

Financial Reports

for the quarter ended June 30, 2009

Directors report for the three months ended June 30, 2009

1. Concise of Description of the Company and its environment

1.1 Scailex Corporation Ltd. ("the Company") is a public company whose shares are listed for trading on the Tel-Aviv Stock Exchange and are quoted in the Pink Quote (known also as the Pink Sheets) in the United States. Correct to the date of the report, the Company's application for deregistration of the Company in the United States took effect on May 12, 2009. See clause 6.2 of this report.

1.2 Correct to the date of this report, the controlling shareholder of the Company is Suny Electronics Ltd. ("Suny"), which holds some 86.46% of the Company's share capital (not fully diluted and after neutralizing dormant shares). Suny's controlling shareholder is Mr. Ilan Ben-Dov, who holds, in addition to his holdings through Suny, some 0.95% of the Company's share capital.

1.3 Correct to the date of this report, the Company operates in three main operating segments: the segment of managing financial assets and locating business opportunities ("**the Asset Management Segment**"), the cellular operators segment and the end-customer segment.

1.4 On August 12, 2009, an agreement was signed between the Company and Advent Investment Pte. Ltd., a Singapore corporation controlled by Hutchison Telecommunications International Ltd., for the purchase of 78,940,104 ordinary shares of ILS 0.01 par value each of Partner Communications Ltd. ("**Partner**"), which constitute, correct to the signing date of the acquisition agreement, some 51.31% of Partner's issued and paid-up share capital (some 49.41% fully diluted), for the consideration of NIS 67.025 (about USD 17.5) per share of Partner, totalling the inclusive consideration of some NIS 5.29 billion (about USD 1.38 billion).

The closing of the agreement is expected within about two and a half months of the date of this report, once the suspending conditions have been fulfilled, including approvals from the Ministry of Communications and

the Antitrust Commissioner (for further particulars, see clause 7.3 hereunder).

The information contained in this report in relation to the closing of the agreement and the closing date is forward-looking information, as this term is defined in the Securities Act, 5728 – 1968. The closing of the agreement and the closing date depend upon factors external to the Company, and are contingent, *inter alia*, upon the receipt of the aforesaid regulatory approvals.

2. Results of operations

The Attached Financial Statements have been prepared in accordance with the Israeli Securities Regulations and the International Financial Reporting Standards ("IFRS").

Correct to the date of this Report, the Company's functional currency is the New Israeli Shekel (NIS). The functional currency of the cellular operators segment is the USD, however, the statements are presented in NIS as part of the Company's Consolidated financial statements, which are presented in NIS.

2.1 The three months ended June 30, 2009

2.1.1 Income from continuing operations

2.1.1.1 During the three-month period ended June 30, 2009 ("the Report Period") the Company's income from sales and from the provision of services totalled some NIS 178.9 million. This included income: in the cellular operators segment of some NIS 137.2 million from sales of cellular handsets and accessories, and income from the provision of services totalling some NIS 8.4 million; and, in the end customer segment, income from sales of some NIS 25.6 million and income from the provision of services totalling some NIS 7.7 million.

Following Pelephone's transition from a CDMA network to a GSM network early in 2009, a decline of about 3% was observed in the Company's average monthly revenue from Pelephone since the beginning of 2009 and up until the date of this report, compared with the average monthly revenue in 2008. It should be noted, however, that the Company's revenues from the said operator increased during the second quarter of this year relative to the first quarter. It should also be noted that, during the three-month period ended June 30, 2008, no revenue whatsoever was recorded from sales or from the provision of services, since the Company had no business activity during that period that generated revenues from sales or services.

2.1.1.2 Financing income totalled about NIS 75.1 million during the period of the report, compared with about NIS 1.2 million in the corresponding period last year. The financing income included profits from marketable securities totalling some NIS 69.4 million, including the sum of about NIS 16.1 million from interest and from dividends received from negotiable securities, interest income of some NIS 1.0 million and exchange rate differentials at the inclusive total of some NIS 4.8 million. The financing income during the corresponding period last year included mainly interest income.

2.1.1.3 During the period of the report, no "other income" was recorded whatsoever. During the corresponding period last year, the Company recorded "other income" totalling some NIS 285.2 million. This sum was comprised mainly of a capital gain from the sale of the subsidiary, Petroleum Capital Holdings ("PCH") at the sum of about NIS 247.0 million, and income

from a dividend received from ORL at the sum of about NIS 37.8 million.

2.1.2 Expenses related to continuing operations

2.1.2.1 The cost of sales and the provision of services during the period of the report totalled about NIS 134.1 million. This cost included purchases, after deducting changes in inventory at the sum of about NIS 123.3 million, depreciation and amortization expenses, including amortization of intangible assets created when the operations were acquired, at the sum of about NIS 4.6 million. In June 30, 2008, no expenses relating to the cost of sales were recorded since there was no income from sales or from the provision of services.

2.1.2.2 Selling expenses totalled about NIS 14.8 million in June 30, 2009 and included wage expenses of about NIS 5.3 million, advertising, marketing and commission expenses of about NIS 5.6 million. The selling expenses of the cellular operators segment totalled some NIS 7.1 million, while the selling expenses of the end-customer segment totalled some NIS 7.7 million. In the period ended June 30, 2008, selling expenses were not recorded, since there was no income from sales or from the provision of services.

2.1.2.3 Administrative and general expenses totalled about NIS 9.6 million in June 30, 2009. The administrative and general expenses during the report period included wage expenses totalling NIS 4.3 million and other expenses totalling NIS 5.3 million. The breakdown of the administrative and general expenses by operating segment is as follows:

cellular operators segment – NIS 3.8 million; end customer segment – NIS 1.7 million; and the Company's asset management segment – NIS 4.1 million. For the three-month period ended June 30, 2008, the Company's administrative and general expenses totalled some NIS 5.0 million, and included only the asset management segment, which was the Company's only segment during that period.

The rise in the administrative and general expenses during the period, compared to the corresponding period last year, derived from the Company's acquisition of the cellular operations at the end of the third quarter of 2008.

The reduction in the administrative and general expenses in the asset management segment during the report period compared with the corresponding period last year derived mainly from the fact that non-recurrent expenses were recorded during the corresponding period last year, mainly in respect of the payment of a premium for a run-off officeholders liability insurance policy, at the sum of about NIS 1.8 million, which was purchased for directors and officeholders of the Company prior to the transfer of the control over the Company, as well as in respect of the payment of an advance notice fee to Globecom Investments Ltd. ("Globecom"), at the sum of about NIS 0.6 million, due to the conclusion of the term of office of the former chairman of the Company's board of directors.

2.1.2.4 The financing expenses during the report period totalled some NIS 0.2 million, compared with financing expenses of some NIS 0.1 million during the corresponding period last year. The financing

expenses both during the report period and during the corresponding period last year included mainly bank commissions.

2.1.3 Taxes on Income

A tax benefit was recorded during the second quarter of 2009 at the sum of about NIS 0.5 million. The said tax benefit was credited as a result of the updating of a tax asset recorded by the Company in respect of accrued losses for tax purposes. No tax expenses whatsoever were recorded during the corresponding quarter last year.

2.1.4 Net profit from continuing operations

The net profit for the report period from continuing operations totalled some NIS 95.8 million, which derived mainly from the operating profit from the cellular operators at the sum of about NIS 24.5 million, and from profits from securities totalling some NIS 69.4 million as stated above. During the corresponding quarter last year, the Company presented net profit from continuing operations at the sum of about NIS 281.2 million, which derived mainly from a capital gain from the sale of PCH.

2.1.5 Income from discontinued operations

Profit of about NIS 0.1 million was recorded during the report period from discontinued operations, which derived from adjustments in respect of a liability of Scailex Vision (Tel-Aviv) Ltd. ("Scailex Vision") in respect of the sale of its assets to HP in 2005. During the corresponding period last year, a loss from discontinued operations of about NIS 1.0 million was recorded, which derived mainly from a payment to a former minority shareholder in a subsidiary of the Company, due to an update of the purchase price of the shares from that shareholder as prescribed in the agreement between the Company and the said shareholder.

2.1.6 Net income

During the report period, the net profit totalled some NIS 95.9 million, compared with a net profit of some NIS 280.2 million in the corresponding period in 2008. The decline in the net profit derived mainly from other income totalling NIS 285.2 million, recorded in the corresponding quarter last year, compared with operating profit of the cellular operations totalling some NIS 24.5 million, and profits from securities totalling NIS 69.4 million in the report period.

2.2 The six months ended June 30, 2009

2.2.1 Income from continuing operations

2.2.1.1 During the six-month period ended June 30, 2009 the Company's income from sales and from the provision of services totalled some NIS 373.4 million. This included income: in the cellular operators segment of some NIS 287.3 million from sales of cellular handsets and accessories, and income from the provision of services totalling some NIS 16.7 million; and, in the end customer segment, income from sales of some NIS 54.0 million and income from the provision of services totalling some NIS 15.4 million.

The average revenue per telephone from sales of end equipment to the various operators rose during 2009, mainly due to the launching of innovative Samsung touch screen devices that have a higher value. During the corresponding period last year no income was recorded whatsoever from sales and from the provision of services since the Company had no business operations during that period that generated revenues from sales and services.

2.2.1.2 Financing income totalled about NIS 107.3 million during the six-month period ended June 30, 2009,

compared with about NIS 5.3 million in the corresponding period last year. The financing income included profits from marketable securities totalling some NIS 99.6 million, including interest and dividends received from negotiable securities, interest income of some NIS 3.0 million and exchange rate differentials at the inclusive total of some NIS 4.8 million. The financing income during the corresponding period last year included mainly interest income.

During the six-month period ended June 30, 2009, other income was recorded at the sum of about NIS 0.3 million. This income included a dividend received from Real Time Image Ltd., whose operations were sold in 2005. See Note 15.c (2) of the annual financial statements. During the corresponding period last year the Company recorded other income totalling some NIS 308.2 million, which derived mainly from the capital gain from the sale of PCH at the sum of about NIS 247.0 million, dividend income received from Oil Refineries Ltd. ("ORL") at the sum of about NIS 37.8 million, and capital gain totalling some NIS 23.0 million, which derived from the acquisition of the minority interest in PCH during the first quarter of 2008.

2.2.2 Expenses related to continuing operations

2.2.2.1 The cost of sales and the provision of services during the six months ended June 30, 2009 totalled about NIS 278.4 million. This cost included mainly purchases, less changes in inventory, totalling about NIS 257.9 million, and depreciation and amortization expenses, including the amortization of intangible assets created due to the acquisition of the

operations, at the sum of about NIS 9.0 million. In June 30, 2008, no expenses relating to the cost of sales were recorded since there was no income from sales or from the provision of services.

2.2.2.2 Selling expenses totalled about NIS 27.8 million during the six-month period ended June 30, 2009 and included wage expenses of about NIS 10.9 million, advertising, marketing and commission expenses of about NIS 8.9 million. The selling expenses of the cellular operators segment totalled some NIS 12.0 million, while the selling expenses of the end-customer segment totalled some NIS 15.8 million.

In the period ended June 30, 2008, selling expenses were not recorded, since there was no income from sales or from the provision of services.

Administrative and general expenses totalled about NIS 18 million during the six-month period ended June 30, 2009. The breakdown of the administrative and general expenses by operating segment is as follows: cellular operators segment – NIS 8.3 million; end customer segment – NIS 3.4 million; and the administrative segment – NIS 6.2 million.

2.2.2.3 During the six-month period ended June 30, 2008, the Company's administrative and general expenses totalled some NIS 8.5 million, and included only the administrative and general expenses of the asset management segment, which had been the only segment during that period. The reduction in the administrative and general expenses of the asset management segment derived mainly from nonrecurrent expenses recorded during the six-month period ended June 30, 2008 at the inclusive

total of some NIS 2.4 million, which included the costs of payment of a premium for a run-off officeholders' liability insurance policy, and concluding costs of employment of the former chairman of the Company's board of directors.

