

The future is bright.
The future is orange



Company and Financial Overview

Q1 2015 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 “estimate”, “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. In particular, this presentation contains forward-looking statements regarding, among other, (i) the anticipated offering by the Company of television and 4G services, and (ii) expected gains in efficiency as a result of the network sharing agreement with Hot Mobile. In addition, all statements other than statements of historical fact included in this presentation 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 including (i) potential difficulties in satisfying regulatory requirements applicable to television operators, which in addition create de facto exclusivity for existing operators, and in obtaining television content on commercially reasonable terms, and (ii) the effective implementation of joint actions regarding network upgrade and maintenance under the network sharing agreement with Hot Mobile 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, as well as its current reports on Form 6-K furnished to 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

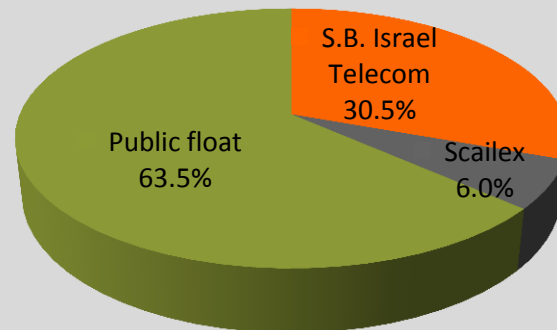


Transmission

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 March 31, 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
- Agreement approved by Anti Trust Authority and Ministry of Communications

Market overview

Highly competitive cellular market

2011



Partner Q1'11 ARPU: NIS 115

2015



Partner Q1'15 ARPU: NIS 69

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 (Legal hearings regarding the above, are scheduled in Q3'15)

10 * 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

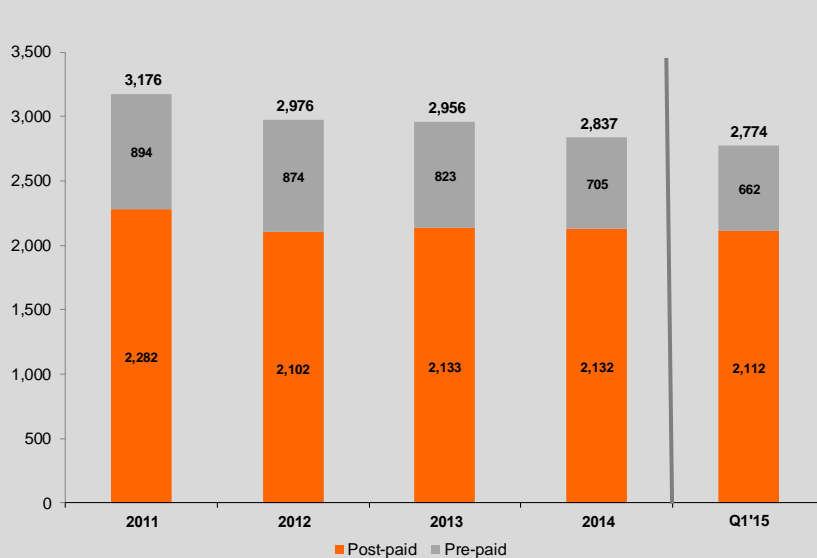
Financial overview

Q1'2015 highlights

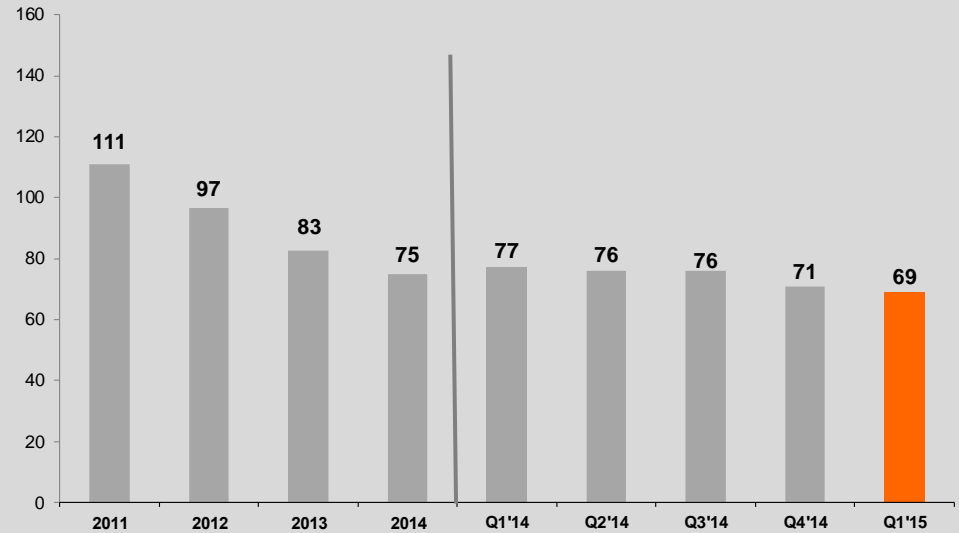
	<u>Q1' 15</u>	<u>Q1' 14</u>	<u>YoY change</u>
Total revenue (NIS, M)	1,054	1,103	-4%
Service revenue (NIS, M)	759	876	-13%
Equipment revenue (NIS, M)	295	227	+30%
EBITDA (NIS, M)	227	274	-17%
EBITDA margin	22%	25%	-3 ppt
Profit (NIS, M)	25	52	-52%
Free cash flow (NIS, M)	21	145	-86%
Cellular ARPU (NIS)	69	77	-10%
Quarterly churn rate	12.7%	11.6%	+1.1 ppt

