

SCAILEX CORPORATION LTD.

(Formerly Scitex Corporation Ltd.)

(An Israeli Corporation)

INTERIM REPORT

(UNAUDITED)

AT JUNE 30, 2006

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(An Israeli Corporation)

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(UNAUDITED)

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

August 13, 2006

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

Kesselman & Kesselman
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Dear Sirs,

Re: Review of condensed consolidated unaudited interim financial statements for the period ended June 30, 2006

At your request, we have reviewed the condensed consolidated interim balance sheet of Scailex Corporation Ltd. (the "Company") and its subsidiaries as of June 30, 2006 and the condensed consolidated statements of operations for the six and three month periods then ended and shareholders' equity and cash flows for the six month period then ended. Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. Inter alia, these procedures included: reading of the aforementioned financial statements, reading of minutes of meetings of shareholders and the board of directors and its committees, and making inquiries of Company officers responsible for financial and accounting matters.

We received the review reports of other independent auditors regarding their review of the condensed interim financial statements of a certain subsidiary, whose statements reflect total assets of \$1,057,000 as of June 30, 2006, and net losses of \$1,671,000 and \$862,000 for the six and three month periods ended June 30, 2006 respectively.

Since our review was limited in scope and did not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on these condensed consolidated interim financial statements.

During our review, including our perusal of the reports of the other independent auditors mentioned above, nothing came to our attention that indicated that significant adjustments should be made in the said interim condensed consolidated financial statements in order for them to be considered as having been prepared in accordance with accounting principles generally accepted in the United States and in accordance with the SEC regulations for interim statements (Regulation S-X: Item 210.10-01).


Sincerely yours,

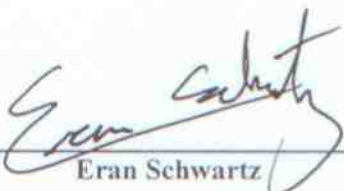
SCAILEX CORPORATION LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED BALANCE SHEETS

AT JUNE 30, 2006

	<u>June 30,</u> 2006	<u>December 31,</u> 2005
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>	
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	213,624	200,350
Short-term investments	35,091	30,405
Restricted deposit		5,165
Other receivables	425	583
Deferred income taxes	151	1,260
Current assets of discontinued operations	<u>40,973</u>	<u>80,754</u>
T o t a l current assets	<u>290,264</u>	<u>318,517</u>
INVESTMENTS AND OTHER NON-CURRENT ASSETS:		
Securities held-to-maturity	24,960	29,707
Other investments and prepaid expenses	1,098	1,540
Funds in respect of employee rights upon retirement	<u>683</u>	<u>613</u>
	26,741	31,860
PROPERTY AND EQUIPMENT , net of accumulated depreciation and amortization	75	82
INTANGIBLE ASSETS , net of accumulated amortization	<u>337</u>	<u>559</u>
	<u>317,417</u>	<u>351,018</u>


 _____)
 Eran Schwartz) Chairman of the Board of Directors


 _____)
 Yahel Shachar) Chief Executive Officer

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>	
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Trade payables	435	329
Income taxes payable	13,985	13,660
Accrued and other liabilities	1,130	1,507
Current liabilities related to discontinued operation	<u>16,738</u>	<u>30,822</u>
T o t a l current liabilities	<u>32,288</u>	<u>46,318</u>
LONG-TERM LIABILITIES:		
Liability for employee rights upon retirement	810	715
Long-term liabilities related to discontinued operations	<u>1,190</u>	<u>1,192</u>
T o t a l long-term liabilities	<u>2,000</u>	<u>1,907</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
T o t a l liabilities	<u>34,288</u>	<u>48,225</u>
MINORITY INTEREST OF DISCONTINUED OPERATION	<u>10,300</u>	<u>41,190</u>
SHAREHOLDERS' EQUITY:		
Share capital - ordinary shares of NIS 0.12 par value (authorized – June 30, 2006 and December 31, 2005 - 48,000,000 shares; issued and outstanding - June 30, 2006 and December 31, 2005 - 43,467,388 shares)	6,205	6,205
Capital surplus	280,316	280,269
Accumulated other comprehensive loss	(887)	(1,110)
Retained earnings	19,495	8,539
Treasury shares, at cost (June 30, 2006 and December 31, 2005 - 5,401,025 shares)	<u>(32,300)</u>	<u>(32,300)</u>
T o t a l shareholders' equity	<u>272,829</u>	<u>261,603</u>
	<u>317,417</u>	<u>351,018</u>

