficulties in the future, to the extent that it has poor financial results, our financial results will be negatively impacted.

For a further discussion relating to the risk factors concerning the business of Creo, please review the item under the heading Risk Factors in the Annual Information Form (40-F) of Creo for the Fiscal Year Ended September 30, 2000, filed with the Securities and Exchange Commission on April 4, 2001, and incorporated herein by reference.

- ***The current market price of Creo's shares is below the Scitex book value.***

Since the end of 2000, the market price of the Creo shares has been below the per share carrying value on the books of Scitex. The recent market price has generally been in the range of approximately \$18 to \$20 per share, while the book value of our investment in Creo is approximately \$27 per share. The book value at March 31, 2001 was \$359 million.

We review the carrying value of the Creo investment on a periodic basis to determine whether there has been an "other than temporary" decline in value, based on consideration of all evidence. When last reviewing the issue, it was concluded that the decline in the Creo share price resulted largely from market conditions related to technology stocks and that it was too early to conclude that the decline in price was other than temporary in nature for various reasons, including the following:

- The Creo trend in operating results is generally positive;
- The analyst target price is \$24 to \$27, not significantly below the Scitex book value of approximately \$27; and
- There has been no material change in the Creo business.

We will continue to monitor the relevant factors and, if appropriate, will reduce the carrying value.

- ***Our future results could be adversely affected by changes that would result in a permanent impairment of the carrying amount of other long-lived assets***

In addition to our investments in Creo, we review long-lived assets, certain identifiable intangibles, and goodwill related to those assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with Statement of Financial Accounting Standards No. 121 of the FASB, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of'. As such, we evaluate whether conditions may warrant revised estimates of the recoverability of the carrying amount of these assets and which, in certain situations, may result in the recognition of an impairment loss. Consequently, our future results could be adversely affected by changes in events and circumstances that would result in a permanent impairment of the carrying amount of long-lived assets.

- ***Our industry is characterized by rapid technological change.***

The markets for our products are characterized by rapid technological change. There has also been consolidation in the industry, and many of our competitors are now very large companies. Our growth is dependent upon our ability continuously to develop, introduce and deliver commercially viable products and technologies on a timely basis that offer customers enhanced performance at competitive prices. The ongoing introduction of new technologies across all of the product lines is intended to keep pace with rapid market changes and to minimize the effect of competitive product offerings and pricing. However, there can be no assurance that we will have the financial resources, marketing and distribution capability or the technology to compete successfully. We believe that our industry will continue to be characterized by rapid technological advances and short product life cycles resulting in continued risk of product obsolescence.

- ***The market for digital printers and printer supplies is competitive. We may lose market share and our results may suffer if we cannot compete effectively.***

The digital printing industry is competitive and competition may increase in the future. Competition may come from existing vendors and new market entrants, including competitors that may have greater research and development, management, financial, technical, manufacturing, marketing, sales, distribution and other resources than those currently available to us.

Existing and future competitors could develop new products, with existing or new technology, that could be competitive in price and performance with our products. Increased competition could have a material effect on our business, financial condition and operating results through pricing pressure, loss of market share and other factors.

- ***It may be difficult for us to find replacement suppliers for key components.***

There are a limited number of potential suppliers of certain key components of our products, including components of inkjet print heads, drying systems and inks. Accordingly, it may be difficult to find qualified suppliers or to replenish inventories of components on a timely basis, and this could

cause our operating results to suffer.

- ***If we are unable adequately to protect our intellectual property rights, our business may be materially adversely affected.***

Our intellectual property rights, particularly existing or future patents, may be invalidated, circumvented, challenged, infringed, or required to be licensed to others, despite efforts to protect them. Furthermore, others may develop similar or superior technologies, duplicate or reverse-engineer our technology, or design around our patents, or those license to us. We cannot be sure that the steps taken to protect technology will prevent misappropriation or infringement. If there is a failure to protect technology so that others may copy or use it, we would be less able to differentiate our products and revenues will decline. Moreover, litigation regarding intellectual property rights is common in the technology industry.

- ***Our operating results may be subject to quarterly fluctuations.***

Our operating results may be subject to quarterly fluctuations as a result of a number of factors. In particular, we do not typically have a significant backlog of orders at the beginning of each quarter and, as a result, may experience fluctuations in operating results based upon the timing of the receipt of orders and the shipment of product. We generally receive orders, ship and record a significant portion of our revenue within the same quarter, often in the last month of the quarter. Thus, we may not learn of shortfalls or quarterly fluctuations in sales until late in, or shortly after the end of, the reporting periods.

- ***Our financial condition may be adversely affected by a change in Israel Government programs.***

Our operations and financial results could be adversely affected if Israel Government programs in which our operating subsidiaries or our investees participate, primarily related to research and development and tax incentives, were reduced.

- ***Our products may contain undetected defects that could harm our reputation, result in the loss of customers and revenues and expose us to product liability claims.***

The products developed and used by us may contain defects. Although we perform comprehensive tests before delivering our products, such defects may not be discovered before the products are supplied to customers. Any defects or errors in the products could result in exposure to product liability claims; harm to our reputation; diversion of personnel and financial resources; less favorable insurance terms; other ancillary expenses; and adversely affect our financial condition

- ***We may be subject to environmental related liabilities due to our use of hazardous materials and solvents.***

We mix ink used in some of our printers with solvents and other hazardous materials. Those materials are subject to various governmental regulations relating to its transfer, handling, packaging, use and disposal. We store the ink at warehouses worldwide, including Europe and the United States.

A shipping company ships the ink at our direction. We face potential responsibility for problems that may arise when we ship the ink to customers. We believe that we are in compliance with all applicable environmental laws and regulations. If we fail to comply with these laws or an accident involving our ink waste or solvents occurs, then our business and financial results could be harmed.

- ***Our business is subject to risks from international operations.***

We conduct business globally. Accordingly, our future results could be materially adversely affected by a variety of uncontrollable and changing factors including, among others, foreign currency exchange rates; regulatory, political, or economical requirements; business and government spending patterns; and natural disasters. Any or all of these factors could have a material adverse impact on our future international business.

- ***Conditions in Israel could adversely affect our financial condition.***

Our operations and financial results could be adversely affected if political or military events curtailed or interrupted trade between Israel and its present trading partners or if major hostilities involving Israel should occur in the Middle East. (See also “Item 4. Information on the Company - Business Overview - Political, Military and Economic Conditions in Israel”.)

- ***Some of our holdings are in companies that may be unable to obtain future financing.***

Some of the companies in which we hold shares have extensive research and development and marketing costs and limited revenues, if any. In order to succeed, these companies may require additional capital to fund these costs, which in light of the recent economic downturn may prove to be more difficult than in the past. If these companies are unable to obtain sufficient financing from their current shareholders, which may also include additional investments by us in these companies, or from new financing sources, their continued operations may be at risk. This could adversely affect our financial performance.

- ***Our results are affected by volatility in the securities markets.***

Due to the recent downturn in the world economy, the securities markets in general have recently experienced increased volatility that has particularly affected the securities and operations of many high-technology companies, including companies that have a significant presence in Israel. The volatility of these companies’ securities has often been unrelated to the operating performance of these companies. Such volatility may affect our ability to realize investments, such as by our ability to conclude profitable “exit” transactions regarding certain of the companies in which we have invested. If worldwide market conditions in the technology industry do not permit us to conclude these types of transactions, our results could be adversely affected.

- ***The loss of the services of our key personnel could seriously harm our business.***

Our future success depends to a large degree on the continued services of our senior management and key personnel. In particular, we are dependent on the services of a small number of key executives.

The loss of their services, particularly to a competitor, could disrupt our operations and harm our business.

- *A litigant may have difficulty enforcing US judgments against us in Israel.*

We are organized under the laws of Israel and our headquarters are in Israel. All of our directors and most of our officers reside outside the United States. Therefore, a litigant may not be able to enforce a judgment obtained in the U.S. against us or any of such persons. A litigant may not be able to enforce civil actions under U.S. securities laws if he files a suit in Israel. However, subject to certain limitations, Israeli courts may enforce a final judgment for liquidated amounts in civil matters after a hearing in Israel. If a foreign judgment is enforced by an Israeli court, it will generally be payable in Israeli currency.

- *Scitex's stock price may be volatile.*

The Company's stock price, like that of other technology companies, may be subject to significant volatility. If revenues or earnings in any quarter fail to meet the investment community's expectations, there could be an immediate impact on the Company's stock price. The stock price may also be affected by broader market trends or the economic and political situation in the Middle East.

ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF THE COMPANY

CORPORATE HISTORY & DETAILS

The Company, whose legal and commercial name is Scitex Corporation Ltd., was incorporated in Israel on November 2, 1971, succeeding a predecessor corporation, Scientific Technology Ltd., that was founded on September 5, 1968.

Our corporate headquarters and executive offices are located at 1 Maskit Street, Industrial Park, 46103 Herzlia, Israel, approximately eight miles north of Tel Aviv. Our telephone number in Israel is (972) 9-959 7222.

The Company is a public limited company, domicile in the State of Israel and governed by the provisions of Israel's Companies Law 5759-1999.

MAJOR BUSINESS DEVELOPMENTS SINCE JANUARY 1, 2000

On April 4, 2000, Creo Products Inc. ("Creo"), a Canadian corporation, acquired our digital preprint operations and our print-on-demand systems business, in return for 13.25 million Creo shares (the "Creo Transaction"). As a result of the Creo Transaction, we became the largest shareholder in Creo, initially with approximately 28.7% of the outstanding Creo shares. Following this transaction, Scitex's operations are now conducted primarily through wholly owned operating subsidiaries.

In connection with the Creo Transaction, Scitex and Creo entered into a Standstill Agreement and a Registration Rights Agreement (*see under the caption "Material Contracts" of Item 10, for a summary of these agreements*).

CAPITAL EXPENDITURE & DIVESTITURES

Since January 1, 1998, most of Scitex's principal capital expenditure has been for the acquisition of interests in other companies, details of which are set out below:

- In February 1998, Scitex acquired all the shares of Idanit Technologies Ltd., for approximately \$63 million.
- In October 1998, Scitex acquired the super-wide format technology and operations of the Matan group of companies for approximately \$12.2 million, together with additional earnout payments based upon achievement of specific financial targets. These operations were incorporated into Idanit Technologies Ltd. (now Scitex Vision Ltd.). Based upon the strong performance of the super-wide format operations, through December 31, 2000, Scitex had paid approximately \$6.8 million in respect of the earnout and anticipates that the balance of \$7.7 million will be paid by the end of 2001.
- During the period from January 1, 1998, Scitex invested an aggregate of approximately \$22.8 million in Vio Worldwide Limited, our joint venture with British Telecommunications plc ("BT"), which investment was written off as part of the decision by Scitex and BT to wind down the joint venture.
- In April 2000, Scitex received 13,250,000 shares of Creo Products Inc., then representing 28.7% of Creo issued shares (26.1% on a fully diluted basis at that time), as consideration for the Company's digital preprint and print on demand businesses.
- In May 2000, Scitex acquired an approximate 18.7% interest in Objet Geometries Ltd. for \$5 million, and in May 2001, we invested a further \$1 million by way of a convertible loan.
- Between July 2000 and May 2001, Scitex agreed to invest an aggregate of approximately \$5.5 million in Jemtex Ink Jet Printing Ltd. or in the acquisition of Jemtex shares from third parties, of which sum approximately \$3.0 million has already been paid. Scitex holds an approximate 36.6% interest in Jemtex.
- Between February 1999 and November 2000, Scitex invested an aggregate of \$5.3 million in RealTimeImage Ltd. (then known as RTImage Ltd.) to acquire a 15.9% interest in such company.
- During 2000 through the first quarter of 2001, Scitex made a number of other investments in Internet-based and other companies for an aggregate sum of approximately \$7.3 million. One of these companies, Print.Life.com Ltd. had a receiver appointed in March 2001, in consequence of which the Company has written off its investment of \$4.6 million.

Other items of principal capital expenditure:

- The building in Dayton, Ohio, currently rented by our wholly-owned U.S. subsidiary, Scitex Digital Printing, Inc. ("SDP"), and used as its principal facility, was constructed over the period October 1996 through October 1997. SDP commenced occupancy of the building in September 1997. During the period through 2000, SDP incurred costs for leasehold improvements totaling approximately \$15.7 million in respect of such facility.

- During the years 1998 through 2000, we substantially updated our entire computer system infrastructure, and expended an aggregate of approximately \$5.3 million on a new internal management information system (“MIS”). This was done in order to standardize Scitex's systems worldwide to a single coordinated management system and to ensure readiness for the potential risks associated with the Year 2000. Most of this infrastructure was included with the transfer to Creo of the Company's digital preprint business in April 2000.

Principal capital divestitures since January 1, 1998, are as follows:

- In December 1998, Scitex sold its Scitex Digital Video business to Accom, Inc. for approximately \$10 million and warrants convertible into approximately 10% of the stock of Accom (subject to dilution). We had previously announced the intention to exit from the digital video business, which was no longer considered a core business. Accordingly, the digital video business has been presented throughout this report as discontinued operations.
- In April 1999, the Company sold its shares in Pinnacle for \$3.1 million. These shares had been issued to Scitex the previous month, when Pinnacle Systems, Inc. acquired all of the outstanding shares of Truevision through the issuance of new shares of Pinnacle. Scitex’s investment in Truevision, Inc. (dating back to 1993) had been a strategic investment linked to the digital video business. With our decision to exit from the digital video business, the Truevision investment was also therefore considered part of Scitex's discontinued operations.
- In April 2000, Scitex's digital preprint and print-on-demand businesses were sold to Creo Products Inc. in consideration for 13,250,000 shares in Creo.
- In February 2001, Scitex announced it will sell its share in the Karat Digital Press joint venture to Koenig & Bauer A.G. (“KBA”), our joint venture partner, in return for future performance related payments. KBA will be responsible for manufacturing, sales and customer support operations of Karat Digital Press machines worldwide.

BUSINESS OVERVIEW

Scitex has a leadership position in the field of digital printing and imaging for the graphics arts market. Our current operations, carried out by our wholly owned operating subsidiaries, primarily Scitex Digital Printing, Inc. and Scitex Vision Ltd., consist of the design, development, manufacture, marketing and support of products for the digital printing market. In addition, we hold minority interests in a number of companies whose operations comprise related businesses operating within a single industry - either the digital printing business; the digital preprint business; or the provision of certain primarily Internet-related imaging products and services.

Until the sale to Creo on April 4, 2000 of our digital preprint operations and our print-on-demand systems business, in return for an approximate 28.7% interest in Creo, we also designed, developed, manufactured, marketed and supported products for the digital preprint market. Until December 1998, we also offered products and services in the digital video business.

Our digital printing products are based primarily on inkjet technology and produce hardcopy output directly from digital data files generated entirely on a computer or originating from a computer, allowing the digital printing process to integrate into the digital workflow. These products include high-speed inkjet

printing systems used for variable-data printing in monochrome, spot color and full process color for personalized promotional mailings, billings, statements, books, lottery tickets and other addressing/personalized applications. Such products range from stand-alone addressing systems to large printing systems used on-line with various finishing equipment. Digital printing products also include wide format, color inkjet printing systems used for point-of-purchase displays, banners, outdoor advertising posters and fleet markings. We believe that Scitex is preeminent in industrial inkjet printing. The digital printing products allow users to work throughout the process in a digital workflow and enabling efficient production of targeted timely printing products.

Our digital preprint operations and our print-on-demand systems business, sold to Creo in April 2000, primarily consisted of the Company's Input Systems Division, Output Systems Division, Print-on-Demand Systems Division, the subsidiary, Iris Graphics, Inc., and our worldwide digital preprint distribution units. Preprint refers to all the processes and procedures required to prepare color separation films, printing plates or direct digital output before printing and includes design and layout, image input, editing and digital asset management, proofing, and image output. The digital preprint products, which included digital camera backs, professional-quality scanners, film imagesetters, platesetters and proofers, were used for generating and producing high-resolution, color, printed media such as marketing and advertising material, magazines, newspapers, catalogs, inserts, packaging and annual reports. The print-on-demand systems division produced digital color servers for driving and managing short-run variable-data color printers. The operations acquired by Creo were merged with Creo's existing graphic arts operations to form CreoScitex, Creo's principal operating division.

In December 1998, we sold our digital video business, consisting primarily of the operations of Scitex Digital Video, Inc. ("SDV"), having previously announced our proposed exit from the digital video business. Accordingly, unless otherwise indicated, our financial information and other data presented herein excludes digital video, and the digital video operations are presented herein as discontinued operations. Amounts for all prior years have been reclassified for the effect of the discontinued operations.

The following table sets forth the amounts and relative percentages of Scitex's total revenues by geographical markets, for the years indicated:

	Year Ended December 31,					
	2000		1999		1998	
	(Dollars in thousands)					
North and South America	143,092	41.6%	\$314,164	45.5%	\$293,861	45.9%
Europe	115,228	33.6%	\$259,062	37.5%	\$236,779	37.0%
Japan **	29,861	8.7%	\$50,277	7.3%	\$64,573	10.1%
Others	55,487	16.1%	\$66,947	9.7%	\$45,098	7.0%
Total	\$343,668	100.0%	\$690,450	100.0%	\$640,311	100.0%

** Digital Preprint revenues from Japan (1998 and 1999 and the first quarter of 2000) and certain digital printing revenues were mainly through a Japanese joint venture company, and these are reflected at the prices charged by Scitex to the joint venture and not at subsequent retail prices charged by the joint venture to customers.

In each of the years 2000, 1999 and 1998, no end-user customer or distributor accounted for more than 10% of net revenues.

