

Partner Communications Company Ltd.



Company Presentation

Q1 2014 Results



Safe Harbor Statement

This presentation includes forward-looking statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, Section 21E of the US Securities Exchange Act of 1934, as amended, and the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "project", "goal", "target" and similar expressions often identify forward-looking statements but are not the only way we identify these statements. All statements other than statements of historical fact included in this press release regarding our future performance, plans to increase revenues or margins or preserve or expand market share in existing or new markets, reduce expenses and any statements regarding other future events or our future prospects, are forward-looking statements.

We have based these forward-looking statements on our current knowledge and our present beliefs and expectations regarding possible future events. These forward-looking statements are subject to risks, uncertainties and assumptions about recent and future regulatory actions (specifically, whether the frequencies needed for 4G operation will be allocated, as well as whether the regulations for the wholesale fixed-line market will be appropriately developed and applied) and whether the network sharing agreement with HOT Mobile will be approved without substantial modification, as well as consumer habits and preferences in cellular telephone usage, trends in the Israeli telecommunications industry in general, and the impact of global economic conditions. Future results may differ materially from those anticipated herein. For further information regarding risks, uncertainties and assumptions about Partner, trends in the Israeli telecommunications industry in general, the impact of current global economic conditions and possible regulatory and legal developments, and other risks we face, see "Item 3. Key Information - 3D. Risk Factors", "Item 4. Information on the Company", "Item 5. Operating and Financial Review and Prospects", "Item 8. Financial Information - 8A. Consolidated Financial Statements and Other Financial Information - 8A.1 Legal and Administrative Proceedings" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk" in the Company's Annual Reports on Form 20-F filed with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Agenda



1. Partner Highlights



2. The Israeli Telecommunications Market



3. Financial and Operational Performance



4. Partner's Strategy

1. Partner Highlights



At a Glance

**Strong
brand** and
market
presence

A leading
communications
group operating
under the “**orange**”
and “012 Smile”
brands

29%
estimated
cellular
market share

Strong
subscriber
base

Evolving into
a diversified
Multi-Service
Communications
and Media group

High Speed
Network, LTE
Ready

Q1 2014 Financial and Operational Highlights

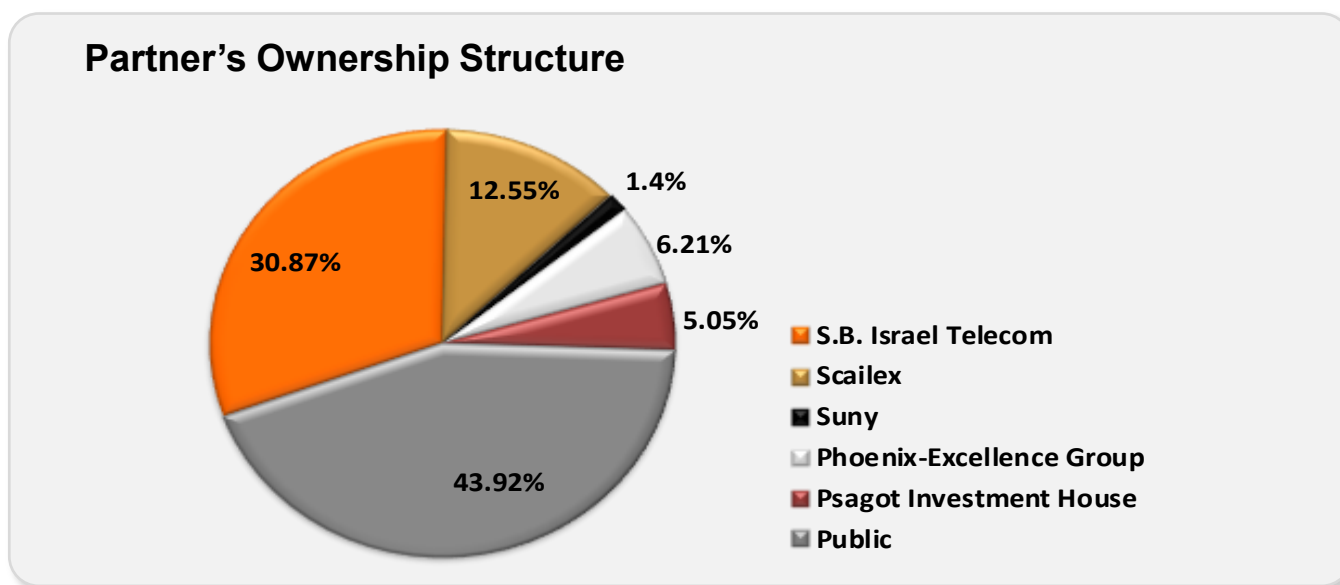
- **Revenues:** NIS 1,103 million (\$316 million)
 - **Service Revenues:** NIS 876 million (\$251 million)
 - **Equipment Revenues:** NIS 227 million (\$65 million)
- **Adjusted EBITDA*:** NIS 274 million (\$79 million), 25% of total revenues
- **Profit for the period:** NIS 52 million (\$15 million)
- **Free Cash Flow (before interest):** NIS 145 million (\$42 million)
- **Cellular ARPU:** NIS 77 (\$22)
- **Cellular Churn:** 11.6%
- **Post paid subscriber base:** 4th consecutive quarter of growth

* Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit.

Please refer to the section "Use of Non-GAAP Financial Measures" in the Company's quarterly press release.

Ownership Structure

- S.B. Israel Telecom Ltd. is an affiliate of Saban Capital Group, Inc. ("SCG"). SCG is a leading private investment firm based in Los Angeles specializing in the media, entertainment, and communication industries.
- SCG was established by Mr. Haim Saban, co-founder of Fox Family Worldwide, a global television broadcasting, production, distribution and merchandising company owned in partnership with Rupert Murdoch and The News Corporation following its sale to The Walt Disney Company in October 2001. The firm currently makes both controlling and minority investments in public and private companies and takes an active role in its portfolio companies.



As of March 31, 2014

2. The Israeli Telecommunications Market



Main Regulatory Issues*

NSA with Hot Mobile
– Currently under review by the ATC and the MOC

License Amended -
Data services for roamers outside Israel are now blocked as a default

Financial sanctions on licensees that violate their license conditions

Wholesale market -
MOC published a hearing regarding the price of BSA

International calls segment – MOC published a consultation – plans reform

IBC fiber optic project-
IBC has been granted licenses by the MOC and plans to initiate deployment

