

The future is bright.
The future is orange



Company Presentation & Q2'14 Update



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

The future is bright. The future is orange™

Strong execution – continued investment in the business

- Most advanced network
- No. 1 in customer service
- Network sharing agreement
- Best company to work for

Defined strategy to meet market challenges

- Growth engines – equipment revenues, value added services, television, wholesale market
- Successful two-brand strategy
- Operational efficiencies & excellence
- Technology leadership

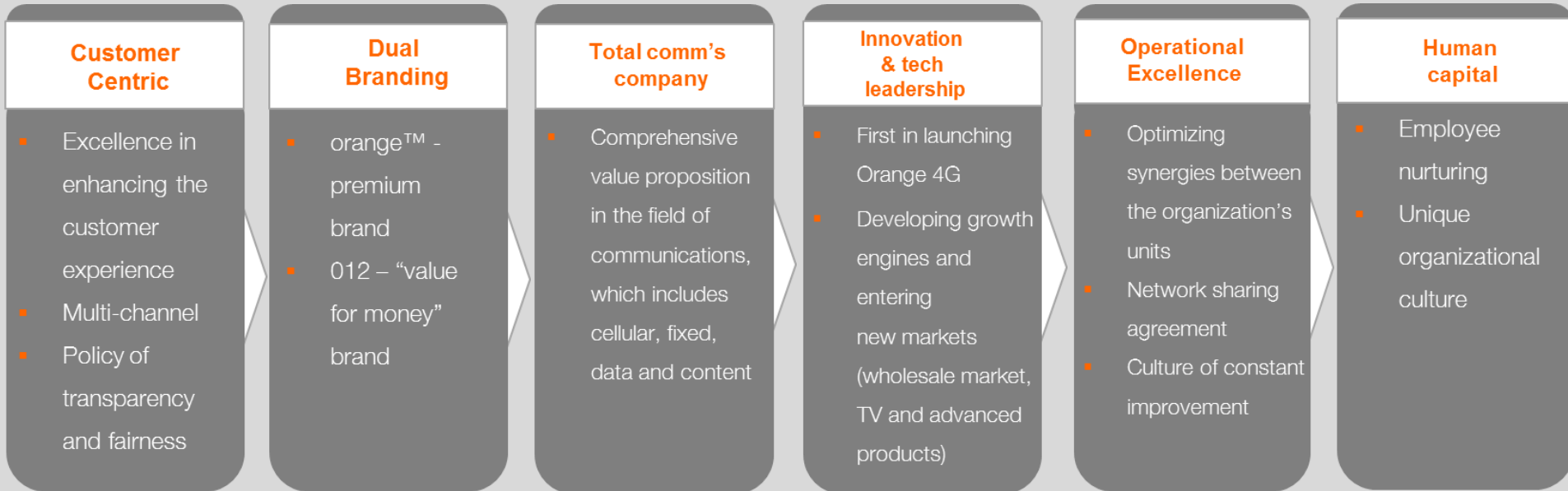
Financial strength

- Reducing debt
- Efficiency measures

Value-added controlling shareholder

- Expertise in media, telecom and entertainment
- Long term perspective

Our strategy

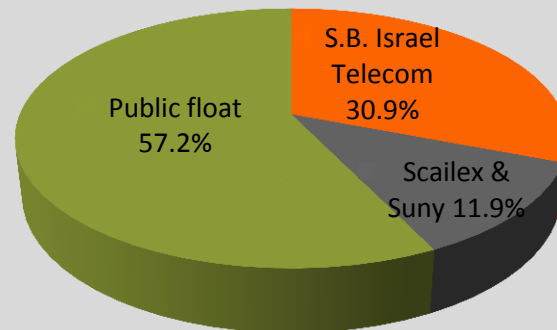


Future savings from network sharing agreement with HOT Mobile

- 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 NSA business model is implemented

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); Sky Vision (Indonesia's largest Pay TV platform) 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 July 31, 2014

* Public float includes Phoenix-Excellence Group (6.84%) and Psagot Investment House (5.05%)

