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For the first time - Partner reports operating profit

ROSH HA'AYIN, *ISRAEL* ***July 25th, 2001*** - Partner Communications Company Ltd. (NASDAQ: PTNR, LSE: PCCD, TASE: PTNR), the Global System for Mobile Communications, or GSM, mobile telephone network operator in Israel, today announced its results for the second quarter ended June 30, 2001.

Highlights

- Revenues for the quarter reached NIS 796.9 million (US$191.3 million), up 67% from the second quarter of 2000;
- EBITDA for the quarter reached NIS 176.8 million (US$ 42.5 million);
- Operating profit for the first time of NIS 44.5 million (US$ 10.7 million) for the quarter;
- Subscriber base of 1,147,000, compared to 504,000 at the end of the second quarter of 2000;
- Market share increased to an estimated 22%, up from 15% in the second quarter of 2000.
- Average monthly minutes of use per subscriber and ARPU continued to be among the highest in the industry with 321 minutes of use and ARPU of NIS 217(US$ 52)
- Average cost of acquiring a new subscriber continued to decline to NIS 475 (US$ 114).

Revenues for the second quarter of 2001, driven by subscriber growth, increased to NIS 796.9 million (US$ 191.3 million), or 67% from NIS 476.4 million (US$ 114.4 million) in the second quarter of 2000. Operating profit for the second quarter of 2001 increased to NIS 44.5 million (US$ 10.7 million), from an operating loss of NIS 138.8 million (US$ 33.3 million) in the second quarter of 2000.

EBITDA for the second quarter was NIS 176.8 million (US$ 42.5 million), an improvement of NIS 205.4 million (US$ 49.4 million) over the NIS 28.6 million (US$ 6.9 million) negative EBITDA posted for the second quarter of 2000.

The second quarter results include a reduction in royalties paid to the Government of Israel, relating to the first quarter in the amount of 13.6 million NIS (US$ 3.3 million). This is the result of the retroactive reduction in the royalty rate to the beginning of 2001.

Net loss for the second quarter was NIS 44.7 million (US$ 10.7 million) or NIS 0.25 (US$ 0.06) per ADS or per share traded on the Tel Aviv Stock Exchange, compared to NIS 218.9 million (US$ 52.6 million), or NIS 1.22 (US$ 0.29) per ADS for the same period a year ago.

Partner's Chief Financial Officer, Alan Gelman, noted: "We are extremely happy with our quarterly results. We continue to achieve strong levels of revenue growth, increasing profitability, higher than average levels of usage and ARPU and decreasing average subscriber acquisition costs. In addition, our revenues from data and content services continued to grow reaching NIS 25.3 million (US$ 6.1million), 3.2% of total revenues."

Mr Gelman added: "We continue to foresee strong revenue and subscriber growth in the coming quarters and we expect to meet the market's expectations regarding profitability for 2001. We do, however, expect a decline in the third quarter profitability, due in part to the timing of additional expenditures expected in anticipation of increased competition from an incumbent operator, which is expected to launch a GSM network towards the beginning of 2002."

The subscriber base reached 1,147,000 subscribers, compared to 504,000 at the end of the second quarter of 2000. During the quarter Partner added 143,000 new subscribers, of which 58,000 were pre-paid customers. Prepaid customers now account for 23% of the Company's subscriber base.

The Company's market share continued to grow, reaching approximately 22% of the number of subscribers of all cellular operators in Israel, up from 15% at the end of the second quarter of 2000.

The quarterly churn rate was 1.6%. For the first time the churn includes the number of non-contractual customers (both pre-paid, and post-paid "orange™ to go" customers), who have not generated any income for Partner during the last six consecutive months.

Average monthly usage per subscriber for the quarter was 321 minutes, versus 396 minutes per month for the comparable quarter last year, and 333 minutes per month for the first quarter of 2001. Average monthly revenue per user

(ARPU), including in-roaming revenues, was NIS 217 (US$ 52), versus NIS 232 (US$ 56) for the first quarter of 2001, and NIS 325 (US$ 78) per month for the second quarter of 2000. The usage and ARPU levels for the second quarter of 2001 continued to be well above the market and the industry averages. The dilutions in the usage and ARPU levels are due primarily to the growing percentage of prepaid customers in the Company's subscriber base.

The average cost of acquiring new subscribers declined again. The average subscriber acquisition cost (SAC) this quarter was NIS 475 (US$ 114), a significant decrease from NIS 1026 (US$ 246) in the second quarter of 2000 and 11 percent lower than in the first quarter of 2001. Mr. Gelman noted that the decline this quarter was driven primarily by lower handset costs.

Network coverage for 97 percent of the Israeli population is provided through 1632 operational base stations, of which 538 are micro sites. The number of operational base stations grew from 1022 sites in Q2 of 2000, of which 115 are micro sites. The Company's employment roster grew from 1635 full-time equivalent employees at June 30, 2000 to 2524 at the end of June 2001.