3. Financial and Operational Performance



Q1 2014 Financial Highlights

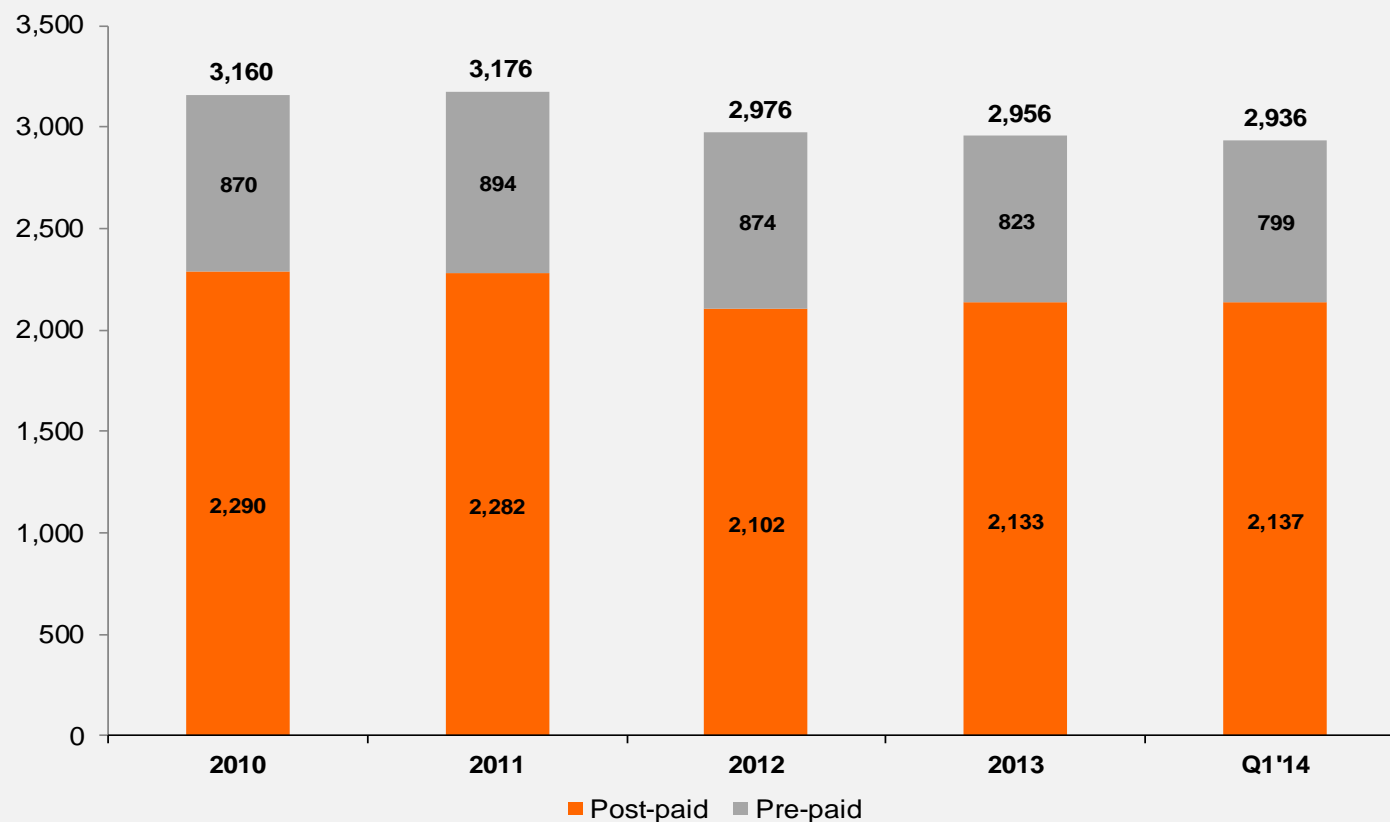
<i>in NIS millions</i>	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Revenues	1,144	1,130	1,118	1,127	1,103
Cost of Revenues	901	878	861	870	849
Gross Profit	243	252	257	257	254
SG&A	171	171	167	170	169
Other income	23	21	19	16	14
Operating Profit	95	102	109	103	99
Financial Costs, net	49	71	53	38	24
Income Taxes	15	11	18	19	23
Profit for the Period	31	20	38	46	52
Adjusted EBITDA*	268	280	284	282	274

* Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit.

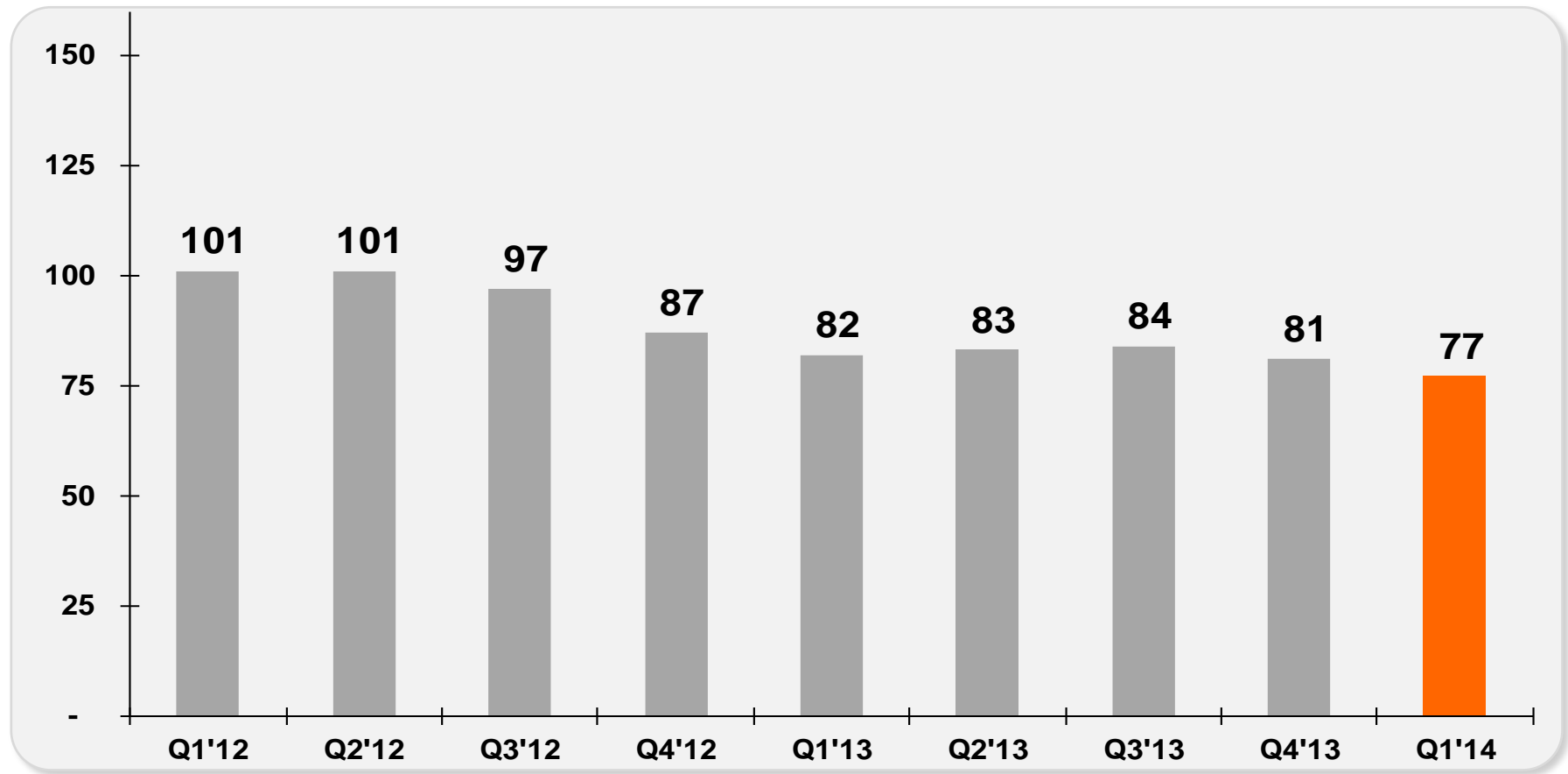
Please refer to the section "Use of Non-GAAP Financial Measures" in the Company's quarterly press release.



