

RETALIX LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008

	Three months ended March 31		Year ended December 31 2007
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Unaudited)
	U.S. \$ in thousands (except share and per share data)		
REVENUES:			
Product sales	15,559	17,448	80,511
Service and projects	38,374	35,277	140,900
T o t a l revenues	<u>53,933</u>	<u>52,725</u>	<u>221,411</u>
COST OF REVENUES:			
Cost of product sales	9,790	8,792	39,132
Cost of service and projects	21,953	13,779	65,281
T o t a l cost of revenues	<u>31,743</u>	<u>22,571</u>	<u>104,413</u>
GROSS PROFIT	<u>22,190</u>	<u>30,154</u>	<u>116,998</u>
OPERATING EXPENSES:			
Research and development – net	10,775	15,445	58,653
Selling and marketing	5,952	7,961	31,617
General and administrative	6,342	5,866	27,539
Other (income) expenses – net	-	(104)	643
T o t a l operating expenses	<u>23,069</u>	<u>29,168</u>	<u>118,452</u>
INCOME (LOSS) FROM OPERATIONS	(879)	986	(1,454)
FINANCIAL INCOME , net	<u>143</u>	<u>136</u>	<u>1,032</u>
INCOME (LOSS) BEFORE TAXES ON INCOME	(736)	1,122	(422)
TAX BENEFIT	<u>447</u>	<u>965</u>	<u>435</u>
INCOME (LOSS) AFTER TAXES ON INCOME	(289)	157	13
SHARE IN GAINS (LOSSES) OF AN ASSOCIATED COMPANY	12	(4)	(3)
MINORITY INTERESTS IN GAINS OF SUBSIDIARIES	<u>(257)</u>	<u>(133)</u>	<u>(508)</u>
NET INCOME (LOSS)	<u>(534)</u>	<u>20</u>	<u>(498)</u>
EARNINGS (LOSSES) PER SHARE – in U.S. \$:			
Basic	<u>(0.03)</u>	<u>-</u>	<u>(0.02)</u>
Diluted	<u>(0.03)</u>	<u>-</u>	<u>(0.02)</u>
WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF EARNINGS PER SHARE – in thousands:			
Basic	<u>20,106</u>	<u>19,646</u>	<u>19,851</u>
Diluted	<u>20,106</u>	<u>20,190</u>	<u>19,851</u>

RETALIX LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED BALANCE SHEETS
AT MARCH 31, 2008

	<u>March 31</u>		<u>December 31,</u>
	<u>2008</u>	<u>2007</u>	<u>2007</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>
<u>U.S. \$ in thousands</u>			
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	24,340	52,173	22,484
Marketable securities	3,823	13,041	3,454
Accounts receivable:			
Trade	81,757	58,824	81,429
Other	5,777	5,519	5,535
Inventories	1,089	1,146	1,289
Deferred income taxes	8,858	5,873	8,305
T o t a l current assets	<u>125,644</u>	<u>136,576</u>	<u>122,496</u>
NON-CURRENT ASSETS :			
Marketable debt securities	1,265	1,232	1,657
Deferred income taxes	5,827	4,436	4,548
Long-term receivables	5,116	3,360	5,673
Amounts funded in respect of employee rights upon retirement	9,949	7,020	8,806
Other	912	795	795
	<u>23,069</u>	<u>16,843</u>	<u>21,479</u>
PROPERTY, PLANT AND EQUIPMENT, net	<u>12,233</u>	<u>10,710</u>	<u>12,568</u>
GOODWILL	<u>113,205</u>	<u>107,544</u>	<u>113,055</u>
OTHER INTENGIBLE ASSETS, net of accumulated amortization			
Customer relationship	15,960	17,356	16,300
Other	4,095	5,301	4,379
	<u>20,055</u>	<u>22,657</u>	<u>20,679</u>
T o t a l assets	<u><u>294,206</u></u>	<u><u>294,330</u></u>	<u><u>290,277</u></u>

RETALIX LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED BALANCE SHEETS
AT MARCH 31, 2008