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

SCAILEX CORPORATION LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Six months ended June 30</u>		<u>Three months ended June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
	<u>U.S. dollars in thousands (except per share data)</u>			
RESEARCH AND DEVELOPMENT EXPENSES - net	1,235	1,523	657	1,039
SELLING AND MARKETING EXPENSES	31	39	29	9
GENERAL AND ADMINISTRATIVE EXPENSES	1,506	1,667	691	887
AMORTIZATION OF INTANGIBLE ASSETS	222	607	148	303
OPERATING LOSS	<u>2,994</u>	<u>3,836</u>	<u>1,525</u>	<u>2,238</u>
FINANCIAL INCOME - net	5,890	1,899	3,272	1,024
OTHER INCOME (EXPENSES) - net	2,466	797		829
INCOME (LOSS) BEFORE TAXES ON INCOME	<u>5,362</u>	<u>(1,140)</u>	<u>1,747</u>	<u>(385)</u>
TAXES ON INCOME	(1,396)	(416)	(975)	(190)
GAIN FROM SALE / SHARE IN RESULTS OF ASSOCIATED COMPANY		876		981
MINORITY INTERESTS IN RESULTS OF A SUBSIDIARY	(300)		(155)	
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>3,666</u>	<u>(680)</u>	<u>617</u>	<u>406</u>
NET INCOME FROM DISCONTINUED OPERATION	<u>7,290</u>	<u>5,213</u>	<u>4,281</u>	<u>2,346</u>
NET INCOME FOR THE PERIOD	<u>10,956</u>	<u>4,533</u>	<u>4,898</u>	<u>2,752</u>
EARNINGS (LOSS) PER SHARE ("EPS") - BASIC:				
Continuing operations	\$0.10	\$(0.02)	\$0.02	\$0.01
Discontinued operation	\$0.19	\$0.14	\$0.11	\$0.06
	<u>\$0.29</u>	<u>\$0.12</u>	<u>\$0.13</u>	<u>\$0.07</u>
EARNINGS (LOSS) PER SHARE ("EPS") - DILUTED:				
Continuing operations	\$0.10	\$(0.02)	\$0.02	\$0.01
Discontinued operation	\$0.19	\$0.13	\$0.11	\$0.06
	<u>\$0.29</u>	<u>\$0.11</u>	<u>\$0.13</u>	<u>\$0.07</u>
WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF EPS (in thousands)				
Basic	<u>38,066</u>	<u>38,066</u>	<u>38,066</u>	<u>38,066</u>
Diluted	<u>38,145</u>	<u>38,134</u>	<u>38,145</u>	<u>38,134</u>

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

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CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Share capital	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings / Accumulate deficit	Treasury Shares	Total
	U . S . d o l l a r s i n t h o u s a n d s					
BALANCE AT JANUARY 1, 2006 (audited)	6,205	280,269	(1,110)	8,539	(32,300)	261,603
CHANGES DURING THE SIX MONTHS ENDED JUNE 30, 2006 (unaudited):						
Net income for the period				10,956		10,956
Other comprehensive loss, in respect of Available-for-sale securities			44			44
Realized losses and amortization included in net income			179			179
Total comprehensive income						11,179
Amortization of deferred stock compensation related to options granted to employees		47				47
BALANCE AT JUNE 30, 2006 (unaudited)	<u>6,205</u>	<u>280,316</u>	<u>(887)</u>	<u>19,495</u>	<u>(32,300)</u>	<u>272,829</u>
BALANCE AT JANUARY 1, 2005 (audited)	6,205	278,295	(327)	(97,599)	(32,300)	154,274
CHANGES DURING THE SIX MONTHS ENDED JUNE 30, 2005 (unaudited):						
Income for the period				4,533		4,533
Other comprehensive loss, in respect of available-for-sale securities			(303)			(303)
Total comprehensive income						4,230
Amortization of deferred stock compensation related to options granted to employees		89				89
BALANCE AT JUNE 30, 2005 (unaudited)	<u>6,205</u>	<u>278,384</u>	<u>(630)</u>	<u>(93,066)</u>	<u>(32,300)</u>	<u>158,593</u>

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

