

## **PARTNER ANNOUNCES RECORD EBITDA FOR Q1 OF NIS 84.4 MILLION**

ROSH HA'AYIN, ISRAEL **May 17, 2001** - Partner Communications Company Ltd. (NASDAQ: PTNR), the Global System for Mobile Communications, or GSM, mobile telephone network operator in Israel, today announced results for the first quarter ended March 31, 2001.

### **Highlights**

- EBITDA for the quarter reached NIS 84.4 million (US\$ 20.1 million).
- Revenues for the quarter reached NIS 704.1 million (US\$168.0 million), up 70.3% from the first quarter of 2000.
- Customer base surpassed one million subscribers during the quarter, reaching 1,004,000 as of March 31, 2001.
- Market share increased to an estimated 21%, up from 14% in the first quarter of 2000.

Revenues for the first quarter of 2001 increased to NIS 704.1 million (US\$168.0 million), or 70.3% from NIS 413.5 million (US\$98.6 million) generated in the first quarter of 2000. Gross profit for the first quarter of 2001 was NIS 55.0 million (US\$13.1 million) or 7.8% of revenues, compared to a gross loss of NIS 52.1 million (US\$12.4 million) in the first quarter of 2000.

Commenting on the quarter's results, Mr. Amikam Cohen, Partner's Chief Executive Officer said, "We are delighted to be able to report that Partner had an excellent start to 2001, continuing our trend of aggressively adding subscribers, growing our customer base by over 20% in the first quarter of 2001 and surpassing the one million subscriber mark. Simultaneously, we grew our top line revenues at a quarter-to-quarter growth rate of 12%, and significantly improved our EBITDA performance."

EBITDA for the first quarter was NIS 84.4 million (US\$ 20.1 million), an improvement of NIS 125.6 million (US\$ 29.9 million) over the NIS 41.2 million (US\$ 9.8 million) negative EBITDA posted for the first quarter of 2000.

Partner's Chief Financial Officer, Alan Gelman, noted: "We continued taking the lion's share of the market, capturing more than 40% of the market's net adds for the second straight quarter without sacrificing our profitability targets. We improved our EBITDA margin to 12.0% and continued to drive down our subscriber acquisition cost for the fifth consecutive quarter to NIS 535 (US\$ 127.6) per subscriber compared to NIS 1,384 (US\$ 330.2) for Q1 2000. In

addition, we quadrupled our revenues from data and content services as compared to Q4 2000, by introducing attractive and innovative services to the marketplace.”

Operating loss for the first quarter was NIS 44.1 million (US\$ 10.5 million), compared to NIS 159.3 million (US\$ 38.0 million) for the first quarter of 2000.

Net loss for the first quarter was NIS 136.3 million (US\$ 32.5 million) or NIS 0.76 (US\$ 0.18) per ADS, compared to NIS 176.1 million (US\$ 42.0 million), or NIS 0.98 (US\$ 0.23) per ADS for the same period a year ago.

Effective this quarter, Partner will present its financial statements in accordance with US GAAP. Mr. Gelman noted: “We effected the change in order to facilitate the comparison between our performance and that of comparable companies. We are including in this press release, for your convenience, a quarter by quarter summary of our results in year 2000 prepared in accordance with US GAAP.”

Summing up Partner’s performance in this quarter, Mr. Cohen concluded: “Partner continues to achieve strong levels of revenue growth, higher than average levels of usage and ARPU, decreasing subscriber acquisition costs, and increasing profitability. The orange™ network in Israel offers attractive rate plans, excellent network quality, a wide range of handsets, strong brand recognition and a growing variety of value added services. We are looking forward to the opportunities in 2.5G and in 3G, and are confident that we shall continue to grow in subscribers, in new streams of revenue, and in profitability.”

Partner Communications will hold a conference call for investment professionals on May 17<sup>th</sup>, 2001, at 18:00 Israel local time. This conference call will be broadcasted live over the Internet and can be accessed by all interested parties through our investors' web site at <http://investors.partner.co.il>. To listen to the broadcast, please go to the web site at least 15 minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to listen to the live broadcast, an archive of the call will be available shortly after the call ends via the Internet (at the same location as the live broadcast) until midnight on May 24<sup>th</sup>, 2001

### **About Partner Communications**

Partner Communications Company Ltd. is the only Global System for Mobile Communications, or GSM, mobile telephone network operator in Israel. The Company commenced full commercial operations in January 1999 under the international Orange Brand name and, through its network, provides quality of service and a range of features to over a million subscribers in Israel. Partner subscribers can use roaming services in 80 countries using 200 GSM networks. The Company shares are quoted on NASDAQ under the symbol PTNR and on the London Stock Exchange under the symbol PCCD.