Challenging market environment

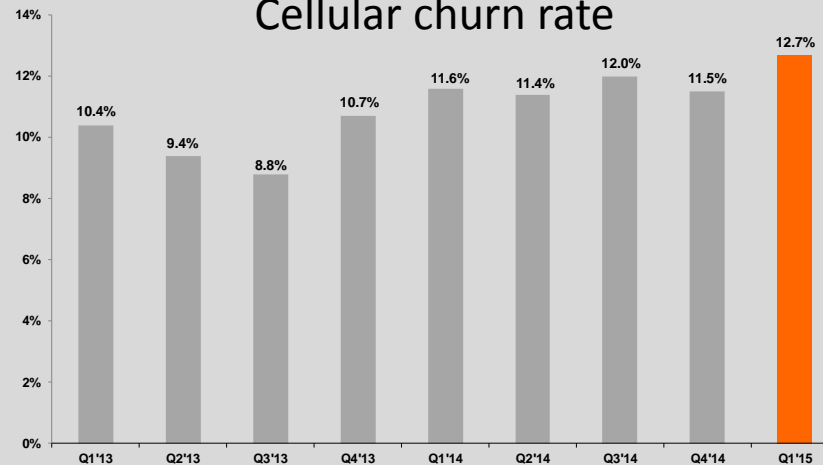
Cellular subscribers (EOP, in thousands)



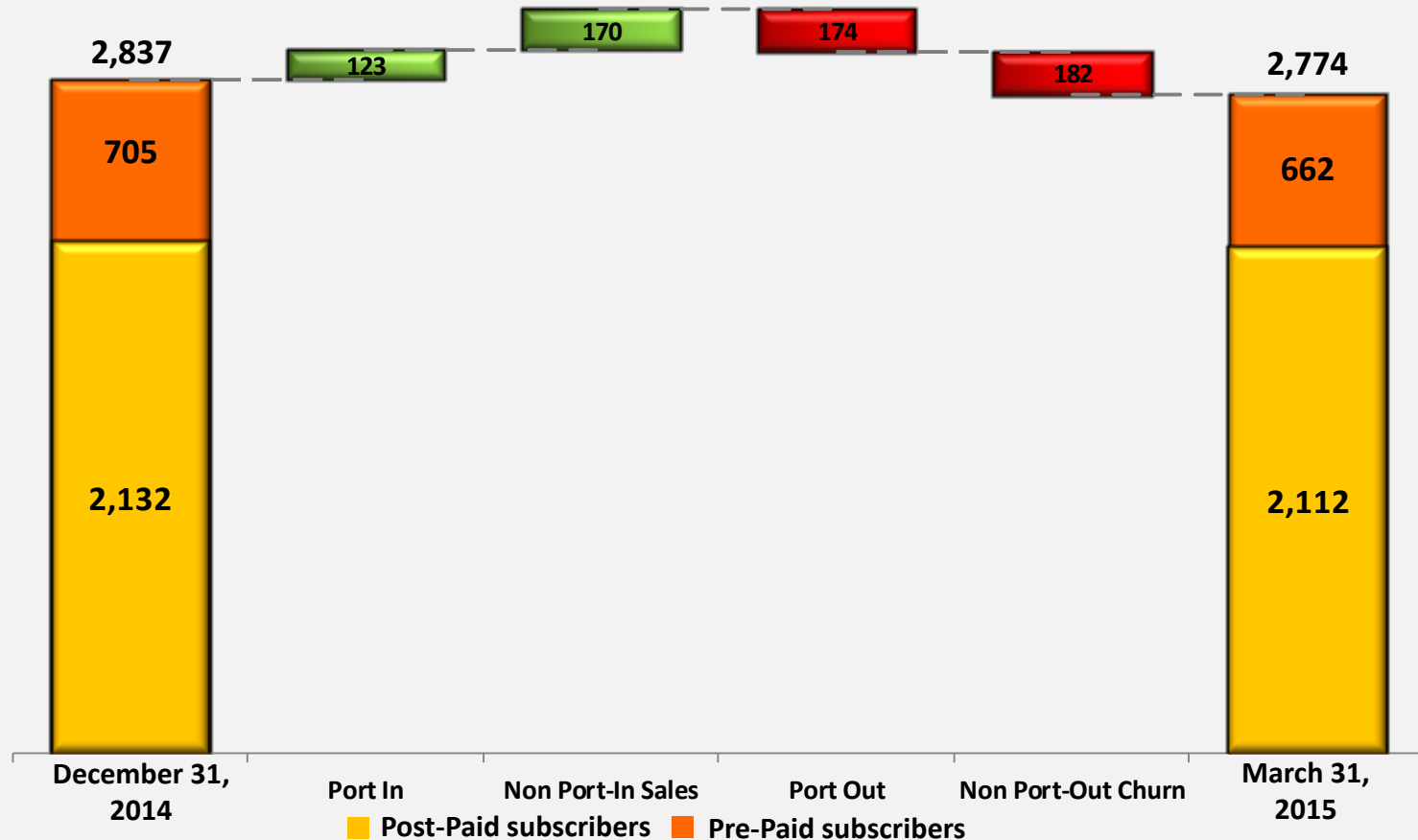
Cellular ARPU (in NIS)



