

Partner Communications Company Ltd.



Company Presentation

Q4 and Annual 2013 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 Strategic Direction

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

Q4 2013 Financial and Operational Highlights

- **Revenues** of NIS 1,127 million (\$ 325 million)
 - **Service Revenues** of NIS 922 million (\$ 266 million)
 - **Equipment Revenues** of NIS 205 million (\$ 59 million)
- **Adjusted EBITDA*** of NIS 282 million (\$ 81 million), 25% of total revenues
- **Net profit** of NIS 46 million (\$ 13 million)
- **Free Cash Flow (before interest):** NIS 278 million (US\$ 80 million)
- **Cellular ARPU:** NIS 81 (\$ 23)
- **Cellular Churn:** 10.7%

* 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.

2013 Financial and Operational Highlights

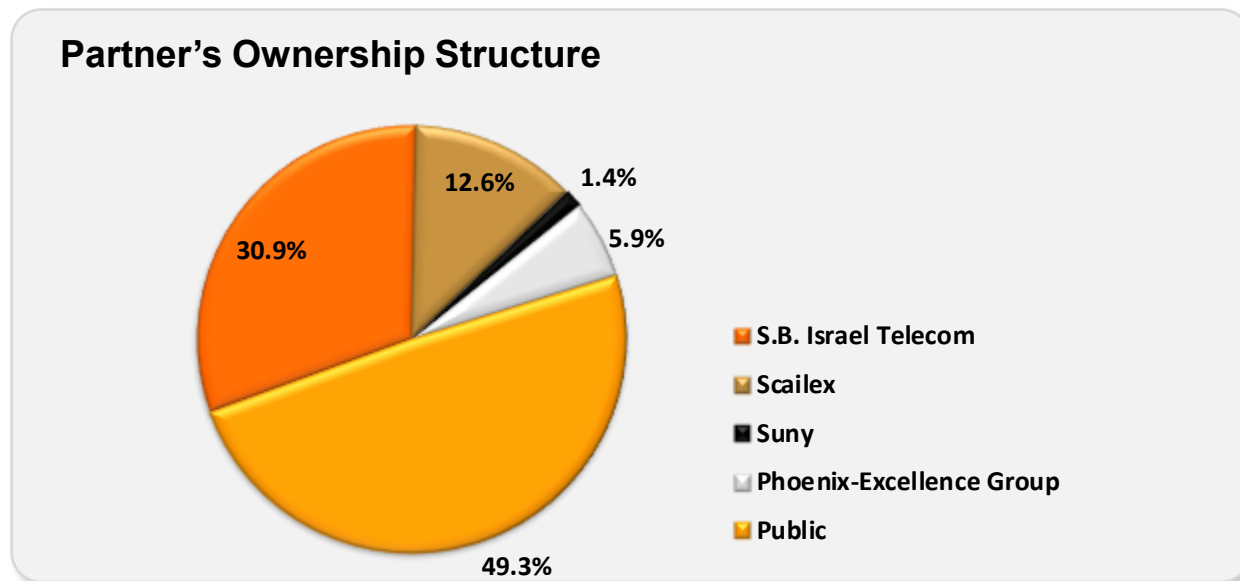
- **Revenues** of NIS 4,519 million (\$ 1,302 million)
 - **Service Revenues** of NIS 3,784 million (\$ 1,090 million)
 - **Equipment Revenues** of NIS 735 million (\$ 212 million)
- **Adjusted EBITDA*** of NIS 1,114 million (\$ 321 million), 25% of total revenues
- **Net profit** of NIS 135 million (\$ 39 million)
- **Free Cash Flow (before interest):** NIS 1,041 million (US\$ 300 million)
- **Cellular ARPU:** NIS 83 (\$ 24)
- **Cellular Churn:** 39.3%

* 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.

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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 January 31, 2014

2. The Israeli Telecommunications Market



Main Regulatory Issues*

Increased competition - two new operators and 11 MVNOs

Fixed line interconnection rate reduced to 0.01 shekel per min. from Dec 2013

Financial sanctions on licensees that violate their license conditions

Wholesale market - MOC published a consultation 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

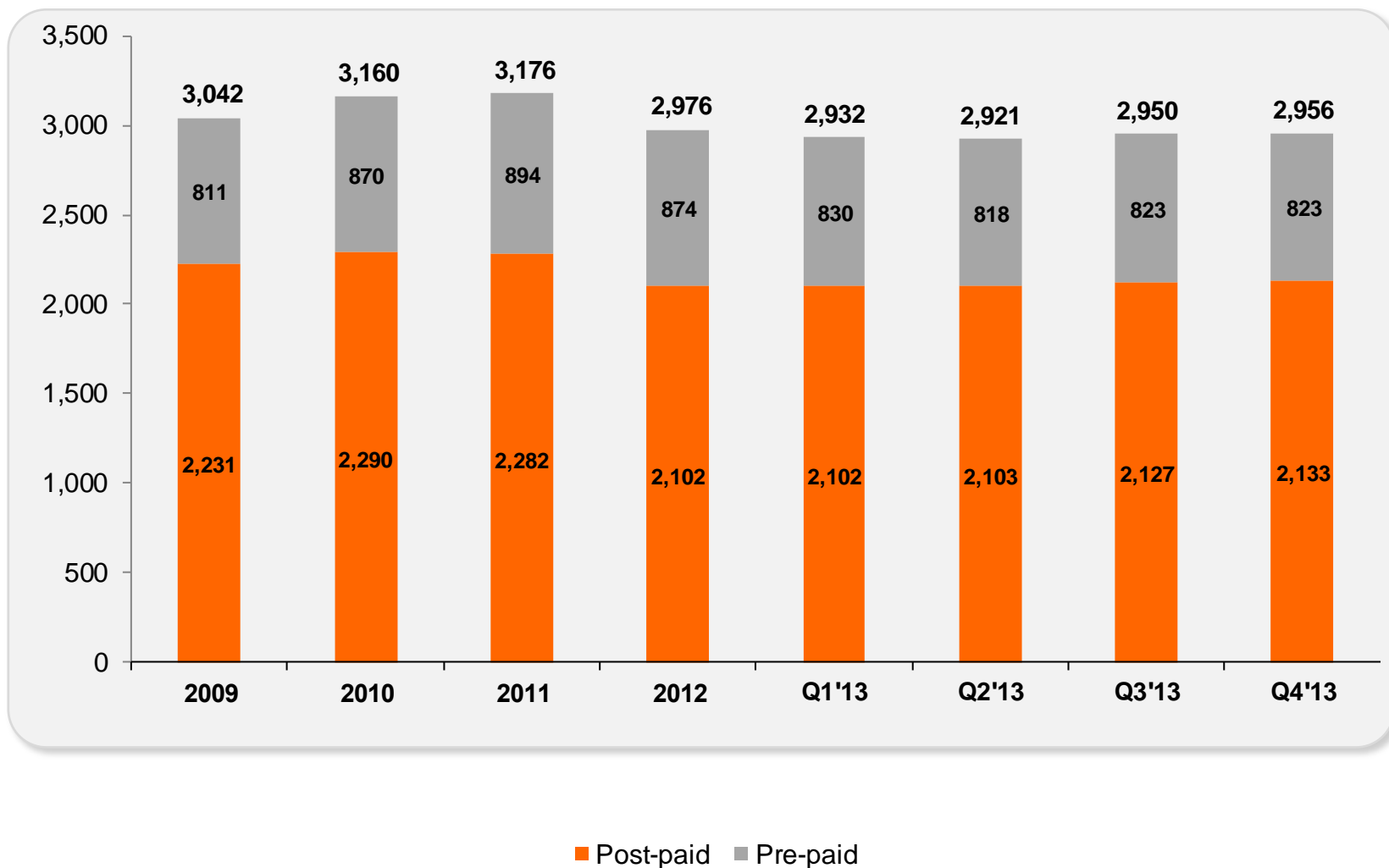
3. Financial and Operational Performance



