# The future is bright.
# The future is orange

## Company and Financial Overview
### Q4 and Annual 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.

# Company overview

# Our strategy

### Customer Centric

- Excellence in enhancing the customer experience
- Multi-channel
- Policy of transparency and fairness

### Dual Branding

- Orange TM Premium brand
- 012 – "value for money" brand

### Total communications company

- Comprehensive value added approach

### Innovation & tech leadership

- First to launch Orange 4G
- Developing growth engines and entering new markets (wholesale market, TV and advanced products)

### Operational Excellence

- Optimizing synergies between the organization's units
- Network sharing agreement
- Culture of constant improvement

### Human Capital

- Employee nurturing
- Growth oriented organizational culture

# A comprehensive product offering

Cellular services

Content Services

Comm Devices & Accessories

Repair Services

Cloud services

ISP

Broadband Infrastructure

International Calls

Home Telephony

Internet Security

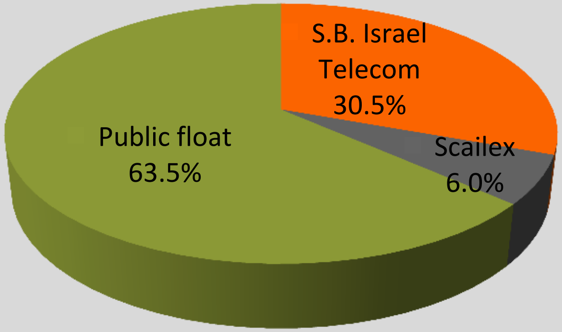
Hosting

Transmission

Products and services are offered under the orange and / or 012 brands

# Value-added controlling shareholder

- 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, founded by Haim Saban, is a global media and communications private investment firm. Among its current and prior investments are: Univision (the premier Spanish-language media company in the US); Celestial Tiger Entertainment (a venture with Lionsgate and Astro, Malaysia's largest pay TV platform, to launch and operate new branded pay television channels across Asia); MNC (Indonesia's largest and only vertically-integrated media company); and Partner Communications. With offices in Los Angeles, London and Singapore, SCG actively manages a globally diversified portfolio of investments across public equities, credit, alternative investments, and real property assets.




As of February 15, 2015

* Public float includes Phoenix-Excellence Group (8.0%), Psagot Investment House (6.0%) and Meitav-Dash Group (5.7%)

# Future savings from network sharing agreement with HOT Mobile

- Network sharing agreement business model
  - HOT Mobile to pay one-time amount by 2017
  - CAPEX – shared equally
  - OPEX – 50% shared equally and 50% split based on traffic
- Key benefits
  - Savings in CAPEX and OPEX
  - Smaller number of network sites
  - Improved network coverage and capacity
  - Optimal utilization of existing spectrum
- National roaming agreement in place until network sharing agreement business model is implemented



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# Market overview

# Highly competitive cellular market

## 2011

## 2014

**Partner 2011 ARPU: NIS 111**

**Partner 2014 ARPU: NIS 75**

# Industry update - main regulatory issues*

| | |
|---|---|
| **Wholesale market** | Ability to competitively provide broadband infrastructure; implementation initiated in 2/15; however, enforcement efforts by MOC of Bezeq processes still ongoing |
| **LTE tender** | Tender completed in 1/15. MOC expected to allocate frequencies during Q2'15 |
| **TV / Schejter Committee** | Ability to competitively provide TV services; recommendations expected following appointment of new MOC minister |
| **International calls** | Proposed regulation may decrease the number of international calls routed through 012 and adversely impact revenues |
| **Roaming** | Proposed regulation would allow a cellular subscriber to receive roaming services abroad from any operator while keeping his cellular number without changing providers |
| **Premium calls** | New regulation sets price limitations and requires caller to opt in to complete the call which may negatively impact revenues (implementation expected in Q2'15) |

* Please see the Company's 2014 Annual Report filed with the SEC and the associated press release of March 11, 2015, and all subsequent filings for a complete update on regulatory matters and associated risks



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# Financial overview

# 2014 highlights

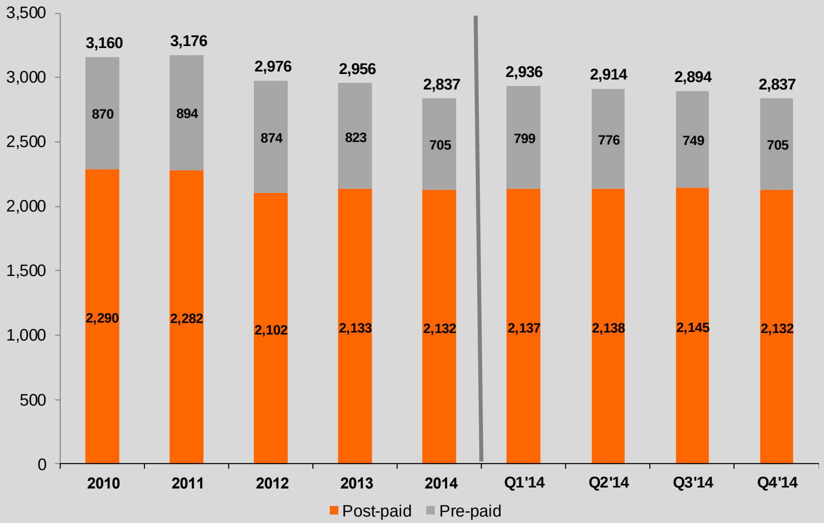
| | 2014 | 2013 | YoY change |
|---|---|---|---|
| Total revenue (NIS, M) | 4,400 | 4,519 | -3% |
| Service revenue (NIS, M) | 3,408 | 3,784 | -10% |
| Equipment revenue (NIS, M) | 992 | 735 | +35% |
| EBITDA (NIS, M) | 1,096 | 1,114 | -2% |
| EBITDA margin | 25% | 25% | No change |
| Profit (NIS, M) | 162 | 135 | +20% |
| Net debt (NIS, M) | 2,612 | 3,000 | -388 |
| Free cash flow (NIS, M) | 520 | 1,041 | -50% |
| Cellular ARPU (NIS) | 75 | 83 | -9% |
| Annual churn rate | 47% | 39% | +8 ppt |

