

Partner Communications Company Ltd.

Company presentation

Q4 2010



- # 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 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 about Partner, the macro economic environment, consumer habits and preferences in cellular telephone usage, trends in the Israeli telecommunications industry in general, the impact of current global economic conditions and possible regulatory and legal developments. For a description of some of the risks we face, see "Item 3D. Key Information - Risk Factors", "Item 4. - Information on the Company", "Item 5. - Operating and Financial Review and Prospects", "Item 8A. - Consolidated Financial Statements and Other Financial Information - Legal and Administrative Proceedings" and "Item 11. Quantitative and Qualitative Disclosures about Market Risks" in the Company's 2009 Annual Report (20-F) filed with the SEC. In light of these risks, uncertainties, assumptions, and the global recession, the impact of which is still unknown, the forward-looking events discussed in this presentation might not occur, and actual results may differ materially from the results anticipated. 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 in a Nutshell
2. The Israeli Telecommunications Market
3. Partner's Financial and Operational Results
4. Partner's Strategic Direction

Partner Today

A Company with Key Assets

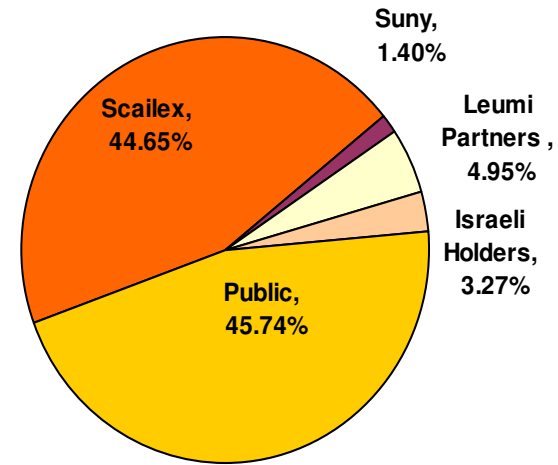
- A leading cellular company operating in Israel under the “orange” brand
- The strongest telecom brand in Israel
- 32% estimated market share
- The highest industry ARPU, leader in content & data revenues
- Outstanding customer service
- Significant customer interaction
- Attractive dividend yield
- A company committed to shareholders’ return
- Addressing new areas of activity: internet and fixed telephony
- Share purchase agreement for 012 Smile Telecom Ltd., a leading Israeli operator of international telecommunication services, internet services and local fixed line services
- First Israeli operator to announce network upgrade with deployment of fourth generation network



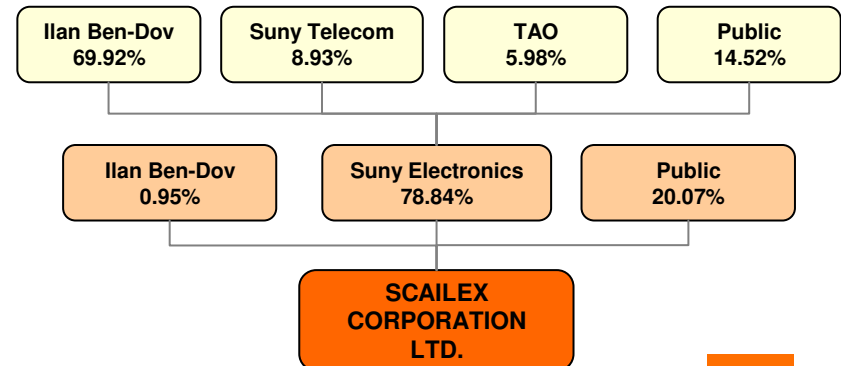
Ownership Structure

- In October 2009, Scailex Corporation completed the acquisition of the controlling equity interest in Partner from Hutchison Telecom (through its subsidiary Advent)
- Scailex is an Israeli company whose shares are traded on the Tel Aviv Stock Exchange (SCIX) and are quoted on "Pink Quote" (SCIXF.PK). Scailex currently operates in two major domains of activity:
 - The sole import, distribution and maintenance of *Samsung* mobile handset products and accessories primarily to the three major cellular operators in Israel
 - Management of its own financial assets