Market overview

Highly competitive cellular market

2011



2014



Industry update – main regulatory issues*

Wholesale market	Ability to competitively provide broadband infrastructure
LTE tender	Ability to purchase sufficient bandwidth to provide quality 4G services
TV / Schejter Committee	Ability to competitively provide TV services
International calls	Proposed regulation may decrease the number of international calls routed through 012 and adversely impact revenues
Premium calls	New regulation sets price limitations and requires opting in which may negatively impact revenues (effective Oct. 2014)
IBC fiber optic project	At early stage of development Current model – does not allow for volume discount

10 * Please see the Company's 2013 Annual Report filed with the SEC and the associated press release of March 10, 2014, and all subsequent filings for a complete update on regulatory matters and associated risks



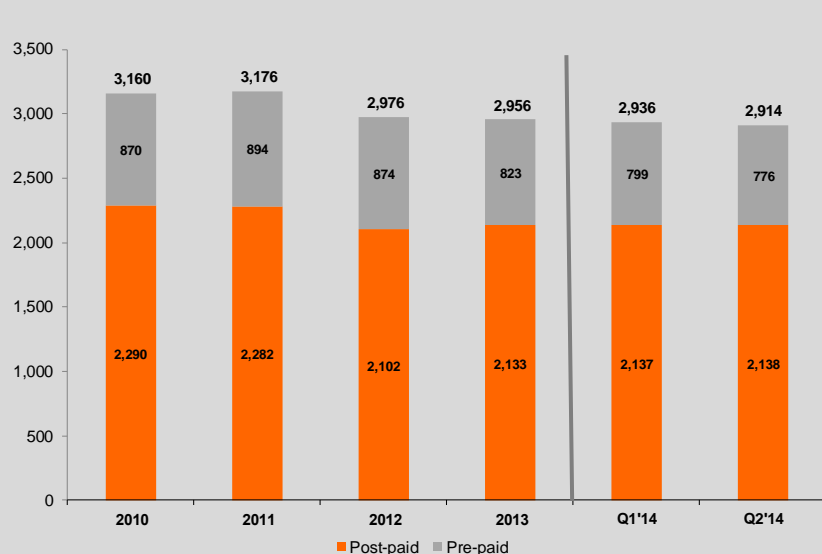
Quarterly update

Q2 2014 highlights

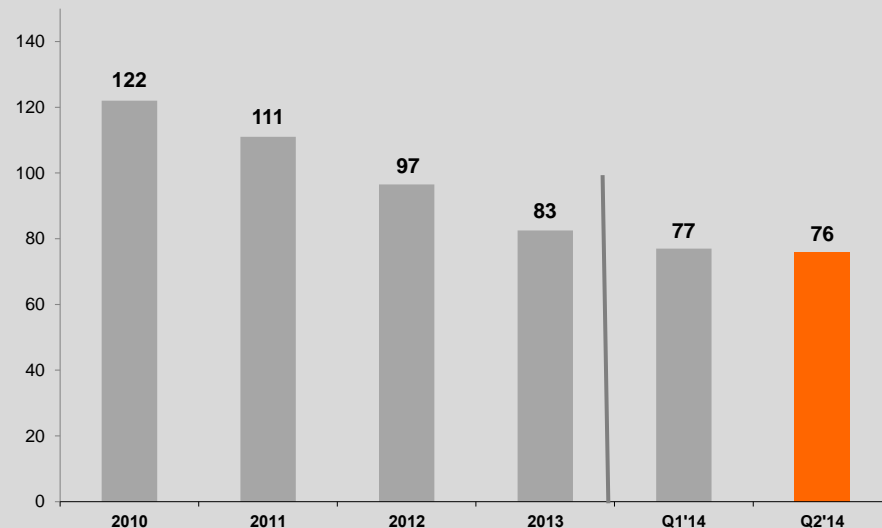
	<u>Q2' 14</u>	<u>Q2' 13</u>	<u>YoY change</u>
Total revenue (NIS, M)	1,087	1,130	-4%
Service revenue (NIS, M)	862	950	-9%
Equipment revenue (NIS, M)	225	180	+25%
EBITDA (NIS, M)	291	280	+4%
EBITDA margin	27%	25%	+2 ppt
Net income (NIS, M)	46	20	+130%
Free cash flow (NIS, M)	192	287	-33%
Cellular ARPU (NIS)	76	83	-8%
Quarterly churn rate	11.4%	9.4%	+2 ppt