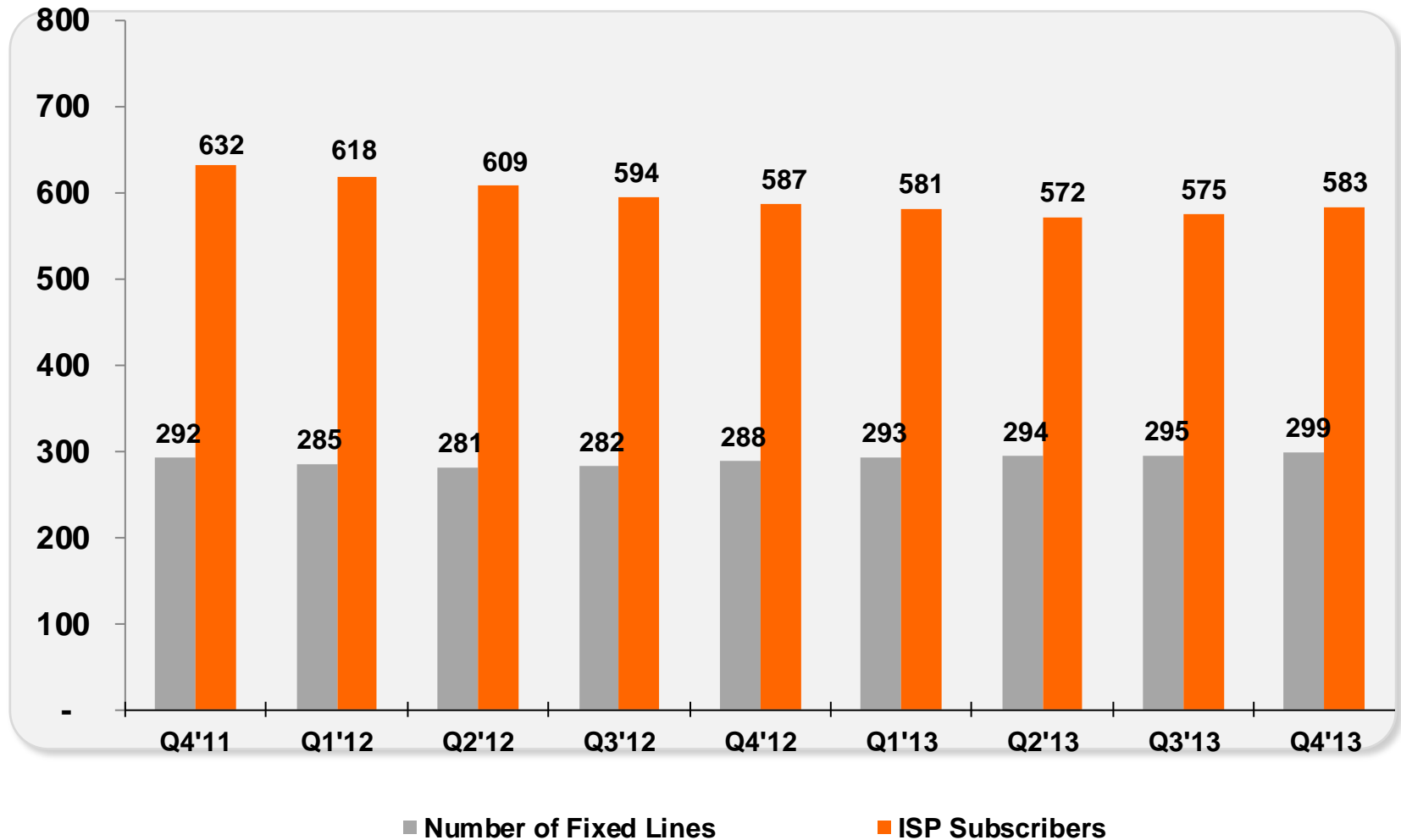
Q4 2013 Financial Highlights

<i>in NIS millions</i>	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2012	2013
Revenues	1,258	1,144	1,130	1,118	1,127	5,572	4,519
Cost of Revenues	969	901	878	861	870	4,031	3,510
Gross Profit	289	243	252	257	257	1,541	1,009
SG&A	160	171	171	167	170	787	679
Other income	26	23	21	19	16	111	79
Operating Profit	155	95	102	109	103	865	409
Financial Costs, net	38	49	71	53	38	234	211
Income Taxes	15	15	11	18	19	153	63
Profit for the Period	102	31	20	38	46	478	135
Adjusted EBITDA*	340	268	280	284	282	1,602	1,114

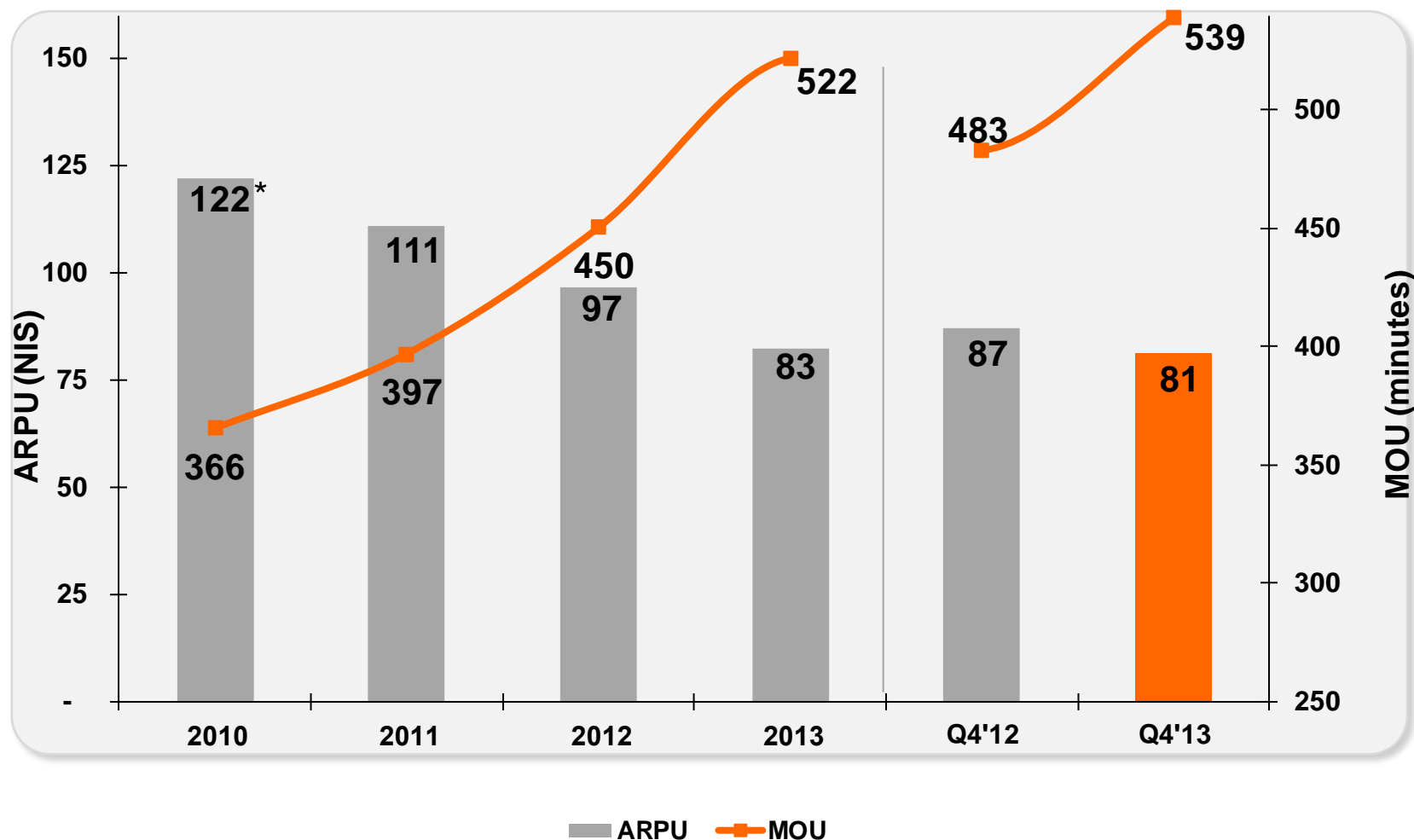
Cellular Subscribers (In thousands)