Partner's Ownership Structure



SCAILEX OWNERSHIP



Q4/10 Highlights

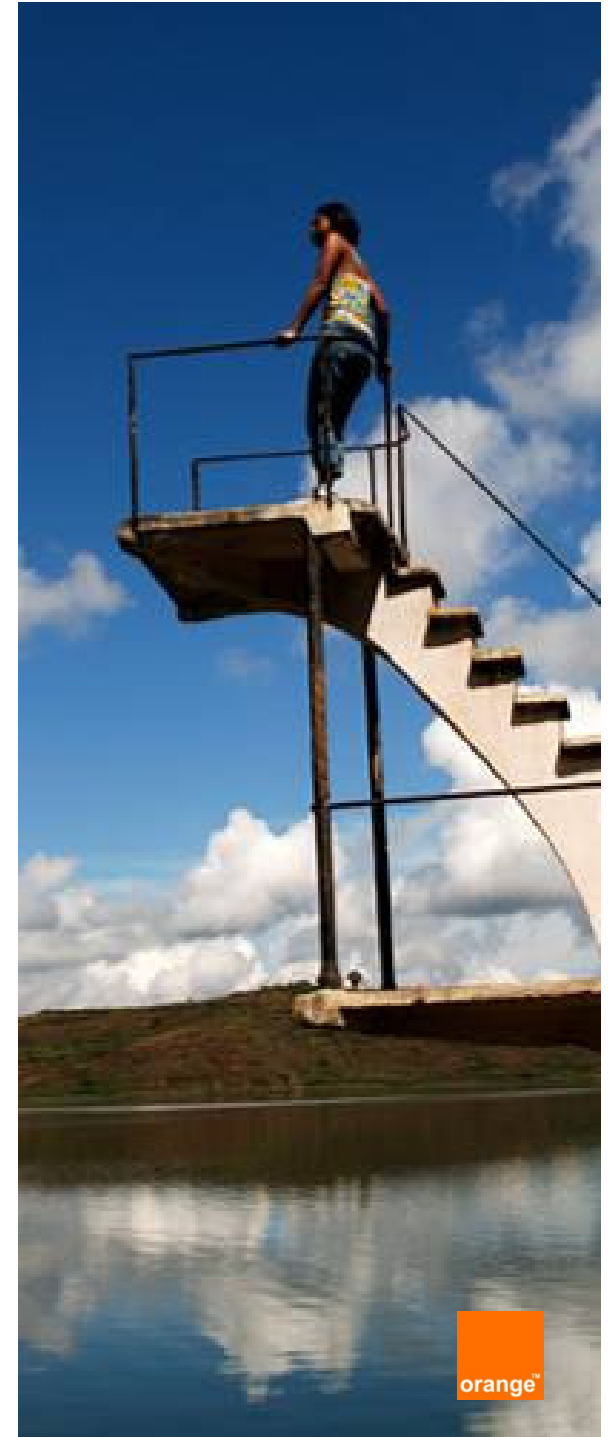
Financial Results

- **Revenues** of NIS **1.8** billion (\$ 496 million)
- **content and data** revenues of NIS **296** million (\$ 83 million), or 20% of service revenues
- **EBITDA** of NIS **664** million (\$ 187 million), representing 38% of total revenues
- **Net income** of NIS **304** million (\$ 86 million)
- **Quarterly dividend** of approximately NIS **300** million (\$ **85** million) or NIS **1.92** per share

Operational Performance

- Addition of **27K** **new subscribers**
- Addition of **58K** **3G subscribers**
- **ARPU** of NIS **147** (\$ 41)

The convenience translations of the Nominal Israeli Shekel (NIS) figures into US Dollars were made at the exchange rate prevailing at September 30, 2010: US\$ equals NIS 3.665. The translations are purely for the convenience of the reader.



2010 Highlights

Financial Results

- **Revenues** of NIS **6.7** billion (\$ 1.9 billion)
- **content and data** revenues of NIS **1.1** billion (\$ 315 million), or 20% of service revenues
- **EBITDA** of NIS **2,570** million (\$ 724 million), representing 38.5% of total revenues
- **Net income** of NIS **1.2** billion (\$ 350 million)
- **Annual dividend** of approximately NIS **1.2** billion (\$ **344** million) or NIS **7.85** per share

Operational Performance

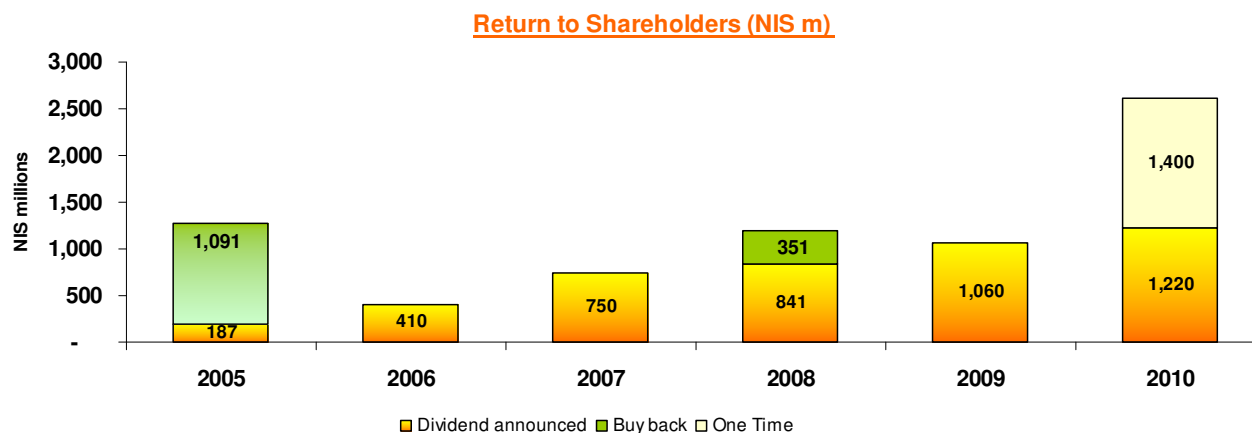
- Addition of **118,000K** **new subscribers**
- Addition of **270K** **3G subscribers**
- **ARPU** of NIS **148** (\$ 42)

The convenience translations of the Nominal Israeli Shekel (NIS) figures into US Dollars were made at the exchange rate prevailing at December 31, 2010: US\$ equals NIS 3.549. The translations are purely for the convenience of the reader.



Partner Creates Value for its Shareholders

- Since 2005 the Company has returned approximately **NIS 7.0 billion** (\$1.9 billion) to its shareholders
 - Buy-back of 18% of Partner's shares in 2005 (approximately NIS 1.1 billion)
 - Buy-back in 2008 in an amount of NIS 351 million
 - Approximately NIS 5.9 billion dividend distributed since 2005 (including Q4'10), including NIS 1.4 billion one time dividend in 2010
- 2010 annual dividend yield of 11%
 - Based on end of 2010 PPS and dividend paid during the LTM (not including one time dividend)*
- Dividend distribution of 98% of net income in 2010
- Dividend policy of at least 80% payout ratio in 2011



* Dividend Per Share (LTM) = 11%
Price Per Share (December 31)