Challenging market environment

Cellular subscribers (in thousands)

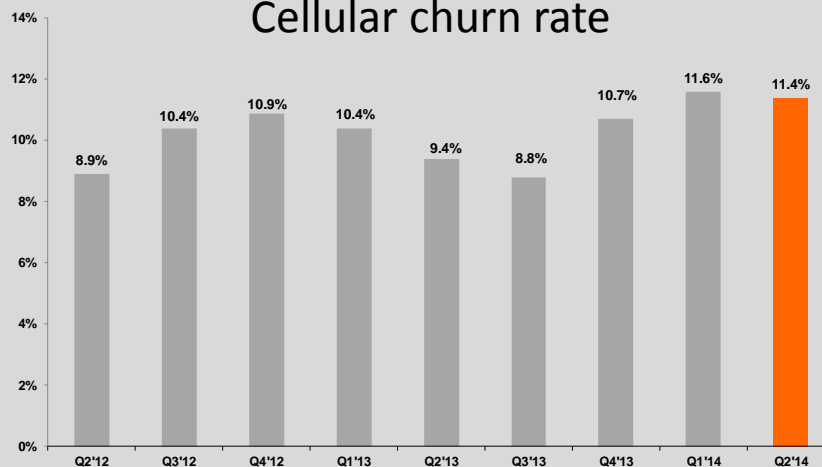


Cellular ARPU (in NIS)

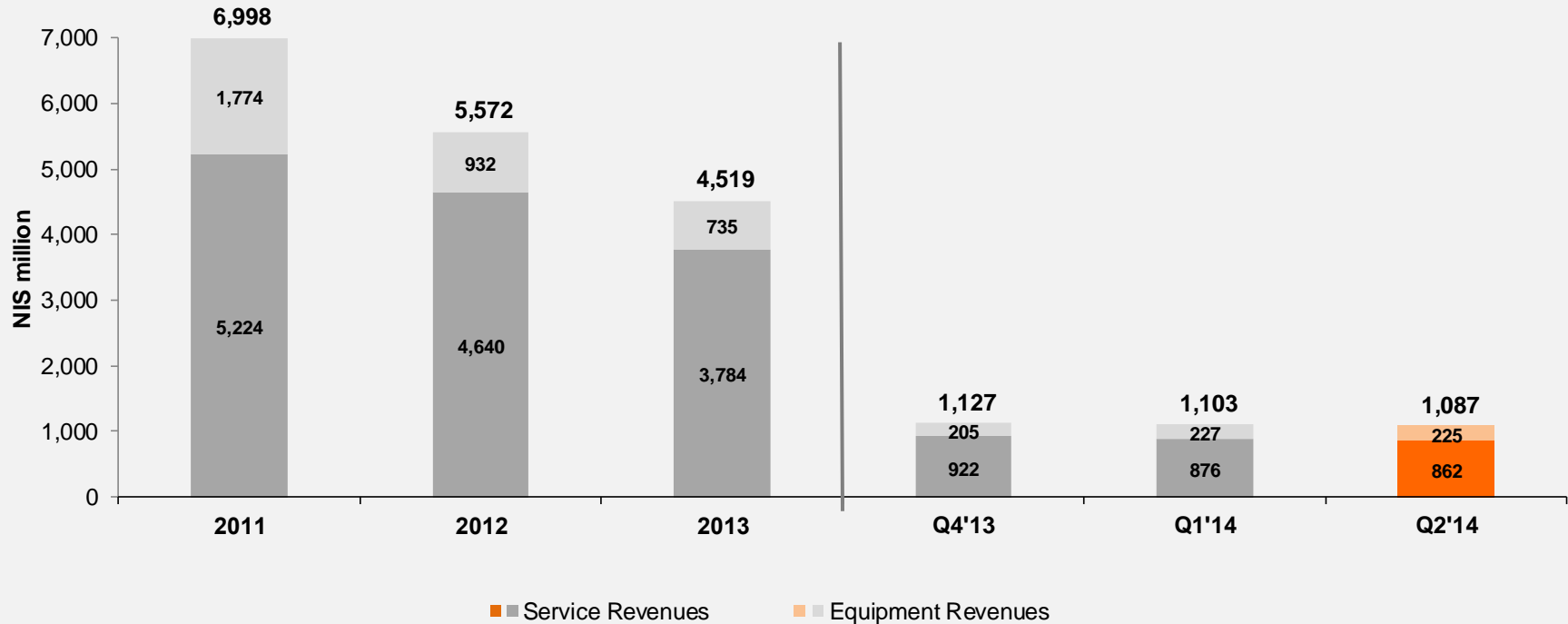


* Cellular subscribers at the end of the period.

