

Scailex Corporation Ltd.

Code of Ethics and Business Conduct

Last updated: May 2004

IMPORTANT: This Code is designed to implement the laws to which we are all subject, but it may, in some aspects, go beyond legal obligations. In addition, this Code does not, and does not purport to, contain any legal advice. To the extent the laws applicable to you are more strict than the standards that apply to you pursuant to this Code, this Code is not purported to derogate from such laws and should not be understood as such. For the avoidance of doubt, in the event of any inconsistency between this Code and the local laws applicable to you, the latter will govern. Lastly, this Code is designed solely for the benefit of Scailex and none of the provisions of this Code are intended to provide any rights or remedies to any person other than Scailex and its successors and assigns (if any).

I. Our Code of Ethics and Business Conduct

The value of uncompromising integrity, strict compliance with applicable laws and full, fair and accurate disclosure are the foundations of the relationships of Scailex Corporation Ltd. and its subsidiaries (together, “Scailex”) with customers, business partners, shareholders and the relationship among personnel within Scailex. We must ensure that these values are a key element of the Scailex culture.

This Code of Ethics and Business Conduct, which we refer to as this “Code,” is intended to have our directors, officers and employees appreciate the importance we place on ethical business conduct and to map out the kind of company we want to be. In particular, the purpose of this Code is to establish policies and guidelines that deter wrongdoing and ensure that and/or promote:

- honest and ethical conduct, including the ethical handling of actual and apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the U.S. Securities and Exchange Commission (“SEC”) and in other public communications made by us;
- compliance with applicable laws, rules and regulations;
- that corporate opportunities are seized by Scailex (rather than by individuals for personal gain);
- the confidentiality of information entrusted to our directors, officers and employees;
- protection and proper use of Scailex’s assets;
- enforcement and compliance with, including accountability for adherence to, this Code; and
- prompt internal reporting of violations of this Code to an appropriate person or persons identified in this Code.

Who is subject to this Code? This Code applies to all the employees, officers and directors of Scailex Corporation Ltd. and its affiliates (including Scailex Vision (Tel Aviv)), which we refer to from time to time as “we,” “you,” “Scailex personnel,” “Scailex people,” or “people of Scailex.”

What should I do if this Code is not clear to me? If you have any questions about this Code or if you face any dilemmas in connection herewith, please talk to your supervisor, Vice President of Human Resources, Scailex’s Chief Financial Officer, or any of the other resources identified in Section VII below, as applicable. Whenever you are in doubt as to the applicability of any provision of this Code, you should seek advice, and until then, abide by the stricter interpretation. **Note: This Code contains several examples which are provided for illustration purposes only and are not, and should not be construed as, derogating from the general rules or guidelines set forth in this Code.**

Will this Code be updated? This Code may be modified or supplemented from time to time with the approval of our Board of Directors, in which case we will furnish to you the modification or supplement. We may also choose to issue from time to time additional policy memoranda that will further explain or clarify the standards and guidelines in this Code.

Where can I find this Code? A copy of this Code is available on our Website at www.Scailex.com or upon request from Scailex’s Corporate Secretary at 972-3-6075855.

II. Integrity and Ethical Conduct

Ethics are defined as a set of moral principles or rules of conduct. This Code and your compliance with it will assist you to distinguish between right and wrong, and to appreciate the manner in which to do business in Scailex. We expect that all of Scailex personnel will uphold these principles. Since this Code does not

purport to provide answers to all questions that might arise, Scailex must rely on you to exercise common sense and good judgment of what is right, including a sense of when it is proper for you to seek guidance from others.

STOP! If you hear the following statements (this includes hearing yourself using them!), you should consider the ethical implications thereof:

* “No one will ever know...”

* “Shhh! the auditor’s team is here...”

* “We can do it only once...”

* “Achieving the goal is what matters...”

* “But our competitors do it...”

* “You don’t have to tell him everything...”

Avoid Conflicts of Interest

Although you are generally free to engage in personal business and other activities outside Scailex outside ordinary business hours, this freedom is not unlimited and you should generally avoid conflicts of interest. A “conflict of interest” occurs whenever your personal interests interfere or may interfere in any way, or appear to interfere, with the best interests of Scailex. A conflict situation can arise when you take actions or have interests that may make it difficult to perform work in a business-like manner, without extraneous considerations and in accordance with the best interests of Scailex. For example, a conflict can arise if you take actions or have interests that may make it difficult to perform your work for Scailex objectively. Conflicts of interest may also arise when you or a member of your family receives improper personal benefits as a result of your position in Scailex, whether received from us or a third party.