(For further information: <http://investors.partner.co.il>)

**Notes:** *The statements contained in this release, which are not historical facts, are forward-looking statements with respect to plans, projections or future performance of the Company, the occurrence of which involves certain risks and uncertainties. For a discussion of important factors that could cause actual results to differ materially from such forward-looking statements, refer to Partner's Registration Statement and Partner Communications' latest filings with the U.S. Securities and Exchange Commission.*

*The financial statements set forth below should be read in conjunction with the financial statements of Partner Communications for the quarter ended March 31, 2001 and notes thereto that have been filed concurrently to the U.S. Securities and Exchange Commission on form 6-K.*

*On May 17th, 2001, the board of directors of the Company approved a resolution whereby the financial statements of the Company will be prepared under accounting principles generally accepted in the United States (U.S. GAAP). The Company reported previously under Israeli GAAP. As a result, these financial statements are prepared in accordance with U.S. GAAP*

*The convenience translation of the Nominal New Israeli Shekel (NIS) figures into US Dollars was made at the rate of exchange prevailing at March 31, 2001: US \$1.00 equals 4.192. The translations were made purely for the convenience of the reader.*

*Earnings before interest, taxes, depreciation, amortization, exceptional items and capitalization of intangible assets ('EBITDA') is presented because it is a measure commonly used in the telecommunications industry and is presented solely in order to improve the understanding of the Company's operating results and to provide further perspective on these results. EBITDA, however, should not be considered as an alternative to operating income or income for the year as an indicator of the operating performance of the Company. Similarly, EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA is not a measure of financial performance under generally accepted accounting principles and may not be comparable to other similarly titled measures for other companies. EBITDA may not be indicative of the historic operating results of the Company; nor is it meant to be predictive of potential future results.*

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**PARTNER COMMUNICATIONS COMPANY LTD.**

(An Israeli Corporation)

**CONDENSED CONSOLIDATED BALANCE SHEET**

	New Israeli shekels			Convenience translation into U.S. dollars
	March 31,		December 31,	March 31,
	2001	2000	2000	2001
	(Unaudited)		(Audited)	(Unaudited)
In thousands				
<b>A s s e t s</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	17,416	72,091	869	4,155
Accounts receivable:				
Trade	429,587	244,713	395,765	102,478
Other	15,629	31,180	28,695	3,727
Inventories	186,800	101,680	163,216	44,561
T o t a l current assets	<u>649,432</u>	<u>449,664</u>	<u>588,545</u>	<u>154,921</u>
<b>INVESTMENTS AND LONG -TERM RECEIVABLES:</b>				
Other investments	6,447			1,538
Security deposit	99,461		94,279	23,726
Long-term receivables	8,682		10,421	2,071
Employee rights upon retirement funded	16,294	9,857	14,824	3,886
	<u>130,884</u>	<u>9,857</u>	<u>119,524</u>	<u>31,221</u>
<b>FIXED ASSETS:</b>				
Cost	2,034,795	1,503,989	1,917,398	485,400
L e s s - accumulated depreciation and amortization	<u>490,402</u>	<u>214,057</u>	<u>410,353</u>	<u>116,986</u>
	<u>1,544,393</u>	<u>1,289,932</u>	<u>1,507,045</u>	<u>368,414</u>
<b>LICENSE AND DEFERRED CHARGES, net of amortization</b>				
	<u>1,245,736</u>	<u>1,392,709</u>	<u>1,289,933</u>	<u>297,170</u>
	<u><u>3,570,445</u></u>	<u><u>3,142,162</u></u>	<u><u>3,505,047</u></u>	<u><u>851,726</u></u>

	New Israeli shekels			Convenience translation into U.S. dollars
	March 31,		December 31,	March 31,
	2001	2000	2000	2001
	(Unaudited)		(Audited)	(Unaudited)
In thousands				
<b>Liabilities and shareholders' equity (net of capital deficiency)</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accruals:				
Trade	480,612	397,105	463,576	114,650
Shareholder - current account	2,230	2,202	2,230	532
Other	90,647	57,681	117,437	21,623
T o t a l current liabilities	<u>573,489</u>	<u>456,988</u>	<u>583,243</u>	<u>136,805</u>
<b>LONG-TERM LIABILITIES:</b>				
Bank loans	2,278,919	2,028,946	2,102,191	543,635
Notes payable	733,600		707,175	175,000
Liability for employee rights upon retirement	26,097	14,160	23,598	6,225
T o t a l long-term liabilities	<u>3,038,616</u>	<u>2,043,106</u>	<u>2,832,964</u>	<u>724,860</u>
T o t a l liabilities	<u>3,612,105</u>	<u>2,500,094</u>	<u>3,416,207</u>	<u>861,665</u>
<b>SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)</b>				
	(41,660)	642,068	88,840	(9,939)
	<u>3,570,445</u>	<u>3,142,162</u>	<u>3,505,047</u>	<u>851,726</u>