2.2.2.4 The financing expenses during the report period totalled some NIS 3.6 million, compared with financing expenses of some NIS 0.8 million during the corresponding period last year. The financing expenses included mainly exchange rate differentials totalling some NIS 3.2 million, while the balance was bank commissions. The financing expenses during the corresponding period last year were also comprised mainly of bank commissions and exchange rate differentials.

2.2.3 Taxes on Income

A tax benefit was recorded during the six-month period ended June 30, 2009 at the sum of about NIS 3.4 million. During the corresponding period, the tax expenses totalled some NIS 1.0 million. The tax expenses during the corresponding period last year derived from the recording of tax expenses in the subsidiary, Scailex Vision, as a result of an agreement with the tax authorities regarding final tax assessments up to and including the year 2007. Within the scope of that agreement, tax assessments relating to discontinuing operations of Scailex Vision were also included, in respect whereof a tax benefit of some NIS 2.7 million was recorded, which was included under profit from discontinuing operations in the corresponding period.

2.2.4 Net profit from continuing operations

The net profit for the period from continuing operations totalled some NIS 156.5 million, which derived mainly from the operating profit from the cellular operators at the sum of about NIS 55.5 million, and from profits from securities totalling some NIS 99.6 million as stated above. During the corresponding

period last year, the Company presented net profit from continuing operations at the sum of about NIS 303.3 million, which derived mainly from a capital gain from the sale of PCH.

2.2.5 Income from discontinued operations

Profit of about NIS 1.5 million was recorded during the six-month period from discontinued operations, which derived from adjustments in respect of a liability of Scailex Vision (Tel-Aviv) Ltd. ("Scailex Vision") in respect of the sale of its assets to HP in 2005. During the corresponding period last year, the Company presented net profit from continuing operations at the total of some NIS 303.3 million, which derived mainly from other income totalling some NIS 308.2 million, the majority of which resulted from a capital gain from the sale of PCH.

2.2.6 Net income

During the six-month period, the net profit totalled some NIS 157.9 million, compared with a net profit of some NIS 314.2 million in the corresponding period in 2008. This profit derived mainly from an update of the provisions pertaining to the sum remaining in escrow subsequent to the sale of Scailex Vision to HP, following the signing of a compromise agreement between the Company and HP in relation to claims submitted to the trustee by HP.

3. Financial condition

3.1 Total balance sheet

As of the financial statement date, the total balance sheet amounted to NIS 1,261.1 million, compared to NIS 1,375.0 million at the end of 2008. The decline derived mainly from the acquisition of the from a self-purchase of shares of the Company at the sum of about NIS 283.7 million, which was offset mainly by the net profit for the first quarter of 2009 at the sum of NIS 157.9 million.

3.2 Current assets

As at the date of the financial statements, current assets amounted to NIS 1,054.8 million, compared to NIS 1,168.7 million as at the end of the corresponding period in 2008.

The Company's principal assets, which are presented under current assets as on the balance-sheet date, are cash and cash equivalents, financial assets at fair value through profit and loss, and trade receivables.

The decline in the current assets as on the balance-sheet date compared with December 31, 2008 derived mainly from a self-purchase of shares of the Company, which was offset mainly by the net profit for the period.

3.3 Long-term debit balances and fixed assets

3.3.1. The balance of deferred tax assets totalled some NIS 35.2 million as on the balance-sheet date, compared with some NIS 31.8 million as on December 31, 2008. The increase in the deferred tax balance derived from an update of the Company Management's assessment regarding the possibility of utilizing accrued losses for tax purposes in the foreseeable future.

3.3.2 The balance of fixed assets as on the balance-sheet date totalled some NIS 7.1 million, compared with about NIS 6.1 million on December 31, 2008. The increase derived mainly from purchases executed during the period, net of recorded depreciation expenses.

3.3.3 On the balance-sheet date, the Company recognized goodwill at the sum of about NIS 22.1 million, compared to 22.0 at the end of 2008. The slight increase in the balance of goodwill derived from an update of the value of the goodwill attributed to the cellular operators segment, as a result of a rise in the exchange rate of the USD during the period.

3.3.4 The balance of other intangible assets as on the balance-sheet date totalled some NIS 141.2 million, and included intangible assets acquired within the scope of the acquisition of the operations from Suny Electronics at the third quarter of 2008. As of December 31, 2008, the balance totalled some NIS 145.6 million.

The decline in the balance of the other intangible assets derived mainly from amortization expenses totalling some NIS 8.6 million, which were offset by an appreciation of the intangible assets attributed to the cellular operators segment, as a result of a rise in the exchange rate of the USD.

3.4 Current Liabilities

As of June 30, 2009 the current liabilities amounted to NIS 107.5 million, compared to NIS 97.7 million on December 31, 2008. The majority of the Company's liabilities are current liabilities during the ordinary course of business to suppliers and other creditors. The Company also has liabilities on the balance-sheet date in respect of derivative financial instruments in which the Company invests, mainly for the purposes of protecting its investments in securities and its assets in foreign currency (mainly the USD).

3.5 Long-term liabilities

Long-term liabilities as of June 30, 2009 amounted to NIS 1.5 million and included only liabilities for severance pay. The long-term liabilities on December 31, 2008 also included only liability for severance pay in the amount of NIS 2.3 million. The decline in the liability derived from a rise in monetary value of the funds as a result of rises recorded in all investment channels in the capital market during the period.

3.6 Shareholders Equity

The shareholders equity as of June 30, 2009 total to 1,152.1 NIS million compared to NIS 1,275.1 at the end of 2008. The decline in equity derived mainly from the buy-back of shares of the Company, at the

inclusive total of some NIS 283.7 million during the first half of 2009, including a buy-back during the first quarter of 2009 at the sum of about NIS 275.3 million from Tao Tsuot Ltd., a company controlled by the indirect controlling shareholder of the Company and the chairman of the Company's board of directors, Mr. Ilan Ben-Dov.

The decline in capital was offset by the Company's net profit during the first half of 2009, which totalled some NIS 157.9 million, and by an increase in the fund for translation differentials as a result of depreciation of the shekel versus the dollar (which increased the value of net assets of the cellular operators segment, totalling NIS 2.7 million).

4. Liquidity and financial sources

4.1 Cash flows from operations

The positive cash flows from operations during the report period amounted to NIS 24.7 million. The said sum derived from the Company's profits during the report period totalling some NIS 95.9 million, after deducting income not received in cash (mainly profit from negotiable securities not yet realized, totalling some NIS 53.4 million, and changes in operational assets and liabilities, totalling some NIS 22.5 million).

The cash flow from current operations during the three-month period ended June 30, 2008 totalled some NIS 57.8 million, which included mainly a dividend received by PCH from ORL at the total of some NIS 37.8 million, and cash that derived from discontinuing operations at the total of some NIS 25.9 million (the latter sum derived from the receipt of a portion of the escrow funds relating to the sale of the operations of the subsidiary, Scailex Vision, to HP, less the tax payments in respect of the funds received).

4.2 Cash flow from investing activities

The cash used in investment activities during the report period totalled some NIS 98.2 million. This sum is comprised mainly of net investments (purchases less sales) in negotiable securities totalling some NIS 110.6 million. The cash used in the second investment activity during the three-

month period ended June 30, 2008 totalled some NIS 37.5 million. This sum was comprised mainly of the cash balance of PCH, which was sold to Israel Petrochemical Enterprises Ltd., and therefore, was no longer consolidated in the consolidated balance sheet as on June 30, 2008.

4.3 Cash flows from financing activities

The cash flows from financing activities during the report period amounted to NIS 8.3 million which was used for a self-purchase of shares of the Company. The cash used in financial activities during the three-month period ended June 30, 2008 totalled some NIS 173.5 million, and was divided between the payment of a dividend to the Company's shareholders at the sum of about NIS 150.0 million and the payment of a dividend to the minority shareholders of a subsidiary at the sum of about NIS 23.5 million.

4.4 Cash, Cash Equivalents and Marketable Securities

The cash, cash equivalents and marketable securities balance as of June 30, 2009 was NIS 825.4 million (of which, some NIS 75 million are used as liquid collateral to guarantee the repayment of documentary credit in respect of the importing operations carried out by the Company), compared to December 31, 2008 in which the balance amounted to NIS 966.8 million (of which, some NIS 46.2 million are used as liquid collateral to guarantee the repayment of documentary credit in respect of the importing operations carried out by the Company).

The decrease in the balance of cash, cash equivalents and marketable securities derived mainly from cash that was used for a self-purchase of shares of the Company as stated above.

The Company is entitled to make use of the aforesaid liquid collateral, at any time, subject to an adjustment of the rates in respect of the documentary credit to a level that is acceptable to the bank that is providing the credit.

4.5 Bank Liabilities

The Company has no bank liabilities.

5. Critical accounting estimates

The critical accounting estimates that the Company used in the financial statements attached hereto are identical to those specified in clause 14 of the Directors' Report on the State of the Corporation's Affairs for the period ended December 31, 2008.

6. Commitments and substantial events during the report's period

- 6.1 On April 7, 2009, Director Yossi Arad gave notice of his resignation from the Company's Board of Directors. Mr. Arad notified of his resignation as director following the sale of Tao's entire stake in the Company. It should be further noted that on May 18, 2009, the Company's Board of Directors approved the Company's engagement in an agreement with a company under Mr. Arad's control for the provision of financial counseling.
- 6.2 On May 12, 2009, the Company's application of February 11, 2009 to the U.S. Securities Exchange Commission (SEC) for deregistration of the Company's shares in the United States came into full and permanent effect. According to U.S. law, the Company is no longer subject to reporting obligations in the United States (other than the obligation of publishing an English translation of the Company's reports in Israel on the Company's website). Accordingly, the Company is no longer subject to the regulations and associated obligations imposed on companies whose shares are listed for trading in the United States and thus, are subject to reporting obligations in the United States. To clarify, Scaillex continues to be a public company whose shares are traded on the Tel-Aviv Stock Exchange Ltd., which is subject to all obligations applicable to a public company by virtue of the Israeli Securities Act, 5728 – 1968 and to Israeli law, including the reporting requirements applicable to it by virtue thereof. For details, see the Immediate Report published by the Company on May 19, 2009 (reference no. 2009-01-114711).
- 6.3 Since the beginning of the second quarter of 2009 and until May 17, 2009, buy-back transactions were effected within the scope of the Company's buy-back plan dated July 17, 2008 (a plan that was updated on November 11, 2008) of 23,047 Company shares, for the inclusive

sum of some NIS 0.7 million.

On May 18, 2009, the board of directors of the Company resolved to adopt a buy-back plan of ordinary shares of the Company of up to one million ordinary shares, for the sum of up to NIS 30 million, during a period of up to 12 months as of the date of the resolution (this plan cancelled the aforesaid previous plan). Correct to August 16, 2009, the Company has acquired 240,818 ordinary shares within the scope of this plan, for the inclusive total of NIS 7.7 million.

- 6.4 On June 4, 2009, after having received the approval of the Company's audit committee and board of directors, the Company resolved to adopt an employees' remuneration plan, within the scope of which up to 1,029,000 unlisted options shall be granted to directors, to the senior management, to employees of the Company, to consultants of the Company and to two employees of the controlling shareholder of the Company, Suny Electronics Ltd.

On August 16, 2009, an extraordinary general assembly of the Company approved the granting of 117,000 options out of the aforesaid inclusive quantity to directors in the Company and to two employees of the controlling shareholder of the Company. Assuming that all of the said options (1,029,000 options) shall be exercised into shares, the exercised shares shall constitute some 3.70% of the Company's issued and paid-up share capital and of the voting rights therein on the granting date (prior to the granting), and some 3.56% of the Company's issued and paid-up share capital and voting rights therein on a fully diluted basis.