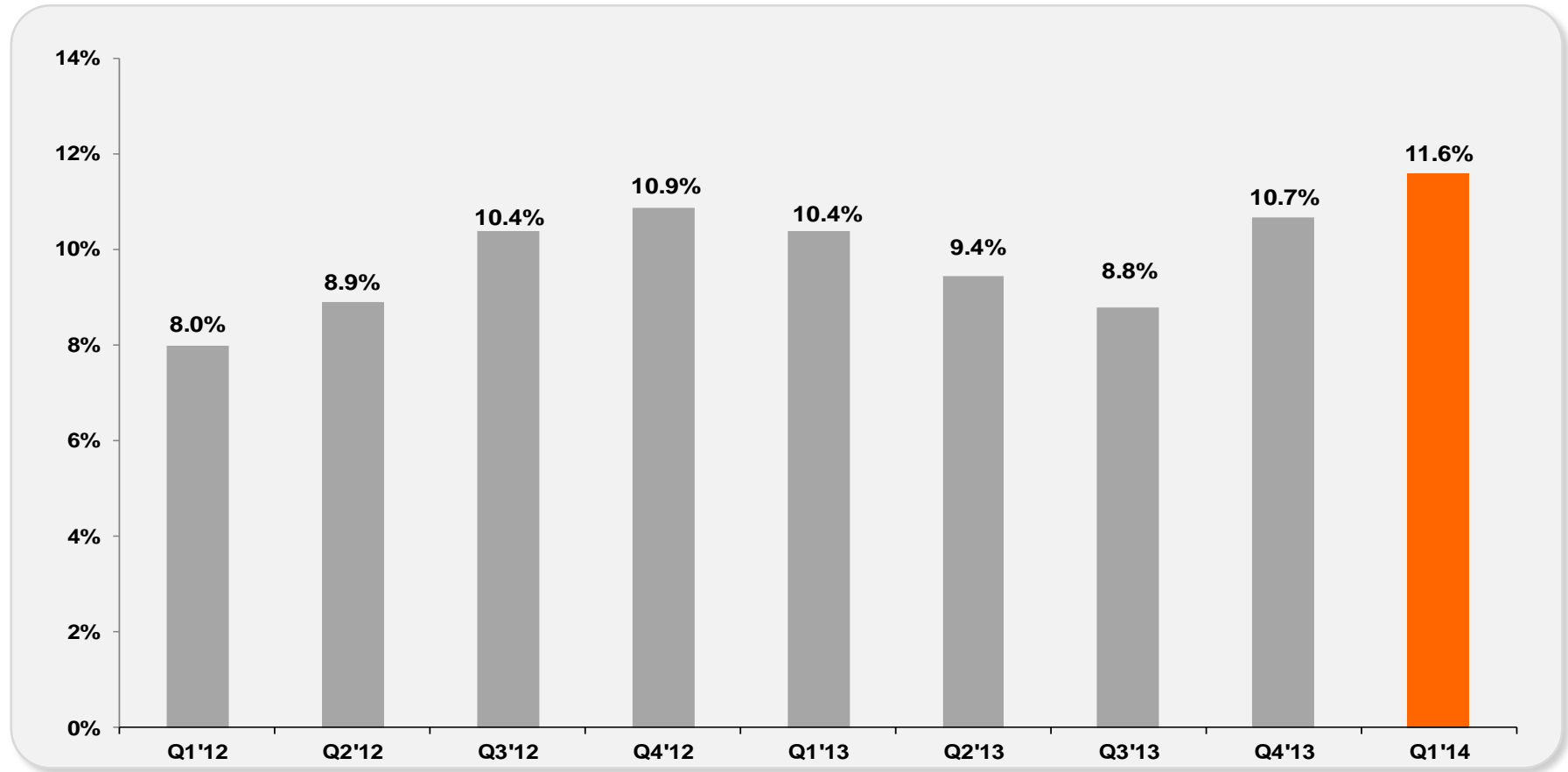
Cellular Subscribers (in thousands)



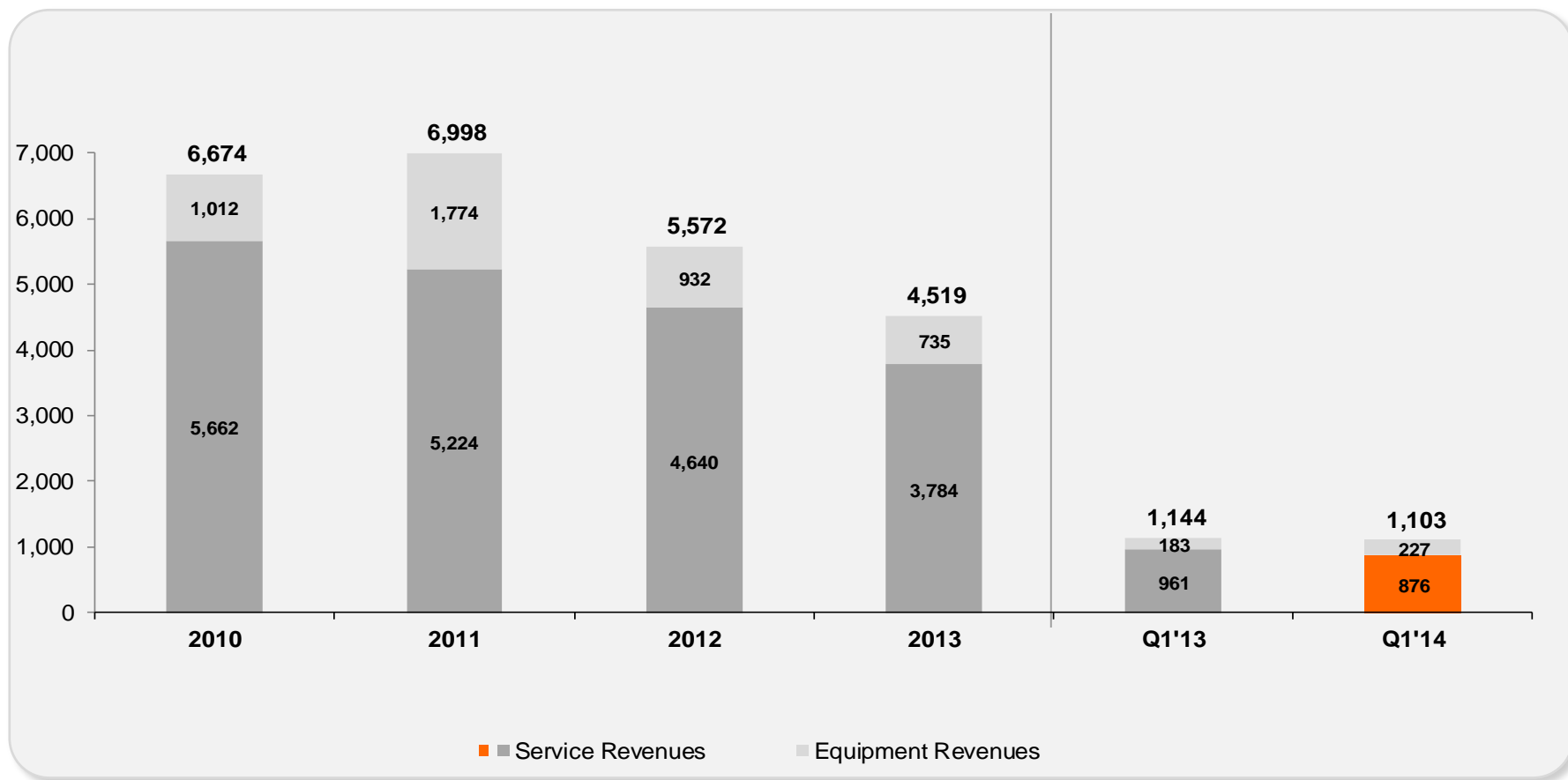
Cellular ARPU (NIS)