The following are the principal companies in the Scitex Group, or in which Scitex currently has an interest:

- *Scitex Corporation Ltd.*, the Registrant, located in Herzlia, Israel, consists of a network of companies for which the Registrant conducts certain corporate functions.
- *Scitex Digital Printing, Inc.* (“SDP”) is a wholly-owned Scitex subsidiary based in Dayton, Ohio. It develops and manufactures very high speed, computer-driven, variable-data inkjet printers, which it also markets, sells and supports. Ancillary operations in Europe and the Far East provide general assistance for marketing and support of SDP’s products outside the United States. SDP, together with such ancillary operations, has a total workforce nearly 800 employees (including part-time and temporary employees). It was formerly the Dayton Operations division of Eastman Kodak Company, from which it was acquired in 1993.
- *Scitex Vision Ltd.* (formerly Scitex Wide Format Printing Ltd., and prior to that, Idanit Technologies Ltd. (“Idanit”)), is a wholly-owned Scitex subsidiary, with approximately 280 employees (including employees of its sales, marketing and support subsidiaries). Idanit, founded in 1994, was acquired by Scitex in February 1998. Its operations were expanded in October 1998 with the purchase of the super-wide format product line from the Matan group of companies. Scitex Vision is a leading developer, manufacturer and distributor of wide-format and super-wide format, color inkjet digital printing systems used for point-of-purchase displays, banners and outdoor advertising posters. Its headquarters are in Herzlia, Israel.
- *Creo Products Inc.*, headquartered in Burnaby (near Vancouver), Canada, is a high-technology company focused on the application of imaging and information technology. It commenced operations in 1985 and in April 2000 it acquired our digital preprint operations (as well as our print-on-demand systems division), which it merged with its then existing graphic arts operations to form its principal operating division, CreoScitex. Creo, including its worldwide subsidiaries, now has over 4,000 employees. Scitex's initial holdings in Creo were approximately 28.7%, which at March 31, 2001 had been diluted to approximately 27.1% (approximately 22.9% on a fully diluted basis). Scitex is Creo's largest single shareholder. Creo’s shares are publicly traded under the symbols CREO on the Nasdaq Stock Market and CRE on the Toronto Stock Exchange.
- *Aprion Digital Ltd.* was formed out of our Advanced Printing Products division in September 1999. The company, which recently moved to a new facility in Netanya, Israel, has approximately 130 employees, and is developing drop-on-demand inkjet technologies and products. Scitex currently holds approximately 10.3% of the shares of Aprion, and has a convertible note and options that could increase its holdings to approximately 47%.
- *Objet Geometries Ltd.* was founded in 1995 and is a leading developer of color three-dimensional inkjet printing systems. Objet is located in Rehovot, Israel and employs approximately 70 people. Scitex currently holds approximately 18.7% percent of the issued shares in the company, with options to increase such holding.
- *Jemtex Ink Jet Printing Ltd.* was established in 1995 and develops, manufactures and sells inkjet based digital textile printing systems. The company is located in Lod, Israel and employs approximately 25

people. Scitex holds approximately 36.6% of Jemtex's shares, with an option to increase its holdings to 51%.

- *SciDel Technologies Ltd.*, which was formed in 1995, specializes in real time advertising insertions to television and webcasting. It has approximately 30 employees, primarily in Israel and the United States. Scitex's interest in SciDel dates from the formation of the company, and it currently holds approximately 29.4% of SciDel's shares.
- *RealTimeImage Ltd.* (formerly RTimage Ltd.) was formed in 1996 and is a provider of professional Internet-based imaging products and services for the graphic arts and medical communities. It is headquartered in San Bruno, California, with research and development operations in Or Yehuda, Israel, and has approximately 70 employees. Scitex first acquired shares in the company in December 1999 and currently holds approximately 15.9% of the issued shares.
- *XMPiE Inc.* is a spin off from Scitex, formed in 2000, that develops innovative software solution for publishing, using personalized marketing. The company is located in Netanya, Israel and employs approximately 15 people. Scitex currently holds approximately 19.4% of XMPiE's shares.
- *InfoBit Ltd.* is a small start-up company, founded in 1999, which develops innovative and unique visual navigation tools for the World Wide Web and the Intranet environments. InfoBit is located in Petach Tikva, Israel. Scitex currently holds approximately 21.3% of InfoBit's shares.

The following table sets forth Scitex's total revenues for the years 1998 through 2000 and amounts and relative percentages attributable to the principal businesses: digital printing; and digital preprint and other (solely through the first quarter of 2000).

	Year Ended December 31,					
	2000		1999		1998	
	(Dollars in thousands)					
Digital Printing *	\$227,605	66.2%	\$189,154	27.4%	\$176,455	27.6%
Digital Preprint & Other**	\$116,063	33.8%	\$501,296	72.6%	\$463,856	72.4%
Total Revenues	\$343,668	100.0%	\$690,450	100.0%	\$640,311	100.0%

* Comprises solely SDP and Scitex Vision.

** Includes print-on-demand systems and other revenues, of a non-material amount, attributable to Scitex's joint ventures and Internet-based communication products and services.

SCITEX DIGITAL PRINTING, INC. – High Speed Variable Information Printers

General Product Overview

SDP's systems produce hardcopy output of digital data files generated entirely on a computer or originating from a computer. Scitex Digital Printing focuses on long-run, high-volume, printing in monochrome, spot color and, more recently, full process color. Large amounts of variable data from a computer database can be printed by SDP products at very high speeds. Among the applications included are personalization of promotional mailings, billings, statements, books, bar codes and lottery tickets.

Scitex is a registered trademark and service mark of Scitex Corporation Ltd. CreoScitex is a trademark of Creo Products Inc. Unless otherwise so indicated, all marks referred to herein are trademarks and/or service marks of Scitex Corporation Ltd., its subsidiaries, its joint ventures and/or its minority held affiliates, and may be registered in certain jurisdictions.

SDP inkjet printing systems excel in their high speed and low cost per page. They primarily serve commercial and in-plant printers in digital printing of variable information, in page-wide, partial page and narrow formats, in black and white or process color.

Page-Wide Format Products

SDP's page-wide format systems, with multiple 9-inch printheads, are used for full-page, variable printing up to 18 inches wide on one or two sides. These systems provide high quality at ultra-high production speeds for direct mail, book printing, billings, statements, or any variable printing application.

The *Scitex VersaMark*[®] high speed printing system, introduced in early 1999, combines high speed, exceptional print quality and low cost per page in a turnkey solution that is neatly set into a modular, and entirely upgradeable package. Coupled with spot color capability and numerous versatile configurations, it positions Scitex to expand its presence in the world market for on-demand publishing, billing and financial statement printing and to strengthen SDP's position in the personalized direct mail and catalogue printing.

The *Scitex VersaMark Business Color Press*[™] ("BCP"), the world's highest speed digital full color press, was introduced at DRUPA 2000 Exhibition in Dusseldorf, in May 2000. It is aimed towards a broad range of applications, including direct mail, coupon and catalog printing, book publishing, and statement printing. At over 2,000 pages per minute, it is the most productive full color digital printing system available as well as the lowest operating cost-per-page available. The BCP is unique in its ability to print both process color as well as black-on-white jobs both at a higher throughput speed and at a lower cost per page compared to other technologies.

Partial-Page Format Products

Partial-page format systems, with multiple arrays of 3.4 or 4.25-inch printheads, are used for monochrome, spot color, or highlight variable printing on documents. Flexible configurations of up to 16 printheads can be used to handle the widest variations of applications in-line on webs, both offset and flexo, folders, collators, and document tables.

The *Scitex 6240*[™] inkjet printing system prints business forms, tags and labels, direct mail, booklets and billing statements. It is used for bar coding, numbering, addressing, personalization, and spot color or highlighting. This modular printing system, available in three models with speeds up to 300, 500 or 1,000 feet per minute (fpm), easily merges with web presses, collators, mail bases, folders and a variety of other on-line and off-line equipment. Output from two print stations can be "stitched" together to create an image area up to 8½ inches wide. The system's controller can drive a mix of 4 inch and 1 inch widths.

The *Scitex 3500*[™] and *Scitex 3600*[™] high speed printing systems can change 100% of the printed data from one piece to the next "on the fly". The former prints at 500 fpm while the latter prints at 1,000 fpm. These *Scitex 3000*[™] series printing systems are used for high volume personalized direct mail, sweepstakes, lottery tickets, business forms, financial statements and other variable data printing applications, and can print full-page images with letter quality text, bit-mapped graphics and bar codes.

Narrow Format Products

Narrow format systems, with 1-inch, 2.13 inch and 2.75 inch printheads, are used in applications such as direct addressing, bar coding, spot color or highlighting.

The *Scitex Dijit*[™] printing system prints variable information for automatic direct addressing, personalization, messaging, numbering and dating at speeds up to 1,000 fpm. The compact and modular system can be used with a variety of third party equipment such as folders, web presses or mailing bases. The printing modules for the *Scitex Dijit* printing system are the *Scitex 5120*[™], *Scitex 5122*[™], *Scitex 5240*[™], *Scitex 5242*[™] and *Scitex 5300*[™].

The *Scitex Composer*[™] suite includes four modules - Web Layout, PageComp, Data Merge, and IJPDS Proofer. The combination provides users all the tools required to easily design, lay-out, define, and proof variable content jobs and is compatible with industry-standard software used in a broad-range of applications. The *Scitex Composer* suite runs under Windows NT[®]; and can be run on multiple workstations over a standard network. Designed to work with QuarkXPress[™] page layout software, The *Scitex Composer* provides a highly graphical interface for visual positioning of text and graphics. It is available in two versions, one supporting monochrome applications, including highlight colors, and the other specifically capable of supporting multiple color planes and special algorithms for optimization of print quality in process color applications.

Inks

A range of black, selected spot color and process color inks are manufactured and sold for use with all of the printing systems. Different inks are available for optimal use with different media and applications.

Manufacturing

SDP manufacturing facilities are in Dayton, Ohio, although it also uses subcontractors in connection with certain types of work and activities

Product quality control tests and inspections are performed at various steps throughout the manufacturing process, and each product is subjected to a final test prior to delivery.

Most of the parts, components and commodities used by SDP in the manufacture and assembly of its products are available from several sources, although it currently purchases a substantial number of items from single suppliers. In some cases, there is only one source of supply for a component or commodity used by it. SDP generally purchases certain major components and commodities used in its products under annually renewable supply agreements with principal suppliers. To date, we have managed to overcome any difficulties experienced in obtaining timely deliveries. Although increased demand for these components and commodities or future unavailability could result in production delays that might adversely affect our business.

Windows and Windows NT are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. QuarkXPress is a trademark of Quark, Inc.

Sales & Marketing

SDP generally markets and sells its own products through a global direct sales force. Sales organizations are strategically located throughout the United States, with several Scitex subsidiaries dedicated to SDP's products, in Europe and the Far East, providing marketing and support. In certain areas, SDP also utilizes dealers, VAR's and Original Equipment Manufacturer ("OEM") agreements.

In early 1999, SDP announced an agreement with Domino Printing Sciences Plc, U.K., under which Domino becomes the exclusive distributor in Europe of SDP's narrow format products. Domino has a well-established sales and dealer network throughout Europe.

In March 2001, SDP and Xerox Corporation announced a reseller agreement to market the *Scitex VersaMark Business Color Press*. The agreement targets selected accounts worldwide combining SDP's innovative high-speed variable color printing technology with Xerox's strong distribution and marketing capabilities.

The traditional customers of SDP include professional mailers, commercial printers, publication printers (such as magazines and catalogs), and form printers utilizing our equipment for applications such as direct mail, lottery and addressing. Emerging applications include billing, data center printing, and high volume on-demand book printing.

SDP's equipment sales are typically made on terms requiring an advance payment, with the balance of the purchase price payable in stages, generally on delivery and on or shortly after acceptance of installation. SDP has agreements with third party financing companies for long-term financing of purchases of its equipment by certain customers.

Customer Support

Technical support, training and customer service are important factors in SDP's system sales and the achievement of high levels of customer satisfaction.

SDP provides an equipment warranty for an agreed period following completion of installation. After the warranty period, SDP offer service contracts providing for equipment and software maintenance.

Currently, the customer support operations worldwide of SDP engage over 150 employees, comprising engineers, technical and application specialists as well as logistics and management personnel. They are based in North America, Europe, Japan and South East Asia. In certain areas, services are provided through distributors and agents, who provide technical and applications support through locally trained engineers.

In 2000, 34.9% of SDP's total revenues (approximately \$53 million) were generated from service operations and the supply of consumables, primarily ink and paper for inkjet printing products.

Competition

The primary competitive factors affecting sales of SDP's equipment are performance relative to price, productivity and throughput of systems, product features and technology, quality, reliability, cost of operation, the quality and costs of training, support and service, and flexibility of adapting to customers' applications. Other competitive factors in this market include the ability to provide access to product financing, reputation of the supplier and customer confidence in continuing development programs for additional accessories and features compatible with the equipment offered.

The principal competition for SDP in the page-wide format digital printing market comes from alternative technologies of companies such as the U.S. corporations, Xerox Corporation (electron beam imaging, formerly owned by Delphax Systems, Inc.) and Xeikon N.V. (magnetography formerly owned by Nipson Printing Systems Inc.), as well as Océ Printing Systems GmbH (formerly Siemens Nixdorf Printing Systems) and IBM Printing Systems Company (both electrophotography). In the narrow and partial-page format digital printing market SDP's principal competitors are U.S.-based Marconi Data Systems Inc. formerly Videojet Systems International, Inc. (owned by Marconi Plc of the U.K.), Imaje of France and Domino Printing Sciences Plc of the U.K., with whom SDP has entered in to a distribution agreement in Europe relating to SDP's narrow format systems.

SCITEX VISION LTD. - WIDE FORMAT & SUPER-WIDE FORMAT PRINTERS

General

Scitex Vision Ltd. (then known as Idanit Technologies Ltd.) was acquired by Scitex in February 1998, and its operations were expanded in October 1998 with the purchase of the super-wide format product line from the Matan group of companies. On February 24, 1999, the company's name was changed to Scitex Wide Format Printing Ltd. and on August 21, 2000 it was changed to its present name.

On September 28, 2000, Scitex announced that Scitex Vision intended to make an initial public offering of its stock on Frankfurt's Neuer Markt by the end of October 2000, Scitex retaining a stake of approximately 70% to 75% in the company, post offering. On October 10, 2000, Scitex announced the postponement of Scitex Vision's proposed offering due to volatile market conditions and uncertainty surrounding the current political situation in the Middle East.

General Product Overview

Scitex Vision is a leading developer, manufacturer and distributor of wide-format and super-wide format drop-on demand inkjet digital printing systems for the graphics art market, and also develops and distributes inks for use with its digital printing systems and provides after-sales service and support to its customers. The company also distributes substrates for use with its digital printing systems. Scitex Vision's digital printers are designed for short and medium length runs of wide format and super-wide format digital printing. Its systems are typically used to produce point-of-purchase and point-of-sales displays, banners, indoor and outdoor posters, billboards, fleet marking for trucks, cars and public

transportation vehicles, window graphics, exhibition graphics, building covers, and others. Scitex Vision markets its products on a global basis and its customers include digital printing houses and traditional screen and offset printers who are diversifying into digital printing.

Wide Format Printing Systems

Scitex Vision's first wide format product was the *Idanit-162Ad*[™] printing system, which it began selling in 1997. This system was phased out in the third quarter of 1999 following the introduction of the *Scitex-Novo*[™] printing system, an advanced version of the *Idanit-162Ad*. Scitex Vision's wide format product range was then extended through the introduction of its next generation *Scitex Pressjet* system, which it began selling in the second quarter of 2000. Scitex Vision's wide format systems utilize piezoelectric drop-on-demand inkjet technology and the company's proprietary multi-array technology. These wide format systems are designed for short and medium print run applications, such as point-of-purchase displays, outdoor billboards, fleet marking, street advertising and bus shelters.

In February 1999, Scitex Vision and the Commercial Graphics Division of 3M (Minnesota Mining & Manufacturing Co.) entered into a strategic alliance whereby they agreed to jointly develop and promote the *Scitex Pressjet W*[™] wide format digital printing system, customized to work specifically with 3M software, inks and substrates.

Super-Wide Format Printing Systems

In October 1998, Scitex Vision acquired the super-wide format product line from the Matan group of companies. Currently the line comprises three *Scitex GrandjetS*[™] presses (*GrandjetS2*[™], *GrandjetS3*[™] and *GrandjetS5*[™]), that print on formats of up to 5, 11 and 17 feet wide, respectively, the only limitation on length of the print being the size of the roll. If wider print widths are required, the *Scitex GrandjetS* systems create a print layout in sections that, when seamed and placed together, create a continuous and seamless-looking image. The three *Scitex GrandjetS* systems differ mainly in their maximum print width, throughput capability and price.

Like Scitex Vision's wide format digital printing systems, the *Scitex GrandjetS* systems utilize piezoelectric drop-on-demand inkjet technology. However, unlike the wide format systems, they are based on a roll-to-roll technology, using a print process in which the substrate is placed on two long cylindrical shafts at the base of the printer.

Inks and Substrates

The inks used with Scitex Vision's printing systems are an important element of the printing process. The quality of the prints depends in part on a number of factors relating to the inks, including the compatibility of the inks with the printheads, the color gamut achievable with the inks, the ink gloss and color density. In addition, outdoor applications require additional characteristics in the ink such as durability and abrasion resistance to protect against the elements.

Scitex Vision sells inks that are specially formulated to work with its systems. Most of the inks sold are solvent-based pigmented inks. In 2000, Scitex Vision announced its intention to launch a water-based ink developed in-house, which is less harmful to the environment than solvent based inks. This ink will be initially used with the *Novo Green*[™] system, a new model of the *Idanit Novo*[™] which has been customized to operate with the water-based inks.

