fact sheet

Q2 2006

orange™

partner communications

Q2 2006

Who We Are

Partner Communications Company Ltd. was the first Global System for Mobile Communications, or GSM, mobile telephone network operator in Israel. Operating under the orange™ brand, Partner provides a broad range of advanced cellular services to about 2.585 million customers. The Company's shares are quoted on the NASDAQ Global Select Market™and on the Tel Aviv Stock Exchange (TASE) under the symbol PTNR as well as on the London Stock Exchange under the symbol PCCD.

Partner is dedicated to providing its subscribers with excellent voice quality, superb customer service, nationwide coverage, and a range of services specifically designed to provide communication and content solutions for residential and business customers alike.

A History of Innovation

Since commencing full commercial operations in January 1999, Partner has focused on creating a new and exciting communications environment for its subscribers through the offering of innovative and value-added technologies and services. Partner is now leading the Israeli market with its advanced 3G offering, including an innovative portal branded orange™ oboxlive, and person to person video telephony with nation-wide population coverage. In Q2 2006 the number of 3G subscribers reached 165,000. Partner is already offering its customers 3.5G, or HSDPA, service in wide areas throughout the country.

The Proof is in the Performance

Partner has established itself as a market leader in terms of network quality, customer service, brand strength, a wide variety of value added service, as well as robust financial and operational performance. Partner's market share is estimated at 32% of the cellular market in Israel. For four consecutive years the orange™ brand in Israel has been the strongest telecommunications brand in the country and the second strongest brand in the entire consumer market. Clear strategic vision, combined with a focus on performance, results and tight cost control, have translated into a growing customer base and impressive financial and operational results.

In May 2006 the Company announced an annual dividend policy of 60% payout ratio for 2006.

Partner Communications Company Ltd.

NASDAQ: PTNR, LSE: PCCD, TASE: PTNR

Summary Financial Data

Condensed consolidated statements of operations

In thousands	New Israeli Shekels: 6 month period ended June 30, 2006	New Israeli Shekels: 6 month period ended June 30, 2005	New Israeli Shekels: 3 month period ended June 30, 2006	New Israeli Shekels: 3 month period ended June 30, 2005	Convenience translation into US Dollars*: 6 month period ended June 30, 2006	Convenience translation into US Dollars*: 3 month period ended June 30, 2006
			Unaudited			
Revenues-net	2,699,589	2,511,343	1,372,945	1,250,875	608,016	309,222
Cost of revenues	1,894,091	1,812,299	941,914	887,474	426,598	212,143
Gross profit	805,498	699,044	431,031	363,401	181,418	97,079
Selling & marketing expenses	132,829	122,805	75,579	65,442	29,916	17,022
General & administrative expenses	87,645	87,713	43,963	46,203	19,740	9,902
Operating profit	585,024	488,526	311,489	251,756	131,762	70,155
Financial expenses - net	99,805	133,680	61,176	82,826	22,478	13,778
Income before taxes on income	485,219	354,846	250,313	168,930	109,284	56,377
Taxes on income	151,577	114,519	76,076	53,096	34,139	17,134
Income before cumulative effect of a change in accounting principles	333,642	240,327	174,237	115,834	75,145	39,243
Cumulative effect of a change in accounting principles	1,012				228	
Net income for the period	334,654	240,327	174,237	115,834	75,373	39,243

Condensed consolidated balance sheets

In thousands	New Israeli Shekels: June 30, 2006	New Israeli Shekels: December 31, 2005	Convenience translation into US Dollars*: June 30, 2006	Convenience translation into US Dollars*: December 31, 2005
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Assets				
Total current assets	1,169,213	1,170,976	263,336	263,733
Investment & long-term receivables	331,228	264,456	74,601	59,562
Fixed assets	1,651,328	1,768,895	371,921	398,400
License & deferred charges	1,275,807	1,321,167	287,344	297,560
Deferred income taxes	85,290	86,505	19,209	19,484
Total	4,512,866	4,611,999	1,016,411	1,038,739
Liabilities & shareholders' equity				
Total current liabilities	847,250	986,995	190,822	222,296
Total long-term liabilities	2,646,224	2,809,653	595,996	632,805
Total shareholders' equity	1,019,392	815,351	229,593	183,638
Total	4,512,866	4,611,999	1,016,411	1,038,739