The **Smartphones** Revolution

- Our goal: To be the smartphones leader in Israel
 - Smartphones as a significant tool in customers retention and acquisition
 - Smartphones as a self-management tool available in modern lifestyle - The real benefit of the 3G revolution
- The combination of smartphones with Apps store and high speed 3G = growth engine for data and content services
- New players in market following iPhone: LG, Nokia, RIM, Samsung



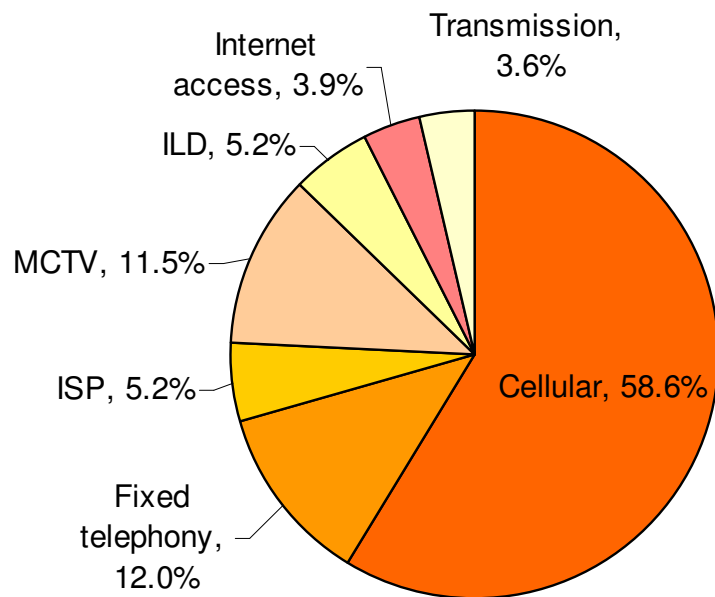
Agenda

1. Partner in a Nutshell
2. The Israeli Telecommunications Market
3. Partner's Financial and Operational Results
4. Partner's Strategic Direction

The Israeli Telecom Market

Leadership of the Cellular Industry

- By end 2009, the Israeli telecom market represented revenues of approximately NIS 32 billion, of which 59% are attributed to cellular
- Partner generated more than NIS 6 billion revenues in 2009
- **Partner ~ 20% of total telecom market revenues**



	Revenues 2009	Subscribers EOP 09'	CAGR 09' - 12' *
Cellular	18,938	9,554	1.0%
Fixed telephony	3,892	3,226	-4.0%
ISP	1,673	NA	2.5%
MCTV	3,728	1,479	1.0%
ILD	1,677	NA	-0.5%
Internet access	1,273	1,754	5.0%
Transmission	1,156	NA	6.0%
Total	32,337		

Regulatory Environment

- **Reduction of interconnect tariffs to be paid to cellular operators**
 - Approximate 72% reduction in interconnect tariffs in 2011, followed by additional reductions in 2012-2014. Reductions are expected to have a material adverse effect on the Company's earnings*
- **2011-2012 Financial Arrangements Law****
 - Regulation of national roaming in order to facilitate the entry of new cellular operators
 - Limitation on exit fees that the cellular operators may impose on their customers
 - Ensuring network neutrality on the cellular Internet network and prevention of handsets locking from activation on the cellular network of the same technology type
- **A mandatory Services Access Application Form which requires the customer to specify whether to open his handset for categories of services which explicitly defined (Data, Content and International calls)**
- **Multiple MVNO licenses issued**
- **A new committee (Haiak committee) has been set up to recommend on new Bezeq's fixed line tariffs and future regulations**
 - Committees recommendations might introduce a new regulatory regime that will open the fixed line market for competition - **a potential upside**
- **Corporate tax rate from 31% in 2006 to 25% in 2010 and 24% in 2011 with further potential decrease to 16% in 2016**

* For additional details on the possible reductions and their impact on the Company's earnings, please see the Company's press releases dated May 4, 2010, May 5, 2010, June 24, 2010 and September 2, 2010.

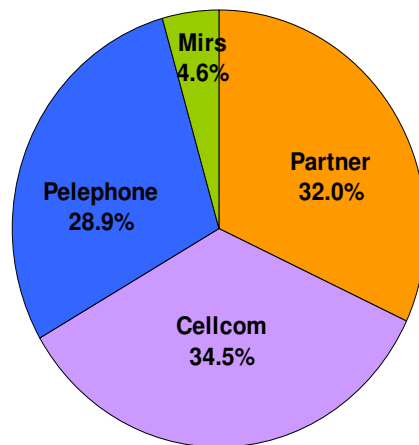
** For additional details on the 2010-2011 Financials Arrangement Law, please see the Company's Press release dated August 30, 2010