On July 6, 2009, in accordance with the said plan, 912,000 options as stated were allotted to employees of the Company, to the senior management and to consultants of the Company. An additional 117,000 options were allotted on August 18, 2009.

For further particulars, see the Amended Outline published by the Company on June 4, 2009 (reference no.: 2009-01-133821); Sections B through D of the Immediate Report published by the Company on July 2, 2009 regarding the summoning of a general assembly (reference no.: 2009-01-160248); Sections B through D of the Amended Immediate

Report published by the Company on July 12, 2009 regarding the summoning of a general assembly (reference no.: 2009-01-167037); and the Immediate Report of the results of an assembly for the approval of a transaction with a controlling shareholder and/or for the approval of a private offer, which was published by the Company on August 16, 2009 (reference no.: 2009-01-198612). These references constitute inclusion by way of referral.

- 6.5 On June 8, 2009, a senior officeholder exercised 16,000 options for the purchase of 16,000 ordinary shares at par value of the Company. Against the allotment of the said shares, the Company received a consideration at the sum of some NIS 162 thousand.

7. Events subsequent to the balance-sheet date

- 7.1 On July 1, 2009, the Company's board of directors resolved that the Company's donations budget in 2009 shall total NIS 3 million, compared with a budget of NIS 1 million in 2008 (see note 7.3.3 in this report).
- 7.2 On July 8, 2009, the Company submitted a nonbinding, general and indicative offer for the acquisition of the control core in Partner Communications Ltd. ("Partner"). On July 21, 2009, the Company notified that it was conducting negotiations with third parties for the execution of a private allotment of securities of the Company against cash, for the purpose of financing a possible acquisition of Partner's control core by Scailex, whereby the control over the Company shall be retained by Suny Electronics Ltd. It is emphasized that there is no certainty that such an allotment shall be carried out. On August 5, 2009, the Company submitted a binding offer to acquire the control core in Partner. On August 12, 2009, an agreement was signed between the Company and Advent Investment Pte Ltd., a Singapore company controlled by Hutchison Telecommunications International Ltd., for the acquisition of 78,940,104 ordinary shares of NIS 0.01 par value each of Partner, which constitute, correct to the signing date of the acquisition agreement, some 51.31% of Partner's issued and paid-up share capital (some 49.35% fully diluted), for the consideration of about NIS 67.025 (some USD 17.5) per

share of Partner, for an inclusive consideration totalling some NIS 5.29 billion (some USD 1.38 billion). The closing of the agreement is expected within three months of August 12, 2009, once all of the suspending conditions in the agreement have been fulfilled, including approvals from the Ministry of Communications and the Antitrust Commissioner. For further particulars, see the Immediate Report published by the Company on August 12, 2009 regarding the Partner share acquisition agreement (reference no. 2009-01-194286), as well as the Supplementary Immediate Report published by the Company on August 13, 2009, which describes the Partner share acquisition agreement extensively and in detail, as well as additional matters pertaining to this agreement (reference no.: 2009-01-195681). These references constitute inclusion by way of referral.

- 7.3 On August 10, 2009, the consent took effect between the Company and Samsung Electronics Ltd. ("**Samsung**") to extend the validity of the agreement under which the Company distributes Samsung GSM-network cellular handsets, by one year, until August 31, 2010 ("**the GSM Agreement**"). For further particulars regarding the GSM Agreement, see clause 4.4.17.2 of Part A. of the Company's Annual and Periodic Report for 2008, which was published on March 17, 2009 (reference no.: 2009-01-060333). This reference constitutes inclusion by way of referral.
- 7.4 On August 16, 2009, an extraordinary general assembly of the Company approved the following resolutions:
- (a) the granting of 40,000 unlisted options, for no consideration, which mature over four years and are exercisable into up to 40,000 ordinary registered shares of NIS 0.12 par value each of the Company, for the consideration of a strike price equivalent to NIS 35 per share, to Mr. Shachar Landau, the manager of the end-customer segment in the Company and the C.E.O. of Suny Electronics Ltd., the controlling shareholder of the Company;
 - (b) the granting 5,000 unlisted options, for no consideration, which mature over four years and are exercisable into up to 5,000 ordinary registered shares of NIS 0.12 par value each of the

Company, for the consideration of a strike price equivalent to NIS 35 per share, to Ms. Smadar Levy, an employee of the controlling shareholder of the Company, Suny Electronics Ltd., who serves as the office manager of the chairman of the Company's board of directors and the chairman of Suny Electronics' board of directors, Mr. Ilan Ben-Dov;

- (c) a donation of up to NIS 3 million to entities related to Derech HaLotus Ltd., a public benefit company, in which the chairman of the Company's board of directors and indirect controlling shareholder therein, Mr. Ilan Ben-Dov, is the sole shareholder, director, founder and donator;
- (d) the granting of 18,000 unlisted options, for no consideration, which mature over four years and are exercisable into up to 18,000 ordinary registered shares of NIS 0.12 par value each of the Company, for the consideration of a strike price equivalent to NIS 35 per share, to each of the offerees hereunder, who are holding office as directors of the Company and who are not external public directors: Ms. Iris Beck, Mr. Shalom Singer, Mr. Arye Ovadia and Mr. Yehiel Feingold;
- (e) the Company's engagement in a liability insurance policy for the directors and officeholders who are and shall be holding office from time to time in the Company and in its subsidiaries (with the exception of Mr. Ilan Ben-Dov, the chairman of the board of directors and the indirect controlling shareholder of the Company), for 12 months commencing July 1, 2009, for a total coverage of up to USD 15 million and for a premium that shall not exceed USD 25 thousand, plus legal expenses, in Israel only, at the rate of 20% of the said total coverage;
- (f) The purchase of an officeholders' run-off liability insurance policy, which shall cover the liability of those directors and officeholders who held office in Scailex and in its subsidiaries during the period from June 30, 2008 until June 30, 2009 (with the exception of the chairman of the Company's board of directors and indirect

controlling shareholder therein, Mr. Ilan Ben-Dov), for three years as of June 30, 2009;

- (g) an increase in the Company's registered share capital by 190,000,000 ordinary shares at a par value of NIS 0.12 each, so that the Company's registered share capital shall reach a total of NIS 30,000,000, divided into 250,000,000 ordinary shares at a par value of NIS 0.12 each, as well as an amendment to the Company's Memorandum of Association and Articles of Association in accordance with this resolution.

For further particulars about the topics on the agenda of the extraordinary general assembly of the Company, which convened on August 16, 2009, and about the results of this general assembly, see the Immediate Report published by the Company on July 2, 2009 regarding the summoning of a general assembly (reference no.: 2009-01-160248); the Amended Immediate Report published by the Company on July 12, 2009 regarding the summoning of a general assembly (reference no.: 2009-01-167037); and the Immediate Report of the results of an assembly for the approval of a transaction with a controlling shareholder and/or for the approval of a private offer, which was published by the Company on August 16, 2009 (reference no.: 2009-01-198612). These references constitute inclusion by way of referral.

- 7.5 On August 21, 2009, after having received a permit from the Securities Authority and approval in principle from the Tel-Aviv Stock Exchange Ltd., the Company published a shelf prospectus for securities of the Company.
- 7.6 On August 21, 2009, the Company engaged in an agreement with Bank Leumi le-Israel Ltd. ("Leumi Bank"), under which Leumi Bank shall acquire 7,677,037 shares of Partner from the Company immediately subsequent to the acquisition from Advent, as specified above in clause 7.2, and at the same price per share. For further particulars about the said agreement, see the Immediate Report published by the Company on August 23, 2009 (reference no. 2009-01-204756). This reference constitutes inclusion by way of referral.

8. Remunerations

No material change occurred during the Report Period in relation to any matter pertaining to remunerations to interested parties in the Company and to remunerations to senior officeholders in the Company or in companies under its control, compared with that described in the Directors' Report on the State of the Corporation's Affairs for the period ended December 31, 2008, with the exception of regarding the allotment of options to employees and officeholders, as specified above in clauses 6.4, 7.2.1 and 7.2.2.

9. Policy of charitable donations

On July 1, 2009, the Company's board of directors resolved that the Company's donations budget for the year 2009 shall be NIS 3 million, compared with a budget of NIS 1 million in 2008. Regarding the resolution to donate up to NIS 3 million to Lotus, see clause 7.3.3 above. It should be noted that the Company actually donated during the period of the report a total of some NIS 625 thousand.

10. Qualitative report on the exposure to market risks and their management

The Company expanded its overall investment portfolio during the Report Period. As on the report date, investments in securities include shares, government bonds and concern bonds in ILS and USD, and positions in derivatives for hedging against economic exposure. The Company is active in the capital market, in conformance with a framework approved by the Company's Investment Committee, and subject to supervisory and control mechanisms put in place by the Committee.

10.1 The person responsible for management of market risk for the company

The person responsible for management of market risk for the company is Mr. Shachar Rachim – company CFO.

10.2 Market risk to which the company is exposed

Since the end of the 2008 report year and up until the date of this report, no material changes occurred in the market risks to which the Company is exposed, compared with that described in clause 9.2 of the Directors' Report on the State of the Corporation's Affairs for the period ended December 31, 2008, except in relation to any matter pertaining to the risk to which the Company is exposed as a result of the expansion of its activity in the capital market, and as a result of the Company initializing activity in derivatives (including options, futures contracts and short sales).

During its hedging activities through options, futures contracts and short sales the Company is exposed to differences between the performance of the underlying asset in the capital market and the performance of the Maof Index, which may affect the Company's business results and profitability.

10.3 Company policy on market risk management

Since the end of the 2008 and up until the date of this report, no material

change occurred in the Company's market risk management policy, compared with that described in clause 9.3 of the Directors' Report on the State of the Corporation's Affairs for the period ended December 31, 2008, except in relation to any matter pertaining to the Company's policy for supervising the risk deriving from the Company's expanded activity in the capital market. This requires the formulation of investment definitions by the Company's Investment Committee and the performance of frequent monitoring and supervision in order to hedge the Company's exposures and to efficiently manage the market risks (inter alia, by daily management of the investments using designated systems, by performing internal controls and by operating according to procedures, as well as by the performance of periodic analyses and reports.

10.4 Supervision of market risk management policy and its implementation

Since the end of the 2008 and up until the date of this report, no material change occurred in the Company's supervision of its market risk management policy and the implementation thereof, compared with that described in clause 9.4 of the Directors' Report on the State of the Corporation's Affairs for the period ended December 31, 2008, except in relation to any matter pertaining to the risk deriving from the Company's expanded activity in the capital market, which requires frequent reporting to the Company's Investment Committee, the performance of controls and analyses of the investment portfolio by the Company's Management, the definition of procedures and supervision of the compliance therewith, as well as the maintaining of proper documentation, which enables detailed internal monitoring of the investments and of the financial hedging activities.