Condensed consolidated statements of cash flows

In thousands	New Israeli Shekels: 6 month period ended June 30, 2006	New Israeli Shekels: 6 month period ended June 30, 2005	Convenience translation into US dollars*: 6 month period ended June 30, 2006
	(Unaudited)		(Unaudited)
Net cash provided by operating activities	504,612	553,602	113,650
Net cash used in investing activities	(205,747)	(339,013)	(46,340)
Net cash provided by (used in) financing activities	(270,992)	32,988	(61,033)
Increase in cash & cash equivalents	27,873	247,577	6,277
Cash & cash equivalents at beginning of period	4,008	4,611	903
Cash & cash equivalents at end of period	31,881	252,188	7,180

Reconciliation between operating cash flows and EBITDA

	New Israeli Shekels		Convenience translation into US dollars*
	6 month period ended June 30		6 month period ended June 30
In thousands	2006	2005	2006
	(Unaudited)	(Unaudited)	
Net cash provided by operating activities	504,612	553,602	113,651
Liability for employee rights upon retirement	(4,304)	(3,834)	(969)
Accrued interest & exchange & linkage differences on long-term liabilities	(29,681)	(64,813)	(6,685)
Amount carried to differed charges		13,224	
Increase in accounts receivable:			
Trade	159,753	115,176	35,981
Other (excluding tax provision)	131,664	14,661	29,654
Decrease in accounts payable and accruals:			
Trade	114,388	23,253	25,763
Shareholder - current account	2,590		584
Other	46,268	60,874	10,420
Decrease in inventories	(106,548)	(12,999)	(23,997)
Decrease in assets retirement obligation	(802)	(228)	(181)
Financial expenses**	93,849	122,554	21,136
EBITDA	911,789	821,470	205,357

Highlights

- Revenues in Q2 2006 were NIS 1,372.9 million (US$ 309.2 million), an increase of 9.8% from 1,250.9 NIS million in Q2 2005.
- EBITDA for Q2 2006 was NIS 473.2 million (US$ 106.6 million), up 12.4% from NIS 420.8 million in Q2 2005.
- Operating profit for Q2 2006 was NIS 311.5 million (US$ 70.2 million), up 23.7% from NIS 251.8 million for Q2 2005.
- Net income for Q2 2006 was NIS 174.2 million (US$ 39.2 million), an increase of 50.4% from NIS 115.8 million for Q2 2005.
- Free cash flow for Q2 2006 was NIS 230.5 million (US$ 51.9 million), up 73.5% from NIS 132.8 million in Q2 2005.
- Active subscribers rose to 2,585,000 at the end of the quarter compared to 2,409,000 at the end of Q2 2005.
- Market share estimated at 32%.
- Churn rate in the quarter was 3.8%, versus 3.6% in Q2 2005.
- Minutes of use per subsciber averaged 307 minutes per month for the quarter, up from 296 minutes per month in Q2 2005.
- ARPU for the quarter was NIS 158 (US$ 36), up from NIS 157 in Q2 2005.

* The convenience translation of the New Israeli Shekels (NIS) figures into US dollars was made at the exchange prevailing at June 30, 2006: US$ 1.00 equals 4.44 NIS.

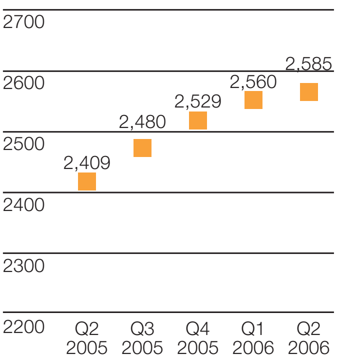
** Financial expenses excluding any charge for the amortization for pre-launch financial costs.

Partner Communications Company Ltd.