	March 31		December 31,
	2008	2007	2007
	(Unaudited)		(Unaudited)
	U.S. \$ in thousands		
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term bank credit	-	11,581	11
Current maturities of long-term bank loans	277	229	258
Accounts payable and accruals:			
Trade	12,732	11,465	15,410
Employees and employee institutions	9,752	8,792	8,937
Accrued expenses	5,875	6,205	6,393
Other	3,554	8,690	2,586
Deferred revenues	16,865	20,263	16,763
T o t a l current liabilities	<u>49,055</u>	<u>67,225</u>	<u>50,358</u>
LONG-TERM LIABILITIES :			
Long-term bank loans, net of current maturities	852	954	786
Employee rights upon retirement	15,740	11,728	14,362
Deferred tax liability	1,020	961	1,004
Institutions	1,423	-	1,516
Deferred revenues	-	206	-
T o t a l long-term liabilities	<u>19,035</u>	<u>13,849</u>	<u>17,668</u>
T o t a l liabilities	<u>68,090</u>	<u>81,074</u>	<u>68,026</u>
MINORITY INTERESTS	<u>3,048</u>	<u>2,426</u>	<u>2,791</u>
SHAREHOLDERS' EQUITY:			
Share capital -Ordinary shares of NIS 1.00 par value (authorized: March 31, 2008 (unaudited), December 31, 2007 (unaudited) and March 31, 2007 (unaudited) 30,000,000 shares; issued and outstanding: - March 31, 2008 (unaudited) 20,206,699 Shares; December 31,2007 (unaudited) - 20,001,382 shares; March 31, 2007 (unaudited) -19,668,409 shares	5,329	5,191	5,273
Additional paid in capital	171,621	158,651	167,694
Retained earnings	45,661	46,848	46,195
Accumulated other comprehensive income	457	140	298
T o t a l shareholders' equity	<u>223,068</u>	<u>210,830</u>	<u>219,460</u>
T o t a l liabilities and shareholders equity	<u>294,206</u>	<u>294,330</u>	<u>290,277</u>

RETALIX LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008

	Three months ended		Year ended
	March 31		December 31
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Unaudited)
	U.S. \$ in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	(534)	20	(498)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Minority interests in gains of subsidiaries	257	133	508
Depreciation and amortization	1,572	1,761	6,790
Share in losses (gains) of an associated company	(12)	4	3
Stock based compensation expenses	1,318	1,357	3,889
Changes in accrued liability for employee rights upon retirement	1,217	313	2,739
Gains on amounts funded in respect of employee rights upon retirement	(664)	(140)	(950)
Deferred income taxes - net	(1,818)	(189)	(3,302)
Net decrease (increase) in marketable securities	(75)	61	(216)
Amortization of discount on marketable debt securities	-	5	11
Other	(186)	1	50
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable:			
Trade (including the non-current portion)	553	(10,289)	(34,536)
Other	(360)	(4)	-
Increase (decrease) in accounts payable and accruals:			
Trade	(2,849)	(101)	3,491
Employees, employee institutions and other	1,718	(888)	(5,916)
Decrease (Increase) in inventories	214	11	(118)
Increase (decrease) in long-term institutions	(93)	-	1,516
Increase in deferred revenues (including the non-current portion)	101	6,516	2,810
Net cash provided by (used in) operating activities - forward	<u>359</u>	<u>(1,429)</u>	<u>(23,729)</u>

RETALIX LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008

	Three months ended		Year ended
	March 31		December 31
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Unaudited)
	U.S. \$ in thousands		
Net cash provided by (used in) operating activities - brought forward	359	(1,429)	(23,729)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Maturity of marketable debt securities held to maturity	-	500	9,743
Investment in marketable debt securities held to maturity	-	(9,046)	(9,047)
Acquisition of subsidiaries or activities consolidated for the first time (a)	-	-	(1,370)
Additional investment in subsidiary	(625)	-	-
Purchase of property, plant, equipment and other assets	(363)	(388)	(4,676)
Proceeds from sale of property, plant and equipment	-	-	69
Amounts funded in respect of employee rights upon retirement, net	(339)	(121)	(1,097)
Long-term loans collected from (granted to) employees	17	21	17
Net cash used in investing activities	(1,310)	(9,034)	(6,361)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term bank loans	17	(110)	(351)
Issuance of share capital to employees resulting from exercise of options	2,662	725	2,401
Short-term bank credit – net	(11)	6,839	(4,731)
Net cash provided by (used in) financing activities	2,668	7,454	(2,681)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	139	(4)	69
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,856	(3,013)	(32,702)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,484	55,186	55,186
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	24,340	52,173	22,484