10.5 The Company's linkage bases

June 30, 2009:

	<u>Unlinked</u>	<u>CPI-linked</u>	<u>In or linked to USD</u>	<u>Marketable securities</u>	<u>Non- monetary items</u>	<u>Total</u>
<u>Assets</u>						
Cash and cash equivalents	467,848	-	12,173	-	-	480,021
Financial assets at fair value through profit and loss	-	-	-	354,874	-	354,874
Trade receivables	66,325	-	97,514	-	-	163,839
Other receivables and debit balances	2,427	257	170	-	-	2,854
Inventory	-	-	-	-	53,261	53,261
Prepaid expenses	-	-	-	-	735	735
Deferred taxes	-	-	-	-	35,193	35,193
Fixed assets	-	-	-	-	7,071	7,071
Goodwill	-	-	-	-	22,051	22,051
Intangible assets	-	-	-	-	141,219	141,219
Total	<u>536,600</u>	<u>257</u>	<u>109,857</u>	<u>354,874</u>	<u>259,530</u>	<u>1,261,118</u>
<u>Liabilities</u>						
Suppliers and service-providers	(8,818)	-	(67,339)	-	-	(76,157)
Derivative financial instruments	-	-	-	(9,460)	-	(9,460)
Payables and credit balances	(16,124)	-	(3,108)	-	-	(19,232)
Current liabilities relating to discontinued operations	(370)	(2,245)	-	-	-	(2,615)
Liabilities in respect of employee benefits	(1,535)	-	-	-	-	(1,535)
Total	<u>(26,847)</u>	<u>(2,245)</u>	<u>(70,447)</u>	<u>-</u>	<u>-</u>	<u>(108,999)</u>
Net balance of balance sheet	<u>509,753</u>	<u>(1,988)</u>	<u>(39,410)</u>	<u>345,414</u>	<u>259,530</u>	<u>1,152,119</u>

June 30, 2008:

	<u>In or linked to USD</u>	<u>In or linked to other foreign currency</u>	<u>CPI-linked</u>	<u>Unlinked</u>	<u>Marketable securities</u>	<u>Non- monetary items</u>	<u>Total</u>
<u>Assets</u>							
Cash and cash equivalents	46,769	1,225	-	300	-	-	48,324
Investments held until maturity	16,730	-	-	-	-	-	16,730
Income receivable from a related party	-	-	-	1,145,314	-	-	1,145,314
Other receivables and debit balances	-	-	873	419	-	127	1,419
Current assets relating to discontinued operations	1,039	-	-	-	-	-	1,039
Investments held until maturity, long-term	10,767	-	-	-	-	-	10,767
Fixed assets	-	-	-	-	-	73	73
Total	75,305	1,255	873	1,146,033	-	200	1,223,666
<u>Liabilities</u>							
Suppliers and service-providers	3,708	-	-	1,721	-	-	5,429
Tax liabilities	-	-	865	-	-	-	865
Current liabilities relating to discontinued operations	9,490	191	24,091	1,650	-	-	35,422
Liabilities in respect of employee benefits	-	-	-	230	-	-	230
Total	13,198	191	24,956	3,601	-	-	41,946
Net balance of balance sheet	62,107	1,064	(24,083)	1,142,432	-	200	1,181,720

10.6 Sensitivity tests

Market risk sensitivity analysis

The table below specifies the Company's financial instruments as on June 30, 2009, which are sensitive to the market risks involved therein. The instruments that are sensitive to various market risks will be presented numerous times, according to the sensitivity analysis of each of the risks.

1. *Sensitivity to fluctuations in the USD/NIS exchange rate (in NIS thousands)*

The sensitivity analysis is based on the exchange rate as on June 30, 2009, which was NIS 3.919 per USD 1.

The sensitive instrument	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 10% in the exchange rate	Rise of 5% in the exchange rate		Decline of 5% in the exchange rate	Decline of 10% in the exchange rate
Cash	1,217	609	12,173	(609)	(1,217)
Securities *	7,774	3,888	77,740	(3,887)	(7,774)
Trade receivables	9,751	4,876	97,514	(4,876)	(9,751)
Other receivables	17	9	170	(9)	(17)
Suppliers	(6,734)	(3,367)	(67,339)	3,366	6,734
Other payables	(311)	(155)	(3,108)	155	311
Options on the USD – Put	238	228	(238)	(1,361)	(4,118)
Options on the USD – Call	(8,779)	(3,551)	(885)	854	885
TOTAL:	3,173	2,537	116,027	(6,367)	(14,947)

* The securities include dollar bonds and a dollar-denominated option.

2. *Sensitivity to fluctuations in the NIS/GBP exchange rate (in NIS thousands)*

The sensitivity analysis is based on the exchange rate as on June 30, 2009, which was NIS 6.5089 per GBP 1.

	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 10% in the exchange rate	Rise of 5% in the exchange rate		Decline of 5% in the exchange rate	Decline of 10% in the exchange rate
The sensitive instrument					
Stock	38	19	384	(19)	(38)

3. *Sensitivity to fluctuations in the Consumer Price Index (in NIS thousands)*

The sensitivity analysis was performed using the rates of 0.1% and 0.2% in respect of a change in the CPI.

	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 0.2% in the CPI	Rise of 0.1% in the CPI		Decline of 0.1% in the CPI	Decline of 0.2% in the CPI
The sensitive instrument					
CPI-linked bonds	97	48	48,384	(48)	(97)
Trade receivables	1	0	257	(0)	(1)
Current liabilities relating to discontinued operations	(4)	(2)	(2,245)	2	4
TOTAL:	94	46	46,396	(46)	(93)

4. *Sensitivity to changes in the value of the securities portfolio (in NIS thousands)*

The total value of the Company's portfolio of securities as on June 30, 2009, is NIS 353,735 thousand (after neutralizing Maof and dollar options, for which a separate calculation was made).

The sensitive instrument – shares	Profit (loss) from the change			Fair value	Profit (loss) from the change		
	Rise of 15%	Rise of 10%	Rise of 5%		Decline of 5%	Decline of 10%	Decline of 15%
	in the market value				in the market value		
Share A	17,214	11,476	5,738	114,759	(5,738)	(11,476)	(17,214)
Other shares of Tel Aviv 25 Index	4,985	3,323	1,662	33,232	(1,662)	(3,323)	(4,985)
TOTAL:	22,199	14,799	7,400	147,991	(7,400)	(14,799)	(22,199)

The sensitive instrument – shares	Profit (loss) from the change			Fair value	Profit (loss) from the change		
	Rise of 15%	Rise of 10%	Rise of 5%		Decline of 5%	Decline of 10%	Decline of 15%
	in the market value				in the market value		
Tel Aviv 75 Index	1,588	794	397	7,938	(397)	(794)	(1,588)

The sensitive instrument – shares	Profit (loss) from the change			Fair value	Profit (loss) from the change		
	Rise of 15%	Rise of 10%	Rise of 5%		Decline of 5%	Decline of 10%	Decline of 15%
	in the market value				in the market value		
Yeter	1,914	957	478	9,568	(478)	(957)	(1,914)

The sensitive instrument	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 10%	Rise of 5%		Decline of 5%	Decline of 10%
	in the market value			in the market value	
Bonds denominated in foreign currency having a low risk rating	1,561	781	78,061	(781)	(1,561)
Government bonds	542	271	27,105	(271)	(542)
Other	28	14	1,423	(14)	(28)
TOTAL:	2,131	1,066	106,589	(1,066)	(2,131)

The sensitive instrument	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 10%	Rise of 5%		Decline of 5%	Decline of 10%
	in the market value			in the market value	
Concern bonds	8,155	4,077	81,549	(4,077)	(8,155)
Stocks, foreign currency	38	19	384	(19)	(38)
Other Options	4	2	37	(2)	(4)
Options, foreign currency	(32)	(16)	(321)	16	32
TOTAL:	8,165	4,082	81,649	(4,082)	(8,165)

5. Sensitivity to changes in the underlying asset – Maof options
(in NIS thousands)

The sensitive instrument	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 10% in the underlying asset	Rise of 5% in the underlying asset		Decline of 5% in the underlying asset	Decline of 10% in the underlying asset
	Maof – sale of Call options	(16,971)		(7,609)	(7,800)
Maof – purchase of Put options	(744)	(556)	818	1,366	4,059
Maof – sale of Put options	204	159	(216)	(445)	(1,412)
TOTAL:	(17,511)	(8,007)	(7,198)	5,500	9,513

6. *Sensitivity to changes in the standard deviation – Maof options
(in NIS thousands)*

The sensitive instrument	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 10% in the standard deviation	Rise of 5% in the standard deviation		Decline of 5% in the standard deviation	Decline of 10% in the standard deviation
Maof – sale of Call options	(556)	(277)	(7,800)	275	547
Maof – purchase of Put options	274	134	818	(125)	(242)
Maof – sale of Put options	(82)	(40)	(216)	37	70
TOTAL:	(364)	(183)	(7,198)	186	375

7. *Sensitivity to changes in the standard deviation – options on the USD (in NIS thousands)*

The sensitive instrument	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	Rise of 10% in the standard deviation	Rise of 5% in the standard deviation		Decline of 5% in the standard deviation	Decline of 10% in the standard deviation
Options on the USD – Call sale	(63)	(31)	(238)	30	59
Options on the USD – Put sale	(114)	(57)	(885)	56	111
TOTAL:	(177)	(88)	(1,123)	86	170

8. Sensitivity to fluctuations in the real interest rates (in NIS thousands)

The sensitive instrument – shares	Profit (loss) from the change			Fair value	Profit (loss) from the change		
	Rise of 15%	Rise of 10%	Rise of 5%		Decline of 5%	Decline of 10%	Decline of 15%
	in the real interest rates				in the real interest rates		
Debentures A	(190) ¹	(78)	(40)	2,049	41	83	228
Debentures B	(5) ²	(3)	(2)	167	2	3	5
Debentures C	(64) ³	(10)	(5)	1,133	5	11	75
Debentures D		(0)	(0)	346	0	0	
Debentures E	(91) ⁴	(12)	(6)	465	6	13	128
Debentures F	(1,563) ⁵	(690)	(347)	34,737	352	710	1,669
Debentures G	(62) ⁶	(38)	(19)	1,664	20	40	66
Debentures H	(10) ⁷	(8)	(4)	118	4	8	11
Debentures I	(61) ⁸	(36)	(18)	967	19	38	68
Debentures J		(9)	(4)	963	4	9	
Debentures K	(117) ⁹	(18)	(9)	1,909	9	19	37
Debentures L		(29)	(15)	2,406	15	29	
TOTAL:	(2,163)	(931)	(469)	46,924	477	963	2,287

¹ Daily increase/decrease reflects a change of about 25.7% in the real interest (deriving from a change of some 14.05% in the bond price that occurred on November 28, 2008).

² Daily increase/decrease reflects a change of about 16.2% in the real interest (deriving from a change of some 9.96% in the bond price that occurred on November 25, 2008).

³ Daily increase/decrease reflects a change of about 65.96% in the real interest (deriving from a change of some 28.53% in the bond price that occurred on October 28, 2008).

⁴ Daily increase/decrease reflects a change of about 86.41% in the real interest (deriving from a change of some 24.75% in the bond price that occurred on November 25, 2008).

⁵ Daily increase/decrease reflects a change of about 23.08% in the real interest (deriving from a change of some 8.61% in the bond price that occurred on November 25, 2008).

⁶ Daily increase/decrease reflects a change of about 9.78% in the real interest (deriving from a change of some 16.43% in the bond price that occurred on January 1, 2009).

⁷ Daily increase/decrease reflects a change of about 15.93% in the real interest (deriving from a change of some 12.93% in the bond price that occurred on November 25, 2008).

⁸ Daily increase/decrease reflects a change of about 18.8% in the real interest (deriving from a change of some 17.33% in the bond price that occurred on January 4, 2009).

⁹ Daily increase/decrease reflects a change of about 31.46% in the real interest (deriving from a change of some 16.55% in the bond price that occurred on November 25, 2008).

9. *Sensitivity to fluctuations in the shekel interest rates (in NIS thousands)*

	Profit (loss) from the change			Fair value	Profit (loss) from the change		
	Rise of 15%	Rise of 10%	Rise of 5%		Decline of 5%	Decline of 10%	Decline of 15%
The sensitive instrument – shares	in the real interest rates				in the real interest rates		
Debentures M	(33) ¹	(10)	(5)	4,044	5	10	33
Debentures N	(141) ²	(32)	(16)	848	17	34	187
TOTAL:	(174)	(42)	(21)	4,892	22	44	221

¹ Daily increase/decrease reflects a change of about 33.75% in the real interest (deriving from a change of some 6.21% in the bond price that occurred on December 23, 2008).

