

חברת פרטנר תקשורת בע"מ (”חברה” או ”פרטנר”)

תשקייף מדף

מכוון תשקיף מדף זה, תוכל החברה להנפיק מנויות רגילוט, רשותות על שם, בנוט 0.01 ש"ח ערך נקוב כל אחת של החברה (להלן: "המניות") ונויות ערך אחרים של החברה והכל בכפוף להוראות כל דין.

העתם של ניירות הערך הכלולים בתskillim להוראות סעיף 23(א) לחוק ניירות ערך, התשכ"ח-1968 (להלן: **חוק ניירות ערך**), ותקנות ניירות ערך (ה策ת מדף של ניירות ערך), התשס"ו-2005, באמצעות דוחות ה策ת מדף, בהם יושלמו כל הפרטימם המוחדים לאותה ה策ת מדף בהתאם לתקנון והנחיות הבורסה, כפי שייהיו באותה עת (כל אחד מהדוחות הללו יקרא לעיל ולהלן: **דוח ה策ת מדף**).

להן תמצית גורמי הסיכון בעלי השפעה גדולה על עסקים החברה: (א) פטרן פועלת בסביבה המאפשרת בהתערבות רגולטורית גבואה, בכל זה יוזמות רגולטוריות השפיעו ועלולות להמשיך להשפיע לרעה על ענף הסלולר, להעצים את התחרות ולהשפיע לרעה על עסקים החברה ותנועות פעולותה; (ב) אסדרה לא עיליה ולא אפקטיבית של השוק היסיטונאי בתחום התשתיות הקרויה רחבת הפס, לרבות ביטול הסדרה בגיןית של קבוצת בזק והוטו בטרם התבסס שוק סייטונאי אפקטיבי בתחום זה, עלולה להשפיע לרעה באופן מהותי על עסקים החברה; (ג) עדכונים מוחעת האחרונה ועדכונים פוטנציאליים בקשר עם תעריפי נדידה (Roaming Charges) בישראל ומוחצה לה, עלולים להגדיל את הוצאות החברה, להקטין את הכנסותיה ולמנוע את הعلاאת התעריפים; (ד) קושי בקבלת התיاري בגיןיה מטאימים והיתרי איכומת סביבה לאתרים סלולריים הנדרשים לפחותה והעדר היתרים מטאימים, עלול להשוו את החברה לחבות פליליות ואזרחות וכן להריסטם של אחרים, ולפיכך להשפיע לרעה על איכות הרשות; (ה) החברה עלולה להידרש לשפטה ועדות מקומותית לתכנון ובניה בגוון תביעות שיגושו כגדון בגין ידידה בערך קרקעית לבגיהן נטען לפטרן היתר לבניית תקשורת; (ו) חשפה לביטול חלק מספקטרום התדרים אשר הענק לפטרן ואו חילוקתו עם מפעילים אחרים עלולה להשפיע לרעה על איכות הרשות ועל היקולות לטפק ללקוחות שירותים תקשורת מתקדים; (ז) הפעלת עסקי פטרן כפופה לרישיון ממשרד התקשורת ולפיכך אם לא יוארך או יופר הרישיון באופן מהותי עלולה להישלך הזכות מכוחו לנחל את סקיה של החברה; (ח) אפשרות לפגעה בתוקף רישיון פרטן עקב אי עמידה של פטרן בהוראות הרישיון הנוגעת להם; (ט) החוב המשמעותי של החברה עלול להשפיע לרעה על עסקים החברה, רוחויתה ונוילותה. בנוסף, הירידה המסתובבת בתזוזים המזומנים עלולה להגביל את יכולת החברה לפזר הלוואות וכן לגיסס הלוואות חדשות למימון פעילותה העסקית; (א) הסקם שיתוף הרשות עם חברות חוט מוביל שפרטן שותפה בו, עלול שלא לספק את היתרונות הצפויים ולהוביל לעלוות בלתי צפויות; (יא) החברה השופפת לתחורות כתזואה מתהיליכי התלכדות בשוק התקשרות, ריבוי ומגוון תכניות של קבוצות תקשורת המציעות את כל השירותים תחת קורת גג אחת, כנישת מפעילים חדשים לשוק רויי וכן שינויים בסביבה התחרותית ובטכנולוגיות תקשורת; (יב) התאגדות עובדי החברה בארגון עובדים עללה להקשות על החברה לבצע שינויים ארגוניים נחוצים ולהפחית את הגמישות הניהולית הנחוצה על מנת להתאים את פעילותה לסביבה העסקית המשתנה; (יג) ורידות מחירים משמעותיות עלולות לגרום להיכר בעתיד בירידת ערך משמעותית בשווי נכסיו החברה; (יד) תלות במספר מוצמצם של ספקים לאספקת שירותים, ציוד קצה וציוד רשת המרכזים לפעולתה של החברה; (טו) טענות בדבר סיכוןם בריאוותים, הקשורים לשימוש במתקני תקשורת ובצדוק קצה; (טו) קושי בהחלה רכיבים קרייטיים ברשות פרטן לכל שינויקו או יייפגעו או החזותם לשירות במהירות; (יז) תעשיית התקשרות כפופה לשינויים מהירים ומשמעותיים בטכנולוגיה ובמבנה התעשייה; (יח) פרטן הינה צד למגוון של הליכים משפטיים לרבות בקשות לאישור תובענות יצוגיות הנוגעת בעיקר לתשתיות הרשות ולתביעות מצד לקוחות; (יט) סיום או שלילת רשות לשימוש במוגג הבינלאומי; Orange; לפטרים נספם בדרכו גורמי הסיכון של החברה ראו Item לדוח השנתי (20-F) וסעיף 3.5 לתקיפן.

אגירות החוב (סדרה ב'), אגרות החוב (סדרה ג'), אגרות החוב (סדרה ד') ואגרות החוב (סדרה ה') של החברה דורגו על ידי מעלות S&P בע"מ בדירוג AAA.

American Depository Shares (ADS) (להלן: "ADS") של החברה (כאשר כל ADS מייצג מנתה אחת של החברה) רשומים למסחר ב- Nasdaq Capital Market (להלן: "Nasdaq") תחת הסימול "PTNR". בנוספ', מנויות החברה רשומות למסחר בבורסה לניירות ערך בתל אביב בע"מ (להלן: "הבורסה") תחת הסימול "פרטנר", וזאת בהתאם למסמך רישום מכוח הוראות בדבר רישום כפול לפי פרק ה' 3 לחוק ניירות ערך והתקנות שהותקנו מכוחו.

תקiffin מדר' זה ודוחות המדף שיפורסמו על-פי התקiffin ייערכו בהתאם לפטור מתקנות ניירות ערך (פרטי התקiffin וטווות התקiffin – מבנה וכוראה), התשכ"ט-1969, שניתן לחברת על-ידי רשות ניירות ערך מכוח סעיף 35כט' לוחוק ניירות ערך. לפטרים ראו סעיף 1.3 לתקiffin מדר' זה.

דוח הצעת מדף שתפרסם החברה על-פי התקiffin מדר' זה יכלול (במסגרת הדוח או על דרכ' ההפניה) מידע משלים לגבי התפתחויות מוחותיות בחברה ממועד התקiffin מדר' זה וכן מידע משלים נוסף, אם וככל שהוא נדרש לפי ה- United States Securities Act of 1933 כפי שתוקן מעט לעת (להלן: **"Securities Act"**) והכללים והתקנות של רשות ניירות ערך האמריקאית, אם הצעת ניירות ערך כאמור היתה מוגשת לירישום לפי Securities Act במסמך רישום Form F-3, לרבות מידע כספי מעודכן בהתאם לכל רשות ניירות ערך האמריקאית בסעיף 8 Form F-20, אם וככל הנדרש, וזאת בנוסף לפרטים הדרושים על-פי תקנות ניירות ערך (הצעת מדף של ניירות ערך), התשס"ו-2005 ובקבלם פרטים אוניות ניירות הערך המוצעים וכל פרט אחר הטעו גיאור-על-פי אותנו תקנות).

הדיווחים השוטפים של החברה הינם על-פי הדין בארצות הברית ובשפה האנגלית, בהתאם לכללי הרישום הכלול הקבועים בפרק ה' 3 לחוק מינירות ערך, והתקנות שהותקנו מכוחו.

הצעת ניירות ערך לפי דוחות הצעת מדף שיפורומו על-פי תשיקף מדף זה תיישה רף בישראל ונירות הערך שייכללו בדוחות הצעת המדי-האמורים לא יוצאו או ימכרו בארצות הברית או - U.S. Persons המשמעו של מונח זה ב- Regulation S שהותקנה מכח ה- Securities Act ("Regulation S"), לפחות בהתאם לפטור מדרישות רישום לפי ה- Securities Act או במסגרת עסקה שאינה כפופה לדרישות הרשומות האמורתיות. על-פי דרישת הבורסה, הצעת ניירות ערך על-פי דוחות הצעת מדף זה לפי תשיקף זה תהיה מותנית בעמידת החברה בפטור

mdirishot hareshom ul-pi Regulation S Category 1 של S ביחס לנירות הערך שיוצאו על-ידי החברה כאמור, על-פי חוות דעת של עורך דין אמריקאי של החברה שתוגש לבורסה קודם למועד פרסום של דוח הצעת מדף על-ידי החברה, לפיה אין מניעה לחברה לפי ה- Securities Act להציג לציבור בישראל את נירות הערך שיוצאו בדוח הצעת המדף, לרשותם אותם למסחר בבורסה, לקיים בהם מסחר ולטולקם במסלketת הבורסה.

כל רוכש של נירות הערך שיוצאו על-פי דוח הצעת מדף שיפורסם על-פי תשקיף זה (1) ייחסב כמי שהצהיר כי הוא זכאי לרכוש את נירות הערך המוצעים בהתאם לפטור מדרישות הרישום לפי ה- Securities Act ; או (2) ייחסב כמי שהצהיר (i) כי אינו נמצא בארצות הברית והוא או (ii) כי אינו נמצא U.S. Person או חילופין, כי הוא תושב ישראל וכי אינו U.S. Person ; (iii) כי לא רוכש את נירות הערך שיוצאו בדוח הצעת המדף עבור או לטובת U.S. Person או כל אדם הנמצא בארצות הברית ; (iv) כי לא שחה בארצות הברית בעת שהוגש בקשה לרכוש ובעת שרכש את נירות הערך שיוצאו בדוח הצעת מדף כאמור ; ו- (v) כי אינו רוכש את נירות הערך שיוצאו בדוח הצעת מדף כאמור עם כוונה "distribution" של נירות הערך האמורים בארצות הברית (כמשמעותו של מונח זה ב- Securities Act) ; הכל כפי שיפורט בדוח הצעת המדף. המפיצים עימם תקשר החברה, ככל שתתקשר, להפצת נירות הערך המוצעים, חברות הקשורות להם וכל מי שפועל מטעם, יצהירו כי יציעו את נירות הערך המוצעים רק לכל אדם הנמצא בארצות הברית או מי שהוא U.S. Person, למעט בהתאם לפטור מדרישות רישום לפי ה- Securities Act או במסגרת עסקה שאינה כפופה לדרישות הרישום האמורים, וכי לא ביצעו ולא יבצעו כל פעולה או פרסום בארצות הברית בקשר עם קידום מכירותם של נירות הערך המוצעים.