Cellular churn rate

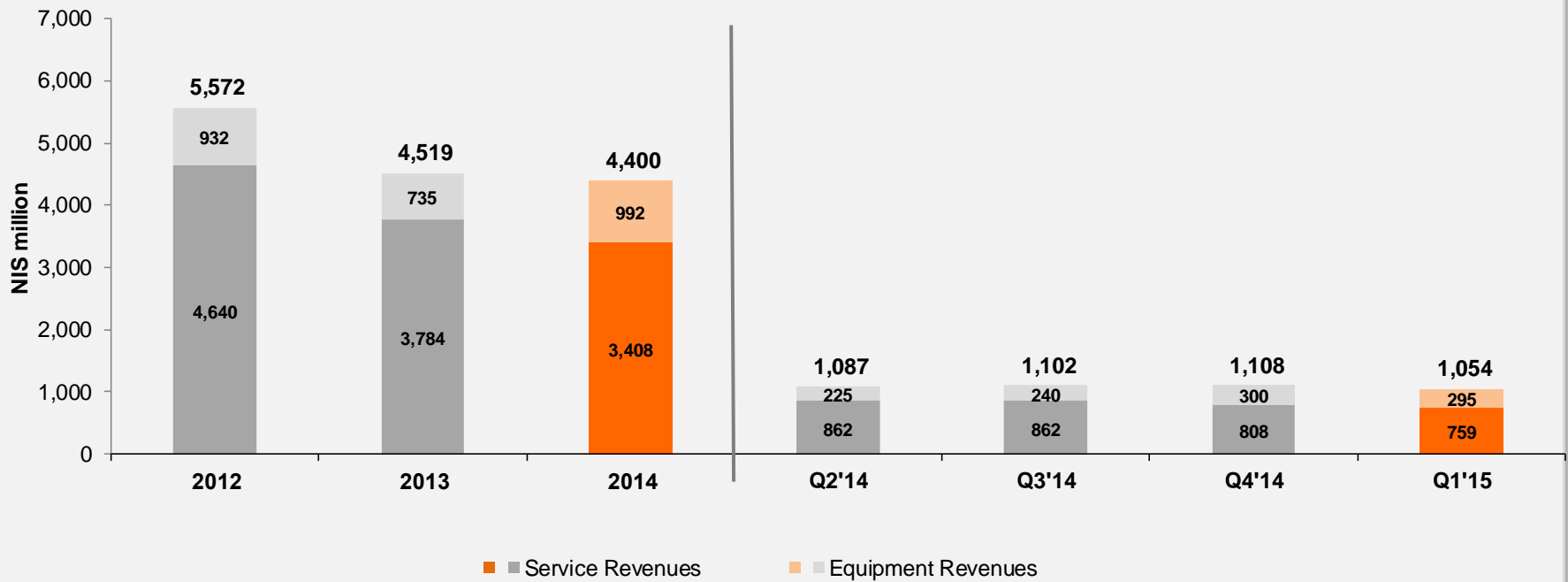


Evolution of cellular subscriber base (in '000)