# Q4'2014 highlights

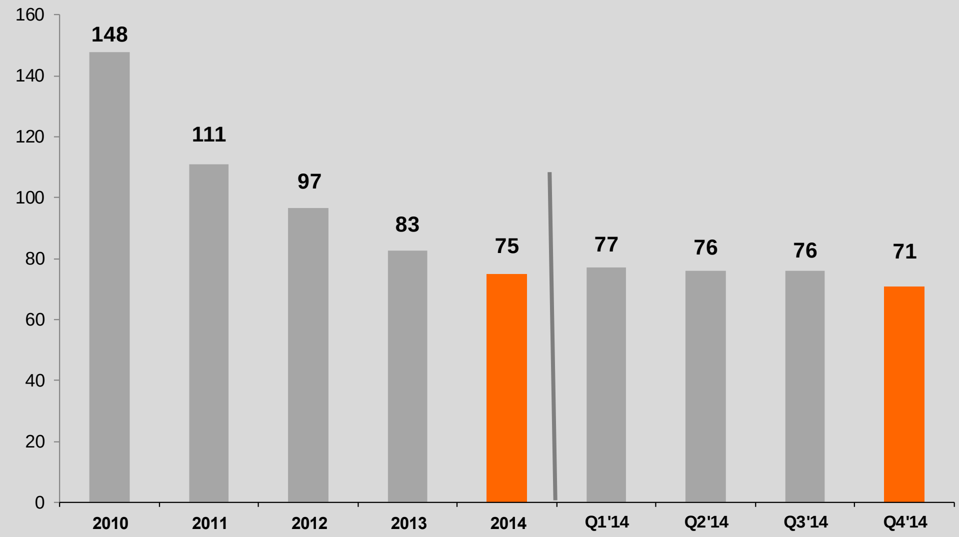
| | Q4' 14 | Q4' 13 | YoY change |
|---|---|---|---|
| Total revenue (NIS, M) | 1,108 | 1,127 | -2% |
| Service revenue (NIS, M) | 808 | 922 | -12% |
| Equipment revenue (NIS, M) | 300 | 205 | +46% |
| EBITDA (NIS, M) | 249 | 282 | -12% |
| EBITDA margin | 22% | 25% | -3 ppt |
| Profit (NIS, M) | 24 | 46 | -48% |
| Free cash flow (NIS, M) | 71 | 278 | -74% |
| Cellular ARPU (NIS) | 71 | 81 | -12% |
| Quarterly churn rate | 11.5% | 10.7% | +0.8 ppt |

# Challenging market environment

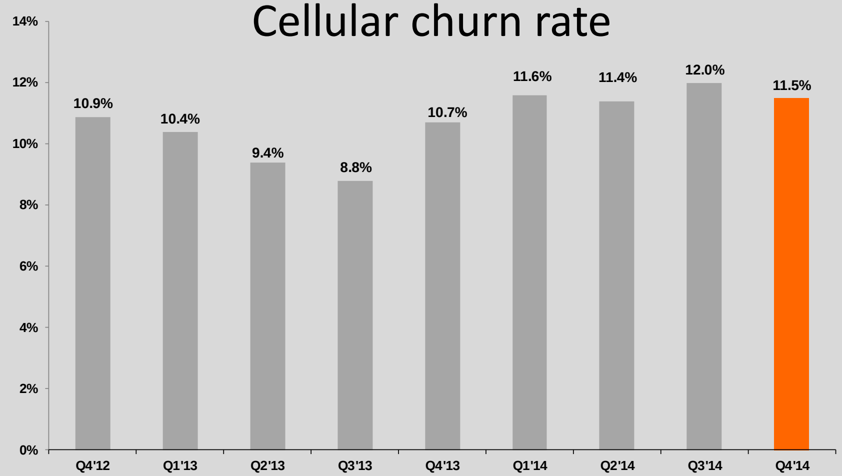
Cellular subscribers (EOP, in thousands)




Cellular ARPU (in NIS)