² Daily increase/decrease reflects a change of about 49% in the real interest (deriving from a change of some 32.52% in the bond price that occurred on December 1, 2008).

10.7 Positions in derivatives

On the balance-sheet date the Company was holding positions in derivatives.

With the aim of reducing the Company's exposure to volatility in the capital market in relation to its holdings of shares, the Company executes sales transactions of futures options against the Tel-Aviv 25 Index and short sales of shares included in the Tel-Aviv 25 Index. In addition, the Company transacts sales of futures contracts on foreign-currency balances it holds for hedging purposes. Furthermore, due to considerations of marketability, the Company opted to use the options instruments through sales of call options, put options and purchases of put options.

Derivatives as of August 16, 2009 (in NIS thousands):

Name of the derivative	Transaction type	Expiration	Par value in NIS thousands	Fair value in NIS thousands
Options on the Tel-Aviv 25 index	Call sale	30/07/09	(121,818)	(7,800)
Options on the Tel-Aviv 25 index	Put sale	30/07/09	(21,475)	818
Options on the Tel-Aviv 25 index	Put purchase	30/07/09	62,095	(216)
NIS-USD options	Call sale	28/07/09	(42,952)	(885)
NIS-USD options	Put sale	28/07/09	13,168	(238)

- The par value of the various derivatives is calculated according to the derivative's daily Delta, correct to June 30, 2009. The Delta may change according to the market conditions along the time axis.
- The inclusive fair value of the derivative positions on June 30, 2009 total a liability of some NIS 8.3 million.

11. Directors who have accounting and finance expertise

During the Report Period, the Board of Directors did not change its determination concerning the minimum requisite number of directors possessing accounting and financing expertise, from that specified in clause 10 of the Directors' Report on the State of the Corporation's Affairs for the period ended December 31, 2008. The number of directors on the Company's Board of Directors who possess accounting and financial expertise as on the date of this report has not diminished from the minimum number prescribed by the Board of Directors as stated. Correct to the date of this Report, the directors who are defined as possessing accounting and financial expertise are: Dr. Arye Ovadia, Mr. Dror Barzila, Mr. Shalom Singer and Mr. Yechiel Feingold.

12. Independent directors

Correct to the date of this Report, the provision specified in section 219(E) of the Companies Act regarding independent directors has not yet been adopted by the Company in its Articles of Association.

13. Disclosure with regard to internal auditor

Since the end of the 2008 and up until the date of this report, no material changes occurred in relation to any matter pertaining to the Company's internal auditor, compared with that specified in clause 12 of the Directors' Report on the State of the Corporation's Affairs for the period ended December 31, 2008. During the first half of 2009, and in light of the recommendations adopted by the Company, subsequent to the performance of a review of internal controls in the Company, the auditor began performing an internal audit of the management and reserve of the inventory of replacement parts in the cellular operators segment, as well as an audit of the Company's cash and investments. Correct to the date of this report, the Company is currently examining and discussing the preliminary conclusions presented in the audit report on the subject of the management and reserve of the inventory of replacement parts in the cellular operators segment.

14. Disclosure regarding the procedure for approving the financial statements in the reporting corporation

Pursuant to the Audit Committee's regulations, which were adopted by the Company's Board of Directors, the Audit Committee of the Company is the organ responsible for oversight in the Company (as this term is defined in Pronouncement 76 of the Institute of Certified Public Accountants in Israel).

For every financial reporting period, as well as for the current reporting period, the financial statements and the directors' reports, as well as the documents pertaining to risk management in the company, and the Internal Auditor's reports, are forwarded for scrutiny by the members of the Audit Committee a few days before the date of the meeting scheduled for discussing the financial statements and for reaching a recommendation for the Company's Board of Directors regarding approval of the Statements.

The Audit Committee is comprised of four members, including the two public directors of the Company, Mr. Yoav Biran and Mr. Dror Barzilai, and two additional directors, Mr. Shalom Singer (the Committee Chairman) and Mr. Yechiel Feingold. Three of the members of the committee have been defined as

possessing accounting and financial expertise.

During the Audit Committee meeting for approval of these financial statements, the Committee members reviewed the financial results, the financial position and every principal activity or change that occurred during the period under report. In addition, there was a discussion of the Company's risk factors pertaining to investments in the capital market, as defined by the Investment Committee, and the risk management methods deriving from them.

A discussion was held during the said audit committee meeting, which was attended by the following audit committee members: Mr. Shalom Singer (committee chairman), Mr. Yehiel Feingold (director), Mr. Yoav Biran (external public director), and Mr. Dror Barzilai (external public director), with the participation of the following members of the Company's Management: Mr. Yahel Shachar (C.E.O.), Mr. Shachar Rachim (C.F.O.), and Mr. Tomer Ben-Shalom (the Company's accountant), during which the Committee members raised questions and the Management provided answers. Also present during the meeting were the external auditor of the Company – CPA Rami Chalaf, who provided his professional opinion in relation to accounting issues raised in relation to the financial statements, and the Internal Auditor of the Company – CPA Moshe Cohen.

In light of the deliberations, the Audit Committee recommended to the Board of Directors to approve the financial statements. During the Board meeting, the financial results, the financial position and every principal activity or change that occurred during the period under report was reviewed and a discussion was held, during which questions were asked and answers were given to the Board members' questions.

Ilan Ben-Dov
Chairman of the Board

Yahel Shachar
CEO

Date of Approval: August 24, 2009

SCAILEX CORPORATION LTD.

FINANCIAL STATEMENTS
AS OF JUNE 30, 2009

SCAILEX CORPORATION LTD.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2009**

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SCAILEX CORPORATION LTD.
CONSOLIDATED BALANCE SHEETS
(UN-AUDITED)

	June 30		December 31
	2009	2008	2008
	NIS in thousands		
	Unaudited		Audited
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	480,021	48,324	902,797
Financial assets included in the P&L	354,874	-	51,649
Securities held-to-maturity	-	16,730	12,319
Trade receivables	163,839	-	143,030
Income receivable from a related party	-	1,145,314	-
Other receivables	2,854	1,419	11,075
Inventory	53,261	-	46,611
Current assets of discontinued operations	-	1,039	1,179
	<u>1,054,849</u>	<u>1,253,178</u>	<u>1,168,660</u>
INVESTMENTS AND OTHER NON-CURRENT ASSETS:			
Securities held-to-maturity	-	10,767	-
Prepaid expenses	735	-	747
Deferred income taxes	35,193	-	31,835
Fixed assets, net	7,071	73	6,125
Goodwill	22,051	-	22,007
Other intangible assets, net	141,219	-	145,643
	<u>206,269</u>	<u>10,840</u>	<u>206,357</u>
TOTAL ASSETS	<u><u>1,261,118</u></u>	<u><u>1,223,666</u></u>	<u><u>1,375,017</u></u>

Shachar Rachim

CFO

Yahel Shachar

CEO

Ilan Ben-Dov
Chairman of the board of
directors

Date of approval for the financial statements by the board of the directors: August 24, 2009

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
CONSOLIDATED BALANCE SHEETS

	June 30		December 31
	2009	2008	2008
	NIS in thousands		
	Unaudited		Audited
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Derivative financial instruments	9,460	-	-
Trade payables	76,157	-	74,422
Creditors and accruals	19,232	5,429	19,485
Income taxes payable	-	865	-
Current liabilities related to discontinued operation	2,615	35,422	3,764
T o t a l current Liabilities	<u>107,464</u>	<u>41,716</u>	<u>97,671</u>
LONG-TERM LIABILITIES			
Liability for employee rights upon retirement	1,535	230	2,280
T o t a l long-term Liabilities	<u>1,535</u>	<u>230</u>	<u>2,280</u>
SHAREHOLDERS' EQUITY			
Share capital	26,750	26,748	26,748
Capital surplus	1,224,152	1,223,992	1,223,992
Treasury shares	(447,848)	(139,148)	(164,154)
Currency translation	(301,989)	(324,802)	(304,648)
Other loss	-	(102)	-
Retained earning	649,280	393,776	491,723
	<u>1,150,345</u>	<u>1,180,464</u>	<u>1,273,661</u>
Rights not vesting control	1,774	1,256	1,405
TOTAL SHAREHOLDERS' EQUITY	<u>1,152,119</u>	<u>1,181,720</u>	<u>1,275,066</u>
Total liabilities and shareholders' equity	<u><u>1,261,118</u></u>	<u><u>1,223,666</u></u>	<u><u>1,375,017</u></u>

* Reclassified

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2009	2008	2009	2008	2008
	NIS in Thousands				
	Unaudited		Unaudited		Audited
<u>INCOME</u>					
INCOME FROM SALES AND SERVICES	373,448	-	178,852	-	184,233
FINANCIAL INCOME	107,269	5,338	75,112	1,180	30,310
OTHER INCOME	302	308,162	-	285,159	308,162
	<u>481,019</u>	<u>313,500</u>	<u>253,964</u>	<u>289,339</u>	<u>522,705</u>
<u>EXPENSES</u>					
COST OF SALES AND SERVICES	(278,442)	-	(134,064)	-	(147,454)
SELLING EXPENSES	(27,788)	-	(14,790)	-	(14,778)
GENERAL AND ADMINISTRATIVE EXPENSES	(18,045)	(8,460)	(9,621)	(5,005)	(19,971)
FINANCIAL EXPENSES	(3,650)	(779)	(243)	(109)	(1,357)
	<u>(327,925)</u>	<u>(9,239)</u>	<u>(158,718)</u>	<u>(5,114)</u>	<u>(183,560)</u>
INCOME BEFORE TAXES ON INCOME	153,094	304,261	95,246	281,225	339,145
TAXES ON INCOME / (TAX BENEFIT)	3,358	(959)	541	-	30,876
NET INCOME FROM CONTINUING OPERATIONS	156,452	303,302	95,787	281,225	370,021
NET INCOME FROM DISCONTINUED OPERATIONS	1,474	10,916	97	(991)	42,292
NET INCOME FOR THE PERIOD	<u>157,926</u>	<u>314,218</u>	<u>95,884</u>	<u>280,234</u>	<u>412,313</u>
Related net income (loss) for the period:					
Company shareholders	157,557	418,311	96,040	280,301	409,365
Minority shareholders	369	2,800	(156)	(67)	2,948
T o t a l	<u>157,926</u>	<u>314,218</u>	<u>95,884</u>	<u>280,234</u>	<u>412,313</u>
EARNINGS PER ORDINARY SHARE					
NIS 0.12 PAR VALUE ("EPS") FOR THE COMPANY SHAREHOLDERS					
BASIC:					
Continuing operations	5.3	8.0	3.4	7.4	9.8
Discontinued operation	0.0	0.2	(0.0)	(0.0)	1.0
Basic earnings per share	<u>5.3</u>	<u>8.2</u>	<u>3.4</u>	<u>7.4</u>	<u>10.8</u>
Average number of shares (in thousands)	<u>29,535</u>	<u>38,213</u>	<u>27,940</u>	<u>38,213</u>	<u>37,883</u>
DILUTED:					
Continuing operations	5.3	8.0	3.4	7.4	9.8
Discontinued operation	0.0	0.2	(0.0)	(0.0)	1.0
Diluted earning per share	<u>5.3</u>	<u>8.2</u>	<u>3.4</u>	<u>7.4</u>	<u>10.8</u>
Average number of shares (in thousands)	<u>29,569</u>	<u>38,213</u>	<u>27,974</u>	<u>38,213</u>	<u>37,926</u>