In September 2000, Scitex Vision launched Scitex Printer's World, a business unit of the company that will offer to distributors and end-users of Scitex Vision's systems substrates, some of which will be designed specifically for use with Scitex Vision's wide and super-wide format systems. The aim of the Scitex Printer's World is to offer customers high quality substrates that are particularly compatible with Scitex Vision's systems and to provide a "one-stop-shop" for digital printing systems and the ink and substrate consumables needed to operate the systems.

In 2000, Scitex Vision generated approximately \$24 million of revenue from the supply of consumables and service operations, representing approximately 31.9% of its total revenues.

Manufacturing

Scitex Vision outsources the manufacturing of many of the components for its systems to its own specifications and purchases off-the shelf components for its systems from third party vendors. The most important third party vendors for its printing systems are the suppliers of the print heads used in such systems, and the subcontractors for assembly of the company's wide format systems.

Final integration and quality control testing of the company's wide format systems is conducted at Scitex Vision's facilities in Herzlia, Israel. Scitex Vision assembles its super-wide format systems and conducts full system integration and quality assurance testing at its Herzlia facilities.

Most of the parts, components and commodities used by Scitex Vision in the manufacture and assembly of its products are available from several sources, although it currently purchases a substantial number of items from single suppliers. In some cases, there is only one source of supply for a component or commodity used by it. In particular, Scitex Vision currently has only single sources for the supply of the print heads for both its wide format and super-wide format printers. If either of these of these print heads suppliers were to discontinue the manufacture or supply of print heads, Scitex Vision believes it would have difficulties in locating alternative suppliers or manufacturing these products itself within a reasonable time-frame.

Scitex Vision generally purchases certain major components and commodities used in its products under annually renewable supply agreements with principal suppliers. To date, it has managed to overcome any difficulties experienced in obtaining timely deliveries. Although increased demand for these components and commodities or future unavailability could result in production delays that might adversely affect our business.

Sales & Marketing

Scitex Vision sells its products through its direct sales force, indirect distribution channels and third party joint sales arrangements.

Until their acquisition by Creo in April 2000, we had several distribution units worldwide primarily responsible for marketing, sales and customer support of our digital preprint products. Certain of these units were also responsible for marketing, sales and customer support of Scitex Vision's products. Pursuant to the agreement with Creo, the CreoScitex distribution units continued to provide the support and services on an interim basis throughout most of 2000. Scitex Vision has now formed and staffed new

regional subsidiaries, principally in North America and Europe, and direct sales and marketing of its products are carried out by these subsidiaries in their respective regions.

Scitex Vision relies on third party distributors and dealers to conduct sales and marketing in the Asia Pacific region, Latin America, the Middle East and Africa. In the Asia Pacific region, Scitex Vision has an agreement with CreoScitex Asia Pacific (H.K.) Ltd., a subsidiary of Creo, pursuant to which CreoScitex Asia Pacific is the exclusive distributor of the Scitex Vision's products in this region.

In addition to direct sales and indirect distribution channels, Scitex Vision sells and distributes products in conjunction with certain third party products. In May 2000, Scitex Vision entered into an agreement with Aprion Digital Ltd., a company in which Scitex has a minority interest, pursuant to which Scitex Vision will be the exclusive distributor in the graphic arts market throughout the world, with the exclusion of Japan and China, of the *Scitex Superjet*[™] and *Scitex ENjet*[™] wide format printing systems and inks being developed by Aprion.

Scitex Vision's equipment sales are typically made on terms requiring an advance payment, with the balance of the purchase price payable in stages, generally on delivery and on or shortly after acceptance of installation. Scitex Vision has agreements with third party financing companies for long-term financing of purchases of its equipment by certain customers.

Customer Support

Scitex Vision believes that a high level of customer service, technical support and training is important in achieving customer satisfaction and market acceptance of its products. It has a dedicated customer service and support team, consisting of approximately 45 engineers, technical and application specialists as well as logistics and management personnel. These personnel are located in the United States and Europe as well as at the company's headquarters in Israel. Customer support in the Asia Pacific region is provided by CreoScitex Asia Pacific. The customer support team is responsible for providing installation services, post sales support and warranty services. Scitex Vision maintains a training facility at its headquarters in Israel for its customer support team and customers.

Scitex Vision offers a limited warranty to its customers and distributors that, in most cases, covers defects in the systems for a period of 6 to 12 months following installation. At the end of the warranty period, the customer may enter into a service agreement with Scitex Vision, which includes equipment and software maintenance. If a customer does not enter into a service agreement, service is provided and charged on a per-call basis.

Competition

The primary competitive factors affecting sales of Scitex Vision's products are price, productivity, product features, application versatility, reliability, support, print quality, durability and cost of inks and substrates. Other competitive factors include the reputation of the manufacturer and access to product financing. We believe that the *Novo* and *Scitex Pressjet* wide format systems, and the *Scitex Grandjet* super-wide format systems are generally competitive on price and have certain advantages and disadvantages as compared to competitors' products as regards the other competitive criteria depending on such matters as the printing application required. We believe that, while the *Scitex Pressjet* wide format

printing systems are more expensive than the wide format digital printing systems offered by Scitex Vision's competitors, it is competitive based on superior performance regarding quality of prints and speed of output and certain other competitive criteria.

Scitex Vision's principal competition in the super-wide format digital printing market comes from NUR Macroprinters Ltd. of Israel and Vutek, Inc. of the United States. The NUR Blueboard™ super-wide format digital printing system utilizes continuous inkjet technology in contrast to the piezoelectric drop-on-demand technology utilized in the *Scitex Grandjet* system. In 2000, NUR acquired the Salsa super-wide format system from Salsa Digital Inc. of the United States. The NUR Salsa™ super-wide format digital printing system utilizes piezoelectric drop-on-demand inkjet technology. Accordingly, the *Scitex Grandjet* system currently competes with the NUR Blueboard and NUR Salsa product lines, as well as Vutek's Ultravu™ systems, which also utilize piezoelectric drop-on-demand inkjet technology.

In the wide format digital printing market, Scitex Vision's principal competitor is NUR. Scitex Vision also competes in the wide format market with traditional, non-digital printing methods, particularly screen printing, which continues to be the main method used in wide format printing.

Certain ink manufacturers are developing or have developed inks that are compatible with the Scitex Vision's systems. Scitex Vision is facing increased competition for the sale of inks for use with these systems, which could materially adversely affect future revenues from the sale of inks.

Scitex Vision recently began selling substrates. There are a very large number of suppliers of substrates who currently supply, or could supply, Scitex Vision's customers with substrates, many of whom are very substantial companies with large resources, sales and marketing infrastructure and know-how. Scitex Vision's approach to this market will be to compete based on customizing certain of the substrates which it supplies for use on its printing systems and by providing a single source for most of a printer's digital printing requirements, including after sales service and consulting, inks and media.

MINORITY HOLDINGS & JOINT VENTURE - DIGITAL PRINTING

Aprion Digital Ltd.

Aprion's core technology (Multiple Array Graphic Inkjet Color or "MAGIC™"), initially developed by Scitex's former Advanced Printing Products division, is based on inkjet heads with multi-layer construction, which have a potential to support printing speeds of up to 800 feet per minute. This technology is being applied to the development of three types of industrial inkjet printers. The first printer under development, the *BEL2000* sheet-fed, flatbed digital press, will print up to six colors for the corrugated and paperboard market. The *DPS-65* roll-to-roll press is being designed for printing home furnishings, such as wall coverings, in up to six colors on various substrates. Thirdly, a wide format press, is being designed for the graphics arts market, to be distributed by Scitex Vision. Aprion plans to begin placing machines at customer sites during the latter part of 2001.

NUR Blueboard and NUR Salsa are trademarks of NUR Macroprinters Ltd.
Ultravu is a trademark of Vutek Inc.

Objet Geometries Ltd.

Objet is a leading developer and producer of three-dimensional inkjet modeling applications. Objet's applications enable designers to create three-dimensional models directly from CAD (computer assisted design) files. Objet's patented software Objet Studio, interfaces between the CAD files and the Quadra 3-D model printer. The Quadra uses inkjet technology and polymer materials to produce the model.

The Objet system entered into *beta* testing in the first quarter of 2001 and expects commercial deliveries to commence in the third quarter of 2001.

Jemtex Ink Jet Printing Ltd.

Jemtex is a developer and manufacturer of inkjet based digital printheads for use in textile printing systems. Its continuous inkjet technology allows for the use of an expanded variety of inks and increased flexibility in applying color techniques to a variety of different types of fabrics. Future potential markets for the company's products include cardboard printing, tile printing and banner printing. A system employing the Jemtex printhead, developed jointly with the Austrian company, Zimmer Maschinenbau GmbH, is presently at a *beta* testing site and is scheduled to be ready for market in late 2001.

Karat Digital Press

Karat was a Scitex joint venture with Koenig & Bauer A.G. ("KBA"), the world's third largest press manufacturer, for developing the four-color, four-page *74 Karat*[™] digital offset press, designed for the short-to-medium-run color printing market. The press has been released and over twenty units have been sold and installed. In February 2001, Scitex announced that it will sell its share of Karat to KBA in return for future performance related payments. KBA will be responsible for manufacturing, sales and customer support operations of Karat Digital Press machines worldwide.

CREO PRODUCTS INC. - MINORITY HOLDING IN DIGITAL PREPRINT AND PRINT-ON DEMAND

On April 4, 2000, Creo acquired our digital preprint and print on demand operations. As a result of the Creo Transaction, Scitex is the largest shareholder in Creo, currently with approximately 27.1% of the outstanding Creo shares.

Creo is a leading developer, manufacturer and distributor of comprehensive digital solutions that automate the prepress phase of commercial printing. Its graphic arts operating division, CreoScitex, is now the largest independent supplier of prepress systems with an unequalled product line. It manufactures more than 300 products, including professional digital cameras, inkjet proofers, thermal imaging devices for films, plates and proofs, color and copydot scanning systems, and prepress workflow management software. Its computer-to-plate ("CTP") technology transfers digitized text, graphic images and line artwork from desktop publishing computer systems directly onto printing plates, eliminating labor-intensive, complex and costly preparatory steps required by the conventional prepress process. CreoScitex is also an OEM of on-press imaging technology and components for digital offset presses.

Karat and 74 Karat are trademarks of Karat Digital Press B.V. and/or its subsidiaries, and may be registered in certain jurisdictions.

CreoScitex is organized into seven product groups:

- output devices, which contribute the largest share of revenue of the seven categories, and include *Trendsetter*[®] and *Lotem*[™] platesetters and *Dolev*[®] imagesetters. The *Lotem*[™] 800 *Quantum*, a new product scheduled for release in 2001, will combine the CTP technology of Creo and of Scitex by integrating the *SQUAREspot*[™] thermal imaging technology developed by Creo and the automation and throughput of Lotems, developed by Scitex;
- workflow products, including the *Brisque*[™] digital front end (DFE) and the *Prinergy*[™] workflow management system and the PS/M DFE for the Macintosh[®] platform;
- input devices, producing products that capture images through photography or scanning from original film or digital files to a format that can be integrated into digital workflow products, including the *Leaf*[™] digital camera backs, *EverSmart*[™] scanners, and the Renaissance Copydot Scanning Systems;
- professional high performance proofing solutions including the Proofsetter *Spectrum*[™], a dedicated digital contract proofing system, and the line of proofers from Iris Graphics Inc. (a wholly owned subsidiary acquired from Scitex as part of the Creo Transaction) including the *Iris*[™] *iPROOF* Professional Desktop Proofing System, which brings quality imaging, professional color tools and optimized ink and media for superior productivity, image quality and print predictability to the professional desktop;
- imaging and media products such as the *SQUAREspot*[™] DOP (digital offset printing) imaging system. In conventional prepress, images are transferred to printing plates and then manually transported to the pressroom. On DOP presses, images are conveyed as digital files and imaged onto plates directly on the press, just before printing begins. CreoScitex developed the system to streamline print shop operations, facilitate last-minute content changes, reduce make ready time for print jobs, and allow print jobs to be turned around quickly and reliably. The *SQUAREspot* DOP imaging system delivers the highest quality image reliably and images the plate many times faster than what is possible with competing technologies;
- hardware and software for the digital on-demand printing market, including the *Darwin* Variable Information authoring tool and Variable Print Specification software, and the *Spire*[™] color print server which drives the Xerox[®] DocuColor[™] printers; and
- customer support group providing all week 24 hour service to CreoScitex customers and developing innovative service and support products.

As a result of the Creo Transaction, Creo acquired, among other things, a substantial worldwide distribution system for preprint products. Creo sells and supports its products through both direct (including web based and tele-sales) and indirect sales organizations. Its direct sales organization is managed through distribution centers in Bedford, Massachusetts; Waterloo, Belgium; Herzlia, Israel; Hong Kong; and Tokyo, Japan, and consists of approximately 300 people located at its headquarters in Burnaby, British Columbia, Canada, its distribution centers, and in regional sales offices in various locations in the United States, Europe, Australia and smaller offices elsewhere. The direct sales organization is responsible for sales worldwide of most products. *Leaf* products are sold exclusively through indirect channels. Indirect sales channels include dealers and distributors. In Europe, about half

Macintosh is a registered trademark of Apple Computers, Inc.
Xerox is a registered trademark and DocuColor is a trademark of Xerox Corporation

Creo's sales are achieved through indirect channels that adapt distribution for local market conditions. In the US and Asia Pacific, about one third of its sales are through indirect channels.

CreoScitex has the largest preprint customer support network in the industry consisting of more than 1,150 people located throughout the world and managed through its regional headquarters in British Columbia, Massachusetts, Israel, Belgium and Hong Kong. It provides comprehensive services to customers including on-site and in most cases an all week 24 hour on-line service and support. It also provides instruction to customers in the use of all of its products, both at their sites and at its regional headquarters and at a software training center near Chicago. Technical news and updates, as well as software upgrades, are posted on its web site for easy remote access.

The market for digital preprint equipment and systems is highly competitive. It is changing rapidly and is affected by changes in customer requirements, new product introductions and other market activities of industry participants. Creo faces direct competition from other manufacturers of preprint systems, including Fuji Photo Film Co., Heidelberg Druckmanchinen A.G., Agfa-Gevaert N.V., Dainippon Screen Mfg. Co. Ltd., and Barco N.V. Other companies offer equipment that competes with specific products or product capabilities within the CreoScitex product line. Creo also faces potential indirect competition from other printing methods, principally xerography and ink jet technologies.

MINORITY HOLDINGS & JOINT VENTURE - INTERNET-BASED, NETWORKING & OTHER TELECOMMUNICATIONS SOLUTIONS

The opportunities for innovation in Internet-driven digital imaging result from the need efficiently to handle image and data files in a bandwidth constrained environment. We believe our network of companies provides Internet and software technologies that could significantly effect the way visual communications are handled and distributed.

RealTimeImage Ltd.

RealTimeImage (formerly RTimage) is a leading innovator and developer of robust Internet-based imaging products and services for the graphic arts and medical communities. The company provides high quality, real time, Internet imaging technologies, allowing users to transform image-based workflows into online workflows.

RealTimeImage has three principal products. *RealTimeProof.com*[™] is designed for the graphic arts field and is the first one-stop, collaborative online proofing service that provides unsurpassed imaging quality and workflow-management capabilities for remote soft and hard proofing. *RealTimeProof Classic*[™] is a client-server software package, used by graphic arts professionals that enables users to stream high-resolution files directly from their Local Area Network (LAN), to their clients and other workflow partners. *iPACS*[™] is designed for medical professionals to share medical images instantaneously and without loss in quality over any Web connection.

RealTimeImage has also formed several partnerships for further development of products for virtual proofing in color-critical markets.

SciDel Technologies Ltd.

SciDel specializes in real time advertising insertion into television and webcasting. The systems developed by SciDel are capable of electronically overlaying advertising signage into live television broadcasts. The advertising signage appears to the television audience as if it were actually present at the event, although it is not visible to the in-arena audience. The company has two principal products, the “EIS” (Electronically Inserted Signage) and the “AGE” (Advanced Graphic Enhancements), which are used in sports broadcasting events, and a third product, the “Interactive Insertion Technology”, which is still in the development stage. The company has formed strategic partnerships with a number of television and web casting companies, and we believe this technology could significantly affect the television advertising industry, particularly with regard to sporting events.

SciDel's principal research and development operations are located in Israel, although marketing and customer support efforts are conducted from offices in the United States. Its principal competitors are Orad Hi-Tech Systems Ltd. of Israel; Symah Vision Inc. of France; and Princeton Video Image Inc. of the United States.

InfoBit Ltd.

InfoBit Ltd. develops innovative and unique directory and catalog tools for the Internet and the corporate Intranet environments. InfoBit's tools simplify web navigation, provide users with improved searching and navigation systems and advanced catalog based marketing solutions. The company is in the early stage of commercializing its product.

XMPiE Inc.

XMPiE is an innovative developer of cross-media personalized marketing solutions. The XMPiE technology allows direct marketers to develop quick and cost effective graphically rich personalized messages. The company is in the early pilot stage of its solutions.

Vio Worldwide Limited

Vio, a Scitex joint venture with British Telecommunications plc, was an application service provider (“ASP”) to the print and publishing industry. Launched in 1998, Vio was to provide a secure and reliable global network combined with industry leading on-line software applications. In early 2001, Vio's shareholders resolved to gradually wind-down Vio's operations, due to the joint venture's inability to reach financial profitability or to raise third party financing

PrintLife.com Ltd.

PrintLife.com was a company operating in the field of consumer digital photography through the Internet, in which Scitex had an approximate 14% interest. In March 2001, the company was put into receivership and ceased operations.