על תשקיף זה ודוחות הצעת מדף שיפורסם על-פיו ועל הצעת נירות הערך ורכישתם על-פיים וכל הנבע ו/או הקשור בתשקיף זה ובdochות הצעת המדף שיפורסם עלי-פיו, יחולו דיני מדינת ישראל בלבד ולא יהול דיןנים אחרים כלשהם, וסמכות השיפוט הבלעדית בכל עניין הקשור לעניינים האמורים מוקנית אך ורק לbatei המשפט המוסמכים בישראל ולהם בלבד והניצעים בהסכמתם לרכושם דוח הצעת מדף על-פי תשקיף זה ודוחות הצעת המדף על-פיים מתקבלים על עצם סמכות שיפוט בלעדית זו ובירתת דין זו.

רכישת נירות הערך שיוצאו על-פי דוח הצעת מדף זה תהיה כפופה להגבלות על מכירה חזרה בהתאם לדיני נירות הערך האמריקאים, כפי שיפורט בdochות הצעת מדף שיפורסם על-פי תשקיף מדף זה.

תשקיף מדף זה ודוחות הצעת מדף על-פיו אינם מיעדים לפרסום ו/או הפצה ו/או חלוקה בארצות הברית ו/או ל- U.S. Persons כמשמעותו של מונח זה ב- Regulation S. ונירות הערך שיוצאו על-פי דוחות הצעת מדף האמורים לא ייצעו או יימכרו בארצות הברית ללא רישום או פטור מרישום בארצות הברית. תשקיף מדף זה לא הוגש לרשות נירות ערך בארצות הברית ודוחות הצעת מדף שיפורסם על-פיו לא יישרמו לפי Securities Act, וכל הרוכש נירות ערך לפי תשקיף מדף זה ודוחות הצעת מדף לפי ייה רשאי להציג, כאמור, לשעבד או להעביר בדרך אחרת את נירות הערך האמורים אך ורק (i) בהתאם ל- Regulation S ; או (ii) על פי מסמך רישום לפי ה- Securities Act ; או (iii) בהתאם לפטור מדרישות הרישום לפי ה- Securities Act. אלא אם יצוין אחרת בדוח הצעת מדף, החברה אינה מתחייבת לרשותם את נירות הערך למסחר או למכירה בארצות הברית לפי ה- Securities Act.

החלטה לרכוש את נירות הערך שיוצאו על-פי תשקיף זה ועל-פי דוחות הצעת מדף שיפורסם מכוון, יש לקבל אך ורק בהסתמך על המידיע הנככל (לרובות בדרך של הפניה) בתשקיף זה ודוחות הצעת מדף על-פיו. החברה לא התירה לכל אדם או גוף אחר כלשהו למסור מידע שונה מזה המפורט בתשקיף זה. תשקיף זה ודוחות הצעת מדף על-פיו אינם מהווים הצעה של נירות ערך בכל מדינה אחרת למעט מדינת ישראל.

ניתן לעיין בנוסחו המלא של התשקיף באתר האינטרנט של רשות נירות ערך, שכטובתו www.magna.isa.gov.il.

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ה-ה	חתימות	.5

הצעת ניירות ערך לפי דוחות הצעת מדף שיפורסמו על-פי תשקיף מדף זה תיועשה רק בישראל וניירות הערך שייכללו בדוחות הצעת המדף האמורים לא יוצאו או יימכרו בארץ הברית או לא-
ב- U.S. Persons (להלן: "U.S. Persons") כמשמעותו של מונח זה ב- Regulation S שוחתקנה מכח ה- Securities Act Regulation S ("Regulation S"), למעט בהתאם לפטור מדרישות רישום לפי ה- Securities Act או במסגרת עסקה שאינה כפופה לדרישות הרישום האמורנות. על-פי דרישת הבורסה, הצעת ניירות ערך על-פי דוחות הצעת מדף ערך שיוצאו על-ידי החברה בעמידת החברה בפטור מדרישות הרישום על-פי דוחות הצעת מדף ערך על-פי תשקיף זה תהיה מותנית בעמידת החברה בפטור מדרישות הרישום על-פי Regulation S ביחס לנויוט הערך שיוצאו על-ידי החברה כאמור, על-פי חוות דעת של עורך דין אמריקאי של החברה שתוגש לבורסה קודם למועד פרסום של דוח הצעת מדף על-ידי החברה, לפיה אין מניעה לחברת לפי ה- Securities Act להציג לציבור בישראל את ניירות הערך שיוצאו בדוח הצעת מדף, לרשותם אותם למסחר בבורסה,קיימים בהם מסחר ולסולקם במסלול הבורסה.

כל רוכש של ניירות ערך שיוצאו על-פי דוח הצעת מדף שיפורסם על-פי תשקיף זה (1) ייחשב כמי שהצהיר כי הוא זכאי לרכוש את ניירות הערך המוצעים בהתאם לפטור מדרישות הרישום לפי ה- Securities Act ; או (2) ייחשב כמי שהצהיר (i) כי איןנו נמצא בארץ הברית וכי איןנו U.S. Person או לחילופין, כי הוא תושב ישראל וכי איןנו U.S. Person ; (ii) כי איןנו רוכש את ניירות הערך שיוצאו בדוח הצעת מדף עבור או לטובת U.S. Person או כל אדם הנמצא בארץ הברית ; (iii) כי לא שחה בארץ הברית בעת שהגיש בקשה לרכוש ובעת שרכש את ניירות הערך שיוצאו בדוח הצעת מדף כאמור ; ו- (iv) כי איןנו רוכש את ניירות הערך שיוצאו בדוח הצעת מדף כאמור עם כוונה לבצע "distribution" של ניירות הערך האמורים בארץ הברית (כמשמעותו של מונח זה ב- Securities Act) ; הכל כפי שיפורט בדוח הצעת מדף. המפיצים עימם תתקשר החברה, ככל שתתקשר, להפצת ניירות הערך המוצעים, חברות קשורות שלהם וכל מי שפועל מטעם, יצהירו כי יציעו את ניירות הערך המוצעים רק לתושבי ישראל ולא לכל אדם הנמצא בארץ הברית או מי שהינו U.S. Person, למעט בהתאם לפטור מדרישות רישום לפי ה- Securities Act או במסגרת עסקה שאינה כפופה לדרישות הרישום האמורנות, וכי לא ביצעו ולא ביצעו כל פעולה או פרסום בארץ הברית בקשר עם קידום מכירותם של ניירות הערך המוצעים.

על תשקיף זה ודוחות הצעת מדף שיפורסמו על-פיו ועל הצעת ניירות הערך ורכישתם על-פיים וכל הנובע ו/או הקשור בתשקיף זה ובדוחות הצעת מדף שיפורסמו על-פיו, יהולו דיני מדינת ישראל בלבד ולא יהולו דינים אחרים כלשהם, וסמכות השיפוט הבלעדית בכל עניין הקשור לעניינים האמורים מוקנית אך ורק לבתי המשפט המוסמכים בישראל ולהם בלבד והניצעים בהסכםם לרכוש את ניירות הערך שיוצאו על-פי תשקיף זה ודוחות הצעת מדף על-פיים מקבלים על עצמם סמכות שיפוט בלעדית זו וברירת דין זו.

רכישת ניירות ערך שיוצאו על-פי דוח הצעת מדף שיפורסם על-פי תשקיף מדף זה תהיה כפופה להגבלות על מכירה חוזרת בהתאם לדיני ניירות ערך אמריקאים, כפי שיפורט בדוחות הצעת מדף שיפורסמו על-פי תשקיף מדף זה.

תשקיף מדף זה ודוחות הצעת מדף על-פיו אינם מיועדים לפרסום ו/או הפצה ו/או חלוקה בארצות הברית ו/או ל-U.S. Persons כמשמעותו של מונח זה ב- Regulation S וניירות ערך שיוצאו על פי דוחות הצעת המדף האמורים לא יוצאו או ימכרו בארצות הברית ללא רישום או פטור מרישום בארצות הברית. תשקיף מדף זה לא הוגש לרשות ניירות ערך בארצות הברית ודוחות הצעת המדף שיפורסמו על-פיו לא יירשמו לפי ה- Securities Act, וכל אדם הרוכש ניירות ערך לפי תשקיף מדף זה ודוחות הצעת המדף לפיו יהיה רשאי להציג, למכור, לשעבד או להעביר בדרך אחרת את ניירות הערך האמורים אך ורק (i) בהתאם ל- Regulation S ; (ii) על פי מסמך רישום לפי ה- Securities Act ; או (iii) בהתאם לפטור מדרישות הרישום לפי ה- Securities Act. אלא אם יציין אחרת בדוח הצעת המדף, החברה אינה מתחייבת לרשות את ניירות הערך למסחר או למכירה בארצות הברית לפי ה- Securities Act.

החלטה לרכוש את ניירות הערך שיוצאו על-פי תשקיף זה ועל-פי דוחות הצעת מדף שיפורסמו מכוחו, יש לקבל אך ורק בהסתמך על המידע הנכלל (לרובות בדרך של הפניה) בתשקיף זה ודוחות הצעת המדף על-פיו. החברה לא תثيرה לכל אדם או גוף אחר כלשהו למסור מידע שונה מזו המפורט בתשקיף זה. תשקיף זה ודוחות הצעת המדף על-פיו אינם מהווים הצעה של ניירות ערך בכל מדינה אחרת למעט מדינת ישראל.

ניתן לעיין בנוסחו המלא של התשקיף באתר האינטרנט של רשות ניירות ערך, שכותבו www.magna.isa.gov.il

חברת פרטנר תקשורת בע"מ

(”החברה“ או ”פרטנר“)

פרק 1 - מבוא

כלי .1.1

פרטנר התאגדה בישראל בשנת 1997 כחברה פרטנית על פי פקודת החברות [נוסח חדש], התשמ"ג-1983. בחודש אוקטובר 1999, ביצעה החברה הנפקה ראשונה לציבור של American Depository Shares (ADS) (כאשר כל ADS אחד מייצג מניה אחת של החברה) והם נרשמו למסחר ב-Nasdaq Global Select Market (”.Nasdaq“). החל מחודש יולי 2001 רשומות מנויותיה של החברה למסחר גם בבורסה לניירות ערך בתל-אביב בע"מ (”הבורסה“). בחודש מרץ 2005 נרשמו אגרות החוב (סדרה Ai) של החברה למסחר בבורסה ועם פרעון המלא ביום 1 באפריל 2012 הונמתקו מהמסחר. בחודש דצמבר 2009 נרשמו אגרות החוב (סדרה Bi) של החברה למסחר בבורסה במערכת המסחר למשקיעים מוסדיים (”רץ' מוסדיים“), ובchodש יוני 2010 הונרשמו למסחר (רגיל) בבורסה. בחודש אפריל 2010 נרשמו אגרות החוב (סדרה Gi), (סדרה Di) ו- (סדרה Hi) של החברה למסחר בבורסה.