Fixed Line Subscribers (In thousands)



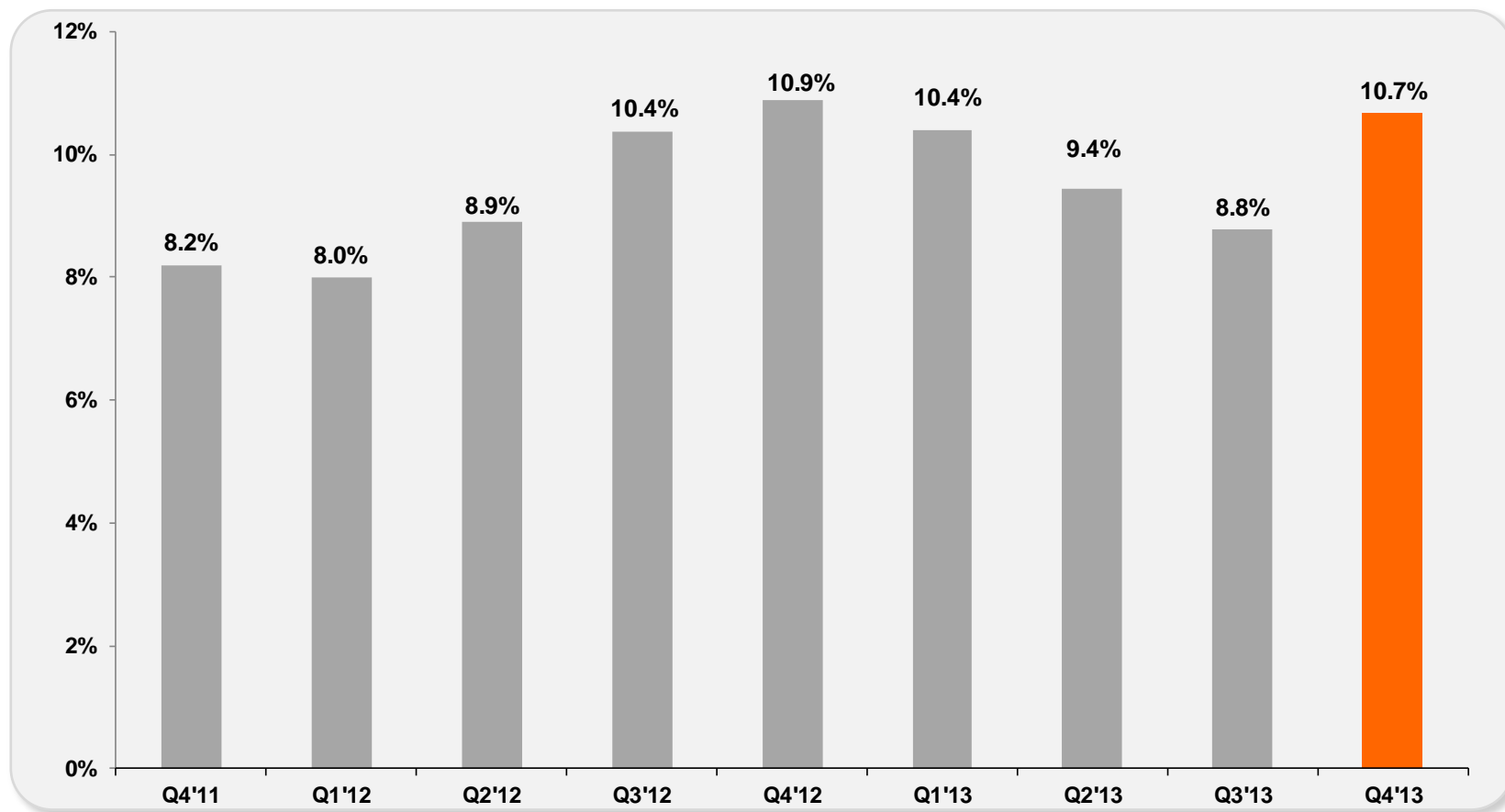
Cellular ARPU and MOU



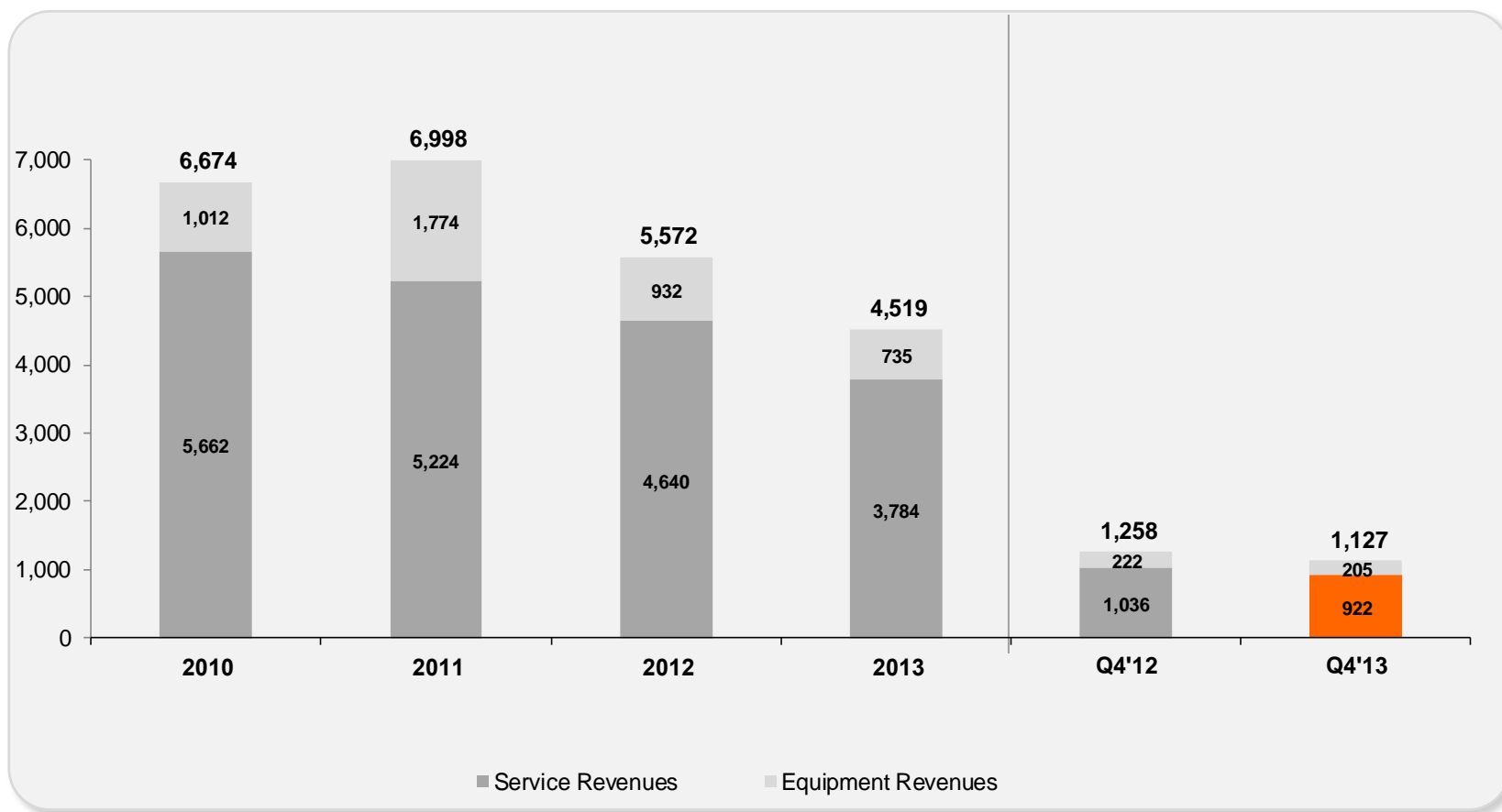
* The ARPU for 2010 has been restated under the interconnect tariff of 2011, for purposes of comparison.