Cellular churn rate



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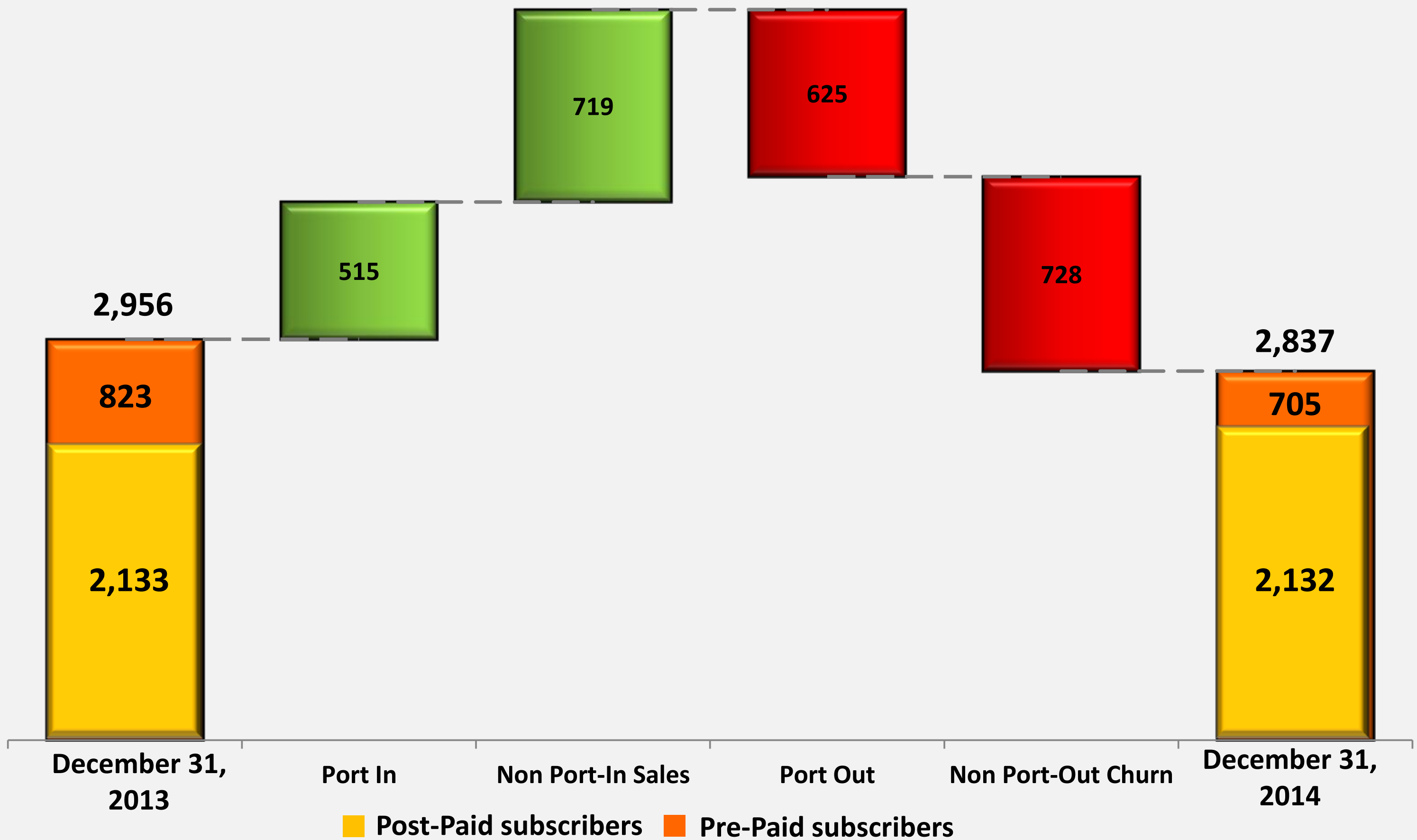
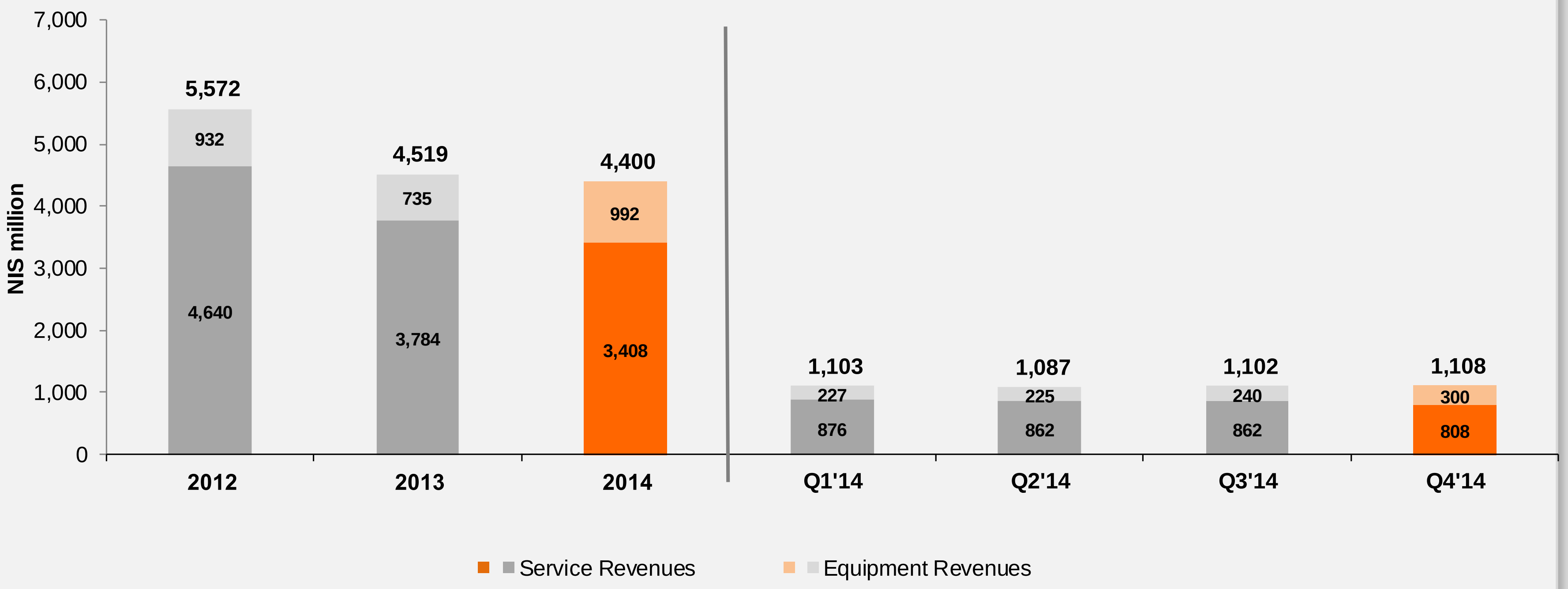
# Evolution of cellular subscriber base (in '000)