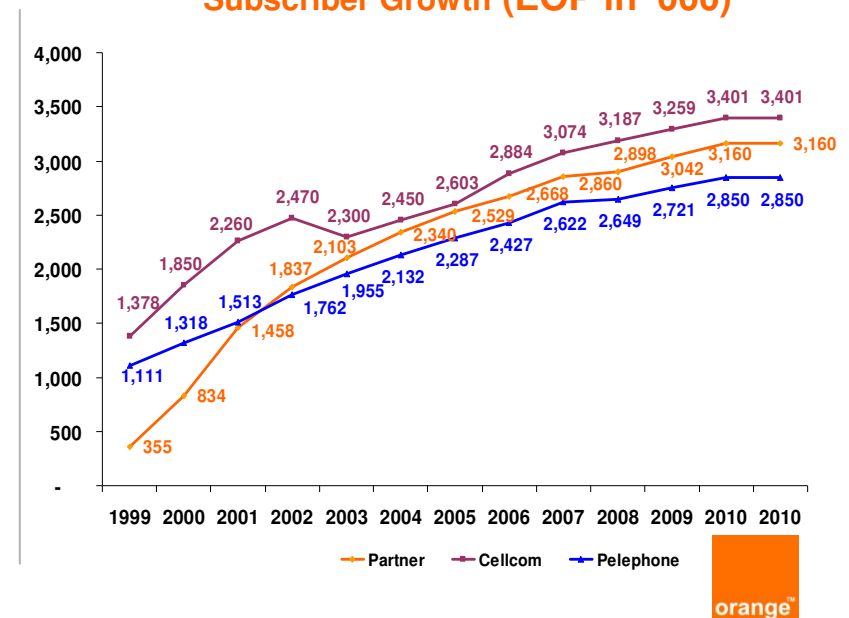
The Cellular Market in Israel

	Start of Operations	No. of Subscribers *	Major Shareholder	Technology
Partner	1999	3,160k	Scailex Corporation	GSM, UMTS, HSDPA, HSUPA
Cellcom	1995	3,401k	IDB Group	GSM, TDMA, EDGE, HSDPA, HSUPA
Pelephone	1986	2,850k	Bezeq (Shaul Alovitz)	NAMPS, CDMA, HSUPA
MIRS	1997	~450	Altice (Patrick Drahi)	iDEN

2010 Estimated Market Share (subscribers) *



Subscriber Growth (EOP in '000)*

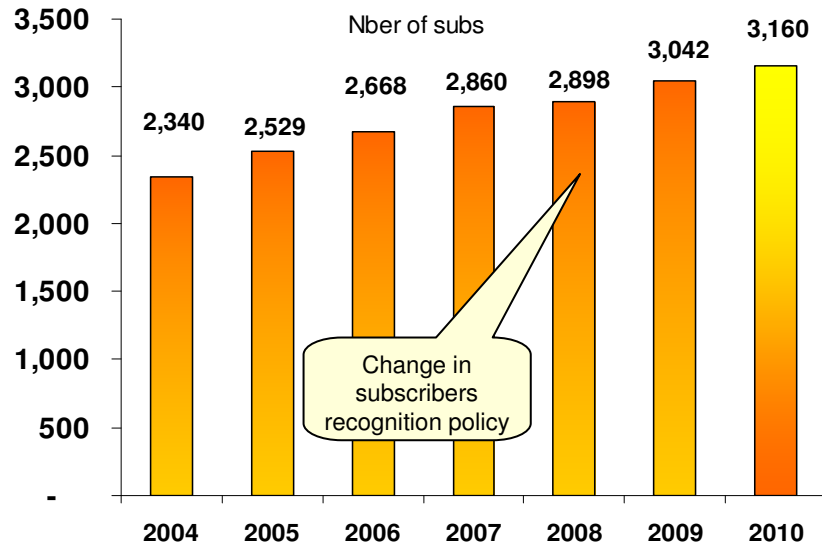


Agenda

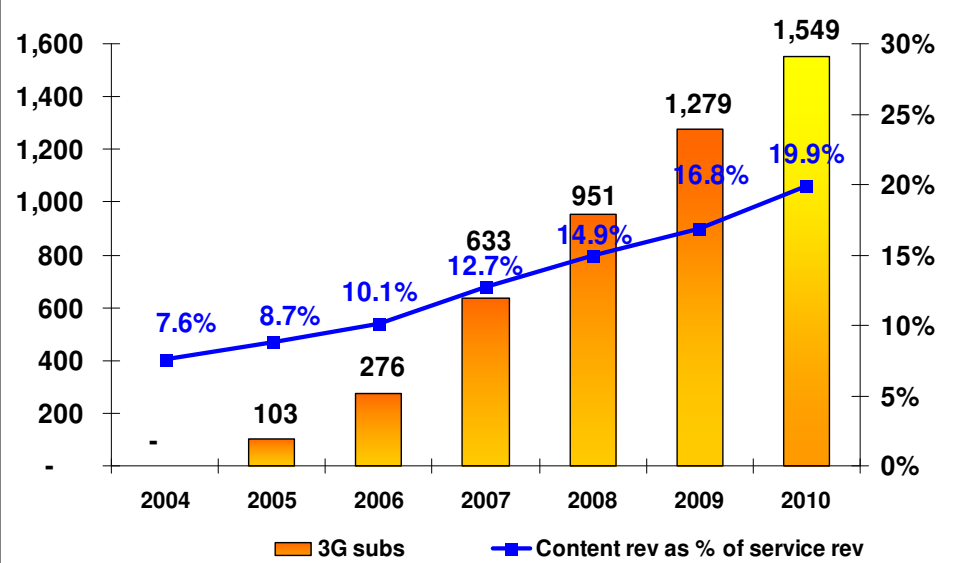
1. Partner in a Nutshell
2. The Israeli Telecommunications Market
3. Partner's Financial and Operational Results
4. Partner's Strategic Direction

Key Business Indicators

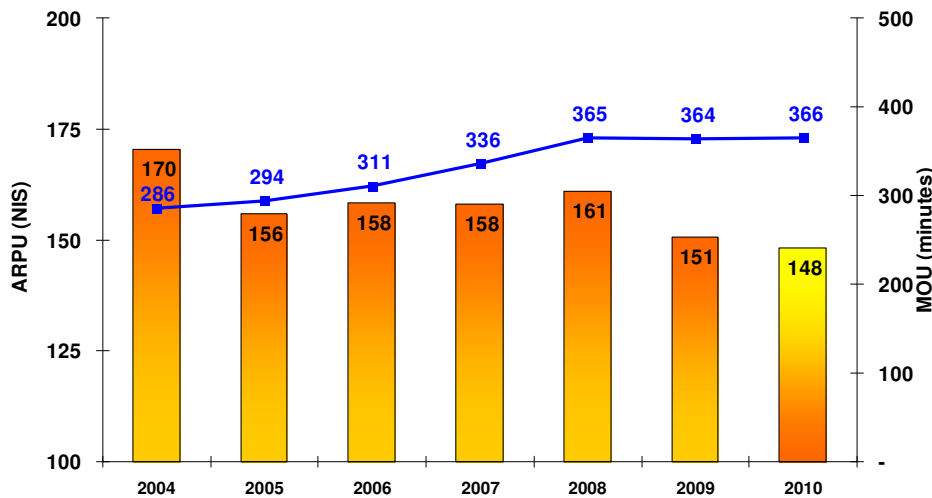
Subscriber Growth (EOP, in 000')