The accompanying notes are an integral part of these financial statements

SCAILEX CORPORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2009	2008	2009	2008	2008
	NIS in Thousands				
	Unaudited		Unaudited		Audited
INCOME FOR PERIOD	157,926	314,218	95,884	280,234	412,313
Other comprehensive income (loss):					
Income (loss) from adjustment of the fair value of financial assets available for sale, net of tax	-	(216,154)	-	(145,775)	(215,582)
Adjustments in respect of classification of other comprehensive income, net of tax	-	39,835	-	39,835	39,365
Hedging of cash flows, net of tax	-	(19,812)	-	-	(19,812)
Currency translation	2,659	(156,845)	(18,350)	(50,420)	(136,690)
Other comprehensive income (loss) for the period, net of tax	2,659	(352,976)	(18,350)	(156,360)	(332,719)
Total comprehensive income (loss) for the period	160,585	(38,758)	77,534	123,874	79,594
Total comprehensive income (loss) for the period attributed to:					
owners of the company	160,216	(11,925)	77,690	125,615	106,278
rights not vesting control	369	(26,833)	(156)	(1,741)	(26,684)
	160,585	(38,758)	77,534	123,874	79,594

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
CONDOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Share capital		Capital surplus	Treasury shares	Currency translation	Accumulated other comprehensive income (loss)	Retained earning	Total	Minority interest	Total share Holders Equity
	Shares	Sum								
	T h o u s a n d s N I S									
BALANCE AT JANUARY 1, 2008	38,066,363	26,731	1,209,613	(139,148)	(174,810)	173,249	232,399	1,331,098	62,889	1,393,987
Changes during 2008:										
Income for the period	-	-	-	-	-	-	409,365	406,365	2,948	412,313
Other comprehensive income (loss), net:										
Loss from available-for-sale securities	-	-	-	-	-	(212,614)	-	(212,614)	(2,968)	(215,582)
Financial loss from available-for-sale assets included in the income statements	-	-	-	-	-	39,365	-	39,365	-	39,365
Hedging of cashflows	-	-	-	-	-	-	-	-	(19,812)	(19,812)
Currency translation	-	-	-	-	(129,838)	-	-	(129,838)	(6,852)	(136,690)
Total comprehensive loss	-	-	-	-	-	-	-	(303,087)	(29,638)	(332,719)
Purchasing of shares in a subsidiary	-	-	11,332	-	-	-	-	11,332	(11,332)	-
Purchase of treasury shares	(930,741)	-	-	(25,006)	-	-	-	(25,006)	-	(25,006)
Dividend distributed to the minority	-	-	-	-	-	-	-	-	(23,468)	(23,468)
Dividend paid	-	-	-	-	-	-	(150,041)	(150,041)	-	(150,041)
BALANCE AT DECEMBER 31, 2008	<u>37,247,622</u>	<u>26,748</u>	<u>1,223,992</u>	<u>(164,154)</u>	<u>(304,648)</u>	<u>-</u>	<u>491,723</u>	<u>1,273,661</u>	<u>1,405</u>	<u>1,275,066</u>
Changes during the six months ended June 30, 2009:										
Income for the period	-	-	-	-	-	-	157,557	157,557	369	157,926
Currency translation	-	-	-	-	2,659	-	-	2,659	-	2,659
Exercise of options by an officeholder	16,000	2	160	-	-	-	-	162	-	162
Purchase of treasury shares	(9,439,857)	-	-	(283,694)	-	-	-	(283,694)	-	(283,694)
BALANCE AT JUNE 30, 2009	<u>27,823,765</u>	<u>26,750</u>	<u>1,224,152</u>	<u>(447,848)</u>	<u>301,989</u>	<u>-</u>	<u>649,280</u>	<u>1,150,345</u>	<u>1,774</u>	<u>1,152,119</u>

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
CONDOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(CONTINUED)

	Share capital		Capital surplus	Treasury shares	Currency translation	Accumulated other comprehensive income (loss)	Retained earning	Total	Minority interest	Total share Holders Equity
	Shares	Sum								
	T h o u s a n d s N I S									
BALANCE AT JANUARY 1, 2008	38,178,363	26,748	1,212,660	(139,148)	(174,810)	173,249	232,399	1,331,098	62,889	1,393,987
Changes during the six months ended June 30, 2008:										
Income for the period	-	-	-	-	-	-	311,418	311,418	2,800	314,218
Other comprehensive income (loss), net:										
Realized loss from available-for-sale securities	-	-	-	-	-	(213,186)	-	(213,186)	(2,968)	(216,154)
Realized loss from available-for-sale securities included in the income statements	-	-	-	-	-	39,835	-	39,835	-	39,835
Hedging of cashflows	-	-	-	-	-	-	-	-	(19,812)	(19,812)
Currency translation	-	-	-	-	(149,992)	-	-	(149,992)	(6,853)	(156,845)
Total comprehensive loss								(323,343)	(29,633)	(352,976)
Capital reserve in respect of the acquisition of shares of a consolidated subsidiary	-	-	11,332	-	-	-	-	11,332	(11,332)	-
Dividend distributed to the minority shareholders of a consolidated subsidiary	-	-	-	-	-	-	-	-	(23,468)	(23,468)
Dividend distributed to the Company's shareholders	-	-	-	-	-	-	(150,041)	(150,041)	-	(150,041)
BALANCE AT JUNE 30, 2008	<u>38,178,363</u>	<u>26,748</u>	<u>1,223,992</u>	<u>(139,148)</u>	<u>(324,802)</u>	<u>(102)</u>	<u>393,776</u>	<u>1,180,464</u>	<u>1,256</u>	<u>1,181,720</u>

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
CONDOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(CONTINUED)

	Share capital		Capital surplus	Treasury shares	Currency translation	Accumulated other comprehensive income (loss)	Retained earning	Total	Minority interest	Total share Holders Equity
	Shares	Sum								
	T h o u s a n d s N I S									
BALANCE AT APRIL 1, 2009	28,071,630	26,748	1,223,992	(439,434)	(283,639)	-	553,240	1,080,907	1,930	1,082,837
Changes during the three months ended June 30, 2009:										
Income for the period	-	-	-	-	-	-	96,040	96,040	(156)	95,884
Currency translation	-	-	-	-	(18,350)	-	-	(18,350)	-	(18,350)
Exercise of options by an officeholder	16,000	2	160	-	-	-	-	162	-	162
Purchase of treasury shares	(263,865)	-	-	(8,414)	-	-	-	(8,414)	-	(8,414)
BALANCE AT JUNE 30, 2008	<u>27,823,765</u>	<u>26,750</u>	<u>1,224,152</u>	<u>(447,848)</u>	<u>(301,989)</u>	<u>-</u>	<u>649,280</u>	<u>1,150,345</u>	<u>1,774</u>	<u>1,152,119</u>
BALANCE AT APRIL 1, 2008	38,178,363	26,748	1,223,992	(139,148)	(276,056)	105,838	263,516	1,204,890	26,465	1,231,355
Changes during the three months ended June 30, 2008:										
Income for the period	-	-	-	-	-	-	280,301	280,301	(67)	280,234
Other comprehensive income (loss), net:										
Realized loss from available-for-sale securities	-	-	-	-	-	(145,775)	-	(145,775)	-	(145,775)
Realized loss from available-for-sale securities included in the income statements	-	-	-	-	-	39,835	-	39,835	-	39,835
Currency translation	-	-	-	-	(48,746)	-	-	(48,746)	(1,674)	(50,420)
Total comprehensive loss	-	-	-	-	-	-	-	(154,686)	(1,741)	(156,360)
Dividend distributed to the minority shareholders of a consolidated subsidiary	-	-	-	-	-	-	-	-	(23,468)	(23,468)
Dividend distributed to the Company's shareholders	-	-	-	-	-	-	(150,041)	(150,041)	-	(150,041)
BALANCE AT JUNE 30, 2008	<u>38,178,363</u>	<u>26,748</u>	<u>1,223,992</u>	<u>(139,148)</u>	<u>(324,802)</u>	<u>(102)</u>	<u>393,776</u>	<u>1,180,464</u>	<u>1,256</u>	<u>1,181,720</u>

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2009	2008	2009	2008	2008
NIS in Thousands					
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	157,926	314,218	95,884	280,234	412,313
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities (A)	(94,733)	*(289,539)	(72,244)	*(249,458)	(431,548)
Received interest	3,107	5,126	1,085	1,180	25,566
Dividends received from investments in available-for-sale financial assets	-	-	-	-	37,834
Net cash provided by (used in) discontinued operation	1,504	36,192	(59)	25,863	35,891
Net cash provided by (used in) operating activities	<u>67,804</u>	<u>*65,997</u>	<u>24,666</u>	<u>*57,819</u>	<u>80,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Disposal of investment in a subsidiary (B)	-	(37,462)	-	(37,462)	1,104,983
Acquisition of operations (C)	-	-	-	-	(243,693)
Proceeds from the sale of financial assets at fair value through profit and loss and derivatives	546,165	-	273,474	-	22,248
Acquisition of traded securities at fair value through profit and loss and derivatives	(761,864)	-	(384,091)	-	(58,789)
Acquisition of available-for-sale securities	-	-	-	-	(378,522)
Proceeds from sale of available-for-sale securities	-	3,500	-	-	366,170
Proceeds from sale of held-to-maturity securities	13,283	10,797	13,283	-	28,218
Purchase of fixed assets	(1,443)	(272)	(822)	(21)	(949)
Purchase of intangible assets	(168)	-	(34)	-	-
Proceeds from sale of fixed assets	-	-	-	-	2,869
Investment in subsidiary	-	(200,429)	-	-	(200,429)
Net cash provided (used in) by investing activities	<u>(204,027)</u>	<u>*(223,866)</u>	<u>(98,190)</u>	<u>*(37,483)</u>	<u>642,106</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of treasury shares	(283,694)	-	(8,414)	-	(25,006)
Proceeds from exercising of options	162	-	162	-	-
Dividend distributed to the shareholders	-	(150,000)	-	(150,000)	(150,041)
Net cash used in discontinued operation	-	(23,468)	-	(23,468)	(23,468)
Net cash provided (used in) financing activities	<u>(283,532)</u>	<u>(173,468)</u>	<u>(8,252)</u>	<u>(173,468)</u>	<u>(198,515)</u>
Currency translation in respect of cash and cash equivalents	<u>(3,021)</u>	<u>(48,630)</u>	<u>(1,301)</u>	<u>(13,180)</u>	<u>(49,141)</u>
Net increase (decrease) in cash and cash equivalents	<u>(422,776)</u>	<u>(379,967)</u>	<u>(83,077)</u>	<u>(166,312)</u>	<u>474,506</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>902,797</u>	<u>428,291</u>	<u>563,098</u>	<u>214,636</u>	<u>428,291</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>480,021</u>	<u>48,324</u>	<u>480,021</u>	<u>48,324</u>	<u>902,797</u>