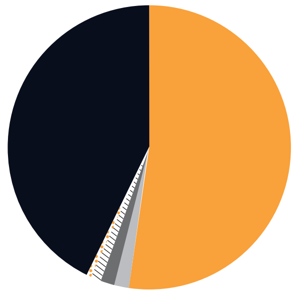
NASDAQ: PTNR, LSE: PCCD, TASE: PTNR

Partner at a Glance

Subscribers (in thousands)



Ownership Structure*



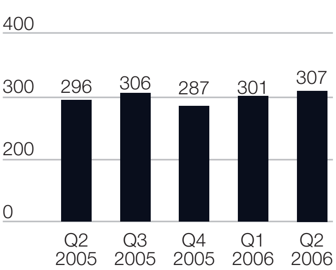
Hutchison Whampoa Ltd.	51.31%
Elbit Ltd.	2.01%
Eurocom Communications Ltd.	1.47%
Matav Ltd.	1.21%
Elron Electronic Industries Ltd.	0.54%
Public	43.46%

Does not include ESOP
*As of July 31, 2006

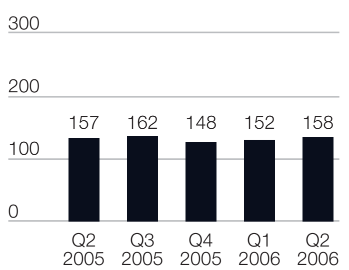
Estimated Market Share

Partner	32%
Cellcom	33%
Pelephone	30%
MIRS	5%

Average monthly usage per subscriber (minutes)



Average monthly revenue per subscriber (NIS)



Financial Highlights for the 3 month period ended June 30, 2006

	NIS	$
Revenues	1,372.9 m	309.2 m
Gross profit	431.0 m	97.1 m
Net income	174.2 m	39.2 m
Earning per share		
Basic	1.14	0.26
Diluted	1.13	0.25
EBITDA	473.2 m	106.6 m

Market Data as of June 30, 2006

Stock Price (NASDAQ)	$ 8.21
Stock Price (TASE)	NIS 36.57
Market Capitalization	$ 1,262.8 m
Shares outstanding	153,811,212

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A convenience translation of New Israeli Shekels (NIS) figures into US Dollars was made at the rate of exchange as of June 30, 2006: US$ 1.00 = NIS 4.44
The translation was made purely for the convenience of the reader.

www.investors.partner.co.il

Note: This report 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. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about Partner.

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 quarterly report 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.

Because such statements involve risks and uncertainties, actual results may differ materially from the results currently expected. Factors that could cause such differences include, but are not limited to:

- the effects of the high degree of regulation in the telecommunications market in which we operate;
- regulatory developments relating to tariffs, including interconnect tariffs;
- the difficulties associated with obtaining all permits required for building and operating of antenna sites;
- the requirement to indemnify planning committees in respect of claims made against them relating to the depreciation of property values or to alleged health damages resulting from antenna sites;
- alleged health risks related to antenna sites and use of telecommunication devices;
- the effects of vigorous competition in the market in which we operate and for more valuable customers, which may decrease prices charged, increase churn and change our customer mix, profitability and average revenue per user, and the response of competitors to industry and regulatory developments;
- uncertainties about the degree of growth in the number of consumers in Israel using wireless personal communications services and the growth in the Israeli population;
- the risks associated with the implementation of a third generation (3G) network and business strategy, including risks relating to the operations of new systems and technologies, potential unanticipated costs, uncertainties regarding the adequacy of suppliers on whom we must rely to provide both network and consumer equipment and consumer acceptance of the products and services to be offered, and the risk that the use of internet search engines by our 3G customers will be restricted;
- the risks associated with technological requirements, technology substitution and changes and other technological developments;
- the impact of existing and new competitors in the market in which we compete, including competitors that may offer less expensive products and services, desirable or innovative products, technological substitutes, or have extensive resources or better financing;
- regulatory developments related to the implementation of number portability;
- fluctuations in foreign exchange rates;
- the possibility of the market in which we compete being impacted by changes in political, economic or other factors, such as monetary policy, legal and regulatory changes or other external factors over which we have no control;
- the availability and cost of capital and the consequences of increased leverage; and
- the results of litigation filed or that may be filed against us,

as well as the risks discussed in Risk Factors, Information on the Company and Operating and Financial Review and Prospects in form 20-F filed with the SEC on May 18, 2006. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

These financial results were prepared in accordance with U.S. GAAP.

The convenience translations of the Nominal New Israeli Shekel (NIS) figures into US Dollars were made at the rate of exchange prevailing at June 30th, 2006: US $1.00 equals NIS 4.440. 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 net 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.

Reconciliation between our cash flows from operating activities and EBIDTA is presented in the attached summary financial results.

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