MOU- the Company believes that reporting MOU is no longer relevant to understanding the results of operation, and therefore the Company will no longer report MOU in future results releases.

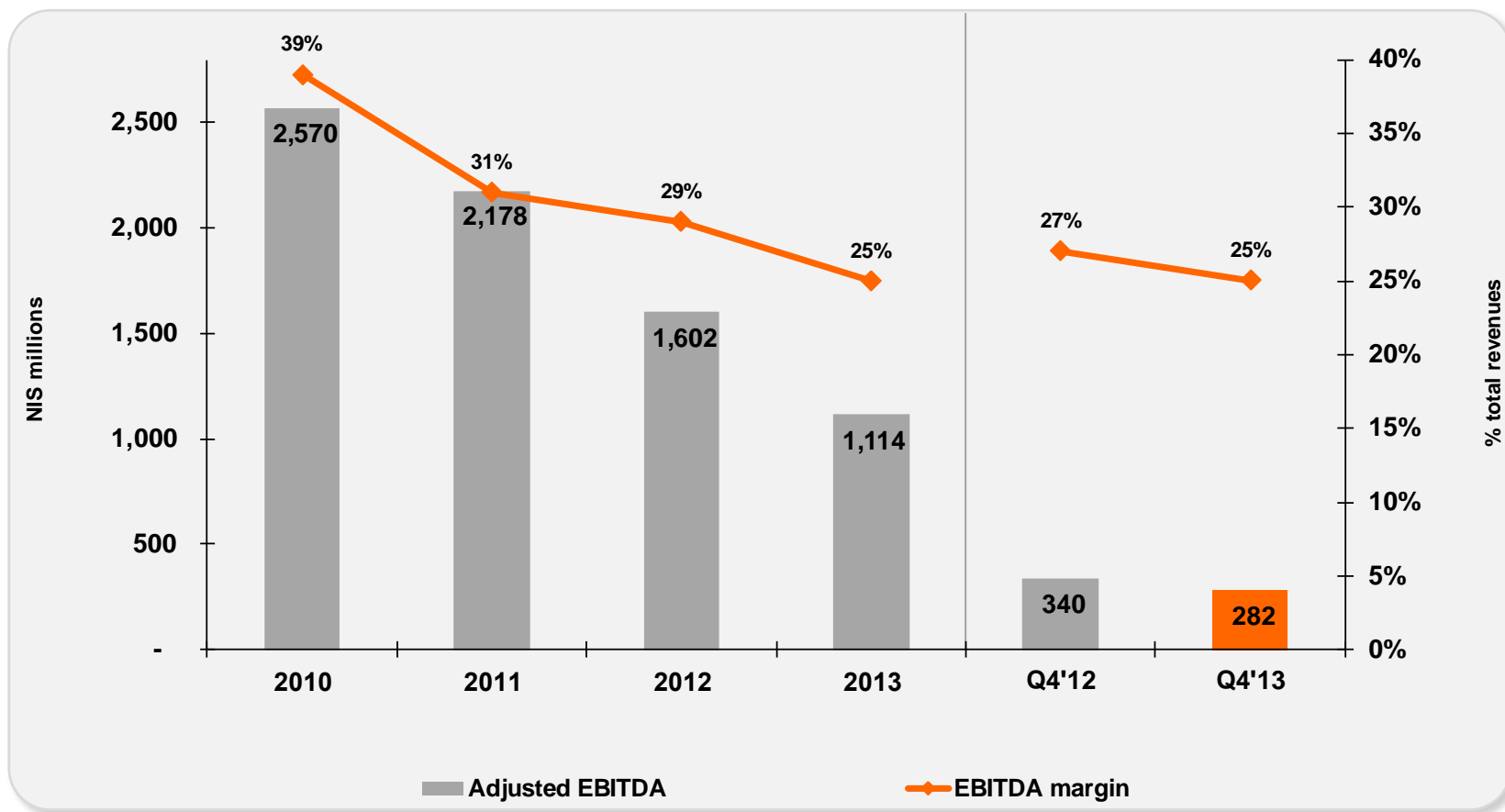
Quarterly Cellular Churn Rate



Total Revenues (In million NIS)

