

## **PARTNER COMMUNICATIONS ANNOUNCES FIRST QUARTER 2002 RESULTS**

***Rosh Ha'ayin, Israel, April 29, 2002*** – Partner Communications Company Ltd. (NASDAQ and TASE: PTNR; LSE: PCCD) today announced its results for the first quarter ended March 31, 2002.

### Highlights

- Revenues for the quarter reached NIS 929.5 million (US\$ 199.1 million), up 32% from the first quarter of 2001.
- EBITDA for the quarter reached NIS 225.9 million (US\$ 48.4 million), up 168% from the first quarter of 2001.
- Operating profit of NIS 103.8 million (US\$ 22.2 million) for the quarter up from an operating loss of NIS 44.1 million in the first quarter of 2001.
- Subscriber base of 1,596,000, compared to 1,004,000 at the end of the first quarter of 2001.
- Market share increased to an estimated 27%, up from 22% in the first quarter of 2001.
- Average monthly minutes of use per subscriber and ARPU continued to be among the highest in the industry with 284 minutes of use and ARPU of NIS 184 (US\$ 39.4)
- Average cost of acquiring a new subscriber was NIS 443 (US\$ 95).

Revenues for the first quarter of 2002, driven primarily by subscriber growth, increased to NIS 929.5 million (US\$ 199.1 million), from NIS 704.1 million (US\$ 150.8 million) in the first quarter of 2001, an increase of 32%.

EBITDA for the first quarter increased to NIS 225.9 million (US\$ 48.4 million), an increase of NIS 141.5 million (US\$ 30.3 million), from NIS 84.4 million (US\$ 18.1 million) in the first quarter of 2001.

Operating profit for the first quarter of 2002 increased to NIS 103.8 million (US\$ 22.2 million), from an operating loss of NIS 44.1 million (US\$ 9.4 million) in the first quarter of 2001. Operating profit for the first quarter of 2002 was affected by reduced quarterly amortization costs of approximately NIS 25 million (US\$ 5.4 million) resulting from the extension of the Company's license from 2008 to 2017.

Net loss for the first quarter was NIS 22.9 million (US\$ 4.9 million) or NIS 0.13 (US\$ 0.03) per ADS, compared to NIS 136.3 million (US\$ 29.2 million), or NIS 0.76 (US\$ 0.17) per ADS for the first quarter of 2001.

Commenting on the first quarter's results, Alan Gelman, Partner's Chief Financial Officer said; "We continue to improve in every financial parameter growing our revenues and operating profit at healthy rates. Our first quarter's results were substantially influenced by increased financial expenses as foreign exchange charges, resulting from the devaluation of the Shekel, affecting the principal of the \$175 million US Dollar denominated notes. These charges accounted for over NIS 44 million (US\$ 9.4 million), or 36% of the total financial expenses." Mr. Gelman added: "While the Company's hedges most of its foreign exchange exposures which affect current cash flow, our policy is not to hedge this particular exposure, since the total balance of these notes is payable only in 2010."

The Company reiterated its expectation to be cash flow positive for the balance of 2002, despite the negative cash flow for the first quarter of 2002 of NIS 312.7 million (US\$ 67.0 million), which included initial license fees paid for access to second generation 1800 spectrum and 3G spectrum in the amount of NIS 176 million.

As previously reported, in light of the sale by Matav Cable of approximately 7.7% of Partner's issued and outstanding share capital to a subsidiary of Hutchison Whampoa Ltd. and the concurrent amendment of the relationship agreement among Partner's principal shareholders, Partner has been informed that Bank of Israel rules which limit the amount of lending to related entities will no longer apply to loans to Partner from Bank Hapoalim. As a result, Bank Hapoalim has agreed to participate in Partner's loan facility on the same terms as those applicable to the other lending banks, and accelerated repayment to Bank Hapoalim will no longer be required.

Mr. Gelman commented that the amendment of the credit facility, deferring the repayment schedule to Bank Hapoalim, substantially improves the Company's available funding for future requirements and eliminates its immediate need to find alternative sources of funding to replace Bank Hapoalim.