היתרים ואישורים .1.2

החברה קיבלה את כל ההיתרים, האישורים והרישיונות, הדרושים על-פי דין לפרסום תשקיף זה. תשקיף זה הינו תשקיף מדף, כהגדרתו בסעיף 23א לחוק ניירות ערך, התשכ"ח-1968 (להלן: ”חוק ניירות ערך“) והצעת ניירות ערך על פיו תיעשה על פי דוח הצעת מדף אשר יוגש בהתאם לחוק ניירות ערך ותקנות ניירות ערך (הצעת מדף של ניירות ערך), התשס"ו-2005 (להלן: ”תקנות הצעת מדף“), ואשר בו יושלמו הפרטיטים המינוחדים לאותה הצעה (להלן: ”דוח הצעת מדף“).

אין בהיתריה של רשות ניירות ערך לפרסום התשקיף משום אימות הפרטיטים המובאים בו או אישור מהימנותם או שלמותם, ואין בו משום הבעת דעתה על טיבם של ניירות הערך שיוצעו על-פי תשקיף המדף.

החברה פנתה אל הבורסה לניירות ערך בת-אביב בע"מ (להלן: ”הבורסה“) בבקשת למתן אישור עקרוני לרישום של ניירות ערך הכלולים בתשקיף מדף זה ואשר יוצאו, ככל שיוצאו, על-פי דוח הצעת מדף.

אין לראות באישור העקרוני האמור של הבורסה אישור לפרטיטים המובאים בתשקיף או למהימנותם או שלמותם ואין בו משום הבעת דעתה על החברה או על טיבם של ניירות הערך שיוצאו או על המחיר בו הם יוצאו בדוח הצעת המדף.

מתן האישור העקרוני אינו מהווה אישור לרישום ניירות הערך האמורים למסחר, ורישום למסחר יהיה כפוף לקבלת אישור בקשה לרישום ניירות ערך למסחר על-פי דוח הצעת מדף אשר יוגש בהתאם לחוק ניירות ערך ותקנות הצעת מדף.

אין במתן האישור העקרוני האמור משום התcheinבות למתן אישור לרישום ניירות הערך למסחר על-פי דוח הצעת מדף. על אישור בקשה לרישום ניירות ערך למסחר על-פי דוח הצעת מדף יחולו הוראות תקנון הבורסה וההנחיות על-פיו, כפי שייהיו בתוקף בעת הגשת הבקשה לרישום על-פי דוח הצעת מדף.

על-פי דרישת הבורסה, הצעת ניירות ערך על-פי דוחות הצעת מדף על-פי תשקיף זה תהיה מותנית בעמידת החברה בפטור מדרישות הרישום על פי 1 Category של S "Regulation S" United States Securities Act of 1933 ו- "Regulation S", בהתקנה מכח ה- "Act", בהתאמאה) ביחס לנויוט הערך שיוצאו על-ידי החברה כאמור, בהתאם לחוות דעת שתיערך קודם למועד פרסום של דוח הצעת מדף על-ידי עורך דין אמריקאי של החברה, לפיה אין מניעה לחברה לפי ה- Securities Act להציג הציבור בישראל את ניירות הערך שיוצאו בדוח הצעת מדף, לרשותם אוטם למסחר בבורסה, לקיים בהם מסחר ולסולקם במסלול הבורסה.

בחוות דעת עורך דין של החברה שתוגש לבורסה קודם למועד פרסום דוח הצעת מדף על-ידי החברה להנפקת כתבי האופציה או אגרות החוב על פי תשקיף זה, יצון אם יש מניעה על פי דיני ארה"ב החלים על החברה, לאשר בבית משפט בישראל הליך של הסדר או פשרה לפי סעיף 350 לחוק החברות, לצורך שינוי תנאי ניירות הערך של החברה ולצורך מחייבת ניירות הערך מהרישום למסחר ביוזמת החברה. לעניין זה יחולו הוראות שללן :

(א) אם נקבע בחוות דעתה האמורה, כי לא קיימת מגבלה על פי דיני ארה"ב החלים על החברה, לאשר בבית משפט בישראל הליך של הסדר או פשרה לפי סעיף 350 לחוק החברות, תחתיב בחברה, במועד הרישום למסחר לראשונה כאמור, כי אם תפעל לשינוי תנאי ניירות הערך או לחייבת ניירות הערך מהרישום למסחר ביוזמת החברה, היא תפנה לבית משפט בישראל לצורך אישור הפעולות כאמור על פי סעיף 350 לחוק החברות.

(ב) צרפה החברה חוות דעת כאמור בס"ק (א) לעיל, אולם הוודעה לאחר הרישום למסחר, בדיוח מיידי, כי בכוונתה לאשר הסדר או פשרה לצורך שינוי תנאי ניירות הערך או לצורך מחייבת ניירות הערך מהרישום למסחר ביוזמת החברה, וכי בית משפט בישראל אינו מאשר לקיים בפניו דין כאמור לפי סעיף 350 לחוק החברות, תחשב החברה לעניין זה כמי שפעלה על פי סעיף 350 לחוק החברות, ובבד שעשתה את כל הנדרש בהתאם כאמור בסעיף 350 לחוק החברות לאישור הסדר או פשרה, לרבות כינוס אסיפות נושאים ו/או אסיפות בעלי ניירות הערך לסוגיהם, ובאסיפות כאמור אושרו הפעולות ברוב של משתתפים, נדרש על פי סעיף 350 לחוק החברות לאישור הסדר, למעט אישור ההסדר בבית משפט בישראל.

(ג) אם נקבע בחוות הדעת של עורך הדין שחברה כאמור לעיל, כי קיימת מגבלה על פי דין אריה'יב החלים על החברה, אשר בבית משפט בישראל הлик של הסדר או פשרה לפי סעיף 350 לחוק החברות, תחייב החברה במסמך על פי נורשימים לראשונה ניירות הערך הזורם למשחר, כי אם יהיה בכוננה לאשר הסדר או פשרה לצורך שינוי תנאי ניירות הערך או לצורך מחיקת ניירות הערך מהרישום למשחר ביזמת החברה, היא תעשה את כל הנדרש לשם אישור הפעולות כאמור על פי סעיף 350 לחוק החברות, לרבות כינוס אסיפות נושאים ו/או אסיפות בעלי ניירות הערך לՏוגיהם, ובאסיפות כאמור יושרו הפעולות ברוב של משתתפים, כנדרש על פי סעיף 350 לחוק החברות לאישור הסדר, למעט אישור ההסדר בבית משפט בישראל. פעולה החברה בדרך המפורטת לעיל, תחשב החברה, לעניין זה, כמי שפעלה על פי סעיף 350 לחוק החברות.

פטור הרשות לניירות ערך 1.3

סעיף 35כט לפרק ה'3 לחוק ניירות ערך קובע, בין היתר, כי רשות ניירות ערך רשאית לפטור מהוראות הנוגעות לפרטים בתשkieף, מבנהו וצורתו, כולם או מקצתן, תאגיד שהואגד בישראל המציע ניירות ערך לציבור אם ניירות הערך שלו רשומים למשחר בבורסה בחו"ל.

החברה קיבלה מעת רשות ניירות ערך פטור בהתאם לסעיף 35כט לחוק ניירות ערך מתחולת תקנות ניירות ערך (פרטי תשkieף, מבנהו וצורתו), התשכ"ט-1969 ביחס לתשkieף מדף זה ("תקנות פרטי תשkieף" ו-"פטור הרשות" בהתאם). פטור הרשות הותנה במתן חוות דעת, לפיה במקרה בו החברה הייתה פועלת לריישום בארכ'יב של ניירות ערך מן הסוג שניתן יהיה להציג על פי תשkieף מדף זה, על פי כללי ה- Securities Act, הייתה החברה רשאית לעשות זאת באמצעות מסמך רישום על טופס F-3 ("Form F-3").

בנוסף, פטור הרשות הותנה בהתחייבותה של החברה, כי כל עוד ניירות ערך של החברה, מלבד מנויות, רשומים למשחר בבורסה או מוחזקים על-ידי הציבור בישראל, אם מנויותה של החברה תימחקנה מהרישום למשחר בבורסה, תגשים החברה דיווחים לפי פרק ו' לחוק ניירות ערך ותחדל תחולת הוראות פרק ה'3 לחוק ניירות ערך על החברה.

כמו כן, הותנה פטור הרשות בהתחייבותה של החברה, כי ככל שתבקש להנפיק איגרות חוב רף בישראל, אשר יוצאו על-פי תשkieף זה (להלן: "אגרות חוב החדשות"), יהולו על החברה, החל ממועד הנפקת אגרות חוב החדשות, חובות הדיווח בהתאם למודל היגלי היברידי, בהתאם למטרכונות ולתנאים המצוינים בסעיף 1.3.7 להלן: "חוות הדיווח הנוסף" ו-"מודל היגלי היברידי" בהתאם, וזאת כל עוד אגרות חוב החדשות יהיו במחזור. יובהר כי עצם חובות החברה לבחון את תחולת חובות הדיווח הנוסף, יהול רק ממועד הנפקת אגרות חוב החדשות בפועל.

בהתאם לפטור הרשות, החברה מאשרת כי היא ערכה תשקיף מדף זה, בהתבסס על דרישות ה-1.3.5 Securities Act וכלי רשות ניירות ערך האמריקאית ל-3 Form. בהתאם, תשקיף מדף זה (כולל המסמכים הנכללים בו על דרך הפניה), עומד, מכל הבדיקות המהוות, בדרישות של ה-Securities Act והכללים והתקנות הרלוונטיים של רשות ניירות ערך האמריקאית שהיו חלים אילו הוגש באלה"ב מסמך Form F-3 לצורך רישום של ניירות הערך מהסוג שניתן יהיה להציג על-פי תשקיף מדף זה, למעט סדר הפרקים ולמעט התאמתם של הרכבה, הפרקים הכלולים בתשקיף מדף זה שהנms בשפה העברית (וכולים הכללה על דרך הפניה של דיווחים בשפה האנגלית של החברה), סעיף חוות דעת משפטית בפרק 4 לתשקיף מדף זה וכן פרק החתימות, שנערך לפוי הוראות תקנות פרטיו תשקיף; וכן, למעט העובדה שב-3 Form F-3 היו נכללים הצהרות, נספחים והתחייבות מסוימים אשר אינם נכללים בתשקיף זה ואשר אינם מהותיים לעניין הצעת ניירות ערך לציבור בישראל.

1.3.6 יודגש, כי תשקיף זה לא הוגש לרשות ניירות ערך האמריקאית ולא נבדק על ידה.

1.3.7 הוראות מודל היגלי היברידי:

הוראות מודל היגלי היברידי¹, ובכללם החובה לבחון קיומם של "סימני אזהרה" כמפורט להלן, יחולו כאמור על החברה רק החל ממועד בו היא תנפיק בפועל אגרות חוב חדשות רק בישראל (להלן: "מועד ההנפקה"), וכל עוד לא יונפקו על ידה אגרות חוב חדשות לאלו שМОונפקות בישראל בארצות הברית, או ירשמו אגרות חוב האמורות למסחר בארצות הברית.