Cellular churn rate

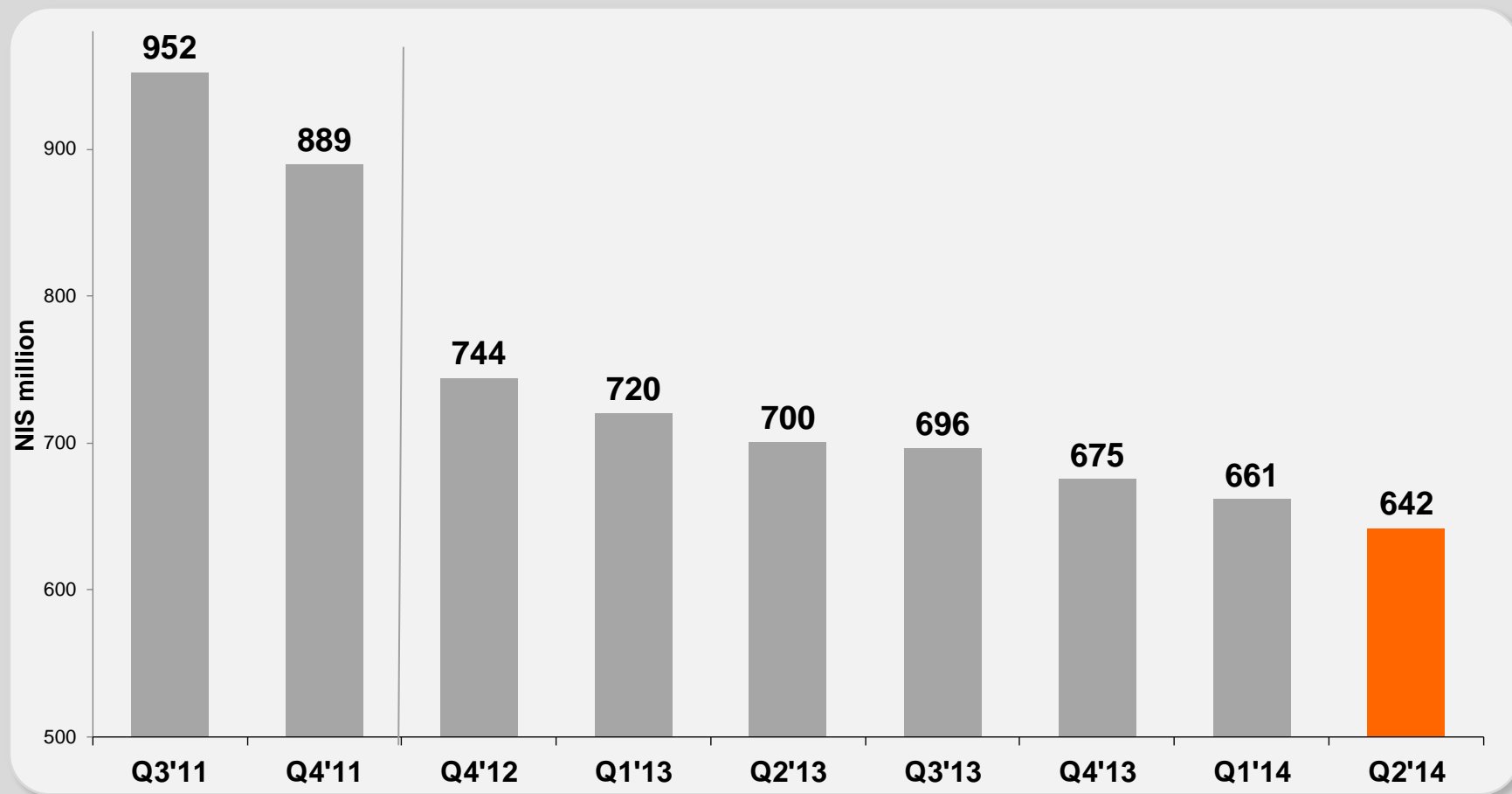


Diversifying revenue sources