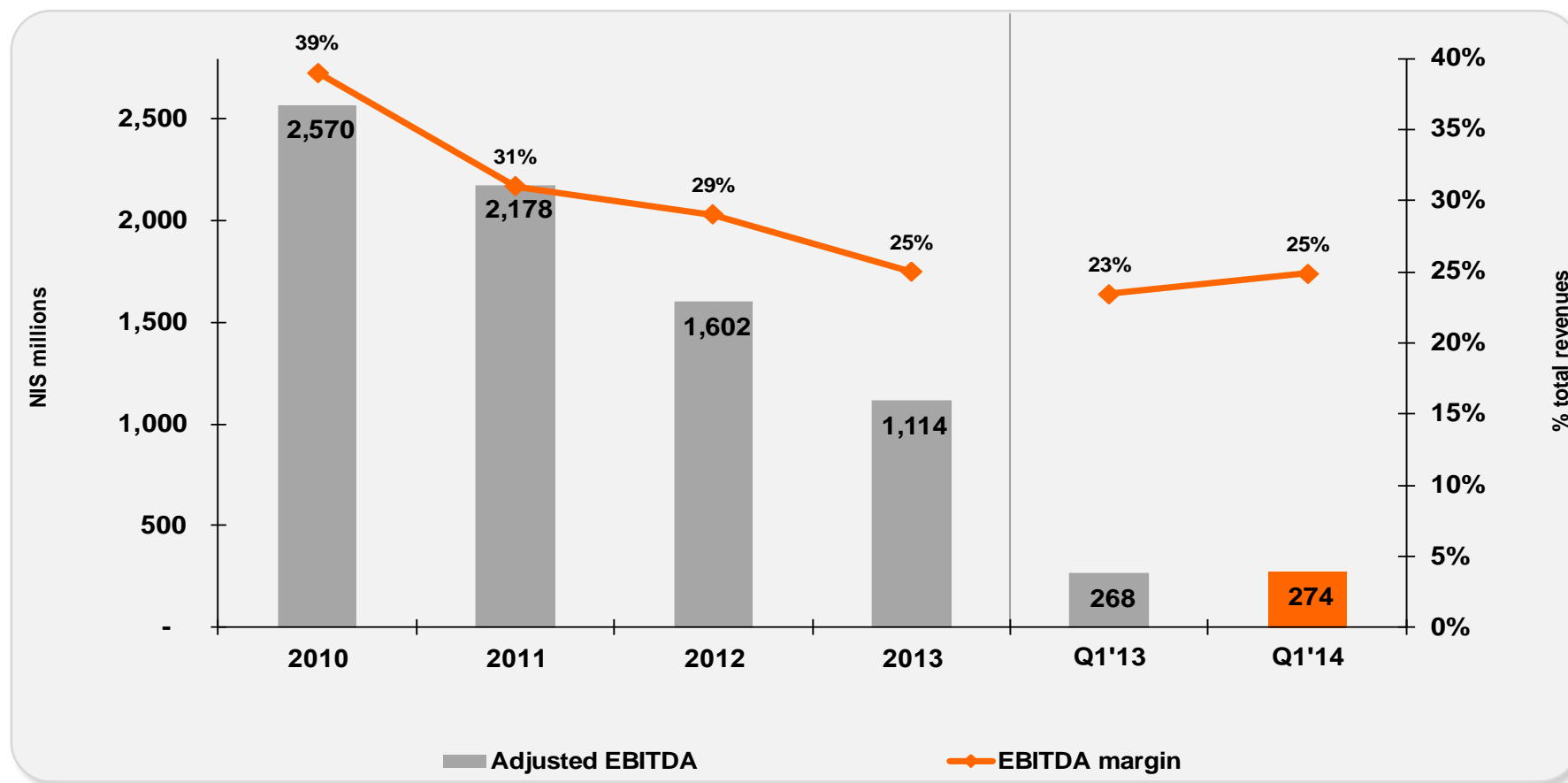
Quarterly Cellular Churn Rate



Total Revenues (in million NIS)

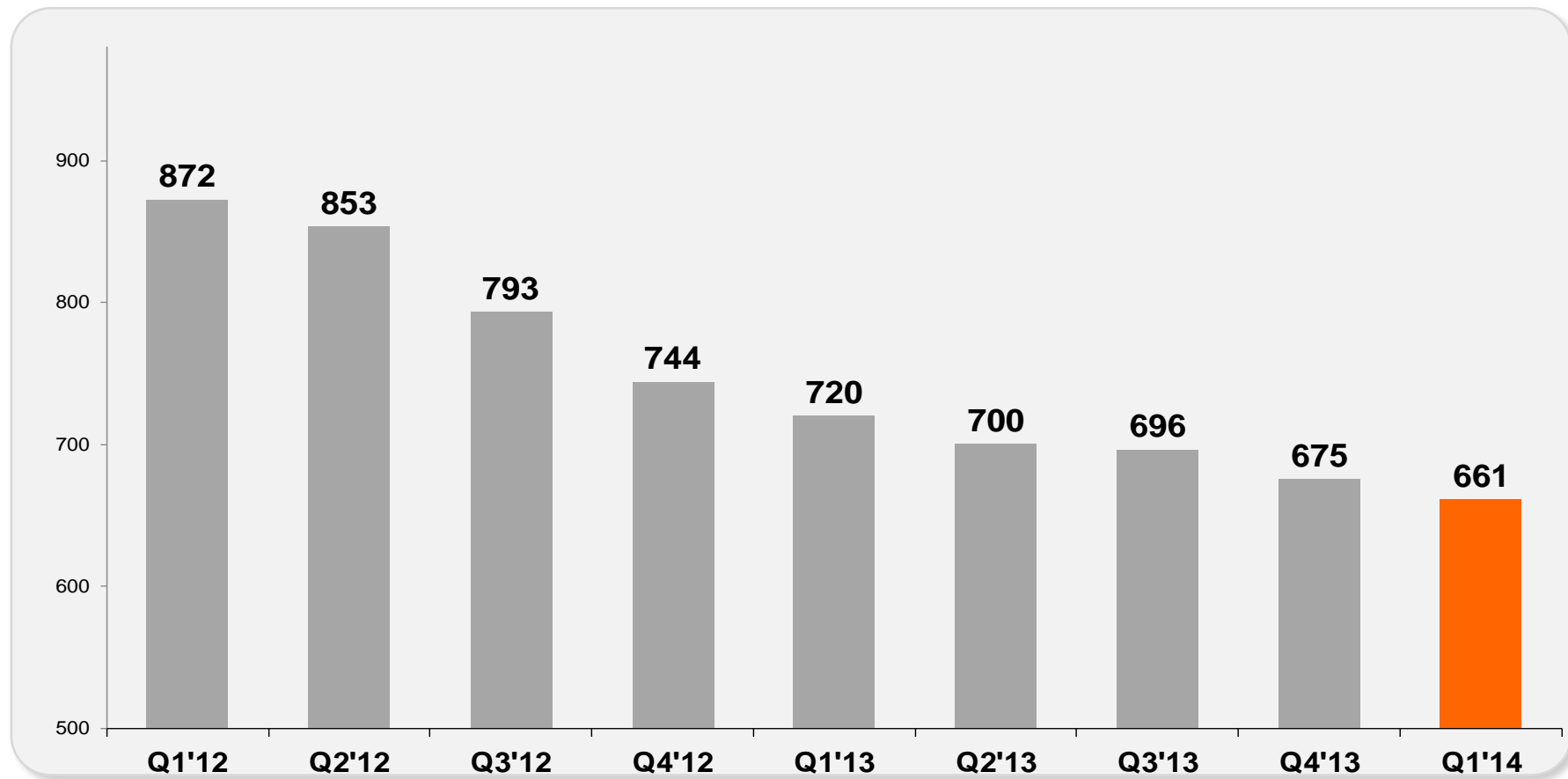


Adjusted EBITDA* (in million NIS)