החל ממועד ההנפקה תבחן החברה האם מתקיימים "סימני אזהרה", כפי שהם מוגדרים בסעיף 10(ב)(14) לתקנות ניירות ערך (דווחות תקופתיים ומידדיים), התש"ל-1970 (להלן: "תקנות הדוחות"), והחל ממועד התקיימות סימני אזהרה כאמור, וכל עוד סימני אזהרה מתקיימים², יחולו על החברה חובות הדיווח הנוספות, כמפורט להלן:

- (1) תקנה 10(ב)(14) לתקנות הדוחות - גילוי אודות התקיימות סימני אזהרה בתאגיד וצירוף דוח תזרים מזומנים חזוי בנסיבות הנדרשים בתקנה; בוחינת סימני אזהרה תיושה על-פי הדוחות הכספיים המאוחדים של החברה (או על-פי פרסום תנוניה הכספיים הרבעוניים).
- (2) תקנה 10(ב)(1)(ד) לתקנות הדוחות - גילוי אודות הבדיקה שנעשתה על-ידי הדירקטוריון לגבי מצב הנזילות של החברה מקום שקיים אחד מסימני אזהרה והנימוקים להחלטה.

¹ יובהר כי במקרה של שינוי ו/או תיקון להחלטת מיליאת הרשות מס' 1-2013: שינוי במודל הטיפול ומתן פטור לחברות ברישום כפול שמנפיקות אגיה רק בישראל מיום 9.9.2013 ו/או לתקנות ניירות ערך (דווחות תקופתיים ומידדיים), התש"ל-1970, ביחס לדרישות היגלי, היגלי יבוצע ויותאם, בשינויים המחייבים, בהתאם לתיקון ו/או לשינוי בהחלטת הרשות ו/או לתקנות כאמור.

² המועד בו סימני אזהרה אשר מבוססים על דוחות כספיים או על חוות דעתו או סקירתו של רואה החשבון המבקר, יחולו להתקיים יהיה המועד הראשון בו יפורסמו דוחות כספיים, חוות דעת או סקירה בהתאם ללא סימני אזהרה.

- (3) תקנה 35א לתקנות הדוחות - דיווחים מיידיים לטובת מחזקי תעוזות התחייבות שבמחוזר.
- (4) תקנה 37(א)(1) לתקנות הדוחות - פרטים על חלוקת דיבידנד.
- (5) תקנה 37 (א)(5) לתקנות הדוחות - פדיון מוקדם של אגרות חוב.
- (6) תקנה 31ח לתקנות הדוחות - פשרה או הסדר.
- (7) תקנות 37כ-37ככ לתקנות הדוחות - גילוי אגב הסדרי חוב.

בנוסף, רשות ניירות ערך תוכל להפעיל את סמכויותיה הבאות ביחס לדרישות מודל הגילוי היברידי: (א) סמכויות הרשות לדריש קבלת מידע, פרטים ומסמכים ; (ב) סמכויות הרשות לעניין דרישת פרסום דיווח מיידי ו/או דיווח מתכן ו/או דיווח משלים ; (ג) סמכויות הרשות לעניין דרישת להוספת גילוי או מידע כאמור בדיווחי החברה, ככל שהדבר נדרש לצורך הגנת ציבור המשקיעים באגרות חוב.

דו"ח הצעת מדף שתפרסם החברה על פי תשקיף זה יכלול (במסגרת הדוח או על דרך ההפניה), מידע משלים בגין התפתחויות מהותיות בחברה ממועד תשקיף מדף זה וכן מידע משלים נוסף, והכל בהתבסס על דרישות ה- Securities Act וכללי רשות ניירות ערך האמריקאית ל- Form F- 8, לרבות מידע כספי מעודכן בהתבסס על דרישות כללי רשות ניירות ערך האמריקאית בסעיף 8 של Form F-20, אם וככל שיידרש, וזאת בנוסף פרטים הדורשים על פי תקנות הצעת מדף (ובכללם השלמת פרטים אודות ניירות ערך המוצעים וכל פרט אחר הטעון תיאור על פי אותן תקנות).

הדיווחים השוטפים של החברה הינם בשפה האנגלית, בהתאם לכללי הרישום הכלול הקבועים בפרק ה-3 לחוק ניירות ערך, התשכ"ח-1968 והתקנות שהותקנו מכוחו. בנוסף, על פי פטור הרשות, החברה תמשיך לדוח על פי כללי הרישום הכלול כאמור.

תשקיף זה כולל פרטים על דרך ההפניה. פרטים ראו סעיף 3.13 לתשקיף (Incorporation of Certain Information by Reference

פרק 2 – פרטי הצעת ניירות ערך על-פי תשקיף/mdf

על-פי תשקיף מדף זה יכול שיוצאו לציבור, באמצעות דוחות הצעת מדף, מנויות רגילות של החברה ו/או ניירות ערך אחרים של החברה (להלן ביחד: "ניירות הערך").

ההצעה ניירות הערך על-פי תשקיף מדף זה תיעשה, בהתאם להוראות סעיף 23א לחוק ניירות ערך, באמצעות דוחות הצעת מדף אשר בהם יישלמו כל הפרטים המיוחדים לאותה הצעה, לרבות פרטי ניירות הערך המוצעים ותנאייהם, בהתאם להוראות תקנון הבורסה לניירות ערך בתל-אביב בע"מ והנחיותיה, כפי שייהיו באומה עת ולהוראות כל דין.

פרק 3

The securities have not been registered with the United States Securities and Exchange Commission and are not being offered in the United States or to U.S. Persons.

3.1 General

As used herein, references to “we,” “our,” “us,” the “Group,” “Partner” or the “Company” are references to Partner Communications Company Ltd. and its wholly-owned subsidiaries, Partner Future Communications 2000 Ltd., Partner Land-Line Communications Solutions LLP, Partner Business Communications Solutions LLP (of which Partner Future Communications 2000 Ltd. serves as the general partner and the Company serves as the limited partner), and, as of March 3, 2011 (the date of acquisition), 012 Smile Telecom Ltd., except as the context otherwise requires. In addition, references to our “financial statements” are to our consolidated financial statements, unless the context requires otherwise.

The Company provides telecommunications services in the following two segments: (1) cellular telecommunications services (“Cellular Services”) and (2) fixed-line communication services (“Fixed-Line Services”), which include: (a) Internet services (“ISP”) that provide access to the internet as well as home Wi-Fi networks, including Value Added Services (“VAS”) such as antivirus and anti-spam filtering; and fixed-line voice communication services provided through Voice Over Broadband (“VOB”); (b) Transmission services and Primary Rate Interface (“PRI”); (c) International Long Distance services (“ILD”); outgoing and incoming international telephony, hubbing, roaming and signaling and calling card services. The cellular segment and the fixed-line segment also include operations of equipment selling: mainly handsets, phones, tablets, laptops, modems, data cards, domestic routers and related equipment. Unless the context indicates otherwise, expressions such as “our business,” “Partner’s business” and “the Company’s business” or “industries” refer to both Cellular Services and Fixed-Line Services.

In this document, references to “\$,” “US\$,” “US dollars,” “USD” and “dollars” are to United States dollars, and references to “NIS” and “shekels” are to New Israeli Shekels. We maintain our financial books and records in shekels. This shelf prospectus (the “Shelf Prospectus”) contains translations of NIS amounts into US dollars at specified rates solely for the convenience of the reader. No representation is made that the amounts referred to in this Shelf Prospectus as convenience translations could have been or could be converted from NIS into US dollars at these rates, at any particular rate or at all. The translations of NIS amounts into US dollars appearing throughout this Shelf Prospectus have been made at the exchange rate on December 31, 2014, of NIS 3.889 = US\$1.00 as published by the Bank of Israel, unless otherwise specified.

3.2 Forward Looking Statements

Some of the information contained or incorporated by reference in this Shelf Prospectus contains 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 Shelf Prospectus, including the statements in “3.5 Risk Factors” below and in “Item 4. Information on the Company” and “Item 5.

Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2014 (the "2014 20-F"), incorporated by reference into this Shelf Prospectus, and elsewhere in this Shelf Prospectus and in the 2014 20-F regarding our future performance, revenues or margins, or to 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, consumer habits and preferences in cellular and fixed-line 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 "3.5 Risk Factors" below and "Item 4. Information on the Company", "Item 5. Operating and Financial Review and Prospects", "Item 8A.1 Legal and Administrative Proceedings" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk" in our 2014 20-F incorporated by reference into this Shelf Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Shelf Prospectus 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.

3.3 Summary Information Regarding the Company

You should read the following summary together with the more detailed information regarding us and the securities being offered hereby, including the risks discussed under the heading "3.5 Risk Factors," contained in this Shelf Prospectus. You should also read carefully the consolidated financial statements and notes thereto and the other information about us that is incorporated by reference in this Shelf Prospectus, including our 2014 20-F.

Our Company

Partner Communications Company Ltd. is a leading Israeli telecommunications company, providing a range of cellular and fixed-line telecommunication services. We offer our subscribers a full range of products and services to address a wide range of communications needs based on advanced technologies currently available as well as a range of competitive tariff plans.

As part of our strategy to extend our evolution into a diversified multi-service communications group, we supply our services through two business segments:

- the cellular business segment, our main business, which represents the largest portion of our total revenues. The cellular business segment includes all services provided over our cellular networks including airtime, interconnect, roaming and content services. In addition, the cellular business segment's activities include sales of relevant equipment including cellular handsets, tablets (including WI-FI-only tablets), laptops, data cards, modems including built-in modems in laptops and related equipment and accessories. On December 31, 2014, we had approximately 2,837 thousand cellular subscribers, representing an estimated 28% of total Israeli cellular telephone subscribers at that date. As of that date, approximately 75% of our subscriber base (approximately 2,132,000 subscribers) was represented by subscribers

who subscribe to post-paid tariff plans and 25% (approximately 705,000 subscribers) by subscribers who subscribe to pre-paid tariff plans; and

- *the fixed-line business segment*, which includes a number of services provided over fixed-line networks including (1) ISP services that provides access to the internet as well as home Wi-Fi networks, including VAS such as anti-virus and anti-spam filtering; and fixed-line voice communication services provided through VOB; (2) transmission services and primary rate interface (“PRI”); and (3) ILD services, outgoing and incoming international telephony, hubbing, roaming and signaling and calling card services. In addition, this segment includes sales of related equipment such as domestic routers, smartboxes, WI-FI-only tablets and related equipment.

We market our cellular services mainly under the Orange brand, which is licensed to us and has been used successfully in other markets around the world to promote telecommunications services. Throughout the years Orange has been the leading telecommunications brand in Israel. We also market our Fixed-Line Services under the 012 Smile brand and some of our Cellular Services under the 012 Mobile brand.

Our GSM/UMTS/LTE network covered 99% of the Israeli population at year-end 2014. We currently operate our GSM network in the 900 MHz and 1800 MHz bands, the UMTS network in the 900 MHz and 2100 MHz band and the LTE network in the 1800 MHz band. Our services provided on our network include standard and enhanced services, as well as value-added services and products.