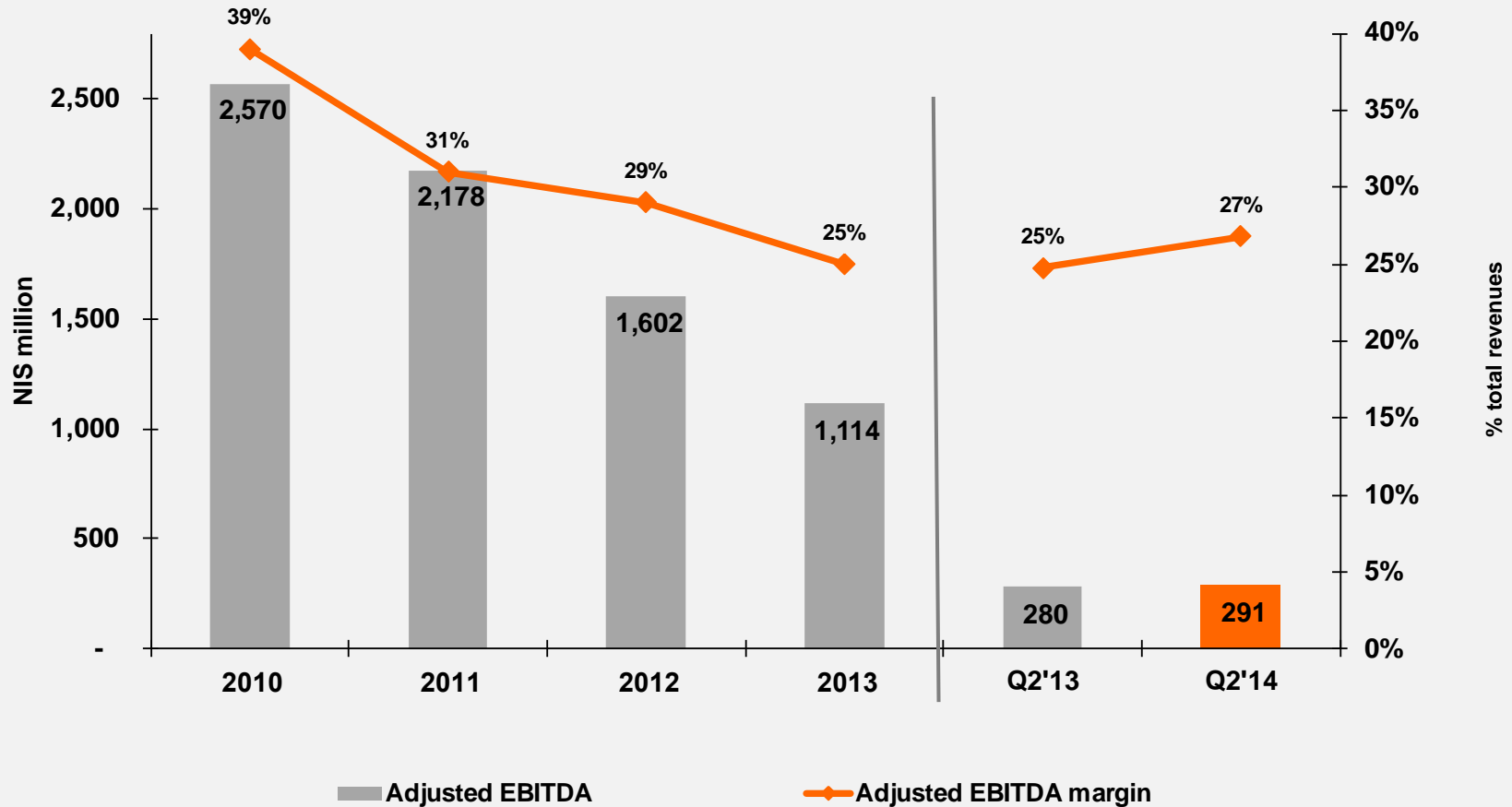
Results include 012 Smile from March 2011