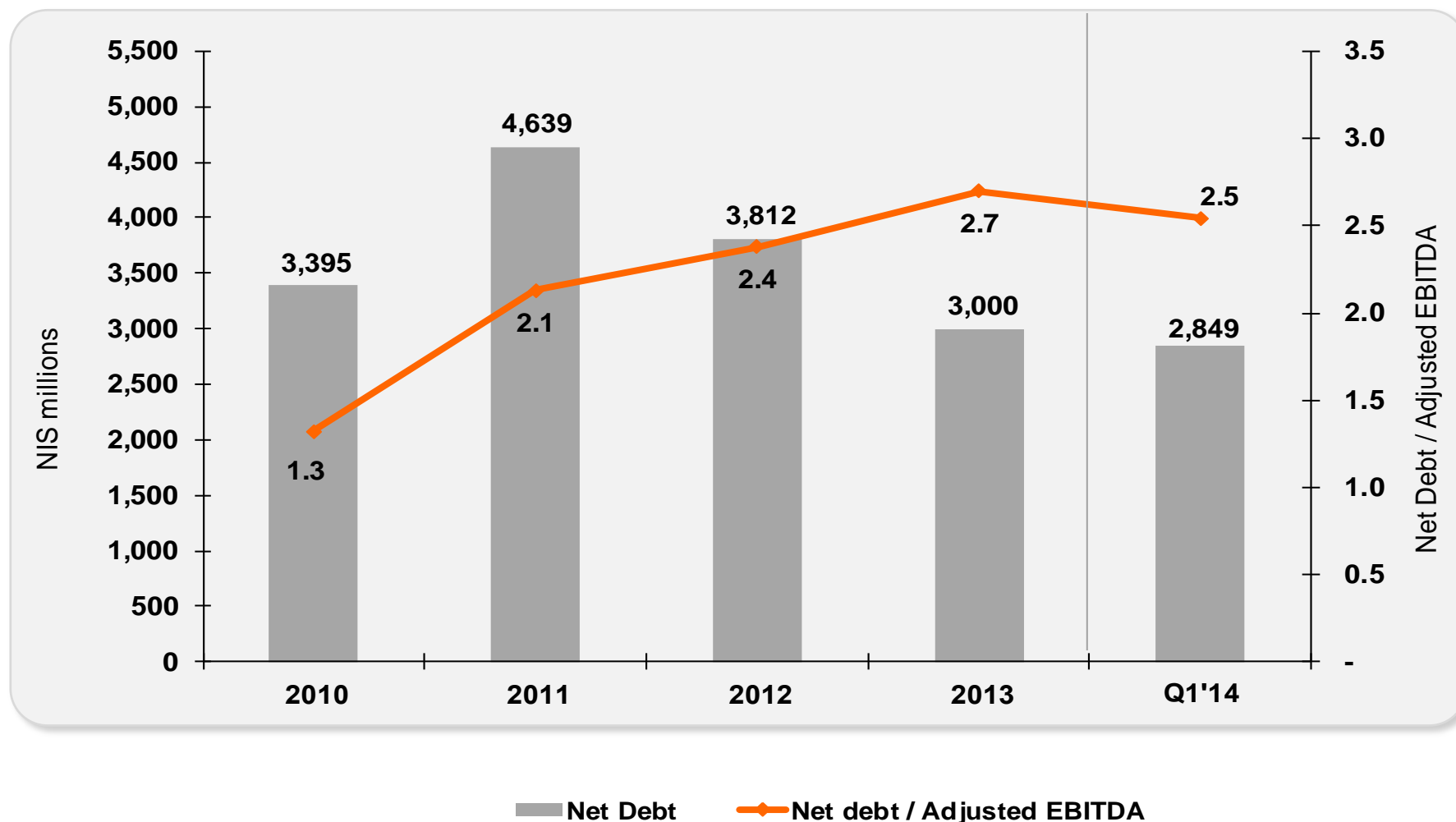


* Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to the section "Use of Non-GAAP Financial Measures" in the Company's quarterly press release. Results include 012 Smile from March 2011

OPEX (in million NIS)



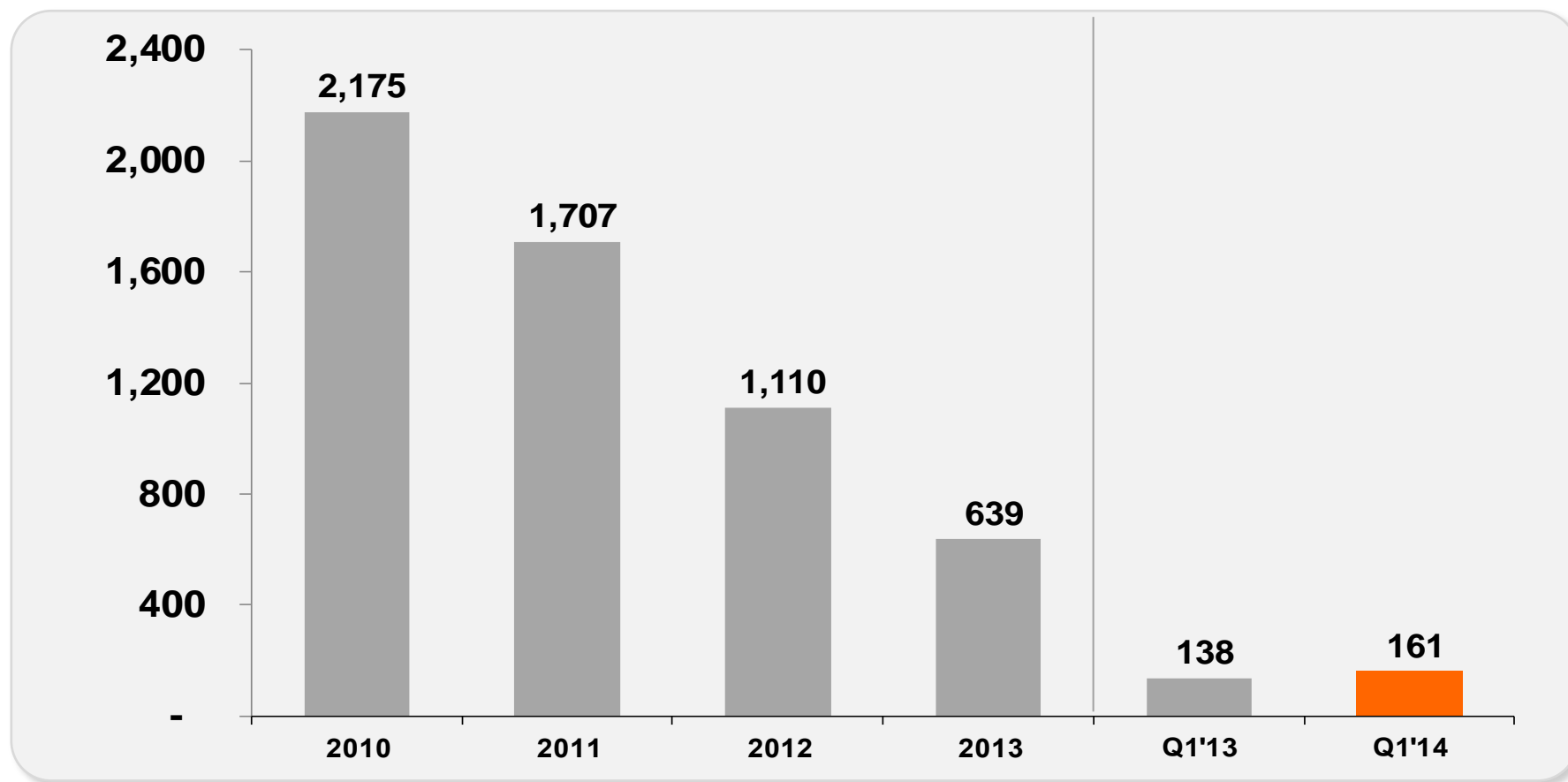
Net Debt / Adjusted EBITDA*



* Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to the section "Use of Non-GAAP Financial Measures" in the Company's quarterly press release.