**PARTNER COMMUNICATIONS COMPANY LTD.**  
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**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

	New Israeli shekels			Convenience translation into U.S. dollars
	3 month period ended March 31,		Year ended December 31,	3 months ended March 31,
	2001	2000	2000	2001
	(Unaudited)		(Audited)	(Unaudited)
	In thousands (except per share data)			
<b>REVENUES</b>	704,145	413,488	2,103,859	167,973
<b>COST OF REVENUES</b>	649,187	465,605	2,161,507	154,863
<b>GROSS PROFIT (LOSS)</b>	54,958	(52,117)	(57,648)	13,110
<b>SELLING AND MARKETING EXPENSES</b>	63,501	70,348	327,881	15,148
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	35,557	36,818	154,637	8,482
<b>OPERATING LOSS</b>	(44,100)	(159,283)	(540,166)	(10,520)
<b>FINANCIAL EXPENSES - net</b>	95,633	16,812	228,609	22,814
<b>NET LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLES</b>	(139,733)	(176,095)	(768,775)	(33,334)
<b>CUMULATIVE EFFECT, AT BEGINNING OF YEAR, OF A CHANGE IN ACCOUNTING PRINCIPLES</b>	3,483			831
<b>NET LOSS</b>	(136,250)	(176,095)	(768,775)	(32,503)
<b>NET LOSS PER SHARE - basic and diluted:</b>				
Before cumulative effect	(0.78)	(0.98)	(4.30)	(0.19)
Cumulative effect	0.02			0.01
Net loss	(0.76)	(0.98)	(4.30)	(0.18)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	178,888,888	178,888,888	178,888,888	178,888,888

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**PARTNER COMMUNICATIONS COMPANY LTD.**  
 (An Israeli Corporation)  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE 3 MONTH PERIOD ENDED MARCH 31, 2001**

	New Israeli shekels			Convenience translation into U.S. dollars
	3 month period ended March 31,		Year ended December 31,	3 months ended March 31,
	2001	2000	2000	2001
	(Unaudited)		(Audited)	(Unaudited)
	In thousands			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net loss	(136,250)	(176,095)	(768,775)	(32,503)
Income and expenses not involving cash flows:				
Depreciation and amortization	124,558	102,656	431,510	29,713
Amortization of deferred compensation related to employee stock option grants	5,750	17,171	56,618	1,372
Liability for employee rights upon retirement	2,499	2,143	11,581	596
Exchange and linkage differences on long- term liabilities	19,142	(22,852)	(13,214)	4,566
Accrued interest and exchange differences on security deposit	(5,182)		(2,574)	(1,236)
Sundry	141	(34)	(181)	34
Changes in operating asset and liability items:				
Decrease (increase) in accounts receivable:				
Trade	(32,083)	(35,835)	(197,308)	(7,653)
Other	12,406	21,485	23,970	2,959
Increase (decrease) in accounts payable and accruals:				
Trade	16,979	(8,147)	93,499	4,050
Shareholder - current account		(8)	20	
Other	(26,790)	24,929	84,685	(6,391)
Increase in inventories	(25,429)	(4,078)	(65,614)	(6,066)
Net cash used in operating activities	(44,259)	(78,665)	(345,783)	(10,559)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of fixed assets	(116,198)	(262,809)	(712,377)	(27,719)
Investment in security deposit			(91,705)	
Proceeds from sale of fixed assets	278	213	1,063	66
Other investments	(5,787)			(1,380)
Investment in employee rights upon retirement funded	(1,470)	(1,745)	(6,712)	(351)
Net cash used in investing activities	(123,177)	(264,341)	(809,731)	(29,384)
Carry forward	(167,436)	(343,006)	(1,155,514)	(39,943)

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**PARTNER COMMUNICATIONS COMPANY LTD.**  
(An Israeli Corporation)  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE 3 MONTH PERIOD ENDED MARCH 31, 2001**

	New Israeli shekels			Convenience translation into U.S. dollars
	3 month period ended March 31,		Year ended December 31,	3 months ended March 31,
	2001	2000	2000	2001
	(Unaudited)		(Audited)	(Unaudited)
	In thousands			
Brought forward	(167,436)	(343,006)	(1,155,514)	(39,943)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Receipts on account of shares to be allotted			5	
Proceeds from issuance of notes payable			706,475	
Long-term bank loans received	285,011		1,119,032	67,990
Repayment of long term in bank loans	(101,000)		(1,054,725)	(24,093)
Amount carried to deferred changes	(28)		(29,501)	(6)
Net cash provided by financing activities	183,983		741,286	43,891
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	16,547	(343,006)	(414,228)	3,948
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	869	415,097	415,097	207
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	17,416	72,091	869	4,155
Supplementary disclosure of cash flow information - cash paid during the period:				
Interest	87,370	38,493	164,198	20,842
Advances to income tax authorities	1,260	360	1,440	301

**Supplementary information on investing activities not involving cash flows**

At March 31, 2001, trade payables include NIS 143,834,000 (\$ 34,312,000) in respect of acquisition of fixed assets. This balance will be given recognition in this statements upon payment.