The Company's subscriber base reached 1,596,000 subscribers, compared to 1,004,000 at the end of the first quarter of 2001. During the quarter Partner added 138,000 new subscribers, including 63,000 prepaid customers. Prepaid customers now account for 28% of the Company's subscriber base. The quarterly churn rate remained low at 1.3%.

The Company's market share continued to grow, totaling approximately 27% of the number of all cellular subscribers in Israel, up from 22% at the end of the first quarter of 2001.

Average monthly usage per subscriber for the quarter was 284 minutes, versus 333 minutes per month for the comparable quarter last year, and 301 minutes per month for the fourth quarter of 2001. Average monthly revenue per user (ARPU), including in-roaming revenues, was NIS 184 (US\$ 39.4), versus NIS 232 (US\$ 49.7) per month for the first quarter of 2001 and NIS 195 (US\$ 41.8) for the fourth quarter of 2001. The usage and ARPU levels for the first quarter of 2002 continued to be above the market and the industry averages.

Commenting on the dilution in MOU and ARPU, Mr. Gelman said: "While a portion of the dilution in the first quarter could be attributed to the effects of the tension in the regions, the primary reason for the dilution remains the changing mix in our customer base. This trend will likely continue as the number of prepaid customers on our network increases".

The cost of acquiring new subscribers remained low, as the average subscriber acquisition cost (SAC) in the first quarter was NIS 443 (US\$ 95), a significant decrease from NIS 535 (US\$ 114.6) in the first quarter of 2001 and 4 percent higher than in the fourth quarter of 2001

Commenting on the quarter's results, Partner's Chief Executive Officer, Mr. Amikam Cohen said: "We are delighted to be able to report that we continued the trend of growing our top line revenues by aggressively adding subscribers, growing our customer base by almost 10% in the first quarter of 2002, and surpassing the one and a half million subscriber mark, once again, we captured the lion's share of growth in the market, without sacrificing our profitability targets."

Mr. Cohen added: "Partner has always been dedicated to offering its customers attractive rate plans, excellent network quality, a wide range of handsets, and an expanding variety of value added services. In 2002, we launched a range of new data and content services, using some of the most innovative technologies in the cellular world, and we believe that by the time 3G is ready for launch our customer base will already possess knowledge of the benefits and value of the mobile lifestyle."

Partner Communications will hold a conference call for investment professionals on April 29th, 2002, 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 May 6<sup>th</sup>, 2002

### **About Partner Communications**

Partner Communications Company Ltd. is the first 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 more than 1.5 million subscribers in Israel. Partner subscribers can use roaming services in 96 countries using 230 GSM networks. The Company's ADSs are quoted on NASDAQ under the symbol PTNR and on the London Stock Exchange (LSE) under the symbol PCCD. Its shares are quoted on the Tel Aviv Stock Exchange (TASE) under the symbol PTNR. (For further information: <http://investors.partner.co.il>)

**Notes:** *Some of the information in this release contains forward-looking statements that involve risks and uncertainties within the meaning of Section 27A of the Securities Act of*

1933 and Section 21E of the Securities Exchange Act of 1934. 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 us.

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.

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:

- *Uncertainties about the degree of growth in the number of consumers using wireless personal communications services and in the number of residents;*
- *The risks associated with the implementation of a third-generation network and business strategy, including risks relating to the operations of new systems and technologies, substantial expenditures required and 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;*
- *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;*
- *The introduction or popularity of new products and services, including pre-paid phone products, which could increase churn;*
- *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 the customer mix, profitability and average revenue per user;*
- *The availability and cost of capital and the consequences of increased leverage;*
- *The risks and costs associated with the need to acquire additional spectrum for current and future services;*
- *The risks associated with technological requirements, technology substitution and changes and other technological developments;*
- *Fluctuations in exchange rates;*
- *The results of litigation filed or to be filed against us; and*
- *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;*
- *As well as the risk factors specified under the heading “Risk Factors” in our report on Form 6-K filed with the SEC on December 26, 2001.*