* Reclassified

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(CONTINUED)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2009	2008	2009	2008	2008
NIS in Thousands					
(A) ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Non cash income and expenses:					
Net income from discontinued operations	(1,474)	(10,916)	(97)	991	(42,293)
Financial income included in the P&L	(3,162)	(4,866)	(986)	(912)	(25,306)
Capital gain	-	(247,434)	-	(247,434)	(247,434)
Interest and exchange rate differences in respect of shareholders loans/capital note in a subsidiary	-	643	-	-	643
Depreciation	9,103	108	4,584	17	12,400
Adjustments to reconcile of employee rights upon retirement	(805)	35	156	31	2,567
Deferred income taxes, net	(3,358)	-	(541)	-	(31,835)
Income from dividend received from investment in available-for-sale financial asset	-	-	-	-	(37,834)
Gain derived from purchasing the minority interest of a subsidiary	-	(23,003)	-	-	(23,003)
Net income from financial assets at fair value through profit and loss and derivatives	(78,066)	-	(53,339)	-	-
Gain (loss) from sale of available-for-sale securities and received interest from held-to-maturity securities	(909)	(239)	463	74	(1,636)
	<u>(78,671)</u>	<u>*(285,672)</u>	<u>(49,760)</u>	<u>*(247,233)</u>	<u>(393,731)</u>
Changes in operating asset and liability items:					
Increase in trade receivable, net	(17,580)	-	6,518	-	(17,615)
Increase in other receivable	8,255	(1,282)	4,115	(556)	(7,048)
Decrease (increase) in inventory	(5,690)	-	(10,556)	-	(17,561)
Increase in trade payables	(423)	-	(22,617)	-	5,866
Decrease in accounts payable and accruals	(624)	(2,585)	56	(1,669)	(1,459)
	<u>(16,062)</u>	<u>(3,867)</u>	<u>(22,484)</u>	<u>(2,225)</u>	<u>(37,817)</u>
	<u>(94,733)</u>	<u>*(289,539)</u>	<u>(72,244)</u>	<u>*(249,458)</u>	<u>(431,548)</u>
(B) Disposal of investment in a subsidiary					
Working capital (excluding cash and cash equivalents)	-	-	-	-	798,470
Realized loss in respect of financial assets available for sale	-	-	-	-	59,538
Capital gain from selling a subsidiary	-	-	-	-	246,975
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,104,983</u>
(C) Purchasing of activity					
Net working capital (excluding cash and cash equivalents)					(70,139)
Prepaid expenses					(770)
Fund in respect of employees' rights upon retirement					(963)
Fixed assets, net					(5,726)
Other intangible assets, net					(144,232)
Goodwill					(21,863)
					<u>(243,693)</u>

* Reclassified

The accompanying notes are an integral part of the financial statements

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General:

- A** Scailex Corporation Ltd. (hereinafter – The Company) is a public company incorporated in Israel whose shares are listed for trading on the Tel Aviv Stock Exchange (hereinafter – “TASE”) and are quoted in the Pink Quote (also known as the Pink Sheets) in the United States, subsequent to the delisting of the Company’s shares in the United States. See note 3.b.

The controlling shareholder of the Company to the date of this report is Suny Electronics Ltd. (hereinafter – “Suny”) which holds some 86.5% of the Company's share capital. The controlling shareholder of Suny is Mr. Ilan Ben-Dov, who holds about 0.95% of the Company’s share capital. Mr. Ben-Dov is also the controlling shareholder of Tao Tsuot Ltd. (hereinafter – “Tao”), which sold its entire holdings in the Company to the Company during the first quarter of 2009. See note 3.a.

Today, the Company is active in three main business segments:

1. management of the Company’s assets;
2. cellular operators;
3. end-customers.

- B** These condensed financial statements should be read in conjunction with the Company’s annual financial statements and accompanying notes as on December 31, 2008 and for the year then ended.

Note 2 - Summary of significant accounting policies:

A. The basis for preparing the financial statements

The condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The principal accounting policies applied in these interim financial statements are in consistency with those applied in the Company's annual financial statements as of December 31, 2008 unless changes are required due to new accounting standards applied at these financial statements period.

- B.** The condensed financial statements have been prepared in accordance with the policies of the Israeli securities regulations (Interim and immediate reports, 1970) Chapter D.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

C. Financial reporting standards and interpretations published, which came into effect in these financial statements:

- **IFRS 8 – "Operational Segments"**

The standard, which replaces IAS 14, specifies how a corporation must present segment reporting in the annual financial statements. *Inter alia*, the standard prescribes that the Group's segment reporting must be based on information that the Company's Management uses in order to assess segmental performance, and for decision-making in relation to how resources should be allocated to the various operational segments.

The standard applies to annual reporting periods commencing January 1, 2009, with retroactive adjustments of the comparative figures with previous reporting periods. The implementation of the standard does not have a material impact on the Group's financial statements. As for the company's segment reporting according to IFRS 8 see note 4.

- **IAS 1 (Revised) "Presentation of Financial Statements"**

The amendment requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements, that is a separate income statement followed by a statement of comprehensive income. The amendment should be applied for annual periods beginning on or after January 1, 2009.

- **Amendment of IFRS 2 to clarify vesting conditions and cancellations**

Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Under IFRS 2, features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions.

All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Under IFRS 2, a cancellation of equity instruments is accounted for as an acceleration of the vesting period. Therefore any amount unrecognised that would otherwise have been charged is recognised immediately. Any payments made with the cancellation (up to the fair value of the equity instruments) is accounted for as the repurchase of an equity interest. Any payment in excess of the fair value of the equity instruments granted is recognised as an expense.

The amendment is effective for annual periods beginning on or after 1 January 2009, with earlier application permitted.

The revised standard has no impact on the reported results and financial position of the Company.

- **IFRS 7 "Financial Instruments"**

Disclosures would not generally affect an entity's interim financial report because disclosures in accordance with IFRS 7 are not required unless their omission would make the condensed interim financial statements misleading.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

C. Financial reporting standards and interpretations published, which came into effect in these financial statements:

- **Improvements to the International Financial Reporting Standards 2008**

In May 2008, the IASB promulgated a series of improvements to the international financial reporting standards.

Within the scope of the improvements, amendments were made to some of the standards, which revise the method of presentation, recognition and measurement of various items in the financial statements.

Furthermore, amendments to terminology were made, which have a negligible effect, if any, on the financial statements.

Most of the amendments took effect as of the annual reporting period commencing January 1, 2009. The majority of the amendments have been implemented by way of retroactive adjustment of the comparative figures.

- **Improvements to the International Financial Reporting Standards 2008 (continued):**

No material impact on the Company's financial statements is anticipated due to the amendments made. Among those are the following:

- IAS 38 – "Intangible Assets" which prescribes that payments in respect of advertising and sale promotion activities are to be recognized as assets up until the date on which the entity has the right of access to the goods purchased, or, in the case of the receipt of services, on the date that the services are received.

The amendment applies with respect to annual reporting periods commencing January 1, 2009. The amendment has been implemented retroactively.

The Company's Management assesses that implementation of the amendment does not have a material impact on the Group's financial statements.

D. Financial reporting standards and interpretations published, which have not yet come into effect, and were not early applied by the Company:

- **IFRIC 17 "Distributions of Non-cash Assets to Owners"**

This Interpretation applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners distributions of non-cash assets (e.g. items of property, plant and equipment, businesses as defined in IFRS 3, ownership interests in another entity or disposal groups as defined in IFRS 5); and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. Its effective date is 1 January 2010. Earlier application is permitted.

At this stage, the Company does not anticipate that the implementation of the interpretation shall have any impact on its financial position and results of operations.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

D. Financial reporting standards and interpretations published, which have not yet come into effect, and were not early applied by the Company (continued):

- **IFRIC 18 "Transfers of Assets from Customers"**

This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. An entity shall apply this Interpretation prospectively to transfers of assets from customers received on or after July 1, 2009. Earlier application is permitted.

The company estimates that no impact should be to applying of the interpretation.

- **Cash flow hedge accounting (IAS 39 "Financial Instruments: Recognition and Measurement" amendment)**

Recognition and Measurement to clarify that, for cash flow hedges, gains and losses on hedging instruments should be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods that the hedged forecast cash flows affect profit or loss. The amendment should be applied for annual periods beginning on or after January 1, 2010. Earlier application is permitted.

The company estimates that no impact should be to applying of the amendment.

- **IFRIC 9 "Reassessment of Embedded Derivatives"**

The amendment requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through profit or loss category (Effective date – June 30, 2009).

The amendments should be applied retrospectively. The implementation of this amendment shall not have any impact on the Company's financial statements.

- **IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"**

According to the amendment, an entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. The amendment should be applied prospectively for annual periods beginning on or after January 1, 2010. Earlier application is permitted provided that at the same time the entity applies the amendments to IAS 27 "Consolidated and Separate Financial Statements".

The company estimates that no impact should be to applying of the amendment.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

D. Financial reporting standards and interpretations published, which have not yet come into effect, and were not early applied by the Company (continued):

• **Improvements to the International Financial Reporting Standards 2009**

1. IFRS 8 "Operating Segments"

According to the amendment an entity should report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. The amendment should be applied for annual periods beginning on or after January 1, 2010, retrospectively. Earlier application is permitted.

2. Amendment to IAS 1 " Presentation of Financial Statements"

According to the amendment the potential settlement of a liability by the issuance of equity is not relevant to its classification as current or noncurrent. By amending the definition of a current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle the liability in shares at any time. The amendment should be applied for annual periods beginning on or after January 1, 2010, retrospectively. Earlier application is permitted. The company is in the opinion that the revised standard will not have an impact on the financial statements.

3. Amendment to IAS 7 "Statement of Cash Flows"

According to the amendment only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. The amendment should be applied for annual periods beginning on or after January 1, 2010, retrospectively. Earlier application is permitted.

4. Amendment to IAS 36 "Impairment of Assets"

The amendment clarify whether the largest unit permitted by IAS 36 is the operating segment level as defined in paragraph 5 of IFRS 8 Operating Segments before or after the aggregation permitted by paragraph 12 of IFRS 8. An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010. Earlier application is permitted.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

D. Financial reporting standards and interpretations published, which have not yet come into effect, and were not early applied by the Company (continued):

- **Improvements to the International Financial Reporting Standards 2009 (continued):**

5. Amendment to IAS 38 "Intangible of Assets":

A. Additional consequential amendments arising from revised IFRS 3

The amendment clarifies whether an intangible asset acquired in a business combination might be separable, but only together with a related asset. In such cases, the acquirer recognizes the intangible assets separately from goodwill. If an intangible asset is separable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset.

An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. Therefore, amounts recognised for intangible assets and goodwill in prior business combinations shall not be adjusted. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.

B. Measuring the fair value of an intangible asset acquired in a business combination

The amendment clarify the description of valuation techniques commonly used to measure intangible assets at fair value when assets are not traded in an active market.

An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. Earlier application is permitted.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

D. Financial reporting standards and interpretations published, which have not yet come into effect, and were not early applied by the Company (continued):

• **Improvements to the International Financial Reporting Standards 2009 (continued):**

6. Amendment to IAS 39 "Financial Instruments: Recognition and Measurement"

A. Scope exemption of business combination contracts

The amendment clarify that the scope exemption in paragraph 2(g) applies only to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date. An entity shall apply that amendment from now on for annual periods beginning on or after 1 January 2010. Earlier application is permitted.

B. Hedged items

The amendment clarify that the scope exemption in paragraph 2(g) applies only to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date. An entity shall apply that amendment from now on for annual periods beginning on or after 1 January 2010. Earlier application is permitted.

C. Cash flow hedge accounting

The amendment clarify when gains and losses on hedging instruments should be reclassified from equity to profit or loss as a reclassification adjustment (see IAS 1 Presentation of Financial Statements (as revised in 2007)) for cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or for cash flow hedges of recognized financial instruments. The proposed amendments clarify that the gains or losses on the hedging instrument should be reclassified from equity to profit or loss as a reclassification adjustment in the period that the hedged forecast cash flows affect profit or loss. An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted.

D. Embedded derivatives

The Board identified an apparent inconsistency in the guidance in IAS 39.

The inconsistency related to embedded prepayment options in which the exercise price represented a penalty for early repayment (ie prepayment) of the loan. The inconsistency related to whether these are considered closely related to the loan. The amendment determines that prepayment option embedded in a host debt contract or host insurance contract is closely related to the host contract when the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract.