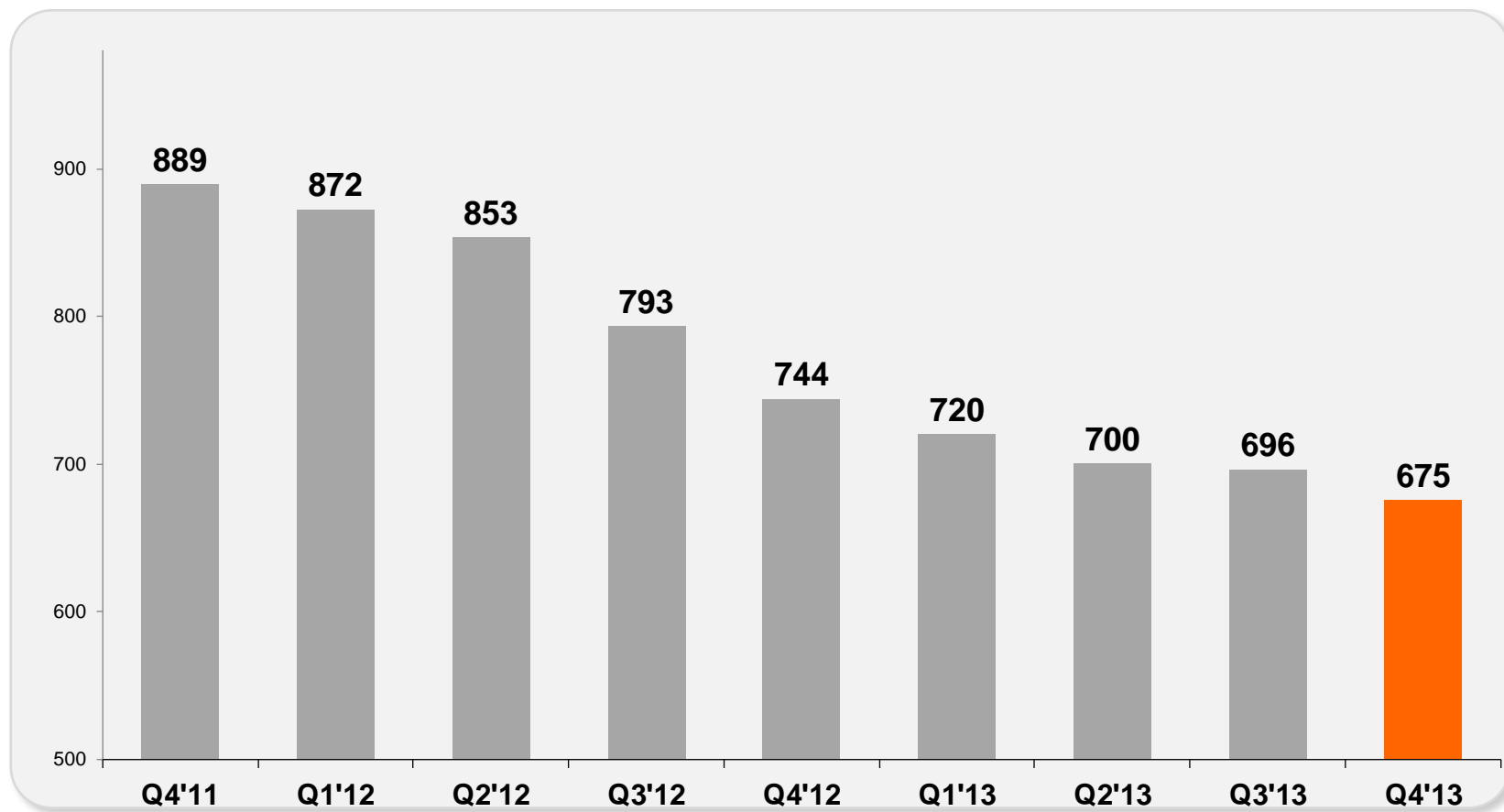


Adjusted EBITDA* (In million NIS)

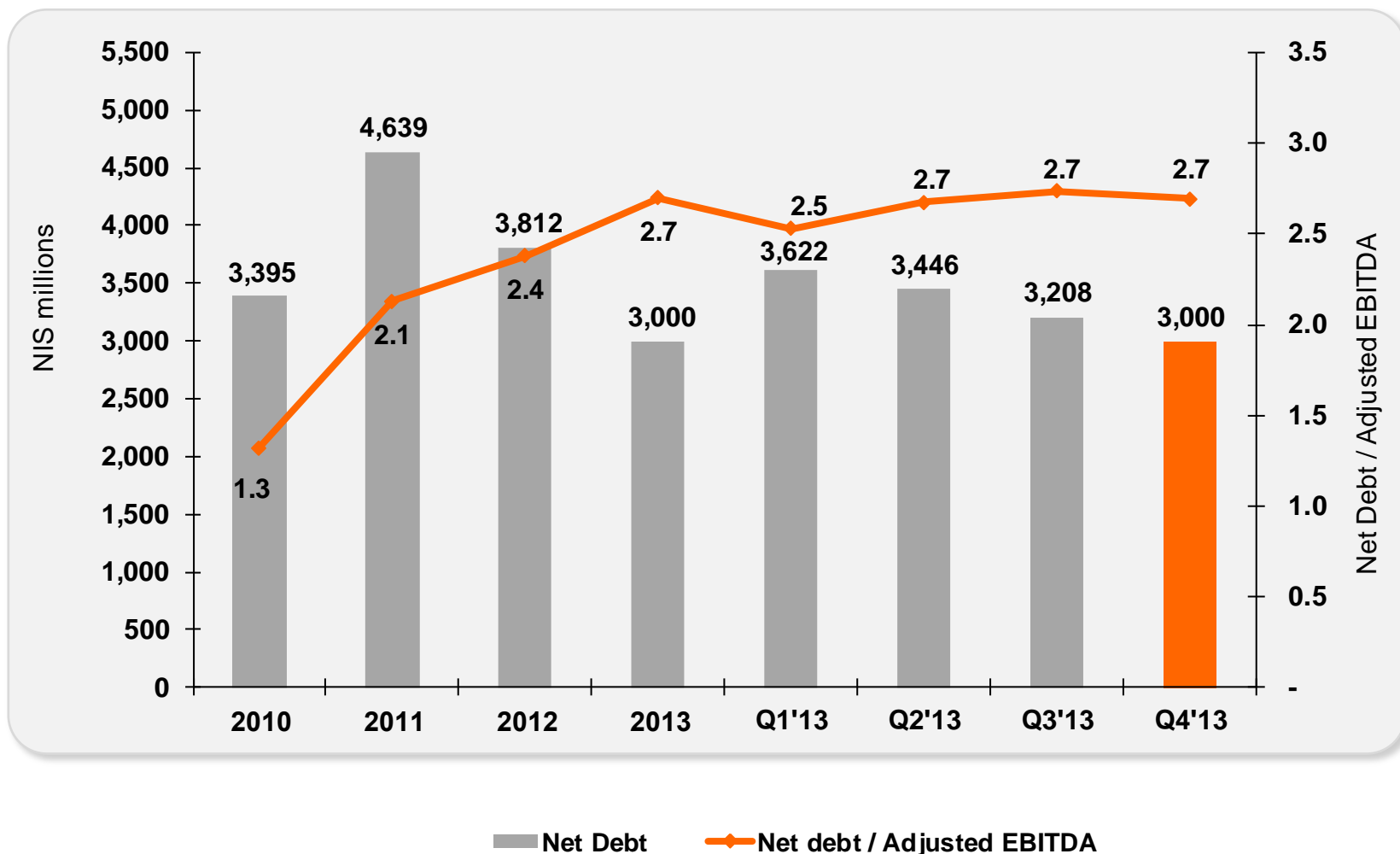


* Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to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