*The financial statements set forth below should be read in conjunction with the financial statements of Partner Communications for the quarter ended March 31<sup>st</sup>, 2002 and notes thereto that have been filed concurrently to the U.S. Securities and Exchange Commission on form 6-K.*

*The attached summary financial statements are 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 March 31<sup>st</sup>, 2002: US \$1.00 equals 4.668. 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.*

**Contacts:**

**Mr. Alan Gelman**

Chief Financial Officer

Tel: +972-67-814951

Fax: +972-67-815961

E-mail:alan.gelman@orange.co.il

**Dr. Dan Eldar**

V.P. Carrier, Investor and International Relations

Tel: +972-67-814151

Fax: +972-67-814161

E-mail:dan.eldar@orange.co.il

**PARTNER COMMUNICATIONS COMPANY LTD.**

(An Israeli Corporation)

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	New Israeli shekels		Convenience translation into U.S. dollars	
	March 31, 2002 (Unaudited)	December 31, 2001 (Audited)	March 31, 2002 (Unaudited)	December 31, 2001 (Audited)
	In thousands			
<b>A s s e t s</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	7,062	5,272	1,513	1,129
Accounts receivable:				
Trade	480,604	458,434	102,957	98,208
Other	55,090	42,930	11,802	9,197
Inventories	152,164	124,512	32,597	26,674
T o t a l current assets	<u>694,920</u>	<u>631,148</u>	<u>148,869</u>	<u>135,208</u>
<b>INVESTMENTS AND LONG -TERM RECEIVABLES:</b>				
Non-marketable securities	3,530	8,244	756	1,766
Security deposit	106,396	100,869	22,793	21,609
Accounts receivables - trade	2,110	3,696	452	792
Funds in respect of employee rights upon retirement	<u>32,567</u>	<u>28,160</u>	<u>6,977</u>	<u>6,033</u>
	<u>144,603</u>	<u>140,969</u>	<u>30,978</u>	<u>30,200</u>
<b>FIXED ASSETS, net of accumulated depreciation and amortization</b>	<u>1,776,342</u>	<u>1,749,052</u>	<u>380,536</u>	<u>374,690</u>
<b>LICENSE AND DEFERRED CHARGES, net of amortization</b>	<u>1,276,135</u>	<u>1,112,959</u>	<u>273,379</u>	<u>238,422</u>
	<u>3,892,000</u>	<u>3,634,128</u>	<u>833,762</u>	<u>778,520</u>

	New Israeli shekels		Convenience translation into U.S. dollars	
	March 31, 2002 (Unaudited)	December 31, 2001 (Audited)	March 31, 2002 (Unaudited)	December 31, 2001 (Audited)
	In thousands			
<b>Liabilities net of capital deficiency</b>				
<b>CURRENT LIABILITIES:</b>				
Current maturities of long-term loans	47,114	483,897	10,093	103,663
Accounts payable and accruals:				
Trade	479,522	524,642	102,726	112,391
Other	124,497	186,165	26,670	39,881
T o t a l current liabilities	<u>651,133</u>	<u>1,194,704</u>	<u>139,489</u>	<u>255,935</u>
<b>LONG-TERM LIABILITIES:</b>				
Bank loans, net of current maturities	2,590,376	1,818,066	554,922	389,474
Notes payable	816,900	772,800	175,000	165,554
Liability for employee rights upon retirement	46,614	42,334	9,986	9,069
T o t a l long-term liabilities	<u>3,453,890</u>	<u>2,633,200</u>	<u>739,908</u>	<u>564,097</u>
T o t a l liabilities	<u>4,105,023</u>	<u>3,827,904</u>	<u>879,397</u>	<u>820,032</u>
<b>CAPITAL DEFICIENCY:</b>				
Share capital - ordinary shares of NIS 0.01 par value: authorized - December 31, 2001 - 200,000,000 shares and March 31, 2002 - 235,000,000 shares; issued and outstanding - December 31, 2001 - 178,924,585 shares and March 31, 2002 - 178,943,747 shares	1,789	1,789	383	383
Capital surplus	2,294,939	2,298,080	491,632	492,305
Deferred compensation	(17,614)	(24,362)	(3,773)	(5,219)
Accumulated deficit	(2,492,137)	(2,469,283)	(533,877)	(528,981)
T o t a l capital deficiency	<u>(213,023)</u>	<u>(193,776)</u>	<u>(45,635)</u>	<u>(41,512)</u>
	<u>3,892,000</u>	<u>3,634,128</u>	<u>833,762</u>	<u>778,520</u>