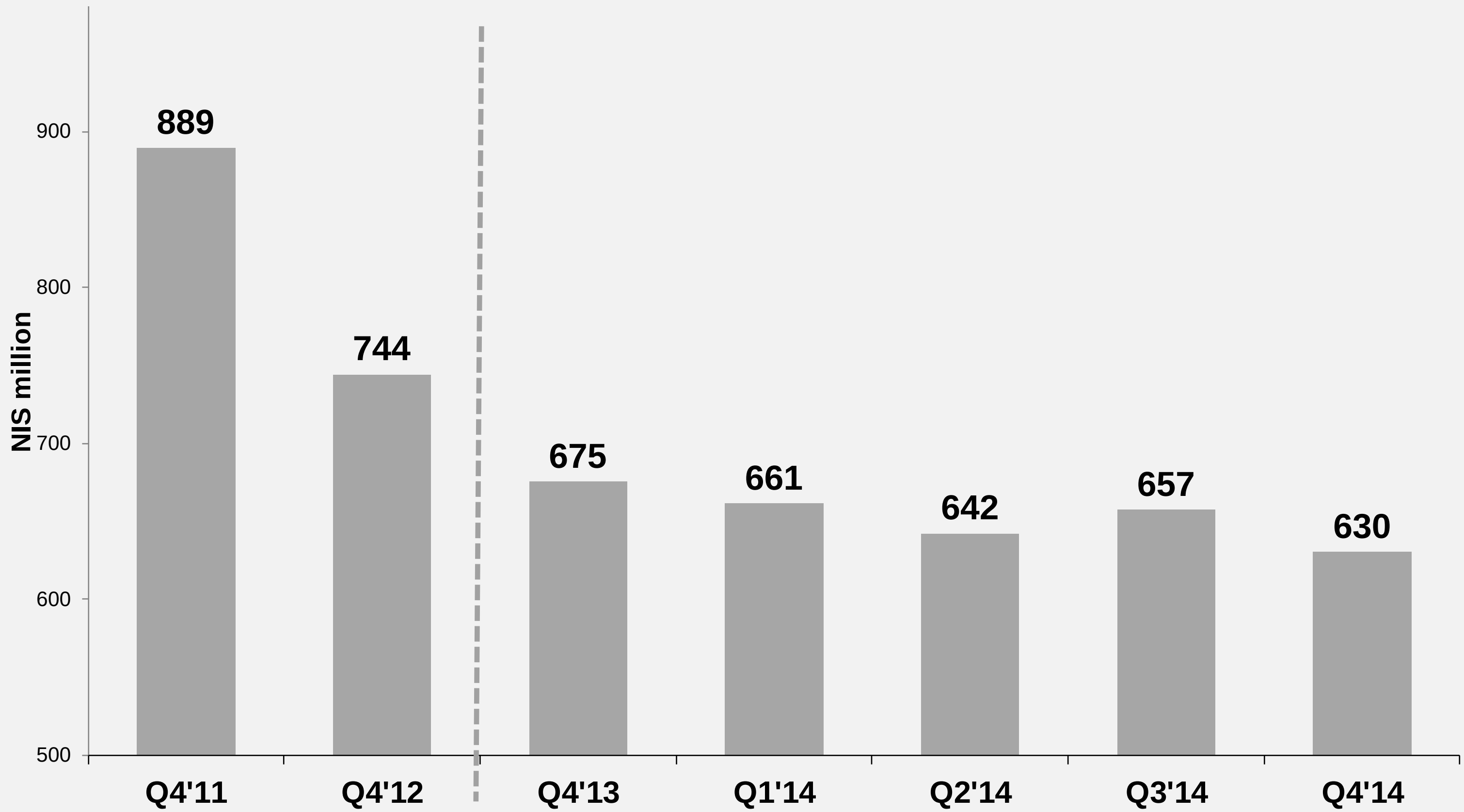



Port in and Port out figures reported in Globes, January 1, 2015

# Company revenues - diversifying revenue sources

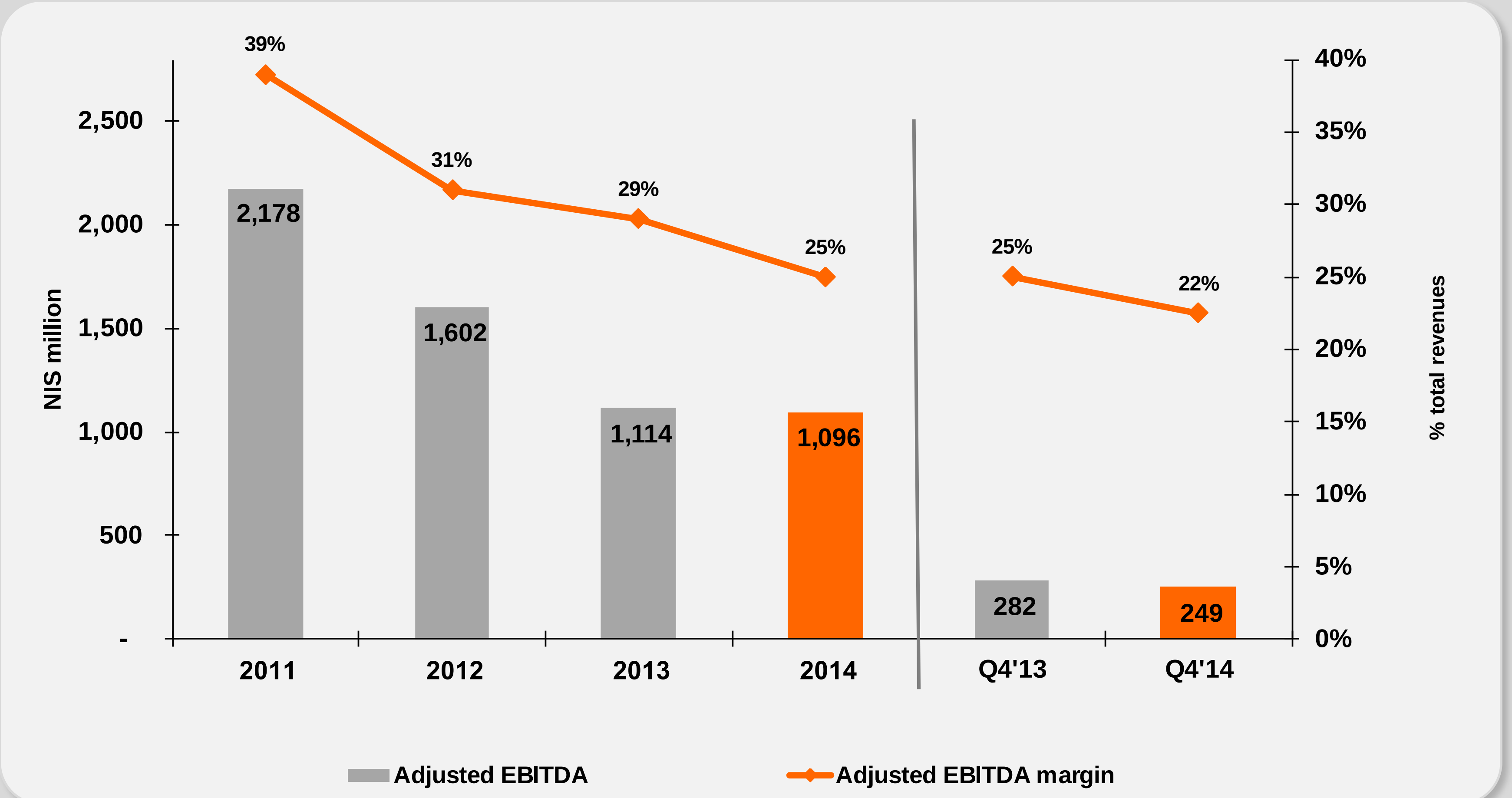


# OPEX - successful implementation of efficiencies




OPEX includes cost of service revenues, and selling, marketing and administrative expenses, and excludes depreciation and amortization and impairment charges.