Net Debt at the end of the period, Adjusted EBITDA for the last four quarters

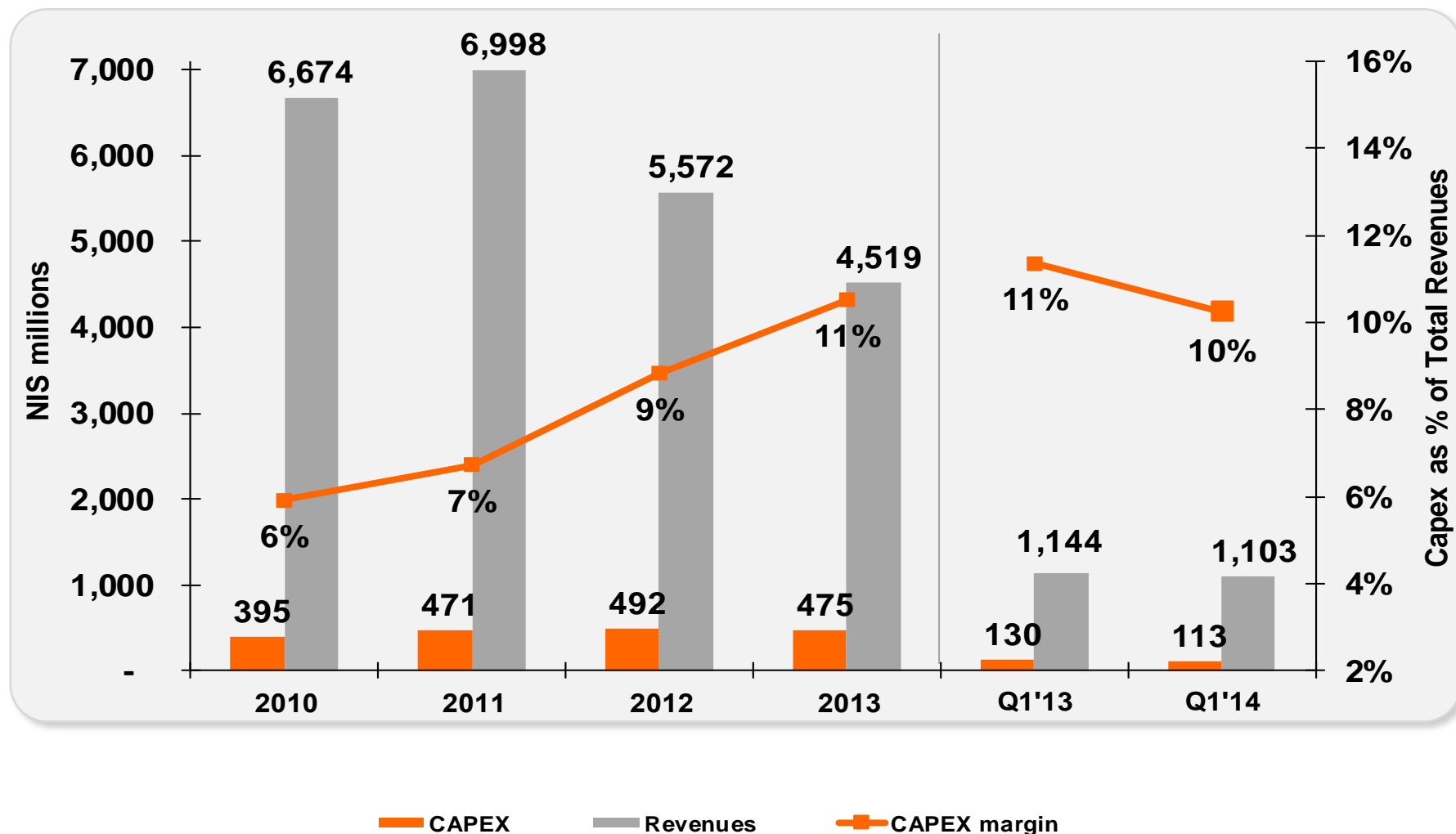
Adjusted EBITDA – CAPEX* (in million NIS)



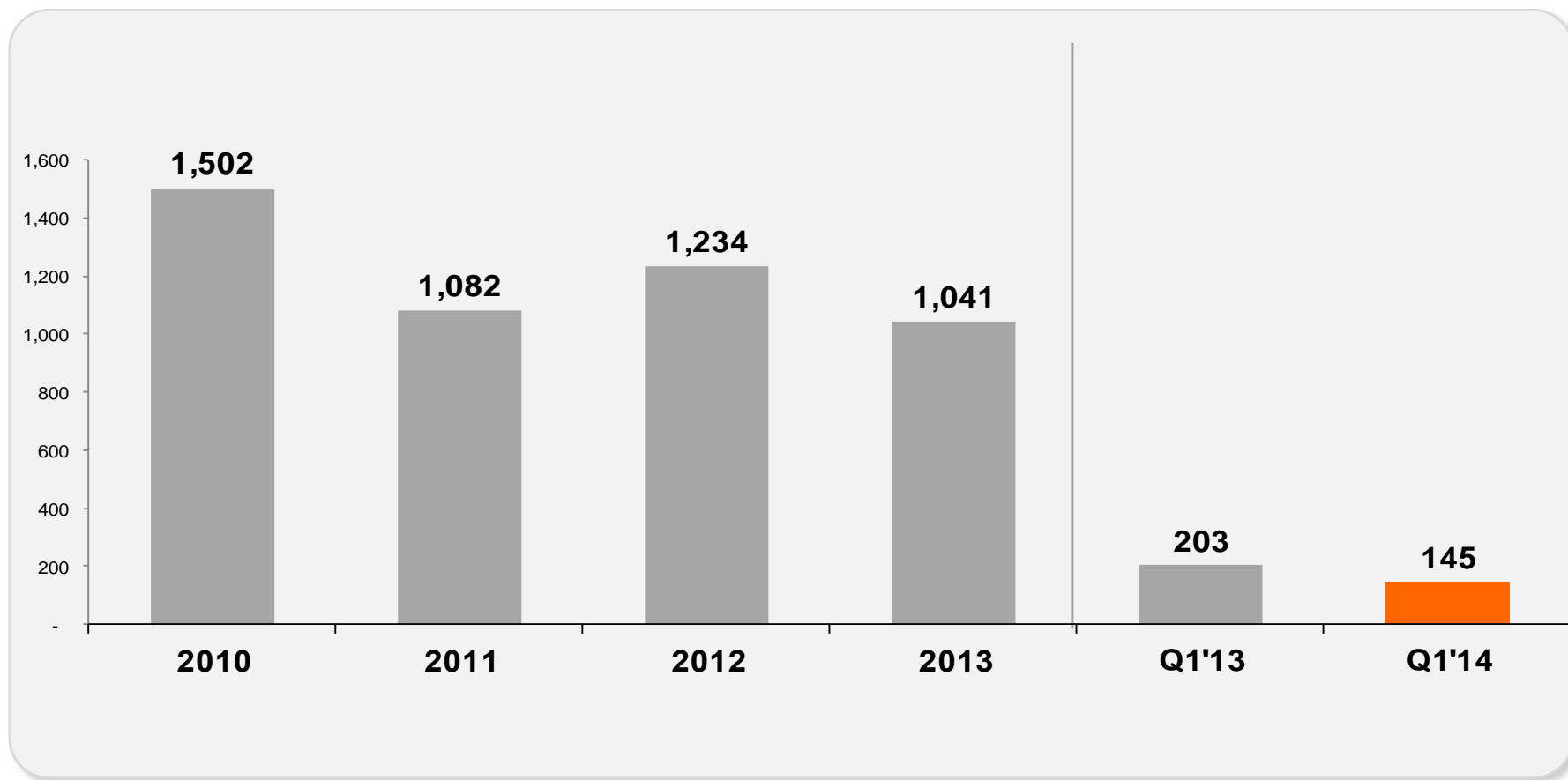
* Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to the section "Use of Non-GAAP Financial Measures" in the Company's quarterly press release.