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

	New Israeli shekels		Convenience translation into U.S. dollars	
	3 month period ended March 31,		3 month period ended March 31,	
	2002	2001	2002	2001
	(Unaudited)			
	In thousands (except per share data)			
REVENUES - net	929,490	704,145	199,119	150,845
COST OF REVENUES	713,699	649,187	152,892	139,072
GROSS PROFIT	215,791	54,958	46,227	11,773
SELLING AND MARKETING EXPENSES	78,633	63,501	16,845	13,603
GENERAL AND ADMINISTRATIVE EXPENSES	33,399	35,557	7,155	7,617
OPERATING PROFIT (LOSS)	103,759	(44,100)	22,227	(9,447)
FINANCIAL EXPENSES - net	122,559	95,633	26,255	20,487
LOSS ON IMPAIRMENT OF INVESTMENTS IN NON-MARKETABLE SECURITIES	4,054		868	
NET LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLES	(22,854)	(139,733)	(4,896)	(29,934)
CUMULATIVE EFFECT, AT BEGINNING OF YEAR, OF A CHANGE IN ACCOUNTING PRINCIPLES		3,483		746
NET LOSS	(22,854)	(136,250)	(4,896)	(29,188)
NET LOSS PER SHARE - basic and diluted:				
Before cumulative effect	(0.13)	(0.78)	(0.03)	(0.17)
Cumulative effect		0.02		*
Net loss	(0.13)	(0.76)	(0.03)	(0.17)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	178,934,166	178,888,888	178,934,166	178,888,888

\*Representing an amount less than \$0.01.



**PARTNER COMMUNICATIONS COMPANY LTD.**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>New Israeli shekels</u>		<u>Convenience</u>
	<u>3 month period</u>		<u>translation into</u>
	<u>ended</u>		<u>U.S. dollars</u>
	<u>March 31,</u>		<u>3 month</u>
	<u>2002</u>	<u>2001</u>	<u>period ended</u>
	<u>(Unaudited)</u>		<u>March 31,</u>
	<u>In thousands</u>		<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	(22,854)	(136,250)	(4,896)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	120,851	124,558	25,889
Capital gain on sale of fixed assets	(556)		(119)
Loss on impairment of investments in non-marketable securities	4,054		868
Amortization of deferred compensation related to employee stock option grants, net	3,587	5,750	769
Liability for employee rights upon retirement	4,280	2,499	917
Accrued interest and exchange and linkage differences on long-term liabilities	60,082	19,142	12,871
Accrued interest and exchange and linkage differences on security deposit	(5,527)	(5,182)	(1,184)
Sundry		141	
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable:			
Trade	(20,584)	(32,083)	(4,409)
Other	(12,160)	12,406	(2,605)
Increase (decrease) in accounts payable and accruals:			
Trade	(17,286)	16,979	(3,703)
Other	(55,895)	(26,790)	(11,974)
Increase in inventories	(27,652)	(25,429)	(5,924)
Net cash provided by (used in) operating activities	<u>30,340</u>	<u>(44,259)</u>	<u>6,500</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed assets	(164,481)	(116,198)	(35,236)
Proceeds from sale of fixed assets	1,913	278	410
Other investments		(5,787)	
Purchase of additional spectrum	(176,027)		(37,709)
Funds in respect of employee rights upon retirement	(4,407)	(1,470)	(944)
Net cash used in investing activities	<u>(343,002)</u>	<u>(123,177)</u>	<u>(73,479)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from exercise of stock options granted to employee	20		4
Long-term bank loans received	820,956	285,011	175,869
Repayment of long term bank loans	(506,524)	(101,000)	(108,510)
Amount carried to deferred charges		(28)	
Net cash provided by financing activities	<u>314,452</u>	<u>183,983</u>	<u>67,363</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,790	16,547	384
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>5,272</u>	<u>869</u>	<u>1,129</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>7,062</u></u>	<u><u>17,416</u></u>	<u><u>1,513</u></u>