# EBITDA* & EBITDA margin




Results include 012 Smile from March 2011

* 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 section in the Company's quarterly press release



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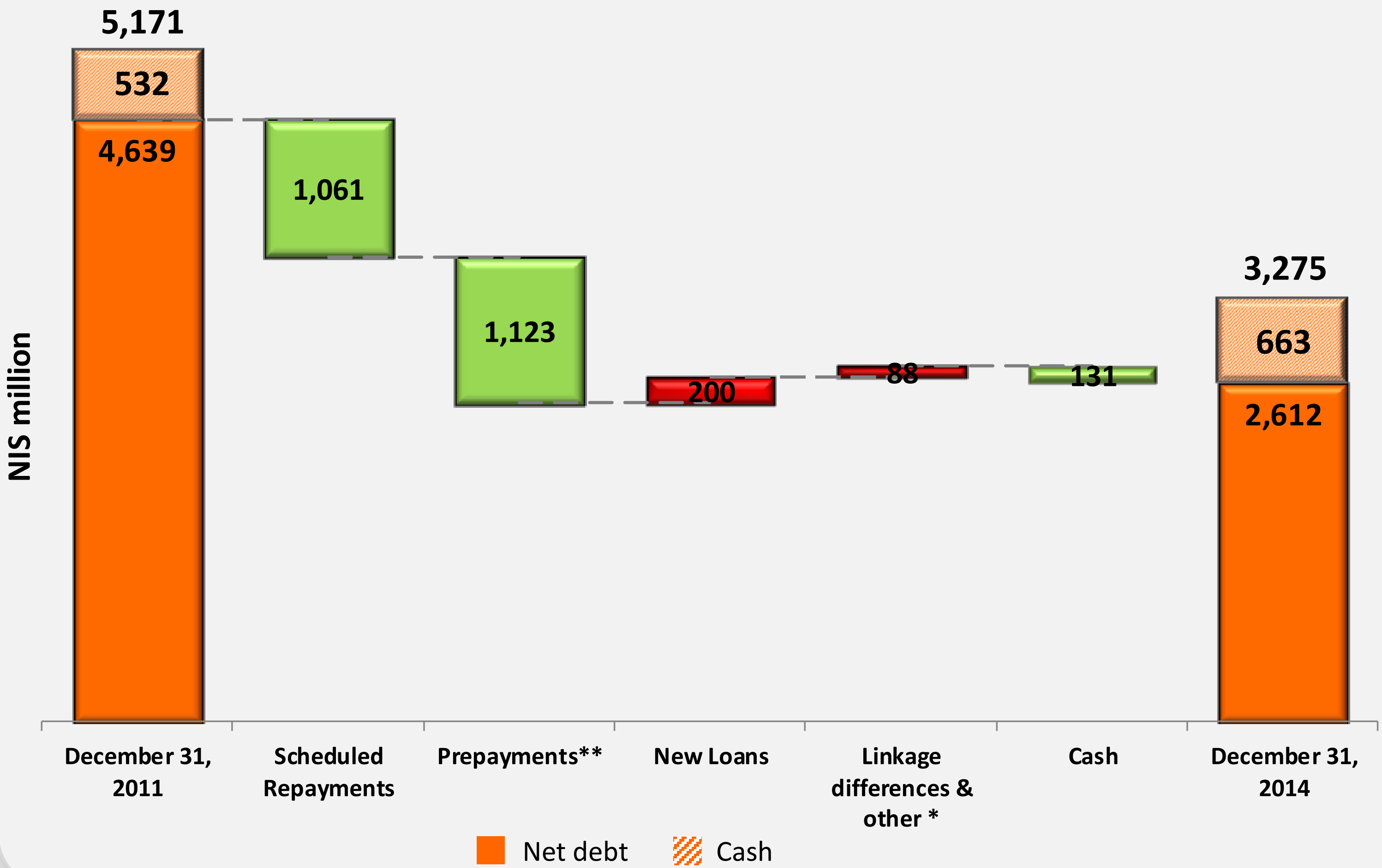
# Debt & cash evolution (31/12/2011 to 31/12/2014)