In 2014, Partner was named by Marketest, a multi-discipline research and consulting firm, as the leading company among the large cellular companies in Israel in their “market-test rating for customer experience” and 012 Smile was named as the leading company among the ISP providers in main parameters for customer service. In 2014, we were named by the Maala organization in their highest platinum plus category for corporate social responsibility for the seventh consecutive year.

Our principal executive offices are located at 8 Amal Street, Afeq Industrial Park, Rosh Ha’ayin 48103, Israel (telephone: 972-54-7814-888). Our website address is www.orange.co.il. Information contained on our website is not incorporated by reference and does not constitute a part of this Shelf Prospectus.

3.4 Summary Terms of the Offer

We may, from time to time, offer and sell ordinary shares and other securities of the Company in one or more offerings.

Each time we offer and sell securities we will provide the specific terms and initial public offering prices of these securities in a supplemental shelf offering report. The supplemental shelf offering reports may also add, update or change information contained in this Shelf Prospectus. You should carefully read this Shelf Prospectus and any supplement together with additional information described below under “3.15 Where You Can Find More Information” before purchasing any of our securities. We will not use this Shelf Prospectus to confirm sales of any securities that are being registered but not offered under this Shelf Prospectus, unless it is attached to a supplemental shelf offering report.

We may sell any combination of securities in one or more offerings. We may sell securities to or through underwriters and also to other purchasers or through agents. The names of any underwriters or agents will be stated in a supplemental shelf offering report.

3.5 Risk Factors

You should carefully consider all of the information contained in and incorporated by reference into this Shelf Prospectus and, in particular, the following risk factors when deciding whether to invest in the securities being offered. Depending on the extent to which any of the following risks materializes, our business, financial condition, cash flow or results of operations could suffer, and the market price of our shares may be negatively affected. The risks below are not the only ones we face, and other risks currently not affecting our business or industry, or which are currently deemed insignificant, may arise.

RISKS RELATING TO THE REGULATION OF OUR INDUSTRY

We operate in a highly regulated telecommunications market in which the regulator imposes substantial limitations on our flexibility in managing our business and seeks to increase industry competition. At the same time, the regulator limits our ability to compete by, among other measures, giving preference to new competitors, and limits our ability to expand our business and develop our network. These measures may increase our costs, decrease our revenues and adversely affect our business and results of operations. We are exposed to government regulatory intervention regarding a broad range of issues, such as charges for premium and roaming services, interconnect tariffs, and other billing and customer service matters; the terms and conditions of our subscriber agreements; obligations under our operating licenses; the construction and maintenance of antennas and other network infrastructure; the provision of infrastructure access to existing or new providers of telecommunications services; frequency allocation; limitations or other constraints on the services and products that we may sell and; promotion of competition and anti-trust regulation. We are also affected by further increases in regulatory enforcement measures in connection with violations of applicable laws.

Regulatory initiatives may continue to impact the cellular market, intensify competition and adversely affect our business and results of operations.

Over the last few years, the Ministry of Communications (“MoC”) has taken active steps to increase competition in the cellular telecommunications market. Such steps have included:

- *Granting licenses and frequencies to two facility-based competitors (HOT Mobile and Golan Telecom).* In April 2011, UMTS frequencies were awarded to Mirs Communications Ltd (“MIRS”) (subsequently renamed “HOT Mobile”) and Golan Telecom Ltd. (“Golan Telecom”), which entered the cellular communications market in May 2012. HOT Mobile and Golan Telecom were awarded various benefits and leniencies, such as low minimum license fees and a reduction mechanism of the license fee (to the minimum fee set) offered to the winner based on the market share gained in the private sector over five years after being awarded the license. In order to achieve market share, these two competitors have launched aggressive tariff plans which include unlimited use packages. Recently, they have been granted substantial leniencies with respect to new frequency allocations (4G) of up to 50% discounts on frequency fees based on increasing their market share up to 5%. They have also been granted rights to use the frequencies for longer terms than ours, and they have received a waiver of their obligation to build an independent network.

- *Facilitating entry of MVNOs into the market.* Since 2010, the Ministry of Communications has adopted regulations to enable Mobile Virtual Network Operators (“MVNOs”) to offer telecommunications services, and it has granted licenses to 11 MVNOs. The most recent licenses were granted in January 2013.
- *Facilitating migration of customers between cellular companies.* On January 1, 2013, an amendment to the Communications Law (Telecommunications and Broadcasting), 1982 (the “Telecommunications Law”) became effective which prohibits cellular companies from linking cellular service transactions and handset-related transactions (unless the customer holds more than 100 lines). This amendment was added to previous amendments promulgated by the Ministry of Communications to facilitate the migration of subscribers among cellular companies and thus enhance competition, including the cancellation of exit fees before the end of a customer’s commitment period, cancellation of commitment periods and a prohibition on selling SIM-locked handsets.

As a result of such measures, the level of competition in the cellular market has increased substantially, leading to a material increase in churn rate and significant price erosion. If this trend continues, it may continue to materially adversely affect our business and results of operation. See “3.5 Risk Factors - Competition resulting from the full service offers by telecommunications groups and additional entrants into the mobile telecommunications market, as well as other actual and potential changes in the competitive environment and communications technologies, may continue to cause a further decrease in tariffs, an increase in subscriber acquisition and retention costs, and may continue to reduce our subscriber base and increase our churn rate, each of which could adversely affect our business and results of operations.”

Regulatory reforms that are intended to allow telecommunication providers, such as Partner, that do not have their own fixed-line infrastructure to include the infrastructure component as part of their bundled service offerings may negatively affect our business and results of operations if insufficiently and/or improperly implemented, or if the structural separation provisions (which apply to Bezeq and HOT Telecom) are removed before we have established ourselves in the fixed-line market.

Bezeq and HOT Telecom are the only major fixed-line operators in Israel that own and operate a nationwide fixed-line infrastructure. Providers of telecommunications services that do not have their own fixed-line infrastructure (“Service Providers”), such as Partner, are therefore at a disadvantage when competing with Bezeq and Hot Telecom in the fixed-line market.

The Ministry of Communications seeks to increase competition in the fixed-line telecommunications market by regulating wholesale market prices. The Ministry of Communications has therefore adopted regulations intended to allow Service Providers to include the infrastructure component as part of their bundled service offerings.

For Service Providers, including Partner, to be able to offer services of adequate quality and respond in a competitive manner to retail market demand in the fixed-line market, the Ministry of Communications must ensure that the relevant wholesale services provided by Bezeq and HOT Telecom are of sufficient technical and operational standards. If wholesale prices and services quality are not properly defined and enforced, our business and results of operations may be materially negatively affected.

In addition, for us to compete effectively in the fixed-line market, the Ministry of Communications would need to establish a mechanism which prevents Bezeq and HOT Telecom from exploiting their cost advantage over the Service Providers (a “margin squeeze” mechanism). Because Bezeq and HOT Telecom’s infrastructure costs are lower than the wholesale prices they propose to Service Providers, they benefit from a cost advantage. Should the Ministry of Communications’ decision with regard to the margin squeeze mechanism not prove effective in ensuring the effectiveness of the wholesale market, our profitability and results of operations could be materially adversely affected.

In order to provide an incentive for Bezeq to implement the wholesale market, the Ministry of Communications intends to cancel the regulations requiring Bezeq to maintain a “structural separation” between its fixed-line and mobile telecommunications operations, and to change the current retail fixed-price tariff control mechanism to a “maximum tariff” one.

If the structural separation provisions are removed before we have firmly established ourselves in the fixed-line telecommunications services market, and the current retail fixed-price tariff control mechanism is alleviated, Bezeq may be able to propose bundled services more effectively than us, and thereby gain a competitive advantage which would negatively affect our results of operations.

Furthermore, if the Ministry of Communications then also permits price reductions for bundled components (which is currently prohibited under structural separation provisions applicable to Bezeq) before an effective wholesale market has been implemented, Bezeq may be able to take advantage of their nationwide presence and cross-subsidization to market and sell more competitive and attractive offers than we will be able to offer, including cellular and TV services. The timeline for these contemplated changes is unclear.

If the Ministry of Communications fails to effectively implement the measures described above, or if the operational implementation of these measures fails due to operational barriers imposed by Bezeq and HOT Telecom and/or the required financial resources cannot be obtained, our ability to compete effectively in the fixed-line market and/or the future television market would be significantly limited. As a result we may lose market share in the ISP segment as well as in the cellular market.

Recent and potential future regulation and negotiation of roaming tariffs, both within Israel and elsewhere, may increase our roaming expenses, decrease our roaming revenues and prevent us from raising our tariffs.

Increasing competition in roaming and reducing customer charges. In August 2014, the Ministry of Communications published a hearing aimed at increasing competition in roaming services abroad currently provided by cellular licensees. As part of the hearing, the Ministry proposed to enable every cellular subscriber to receive roaming services abroad from operators which are not his cellular provider while keeping his cellular number. These alternative roaming providers include other cellular licensees, MVNOs, ISPs, international call licensees and fixed telephony licensees. Provision of services to alternative service providers by virtue of our existing roaming agreements may require the consent of foreign operators. If such consent is not provided, some of our roaming agreements may be cancelled, which may negatively affect our results of operations.

The Ministry also suggested adopting various measures intended to improve transparency and limit subscriber payments only to the exact volume of services consumed. Such measures include: All roaming calls abroad (incoming and outgoing) would be billed

using 1 second time units; all roaming data sessions would be billed using 1KB volume units; the billable duration of all voice calls would be from the second in which the call was connected until it ended (explicitly excluding any wait period from pushing the “call” button until the call is connected). We submitted our response to the hearing in October 2014. Following Partner’s response, the MoC clarified that billing according to one second time units will not apply retroactively. We are currently unable to evaluate the scope of investments and expenses which would be required to comply with the proposed measures, or their impact on revenues.

MoC data collection and evalution of roaming charges. The Ministry of Communications has declared its intention to evaluate roaming charges. In 2008, the government instructed the Ministry of Communications, together with other ministries, to negotiate a reduction of inbound and outbound roaming tariffs with the European Union (“EU”) and/or members of the EU or countries frequently visited by Israelis, and to consider other tools for reducing roaming charges. As a result, in the last few years the Ministry of Communications has requested Partner and its competitors to provide information regarding our roaming services and tariffs. If roaming tariffs are reduced as a result of the review by the Ministry of Communications or as a result of the proposed negotiations or otherwise, if additional EU member operators raise their tariffs, or if we are not able to raise our tariffs or otherwise compensate for possibly higher roaming expenses, our profitability and results of operations could be materially adversely affected.

Other regulatory developments may have a negative impact on the Company’s business and results of operation.