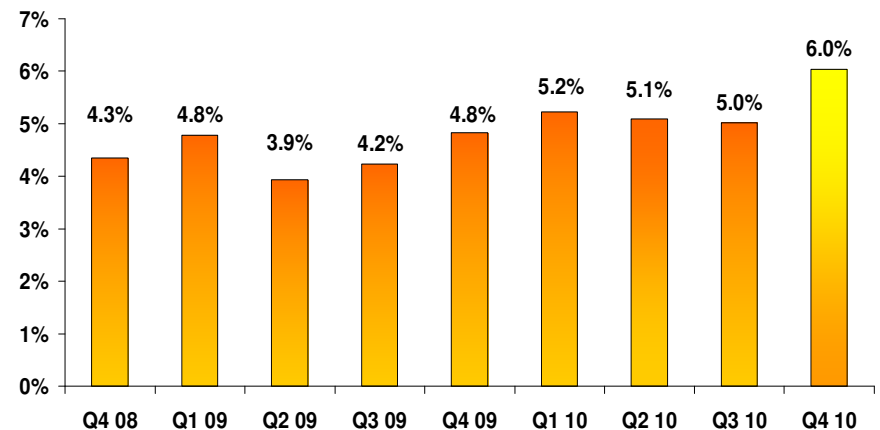
3G Subscribers (EOP, in 000') & Content Revenues



ARPU and MOU*



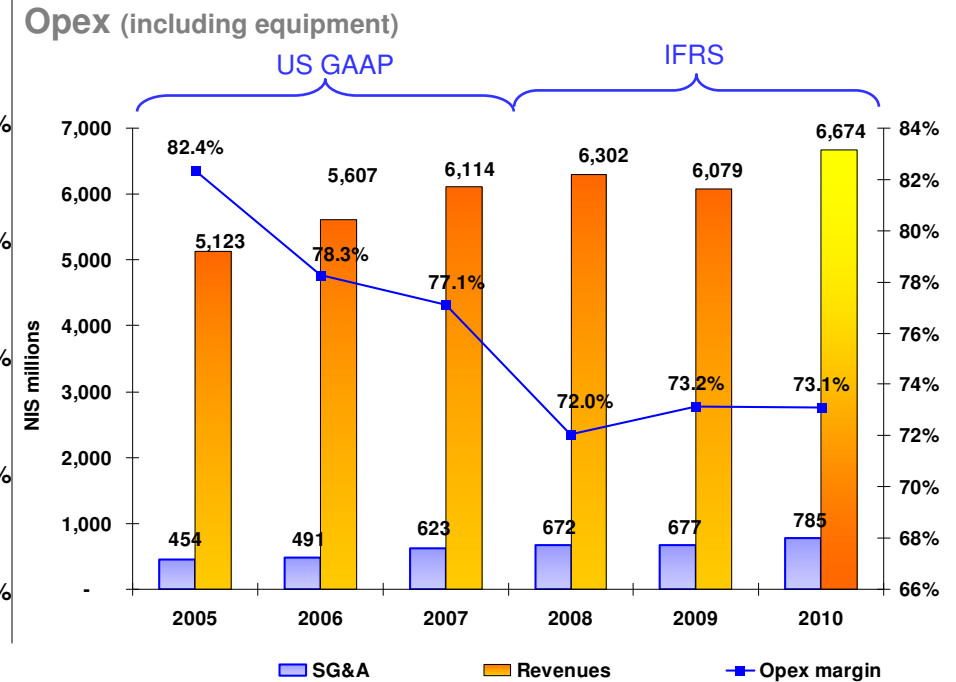
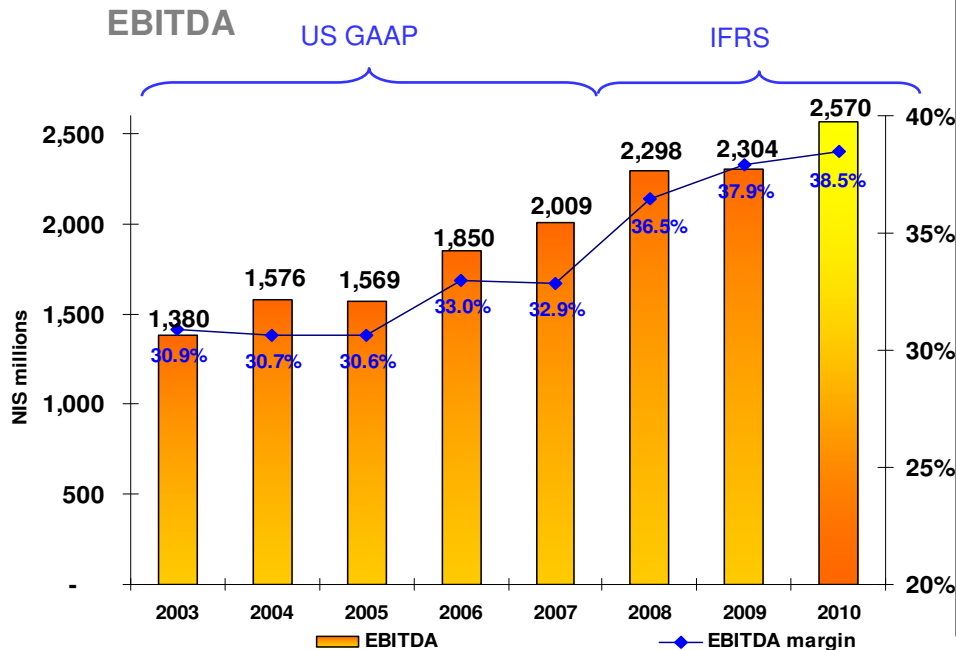
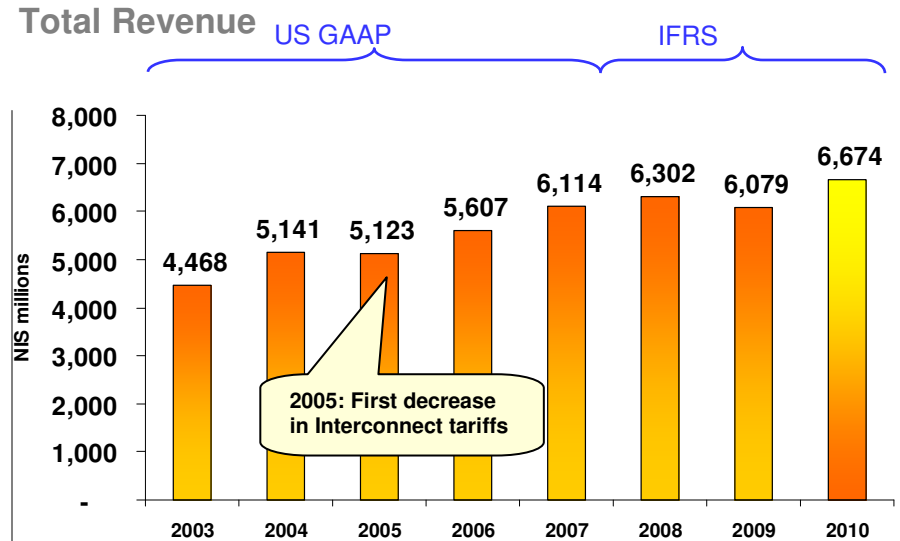
Quarterly Churn Rate