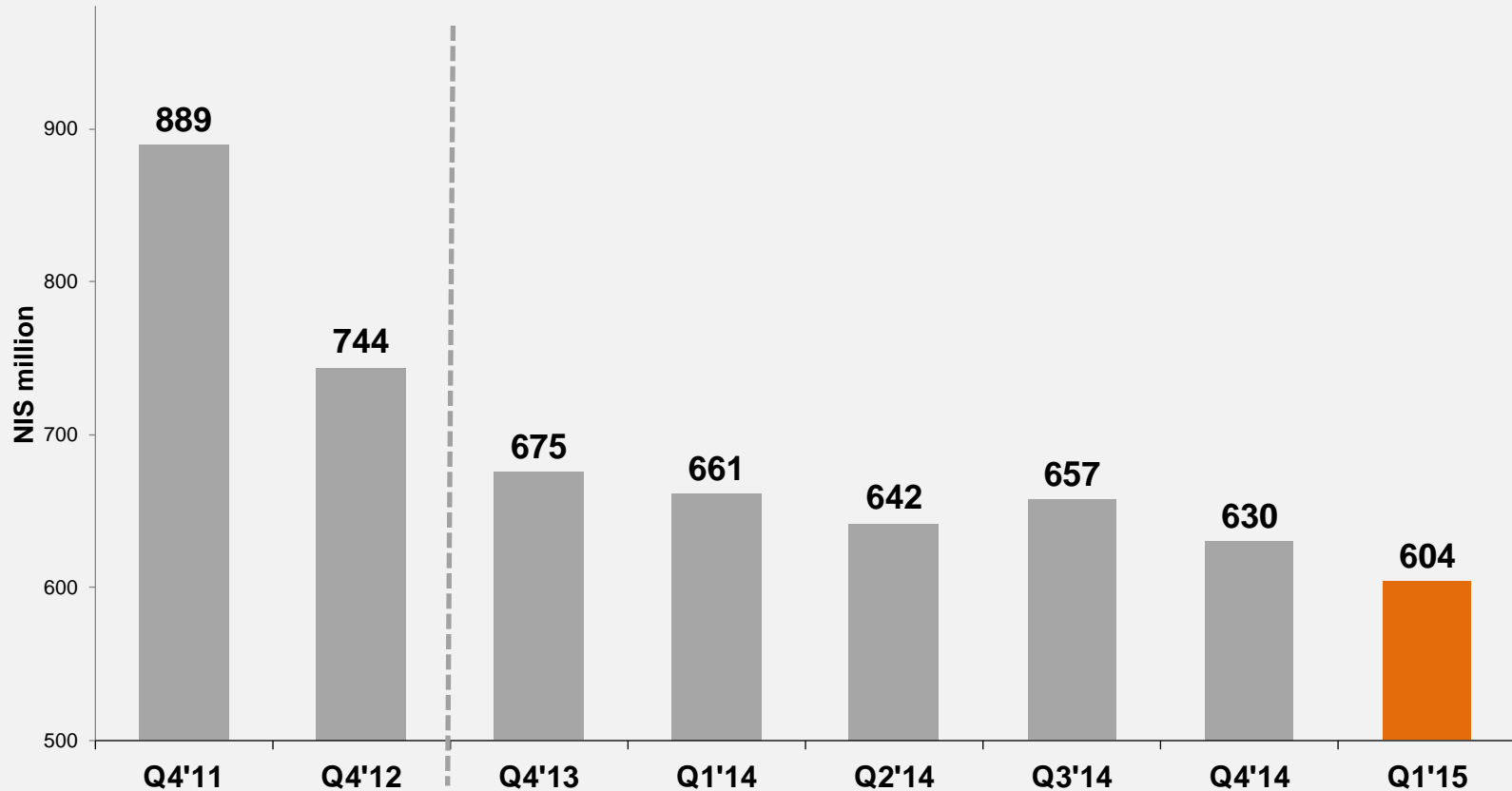


Port in and Port out figures reported in Calcalist, April 1, 2015

Company revenues - diversifying revenue sources