Other regulatory developments that may have a negative impact on the Company’s business and results of operation include:

- *Premium services regulation.* In June 2014, the Ministry of Communications published its decision regarding premium services following a public hearing. The decision applies to certain telecommunications licensees, including the Company, and became effective as of February 15, 2015. In the decision (and its amendments) it was determined, among other things that all premium rate services may be provided through only three prefixes, two of which shall be blocked as a default. The relevant licensees would be required to announce at the beginning of each premium rate call the nature of the service and its rate and maximum cost (and that such costs are in addition to the usual charges). The subscriber will be allowed to disconnect without being charged. Our revenues may be adversely affected as a result of this decision.
- *Unified license.* In November 2014, the Ministry of Communications published its decision regarding the obligation of all existing telecommunications licensees except Bezeq and HOT Telecom to be regulated by a unified general license. The Ministry decided that existing licensees be required to conform to the unified license which would cover international Long Distance (“ILD”) services, special fixed-line services, Internet Service Providers (“ISP”) and network termination point (“NTP”) services. The regulations setting the procedure and the requirements for the grant of a unified license became effective as of February 5, 2015. According to the MoC’s decision, the Company had to approach the MoC with a plan for transition to a unified license according to the new regulation within 3 months of the regulation’s effective date. The Company asked for an extension of this deadline and is currently coordinating with the MoC the

timeline for the commencement of such transition. Such an obligation may impose additional constraints on the Company's business and operations in the relevant segments, may facilitate the entry of existing licensees into additional telecommunications segments and may involve additional costs of compliance and implementation.

- *Proposed new regulations for the ILD market.* In October 2013, the Ministry of Communications published a hearing regarding proposed new regulations for the ILD market. The MoC proposed allowing all general telecommunications licensees (including MVNOs) to provide international call services to international destinations included in their subscribers' tariff plans as well as to international destinations for which the tariff is lower or equal to the tariff for a domestic call on the licensee's network ("Included Destinations"). In this hearing, the Ministry of Communications also proposed that general licensees (such as cellular operators) would no longer be allowed to charge interconnect fees for outgoing international calls. We submitted our response to this hearing in January 2014. In October 2014, the MoC published a secondary hearing on this matter, in which it proposed that all outgoing international calls which are not to Included Destinations, shall be preceded with a voice message stating the tariff of such call and allowing the subscriber to disconnect without being charged. We submitted our response to this secondary hearing in October 2014. Following Partner's response, the MOC published another secondary hearing addressing the terms and conditions which will apply to Bezeq and HOT in the ILD market during the interim period until their structural separation limitations are eased. Our revenues may be adversely affected if the changes proposed in these hearings are adopted.

For the reasons given above and further below, regulation of our industry has had in the past, and may in the future have, a material adverse effect on our business and results of operations. In addition, new laws, regulations or government policies, or changes in current regulations, may be adopted or implemented in a manner which damages our business and operating results. Announcements by the government of changes or other developments in applicable regulations may have a negative impact on the market value of our shares. For information regarding the principal regulations and regulatory developments affecting our business, see "Item 4B.13 Regulation" in our 2014 20-F. Furthermore, defending ourselves against regulatory violations alleged by state authorities or consumers has required, and may in the future require, substantial financial and management resources. We may not always be successful in our defense, and should we be found in violation of these regulations, we and our management may be subject to civil or criminal penalties, including the loss of our operating license as well as administrative sanctions. For information regarding on-going litigation and proceedings, see "Item 8A.1 Legal and Administrative Proceedings" in our 2014 20-F.

We have had difficulties obtaining some of the building and environmental permits required for the erection and operation of our network sites, and some building permits have not been applied for or may not be fully complied with. These difficulties could have an adverse effect on the coverage, quality and capacity of our network. Operating network sites without building or other required permits, or in a manner that deviates from the applicable permit, may result in criminal or civil liability to us or to our officers and directors.

Our ability to maintain and improve the extent, quality and capacity of our network coverage depends in part on our ability to obtain appropriate sites and approvals to install our network infrastructure, including network sites. The erection and operation of most of these network sites require building permits from local or regional planning and building authorities, as well as a number of additional permits from other governmental and regulatory authorities. In addition, as part of our network build-out and expansion, we are erecting additional network sites and making modifications to our existing network sites for which we may be required to obtain new consents and approvals.

For the reasons described in further detail below, we have had difficulties obtaining some of the building permits required for the erection and operation of our network sites. As of December 31, 2014, less than 10% of our network sites were operating without local building permits or exemptions which, in our opinion, are applicable. In addition, some of our network sites are not built in full compliance with the applicable building permits.

Network site operation without required permits or that deviates from the permit has in some cases resulted in the filing of criminal charges and civil proceedings against us and our officers and directors, and monetary penalties against the Company, as well as demolition orders. In the future, we may face additional demolition orders, monetary penalties (including compensation for loss of property value) and criminal charges. The prosecutor's office has a national unit that enforces planning and building laws. The unit has stiffened the punishments regarding violations of planning and building laws, particularly against commercial companies and its directors. If we continue to experience difficulties in obtaining approvals for the erection and operation of network sites and other network infrastructure, this could have an adverse effect on the extent, coverage and capacity of our network, thus impacting the quality of our cellular voice and data services, and on our ability to continue to market our products and services effectively. In addition, as we seek to improve the range and quality of our services, we need to further expand our network, and difficulties in obtaining required permits may delay, increase the costs or prevent us from achieving these goals in full. Our inability to resolve these issues could prevent us from maintaining the quality requirements contained in our license.

Uncertainties under National Building Plan 36. Since June 2002, following the approval of the National Building Plan 36 (the "Plan"), which regulates network site construction and operation, building permits for our network sites (where required) have been issued in reliance on the Plan. Several local planning and building authorities have questioned the ability of Israeli cellular operators to receive building permits, in reliance on the Plan, for network sites operating in frequencies not specifically detailed in the frequency charts attached to the Plan. In a number of cases, these authorities have refused to grant building permits for network sites, claiming that frequencies are not included in the Plan. There has been no judicial ruling at this stage. A class action that was filed against us as well as other cellular operators a number of years ago with a request for the revocation of the building permits given to the 3G network sites was dismissed during 2012.

The Plan is in the process of being changed. See "Item 4B.13g Network Site Permits" in our 2014 20-F.

Uncertainties regarding the validity of exemptions for wireless access devices. We have set up several hundred small communications devices, called wireless access devices, pursuant to a provision in the Telecommunications Law which exempts such devices from the need to obtain a building permit. A claim was raised that the exemption does not apply to cellular communications devices and the matter reached first instance courts a number of times, resulting in conflicting decisions. This claim is included in an application to certify a

class action filed against the three principal Israeli cellular operators. In May 2008, a district court ruling adopted the position that the exemption does not apply to wireless access devices. We, as well as our competitors, filed a request to appeal this ruling to the Supreme Court. In May 2008, the Attorney General filed an opinion regarding this matter stating that the exemption does apply to wireless radio access devices under certain conditions. Two petitions were filed with the High Court of Justice in opposition to the Attorney General's opinion. The matter is still pending before the Supreme Court and the High Court of Justice.

If a definitive court judgment holds that the exemption does not apply to cellular devices at all, we may be required to remove the existing devices. As a result, our network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

Uncertainties regarding requirements for repeaters and other small devices. We, like the other cellular operators in Israel, provide repeaters, also known as bi-directional amplifiers, to subscribers seeking an interim solution to weak signal reception within specific indoor locations. In light of the lack of a clear policy of the local planning and building authorities, and in light of the practice of the other cellular operators, we have not requested permits under the Planning and Building Law, 1965 ("Planning and Building Law") for the repeaters. However, we have received an approval to connect the repeaters to our communications network from the Ministry of Communications and have received from the Ministry of Environmental Protection permit types for all our repeaters. If the local planning and building authorities determine that permits under the Planning and Building Law are also necessary for the installation of these devices, or any other receptors that we believe do not require a building permit, it could have a negative impact on our ability to obtain permits for our repeaters.

In addition, we construct and operate microwave links as part of our transmission network. The various types of microwave links receive permits from the Ministry of Environmental Protection in respect of their radiation level. Based on an exemption in the Telecommunications Law, we believe that building permits are not required for the installation of most of these microwave links on rooftops, but to the best of our knowledge, there is not yet a determinative ruling on this issue by the Israeli courts. If the courts determine that building permits are necessary for the installation of these sites, it could have a negative impact on our ability to obtain environmental permits for these sites and to deploy additional microwave links, and could hinder the coverage, quality and capacity of our transmission network.

The Ministry of Environmental Protection's Request for the Installment of Monitoring Devices. In May 2010, the Ministry of Environmental Protection notified the Company of a new condition for all of the Company's network site operation permits, according to which the Company must install in its systems software (provided by the Ministry of Environmental Protection) that continuously monitors and reports the level of power created in real time from the operation of its network sites. The Ministry of Environmental Protection refused to provide the Company with any technical data regarding the monitoring software and therefore the Company cannot anticipate the manner of operation of the software nor its reliability. The Company complied with the Ministry of Environmental Protection's condition. Since the installment of the software, the Company has received several alerts reporting exceeded transmission power at some of the Company's cell sites. All purported alerts were examined by the Company's engineers and were found to be baseless. In addition, the Ministry of Environmental Protection has sent to all the cellular network operators, notice of an administrative and criminal enforcement procedure that will be implemented by the Ministry as part of the monitoring devices. Partner, as well as the other cellular network operators, has

advised the Ministry that based on their experience so far from the alerts that have been received and examined by their engineers, it seems that the devices are not credible and therefore administrative and criminal proceedings should not be based on their findings. The Ministry of Environmental Protection has not yet responded.

The Company is of the opinion that all of the antennas that it operates comply with the conditions of the safety permits that the Company was granted by the Ministry of Environmental Protection. However, implementation of the monitoring software increases the exposure of the Company and its senior officers to civil and criminal proceedings in the event that any antennas are found to not meet the conditions of the permits granted to the Company and the maximum permitted power. In addition, if our antennas are found to not meet the conditions of the permits granted to the Company and the maximum permitted power, the Ministry of Environmental Protection may revoke existing permits, which would require us to dismantle existing network sites. As a result, our network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

In connection with some building permits, we may also be required to indemnify planning committees in respect of claims against them relating to the depreciation of property values that result from the granting of permits for network sites.

Under the Planning and Building Law, local planning committees may be held liable for the depreciation of the value of nearby properties as a result of approving a building plan. Under the Non-Ionizing Radiation Law, 2006 (“the Non-Ionizing Radiation Law”) the National Council for Planning and Building requires indemnification undertakings from cellular companies as a precondition for obtaining a building permit for new or existing network sites. The National Council has decided that until the Plan is amended to reflect a different indemnification amount, cellular companies will be required to undertake to indemnify the committees in full against all losses resulting from claims against a committee for reductions in property values as a result of granting a permit to the network site. On June 1, 2010, the National Council for Planning and Building approved the National Building Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the “Amended Plan”). The Amended Plan sets forth the indemnification amounts as a percentage of the value of the depreciated property claims in accordance with the manner in which the licenses were granted. The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown when the government intends to approve the Amended Plan.

As of March 31, 2015, we have provided local authorities with 488 indemnification undertakings. These indemnifications expose us to risks which are difficult to quantify or mitigate and which may have a material adverse effect on our financial conditions and results of operations, if we are required to make substantial payments in connection therewith. In addition, the requirement to provide indemnification in connection with new building permits may impede our ability to obtain building permits for existing network sites or to expand our network with the erection of new network sites. The indemnification requirement may also cause us to change the location of our network sites to less suitable locations or to dismantle existing network sites, which may have an adverse effect on the quality and capacity of our network coverage.