Commenting on the quarter's results, Mr. Amikam Cohen, Partner's Chief Executive Officer said, "We continued taking the lion's share of the market, capturing approximately 40% of the market's net adds without sacrificing our profitability targets. We grew our subscriber base by over 38% in the first half of 2001. Simultaneously, we grew our top line revenues at a quarter-to-quarter growth rate of 13%, and significantly improved our profitability. We offer our customers 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 our subscriber base, and establish new streams of revenue."

Partner Communications will hold a conference call for investment professionals on July 25th, 2001, at 17:00 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 August 1st, 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 and on the Tel Aviv Stock Exchange (TASE) 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 June 30th, 2001 and notes thereto that have been filed concurrently to the U.S. Securities and Exchange Commission on form 6-K.

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 June 30th, 2001: US $1.00 equals 4.165. 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 SHEETS

	New Israeli shekels		Convenience translation into U.S. dollars	
	June 30, 2001	December 31, 2000	June 30, 2001	December 31, 2000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	In thousands			
A s s e t s				
CURRENT ASSETS:				
Cash and cash equivalents	**3,441**	**869**	**826**	**209**
Accounts receivable:				
Trade	**486,523**	**395,765**	**116,812**	**95,022**
Other	**16,319**	**28,695**	**3,918**	**6,889**
Inventories	**162,392**	**163,216**	**38,990**	**39,187**
T o t a l current assets	**668,675**	**588,545**	**160,546**	**141,307**
INVESTMENTS AND LONG -TERM RECEIVABLES:				
Other investments	**17,106**		**4,107**	
Security deposit	**100,488**	**94,279**	**24,127**	**22,636**
Long-term receivables	**6,982**	**10,421**	**1,676**	**2,502**
Funds in respect of employee rights upon retirement	**19,053**	**14,824**	**4,575**	**3,559**
	143,629	**119,524**	**34,485**	**28,697**
FIXED ASSETS:				
Cost	**2,209,866**	**1,917,398**	**530,580**	**460,360**
L e s s - accumulated depreciation and amortization	**577,010**	**410,353**	**138,538**	**98,524**
	1,632,856	**1,507,045**	**392,042**	**361,836**
LICENSE AND DEFERRED CHARGES, **net of amortization**	**1,201,968**	**1,289,933**	**288,587**	**309,708**
	3,647,128	**3,505,047**	**875,660**	**841,548**

	New Israeli shekels		Convenience translation into U.S. dollars	
	June 30, 2001	December 31, 2000	June 30, 2001	December 31, 2000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	In thousands			
Liabilities and shareholders' equity (net of capital deficiency)				
CURRENT LIABILITIES:				
Accounts payable and accruals:				
Trade	**454,391**	**463,576**	**109,097**	**111,303**
Other	**166,816**	**119,667**	**40,052**	**28,731**
T o t a l current liabilities	**621,207**	**583,243**	**149,149**	**140,034**
LONG-TERM LIABILITIES:				
Bank loans	**2,349,922**	**2,102,191**	**564,207**	**504,728**
Notes payable	**728,875**	**707,175**	**175,000**	**169,790**
Liability for employee rights upon retirement	**29,990**	**23,598**	**7,200**	**5,666**
T o t a l long-term liabilities	**3,108,787**	**2,832,964**	**746,407**	**680,184**
T o t a l liabilities	**3,729,994**	**3,416,207**	**895,556**	**820,218**
SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY):				
Share capital - ordinary shares of NIS 0.01 par value: authorized - June 30, 2001 and December 31, 2000 - 200,000,000 shares; issued and outstanding - June 30, 2001- 178,908,428 shares and December 31, 2000- 178,888,888 shares	**1,789**	**1,789**	**429**	**429**
Capital surplus	**2,300,538**	**2,317,993**	**552,351**	**556,541**
Deferred compensation	**(38,307)**	**(65,021)**	**(9,198)**	**(15,611)**
Accumulated deficit	**(2,346,886)**	**(2,165,921)**	**(563,478)**	**(520,029)**
Total shareholders' equity (capital deficiency)	**(82,866)**	**88,840**	**(19,896)**	**21,330**
	3,647,128	**3,505,047**	**875,660**	**841,548**