Successful implementation of efficiencies



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

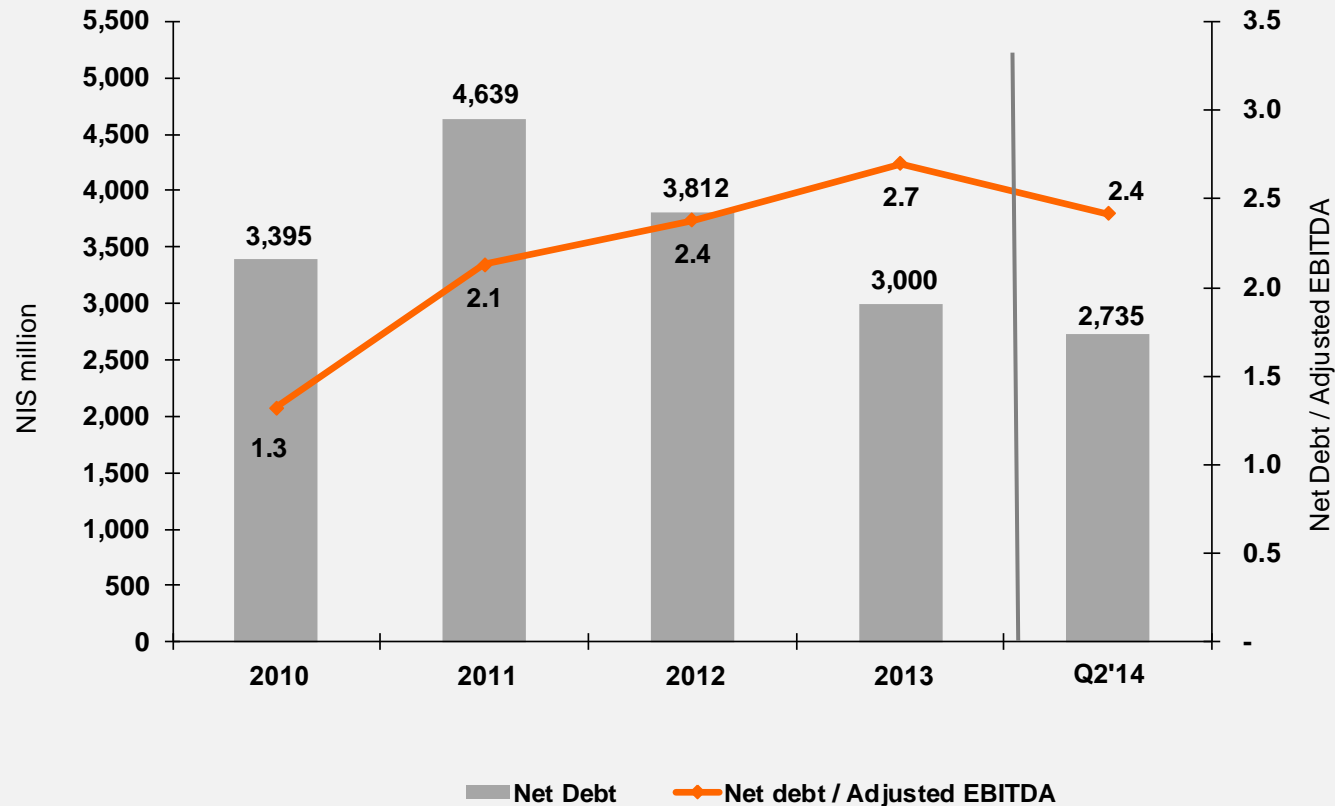
EBITDA* & EBITDA margin



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

Cutting debt **levels**



* 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

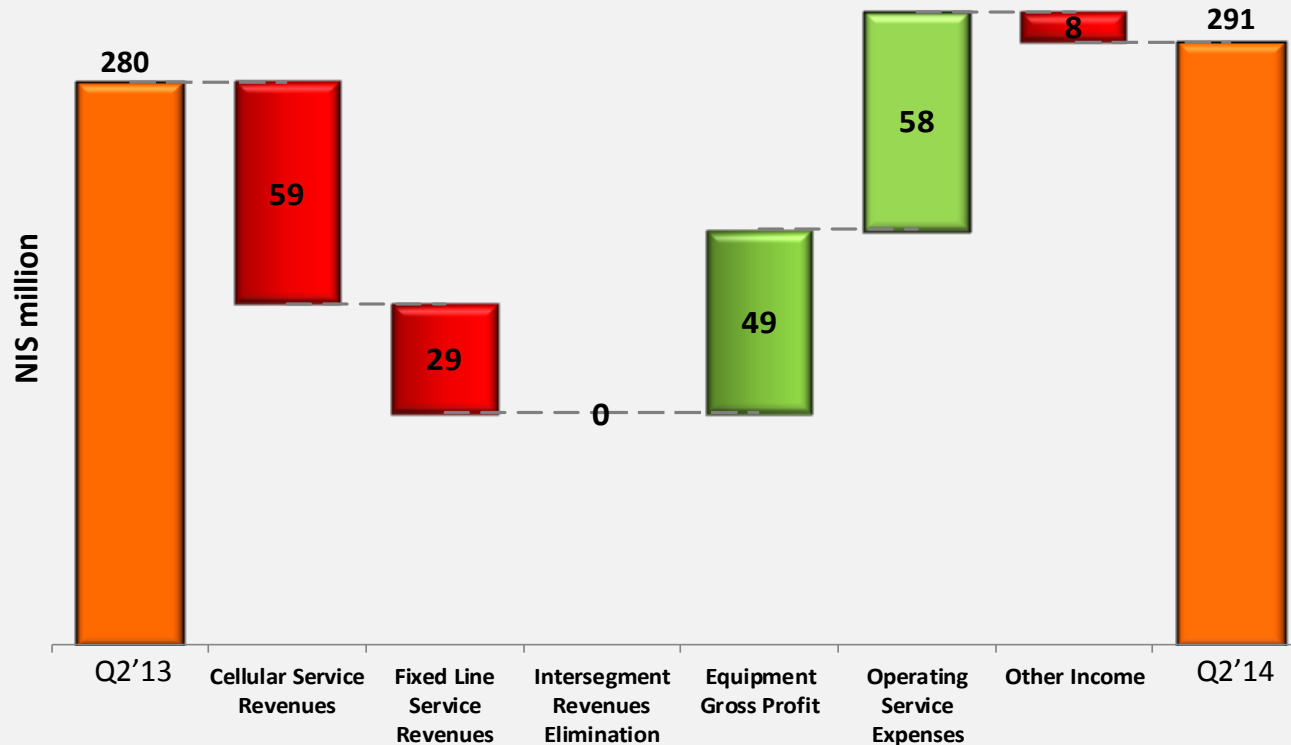
Debt **Structure** (as of June 30, 2014)

Series	Amount (NIS M)*	Coupon	Duration	Linkage	Annual Yield to Maturity (a/o 6/30)
Series B	365	3.4%	1.4	CPI	0.8%
Series C	702	3.35%	3.4	CPI	1.0%
Series D	546	MAKAM + 1.2%	5.2	Variable interest Makam	2.2%
Series E	748	5.5%	1.9	Fixed	1.8%
Bank debt	1,032				
TOTAL	3,393				