In 2007, the Israeli Ministry of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building

permit for a network site under the Plan and six months from the construction of a network site. The Ministry retains the general authority to extend such period further. This extension of the limitation period increased our potential exposure to depreciation claims.

We may have less access to spectrum for fourth generation (4G) services than some of our competitors as a result of network sharing agreements. We also may be required to terminate the use of certain spectrum or to share with another operator some of the spectrum we are currently using on an exclusive basis. If these developments occur, they may adversely affect our network quality and capacity as well as our ability to provide our customers with competitive advanced technology services, which may adversely affect our results of operations.

Less access to 4G spectrum. Following the completion of the long-term evolution (“LTE”) frequencies tender held during January 2015, the Ministry of Communications is due to allocate additional spectrum for LTE services in the 1800 range to us and to some other competing cellular telecommunications operators. Through network sharing arrangements, we and our competitors are able to expand our access, albeit on a shared basis with a partner, to these frequencies. In light of the above, enhancing the ability to offer advanced technology services depends on the sharing arrangements ultimately adopted and approved by the regulatory authorities, the conditions and regulatory limitations that will be imposed on such agreements, and the execution of such arrangements. If we are unable to successfully implement the sharing arrangement we have with HOT Mobile and refarm our 5 MHz frequency band in the 1800 range, which is currently used for GSM, we may have less access to 4G spectrum than some of our competitors, which would adversely affect our ability to offer equally or more attractive services. See “Item 4B.13d Regulatory Developments - LTE Spectrum Allocation” in our 2014 20-F.

Possible rearrangement of spectrum in the 1800 MHz band as part of the LTE tender. As a result of the 4G tender, the MoC may rearrange the spectrum already allocated to us and other operators. If we are allocated different spectrum frequencies, we may be allocated spectrum of an inferior quality; however, at this time we are unable to evaluate the impact that the intended change in spectrum allocation, if it occurs, will have on our business or our results of operations.

Possible rearrangement of allocated spectrum. There have been demands from different third parties to rearrange the current spectrum allocation in Israel and the Palestinian Administered Areas. We received in 2009 notification from the Civil Administration in Judea and Samaria of its intention to change the allocation of some of the spectrum previously allocated to us for our use in the West Bank, and that following the change, we may be allocated other spectrum in the West Bank and additional spectrum for our use in Israel. If we were prevented from using a portion of our existing spectrum, or if alternative equivalent spectrum are not allocated to us, or the allocation is of an inferior quality, or if we were required to share some of our spectrum, our ability to effectively manage our licensed spectrum for the use of GSM, UMTS and LTE or any other future technology could be reduced. As a result, our UMTS and LTE network capacity and any other new technology rollout plans may be negatively affected, which could have a material adverse effect on our operations, profitability and capital expenses. Until we receive further details regarding this allocation of spectrum, we are unable to evaluate the impact that the intended change in spectrum allocation, if it occurs, will have on our business or our results of operations.

We can only operate our business for as long as we have licenses from the Ministry of Communications. A legislative amendment has increased the extent of monitoring and enforcement measures of the Ministry of Communications.

We conduct our operations pursuant to licenses granted to us by the Ministry of Communications, which may be extended for additional periods upon our request to the Ministry of Communications and confirmation from the Ministry that we have met certain performance requirements. We cannot be certain that our licenses will not be revoked, will be extended when necessary, or, if extended, on what terms an extension may be granted.

Furthermore, although we believe that we are currently in compliance with all material requirements of our licenses, disagreements have arisen and may arise in the future between the Ministry of Communications and us regarding the interpretation and application of the technical standards used to measure these requirements, including the requirements regarding population coverage and minimum quality standards and other license provisions. We have provided significant bank guarantees to the Ministry of Communications to guarantee our performance under our licenses. See Note 1(e) to the consolidated financial statements. If we are found to be in material breach of our licenses, the guarantees may be forfeited and our licenses may be revoked. In addition, the Ministry of Communications is authorized to levy significant fines on us for breaches of our licenses, which could have a material adverse effect on our financial condition or results of operations. In August 2012, an amendment to the Telecommunications Law was enacted which sets a mechanism that allows the Ministry of Communications to impose significant financial sanctions on a licensee based on two parameters: the annual income of the violator (NIS 1.6 million plus 0.225% of the annual income of the licensee) and the degree of severity of the violation. The potentially significant financial sanctions are expected to lead to materially increased monitoring and enforcement measures by the Ministry of Communications towards the licensees.

Our mobile telephone license imposes certain obligations on our shareholders and restrictions on who can own our shares. Ensuring compliance with these obligations and restrictions may be outside our control, but if the obligations or restrictions are not respected by our shareholders, we could lose our license.

As with other companies engaged in the telecommunications business in Israel, our license requires that a minimum economic and voting interest in, and other defined means of control of, our company be held by Israeli citizens and residents or entities under their control. If this requirement is not complied with, we could be found to be in breach of our license, even though ensuring compliance with this restriction may be beyond our control. See "Item 4B.13e Our Mobile Telephone License" in our 2014 20-F.

Our general mobile telephone license requires that our founding shareholders or their approved substitutes hold at least 26% of the means of control in the company, including 5% which must be held by Israeli founding shareholders (Israeli citizens and residents), who were approved as such by the Minister of Communications. The license also requires that these Israeli founding shareholders appoint at least 10% of our Board of Directors. In 2006, our Israeli founding shareholders sold substantially all of their shares in the Company to Israeli institutional investors, who were approved as substitutes. Since then, there were additional share sales to Israeli institutional investors that were approved as substitutes by the Minister of Communications.

In addition, according to our license, no transfer or acquisition of 10% or more of any of such means of control, or the acquisition of control of our company, may be made without the consent of the Minister of Communications. Nevertheless, under certain licenses granted, directly or indirectly, to Partner, approval of, or notice to, the Minister of Communications may be required for holding of 5% or more of Partner's means of control. Our license also restricts cross-ownership and cross-control among competing mobile telephone operators, including the ownership of 5% or more of the means of control of both our company and a

competing operator, without the consent of the Minister of Communications, which may limit certain persons from acquiring our shares. Shareholdings in breach of these restrictions relating to transfers or acquisitions of means of control or control of Partner could result in the following consequences: the shares will be converted into "dormant" shares as defined in the Israeli Companies Law, 1999 ("Israeli Companies Law"), with no rights other than the right to receive dividends or other distributions to shareholders, and to participate in rights offerings until such time as the consent of the Minister of Communications has been obtained and our license may be revoked. In addition, under certain licenses of the Company's subsidiaries, approval of, or notice to, the Minister of Communications may be required for holding of less than 5% of means of control. Because of this lack of consistency, Partner may be in breach of its licenses in this regard.

RISKS RELATING TO OUR BUSINESS OPERATIONS

As a result of substantial and continuing changes in our regulatory and business environment, our operating results have decreased significantly in the past four years. Our operating results may continue to decline in 2015 and beyond, which may adversely affect our financial condition.

Our revenues in 2014 were NIS 4,400 million (US\$ 1,131 million), a decrease of 3% from NIS 4,519 million in 2013 and a decrease of 21% from NIS 5,572 million in 2012. Our profit in 2014 was NIS 162 million (US\$ 42 million), an increase of 20% from NIS 135 million in 2013 but a decrease of 66% from NIS 478 million in 2012. Earnings per share in 2014 were NIS 1.04, compared with NIS 0.87 in 2013 and NIS 3.07 in 2012.

For the first quarter of 2015, revenues were NIS 1,054 million (US\$ 271 million), a decrease of 4% from NIS 1,103 million in the first quarter of 2014. Our profit in the first quarter of 2015 was NIS 25 million (US\$ 6 million), a decrease of 52% from NIS 52 million in the first quarter of 2014.

The principal factor leading to this continued decline in operating results over the past few years has been the intense competition as a result of regulatory developments intended to enhance competition in the Israeli telecommunications market. These developments have caused (i) significant price erosion in cellular services due to heightened competition from new entrants (since 2012) in the Israeli cellular market, (ii) a decline in roaming revenues, and (iii) a decrease in our cellular subscriber base. The decrease in service revenues due to the continued price erosion continued into the first quarter of 2015 and is expected to continue in the coming quarters of 2015.

Depending on past and future regulatory and market developments, these factors may continue to negatively impact our business through 2015 and beyond, which may adversely affect our financial condition by, among other things, increasing the risk of a substantial impairment in the value of our telecommunications assets.

Because the regulatory environment continues to evolve with the objective of further increasing competition in the various markets in which we operate, our business and operating results may continue to be negatively affected in 2015 and beyond. There can be no assurance as to when, or to what extent, we will be able to improve our results, and we may not be able to reach our prior levels of profitability and cash flow.

Our level of indebtedness could adversely affect our business, profits and liquidity. Furthermore, the continued decline in cash flow and difficulties in generating sustainable cash flow may impair our ability to repay our debt and reduce the level of

indebtedness.

As of December 31, 2014, total net financial debt (total current and non-current borrowings and notes payable less cash and cash equivalents) amounted to NIS 2,612 million, compared to NIS 3,000 million at December 31, 2013. The free cash flow for 2014 was NIS 520 million compared to NIS 1,041 million for 2013, representing a decline of 50%.

As of March 31, 2015, total net financial debt (total current and non-current borrowings and notes payable less cash and cash equivalents) amounted to NIS 2,581 million. The free cash flow for the first quarter of 2015 was NIS 21 million compared to NIS 145 million in the first quarter of 2014, representing a decline of 86%.

The terms of the Company's financial institution loans also require the Company to comply with financial covenants for existing loans on a consolidated basis. The existing loan agreements allow the lenders to demand an immediate repayment of the loans in certain events (events of default), including, among others, a material adverse change in the Company's business and non-compliance with the financial covenants set in those agreements. Although the Company has entered into agreements for deferred loans in a total amount of NIS 450 million, these agreements allow the lenders to not provide the loans should any of the events of default defined for our existing loans occur prior to the date for providing the deferred loans. Such events include a material adverse change in the Company's business. The continued decline in cash flow and difficulties in generating sustainable cash flow may impair our ability to repay our debt and reduce the level of indebtedness. See "Item 5B.2 Long-term Bank Loans" in our 2014 20-F.

In addition, our need for cash to service our substantial existing debt may in the future restrict our ability to continue offering long-term installment plans to promote sales of equipment. As a result, our ability to continue benefiting from one of the key current drivers of total Company profits may be limited. If the level of equipment sales and profits declines, and there is a further decline in profits from telecommunications services, total Company profits will not reach the levels recorded for 2014. (See also "Item 5 Operating and Financial Review and Prospects" and specifically "Item 5D.2 Outlook" in our 2014 20-F.)

Our substantial indebtedness could also adversely affect our financial condition and profitability by, among other things:

- requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, thereby reducing the funds available for financing ongoing operating expenses and future business development;
- increasing our vulnerability to adverse economic, industry or business conditions or increases in the consumer price index ("CPI"), particularly because a portion of our borrowings is linked to the CPI;
- limiting our flexibility in planning for, or reacting to, changes in our industry and business as well as in the economy generally;
- increasing the likelihood of a downgrade in the rating of our Notes by the rating company;
- increasing the risk of a substantial impairment in the value of our telecommunications assets; and

- limiting our ability to obtain the additional financing we may need to serve our debt, operate, develop and expand our business on acceptable terms or at all.