PARTNER COMMUNICATIONS COMPANY LTD.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	New Israeli shekels				Convenience translation into U.S. dollars	
	6 month period ended June 30,		3 month period ended June 30,		6 month period ended June 30,	3 month period ended June 30,
	2001	2000	2001	2000	2001	2001
	(Unaudited)					
	In thousands (except per share data)					
REVENUES	**1,500,995**	**889,885**	**796,850**	**476,397**	**360,383**	**191,320**
COST OF REVENUES	**1,290,835**	**970,652**	**641,648**	**505,047**	**309,924**	**154,057**
GROSS PROFIT (LOSS)	**210,160**	**(80,767)**	**155,202**	**(28,650)**	**50,459**	**37,263**
SELLING AND MARKETING EXPENSES	**134,497**	**148,850**	**70,996**	**78,502**	**32,292**	**17,046**
GENERAL AND ADMINISTRATIVE EXPENSES	**75,289**	**68,483**	**39,732**	**31,665**	**18,077**	**9,539**
OPERATING PROFIT (LOSS)	**374**	**(298,100)**	**44,474**	**(138,817)**	**90**	**10,678**
FINANCIAL EXPENSES **- net**	**184,822**	**96,934**	**89,189**	**80,122**	**44,375**	**21,414**
NET LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLES	**(184,448)**	**(395,034)**	**(44,715)**	**(218,939)**	**(44,285)**	**(10,736)**
CUMULATIVE EFFECT, AT BEGINNING OF YEAR, OF A CHANGE IN ACCOUNTING PRINCIPLES	**3,483**				**836**	
NET LOSS	**(180,965)**	**(395,034)**	**(44,715)**	**(218,939)**	**(43,449)**	**(10,736)**
NET LOSS PER SHARE **- basic and diluted:**						
Before cumulative effect	**(1.03)**	**(2.21)**	**(0.25)**	**(1.22)**	**(0.25)**	**(0.06)**
Cumulative effect	**0.02**				**0.01**	
Net loss	**(1.01)**	**(2.21)**	**(0.25)**	**(1.22)**	**(0.24)**	**(0.06)**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**178,896,874**	**178,888,888**	**178,901,477**	**178,888,888**	**178,896,874**	**178,901,477**

PARTNER COMMUNICATIONS COMPANY LTD.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	New Israeli shekels		Convenience translation into U.S. dollars
	6 month period ended June 30,		6 month period ended June 30,
	2001	2000	2001
	(Unaudited)		
	In thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	**(180,965)**	**(395,034)**	**(43,449)**
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	**255,218**	**203,768**	**61,277**
Amortization of deferred compensation related to employee stock option grants	**9,236**	**28,000**	**2,217**
Liability for employee rights upon retirement	**6,392**	**4,777**	**1,535**
Exchange and linkage differences on long-term liabilities	**16,314**	**1,135**	**3,917**
Accrued interest and exchange differences on security deposit	**(6,209)**		**(1,491)**
Sundry	**262**	**(93)**	**63**
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable:			
Trade	**(87,319)**	**(117,396)**	**(20,965)**
Other	**11,716**	**12,365**	**2,813**
Increase (decrease) in accounts payable and accruals:			
Trade	**(26,130)**	**12,976**	**(6,274)**
Other	**47,149**	**25,826**	**11,321**
Increase in inventories	**(1,021)**	**(62,759)**	**(245)**
Net cash provided by (used in) operating activities	**44,643**	**(286,435)**	**10,719**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	**(275,044)**	**(405,272)**	**(66,037)**
Proceeds from sale of fixed assets	**536**	**574**	**129**
Other investments	**(16,446)**		**(3,949)**
Funds in respect of employee rights upon retirement	**(4,229)**	**(3,524)**	**(1,015)**
Net cash used in investing activities	**(295,183)**	**(408,222)**	**(70,872)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of options	**23**		**6**
Long-term bank loans received	**804,117**	**304,967**	**193,064**
Repayment of long term bank loans	**(551,000)**		**(132,293)**
Amount carried to deferred charges	**(28)**	**(453)**	**(7)**
Net cash provided by financing activities	**253,112**	**304,514**	**60,770**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,572**	**(390,143)**	**617**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**869**	**415,097**	**209**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,441**	**24,954**	**826**

PARTNER COMMUNICATIONS COMPANY LTD.

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RECONCILIATION OF EBITDA

	New Israeli shekels*		New Israeli shekels*		Convenience translation into U.S. dollars**	Convenience translation into U.S. dollars**
	6 month period ended June 30		3 month period ended June 30		6 month period ended June 30	3 month period ended June 30
	2001	2000	2001	2000	2001	2001
Net loss	(180,965)	(395,034)	(44,715)	(218,939)	(43,449)	(10,736)
Adjustments required to reconcile EBITDA:						
Financial expenses***	181,264	93,380	87,402	78,355	43,521	20,985
Depreciation and amortization	255,218	203,768	130,660	101,112	61,277	31,371
Amortization of stock option granted to employees	9,236	28,000	3,486	10,829	2,217	837
Implementation of FAS 133****	(3,483)				(836)	
EBITDA	261,270	(69,886)	176,833	(28,643)	62,730	42,457

* 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 June 30, 2001: US $1.00 equals NIS 4.165.

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

**** Cumulative effect, at beginning of year, of a change in accounting principles.

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Summary Operating Data

	JUNE 30, 2000		JUNE 30, 2001
Subscribers (in thousands)	**504**		**1,147**
Estimated share of total Israeli mobile telephone subscribers..........	**15%**		**22%**
Churn rate in quarter	**1.62%**		**1.58%**
Average monthly usage in quarter per subscriber (minutes)……………..	**396**		**321**
Average monthly revenue in quarter per subscriber, including in-roaming revenue (NIS)………………………………………………...	**325**		**217**
Estimated coverage of Israeli population	**97%**		**97%**
Number of operational base stations (in parenthesis number of micro sites out of total number of base stations)	**1022 (115)**		**1632 (538)**
Subscriber acquisition costs in quarter per subscriber (NIS)…………….	**1,026**		**475**
Number of employees (full-time equivalent)	**1,635**		**2,524**