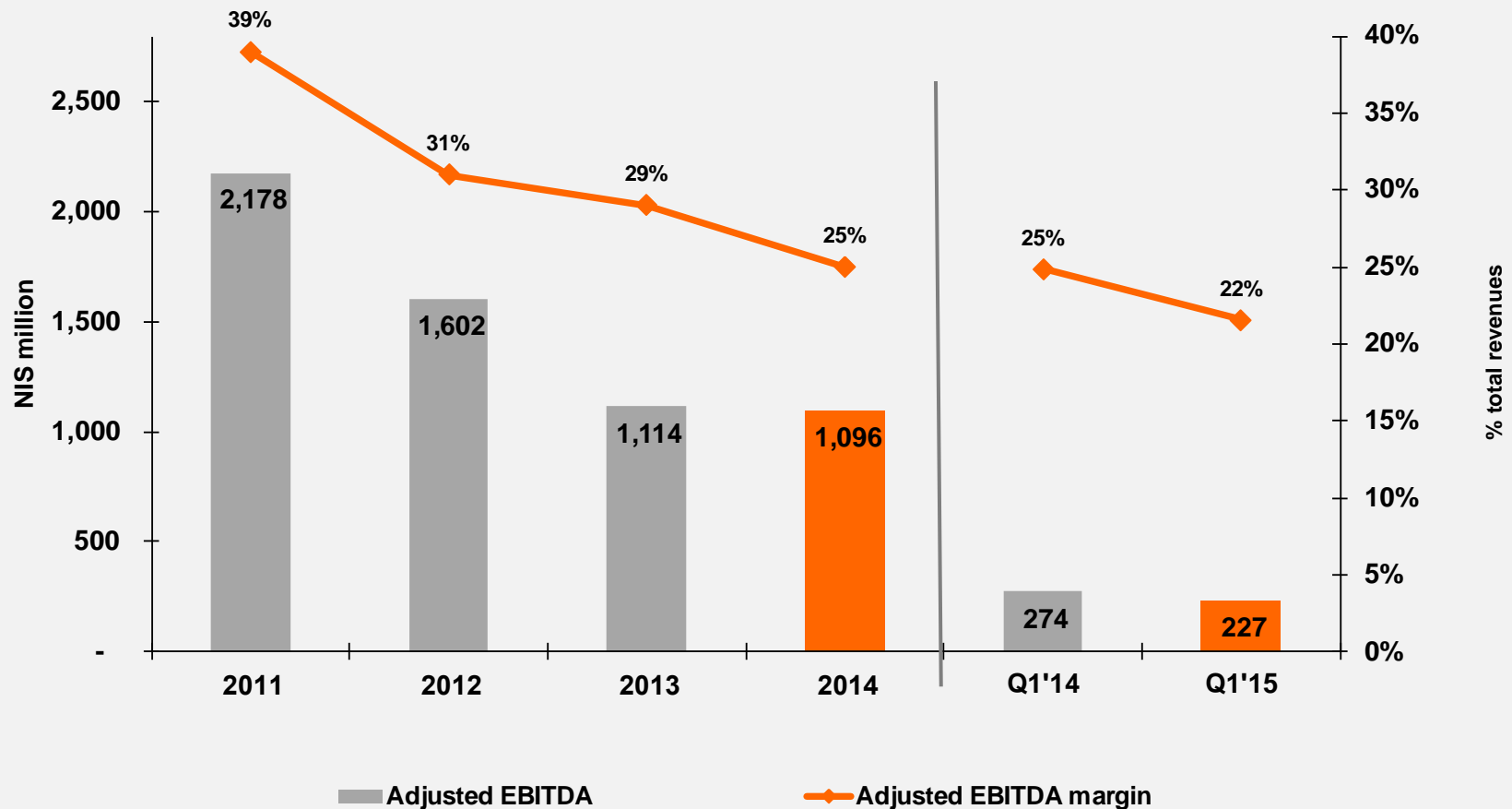


OPEX - successful implementation of efficiencies



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