POLITICAL, MILITARY AND ECONOMIC CONDITIONS IN ISRAEL

Scitex's corporate headquarters and the principal offices, research and development, engineering and manufacturing operations of Scitex Vision, as well as principal facilities of several of our minority held

affiliated companies, are located in Israel, and therefore our operations and financial results are directly affected by economic, political and military conditions in Israel. In addition, such companies are heavily dependent upon components imported into Israel, primarily from the United States, and all but a small percentage of their sales are made outside Israel. Accordingly, our operations and financial results could be adversely affected if major hostilities involving Israel should occur in the Middle East or if trade between Israel and its present trading partners should be curtailed or interrupted.

From the establishment of the State of Israel in 1948, a state of hostility has existed, varying from time to time in degree and intensity, between Israel and its various Arab neighbors.

Many Israeli male employees are obligated to perform annual reserve duty in the Israel Defense Forces. An emergency involving mobilization in Israel could require a substantial increase in the time Israeli personnel are required to devote to active military service, which could result in disruption of our Israeli operations and affect our financial results.

From time to time since 1987, Israel has experienced civil unrest from the local Arab population in the territories that Israel had administered following the Six Day War of 1967 (the "Territories"). Israel signed peace treaties with two of its principal Arab neighbors, Egypt in 1979 and Jordan in 1994, and has entered into several agreements with the Palestine Liberation Organization (the "PLO") relating to the Territories. Pursuant to the agreements with the PLO, civil administration of a significant part of the Territories, including the major areas of population, has been transferred by Israel to a self-rule Palestinian Authority. However, the most important issues between Israel and the Palestinian Authority remain unresolved and, beginning in September 2000, the overall relationship and security situation between Israel and the Palestinians has deteriorated significantly and has been marked by ongoing violence and military action. Furthermore, Israel has not reached agreement with its other neighboring Arab countries, Syria and Lebanon. No predictions can be made as to whether or when a final resolution of the area's problems will be achieved or the nature thereof and to what extent the situation will impact Israel's economic development or the operations of Scitex.

Scitex has been favorably affected by certain Israel Government programs and tax legislation, principally related to research and development grants and capital investment incentives. The operations of Scitex Vision and Scitex's Israeli minority held affiliated companies could be adversely affected if these programs or tax benefits were reduced or eliminated and not replaced with equivalent programs or benefits, or if their ability to participate in the programs were significantly reduced. There can be no assurance that such programs and tax legislation will continue in the future or that the available benefits will not be reduced or that the companies receiving such benefits will continue to meet the conditions to benefit from such programs and legislation.

Israel has the benefit of a free trade agreement with the United States which, generally, permits tariff free access into the United States of products produced in Israel by Scitex's Israeli subsidiaries, joint ventures and minority held affiliated companies. In addition, as a result of an agreement entered into by Israel with the European Union (the "EU") and countries remaining in the European Free Trade Association ("EFTA"), the EU and EFTA have abolished customs duties on Israeli industrial products.

ORGANIZATIONAL STRUCTURE

The Registrant, Scitex Corporation Ltd., is part of a group of which it is the parent company. Scitex Digital Printing, Inc. (incorporated in the United States) and Scitex Vision Ltd. (incorporated in Israel) are our significant subsidiaries. We hold 100% of the beneficial and voting interest in both companies, although the latter company has adopted a stock option plan granting employees the right to acquire shares in the company. We also have a number of wholly-owned regional subsidiaries that carry out ancillary operations for these companies, primarily sales, marketing and customer support. A full list of subsidiaries is appended as an exhibit to this Form 20-F (see Exhibit 8 of Item 19).

In addition, the Company holds a fifty percent interest (both beneficial and voting) in two joint venture companies, Vio Worldwide Limited (incorporated in England and Wales) and Karat Digital Press BV (the Dutch holding company for Karat Digital Press GmbH and Karat Digital Press LP), the operations of which are being discontinued in their current form.

PROPERTY, PLANTS AND EQUIPMENT

The Company intends moving during the latter part of 2001 to new corporate administrative offices close to Herzlia, Israel, consisting of approximately 5,000 square feet of floor space. In the meantime, we are utilizing, on an interim basis, offices in the Herzlia Industrial Park, in the same building partly occupied by Scitex Vision, close to the principal Israel facilities of CreoScitex.

In April 2000, Scitex Vision moved all its Israel operations, including manufacturing, integration and research and development, into new facilities in the Herzlia Industrial Park, close to the CreoScitex facilities, comprising approximately 47,000 square feet of floor space, of which approximately 21,000 square feet are leased from Bayside Land Corporation Ltd. ("Bayside"), an affiliate of Discount Investment Corporation Ltd., one of our major shareholders. Scitex believes that these facilities in Herzlia can sustain Scitex Vision's projected growth until 2003. Thereafter, or if Scitex Vision grows faster than expected, it is anticipated that the company will need to relocate to larger facilities. (See "Item 7. Major Shareholders and Related Party Transactions".)

SDP rents nearly 320,000 square feet in Dayton, Ohio, for use as its principal administrative and manufacturing facility. Elsewhere in the United States, both Scitex Vision America and SDP lease a number of other facilities, aggregating approximately 16,500 square feet, used primarily for sales, marketing and customer support.

Outside Israel and the United States, Scitex's subsidiaries lease additional office space, primarily in Tokyo, Japan; Singapore; Brussels, Belgium; St. Prex, Switzerland; and various other European centers. These facilities currently comprise approximately 38,000 square feet of floor space.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

2000 COMPARED WITH 1999

On April 4, 2000, Creo acquired our digital preprint operations and print-on-demand systems division in consideration for 13.25 million Creo shares, then representing approximately 28.7% of Creo's outstanding shares. The consolidated results of operations and other financial information for 1999 and prior years include the digital preprint and print-on-demand business, while the results of 2000 include those operations only for three months. From the second quarter of 2000, the revenues, costs and expenses of the operations acquired by Creo did not appear as such in our Consolidated Financial Statements, but instead were reflected in our equity share in the results of Creo.

For these reasons, a direct comparison of most aspects of the consolidated results of 2000 with 1999 is not particularly meaningful.

Creo's financial statements were audited as at the end of its fiscal year on September 30, 2000, whereas Scitex's financial statements were audited as of December 31, 2000, at the end of its fiscal year. Pursuant to GAAP, Scitex aligns the timing of audited reports, and therefore reports Creo's results with a lag of three months. Accordingly, Scitex's financial statements for the year ended December 31, 2000, incorporate its share in Creo's financial results solely for the two quarters ended September 30, 2000.

Total revenues for the year 2000 were \$344 million compared with \$690 million in the previous year, the sharp decrease being due to the sale to Creo of the digital preprint at the beginning of the second quarter of 2000.

Revenues in 2000 from our digital printing business (SDP and Scitex Vision) totaled \$228 million, reflecting a 21% growth from the \$189 million of revenues generated from such business in 1999. Of the 2000 digital printing revenues, SDP's revenues were \$152 million compared with \$144 million in 1999, a 6% increase. SDP's results reflect the significant improvement in the company's results in the second half of 2000, while the first half showed practically no growth compared with 1999. The second half of 2000 marked the return of SDP to double digit growth rates and improved profitability. Scitex Vision experienced a tremendous growth in revenues, of 67%, from \$45 million in 1999 to \$75 million in 2000. This growth was led by the demand explosion in the super-wide printing markets, especially for outdoor advertising. We expect our digital printing business to continue to grow at double digit levels during 2001, although we do not expect Scitex Vision's growth to continue at its 2000 rates.

The 2000 revenues included \$116 million of other revenues generated in the first quarter of 2000, primarily revenues from the digital preprint operations sold to Creo. This compared with \$113 million of such revenues in the first quarter of 1999 and \$491,521 million for the year 1999.

As a consequence of the increased importance of the Asian Pacific markets, especially for the Scitex Vision business, from a geographical standpoint, the proportion of revenues in the Americas and Europe dropped slightly in 2000. Revenues in North and South America declined from 46% in 1999 to 42% in 2000 and in Europe, the decline was from 38% in 1999 to 34% in 2000.

Our gross margins in 2000, at 42%, remained similar to the previous year but the composition changed somewhat, with digital printing margins down from 45% in 1999 to 43% in 2000. This reduction was mainly due to the fact that SDP's revenue growth in 2000 came primarily from service revenues, which carry a significantly lower margin.

Operating expenses increased in percentage terms as a result of the need to establish new worldwide distribution units for Scitex Vision and, to a lesser extent, for SDP. Both business units had used, wholly or partly, the Scitex digital preprint regional distribution infrastructure. After the Creo Transaction, that infrastructure was no longer available, or was significantly more expensive.

Net financial income decreased from \$3.4 million in 1999 to \$1.4 million in 2000, primarily due to lower average cash balances and an increase in bank loans.

Other income in 2000 totaling \$199 million is almost entirely the gain recorded on the sale of the digital preprint operations in the Creo Transaction. The Creo shares received in exchange were recorded, based on the applicable US accounting rules, at an amount significantly higher than the book value of the operations sold.

Scitex recorded a tax provision in 2000 of \$34 million compared with \$9 million in 1999. Most of the \$34 million provision in 2000 is related to the Creo Transaction, primarily deferred tax expense resulting from the write-off of deferred tax assets that will not be realized following the sale of assets. After valuation allowances, Scitex had a net deferred tax asset of \$17 million at December 31, 2000, which primarily related to net operating loss and credit carryforwards and accrued liabilities (see Note 11d to the Consolidated Financial Statements of Scitex in Item 18). The realizability of the net deferred tax asset will depend upon the timing of reversal of the temporary differences as well as the timing, amount and geographic distribution of future taxable income. A number of factors may impact future taxable income, including those discussed under "Risk Factors" in Item 3, as well as any tax planning strategies. To the extent that estimates of future taxable income are reduced or not realized, the amount of the deferred tax asset considered realizable could be adversely affected.

Scitex's share in the losses of equity investments was \$80 million in 2000, compared with an equity loss of \$21 million in 1999. The increase was mainly due to the equity losses from Creo totaling \$44 million in the 2000 results, including an in-process R&D write-off of \$24 million. The other \$20 million includes approximately \$10 million of intangible amortization related to the Creo Transaction. We anticipate that the impact of the amortization of intangibles resulting from the Creo Transaction will be approximately \$18 million annually for the next several years. Most of the other equity losses were from the Vio and Karat joint ventures. Since the estimated costs of exiting Vio and Karat were accrued at December 31, 2000, those companies should have a minimal impact on the results of 2001.

In 1998, Scitex recorded a provision of \$63 million for the estimated loss on the exit from the digital video business. The income from discontinued operations in 1999 and 2000 represents the reversal of excess liabilities recorded in connection with the discontinued operations.

Effective January 1, 2000, Scitex changed its method of accounting for revenue recognition to comply with the SEC's Staff Accounting Bulletin 101 and as a result, recorded a cumulative effect of an

accounting change for \$21 million. (See Note 2m to the Consolidated Financial Statements of Scitex listed in Item 18).

1999 COMPARED WITH 1998

The net income in 1999 was \$31 million, consisting of income from continuing operations of \$24 million and income from discontinued operations of \$7 million.

Total revenues in 1999 increased 8% to \$690 million from \$640 million in 1998. Sales of equipment were \$475 million in 1999, up 8% from \$441 million in 1998. The increase was primarily due to higher sales in the U.S. and Europe.

Service revenue (mainly from maintenance contracts, time and material charges and advanced customer training) rose 7% in 1999 to \$147 million from \$138 million in 1998. The increase was mainly in the US and Europe. Sales of supplies for our inkjet printers rose 11% in 1999 to \$68 million, the increase being mainly due to Scitex Vision's enlarged customer base.

Revenues in Europe were \$259 million, an increase of 9% from 1998. The increase was primarily due to higher sales of digital preprint products. Revenues in North and South America were \$319 million, 7% above 1998. This was also largely a result of growth in digital preprint sales. Sales to Japan were \$50 million, a decrease of 22% from the 1998 level of \$65 million, reflecting continued difficulties in the Japanese market. Revenues in the rest of the world were \$62 million compared to \$42 million in 1998, reflecting a strong performance in several Asian countries.

Consolidated gross margin in 1999 was 43%, compared with 42% in 1998. Equipment gross margin in 1999 was 49%, compared with 48% in 1998. Service gross margin was 20% in 1999 compared with 21% in 1998. Gross margin on sales of supplies, mainly paper and inks for our digital inkjet printers, was 47% in 1999, compared with 46% in 1998.

Research and development expenditures, before government grants decreased from \$77 million in 1998 to \$73 million in 1999 due mainly to tight control over such expenditures.

A portion of Scitex's research and development expenses incurred in Israel was funded by the Government of Israel pursuant to programs entitling the Government to receive royalties on sales of products developed therein. Total government R&D funding was \$7 million in 1999 (10% of gross R&D expenditures) and \$11 million in 1998 (14%). Royalty expense pursuant to the Government of Israel funding programs, included in selling expenses, was \$3.8 million in 1999, compared with \$4.7 million in 1998.

Selling and marketing expenses in 1999 were \$101 million (15% of revenues), unchanged from 1998. General and administrative expenses were \$66 million in 1999, compared with \$74 million in 1998. The large decrease resulted from a number of factors including lower occupancy costs in Israel and Europe and a reduction in legal fees following settlement of a large patent suit.

Amortization of goodwill and other intangible assets was \$11 million in 1999 and \$9 million in 1998. The increase in 1999 was primarily due to the acquisition of Idanit and Matan, the two component parts of

Scitex Vision, in 1998 and additional earnout payments during 1999 related to Matan. Most of the goodwill relates to entities that were not transferred to Creo.

Net financial income was \$3 million in 1999 compared with \$5 million in 1998, principally due to lower average cash balances.

Scitex recorded a tax provision in 1999 of \$9.2 million compared with a tax provision of \$2.2 million in 1998. The 1999 provision is in large part to cover taxes which were payable on taxable income in certain European countries and the deferred tax impact from the expected use of carryforward tax losses in other European countries, as well as the U.S.

Scitex's share in the losses of equity investments was \$21 million in 1999, compared with an equity loss of \$15 million in 1998. The losses were primarily from three joint ventures: Nihon Scitex Ltd. (now Nihon CreoScitex Ltd., a Creo joint venture, in Japan), Karat and Vio.

In 1998, Scitex recorded a provision of \$63 million for the estimated loss on the exit from the digital video business. The provision was comprised of \$50 million related to the estimated loss on sale of Scitex Digital Video, and \$13 million representing the accumulated unrealized loss on available for sale shares (permanent impairment of the value of Scitex's investment in Truevision, Inc., which in view of the intention to exit from the digital video business, was reclassified in the balance sheet to short term investments). The discontinued operations section of the 1998 Consolidated Statement of Income included the \$63 million loss on disposal and the \$14 million loss from digital video operations through the third quarter.

In December 1998, Scitex sold substantially all of the assets and liabilities of Scitex Digital Video for \$10 million, of which \$8 million of the proceeds was received in cash. The balance was to be paid over a period of 18 months. In 1999, the accrued liabilities related to the sale of Scitex Digital Video were reduced by \$7 million, the effect of which is shown in the 1999 Consolidated Statement of Income as income from discontinued operations.

In March 1999, Pinnacle Systems, Inc. acquired all of the outstanding shares of Truevision through the issuance of new shares of Pinnacle. Scitex sold its shares in Pinnacle in April 1999 for \$3.1 million.

LIQUIDITY & CAPITAL RESOURCES

Cash, cash equivalents and short-term marketable investments at December 31, 2000 were \$48 million and short-term bank debt totaled \$12 million. Bank debt due beyond one year totaled \$16 million.

Operating cash flow in 2000 was approximately \$46 million, significantly less than approximately \$62 million in 1999 and approximately \$81 million in 1998, primarily as a result of the Creo Transaction in April 2000 in which the Scitex exchanged cash generating, operating assets for equity participation in Creo.

There was a substantial increase in cash used in investing activities, which increased to approximately \$90 million in 2000 from approximately \$56 million in 1999. The main reason for this increase was

\$37 million of cash transferred with operations sold to Creo. Other major uses of cash for investing activities during 2000 included approximately \$16 million for the purchase of fixed assets, investments of approximately \$6 million in the Vio joint venture and approximately \$17 million in minority held companies, as well as earnout payments totaling approximately \$6 million related to the Matan acquisition by Scitex Vision. In 1998, the cash used in investment activities totaled approximately \$111 million, out of which approximately \$62 million were used to purchase Idanit Technologies Ltd. (now Scitex Vision Ltd.).

The net use of approximately \$44 million was financed from an increase in short term and long term bank loans of approximately \$29 million, exercise of stock options of approximately \$4 million and a decrease of cash balances by approximately \$11 million.

During 1999 and 2000 Scitex and KBA, our joint venture partners in Karat Digital Press, decided to assist the joint venture by providing guarantees in respect of bank credit lines received by Karat. At the end of 2000, the loans guaranteed by Scitex totaled approximately \$18 million. Pursuant to the proposed agreement with KBA, Scitex could be required to make payments in respect of part or all of these loans less its share of proceeds from the sale of certain assets. These payments may be required during the remainder of 2001.

Other commitments for capital expenditures in 2001 include payments related to exiting the Karat and Vio joint ventures (approximately \$13 million), earnout payments related to the acquisition of Matan (approximately \$8 million), additional investments in network companies (approximately \$7 million), as well as minor commitments for leasehold improvements.

Scitex is undergoing tax audits in the US and in Europe, and the tax consequences in Israel of the Creo Transaction are still to be determined with the tax authorities. Material payments may be required at the conclusion of these matters. Provisions have been made in the financial statements for the estimated settlement amounts. It is not possible to predict at this time when any eventual payments will be made.