Cash capital expenditures in fixed assets including intangible assets but excluding capitalized subscriber acquisition and retention costs, net.

CAPEX* / Revenues

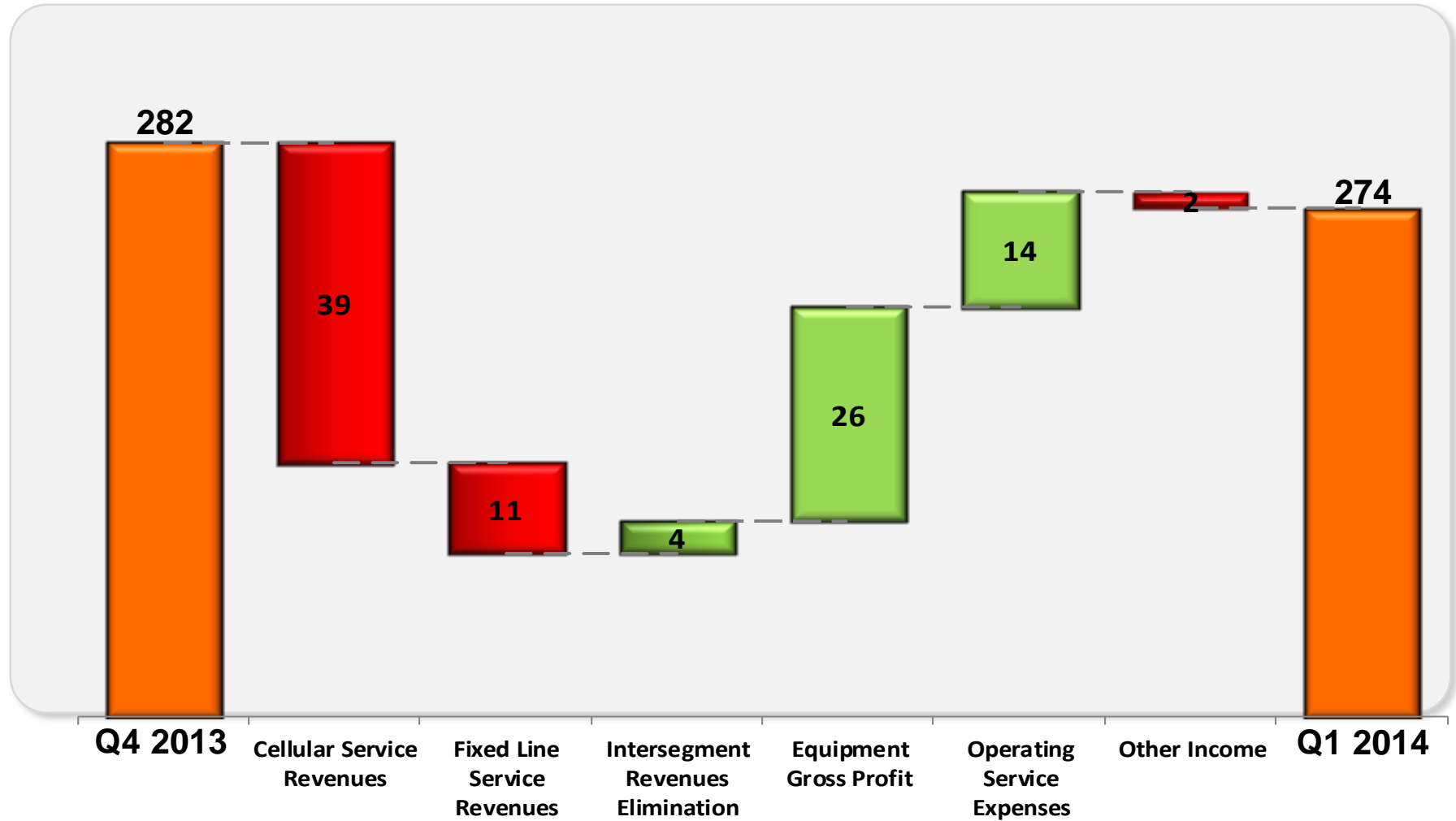


Free Cash Flow* (in million NIS)



Adjusted EBITDA Evolution Q4'13-Q1'14 (in million NIS)