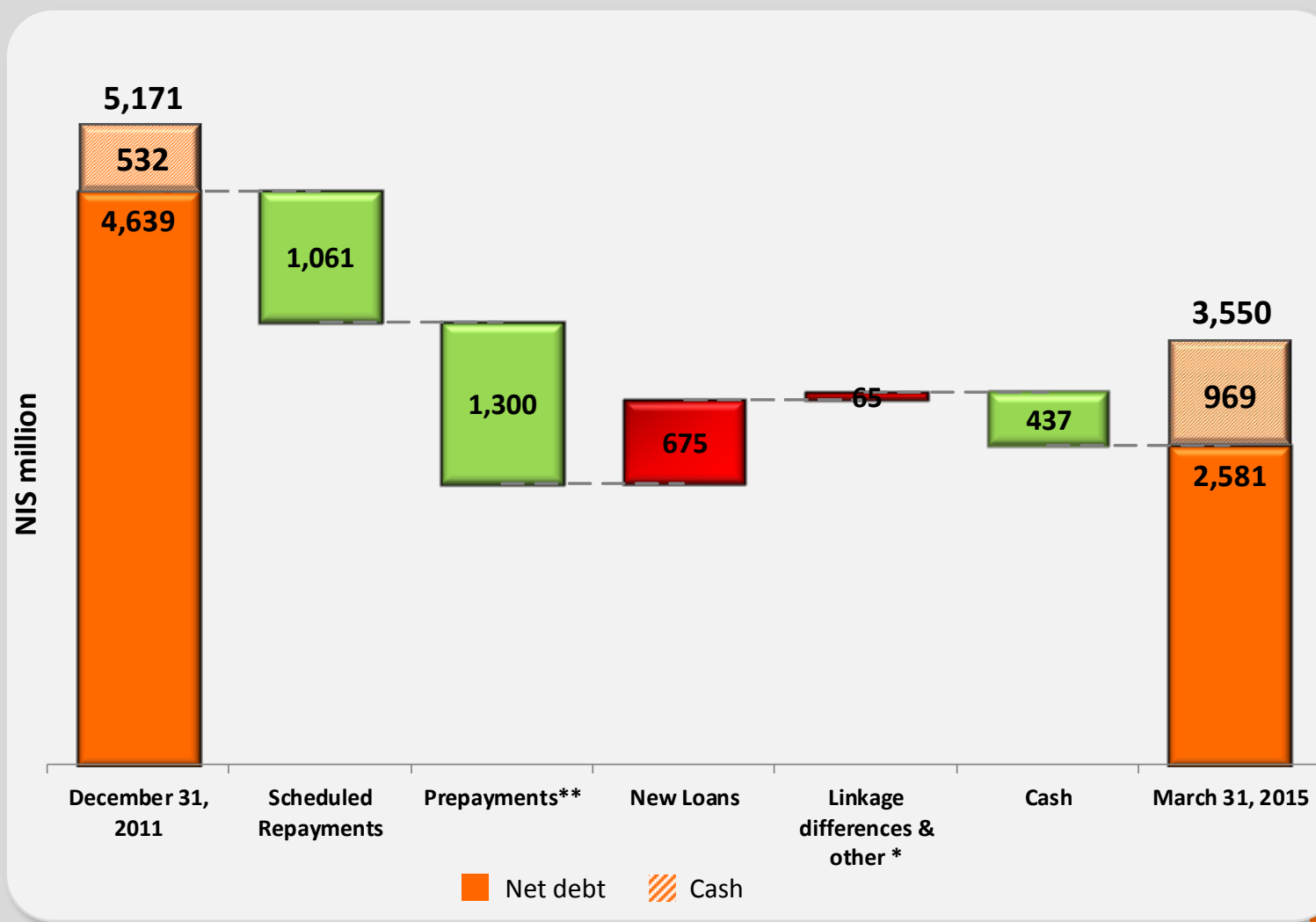
EBITDA* & EBITDA margin



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

Debt & cash evolution (31/12/2011 to 31/03/2015)