*From 2008 the calculation of ARPU has been modified to include revenues from sales of extended handset warranties, in line with the industry standard. This has the effect of increasing ARPU for 2008 and 2009 by approximately 2 NIS

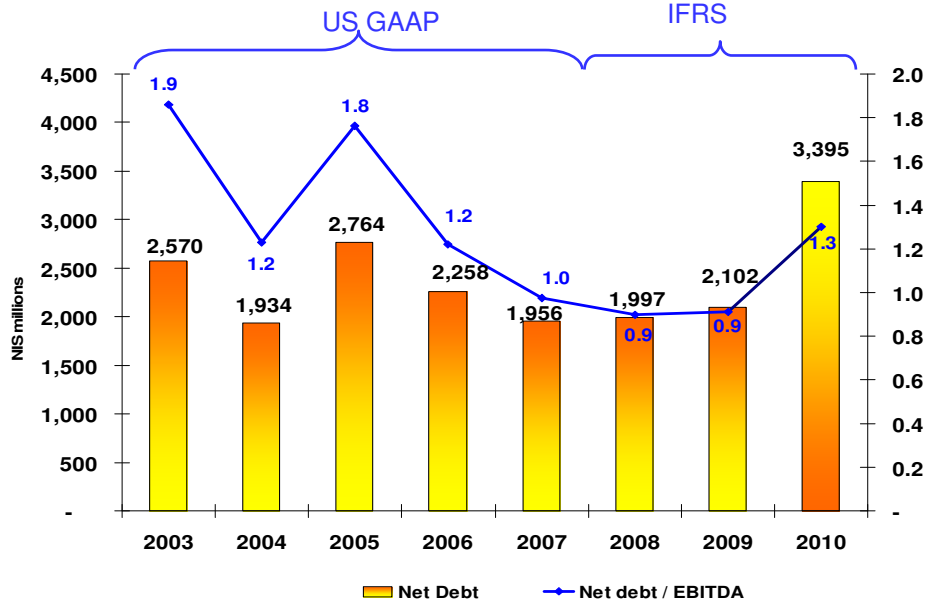
Financial Performance

<i>in NIS millions</i>	2008	2009	2010
Revenues	6,302	6,079	6,674
Cost of Revenues	3,868	3,770	4,093
Gross Profit	2,434	2,309	2,581
SG&A	672	677	785
Other income	64	69	64
Operating Profit	1,826	1,701	1,860
Financial Costs - net	184	176	181
Income Taxes	444	384	436
Net Income	1,198	1,141	1,243