* Other includes amortization of deferred issuance expenses and discount

** Prepayments – repaid in advance of the original repayment schedule



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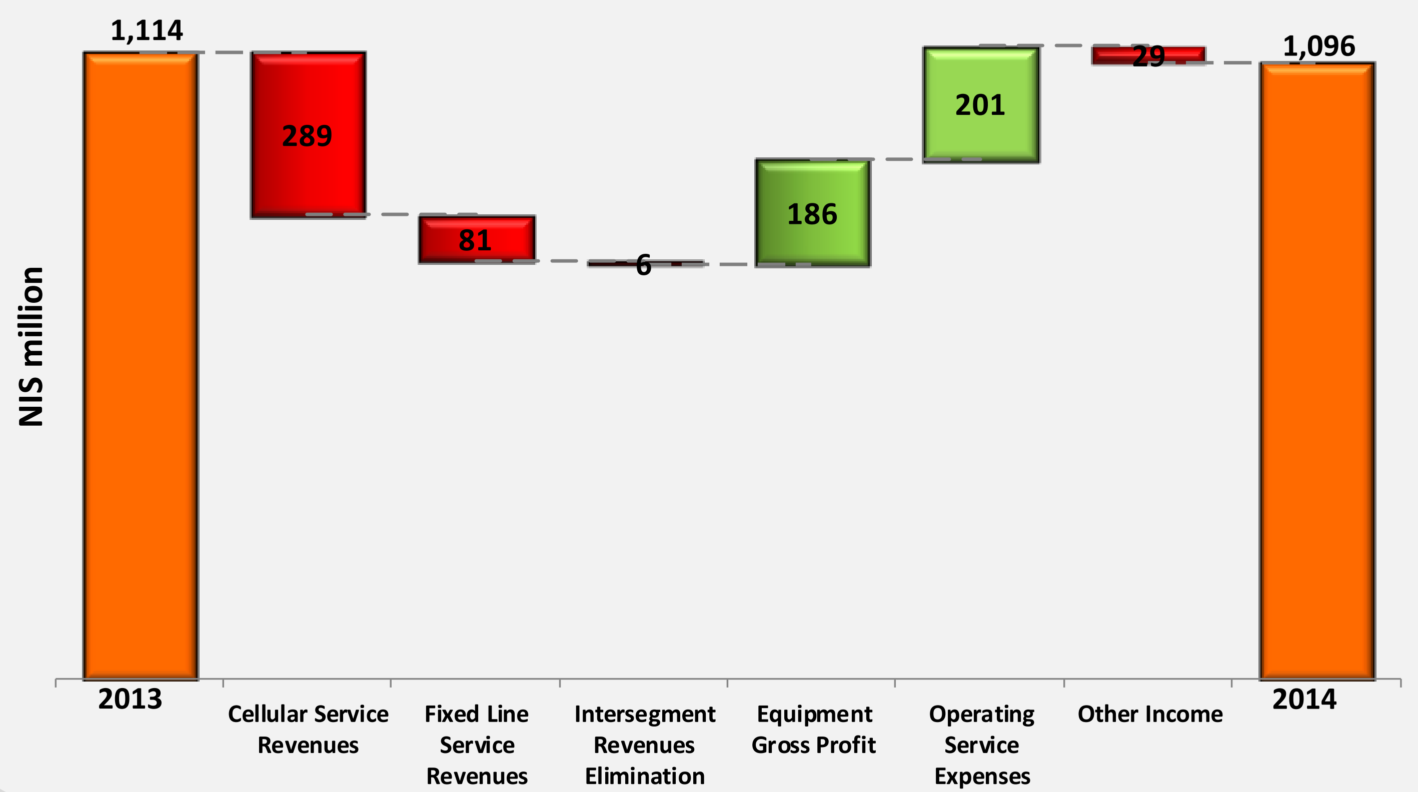
# Debt structure (as of December 31, 2014)

| Series | Amount (NIS M) | Coupon | Duration | Linkage | Annual Yield to Maturity (a/o 31/12) |
|---|---|---|---|---|---|
| Series B | 244 | 3.4% | 1.4 | CPI | 0.6% |
| Series C | 702 | 3.35% | 2.9 | CPI | 1.1% |
| Series D | 546 | MAKAM + 1.2% | 4.8 | Variable interest Makam | 1.8% |
| Series E | 561 | 5.5% | 1.9 | Fixed | 1.25% |
| Bank debt | 1,233 | | | | |
| Offering expenses | (11) | | | | |
| **TOTAL** | **3,275** | | | | |