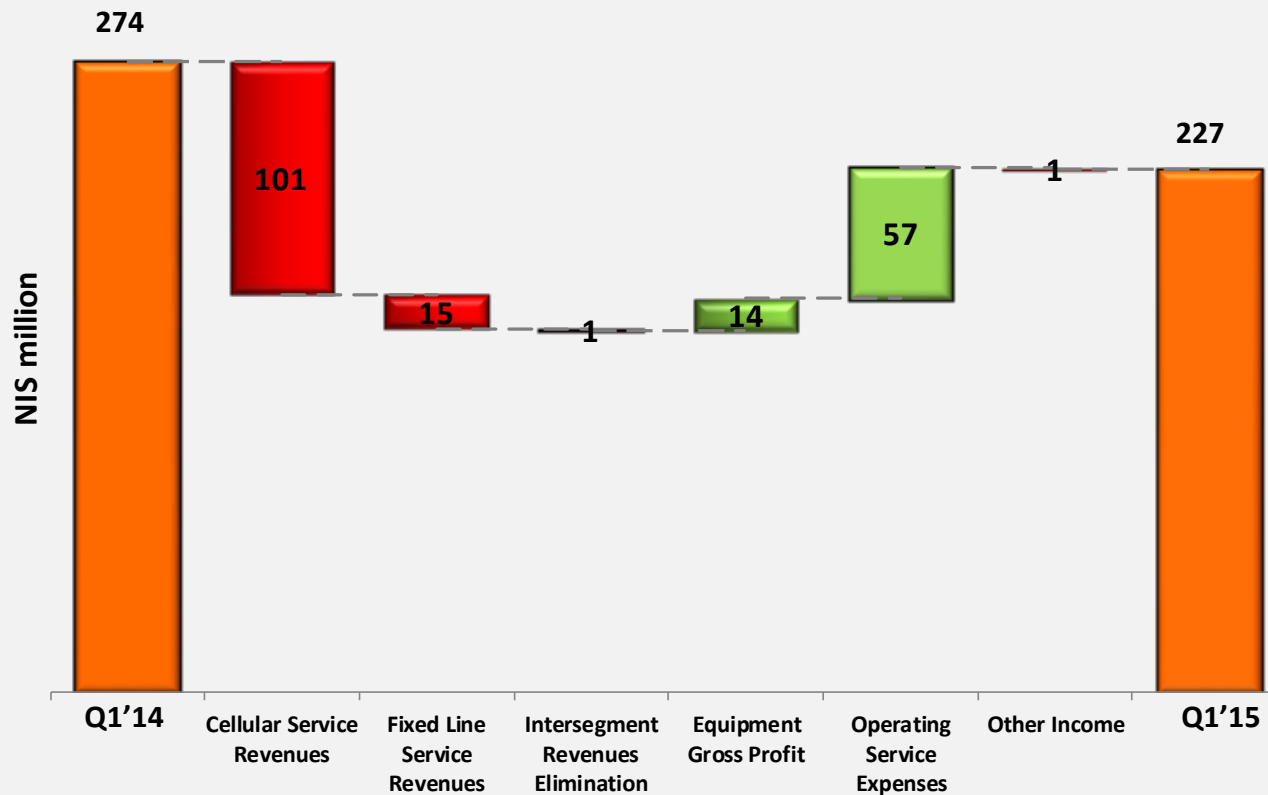
* Other includes amortization of deferred issuance expenses and discount

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

Debt structure (as of March 31, 2015)

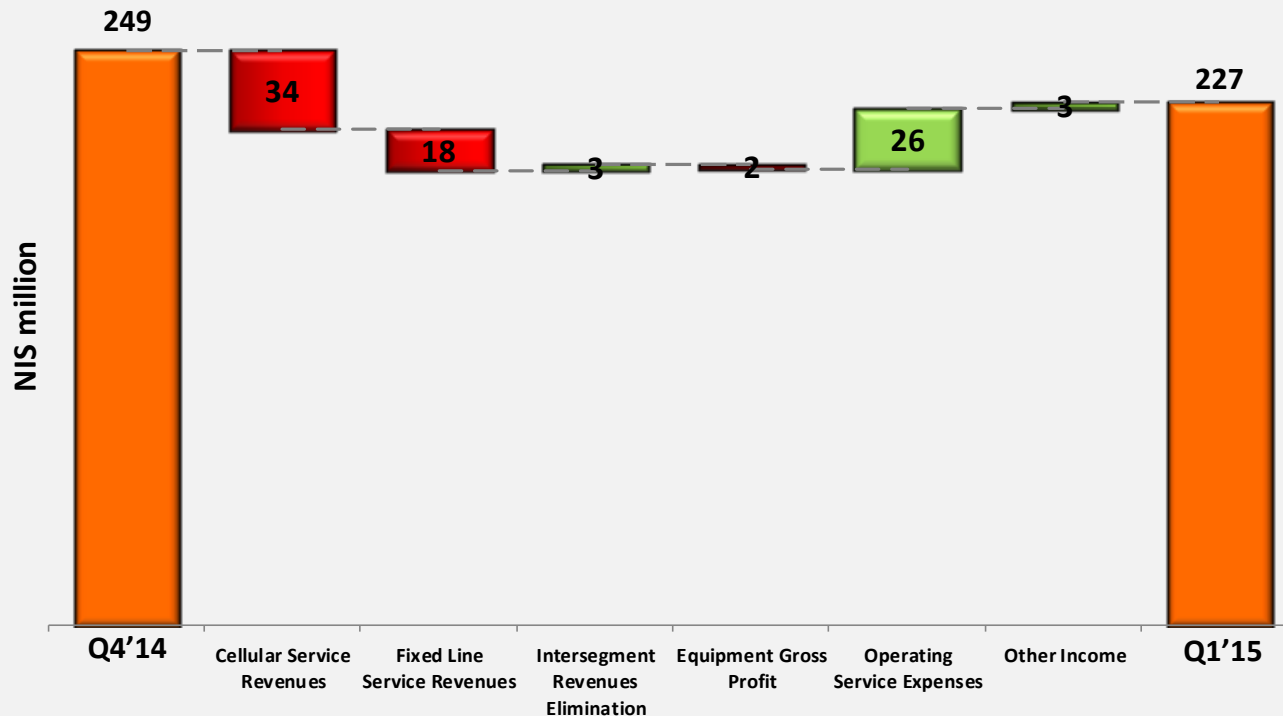
Series	Amount (NIS M)	Coupon	Duration	Linkage	Annual Yield to Maturity (a/o 31/03)
Series B	240	3.4%	1.15	CPI	0%
Series C	692	3.35%	2.6	CPI	0.8%
Series D	546	MAKAM + 1.2%	4.6	Variable interest Makam	1.9%
Series E	561	5.5%	1.7	Fixed	1.4%
Bank debt	1,522				
Offering expenses	(11)				
TOTAL	3,550				