What should I do if I cannot avoid a conflict of interest or otherwise believe that a conflict situation may exist? You should promptly bring it to the attention of your supervisor, who will, if deemed appropriate under the circumstances, notify management. Your supervisor (or management, if brought to its attention) may require you to abstain from actions that may involve such conflict of interest or impose certain conditions and/or procedures to ensure that the interests of Scailex are not impaired. Directors and executive officers of Scailex are also required to comply with additional procedures pursuant to applicable law, if any.

Can I receive or give gifts? We recognize that small business gestures are part of doing business in a civilized way and that, when operating globally, sensitivity to cultural differences must be maintained. Nevertheless, you should apply common sense to any gratuity and, in either case, refuse any improper benefits, for yourself or for your relatives. For the avoidance of doubt, you may not receive gifts or favors in significant value from, or grant the same to, vendors, suppliers, customers and other business associates; *provided that* receipt of advertising and promotional materials in the ordinary course of business is acceptable, unless you reasonably believe that receiving such promotional material may unduly influence your discretion when dealing with the grantor.

Can I use my position to help friends or family members do business with Scailex? We do not wish to intrude on your personal life, but as you can imagine, your help involves a conflict of interest that should be avoided. However, it may well be the case that your friend or family member represents a good business opportunity for us and there is no sense in losing it. If this is the case, you should report the conflict to your superior as described above and abstain from being unduly involved in the decision process. Please note that in some cases, such as if you are our director or executive officer, the matter may be brought for the consideration of our Audit Committee, Board of Directors or even the shareholders, as required by applicable law.

Can Scailex provide me with loans? We believe that, in general, providing loans or guarantees to our people for personal reasons may present a conflict of interest. In general, we will not permit such loans to executive officers and directors.

III. Full and Fair Public Disclosure

We are a Public Company

Scailex is a public company and our shares are listed for trading on the OTC Bulletin Board and The Tel-Aviv Stock Exchange under the symbol “SCIXF.” This generally means that, in accordance with applicable laws (including exemptions):

- we must keep our shareholders, prospective investors and the public at large, apprised of material information or developments concerning us, regardless of whether or not they are adverse to us, **and that our filings with the SEC and the Israeli Securities Authority be accurate and timely;** and
- we cannot engage in “insider trading” or “tipping” of any sort.

Full, Fair, Accurate and Timely Disclosure

We need to ensure that public communications about material events or developments concerning Scailex are full, fair, accurate, understandable and broadly disseminated to the public in accordance with all applicable legal and regulatory requirements. To that end, we have implemented disclosure controls and procedures and established a special disclosure committee designed to guarantee this objective. You can assist us in achieving these goals by, among other things, complying with the following guidelines:

- *Be Precise!* If you are responsible for preparing our public disclosures, press releases etc. or provide information to our people who are part of this process, you should do your best to make sure that such disclosure or information is full, fair, accurate and understandable. **In this respect, you are encouraged to also read our Disclosure Policy previously circulated to you for additional guidance.**
- *Coordinate Communications!* We designated a limited number of spokespersons responsible for communication of material information or commenting on material developments and, if you are not one of those spokespersons, you should not publicize or leak any non-public information or respond to inquiries on any material issue. Instead, you should refer any inquiry you receive to management.
- *Keep Accurate Books!* Scailex’s books and records, including financial statements and reports on which such financials are based, must accurately and fairly present all our transactions in reasonable detail. False and misleading entries in our books and records are strictly prohibited. Our people are expected to fully cooperate with our internal and external auditors.

No Insider Trading

In the course of your employment or other connection with Scailex, you may become aware of “non-public material information” about us. If you possess such kind of information, you are likely to be subject to trading restrictions. This generally means that you cannot legally trade in our securities, or make recommendations to anyone, including your family and friends, based on such information, unless this information becomes public or otherwise, with the passage of time, becomes obsolete and stale.

If you violate insider trading laws, both you and Scailex may be subject to severe civil and criminal penalties.

What is considered “non-public material” information?

- Information is “non-public” if it hasn’t been the subject of a Scailex press release or other disclosure document; and
- “Material” information is any information relating to the business and affairs of Scailex (or its subsidiaries) that results in, or would reasonably be expected to result in, a change in the market price or value of Scailex’s securities or about which there is a substantial likelihood that a reasonable investor would consider it important in making investment decisions. Examples of material information include, but are not limited to, major corporate acquisitions or take-over bids, financial forecasts and possible award of significant contracts.

Can you give me some more guidance on this issue? Insider trading laws may be quite complex. If you are

uncertain about this matter, you are encouraged to review our Insider Trading Policy and, if questions persist, consult our legal counsels before trading or “tipping.”

IV. Compliance with the Law

Comply, Obey, Observe!