# Bridging EBITDA results (2013 vs. 2014)

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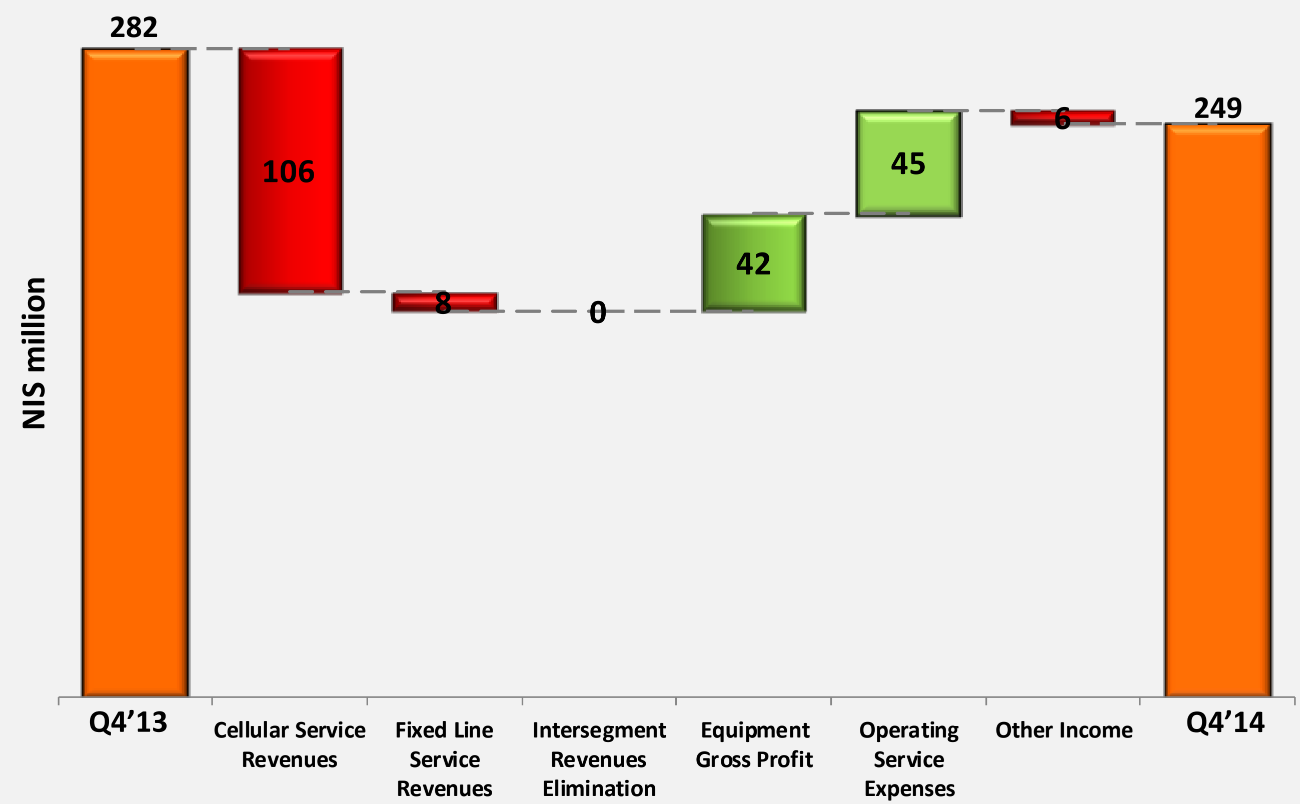
Revenues presented include intersegment revenues; operating services expenses exclude intersegment expenses.

# Bridging EBITDA results (Q4'13 vs. Q4'14)

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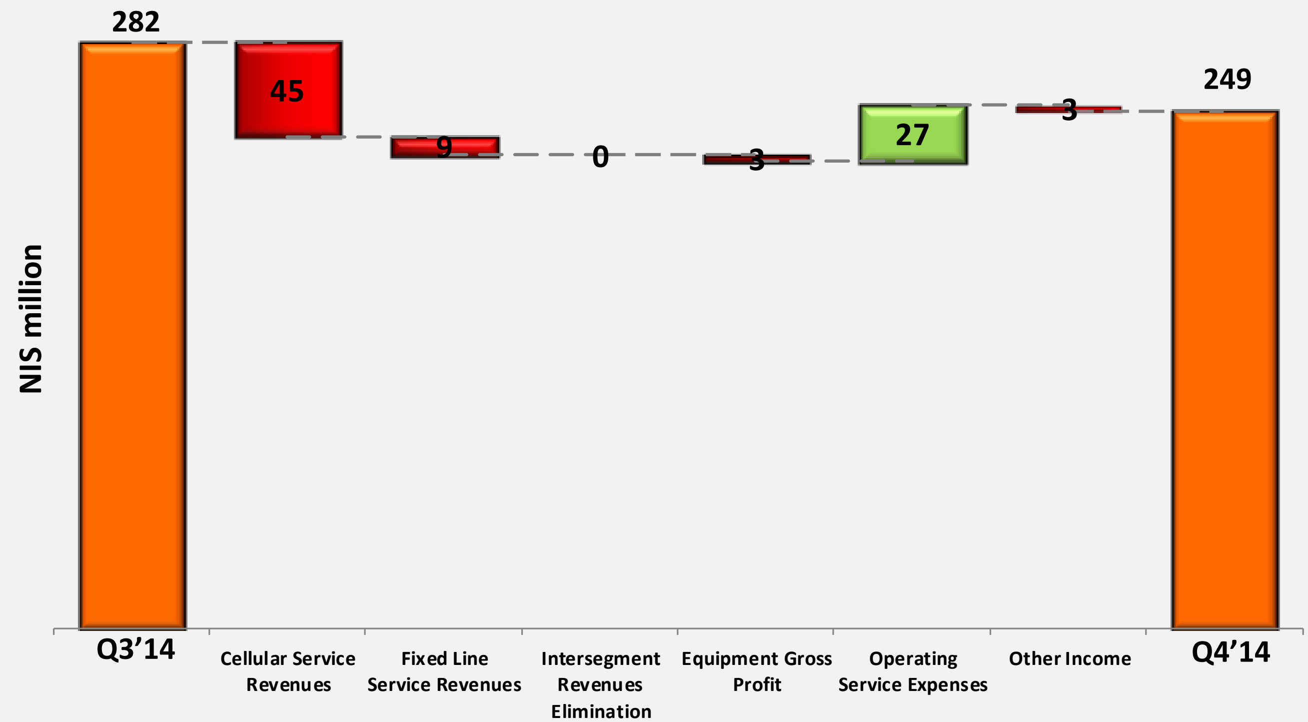
Revenues presented include intersegment revenues; operating services expenses exclude intersegment expenses.