In 2001, we expect our wholly owned subsidiaries, SDP and Scitex Vision, to generate cash from their operations. Our investment activities, which include acquisitions of synergetic businesses, investments in network companies - both new and follow-on, earnout payments for past acquisitions and investments in capital assets, are expected to be significantly larger than our operating cash flow. Management believes that existing cash and short-term investments together with available credit lines and funds generated from operations of subsidiaries will be sufficient to meet operating requirements in the year 2001. The Company could also sell certain of its investments, including shares in Creo (subject to the provisions of the Standstill Agreement with Creo and market conditions).

Scitex Vision has secured credit lines in Israel for up to \$47 million subject to certain operating and balance sheet covenants. The Company has an additional credit line of \$20 million. The used credit is in short term loans (most of the long term loans in the December 31, 2000 balance sheet mature in February 2002), and is denominated in dollars, generally at variable rates linked to LIBOR.

Most of the cash, cash equivalents and short-term investments are also in dollars, generally at variable rates linked to LIBOR.

In January 1991, Scitex reached agreements with its principal banks, under which all floating and specific charges over its assets in favor of such banks were removed. Scitex undertook a negative pledge commitment as well as obligations to meet certain covenants common in such cases, if it wishes to draw upon certain lines of credit.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board of the United States issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 established a new model for accounting for derivatives and hedging activities. FAS 133 was effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (the Company adopted FAS 133as of January 1, 2001). The adoption has no material effect on the Company's results or its financial statements.

IMPACT OF INFLATION AND EXCHANGE RATES

Virtually all Scitex's revenues are in non-Israeli currencies. Sales in the United States and other areas outside of Western Europe and Japan are typically made in dollars. Sales in Europe are primarily in dollars, pounds sterling or Euro. Sales in Japan are made in Japanese yen.

Although a material portion of Scitex's costs relate to the operations of Scitex Vision in Israel, much of these Israeli costs are in dollars or linked to the dollar. Until the Creo Transaction, Scitex had significantly more costs in Israel, the majority of which were in dollars or linked to the dollar. Costs not denominated in, or linked to, dollars are translated to dollars, when recorded, at prevailing exchange rates for the purposes of our financial statements, and may increase if the rate of inflation in Israel exceeds the rate of devaluation of Israel's currency, the New Israel Shekel (the "shekel" or "NIS"), against the dollar or if the timing of such devaluations were to lag considerably behind inflation. Conversely, such costs may in dollar terms decrease if the rate of inflation is lower than the rate of devaluation of the shekel against the dollar.

In 2000 and 1999, the annual rates of inflation in Israel were 0% and 1.3%, respectively, and the shekel strengthened compared to the dollar by 2.7% and 0.2%, respectively. In 1998, the annual rate of inflation was 7.0% and the annual rate of devaluation against the dollar was 8.8%. As a result, our Israeli operations experienced increases in dollar costs in 2000 and 1999, which followed a decrease in dollar costs in 1998. The representative dollar exchange rate for converting the shekel to dollars, as reported by the Bank of Israel, was NIS 4.041 on December 31, 2000 (NIS 4.153 on December 31, 1999).

Until the Creo Transaction, we had substantial operations outside the United States and Israel, and accordingly maintained substantial non-dollar balances of assets, including substantial accounts receivable balances related to sales made in non-dollar currencies, mostly European currencies and Japanese yen. Our general policy was to hedge against the exchange rate exposure arising from the existence of such non-dollar business activities. Subsequent to the Creo Transaction, SDP and Scitex Vision established operations of their own outside the United States and Israel, primarily in Europe, but the volume of

activity in non-dollar currencies was significantly reduced compared to previous years. The net impact of currency exchange rate and remeasurement differences between the dollar and other currencies accounted for a net loss of \$0.9 million in 2000 (the first quarter of which was prior to the Creo Transaction) compared to net gains of \$0.1 million and \$1.3 million in 1999 and 1998, respectively.

Until the Creo Transaction, most sales to Western Europe and Japan were made in local currencies, and our competitive position and future results of operations could have been materially adversely affected if the dollar significantly increased in value in comparison to the primary European currencies and the Japanese yen. Accordingly, from time to time, we purchased currency options for a portion of our projected sales net of projected operating expenses for the corresponding periods. Gains and losses from such transactions were recorded in revenues in the period when revenue from the related transaction were recognized, while the premiums on the options were amortized equally over the period from the time of purchase until expiration, and are included under "Financial Expenses". The hedging activity regarding future sales had a positive impact on revenues of \$1.4 million in the first quarter of 2000, \$3.3 million in 1999 and \$5.5 million in 1998. Option premiums were \$0.1 million in the first quarter of 2000, \$0.6 million in 1999 and \$0.7 million in 1998. From the second quarter of 2000, sales to Europe and the Far East (including Japan) in currencies other than the dollar were significantly reduced. Accordingly, future sales are no longer hedged.

(See also "Item 11. Quantitative and Qualitative Disclosures about Market Risk")

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Scitex's research and development efforts are focused on the development of new products and technologies, as well as enhancing the quality and performance relative to price of our existing products, reducing manufacturing costs and upgrading and expanding our product line through the development of additional features and improved functionality.

Following the Creo Transaction, Scitex's research and development activities primarily comprised approximately 65 employees in Scitex Vision's operations in Israel and 125 employees in the operations of SDP in Dayton, Ohio. In addition, a high proportion of the employees of our minority held affiliated companies are engaged in research and development.

Scitex has taken advantage of royalty-bearing grants in the form of participations in industrial research provided by the Government of Israel. The following table shows the amounts and relative percentages of total research and development expenditures and the royalty-bearing participations therein, for the years indicated:

	Year Ended December 31,					
	2000		1999		1998	
	(Dollars in thousands)					
Total expenditure incurred	\$39,694	11.6% ⁽²⁾	\$72,622	10.5% ⁽²⁾	\$77,368 ⁽¹⁾	12.1% ⁽²⁾
Less royalty-bearing participations, from the Government of Israel ⁽³⁾	\$1,202	3.0% ⁽⁴⁾	\$7,100	9.8% ⁽⁴⁾	\$10,870	14.0% ⁽⁴⁾
Net Expenditure	\$38,492	11.2% ⁽²⁾	\$65,522	9.5% ⁽²⁾	\$66,498 ⁽¹⁾	10.4% ⁽²⁾

- (1) Excludes \$44,264 thousand of in-process research and development related to the acquisition of Idanit. Total research and development incurred in 1998, including the in-process research and development, was \$121,632 thousand (19.0% of total revenues), of which participations constituted 8.9%.
- (2) Percentage indicates the ratio of the relevant item to total revenues.
- (3) See Note 9a(1)(a) to the Consolidated Financial Statements of Scitex listed in Item 18.
- (4) Percentage indicates the ratio of the participations to total research and development expenditure incurred (as shown).

Primarily as a result of the Creo Transaction, Israel Government participations in connection with Scitex's operations have, as expected, declined significantly.

Under the terms of the Israel Government participations, Scitex paid a royalty on the proceeds of sales of products resulting from funded projects up to the amount of the grants received. Most of the obligations for future royalties have now been assumed by Creo. The royalties payable in respect of projects approved prior to 1995 are generally 2% of the amount of such sales. However, on projects approved subsequently, the royalties generally payable are 3% for the first three years of product sales, 4% for the next three years and thereafter 5% up to the amount of the grant received (such rates being increased by 1% in respect of certain special projects). Royalties expensed by Scitex pursuant to the Israel Government and other programs amounted to approximately \$0.7 million in 2000 (approximately \$4 million in 1999 and \$4.7 million in 1998). At December 31, 2000, the maximum contingent royalty payable was approximately \$8.0 million.

Scitex, principally through its wholly-owned operating subsidiaries, currently owns, licenses or otherwise has rights in over 320 issued patents (primarily in the United States) and has nearly 330 patent applications pending in the United States and elsewhere. As part of the Creo Transaction in April 2000, we assigned to Creo approximately 250 issued patents and 140 pending patent applications relating to our digital preprint and print-on demand business. Creo granted back to Scitex and its affiliates a non-exclusive license of such intellectual property, including patents, used by Scitex and its affiliates prior to the Creo Transaction. In addition, a number of issued patents and pending applications are held by our other minority held investee companies. Scitex also claims proprietary rights in various technology and trade secrets relating to its products and operations. Scitex also holds a number of trademarks and service marks in the United States and elsewhere, particularly for the word *Scitex* and the Scitex logo in respect of which we have granted Creo an exclusive license to use the same in its digital preprint and print-on-demand business.

TREND INFORMATION

- *Industry*

The printing industry underwent substantial changes over the recent years. Analog, labor intensive processes, typified by high setup costs and long production runs are being replaced by digital processes in both the preparation of data for printing (preprint) and in the actual printing process (Digital Print). The printing industry, which typically grows at GDP rates, has experienced strong growth in revenue and profitability in the last few years, fueled mainly by increased advertising spending. There is no assurance that the strong capital spending experienced in the industry in recent years will continue if an expected downturn in the economy intensifies.

Digital printing growth is driven by the demand for shorter lead times for printed products, variability and personalization of output and elimination of obsolescence and inventory related costs. We believe those trends will continue and even strengthen as the market gets accustomed to new processes and cost / efficiency paradigms.

- *Revenue growth*

Scitex has seen digital printing revenues grow at a 20% rate during 2000. We believe that we can maintain similar growth levels in 2001.

- *Composition of revenue*

Scitex derives approximately one-third of its digital printing revenue from services and consumables. We believe a similar ratio of recurring revenue can be maintained going forward.

- *Gross margins*

Our gross margin depends primarily on product mix. Though some of our new product lines currently carry gross margins materially lower than our current average, we believe that in 2001 we can maintain gross margins at similar levels to those we experienced in 2000 through product cost reduction programs and improved recurring revenue profitability.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information with respect to the directors and senior management of Scitex as at June 12, 2001:

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Position</u>
Meir Shannie ⁽¹⁾⁽²⁾	55	2001	Director; Chairman of the Board
Yoav Z. Chelouche	47	1996	Director; President and Chief Executive Officer
Avraham Asheri ⁽³⁾⁽⁴⁾	63	2000	Director; Chairman of the Audit Committee
Mendy Erad ⁽²⁾⁽³⁾	52	1995	Director
Ami Erel ⁽¹⁾⁽⁴⁾	54	2000	Director
Roger Gallois ⁽¹⁾⁽³⁾⁽⁵⁾	64	1997	Director
Professor Shmuel Kandel ⁽³⁾⁽⁵⁾	50	2000	Director
Leon Y. Recanati ⁽¹⁾⁽²⁾	53	1988	Director
Ophira Rosolio-Aharonson	51	2000	Director
Itai Halevy	41	—	Corporate Vice President, Business Development and Strategic Planning
Yosef Zylberberg	40	—	Corporate Vice President & Chief Financial Officer
David Reis	40	—	President, Scitex Vision Ltd.
Nachum Shamir	47	—	President, Scitex Digital Printing, Inc.
David Shulman	54	—	Corporate Secretary

(1) Member of the remuneration committee of the board of directors and the committees administering the Scitex key employee stock option and share incentive plans.

(2) Nominated for election as a director by Clal Electronics Industries Ltd (“CEI”), a major shareholder of Scitex.

(3) Member of the audit committee of the board of directors.

(4) Nominated for election as a director by Discount Investments Corporation Ltd. (“DIC”) and its wholly owned subsidiary, PEC Israel Economic Corporation, major shareholders of Scitex.

(5) An “Outside Director” pursuant to the Companies Law.

Meir Shannie was appointed Chairman of the board of directors of Scitex upon his appointment as a director of Scitex in February 2001. He is President and Chief Executive Officer of Clal Industries and Investments Ltd (“CII”), the parent company of CEI, having held such post since January 2001. From 1997 until his appointment at CII, he was an independent businessman. Previously, Mr. Shannie was Active Chairman of Israeli Direct Insurance from 1993. He serves as Chairman of the board of directors of CEI and is a director of Creo, Elite Industries Ltd., and Clal Industries, as well as a number of companies in which CII has an interest. Mr. Shannie holds a bachelors degree in accounting and economics and a masters degree in business administration, both from the Tel Aviv University.

Yoav Z. Chelouche was appointed President and Chief Executive Officer of Scitex in November 1995, having previously held the office of Executive Vice President - Marketing and Business Development from December 1993. Prior to then, Mr. Chelouche had served as Corporate Vice President - Marketing from 1983, such position being expanded in 1986 to include Business Development. He joined Scitex in 1979 as Vice President for Finance and Administration at Scitex Europe S.A., Scitex's then principal European sales and marketing subsidiary, and from 1982 to 1983 held the position of Corporate Marketing Manager. Mr. Chelouche was appointed a director and Co-Chair of Creo in April 2000 and an outside director of VocalTec Communications Ltd. in July 2000. He holds a bachelors degree in economics and statistics from Tel Aviv University and a masters degree in business administration from INSEAD, Fontainebleau, France.

Avraham Asheri is an economics advisor. He served as President and CEO of Israel Discount Bank Ltd. from 1991 until 1998, having previously held the position of Executive Vice President and a Member of the Bank's Management Committee from 1983. Prior to joining Israel Discount Bank, during a period of 23 years, Mr. Asheri held various offices at the Ministries of Industry and Finance, including Director General of the Ministry of Industry and Trade, Managing Director of the Investment Center in Israel and Trade Commissioner of Israel to the United States. He is a member of the Boards of Directors of several companies, including Elron Electronic Industries Ltd., Elbit Ltd., Elbit Systems Ltd., Discount Mortgage Bank Ltd., American Israeli Paper Mills Ltd. and Tambour Ltd. Mr. Asheri holds a bachelors degree in economics and political science from the Hebrew University of Jerusalem, Israel.

Mendy (Menachem) Erad was Managing Director of CEI from February 1995 until December 31, 1998 and Vice Chairman of the board of directors of Scitex from November 1996 until May 1999. He was previously General Manager of Koor Tourist Enterprises Ltd. from 1993 to 1995 and, prior thereto, General Manager, Group Systems Division at Tadiran Ltd. from 1990. Mr. Erad is a consultant to CEI and serves as a director of a number of companies, including Nova Measuring Instruments Ltd. and Top Image Systems Ltd., of which companies he is Chairman of the boards of directors. He holds a bachelors degree in electrical engineering from the Ben Gurion University of the Negev, Beersheba, Israel.

Ami Erel was appointed President and Chief Executive Officer of DIC with effect from June 1, 2001 and has served as Chairman of the board of directors, President and Chief Executive Officer of Elron Electronic Industries Ltd. ("Elron") since November 1999. Prior to joining Elron, he served as President and Chief Executive Officer of Bezeq The Israel Telecommunication Corporation Ltd. from 1997, and as Chairman of the board of directors of PelePhone Communications Ltd. from 1997 to 1998. From 1993 to 1997, Mr. Erel served as Chief Executive Officer and Director of ForSoft Ltd. and as director of its subsidiaries. From 1990 to 1997, he served as Chief Executive Officer and Director of F.C.T. Formula Computer Technologies Ltd. and as director of its subsidiaries. Mr. Erel is also Chairman of the board of directors of Elbit Ltd., and serves as a Director of Elbit Systems Ltd. and Super-Sol Ltd. He holds a bachelors degree in electronical engineering from the Technion - Israel Institute of Technology (the "Technion"), in Haifa.

Roger Gallois was, until 1994, a Senior Vice President and a member of the Executive Committee of Groupe Bull, a major French-based information technology concern (having been appointed to such posts in 1981 and 1982, respectively). Subsequently, Mr. Gallois continued to serve as a consultant to Groupe Bull until December 1996. Mr. Gallois also held the posts of General Counsel and Board Secretary of

Bull from 1976 to 1994. He holds a degree in electrical engineering from E.S.M.E. (Ecole Spéciale Mécanique Electricité), Paris and a law degree from Paris University and was a registered European Patent Attorney.

Professor Shmuel Kandel is the Dean of the Faculty of Management, the Leon Recanati Graduate School of Business Administration at Tel Aviv University, having joined the Faculty in 1988. He is the incumbent of the Maurice and Gertrude Deutch Chair for Research in Finance and Accounting. Professor Kandel has taught at the Graduate School of Business of the University of Chicago and at the Wharton School of the University of Pennsylvania. He has served as an Outside Director of The Tel Aviv Stock Exchange from 1996 to 2000 (and also in 1992-3). Professor Kandel has served as a consultant to banks, financial intuitions and industrial companies and is the author of numerous publications in the field of finance. He holds a bachelors degree in statistics and operation research from Tel Aviv University, and masters degrees and a Ph.D. in business administration from Yale University.

Leon Y. Recanati has served as Chief Executive Officer of IDB Holding Corporation Ltd. ("IDBH") and Chairman of the boards of IDBH and IDB Development Corporation Ltd. ("IDBD") since March 2001 (having initially been appointed as Co-Chief Executive Officer of IDBH in 1986 and Co-Chairman of the boards of both companies in June 1999). IDBH is the parent company of IDBD, which controls both DIC and CII. Mr. Recanati was also appointed as Chairman of the board of DIC from June 1, 2001. From 1997 until its merger into IDBD in July 2000, he was also Chairman of the board of Clal (Israel) Ltd., then the parent company of CII. From 1986 until November 1996, Mr. Recanati was also Joint Managing Director of IDBD. Prior to such appointments, Mr. Recanati had been a director of IDBH and IDBD since 1981. Mr. Recanati also serves as Chairman of the board of CII, and is a director of American Israeli Paper Mills Ltd. and other companies within the IDB group, or in which it has an interest. He holds a bachelors degree in economics and a masters degree in business administration, both from the Hebrew University of Jerusalem.