* Excluding offering expenses and discounts

Addressing impact of price erosion

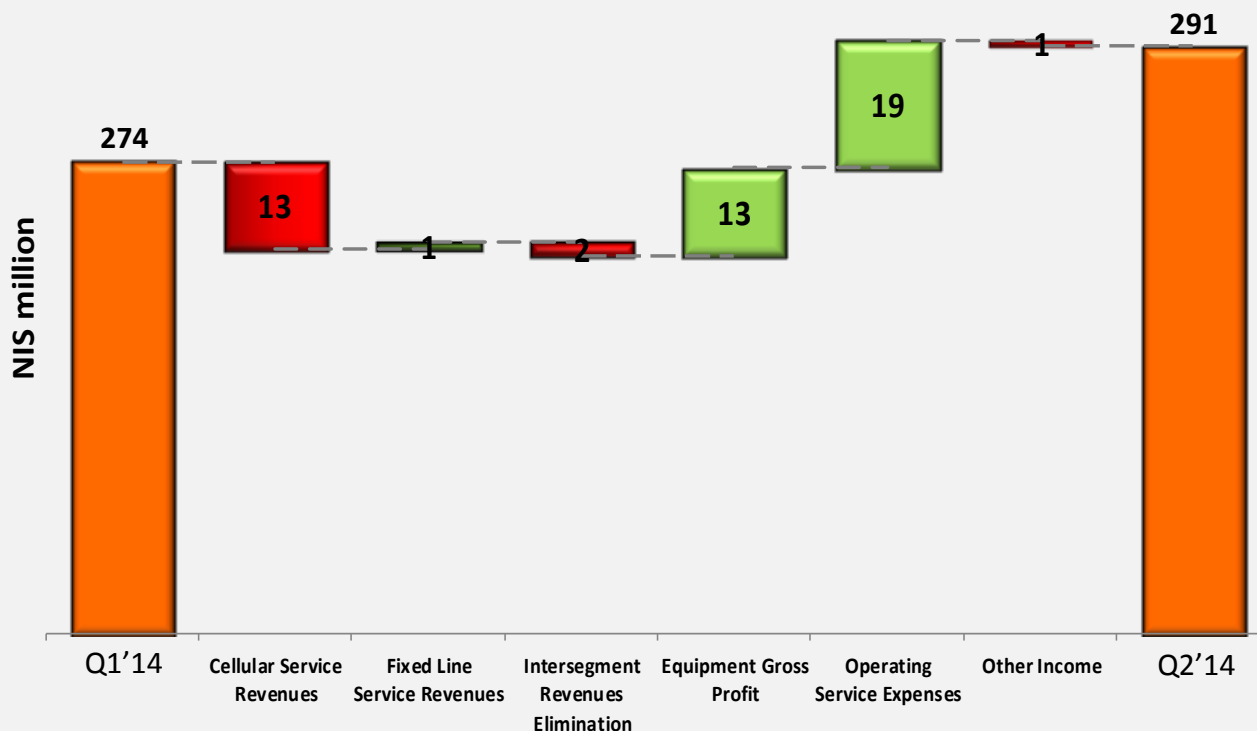
Adjusted EBITDA* evolution Q2'13 vs. Q2'14



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Addressing impact of price erosion

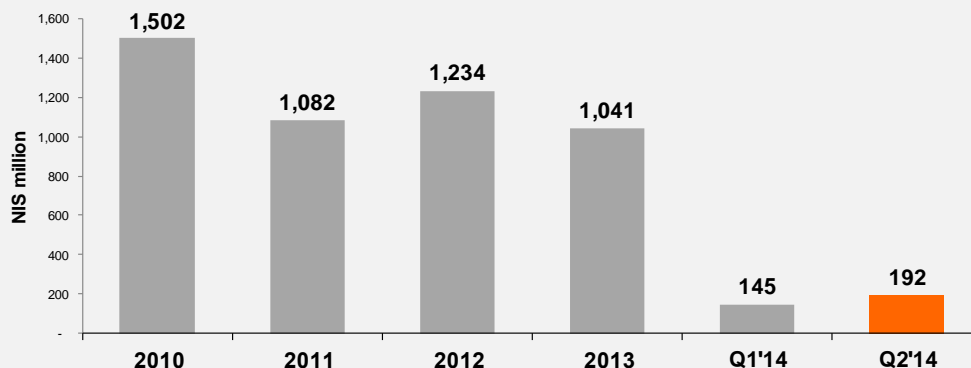
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Solid balance sheet & cash flow*

Assets	NIS million	Liabilities and Equity	NIS million
Cash and cash equivalents	643	Current maturities of Notes payables and loans	308
Trade receivables and other	1,025	Trade payables	733
Inventories	99	Other current liabilities	267
Total Current Assets	1,767	Total Current Liabilities	1,308
Trade receivables and other	468	Long term borrowings	3,070
Property and equipment	1,678	Other liabilities	92
Goodwill	407	Total Long-term Liabilities	3,162
Intangible assets	1,124	Equity	974
Total Long-term Assets	3,677		
Total Assets	5,444	Total Liabilities and Equity	5,444



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

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