# Bridging EBITDA results (Q3'14 vs. Q4'14)

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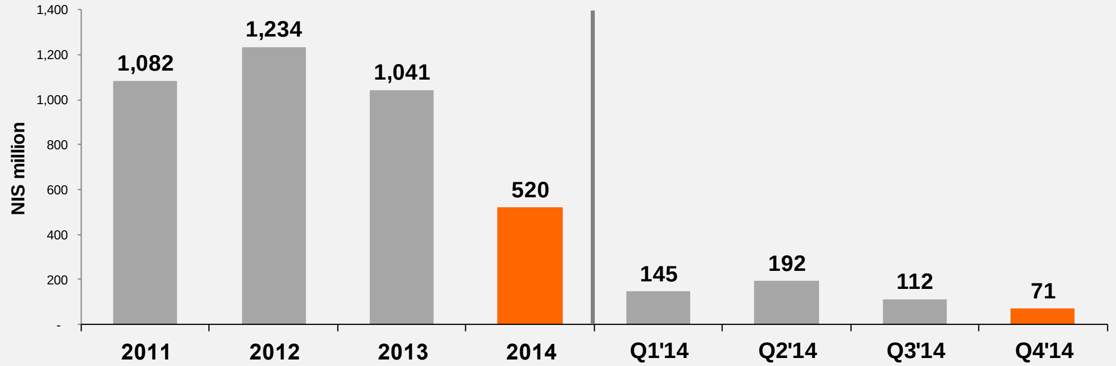
Revenues presented include intersegment revenues; operating services expenses exclude intersegment expenses.

# Balance sheet & cash flow*

| Assets | NIS million | Liabilities and Equity | NIS million |
|---|---|---|---|
| Cash and cash equivalents | 663 | Current maturities of borrowings & notes payable | 309 |
| Trade receivables and other | 1,016 | Trade payables | 804 |
| Inventories | 138 | Other current liabilities | 272 |
| **Total Current Assets** | **1,817** | **Total Current Liabilities** | **1,385** |
| Trade receivables and other | 532 | Long term borrowings & notes payable | 2,966 |
| Property and equipment | 1,661 | Other liabilities | 106 |
| Goodwill | 407 | **Total Long-term Liabilities** | **3,072** |
| Intangible assets | 1,079 | | |
| **Total Long-term Assets** | **3,679** | **Equity** | **1,039** |
| **Total Assets** | **5,496** | **Total Liabilities and Equity** | **5,496** |




- Balance sheet as of December 31, 2014. Cash flow includes 012 Smile from March 2011
Free cash flow represents cash flows generated from operating activities before interest payments, net of cash flows used for investments activities, after elimination of cash flows used for the acquisition of 012 Smile.

# The future is bright. The future is orange™

| | |
|---|---|
| **Strong execution – continued investment in the business** | ▪ Best network, widest 4G coverage<br>▪ No. 1 in customer service<br>▪ Network sharing agreement |
| **Defined strategy to meet market challenges** | ▪ Growth engines – equipment revenues, value added services, TV, wholesale market, monetizing data consumption<br>▪ Transforming into a complete telecom group (opportunity to bundle)<br>▪ Successful two-brand strategy<br>▪ Operational efficiencies & excellence<br>▪ Technology leadership |
| **Financial strength** | ▪ Reducing debt<br>▪ Continued efficiency measures |
| **Value-added controlling shareholder** | ▪ Expertise in media, entertainment and telecommunications<br>▪ Long term, growth-oriented, perspective |



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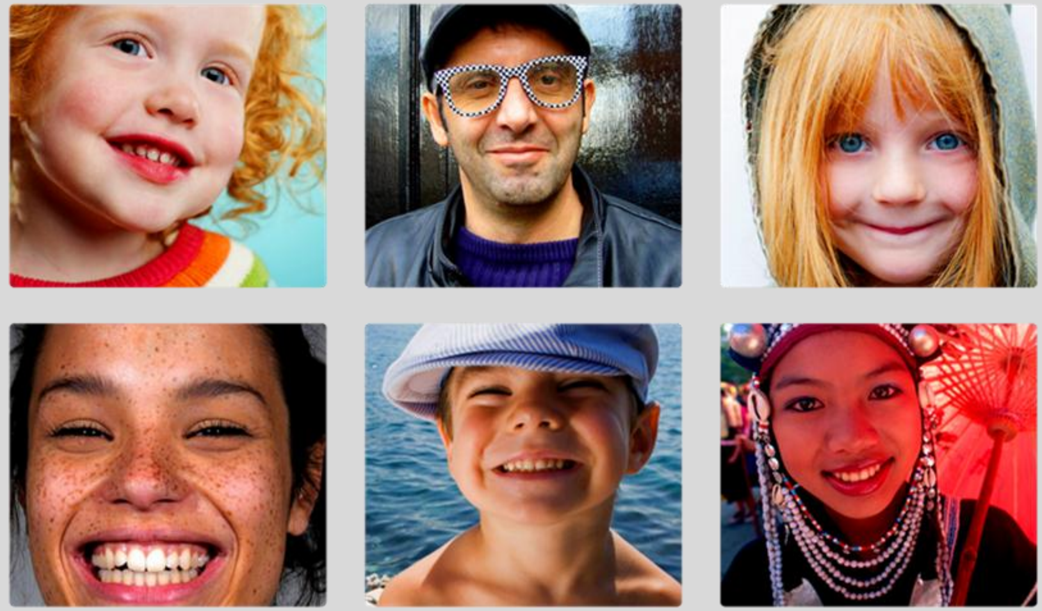

Investor website: www.orange.co.il/en/Investors-Relations/lobby/