Ophira Rosolio-Aharonson is an active executive director and business consultant of several high-tech companies operating in the field of IP technology, three dimensional imaging, automated testing and electronic manufacturing. She was a co-founder of Seagull Technology, Inc. and served as Chief Executive Officer of Terra Computer, Inc. from 1992 to August 1999. Ms. Rosolio-Aharonson has a bachelors degree in applied mathematics and physics and completed courses required for a masters degree in bio-medical engineering from the Technion, and is a graduate of the executive business and management program of Tel Aviv University.

Itai Halevy was appointed Corporate Vice President, Business Development and Strategic Planning of Scitex in October 1997, having previously held the position of Director of Strategic Planning and Business Development from August 1995. He joined Scitex in 1991 and subsequently held various product and industry marketing positions. Mr. Halevy holds a bachelors degree in industrial engineering from Tel Aviv University and a masters degree in business administration from INSEAD, Fontainebleau, France.

Yosef Zylberberg was appointed Corporate Vice President & Chief Financial Officer of the Company from September 2000. He previously held the post of Chief Operating Officer of CreoScitex America, Inc. Until the Creo Transaction in April 2000, Mr. Zylberberg served as Chief Financial Officer & Vice President - Finance and Operations for Scitex America Corp., CreoScitex America's predecessor

corporation. Prior to joining Scitex America in 1997, his experience included Chief Financial Officer of Frutarom Ltd., a manufacturer of chemicals, flavors and fragrances, traded on The Tel Aviv Stock Exchange. Mr. Zylberberg is a certified public accountant and holds a bachelors degree in accounting and economics and a masters degree in business administration, both from Tel Aviv University.

David Reis was appointed President of Scitex Vision on joining the company (then known as Idanit Technologies Ltd.) in September 1996, and continued to serve in such capacity following its acquisition by Scitex in 1998. Prior to that he served as Vice President, Operations and Vice President, Sales & Marketing in the building and management of commercial operations of Pacer Cats Corp., Colorado. In 1995, Mr. Reis joined Rapac Electronics Ltd. in Israel as Vice President, Business Development and also served as executive chairman of several start-up operations within that group. He holds a bachelors degree in economics and management from the Technion, Haifa and a masters degree in business administration from the University of Colorado.

Nachum Shamir was appointed President and Chief Executive Officer of Scitex Digital Printing in January 2001, having previously served as its Chief Operating Officer since July 2000. Prior thereto, Mr. Shamir was Managing Director and General Manager of Scitex Digital Printing (Asia Pacific) Pte Ltd., from the incorporation of this Singapore-based company in 1994. His prior position was with the Hong Kong based Scitex Asia Pacific (H.K.) Ltd. (now CreoScitex Asia Pacific (H.K.) Ltd.) from 1993. Mr. Shamir holds a bachelors degree in science from the Hebrew University of Jerusalem and a masters degree in public administration from Harvard University.

David Shulman joined Scitex in May 1987 and, in July of that year, was appointed Corporate Secretary. He is a lawyer and practiced as a Solicitor of the Supreme Court in England from 1971 to 1979 and qualified as an Advocate in Israel in 1980. Prior to joining Scitex, Mr. Shulman was an in-house attorney with Bank Leumi le-Israel B.M.

ALTERNATE DIRECTORS

Our articles of association provide that a director may appoint another person to serve as an alternate director. To qualify as an alternate director, a person must be qualified to serve as a director but cannot be a director or the alternate director of another director. An alternate director shall have all the rights and obligations of the director who appointed him or her. The alternate director may not act for such director at any meeting at which the director appointing him or her is present. Unless the time or scope of any appointment is limited by the appointing director, the appointment is effective for all purposes until the appointing director ceases to be a director or terminates the appointment. At present, there are no appointments of alternate directors.

(See “Item 7. Major Shareholders and Related Party Transactions - Major Shareholders” for details of agreement among major shareholders relating to the election of directors.)

COMPENSATION

The following table sets forth with respect to all directors and senior management of Scitex as a group, including all persons who were at any time during the period indicated directors or senior management of

Scitex, all cash and cash-equivalent forms of remuneration paid by Scitex during the fiscal year ended December 31, 2000:

	<u>Salaries, fees, directors' fees, commissions and bonuses</u>	<u>Other benefits</u>
All directors and senior management as a group (consisting of 24 persons in 2000)	\$3,270,000	\$215,000

Mr. Gallois and Mr. Sasson Somekh, who served as an Outside Director of the Company until December 2000, each received an annual director's fee of \$20,000 and an attendance fee of \$1,000 for each meeting attended outside his country of residence. The three new directors appointed in November and December 2000 (including Professor Kandel who replaced Mr. Somekh as an Outside Director) received annual directors' fees and participation fees equivalent to the maximum fees permitted for Outside Directors under regulations issued pursuant to the Companies Law (which equates to approximately \$10,500 per annum and a participation fee of approximately \$400 per meeting.) Directors' fees and participation fees of a similar amount are payable in respect of all other directors (other than the director who is an officer of Scitex) with effect from December 27, 2000. Previously a director's fee of \$10,000 per annum was paid in respect of such directors. Where directors are employees of major shareholders (or companies under their control), such fees are generally paid to the company by whom the director is employed. Except as aforesaid, Scitex has not compensated directors who are not officers of Scitex.

During the fiscal year ended December 31, 2000, the Company granted stock options to certain members of its senior management for the purchase of an aggregate of 195,000 Ordinary Shares of the Company at an exercise price of \$10.75 per share, such stock options expiring on June 30, 2010.

An aggregate sum of approximately \$146,000 has been accrued by Scitex to provide pension, retirement and severance benefits to members of its senior management.

Upon termination of their employment within eighteen months following a change in control of Scitex, certain members of Scitex's senior management are entitled to receive a severance payment in the amount of two to three years of annual compensation, the acceleration of vesting of stock options then held by them and certain other benefits.

BOARD PRACTICES

OUTSIDE DIRECTORS

Under the requirements for continued listing on the Nasdaq Stock Market, we are required to have at least two independent directors, as defined by Nasdaq rules, on our board of directors and to establish an audit committee, a majority of whose members are independent, as defined by the Nasdaq rules. Avraham Asheri, Mendy Erad, Roger Gallois and Professor Shmuel Kandel currently serve on our audit committee.

We are also subject to the provisions of the Israel Companies Law, 5759-1999 (the "Companies Law"), which became effective on February 1, 2000 and supersedes most of the provisions of the Israel Companies Ordinance (New Version), 5743-1983. Under the Companies Law, Israeli companies that have

offered securities to the public in or outside of Israel are required to appoint at least two “Outside Directors”. Our Outside Directors are Roger Gallois and Professor Shmuel Kandel.

To qualify as an Outside Director, an individual may not have, and may not have had at any time during the previous two years, any affiliations with the company or its affiliates, as such terms are defined in the Companies Law. In addition, no individual may serve as an Outside Director if the individual’s position or other activities create or may create a conflict of interest with his or her role as an Outside Director. For a period of two years from termination from office, a former Outside Director may not serve as a director or employee of the company or provide professional services to the company for consideration.

The Outside Directors generally must be elected by the shareholders, including at least one-third of the shares of non-controlling shareholders voted on the matter. However, the Outside Directors can be elected by shareholders without this one-third approval if the total shares of non-controlling shareholders voted against the election do not represent more than one percent of the voting rights in the company. The term of an Outside Director is three years and may be extended for an additional three years. The term of office of both Mr. Gallois and Professor Kandel commenced in 2000. Other directors hold office until the next annual meeting of our shareholders, unless their positions are earlier vacated by resignation or otherwise. Each committee of a company’s board of directors empowered with powers of the board of directors is required to include at least one Outside Director.

COMMITTEES OF THE BOARD

The Companies Law also requires the appointment by our board of directors of an audit committee, which must be comprised of at least three directors, including all of the Outside Directors. The audit committee may not include the chairman of the board, a controlling shareholder or any director who is employed by the company or provides services to the company on a regular basis. The role of the audit committee is to examine flaws in the business management of the company, in consultation with the internal auditor and the independent accountants, and to propose remedial measures to the board. The audit committee also reviews for approval transactions between the company and officer holders or interested parties, as described below.

Our board of directors has also appointed a remuneration committee, which currently comprises Meir Shannie, Ami Erel, Roger Gallois and Leon Y. Recanati. The role of the remuneration committee is to review the salaries and incentive compensation of the Company’s executive officers and to make recommendations on such matters for approval by, *inter alia*, the board of directors, pursuant to the Companies Law. The members of the remuneration committee also comprise the committees that administer the Company’s share incentive and stock option plans, subject to additional board approval where required pursuant to the Companies Law.

INTERNAL AUDITOR

Under the Companies Law, our board of directors is also required to appoint an internal auditor proposed by the audit committee. The internal auditor may be an employee of the company, but may not be an interested party or officer holder, or a relative of any interested party or officer holder, and may not be a member of the company’s independent accounting firm. The role of the internal auditor is to examine, among other things, whether the company’s activities comply with the law and orderly business procedure.

INDEPENDENT DIRECTORS

Pursuant to the terms of a court approved settlement of a purported class action, we agreed in 1997 that our board of directors will, for a period of five years, include two directors deemed to be independent of our management and of our principal shareholders (“Independent Directors”). It was also agreed that, for such five year period, certain formal and informal offers to acquire a majority of our shares or substantially all of our assets shall be evaluated by a special committee of the board (consisting of not more than six directors) that shall include the two Independent Directors, which committee may make recommendations to the our board concerning any such offers. Roger Gallois, Professor Shmuel Kandel and Ophira Rosolio-Aharonson are deemed to be Independent Directors for this purpose.

APPROVAL OF TRANSACTIONS UNDER ISRAELI LAW

The Companies Law imposes fiduciary duties that “office holders,” including directors and executive officers, owe to their company. An office holder’s fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care generally requires an office holder to act with the level of care that a reasonable office holder in the same position would have acted under the same circumstances. The duty of loyalty generally requires an office holder to act in good faith and for the good of the company. Specifically, an office holder must avoid any conflict of interest between the office holder’s position in the company and his or her other positions or personal affairs. In addition, an office holder must avoid competing against the company or exploiting any business opportunity of the company for his or her own benefit or the benefit of others. An office holder must also disclose to the company any information or documents relating to the company’s affairs that the office holder has received due to his or her position in the company.

Under the Companies Law, all arrangements as to compensation of office holders who are not directors require approval of the board of directors. Arrangements as to compensation of directors also require audit committee and shareholder approval.

The Companies Law requires that an office holder promptly disclose any personal interest that he or she may have, and all related material information known to him or her, in connection with any existing or proposed transaction by the company. A personal interest of an office holder includes an interest of a company in which the office holder is, directly or indirectly, a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager. In the case of an extraordinary transaction, the office holder’s duty to disclose applies also to a personal interest of the office holder’s relative. An extraordinary transaction is a transaction not in the ordinary course of business, not on market terms, or likely to have a material impact on the company’s profitability, assets or liabilities.

Under the Companies Law, once the office holder complies with the above disclosure requirement, the board of directors is authorized to approve the transaction, unless the articles of association provide otherwise. A transaction that is adverse to the company’s interest may not be approved. If the transaction is an extraordinary transaction, then it also must be approved by the company’s audit committee and board of directors, and, under certain circumstances, by the shareholders of the company. When an

extraordinary transaction is considered by the audit committee and board of directors, the interested directors may not be present or vote.

INSURANCE & INDEMNIFICATION OF DIRECTORS AND SENIOR MANAGEMENT

Under the Companies Law, a company may, if its articles of association so provide and subject as set out in the law, enter into a contract to insure the liability of an office holder for acts or omissions committed in his or her capacity as an office holder of the company for:

- the breach of his or her duty of care to the company or to another person;
- the breach of his or her duty of loyalty to the company, provided that he or she acted in good faith and had a reasonable cause to assume that such act would not prejudice the interests of the company; and
- a financial obligation imposed upon him or her in favor of another person;

Our articles contain the aforesaid provisions and, having obtained the approvals required under the Companies Law and our article, we have procured the permitted insurance for our office holders. In June 1998, the Company's shareholders set the maximum annual premium for such insurance at US\$750,000.

Subject to certain qualifications, the Companies Law also permits a company, if its articles of association so provide, to indemnify an office holder for acts or omissions committed in his or her capacity as an office holder of the company for:

- a financial obligation imposed upon him or her by a court judgment, including a settlement or an arbitrator's award approved by court; and
- reasonable litigation expenses, including attorney's fees, expended by an office holder or charged to him or her by a court: (a) in a proceeding instituted against him or her by or on behalf of the company or by another person, (b) in a criminal charge from which he or she was acquitted, or (c) in criminal proceedings in which he or she was convicted of a crime which does not require proof of criminal intent.

In addition, the Companies Law provides that a company's articles may permit the company to indemnify an office holder following a determination to this effect made by the company after the occurrence of the event in respect of which the office holder will be indemnified. It also permits the company to undertake in advance to indemnify an office holder, provided that the undertaking is limited to types of occurrences, which, in the opinion of the company's board of directors, are, at the time of giving the undertaking, foreseeable and to an amount the board of directors has determined is reasonable in the circumstances.

Our articles were amended in December 2000 to contain the aforesaid provisions relating to indemnification of our office holders. The Company's audit committee, board of directors and shareholders also resolved to indemnify the Company's office holders by providing them with a Letter of Indemnification to be substantially the form approved by them. (See Exhibit 4.(c)3 in Item 19 for the form of the Letter of Indemnification to office holders.)

Our articles also provide that, subject to the provisions of applicable law, we may procure insurance for or indemnify any person who is not an office holder, including without limitation, any of our employees, agents, consultants or contractors.

EMPLOYEES

The following table details certain data on the workforce (including temporary employees) of Scitex and its wholly owned subsidiaries as at the end of each of the last three fiscal years:

	As at December 31,		
	2000	1999	1998
Approximate numbers of employees by geographic location			
United States	700	1,360	1,375
Israel	220	1,200	1,075
Europe and elsewhere	110	670	650
Total workforce	1,030	3,230	3,200
Approximate numbers of employees by category of activity			
Research and development	200	555	590
Sales and marketing	170	510	500
Customer support	160	815	770
Operations and logistics	400	975	940
General and administrative	100	375	400
Total workforce	1,030	3,230	3,200

The significant decrease in the number of our employees in 2000 resulted primarily from our sale to Creo of our digital preprint and print on demand business, which comprised approximately 2,370 employees worldwide. During 2000, we had on average approximately 200 temporary employees until the sale of the digital preprint and print on demand business in April 2000, and thereafter there was, on average, approximately 65 temporary employees.

We consider our relations with our employees to be good and we have never experienced a strike or work stoppage.

Our employees are not generally represented by labor unions. Nevertheless, as regards our employees in Israel, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and Israel's Coordination Bureau of Economic Organizations (including the Manufacturers' Association) are applicable to such employees by order of the Israel Ministry of Labor and Welfare. However, we generally provide our employees with benefits and conditions beyond the required minimums, including contributing to funds to provide severance.

SHARE OWNERSHIP

The following table details, as of June 12, 2001, the number of the Company's shares owned, and stock options held, by any of our directors and by other members of our senior management as a group:

Name and Address	Number of Shares Owned	Percent of Shares Outstanding	Number of stock options held ⁽¹⁾
Yoav Z. Chelouche	13,500	0.031%	362,500 ⁽²⁾
Roger Gallois	-	-	20,000 ⁽³⁾
Leon Y. Recanati ⁽⁴⁾	2,500	0.006%	-
All members of senior management, as a group, other than Yoav Z. Chelouche, (consisting of 6 persons) ⁽⁵⁾	-	-	330,900

⁽¹⁾ Each stock option is exercisable into one Ordinary Share of the Company. All shares of the Company have identical voting rights.

⁽²⁾ The stock options held by Mr. Chelouche are at exercise prices ranging from \$9.06 per share to \$11.69 per share, and expire at various dates from February 2002 through December 2007.

⁽³⁾ The stock options granted to Mr. Gallois are at an exercise price of \$11.375 per share and expire in December 2006.

⁽⁴⁾ See "Item 7. Major Shareholders and Related Party Transactions - Major Shareholders" for details of Mr. Recanati's beneficial interest in shares held by the Company's major shareholders.

⁽⁵⁾ The stock options held by members of senior management (other than Mr. Chelouche) are at exercise prices ranging from \$8.18 per share to \$12.00 per share, and expire at various dates from February 2002 through December 2010. No member of senior management owns one percent or more of the Company's shares, either on a non-diluted basis, or assuming exercise of stock options held by members of senior management.

STOCK OPTION PLANS

In September 1991, our shareholders approved two plans, the Scitex Israel Key Employee Share Incentive Plan 1991 primarily designed for employees of Scitex and its subsidiaries located in Israel (the "Israel Plan") and the Scitex International Key Employee Stock Option Plan 1991 designed for employees of Scitex's non-Israel subsidiaries (the "International Plan", and together with the Israel Plan, the "Plans"). The aggregate number of Shares that have been authorized and reserved for issuance under the Plans is 2,650,000 Shares under the Israel Plan and 1,750,000 Shares under the International Plan.

Outstanding options under the Plans will expire at various dates from 2001 through 2010. The following table details, as at June 12, 2001, certain information with respect to the Plans.

Shares available for future option awards	1,322,388
Number of options exercised	860,295
Number of options outstanding	2,217,317
Weighted average exercise price of options outstanding	\$10.05 per Share

On May 6, 1998, our board of directors approved a program for the repurchase by Scitex of up to two million of our Shares, to be held for the benefit of employees within the framework of the Plans. These Shares are to be held by a trustee for the reissue to employees upon the exercise of existing stock options. Under the approved program, we may not purchase Shares from our major shareholders. (see “Item 7. Major Shareholders and Related Party Transactions - Major Shareholders”.) As at June 12, 2001, a balance of 448,975 shares had been repurchased by the trustee pursuant to the program, with funds provided by Scitex.