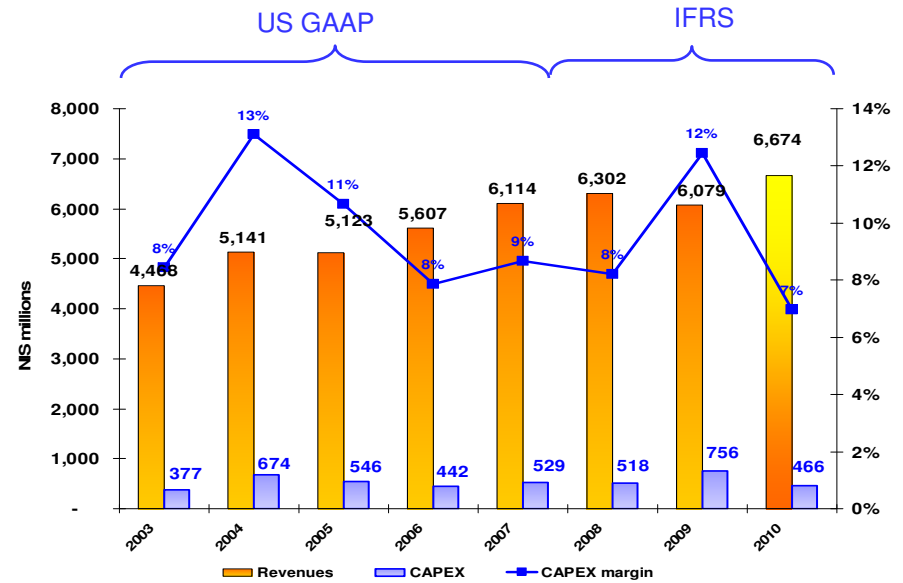


High Financing Capacity

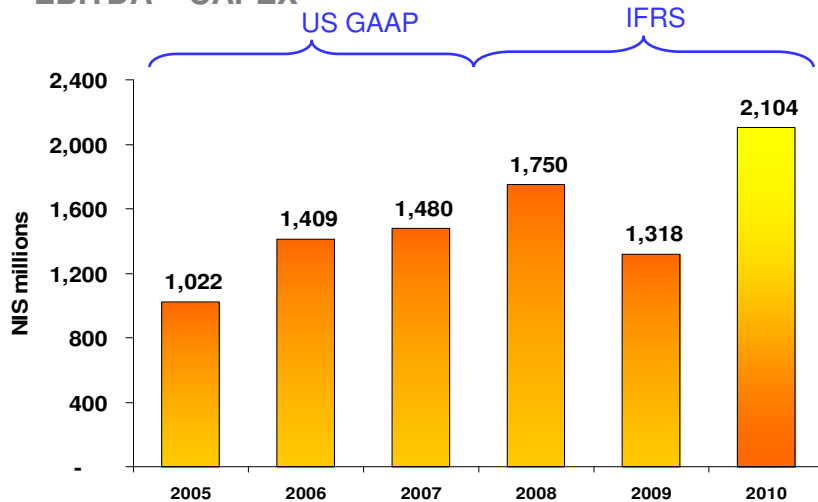
Net debt / EBITDA¹



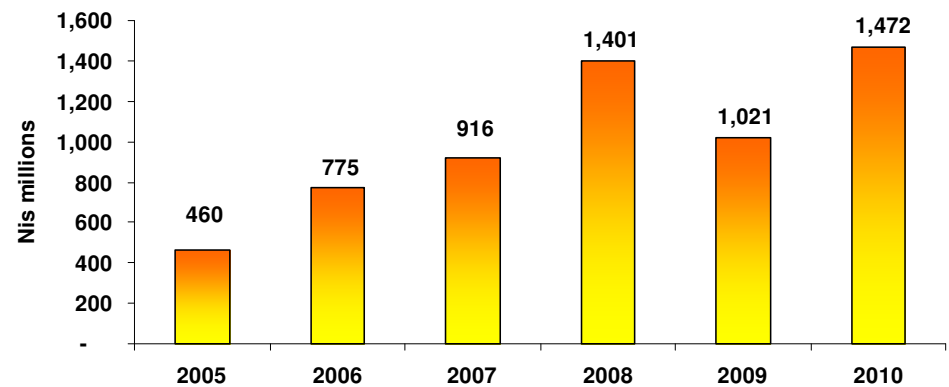
CAPEX² / Revenue



EBITDA – CAPEX²



Free Cash Flow



1. The net debt as of December 31, 2010. Does not include dividend payable.

2. The CAPEX investment refer to "acquisition of property and equipment" and "Acquisition of intangible assets"

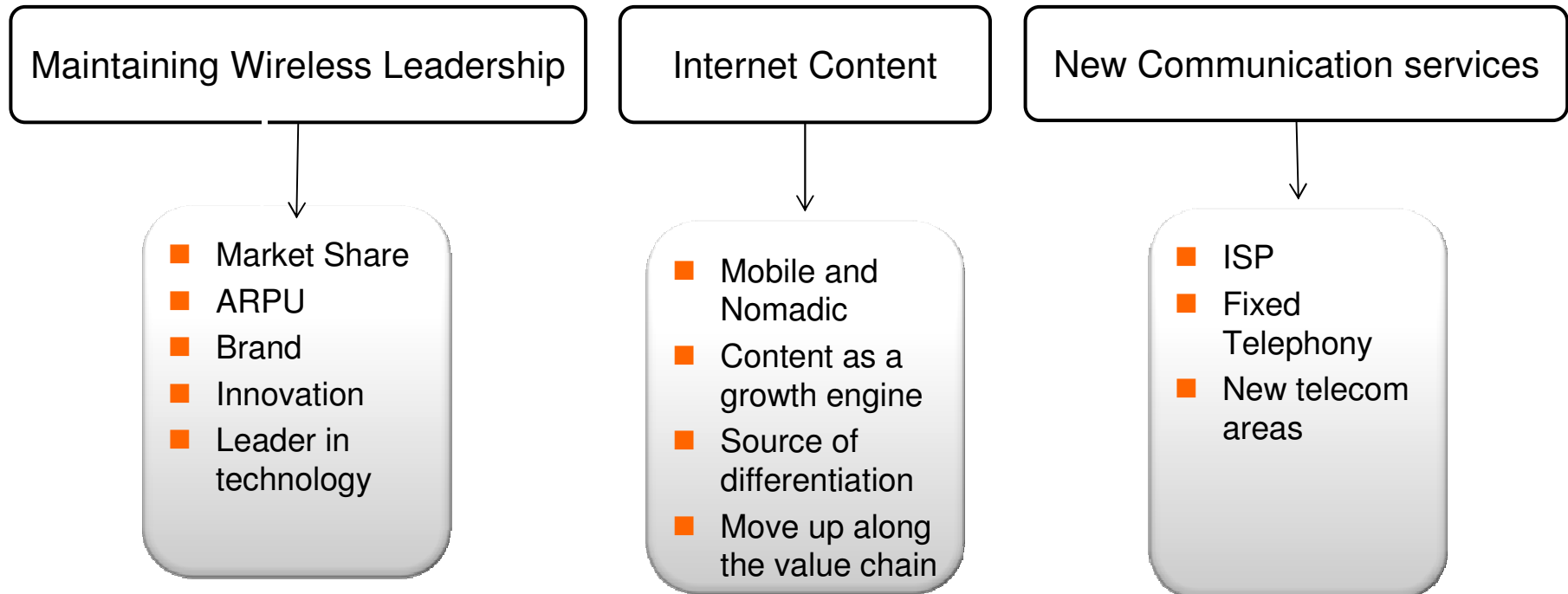


Agenda

1. Partner in a Nutshell
2. The Israeli Telecommunications Market
3. Partner's Financial and Operational Results
4. Partner's Strategy

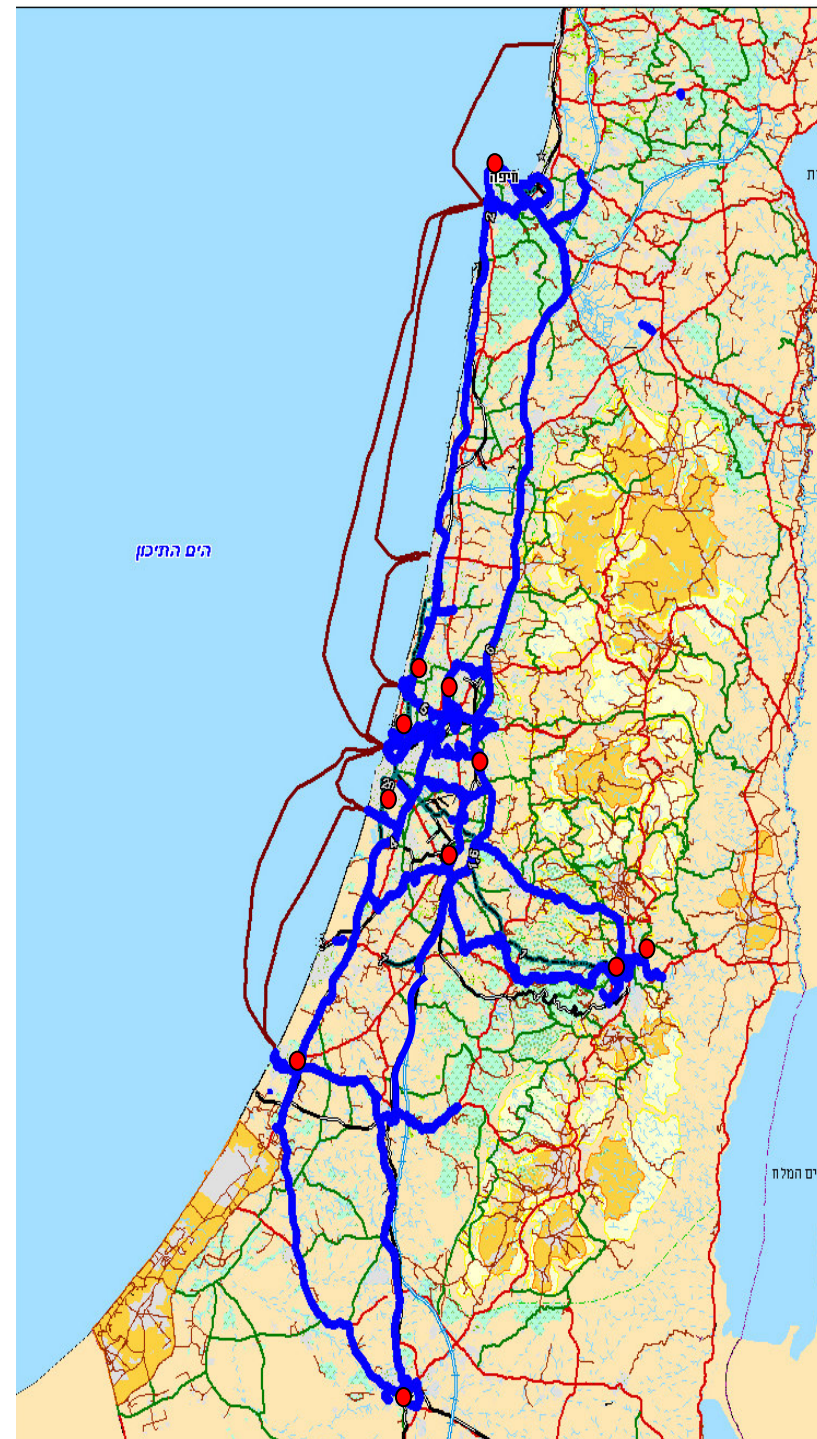
Partner's Strategy

Focus on “Mobile Centric” while Broadening Portfolio



PRI and Transmission

- Approximately 1,400 km of distributed nationwide optical network aimed at business sector and for cellular network needs
- Broad network “avenue” by four axes length mutually backed up
- Full optical monitoring of all network routes
- Communication stations (PoP) in major business centers



In Summary

- Partner offers a top quality network, an excellent customer service, the number one brand in the Israeli telecom industry and a wide variety of value added services
- Future sources of growth
 - Non Cellular service revenues
 - Increase in data and content revenues
- Strong cash flow, and a significant dividend yield



Keep in touch

Emanuel Avner

CFO

emanuel.avner@orange.co.il

+972 54 781 4951

Investors Web Site: <http://www.orange.co.il/en/Investors-Relations/lobby/>