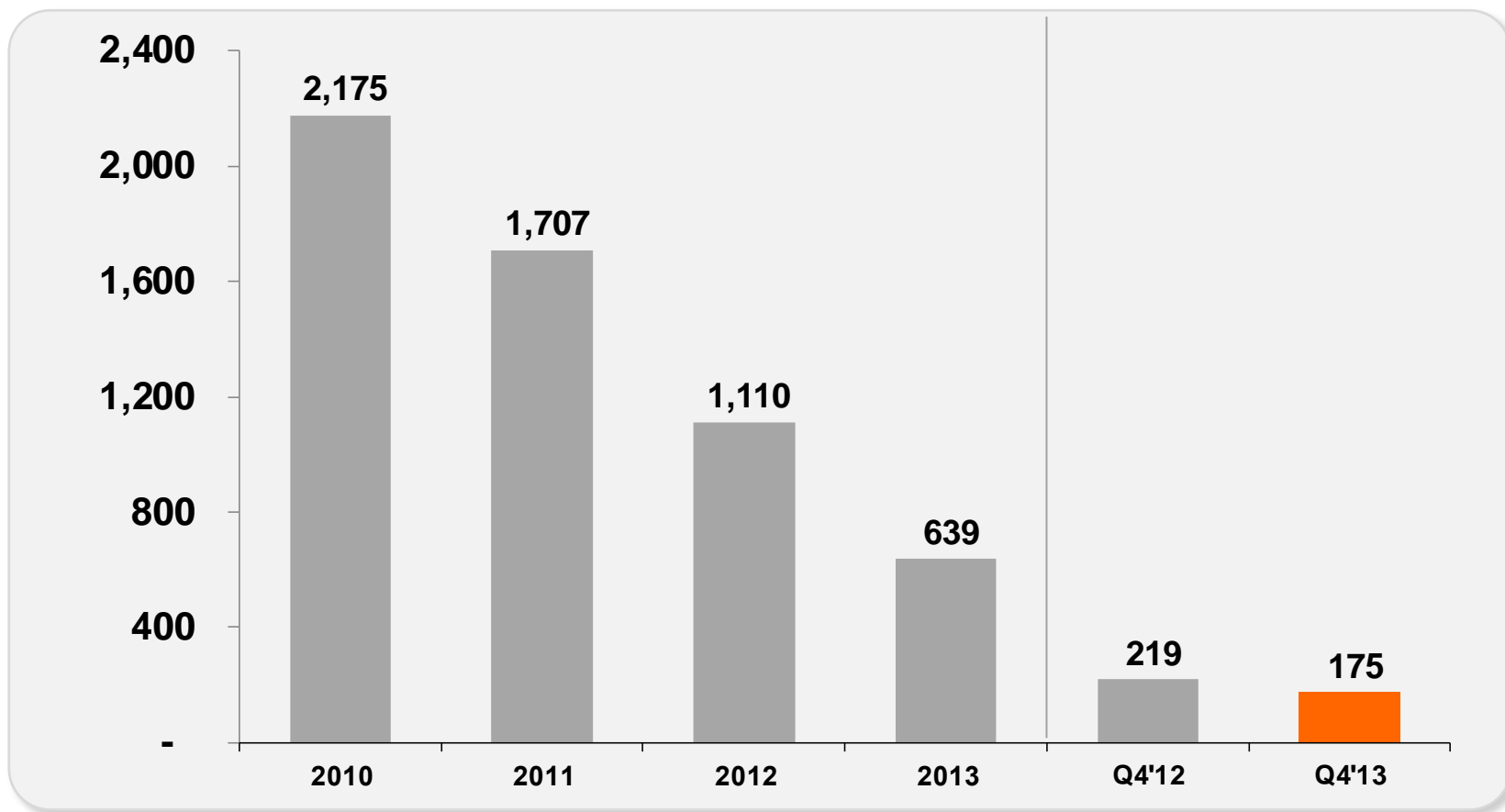
Net Debt / Adjusted EBITDA*



* 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

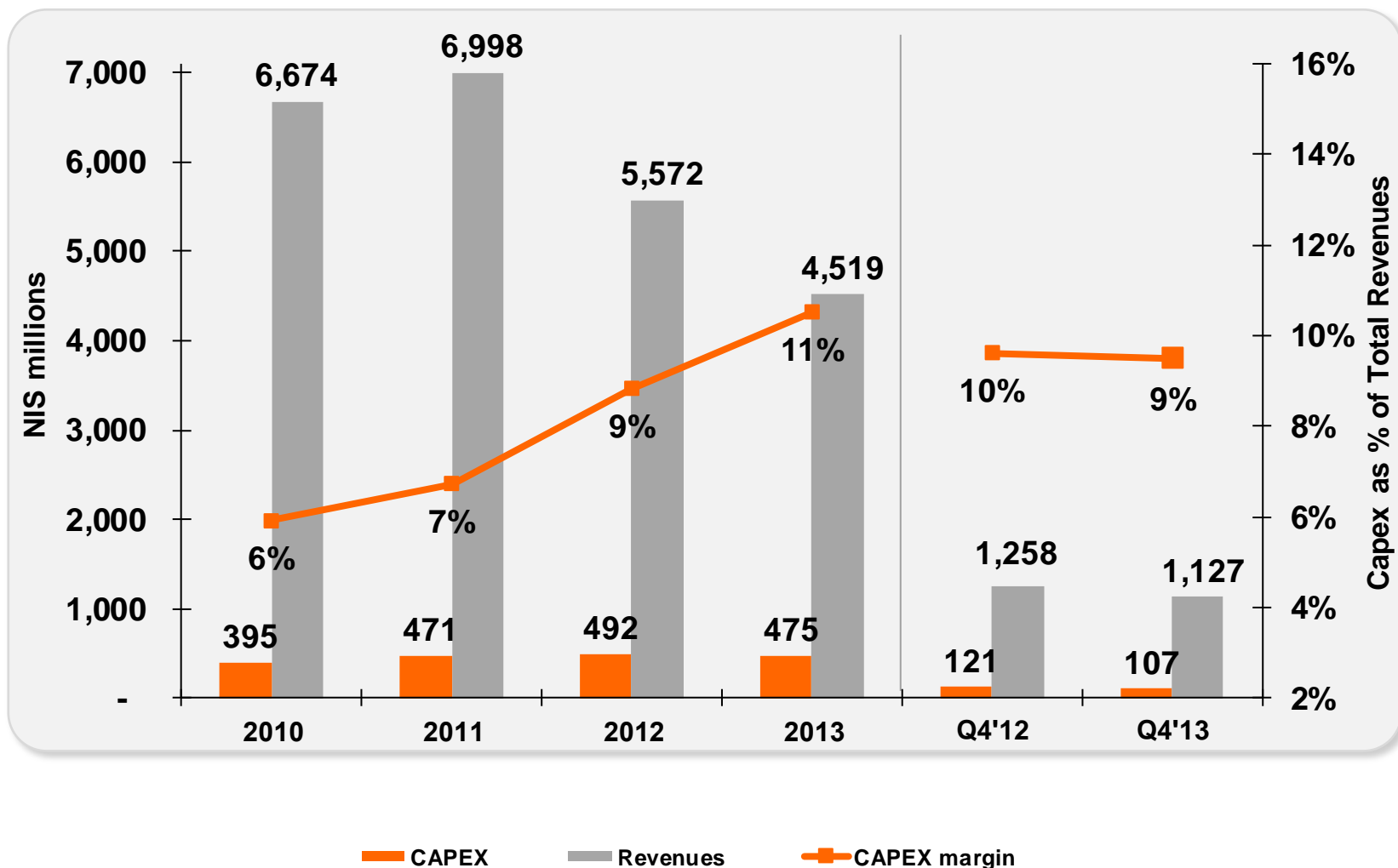
Adjusted EBITDA - CAPEX* (In million NIS)