In February 2000, the Board of Directors of Scitex Vision approved the adoption of the Scitex Vision Ltd. Stock Option Plan, primarily designed for employees of Scitex Vision and its subsidiaries. This Plan permits the granting of options for the purchase of shares in Scitex Vision. The aggregate number of shares that have initially been reserved for issuance under the Plan represents up to 13% of the share capital of Scitex Vision, assuming exercise of all options for such shares.

(See also Note 10b to the Consolidated Financial Statements of Scitex listed in Item 18 and Exhibits 4.(c)1 and 4.(c)2 in Item 19 for copies of the current Plans.)

ITEM 7. MAJOR SHAREHOLDERS & RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

Scitex Corporation Ltd. has authorized one class of equity securities, designated Ordinary Shares (NIS 0.12 nominal value) (in this Item “Shares”).

Unless otherwise stated, all data in this Item is as of June 12, 2001, at which date there were 43,018,413 Shares outstanding, excluding the 448,975 Shares purchased by the trustee pursuant to the repurchase program.

The following table sets forth the number of fully paid Shares owned by any person who is known to Scitex to own beneficially more than 5% of the Shares:

Name and Address	Number of Shares Owned	Percent of Shares Outstanding
Clal Electronics Industries Ltd. (“CEI”) 3 Azrieli Center, Triangle Building, 45th Floor 67023 Tel Aviv, Israel	9,540,226	22.18%
Discount Investment Corporation Ltd. (“DIC”) 3 Azrieli Center, Triangle Building, 43rd Floor 67023 Tel Aviv, Israel	9,421,794 ⁽¹⁾	21.90%

⁽¹⁾ Includes 4,880,334 Shares held through DIC Loans Ltd., and 1,875,779 shares held through PEC Israel Economic Corporation (“PEC”), both wholly owned subsidiaries of DIC.

Significant changes in percentage ownership by major shareholders during last three years:

At commencement of the period, DIC (jointly with PEC) and CEI each held approximately 13% of the Company's outstanding Shares. DIC and PEC were affiliated companies under common control, PEC

becoming a wholly owned subsidiary of DIC in November 1999. The Shares currently held by DIC Loans were transferred to it by DIC and PEC in December 1999. In January 2000, DIC, PEC and CEI together acquired International Paper Company's 13.2% holding in the Company, increasing the joint holdings of DIC, PEC and DIC Loans to approximately 19.7% and the holding of CEI to approximately 19.5%, of the Company's outstanding Shares. Subsequent increases in their shareholdings were the result of purchases (in the over-the-counter market) made by CEI (from January 2000) and DIC (from September 2000) through November 2000.

CEI, an Israeli company that holds investments in Israeli companies operating in the fields of hi-tech and electronics, is controlled by Clal Industries and Investments Ltd. ("CII"). Based on the foregoing, CII may be deemed to share with CEI the power to vote and dispose of the outstanding Shares held by CEI. In March 2001, CII and CEI announced a proposal for the merger of their two companies by way of exchange of securities, pursuant to which all shareholders of CEI (other than CII) shall transfer all their shares in CEI to CII in return for the allotment to them of shares in CII. The merger is conditional upon various approvals, including approval of the shareholders of CII and CEI, who are scheduled to vote on the issue prior to the end of June 2001, and approval by the court.

DIC, an Israeli corporation and PEC, a Maine corporation wholly owned by DIC, hold investments in Israeli companies, predominantly companies which are located in Israel or are Israel related, operating mainly in the fields of advanced technology, communications and commerce. DIC may be deemed to share with PEC and with DIC Loans Ltd., an Israeli corporation also wholly owned by DIC, the power to vote and dispose of the outstanding Scitex shares held by PEC and DIC Loans Ltd.

CII and DIC are both controlled by IDB Development Corporation Ltd. ("IDBD"). Companies controlled by Oudi Recanati, Leon Y. Recanati, Judith Yovel Recanati and Elaine Recanati, together beneficially own approximately 51.7% of the equity and voting power in IDB Holding Corporation Ltd. ("IDBH"), the parent of IDBD. Leon Y. Recanati and Judith Yovel Recanati, who are brother and sister, and their cousin Oudi Recanati, are the nephews and niece of Elaine Recanati. Leon Y. Recanati is Chairman and Chief Executive Officer of IDBH, Chairman of IDBD, DIC and CII, and a director of Scitex.

Based on the foregoing, IDBH and IDBD (by reason of their control of CII and DIC) and the members of the Recanati family referred to above may be deemed to share with CEI and DIC the power to vote and dispose of the outstanding Shares held by such companies (including DIC's wholly owned subsidiaries) amounting, in the aggregate, to 44.08% of such Shares.

IDBH, IDBD, DIC, CII and CEI are all Israeli corporations whose shares are publicly traded on The Tel Aviv Stock Exchange.

On December 1, 1980, CII (whose holdings of the Shares are now held by CEI), PEC and DIC entered into an agreement in writing that they would vote their Shares of the Company in concert with respect to the election of directors of Scitex and with respect to any Ordinary Resolution submitted to shareholders. The Agreement also granted certain rights of first refusal if one of the parties wishes to sell their shares to a third party. The Agreement was for an initial term of ten years, subject to renewal for additional periods of ten years unless and until prior notice was given by one party of its intention not to renew.

In all instances, the percentage of ownership is equal to the voting rights of the Shares and all Shares have identical voting rights.

As of June 12, 2001, there were 455 shareholders of record of Scitex, of whom 409 were registered with addresses in the United States, representing approximately 62% of the outstanding Shares.

DUTIES OF SHAREHOLDERS

Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. A controlling shareholder is a shareholder who has the ability to direct the activities of a company, including a shareholder that owns 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights, but excluding a shareholder whose power derives solely from his or her position on the board of directors or any other position with the company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and the engagement of a controlling shareholder as an office holder or employee, require the approval of the audit committee, the board of directors and the shareholders. The shareholder approval must include at least one-third of the shares of non-interested shareholders voted on the matter. However, the transaction can be approved by shareholders without this one-third approval if the total shares of non-interested shareholders voted against the transaction do not represent more than one percent of the voting rights in the company.

In addition, under the Companies Law, each shareholder has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his or her power in the company, such as in shareholder votes. In addition, specified shareholders have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and any shareholder who, pursuant to the provisions of the articles of association, has the power to appoint an office holder or any other power with respect to the company. However, the Companies Law does not define the substance of this duty of fairness.

RELATED PARTY TRANSACTIONS

Until April 2000, the Company leased part of its principal administrative, engineering and systems integration facilities from Bayside Land Corporation Ltd. (“Bayside”), an affiliate of DIC. The rent attributable to such premises for the period from January 1, 2000 was approximately \$616,000. (See “Item 4. Information on the Company - Property, Plants and Equipment” and Note 9a(2) to the Consolidated Financial Statements of Scitex listed in Item 18.)

From April 2000, Scitex Vision leased part of its principal facilities from Bayside. The rent attributable to such premises for the period to December 31, 2000 was approximately \$370,000. (See “Item 4. Information on the Company - Property, Plants and Equipment” and Note 9a(2) to the Consolidated Financial Statements of Scitex listed in Item 18.)

Scitex and CreoScitex Corporation Ltd. purchased insurance policies in Israel with a number of insurance companies in respect of which Clal Insurance Company Ltd. (“Clal Insurance”), an affiliate of CEI, acted as leader. In certain instances, Scitex was a beneficiary of insurance policies purchased by CreoScitex

from Clal Insurance. During the year ended December 31, 2000, Scitex paid premiums (either directly or by way of reimbursement to CreoScitex) on such insurance in the amount of \$0.2 million. The extent to which Clal Insurance, or other insurance companies to which it is affiliated, participated varied from policy to policy. All insurance was effected at normal business rates.

During 2000, Scitex maintained business relationships and entered into various other transactions in the ordinary course of business with a number of other companies affiliated with its major shareholders, all on terms which management believes were no less favorable to Scitex than would be obtained in transactions with unaffiliated third parties. (See Note 8a to the Consolidated Financial Statements of Scitex listed in Item 18.)

ITEM 8. FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The consolidated Financial Statements of Scitex are listed in Item 18 and those of Creo are listed in Item 17.

EXPORT SALES

During 2000, Scitex had export sales from both the United States and from Israel. Export sales from the United States were primarily of products manufactured by Iris Graphics Inc. (until the sale of Iris to Creo in April 2000) and Scitex Digital Printing and amounted to approximately \$98.0 million in 2000. Export sales from Israel were of products manufactured by the Company's digital preprint divisions (until the sale of the digital preprint business to Creo in April 2000) and Scitex Vision and amounted to \$113.0 million in 2000. Export sales in 2000 accounted for 61.4% of total net sales.

LEGAL PROCEEDINGS

Scitex is from time to time named as a defendant in certain routine litigation incidental to its business. The Company does not believe that the results of such litigation will have a material adverse effect on its business or its financial condition.

In January 1999, a suit was filed against Scitex America Corp. (then our principal U.S. sales and marketing subsidiary, and now CreoScitex America, Inc., a subsidiary of Creo) and the Registrant in the United States District Court for the District Court of Massachusetts, alleging various claims and potential losses due to a purported lack of Year 2000 readiness of certain Scitex PS/2-based equipment. The Plaintiff had also requested to the Court to certify the suit as a class action. During 1999, Scitex developed and issued certain software patches for its PS/2-based equipment, which it believed addressed any material alleged non-Year 2000 technical readiness of the Scitex PS/2-based equipment. In 2000, following a pre-trial conference, the Plaintiff withdrew the class action part of the suit, the suit was settled.

On May 25, 1999, an action was commenced in the United States District Court of the Southern District of Ohio Western Division against SDP by Varis Corporation, alleging that SDP is infringing a patent issued to Varis and that SDP's use of the *VersaScript* trademark infringes the VarisScript trademark used by

Varis. In early 2000, Varis amended its suit to add Scitex Corporation Ltd. as a defendant. The suit against SDP is presently in the early stages of discovery. In 2001, the former legal counsel of the Plaintiff moved to withdraw. This was granted by the Court with a ruling stating that if the Plaintiff did not obtain new counsel within forty-five days, a judgment would be rendered dismissing the case of the Plaintiff. The Plaintiff did not obtain substitute counsel within the forty-five day period and Scitex filed for a judgment. The Chief Executive Officer of the Plaintiff has formed a new corporation and has recently asked to be permitted to enter the case to which Scitex is strongly objecting.

DIVIDENDS

The Company declared a cash dividend each quarter from the beginning of 1990 until the third quarter of 1996. No dividend was declared in respect of the last quarter of 1996 nor in respect of 1997 through 2000. The Company continually reviews its dividend policy and the payment, or non-payment, of a dividend should not be considered indicative as to the payment of future dividends.

During 1996 (the most recent year in which dividends were paid), the rate of tax generally withheld at source at the time of payment by the Company of cash dividends ranged from 16.6% to 17.7%. For shareholders of record registered with an address in a country, other than the United States, with which a bilateral double taxation treaty with Israel was in effect, the rate of tax withheld at source was 15.0%.

SIGNIFICANT CHANGES

Except as otherwise disclosed in this annual report, no significant change has occurred since December 31, 2000.

ITEM 9. THE OFFER AND LISTING

TRADING MARKETS

The Company's shares trade only on The Nasdaq Stock Market and, with effect from January 7, 2001, The Tel Aviv Stock Exchange. The shares trade under the symbol "SCIX".

STOCK PRICE HISTORY

All share prices shown in this item are in rounded to the nearest US cent, as regards shares traded on Nasdaq and to the nearest one-hundredth of an Israeli shekel (NIS) as regards shares traded on The Tel Aviv Stock Exchange.

The following table details the annual high and low sales prices of Scitex's shares on The Nasdaq Stock Market's National Market for the five most recent years prior to the filing of this Form 20-F:

Year	High	Low
1996	\$21.88	\$9.00
1997	\$14.13	\$6.50
1998	\$14.69	\$5.75
1999	\$16.06	\$8.44
2000	\$18.75	\$6.56

The following table details the quarterly high and low sales prices of Scitex's shares (a) on The Nasdaq Stock Market's National Market for each calendar quarter of the two most recent years prior to the filing of this Form 20-F; and (b) the quarterly high and low sales prices of the shares on The Nasdaq Stock Market's National Market and The Tel Aviv Stock Exchange for the quarter ended March 31, 2001 (being the only quarter during which the shares were traded in the latter exchange):

	Nasdaq Stock Market		The Tel Aviv Stock Exchange	
	High	Low	High	Low
1999				
First Quarter	\$13.75	\$8.44	-	-
Second Quarter	\$10.81	\$8.50	-	-
Third Quarter	\$11.63	\$8.88	-	-
Fourth Quarter	\$16.06	\$10.63	-	-
2000				
First Quarter	\$18.75	\$13.50	-	-
Second Quarter	\$15.56	\$9.94	-	-
Third Quarter	\$12.63	\$10.13	-	-
Fourth Quarter	\$12.56	\$6.56	-	-
2001				
First Quarter	\$9.94	\$6.63	NIS 41.40	NIS 30.08

The following table details the monthly high and low sales prices of Scitex's shares (a) on The Nasdaq Stock Market's National Market for the six most recent months prior to the filing of this Form 20-F; and (b) on The Tel Aviv Stock Exchange since the shares commenced trading on that exchange in January 2001:

	Nasdaq Stock Market		The Tel Aviv Stock Exchange	
	High	Low	High	Low
2000				
December	\$8.50	\$6.56	-	-
2001				
January	\$9.81	\$6.63	NIS 41.01	NIS 30.08
February	\$9.94	\$8.50	NIS 41.40	NIS 35.29
March	\$9.44	\$7.38	NIS 38.70	NIS 30.95
April	\$8.25	\$7.00	NIS 34.85	NIS 30.41
May	\$8.25	\$7.28	NIS 35.02	NIS 30.80

ITEM 10. ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

Copies of the Company's Memorandum of Association and Articles of Association, amended as of December 27, 2000 and in force at the date of filing of this Form 20-F, are appended as exhibits to this Form 20-F (see Exhibits 1.1 and 1.2 in Item 19).

Set out below is a description of the certain provisions of our Memorandum and Articles, and of the Companies Law. This description is only a summary and does not purport to be complete and is qualified by reference to the full text of the Memorandum and Articles and by Israel law.

The Company is registered with the Registrar of Companies in Israel under number 52-003180-0.

OBJECTS AND PURPOSES

Pursuant to Section 2.(I)(a) of the Memorandum the principal object for which the Company was established is to engage in the activity or business of, *inter alia*, developing, manufacturing, producing, vending, purchasing, licensing, leasing, importing, exporting, or otherwise dealing in any products and moveable property of every kind and description, and to engage in selling, promoting, leasing, licensing, importing, exporting, or otherwise dealing in, any services. The Company may also acquire, create, form, operate, encourage or otherwise promote or manage any kind of enterprise.

DIRECTORS

The Companies Law requires that transactions between a company and its office holders (which term includes directors) or that benefit its office holders, including arrangements as to the compensation of office holders, be approved as provided for in the Companies Law and the company's articles of association. (For further information as to such approval provisions, see "Item 6. Directors, Senior Management and Employees - Board Practices - Approval of Transaction under Israeli Law".)

Under the Articles, in general, the management of the business of the Company is vested in the Board of Directors, which may exercise all such powers of the Company, including the power to borrow or secure the payment of any sum or sums of money for the purposes, in such manner, at such times and upon such terms and conditions in all respects, as it thinks fit.

There is no requirement under the Articles or Israel law for directors to retire on attaining a specific age. The Articles do not require Directors to hold shares in the Company to qualify for election.

SHARES

The registered capital of the Company is divided into 48,000,000 Ordinary Shares of nominal (par) value NIS 0.12 each. There are no other classes of shares. All outstanding shares of the Company are fully paid and non-assessable. The shares do not entitle their holders to preemptive rights.

Subject to the rights of holders of shares with special rights (which may be issued in the future), holders of paid up Ordinary Shares are entitled to participate in the payment of dividends and, in the event of a

winding-up of the Company, in the distribution of assets available for distribution, in proportion to the nominal value of their respective holdings of the shares in respect of which such dividend is being paid or such distribution is being made. The Articles do not specify any time limit after which dividend entitlement lapses.

Each share is entitled to one vote on all matters to be voted on by shareholders, including the election of directors. Shares of the Company do not have cumulative voting rights. As a result, the holders of the Company's Shares that represent a simple majority of the voting power represented at a shareholders meeting and voting at the meeting have the power to elect all of the directors put forward for election, subject to specific requirements under the Companies Law with respect to the election of "Outside Directors". (For further information as to these requirements, see "Item 6. Directors, Senior Management and Employees - Board Practices - Outside Directors".)

The Companies Law requires that extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and the engagement of a controlling shareholder as an office holder or employee, be approved as provided for in the Companies Law, which may necessitate the approval of at least one-third of the shares of non-interested shareholders voting on the matter. (For further information as to such provisions, see "Item 7. Major Shareholders and Related Parties - Major Shareholders - Duties of Shareholders".)

VARIATION OF RIGHTS

Shares with preferential rights relating, among other things, to dividends, voting and repayment of share capital can be created by adoption of a "special resolution", which requires approval by at least 75% of the voting power represented at the meeting in person or by proxy and voting thereon. In addition, through a special resolution, the Company can subdivide issued and outstanding Ordinary Shares. Modification or abrogation of the rights of any class of shares requires the written consent of the holders of 75% of the issued shares of such a class or adoption, at a meeting at which a quorum consisting of the holders of 75% of the affected shares, of a special resolution by affected shareholders voting separately as a class.