An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

D. Financial reporting standards and interpretations published, which have not yet come into effect, and were not early applied by the Company (continued):

• **Improvements to the International Financial Reporting Standards 2009 (continued):**

6. Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" (continued):

E. Exchange rate and linkage basis

- (1) Balances in or linked to foreign currency are included in the financial statements according to the representative rates of exchange published by the Bank of Israel that were valid on the balance-sheet date.
- (2) Balances linked to the consumer price index are presented according to the last known index on the balance-sheet date (the index of the month preceding the date of the financial statements) or according to the index in respect of the last month of the reporting period (the index of the month of the date of the financial statements), depending upon the conditions of the transaction.
- (3) Regarding the translation of the functional currency of an operating segment, which differs from the presentation currency of the financial statements, into the presentation currency, see note 2 of the financial statements as on December 31, 2008.
- (4) Exchange rates of the USD and linkage bases:

	Representative exchange rate of the USD	CPI in Israel	
		Index "for"	"Known" index
Financial statements:			
June 30, 2009	3.919	108.6	107.7
June 30, 2008	3.352	104.9	104.8
December 31, 2008	3.802	106.4	106.5
	%	%	%
Change for the period:			
Six-months ended			
June 30, 2009	3.08	2.1	1.1
Six-months ended			
June 30, 2008	(1.14)	2.9	2.2
Three-months ended			
June 30, 2009	10.15	(0.13)	(0.72)
Three-months ended			
June 30, 2008	(7.62)	0.01	0.39
Year ended			
December 31, 2008	(1.14)	3.80	4.5

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 – Material Transactions and Events during the Report Period

- A.** February 5, 2009, after having received the approval of the Company's Audit Committee and Board of Directors, and after having received the approval of the Company's General Assembly, an agreement was executed and consummated under which, the Company acquired all Scailex shares that were owned at that time by Tao, a company controlled by the indirect controlling shareholder of Scailex, who had been an Interested Party in the Company up until that time. In consideration for the acquisition and transfer to the Company of 9,175,896 ordinary shares of the Company that were owned by Tao, the Company paid the inclusive sum of NIS 275,277 thousand in cash to Tao.
- B.** On May 12, 2009, the Company's application to the U.S. Securities Exchange Commission (SEC) dated February 11, 2009 for the deregistration of the Company's securities in the United States came into full and permanent force. According to the U.S. law, the Company is no longer subject to the reporting obligations in the United States (apart from the obligation of publishing an English translation of the Company's reports in Israel on the Company's website). Accordingly, the Company is no longer subject to the regulations and associated obligations applicable to companies whose shares are listed for trading in the United States, and thus, are subject to the reporting obligations in the United States.
- C.** On May 18, 2009, the Company's board of directors resolved to adopt a buy-back plan of ordinary shares of the Company of up to one million ordinary shares, for the sum of up to NIS 30 million, during a period of up to 12 months as of the date of the resolution. Correct to June 30, 2009, the Company has acquired 240,818 ordinary shares within the scope of this plan, for the inclusive total of NIS 7,719 thousands. During 2009, the Company acquired 23,047 additional shares at the inclusive sum of NIS 695 thousand within the scope of its buy-back plan dated July 17, 2008.
- D.** On June 4, 2009, the Company resolved to adopt an employees' remuneration plan, within the scope of which up to 1,029,000 unlisted options shall be granted to directors, the senior management, to employees of the Company, to consultants of the Company and to two employees of the controlling shareholder of the Company, Suny Electronics Ltd. Assuming that all of the said options shall be exercised into shares, the exercised shares shall constitute some 3.70% of the Company's issued and paid-up share capital and of the voting rights therein on the granting date (prior to the granting), and some 3.56% of the Company's issued and paid-up share capital and voting rights therein on a fully diluted basis. See note 5.c. regarding the granting of the aforesaid options.
- E.** On June 8, 2009, a senior officeholder exercised 16,000 options for the purchase of 16,000 par value ordinary shares of the Company. Against the allotment of the said shares, the Company received a consideration at the sum of some NIS 162 thousand.
- F.** The Company has expanded its activity in the capital market since the beginning of 2009. The Company's investment portfolio as on the report date includes investments in securities, including shares, government bonds and concern bonds in shekels and dollars, as well as positions in derivatives, which are designated mainly for hedging the investment portfolio.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Operating Segments

A. Analysis of income and results according to operating segments:

The group has been implementing IFRS 8 – “Operating Segments” (hereinafter: “IFRS 8”) since January 1, 2009. IFRS 8 requires the identification of operating segments on the basis of internal reports on the group’s components that are regularly reviewed by the group’s chief operating decision-maker in order to allocate resources to the operating segments and evaluate their performance.

In comparison, the previous standard (IAS 14 – “Segment Reporting”) required the identification of two sets of segments (business and geographic), based on a risk and yield approach, with the group’s system of internal financial reporting to senior management serving only as a starting point for identifying segments.

The definition of the operating segments, as specified in note 21 of the financial statements as on December 31, 2008, did not change as a result of the implementation of IFRS 8.

For the purpose of controlling the segments’ performance and allocating resources between them, the chief operating decision-maker monitors each segment’s tangible, intangible and financial assets.

	For the six-months period ended June 30, 2009				
	NIS thousands				
	Unaudited				
	Cellular operators	End customers	Asset management	Adjustments	Consolidated
Income					
From external customers	304,068	69,380	–	–	373,448
Financing income	4,457	–	102,812	–	107,269
Other income	–	–	302	–	302
Intersegmental (*)	25,361	–	–	(25,361)	–
	<u>333,886</u>	<u>69,380</u>	<u>103,114</u>	<u>(25,361)</u>	<u>481,019</u>
Results of the segment	<u>48,714</u>	<u>6,869</u>	<u>96,755</u>	<u>(51)</u>	<u>152,287</u>
Financing expenses					807
Tax benefit					3,358
Net profit from continuing operations					<u>156,452</u>

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Operating Segments (continued):

A. Analysis of income and results according to operating segments (continued):

	For the three-months period ended June 30, 2009				
	NIS thousands				
	Unaudited				
	Cellular operators	End customers	Asset management	Adjustments	Consolidated
Income					
From external customers	145,568	33,284	–	–	178,852
Financing income	4,457	–	70,655	–	75,112
Other income	–	–	–	–	–
Intersegmental (*)	11,280	–	–	(11,280)	–
	<u>161,305</u>	<u>33,284</u>	<u>70,655</u>	<u>(11,280)</u>	<u>253,964</u>
Results of the segment	<u>21,383</u>	<u>3,200</u>	<u>66,480</u>	<u>(31)</u>	<u>91,032</u>
Financing expenses					4,214
Tax benefit					541
Net profit from continuing operations					<u>95,787</u>
	For the period ended December 31, 2008				
	NIS thousands				
	Audited				
	Cellular operators	End customers	Asset management	Adjustments	Consolidated
Income					
From external customers	152,674	31,559	–	–	184,233
Financing income	–	–	30,310	–	30,310
Other income	–	–	308,162	–	308,162
Intersegmental (*)	9,453	–	–	(9,453)	–
	<u>162,127</u>	<u>31,559</u>	<u>338,472</u>	<u>(9,453)</u>	<u>522,705</u>
Results of the segment	<u>15,267</u>	<u>971</u>	<u>324,604</u>	<u>(340)</u>	<u>340,502</u>
Financing expenses					(1,357)
Tax benefit					30,876
Net profit from continuing operations					<u>370,021</u>

(*) All intersegmental adjustments relate to sales of cellular handsets and accessories between the cellular operators segment and the end-customer segment.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Operating Segments (continued):

B. Analysis of assets according to operating segments:

	<u>As on June 30</u>	<u>As on December 31</u>
	<u>2009</u>	<u>2008</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Cellular operators segment	311,097	311,776
End customers segment	81,166	80,920
Asset management segment	833,662	949,257
Assets not attributed to segments	35,193	33,064
Total assets	<u>1,261,118</u>	<u>1,375,017</u>

C. Assets of segments in which a material change has occurred:

- The asset management segment reported a decrease of NIS 115,595 thousand, which resulted mainly from the self-purchase of shares of the Company at the sum of NIS 283,694 thousand, which was offset mainly by the segment's profits, which totaled NIS 96,755 thousand.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Subsequent Events

- a. On July 1, 2009, the Company renewed its directors' and officeholders' liability insurance. Due to the reduction of the Company's exposure in the United States (following the deregistration of the Company in the United States (see note 3.c above.), the Company reduced the total coverage from NIS 30 million to NIS 15 million, with the premium in respect of the said insurance being some USD 25 thousand, compared with USD 180 thousand in the previous year. The insurance will be valid until June 30, 2010.
- b. On July 1, 2009 purchased an officeholders run-off liability insurance policy, to cover the liability of those directors and officeholders who held office in Scailex and in its subsidiaries, during the period from June 30, 2008 until June 30, 2009 (with the exception of the chairman of the Company's board of directors and its indirect controlling shareholder, Mr. Ilan Ben-Dov). The policy shall be in effect for three years as of June 30, 2009, at the total coverage of USD 10 million, and for a premium that shall not exceed USD 50 thousand.
- c. On July 6, 2009, 912,000 options were granted out of the total aforesaid options. The value of the options as on the grant date, according to a Black and Scholes model, totalled some NIS 14 per option, for the inclusive total of some NIS 12.8 million, which shall be recognized as an expense in the financial statements over four years commencing with the third quarter of 2009. The parameters for calculating the benefit were based on the share price, which was NIS 37.48 on July 5, 2009, a standard deviation ranging between 28.35% – 29.03% and unlinked risk-free interest ranging between 4.02% – 4.63%.
On August 16, 2009, the 117,000 additional options were allotted. The value of the said 117,000 options on the grant date, according to a Black and Scholes model, totalled some NIS 18.95 per option, for the inclusive total of some NIS 2.2 million, which shall be recognized as an expense in the books over four years commencing with the third quarter of 2009. The parameters for calculating the benefit were based on the share price, which was NIS 44.0 on August 13, 2009, a standard deviation ranging between 28.08% – 28.74% and unlinked risk-free interest ranging between 3.62% – 4.31%.
- d. On August 10, 2009, the consent between the Company and Samsung to extend the validity of the agreement under which the Company distributes Samsung GSM cellular phones, until August 31, 2010 came into effect.
- e. On August 12, 2009, an agreement was signed between the Company and Advent Investment Pte Ltd., a Singapore company controlled by Hutchison Telecommunications International Ltd., for the acquisition of 78,940,104 ordinary shares of NIS 0.01 par value each of Partner, which constitute, correct to the signing date of the acquisition agreement, some 51.31% of Partner's issued and paid-up share capital (some 49.35% fully diluted), for the consideration of about NIS 67.025 (some USD 17.5) per share of Partner, for an inclusive consideration totalling some NIS 5.29 billion (some USD 1.38 billion). The closing of the agreement is expected within three months of August 12, 2009, once all of the suspending conditions in the agreement have been fulfilled, including approvals from the Ministry of Communications and the Antitrust Commissioner.

Leumi Partners Ltd. (a wholly owned subsidiary of Leumi Bank) operates as an investment bank in relation to all matters pertaining to the acquisition of the Partner shares, including vis-à-vis additional potential investors; therefore, the Company agreed to pay it a promoter's fee at the sum of USD three million, which shall be paid after the consummation of the sale agreement.

Further to the aforesaid transaction, on August 21, 2009, the Company engaged in an agreement with Bank Leumi Le-Israel Ltd. ("Leumi Bank") under which Leumi Bank shall purchase 7,677,037 shares of Partner (4.99%) from the Company, immediately subsequent to the acquisition from Advent, as specified above, and at the same price per share.

SCAILEX CORPORATION LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Subsequent Events (continued):

- f. On August 16, 2009, an extraordinary general assembly of the Company resolved to increase the Company's registered share capital by 190,000,000 ordinary shares at a par value of NIS 0.12 each, so that the Company's registered share capital would total NIS 30,000,000, divided into 250,000,000 ordinary shares of NIS 0.12 par value each, and to amend the Company's Memorandum of Association and Articles of Association according to this resolution.

- g. On August 21, 2009, after having received a permit from the Securities Authority and approval in principle from the Tel-Aviv Stock Exchange Ltd., the Company published a shelf prospectus for securities of the Company.