(in

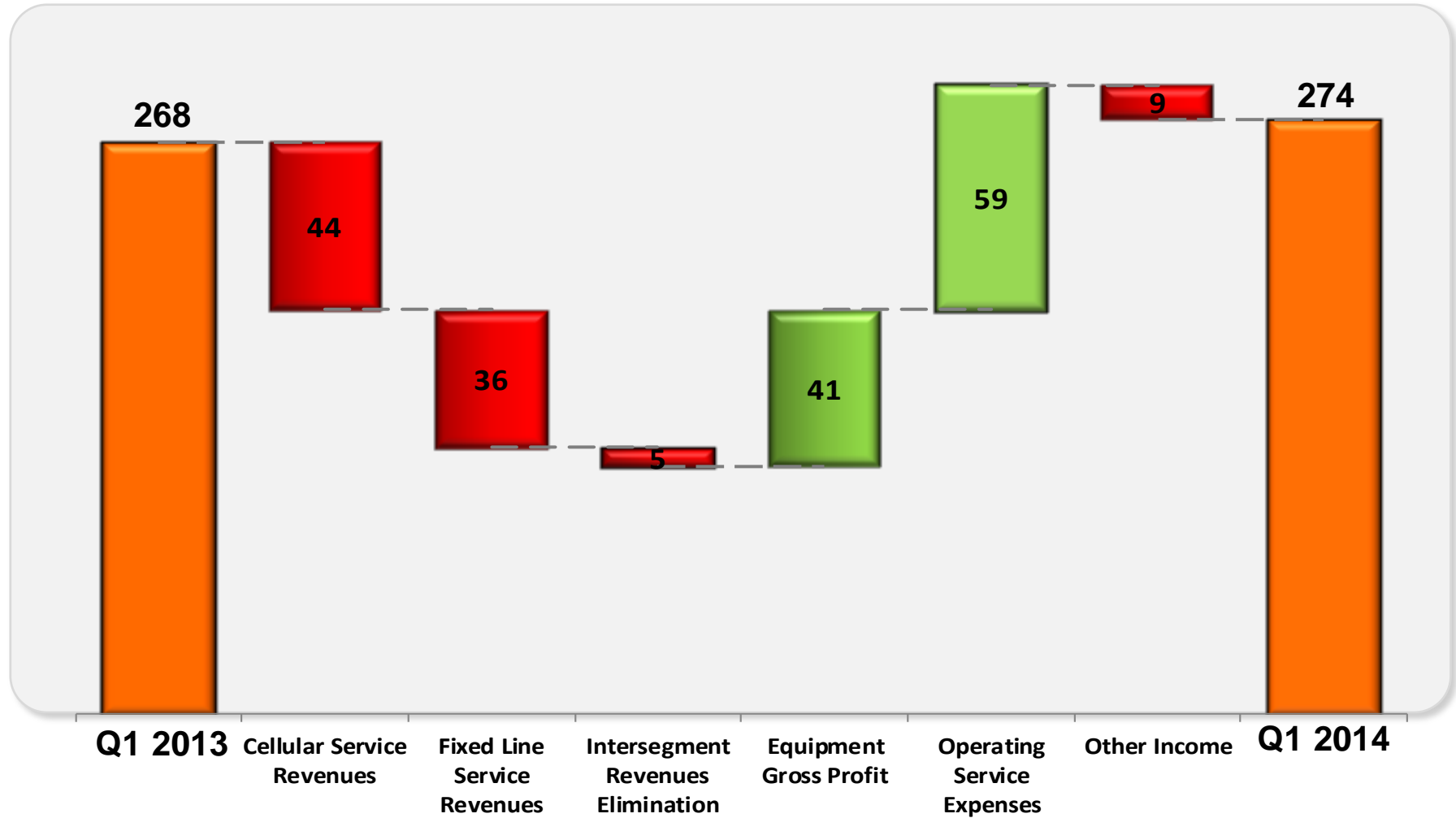


Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to the section "Use of Non-GAAP Measures" in the Company's quarterly press release.

The revenues presented include intersegment revenues & the operating service expenses exclude intersegment expenses.

Adjusted EBITDA Evolution Q1'13-Q1'14

(in million NIS)



Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to the section "Use of Non-GAAP Measures" in the Company's quarterly press release.

The revenues presented include intersegment revenues & the operating service expenses exclude intersegment expenses.

Balance Sheet, a/o March 31, 2014 (in million NIS)

Assets		Liabilities and Equity	
Cash and cash equivalents	620	Current maturities of Notes payables and loans	333
Trade receivables and other	1,083	Trade payables	719
Inventories	96	Other current liabilities	312
Total Current Assets	1,799	Total Current Liabilities	1,364
Trade receivables and other	442	Long term borrowings	3,136
Property and equipment	1,730	Other liabilities	91
Goodwill	407	Total Long-term Liabilities	3,227
Intangible assets	1,141	Equity	928
Total Long-term Assets	3,720	Total Liabilities and Equity	5,519
Total Assets	5,519		

4. Partner's Strategy



Network Sharing Arrangement With Hot Mobile

- 15-year agreement; 50%-50% joint venture to operate and develop a shared radio access network
- Scope and terms subject to approval by Israeli authorities, including the Antitrust Authority

- Hot Mobile to pay Partner one-time amount by 2017
- From 2017, capital expenditure (CAPEX) requirements to be shared equally
- Operating costs (OPEX) to be shared, 50% equally and 50% based on traffic



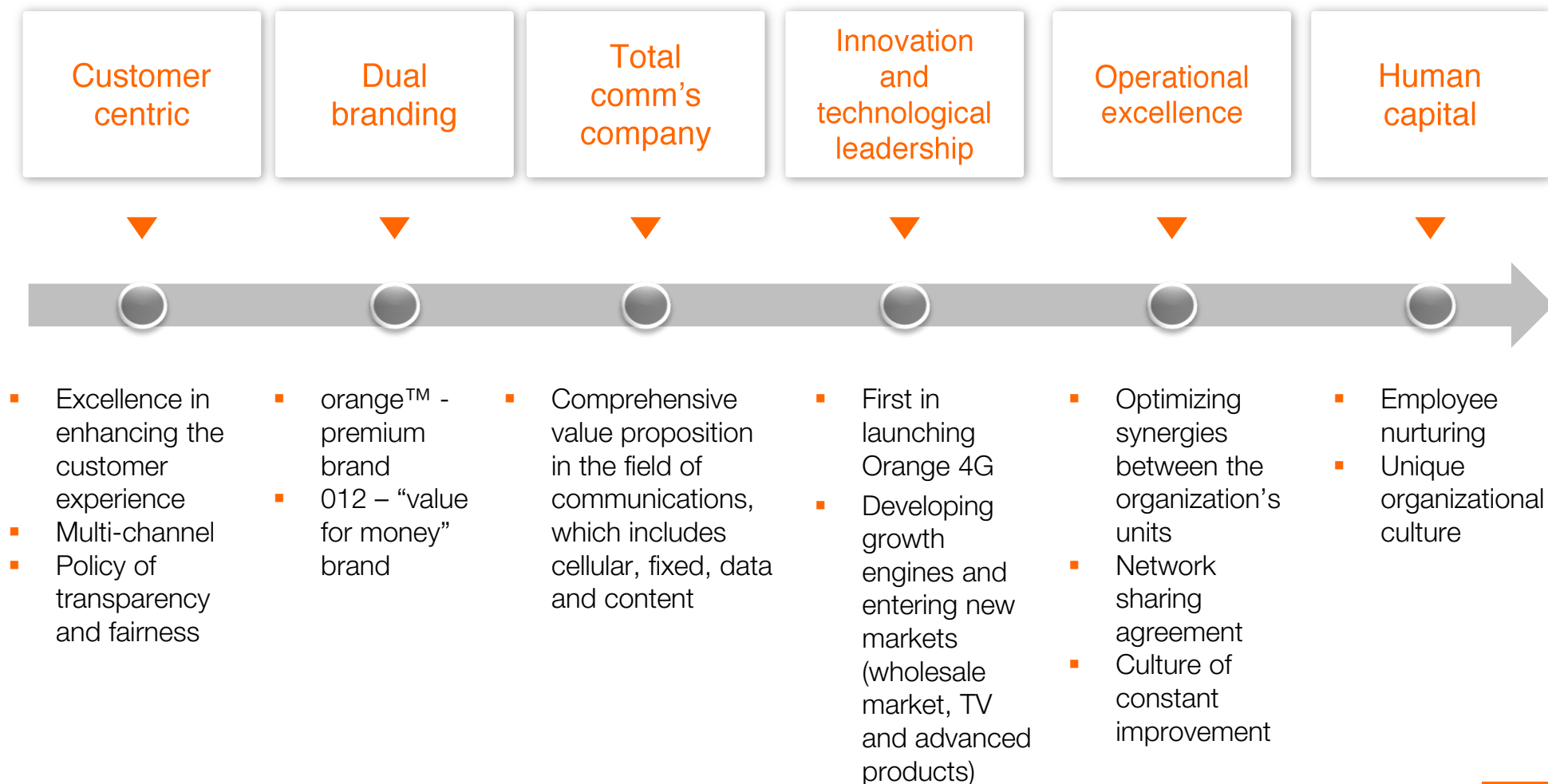
Each company will continue independently:

- to retain and operate its own core network
- to provide cellular services to its own customers
- marketing and sales activities

Key benefits:

- Savings in CAPEX and OPEX
- Reduced no. of network sites
- improved network coverage and capacity
- Optimal utilization of existing spectrum for benefit of 4G
- Lower environmental impact

Our Strategy



In Summary – Why Partner

Advanced Network

Customer Centric
Strategy

Strong Brand

Innovation

The future is bright. The future is orange™

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