Bridging EBITDA results (Q1'14 vs. Q1'15)



* 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

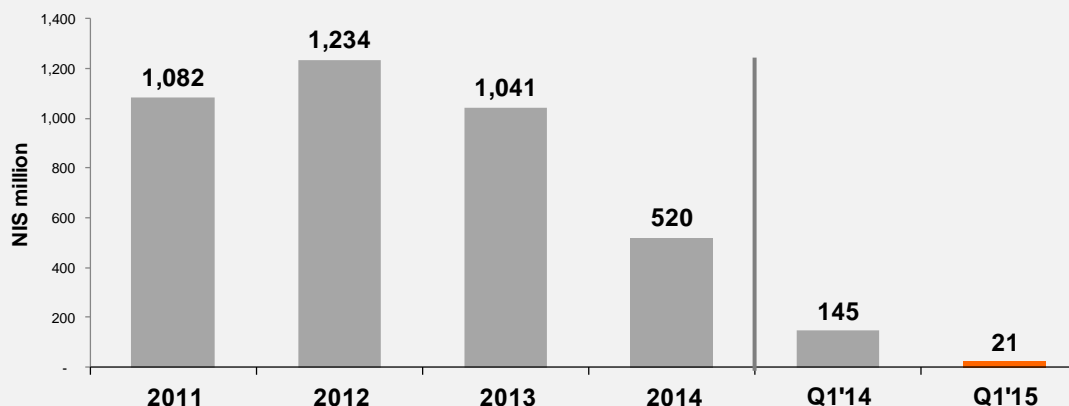
Bridging EBITDA results (Q4'14 vs. Q1'15)



* 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

Balance sheet & cash flow*

Assets	NIS million	Liabilities and Equity	NIS million
Cash and cash equivalents	969	Current maturities of borrowings & notes payable	314
Trade receivables and other	1,040	Trade payables	716
Inventories	93	Other current liabilities	275
Total Current Assets	2,102	Total Current Liabilities	1,305
Trade receivables and other	575	Long term borrowings & notes payable	3,236
Property and equipment	1,585	Other liabilities	108
Goodwill	407	Total Long-term Liabilities	3,344
Intangible assets	1,048	Equity	1,068
Total Long-term Assets	3,615		
Total Assets	5,717	Total Liabilities and Equity	5,717



- Balance sheet as of March 31, 2015. 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.

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Strong execution – continued investment in the business	<ul style="list-style-type: none">▪ Best network, widest 4G coverage▪ No. 1 in customer service▪ Network sharing agreement
Defined strategy to meet market challenges	<ul style="list-style-type: none">▪ Growth engines – equipment revenues, value added services, TV, wholesale market, monetizing data consumption▪ Transforming into a complete telecom group (opportunity to bundle)▪ Successful two-brand strategy▪ Operational efficiencies & excellence▪ Technology leadership
Financial strength	<ul style="list-style-type: none">▪ Reducing debt▪ Continued efficiency measures
Value-added controlling shareholder	<ul style="list-style-type: none">▪ Expertise in media, entertainment and telecommunications▪ Long term, growth-oriented, perspective

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