RETALIX LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	Three months ended		Year ended
	March 31		December 31
	2008	2007	2007
	Unaudited	Unaudited	Unaudited
U.S. \$ in thousands			
(a) Supplementary disclosure of cash flow information -			
Fair value of assets acquired and liabilities assumed of subsidiaries and activities acquired at the date of acquisition:			
Working capital (excluding cash and cash equivalents)	-	-	278
Property plant and equipment, net	-	-	(8)
Goodwill and other intangible assets arising on acquisition	-	-	(1,640)
	-	-	(1,370)
	-	-	(1,370)

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RETALIX LTD.

UNAUDITED RECONCILIATION OF NON-GAAP ADJUSTMENTS

The following tables reflect selected Retalix' non-GAAP results reconciled to GAAP results:

	Three months ended March 31		Year ended December 31
	2008 Unaudited	2007 Unaudited	2007 Unaudited
U.S. \$ in thousands (except share and per share data)			
OPERATING INCOME (LOSS)			
GAAP Operating income (loss)	(879)	986	(1,454)
Plus:			
Amortization of acquisition-related intangible assets	831	929	3,576
Stock based compensation expenses	1,318	1,357	3,889
Other acquisition-related operating expenses (**)	-	-	700
Non-GAAP Operating income	<u>1,270</u>	<u>3,272</u>	<u>6,711</u>
NET INCOME (LOSS)			
GAAP Net income (loss)	(534)	20	(498)
Plus:			
Amortization of acquisition-related intangible assets	831	929	3,576
Stock based compensation expenses	1,318	1,357	3,889
Other acquisition-related operating expenses (**)	-	-	700
Less:			
Income tax effect of amortization of acquisition-related intangible assets	(325)	(316)	(1,287)
Income tax effect of stock based compensation expenses	(115)	(71)	(70)
Income tax effect of other acquisition-related operating expenses	-	-	(161)
Non-GAAP Net income	<u>1,175</u>	<u>1,919</u>	<u>6,149</u>
NET INCOME (LOSS) PER DILUTED SHARE			
GAAP Net income (loss) per diluted share	(0.03)	0.00	(0.02)
Plus:			
Amortization of acquisition-related intangible assets	0.04	0.05	0.18
Stock based compensation expenses	0.07	0.07	0.19
Other acquisition-related operating expenses (**)	-	-	0.03
Less:			
Income tax effect of amortization of acquisition-related intangible assets	(0.02)	(0.02)	(0.06)
Income tax effect of stock based compensation expenses	(0.01)	(0.00)	(0.00)
Income tax effect of other acquisition-related operating expenses	-	-	(0.01)
Non-GAAP Net income per diluted share	<u>0.05</u>	<u>0.1</u>	<u>0.31</u>
Shares used in computing diluted net income per share	<u>20,175</u>	<u>20,190</u>	<u>20,150</u>

(**) Pre-acquisition costs from potential transactions that have not materialized.

RETALIX LTD.
UNAUDITED RECONCILIATION OF NON-GAAP ADJUSTMENTS

The following table shows the classification of stock-based compensation expense:

	Three months ended		Year ended
	March 31		December 31
	2008	2007	2007
	Unaudited	Unaudited	Unaudited
	U.S. \$ in thousands		
Cost of product sales	42	15	60
Cost of services and projects	493	232	707
Research and development - net	315	545	1,407
Selling and marketing	115	151	450
General and administrative	353	414	1,265
Total	1,318	1,357	3,889

The following table shows the classification of amortization of acquisition-related intangible assets:

	Three months ended		Year ended
	March 31		December 31
	2008	2007	2007
	Unaudited	Unaudited	Unaudited
	U.S. \$ in thousands		
Cost of product sales	553	557	2,260
Cost of services and projects	197	261	962
Selling and marketing	1	56	92
General and administrative	80	55	262
Total	831	929	3,576