Needless to say, people at Scailex are required to comply and strictly adhere to laws, rules and regulations, in Israel and around the globe, that are applicable to our operations.

Educate Yourself!

This Code does not summarize, nor purport to summarize, all laws, rules and regulations applicable to us or you. However ignorance of the law is no excuse. As our operations are worldwide, we also must be receptive to the different local laws and rules that apply to our business. Thus, you should become familiar with the applicable laws and regulations that apply to the nature of your work or function. This does not mean that you must be a legal expert but rather that you will be able to identify when a compliance issue exists and further guidance is warranted. For example, if you are on our accounting team, you should be familiar with generally accepted accounting principals, and, if you are on our European marketing team, you should be familiar with the import and export controls that apply in the EU.

Can I gather competitive information? In order to stay competitive, we must be knowledgeable about industry developments. However, this information should be obtained legally, such as by reviewing press releases and industry articles and reports. You are strictly prohibited from obtaining non-public information by illegal or improper means, such as causing a competitor’s employee to violate his or her obligations to the competitor.

Antitrust laws and trade regulations are complex and country specific – when in doubt, always seek legal advice.

Respect your Colleagues!

The way that we treat each other and our colleagues affects the way we do business. All of us deserve a work environment where we are respected and treated with decency. This means, among other things, that:

- we will not exploit any forced or involuntary labor;
- we are committed to wage and benefit compensation in accordance with applicable laws;
- each of us should respect the privacy of each other’s private lives and Scailex will require you to provide information only as required to operate effectively or otherwise required by law. At the same time, employees should not expect privacy with respect to their work stations, including emails and Internet use;
- we are an equal opportunity employer and we are committed to retaining the best individuals, without discrimination and regardless of their race, religion, gender, color or sexual orientation; and
- we strongly reject any form of sexual harassment or other forms of harassment, and such conduct will not be tolerated.

Be Safe; Produce Safer Products!

Your health and safety as well as of our prospective customers and users of our products are valuable to us. Therefore, we are dedicated to providing a safe and healthy work environment and designing, manufacturing and distribution of safe products.

Accordingly, you should immediately report to your supervisor of any safety or environmental hazards in your workplace or in our products and, heaven forbid, accidents or injuries.

V. Conducting Our Business

Corporate Opportunities

You are entrusted with a variety of resources and a wealth of information that Scailex exerted its best efforts to retain and build. Thus, you are expected to use such resources and information to promote the business of Scailex and not for personal gain. In light of the foregoing, you are prohibited from taking for yourself or your associates and relatives, opportunities that are discovered through your position or the use of Scailex's resources or information, without our prior approval. See also with respect to "Conflict of Interest" above.

You owe a duty to advance our business interests when opportunity arises, and you are not allowed to engage in business competing with ours, unless you obtain the approval of an authorized Scailex officer or corporate body. The following examples may be used to illustrate the foregoing:

- If you are part of the purchasing team and become aware of a supplier of components of the type used in Scailex's products, who offers to supply them at a lower price and/or better quality than Scailex's current supplier, you should report it to your superior.
- If you are part of the research & development team and, during the course of employment, you make or conceive of an invention, improvement or other development related to Scailex's business, the same should be reported to your superior.

Confidentiality

Our business and technical information is our property. If we fail to protect our proprietary rights and secret know-how, we would not be able to compete. If we fail to protect the proprietary rights and secret know-how entrusted to us by others, we would not be able to maintain business relationships. Thus, you must preserve and protect the confidentiality of information entrusted to you by Scailex, its business partners and customers, except where disclosure is properly authorized or legally mandated.

Where disclosure of confidential information of Scailex is authorized, it should be disclosed only under the protection of a written confidentiality/non-disclosure agreement, unless otherwise permitted by an authorized Scailex officer.

What is "confidential" information? Broadly defined, "confidential" information is proprietary information which is not in the public domain. When you receive a document entitled "confidential" or "secret," you can assume that it is confidential to us or our business partner. However, in most cases, confidential information is not labeled as such.

May I accept information that someone wishes to submit in confidence? Although we can sometimes accept information under such conditions, you should be cautious when anyone wishes to share or provide information based on an expectation that we will hold it in confidence and you should seek approval of your supervisor. Until such approval is granted, such unsolicited third-party confidential information should not be opened or examined by you. If approval is denied, you should return the information unopened to the third party.

Be cautious! You should be cautious when handling confidential information. For example, you should:

- disclose such information only to Scailex personnel who need to use or access such information, on a "need to know" basis;
- be extra careful when (1) discussing (*if at all, we recommend that you minimize such discussions*) such information in elevators, taxicabs or any place where they can be overheard and (2) reading (*if at all, we recommend that you avoid it*) confidential documents in public places; and
- be cautious when using the electronic-mail system, especially when sending an e-mail that contains classified or sensitive information. For example, before sending the "classified" e-mail, you are encouraged to double-check that the recipient is authorized to receive such classified information and that you obtain its exact e-mail address.