GENERAL MEETINGS

The Articles provide that an annual general meeting must be held at least once in every calendar year at such time within a period of not more than 15 months after the holding of the last preceding annual general meeting, and at such place, as may be determined by the Board of Directors. The Board of Directors may, in its discretion, convene additional shareholder meetings and, pursuant to the Companies Law, must convene a meeting upon the demand of two directors or one quarter of the directors in office or upon the demand of the holder or holders of five percent of the Company's issued share capital and one percent of its voting rights or upon the demand of the holder or holders of five percent of its voting rights.

Under the Companies Law, shareholder meetings generally require prior notice of not less than 21 days. The function of the annual general meeting is to receive and consider the directors' report, profit and loss account and balance sheet, to elect directors and appoint auditors and fix their fees and to transact any other business which under the Articles or by law are to be transacted at the annual general meeting of the Company.

The quorum required for either an ordinary (regular) or an extraordinary (special) meeting of shareholders consists of at least two shareholders present in person or by proxy and holding or representing between them at least 33¹/₃% of the voting power of the Company. If a meeting is convened at the request of shareholders and no quorum is present, it shall be dissolved. If a meeting is otherwise called and no quorum is present, the meeting is adjourned to the same day one week later at the same time and place, or to such other day time and place as the Chairman may determine with the consent of a majority of the voting power represented at the meeting and voting on the question of an adjournment. Two or more shareholders present in person or by proxy shall constitute a quorum at the adjourned meeting.

Generally, under the Companies Law and the Articles, shareholder resolutions are deemed adopted if approved by the holders of a simple majority of the voting rights represented at a meeting unless a different majority is required by law or pursuant to the Articles. The Companies Law provides that resolutions on certain matters, such as amending a company's articles of association, assuming the authority of the board of directors in certain circumstances, appointing auditors, appointing external directors, approving certain transactions, increasing or decreasing the registered share capital and approving a merger with another company must be made by the shareholders at a general meeting. A company may determine in its articles of association certain additional matters in respect of which resolutions by the shareholders in a general meeting will be required.

A company such as the Company, incorporated prior to February 1, 2000, is subject to various rules with respect to the transition from being governed by the Companies Ordinance to being governed by the Companies Law. These rules provide, among other things, that any amendment to the Memorandum or Articles will generally require a resolution adopted by the holders of 75% or more of the voting power represented and voting at a general meeting, and that the approval of a merger will require a resolution adopted by the holders of 75% or more of the voting power represented and voting at a general meeting, unless and until the Company will amend the Articles in such manner to provide for a different majority.

Subject to the Companies Law, a resolution in writing signed by the holders of all of the Ordinary Shares entitled to vote at a meeting of shareholders or to which all such shareholders have given their written consent will be sufficient to adopt the resolution in lieu of a meeting.

LIMITATION ON RIGHTS TO OWN SHARES

The Memorandum and Articles and Israeli law do not restrict in any way the ownership or voting of Ordinary Shares by non-residents or persons who are not citizens of Israel, except with respect to subjects of nations which are in a state of war with Israel

CHANGE OF CONTROL

There are no specific provisions of the Company's Memorandum or Articles that would have an effect of delaying, deferring or preventing a change in control of the Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

NOTIFICATION OF SHAREHOLDING

There are no specific provisions of the Company's Memorandum or Articles governing the ownership threshold above which shareholder ownership must be disclosed.

DIFFERENCES FROM LAW OF UNITED STATES

With respect to the matters discussed above, applicable Israeli law is not materially different from applicable United States law.

CHANGES IN CAPITAL

The Company's Articles require that changes in capitalization must be adopted by special resolution, approved by the holders of 75% or more of the voting power represented and voting at a general meeting. Subject thereto, the conditions imposed by the Company's Memorandum and Articles governing changes in the capital, are no more stringent than is required by Israeli law.

MATERIAL CONTRACTS

CERTAIN AGREEMENTS WITH CREO

Asset Purchase Agreement

On January 17, 2000, Scitex entered into an Asset Purchase Agreement with Creo and certain wholly-owned direct and indirect subsidiaries of Creo, pursuant to which Scitex agreed to sell Creo its digital preprint operations and print-on-demand systems business. The transaction was consummated on April 4, 2000. (See "Item 4. Information on the Company - History and Development of the Company" and "Business Overview" and Exhibit 4.(a)1 in Item 19)

Scitex and Creo agreed that as a condition to the closing of the Asset Purchase Agreement, they would enter into a Standstill Agreement and Registration Rights Agreement, which were entered into on April 4, 2000. (see Exhibit 4.(a)2 and 4.(a)3 in Item 19). The principal provisions of these agreements are as follows:

Standstill Agreement

Scitex agreed that during the period from April 4, 2000 through April 4, 2005 (the "Standstill Period"), it would not acquire, offer or propose to acquire or agree to acquire any additional voting shares of Creo if following the acquisition Scitex would own in excess of the greater of (i) 15 million common shares of Creo and (ii) 26.1% of the voting shares of Creo on a fully diluted basis. To the extent the number of outstanding shares of Creo increases, Scitex may purchase additional shares to maintain its percentage ownership at 26.1%.

During the Standstill Period, Scitex agreed not to vote against the election of Creo's nominees for election as directors, and that if it votes on an election of directors it will do so in the same way in respect of all nominees proposed by the Creo Board of Directors for election. Scitex also agreed that during the Standstill Period it would vote its shares, at its election, either as recommended by a majority of the Creo's Board or in the same proportion as Creo's other shareholders vote, on any proposal for the adoption or

modification of take-over defenses. For a period of three years from April 4, 2000, Scitex agreed to vote its shares on any proposal for a sale of Creo, including a sale of substantially all of its assets or a merger, consolidation or amalgamation in which it is not the survivor, provided that the transaction has been approved by at least 51% of Creo's shareholders (or, if less, 75% of those unaffiliated with Scitex) and that Scitex receives a total profit in respect of the shares issued to it in the Creo Transaction, calculated as provided in the Standstill Agreement.

Scitex sales of the common shares of Creo are limited during the term of the Standstill Agreement, to the following circumstances; (i) at any time with the consent of a majority of the non-Scitex directors of Creo; (ii) during the first six months after April 4, 2000, only to an affiliate which agrees to be bound by the Standstill Agreement; (iii) during the second six months after April 4, 2000, (A) to an affiliate which agrees to be bound by the terms of the Standstill Agreement or (B) up to an aggregate of 10% of its shares in compliance with the provisions set out in clause (iv); and (iv) during years two to five following April 4, 2000: (a) pursuant to a registered underwritten offering in which no transfer representing more than 2% of the outstanding shares is made to any person or group; (b) pursuant to Rule 144 under the Securities Act; (c) to an affiliate which agrees to be bound by the Standstill Agreement; (d) pursuant to a tender offer for all outstanding shares of Creo by a third party that is not rejected by Creo's Board of Directors; (e) up to 4.9% of the outstanding shares of Creo to any investor in a private sale provided that the investor does not as a result hold, either alone or as part of a group, more than 5% of the outstanding Creo common shares; or (f) to shareholders of Scitex by way of a dividend, provided that as a result, no shareholder holds more than 17% of the outstanding Creo common shares, unless the shareholder agrees to be bound by the standstill Agreement to the extent it is still in force.

During the term of the Standstill Agreement, neither Scitex nor any of its majority-owned subsidiaries may (i) seek to exercise controlling influence over Creo (otherwise than through its representation on Creo's Board of directors or through exercising voting rights in a manner consistent with the Standstill Agreement); (ii) present any proposal to Creo or a third party that would result in a change in control of Creo or increase Scitex's then percentage ownership, including a merger, recapitalization, sale of substantially all of the assets or other business combination, or a tender offer for Creo securities; (iii) encourage or assist any other person to make such a proposal; (iv) publicly announce its interest in engaging or having some other person engage in such proposal; (v) solicit or participate in a proxy solicitation in opposition to a recommendation of Creo's Board; (vi) for or become part of a group for the purpose of acquiring, holding, voting or disposing of Creo securities; (vii) make a shareholder proposal to Creo's shareholders or seek to elect any person to Creo's Board, except consistent with the Standstill Agreement; or (viii) engage in any other conduct, whether alone or in concert with others, designated to effect a change in control of Creo or to circumvent any of the preceding restrictions.

Registration Rights Agreement

Pursuant to the Registration Rights Agreement, commencing on April 4, 2001 and continuing until April 4, 2005, subject to certain conditions and limitations, Scitex will have the right to demand that Creo (i) register Scitex's common shares of Creo for sale, provided that Creo is only obligated to register Scitex's common shares on two occasions and no more than once during any 12 month period; and (ii) include Scitex's common shares in any registration statement pursuant to which Creo proposes to register common shares, whether or not for sale for its own account.

EXCHANGE CONTROL

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our Company's Shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our memorandum of association or articles of association nor by the laws of the State of Israel.

TAXATION

The following discussion represents a summary of certain Israeli tax laws affecting our shareholders, including U.S. and other non-Israeli shareholders, for general information only and is not intended to substitute for careful or specific tax planning. To the extent that the discussion is based on legislation yet to be judicially or administratively interpreted, there can be no assurance that the views expressed herein will accord with any such interpretation in the future. This discussion is not intended, and should not be construed, as legal or professional tax advice, and does not cover all possible tax considerations. Accordingly, each investor should consult his or her own tax advisor as to the particular tax consequences of an investment in the ordinary shares including the effects of applicable Israeli or foreign or other tax laws and possible changes in the tax laws.

CAPITAL GAINS TAX

Israeli law imposes on residents and non-residents of Israel a tax on the sale of capital assets in Israel. The law distinguishes between the inflationary surplus and the real gain. The inflationary surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset's purchase price that is attributable to the increase in the Israeli consumer price index between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus. Inflationary surplus accumulated after December 31, 1993 is exempt from any capital gains tax in Israel. The real gain is added to ordinary income, which is taxed at ordinary rates of 30% to 50% for individuals and 36% for corporations.

Under current law, gains on sales of our ordinary shares by shareholders that are not Israeli companies are exempt from Israeli capital gains tax for so long as the shares are quoted on Nasdaq or another stock exchange recognized by the Israeli Controller of Foreign Currency and we qualify as an Industrial Company. The Israeli tax authorities might determine that we do not qualify as an Industrial Company. In addition, under a possible interpretation of an Israeli statute, non-Israeli companies may be subject to Israeli taxation on the sale of our shares regardless of whether the shares are traded on a recognized stock exchange. We might not maintain our listing on Nasdaq or our status as an Industrial Company in the future. Notwithstanding the foregoing, dealers in securities in Israel are taxed at regular tax rates applicable to business income.

Pursuant to a treaty between the governments of the United States and Israel, the sale of shares by a person who qualifies as a resident of the United States within the meaning of the treaty and who is entitled to claim the benefits afforded to a resident by the treaty will not be subject to Israeli capital gains tax. This exemption does not apply if the person holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding the applicable sale. However, the person would be permitted to claim a credit for the capital gains tax paid in Israel against the U.S. income tax imposed with respect to the applicable sale, subject to the limitations in U.S. laws applicable to foreign tax credits.

TAX ON DIVIDENDS

Non-residents of Israel are subject to income tax on income accrued or derived from sources in Israel. These sources of income include passive income such as dividends, royalties and interest, as well as non-passive income from services rendered in Israel. On distributions of dividends other than bonus shares, or stock dividends, we would be required to withhold income tax at the rate of 25%. If the income out of which the dividend is being paid is attributable to an Approved Enterprise under the Law for the Encouragement of Capital Investments, 5719-1959, the rate is 15%. A different rate may be provided in a treaty between Israel and the shareholder's country of residence. Under the U.S.-Israel tax treaty, if the income out of which the dividend is being paid is not attributable to an Approved Enterprise, then income tax with respect to shareholders that are U.S. corporations holding at least 10% of our voting power is required to be withheld at the rate of 12.5%.

PROPOSED TAX REFORM

On July 26, 2000, the Israeli government submitted a bill to the Israel parliament. This bill is based upon the recommendations of the Public Committee on the Reform of Taxes on Income, to broaden the categories of taxable income, and to reduce the tax rates imposed on employment income.

The bill includes proposals, among other things, to impose a tax upon capital gains at a rate of up to 25% for individuals, including capital gains derived from the sale of shares in publicly traded companies (which are currently exempt from capital gains tax); to impose a tax upon all income of Israeli residents (individuals and corporations) regardless of the territorial source of income; and to increase the tax rate from zero to 10% on the exempt period under the alternative package of benefits for approved enterprises under the Law for the Encouragement of Capital Investments, 5719-1959.

In order to be enacted as legislation the bill must be approved by the Israel parliament and published. If implemented, the bill might result in the imposition of Israeli capital gains taxes on non-Israeli residents, who are not eligible for an exemption under a relevant tax treaty.

DOCUMENTS ON DISPLAY

You may examine the reports, exhibits and other information filed by us, without charge, at the public reference facilities maintained by the Securities and Exchange Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C., 20549, and at the SEC's regional offices located at Suite 1400, Northwest

Atrium Center, 500 West Madison Street, Chicago, Illinois, 60661-2551 and Room 1300, Seven World Trade Center, New York, New York, 10048. You may also receive copies of these materials by mail from the SEC's Public Reference Branch at 450 Fifth Street, N.W., Washington, D.C., 20549. For more information on the public reference rooms, call the SEC at 1-800-SEC-0330.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our functional currency and that of our consolidated subsidiaries is the dollar. Accordingly, we have balance sheet exposure deriving from the gap between assets and liabilities in each currency other than the dollar. The majority of this exposure is in European currencies and Israel shekels.

The table below details the balance sheet exposure, by currency, as of December 31, 2000 (at fair value). All data in the table has been translated for convenience into the dollar equivalent (in millions). Explanatory notes are provided below the table.

<u>Balance sheet exposure by currency as of December 31, 2000</u>		
European Currencies	Shekels	Other Currencies
9.5	1.3	0.2

- The amounts shown in the table represent assets.
- The table does not include data with respect to balance sheet exposure for certain equity investments in which the functional currency was the local currency, since those balances do not create any such exposure.
- “European Currencies” include all European currency exposure.

The interest income on our cash equivalents and short-term investments is sensitive to changes in the general level of market interest rates. We mitigate the impact of fluctuations in interest rates primarily through diversification and by limiting the average duration of its interest-bearing investment portfolio. Generally we do not have any long-term interest-bearing debt, although at December 31, 2000, there was bank debt of \$16 million, mostly due in just over one year. The interest rate for the credit lines we use varies according to changes in the dollar LIBOR rate.

(See “Impact of Inflation and Exchange Rates” section of “Item 5. Operating And Financial Review And Prospects” and Notes 12 and 13 to the Consolidated Financial Statement of Scitex in Item 18.)

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS IN THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. RESERVED

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS

The Consolidated Financial Statements of Creo Products Inc. are incorporated by reference to the Year 2000 Annual Report to Shareholders of Creo for the fiscal year ended September 30, 2000, attached as Exhibit 10.(a)2 (See Item 19). The following page references are to the financial pages of Creo's Year 2000 Annual Report. The Creo Year 2000 Annual Report is not deemed to be filed as part of this Report in Form 20-F, except for those parts specifically incorporated by reference herein.

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ITEM 18. FINANCIAL STATEMENTS

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ITEM 19. EXHIBITS

- 1.1 Memorandum of Association of the Registrant.
- 1.2 Amended and restated Articles of Association of the Registrant.
3. Voting Agreement dated December 1, 1980 among Discount Investment Corporation Ltd., PEC Israel Economic Corporation and Clal Electronics Industries Ltd. (Previously filed as Exhibit 10.h to Registration Statement No. 2-82743 on Form F-1 of the Registrant filed May 26, 1983 and incorporated herein by reference.)
- 4.(a)1 Asset Purchase Agreement dated January 17, 2000 by and among Creo Products Inc. ("Creo"), certain direct and indirect subsidiaries of Creo, the Registrant and Scitex Development Corp. (Previously filed as Exhibit 2.1 to the Registrant's Annual Report in Form 20-F dated June 29, 2000 and incorporated herein by reference.)
- 4.(a)2 Standstill Agreement dated April 4, 2000 between Creo and the Registrant. (Previously filed as Exhibit 2.2 to the Registrant's Annual Report in Form 20-F dated June 29, 2000 and incorporated herein by reference.)
- 4.(a)3 Registration Rights Agreement dated April 4, 2000 between Creo and the Registrant. (Previously filed as Exhibit 2.3 to the Registrant's Annual Report in Form 20-F dated June 29, 2000 and incorporated herein by reference.)
- 4.(c)1 The Scitex Israel Key Employee Share Incentive Plan 1991
- 4.(c)2 The Scitex International Key Employee Stock Option Plan 1991 (As Amended, 1995)
- 4.(c)3 Form of the Letter of Indemnification provided to office holders.
8. List of Subsidiaries

- 10.(a)1 Consent of independent accountants of Registrant.
- 10.(a)2 Year 2000 Annual Report to Shareholders of Creo for the fiscal year ended September 30, 2000, certain portions of which have been incorporated herein by reference.
- 10.(a)3 Consent of independent accountants of Creo.
- 10.(a)4 Annual Information Form (40-F) of Creo for the Fiscal Year Ended September 30, 2000, as filed with the Securities and Exchange Commission on April 4, 2001.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCITEX CORPORATION LTD.
(Registrant)

By: /s/ Yoav Z. Chelouche
Yoav Z. Chelouche
President of the Company
& Chief Executive Officer

Date: June , 2001