**PARTNER COMMUNICATIONS COMPANY LTD.**

(An Israeli Corporation)

**RECONCILIATION OF EBITDA**

	new Israeli shekels*		Convenience translation Into U.S. dollars **	
	Year ended December 31, 2000	3 month period ended March 31		
		2001	2000	3 months ended March 31, 2001
		In thousands		
Net loss	(768,775)	(136,250)	(176,095)	(32,503)
Adjustments required to reconcile EBITDA:				
Financial Expenses***	221,906	93,862	15,025	22,391
Depreciation and amortization:				
Stock option granted to employees	431,510	124,558	102,656	29,713
Cumulative effect of Implementation of FAS 133	56,618	5,750	17,171	1,372
	(831)	(3,483)	(41,243)	(831)
<b>EBITDA</b>	<u>(58,741)</u>	<u>84,437</u>	<u>(41,243)</u>	<u>20,142</u>

\* The financial statements have been prepared on the basis of historical cost.

\*\* The convenience translation of the New Israeli Shekel (NIS) figures into US dollars was made at the exchange prevailing at March 31, 2001 : US \$1.00 equals NIS 4.192.

\*\*\* Financial expenses exclude any charge for the amortization of pre-launch financial costs which are included in depreciation and amortization.

**PARTNER COMMUNICATIONS COMPANY LTD.**  
**(An Israeli Corporation)**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

	New Israeli shekels			
	3 month period ended			
	March 31 2000	June 30 2000	September 30 2000	December 31, 2000
	(Unaudited)			
	In thousands			
REVENUES	<b>413,488</b>	<b>476,397</b>	<b>583,056</b>	<b>630,918</b>
COST OF REVENUES	<b>465,605</b>	<b>505,047</b>	<b>576,207</b>	<b>614,648</b>
GROSS PROFIT (LOSS)	<b>(52,117)</b>	<b>(28,650)</b>	<b>6,849</b>	<b>16,270</b>
SELLING AND MARKETING EXPENSES	<b>70,348</b>	<b>78,502</b>	<b>84,996</b>	<b>94,035</b>
GENERAL AND ADMINISTRATIVE EXPENSES	<b>36,818</b>	<b>31,665</b>	<b>35,164</b>	<b>50,990</b>
OPERATING LOSS	<b>(159,283)</b>	<b>(138,817)</b>	<b>(113,311)</b>	<b>(128,755)</b>
FINANCIAL EXPENSES - <b>net</b>	<b>16,812</b>	<b>80,122</b>	<b>56,651</b>	<b>75,024</b>
NET LOSS	<b>(176,095)</b>	<b>(218,939)</b>	<b>(169,962)</b>	<b>(203,779)</b>

**PARTNER COMMUNICATIONS COMPANY LTD.**

(An Israeli Corporation)

**Summary Operating Data**

	<b>MARCH 31, 2000</b>	<b>MARCH 31, 2001</b>
Subscribers (in thousands) .....	<b>426</b>	<b>1,004</b>
Estimated share of total Israeli mobile telephone subscribers.....	<b>14%</b>	<b>21%</b>
Churn rate in quarter.....	<b>2.0%</b>	<b>1.0%</b>
Average monthly usage in quarter per subscriber (minutes).....	<b>411</b>	<b>333</b>
Average monthly revenue in quarter per subscriber, including in-roaming revenue (nominal NIS)... <b>(1)</b>	<b>318</b>	<b>232</b>
Estimated coverage of Israeli population.....	<b>97%</b>	<b>97%</b>
Number of operational base stations (in parenthesis number of micro sites out of total number of base stations).....	<b>922 (64)</b>	<b>1504 (449)</b>
Subscriber acquisition costs in quarter per subscriber (nominal NIS)... <b>(2)</b>	<b>1,384</b>	<b>535</b>
Number of employees (full-time equivalent) .....	<b>1,543</b>	<b>2,250</b>

- (1)** We have presented the amounts in nominal NIS. The equivalent adjusted NIS amounts are **320** as of March 31, 2000 and **232** as of March 31, 2001.
- (2)** We have presented the amounts in nominal NIS. The equivalent adjusted NIS amounts are **1394** as of March 31, 2000, and **536** as of March 31, 2001.