Protect our Assets

You must take care to safeguard Scailex's assets. Scailex's assets means tangible and intangible assets, including, without limitation, fixed assets, cash, securities, marketing plans, customer and supplier information, intellectual property, business and financial records.

Safeguarding Scailex's assets includes protecting them from unauthorized use and restricting any use for unlawful or improper purpose. Theft, negligence and waste have a direct impact on our profitability and you should do your best to ensure that Scailex's assets are efficiently used.

All our assets, information and equipment must only be used for legitimate business purposes.

VI. Enforcement of this Code

You are responsible! Regardless of your role in Scailex or the magnitude of your decisions, you are accountable for your decisions and should put this Code into practice. One of the reasons for our compiling this Code is to help you make the right decisions and identify the principal issues that should be considered by you. Yet, this Code cannot anticipate every possible issue that you may face and your common sense must be used.

You are not alone! You should feel free to seek your supervisor's assistance or even the input of our legal counsels when faced with tough choices.

You may be disciplined! We trust that you will do your best to comply with this Code, but please bear in mind that we will take appropriate disciplinary actions for violations of this Code. Such disciplinary actions include, but are not limited to, fines and demotions and even dismissals. Disciplinary actions may also extend to the violator's supervisor, insofar as we determine that he or she was also at fault by his or her actions or inactions. Compliance with this Code is subject to audit by the Internal Auditor of Scailex, who, in doing so, will be guided by this Code as well as principles of significance and relevancy.

Rules of thumb for complying with this Code: We believe that whenever you are in doubt, you should do as follows:

1. Ask your self whether you are being honest and fair and whether you will not have a problem with this action being published;
2. Check whether your actions are legal;
3. Read this Code. Even if your actions are legal, do they comply with this Code?; and
4. If in doubt, seek assistance.

VII. Report Your Concerns and Non-Compliance

You are encouraged to report violations

If you know of, or reasonably suspect, a violation of applicable laws, rules or regulations, of this Code or other policies of Scailex, including any evidence of fraud occurring in your region, business division or unit, and that involves any employee or agent of Scailex, you must promptly report such information to your supervisor, a member of senior management or the individuals or offices listed below, as you deem appropriate.

If the matter concerns accounting or auditing issues or you believe that the nature of the matter requires reporting directly to the Audit Committee of Scailex's Board of Directors (including in events where you believe that your supervisor or other personnel has not properly responded to such information), you may report such matter directly to the Audit Committee.

Whistleblowers will be protected

Employees who make reports, in good faith, of suspected violations of applicable laws, rules or regulations, of this Code or other policies of Scailex, or regarding accounting or audit issues as described above, to our

personnel or Audit Committee, as applicable, will be protected from retaliation, such as demotion or involuntary termination of employment, as a result of their reports.

An employee making the report may also elect to make the report on an anonymous basis, but such reports should be very detailed or include means to contact the reporting person.

Every reported allegation of illegal or unethical behavior will be thoroughly and promptly investigated. Confidentiality of such reports will be protected, subject to applicable law, regulation or legal proceedings.

Scailex will not fire, demote, threaten, harass or discriminate against any employee solely because he or she provided information, caused information to be provided or otherwise assisted in an investigation regarding any conduct by Scailex that he or she reasonably believes to constitute a violation of securities laws and/or rules or federal law regarding fraud against the shareholders of Scailex.

Relationship to other policies and laws

This Code of Ethics and Business Conduct is designed to ensure that you are committed to ethical business conduct and legal compliance. However, the standards embedded in this Code are not the exclusive source of guidance and information on our expectations and should be read together with other laws and policies applicable to you, whether you are an employee, officer or director.

Waivers of this Code

Any waiver of this Code of Ethics and Business Conduct for executive officers or directors of Scailex Corporation Ltd. may only be made with the approval of Scailex's Board of Directors, or a committee designated thereby. Any such waiver must be disclosed to the public by Scailex in accordance with applicable law.

LIST OF CONTACTS

Chief Executive Officer: Scailex Corporation Ltd., 3 Azrieli Center, Triangular Tower, 43rd Floor, 67023 Tel Aviv, Israel. Fax: 972-3-607-5884. Attn: Chief Executive Officer.

Audit Committee: Scailex Corporation Ltd., 3 Azrieli Center, Triangular Tower, 43rd Floor, 67023 Tel Aviv, Israel. Fax: 972-3-607-5884. Attn: Chairman of the Audit Committee.