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

At March 31, 2002, trade payables include NIS 104,912,000 (\$22,475,000) (unaudited) in respect of acquisition of fixed assets. This balance will be given recognition in these statements upon payment.

**PARTNER COMMUNICATIONS COMPANY LTD.**

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**RECONCILIATION OF EBITDA**

	<u>new Israeli shekels*</u>		<u>Convenience translation Into U.S. dollars **</u>	
	<u>3 month period ended March 31</u>		<u>3 month period ended March 31</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<b>In thousands</b>			
<b>Net loss</b>	(22,854)	(136,250)	(4,896)	(29,188)
<b>Adjustments required to reconcile EBITDA:</b>				
<b>Financial Expenses***</b>	120,786	93,862	25,875	20,107
<b>Depreciation and amortization</b>	120,851	124,558	25,889	26,683
<b>Amortization stock option granted to employees</b>	3,587	5,750	769	1,232
<b>Capital gain</b>	(556)		(119)	
<b>Loss on impairment</b>	4,054		868	
<b>Implementation of FAS 133****</b>		(3,483)		(746)
<b>EBITDA</b>	<u>225,868</u>	<u>84,437</u>	<u>48,386</u>	<u>18,088</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, 2002: US \$1.00 equals NIS 4.668 NIS.

\*\*\* Financial expenses excluding any charge for the amortization of pre-lunch financial costs, which are included in other depreciation and amortization charges stated above.

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

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

	New Israeli shekels			
	3 month period ended			
	June 30 2001	September 30 2001	December 31 2001	March 31, 2002
	(Unaudited)			
In thousands				
<b>REVENUES - net</b>	796,850	867,323	881,031	929,490
<b>COST OF REVENUES</b>	641,648	698,984	729,344	713,699
<b>GROSS PROFIT</b>	155,202	168,339	151,687	215,791
<b>SELLING AND MARKETING EXPENSES</b>	70,996	80,956	77,507	78,633
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	39,732	39,184	19,809	33,399
<b>OPERATING PROFIT</b>	44,474	48,199	54,371	103,759
<b>FINANCIAL EXPENSES - net</b>	89,189	127,533	88,572	122,559
<b>LOSS ON IMPAIRMENT OF INVESTMENT IN MARKETABLE SECURITIES</b>		8,862		4,054
<b>NET LOSS</b>	(44,715)	(88,196)	(34,201)	(22,854)

**PARTNER COMMUNICATIONS COMPANY LTD.**

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**Summary Operating Data**

	<b>MARCH 31, 2001</b>	<b>MARCH 31, 2002</b>
Subscribers (in thousands).....	<b>1,004</b>	<b>1,596</b>
Estimated share of total Israeli mobile telephone subscribers....	<b>22%</b>	<b>27%</b>
Churn rate in quarter.....	<b>1.0%</b>	<b>1.3%</b>
Average monthly usage in quarter per subscriber (minutes)...	<b>333</b>	<b>284</b>
Average monthly revenue in quarter per subscriber, including in-roaming revenue (NIS).....	<b>232</b>	<b>184</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>1504 (449)</b>	<b>1901 (690)</b>
Subscriber acquisition costs in quarter per subscriber (NIS)...	<b>535</b>	<b>443</b>
Number of employees (full-time equivalent) .....	<b>2,250</b>	<b>2,469</b>