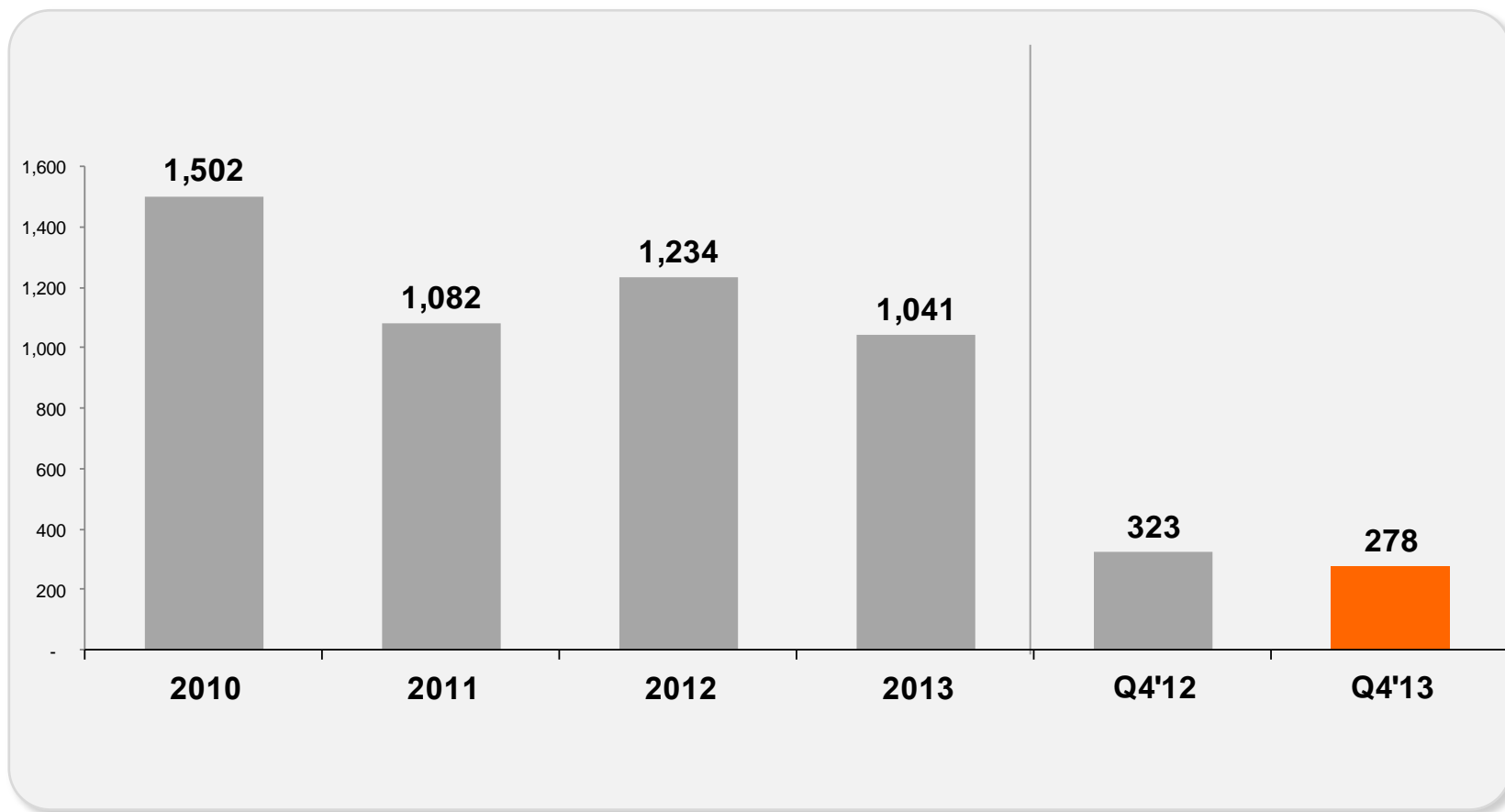
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Cash capital expenditures in fixed assets including intangible assets but excluding capitalized subscriber acquisition and retention costs, net.

CAPEX* / Revenues

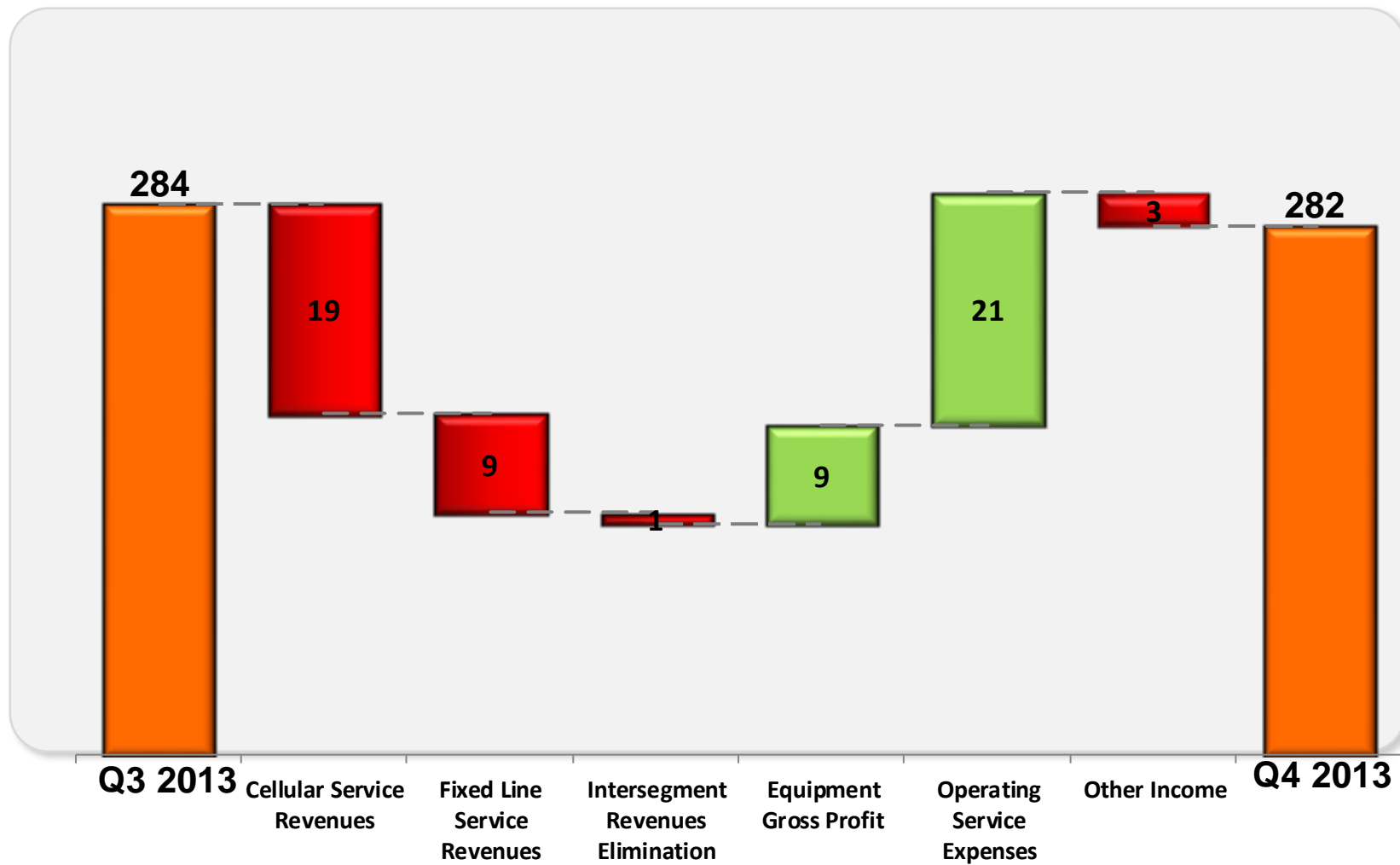


Free Cash Flow* (In million NIS)



Adjusted EBITDA Evolution Q3'13-Q4'13

(In million NIS)

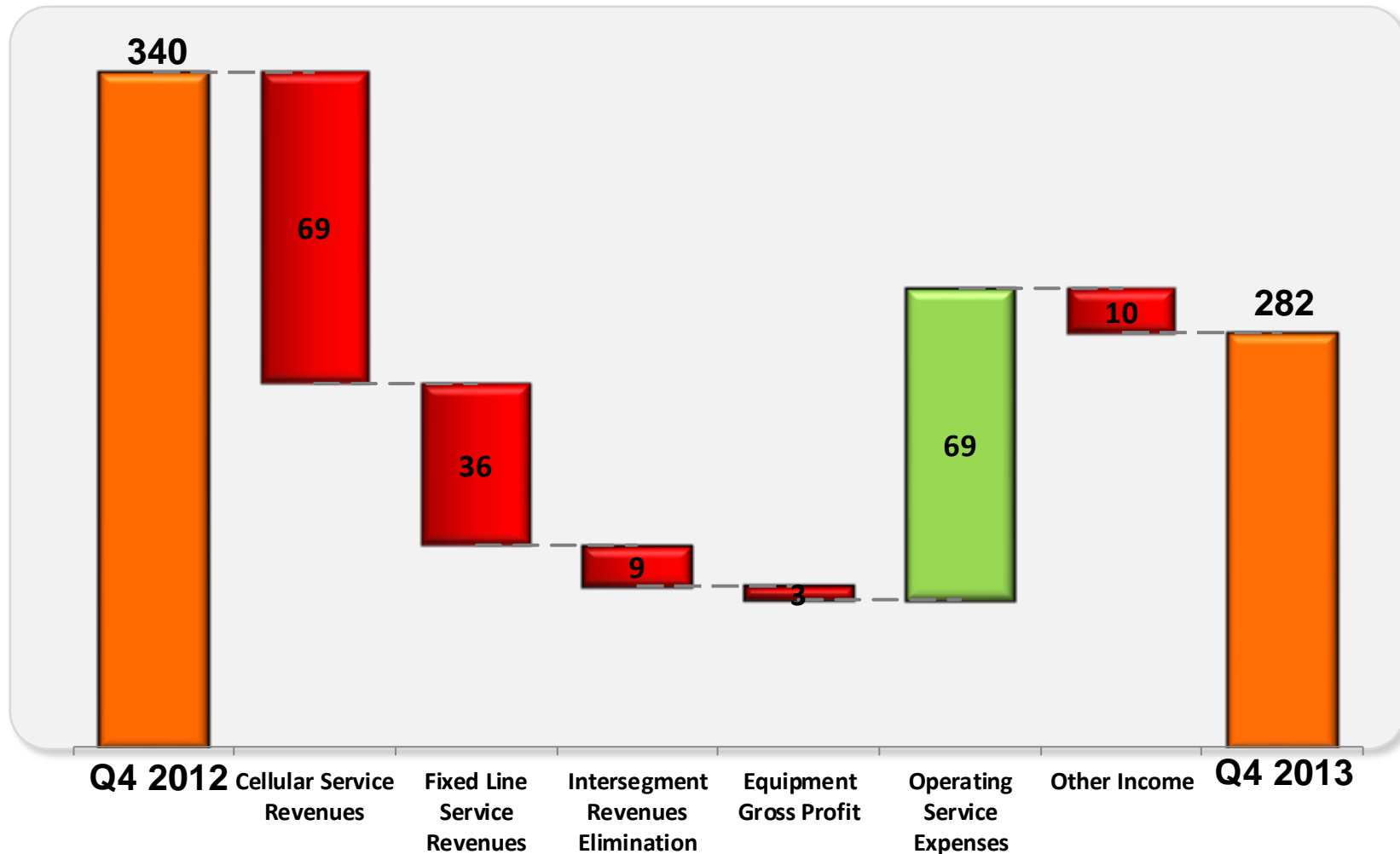


Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to the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

Adjusted EBITDA Evolution Q4'12-Q4'13

(In million NIS)

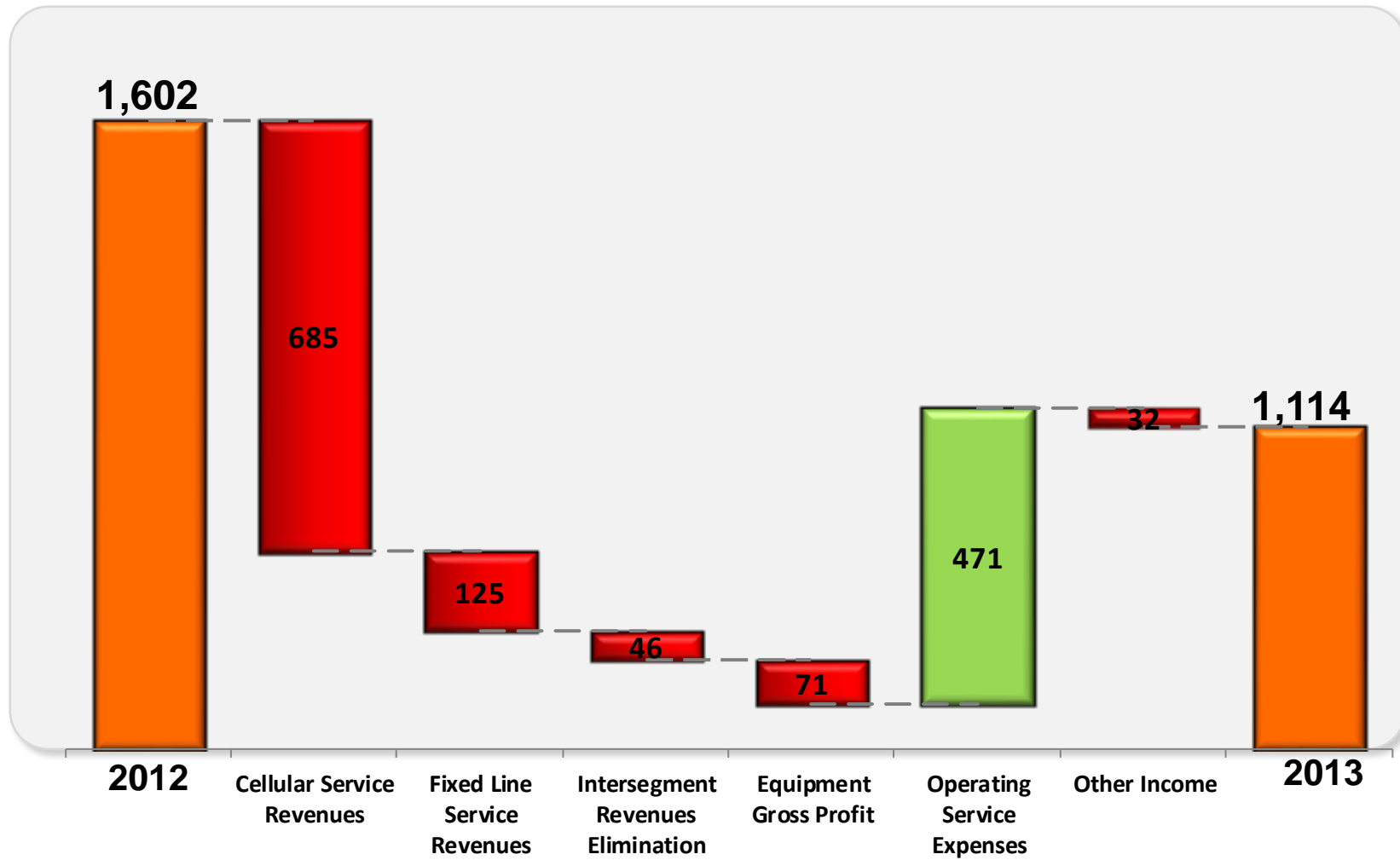


Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges, as a measure of operating profit. Please refer to the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

Adjusted EBITDA Evolution 2012-2013

(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, December 31, 2013 (In million NIS)

Assets		Liabilities and Equity	
Cash and cash equivalents	481	Current maturities of Notes payables and loans	334
Trade receivables and other	1,129	Trade payables	761
Inventories	93	Other current liabilities	279
Total Current Assets	1,703	Total Current Liabilities	1,374
Trade receivables and other	419	Long term borrowings	3,147
Property and equipment	1,791	Other liabilities	92
Goodwill	407	Total Long-term Liabilities	3,239
Intangible assets	1,167	Equity	874
Total Long-term Assets	3,784	Total Liabilities and Equity	5,487
Total Assets	5,487		

4. Partner's Strategic Direction



Network Sharing Arrangement With Hot Mobile

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

- 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



Both companies 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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Investors' website: <http://www.orange.co.il/en/Investors-Relations/lobby/>