If our financial condition is affected to such an extent that our future cash flows are not sufficient to allow us to pay principal and interest on our debt, we might not be able to satisfy our financial and other covenants, and may be required to refinance all or part of our existing debt, use existing cash balances or issue additional equity or other securities. We cannot be sure that we will be able to do so on commercially reasonable terms, if at all.

The network sharing agreement entered into by Partner may not provide the anticipated benefits and may lead to unexpected costs.

In November 2013, we entered into a 15-year network sharing agreement (“Network Sharing Agreement”) with HOT Mobile pursuant to which the parties created a joint venture which is intended to operate and develop a radio access network to be shared by both parties (“JV”). However, the benefits from a pooled infrastructure may be less than anticipated, and the Company may experience unexpected costs for technical, legal or other matters which may arise in connection with its efforts to implement the agreement. It also may not be possible to establish the joint venture as the parties intend or at all. The sources of these uncertainties include the possibilities that:

- 1) either of the parties to the agreement experiences credit or payment difficulties and cannot contribute effectively to the financing of the joint venture;
- 2) the elimination of network sites results in lower operational savings than expected; and
- 3) the joint venture experiences management deadlock.

In May 2014, the Antitrust Commissioner resolved to approve the Network Sharing Agreement, subject to a number of conditions. In the event we are found to be in breach of any of these conditions, the Antitrust Commissioner’s approval of the Network Sharing Agreement could be terminated, which could create significant uncertainty as to the management of the shared radio access network. The consequence, in addition to potential charges brought against individual members of our management, could be materially negative for our business and results of operations. In addition, after a period of seven years from the date of the Commissioner’s approval, the Commissioner may cancel the antitrust approval of the Network Sharing Agreement if he has concluded that the JV’s operations are liable to be substantively detrimental to the competition.

In April 2015, the Ministry of Communications resolved to approve the Network Sharing Agreement. However, we have not yet received the license to the joint venture nor have we been allocated the frequency bandwidths in the 1800 MHz spectrum that we were awarded in the 4G frequencies tender. If the license is not granted or is delayed, or if we are not allocated the frequency bandwidths that we were awarded in the 4G frequencies tender, we may not be able to benefit from the advantages of The Network Sharing Agreement to the extent anticipated.

In December 2013, Cellcom Israel Ltd. (“Cellcom”) and Golan Telecom announced that they had entered into a network sharing agreement under which Golan Telecom will be provided with an indefeasible right of use regarding Cellcom’s 2G and 3G radio networks, and in May 2014 they announced that they entered into a network sharing agreement under which Golan Telecom will be provided with an indefeasible right of use regarding Cellcom’s 4G radio network. According to media reports, the agreements were not approved by the Ministry

of Communications and the Israeli Antitrust Commissioner. If these agreements receive regulatory approval under conditions that are more lenient than those imposed on us while approving our Network Sharing Agreement, this would place us at a disadvantage compared to our competitors. As a result, our business and results of operations may be negatively impacted.

Competition resulting from the full service offers by telecommunications groups and additional entrants into the mobile telecommunications market, as well as other actual and potential changes in the competitive environment and communications technologies, may continue to cause a further decrease in tariffs, an increase in subscriber acquisition and retention costs, and may continue to reduce our subscriber base and increase our churn rate, each of which could adversely affect our business and results of operations.

Additional entrants into the mobile telecommunications market. Following the Ministry of Communications' tender for the allocation of UMTS frequencies to two additional operators, the frequencies were ultimately awarded to MIRS (subsequently renamed HOT Mobile) and Golan Telecom, which entered the market in May 2012. The two additional entrants were awarded various benefits and leniencies, such as low minimum license fees and a reduction mechanism of the license fee (to the minimum fee set) offered to the winner based on the market share gained in the private sector over five years after being awarded the license. These entrants have launched aggressive tariff plans which include unlimited use packages. Consequently, prepaid telecommunications packages have lost their advantages as a cost controlling tool for customers, and as a result there has been migration from the pre-paid market to the post-paid market. Following the entry of the additional operators, the competition has adversely affected increased, which has and may continue to adversely affect, our churn rate and revenues.

The Ministry of Communications has recently granted various leniencies as part of the 4G tender to HOT Mobile, Golan Telecom and Xphone 018 Ltd. ("Xphone") (which has participated in the 4G tender as a new operator). These leniencies include:

- a discount at a rate of up to 50% of the amount that they will have to pay for the frequencies (each addition of 1% market share will grant a discount at a rate of 10%, up to a maximum discount at a rate of 50%, during a period of 5 years);
- the frequencies would be granted to them for longer license terms than those of the other cellular licensees-each operator received the right to use the frequencies for the period equal to the initial term of their license and a new operator such as Xphone, for a period of 20 years from the time of the grant of such license ; and
- a waiver of HOT and Golan Telecom's obligation to build an independent network subject to their commitment to invest in a shared network with another operator the same amount that they have committed to invest in their UMTS network.

These leniencies place us at a substantial competitive disadvantage since they may lead to a further increase in the level of competition, which may negatively affect our results of operations.

Entrance of the sixth facility-based operator. Following the 4G tender results, Xphone gained one band of 5 MHz in the 1800, allowing it to share its frequencies with other

operators and share their network. If Xphone will become the sixth facility based operator, this may further increase competition levels in the cellular market and negatively affect our results of operation.

Entrance of MVNO operators. The entrance of MVNO operators has further increased competition in the market, since many MVNOs are retailers with a wide customer base and distribution network that allows them to offer attractive package prices to their customers. See “4B.10a Competitors in the Cellular Services Market” and “4B.13d - iii Payment Conditions to MVNO Hosting by Cellular Operators” in our 2014 20-F.

Competitive advantages of the two fixed-line infrastructure groups. The Bezeq Group and the HOT Group are the only Israeli telecommunications providers that have their own nationwide fixed-line telecommunications infrastructures.

Bezeq Group – Bezeq, Israel’s largest telecommunications provider and the primary fixed-line operator, provides fixed-line telephony services, cellular telecommunications services, primary rate interface (“PRI”), broadband internet access infrastructure services, ISP services, transmission and data communications services, ILD services and multi-channel television services. The Bezeq Group is under structural separation rules which apply to management, employees, assets, marketing and finance and data systems. Starting in 2010, the Ministry of Communications has allowed the Bezeq Group to market bundled telecommunications services to the private sector, subject to certain conditions and limitations, including provisions which prevent Bezeq from discounting the price of bundled services from their unbundled prices and including its fixed-line telephony service within bundles. Following implementation of the fixed-line wholesale market, the requirement for structural separation may be removed, which would allow Bezeq to take advantage of its nationwide presence and cross-subsidization to market and sell more competitive and attractive offers than we will be able to offer, including cellular services. Bundled offerings have become more frequent in Israel and have caused price erosion in the services included. See “Item 3D.1b - Regulatory reforms that are intended to allow telecommunication providers, such as Partner, that do not have their own fixed-line infrastructure to include the infrastructure component as part of their bundled service offerings may negatively affect our business and results of operations if insufficiently and/or improperly implemented, or if the structural separation provisions (which apply to Bezeq and HOT) are removed before we have established ourselves in the fixed-line market” in our 2014 20-F.

Bezeq – Yes merger. In March 2014, the Antitrust Commissioner decided to approve a merger between Bezeq and its subsidiary, DBS Satellite Services (1998) Ltd. (“Yes”) which provides multichannel pay-television services subject to certain conditions. The Ministry of Communications has not yet approved the merger. Such merger, if approved, may increase Bezeq’s incentives to prevent or limit Partner and other competitors’ ability to provide over-the-top (OTT) multi-channel television services, if Partner or the other competitors should choose to enter the television market.

HOT Group – The HOT Group provides cellular telecommunications services, multi-channel television services, fixed-line telephony services, PRI, broadband internet access, infrastructure services, transmission and data communications services, ISP services and ILD services. During 2012, the HOT Group began providing ISP services to the private market. MIRS’s cellular license was amended to include UMTS frequencies allocated subsequent to winning a Ministry of Communications’ tender offer for frequencies in the 2100 MHz spectrum. In May 2012, MIRS launched cellular services based on the new frequencies and officially changed the company name to HOT Mobile. See “Item 3D.1a - Regulatory initiatives may continue to impact the cellular market, intensify competition and adversely

affect our business and results of operations" in our 2014 20-F. The HOT Group may offer a bundle of services only including fixed-line telephony, broadband infrastructure and multi-channel television ("Triple"). The bundle of services currently offered by the HOT Group does not include cellular services (other than a bundle of cellular services with ISP services offered by its subsidiaries HOT Mobile and Hot-Net Internet Services Ltd. ("HOT-NET")).

Because the Bezeq Group and the HOT Group operate their own broadband internet access and transmission infrastructures, they do not depend on any third party for broadband internet access. Partner and other telecommunications services providers who do not have broadband internet access infrastructure are unable to provide some of these services, substantially limiting their ability to compete.

Israel Broadband Company (IBC). In August 2013, the Minister of Communications granted Israel Broadband Company (2013) Ltd. ("IBC"), a general license for the provision of fixed-line telecom services (infrastructure) and for the establishment of a nationwide optic fiber network using the Israeli Electric Company's infrastructure. IBC is owned by Israel Electric Corporation (40%) and a consortium of companies elected as the winning bidder in the election process, which is comprised of the following companies: ViaEuropa Israel Ltd., RAPAC Communication & Infrastructure Ltd., BATM advanced Communication Ltd., Tamares Holdings Sweden AB and Zisapel Properties (1992) Ltd. and Cisco Systems Finance International (60%). Although IBC is in principle permitted to provide its services only to other telecommunications licensees on a wholesale basis, IBC has introduced a new business model which enables it to reach the retail market through the services of ISPs who sign agreements with them. Currently, IBC has agreements with the relatively small ISPs while the three major ISPs in Israel (Bezeq International, Netvision and Partner) have no distribution agreements with IBC. IBC has launched a web portal in which it offers ISP services to end-users (through agreements with selected ISPs). The variety of suppliers, immediate choice, and ability to quickly switch suppliers may commoditize the ISP segment and negatively impact our revenues and profits. IBC was also granted a special license for the provision of domestic fixed-line data communication. According to local media reports, IBC is permitted under its special license to provide its services to major commercial customers.

Market Saturation. Because the Israeli cellular market has reached a level of full saturation, except for natural market growth through the growth of population, any acquisition of new subscribers by any service provider results in a loss of market share for its competitors.

Sale of handsets and other equipment. Competition in the market for handsets and other equipment including tablets, laptops, audio-visual devices and other related equipment sold by the Company is high and may increase which may affect our results of operation.

Competition in Roaming Services. Some of our competitors may be able to obtain lower roaming rates than us either because they have larger call volumes or through their affiliations with other international cellular operators. Some competing service providers use alternative technologies for roaming that bypass the existing method of providing roaming services. In addition, the entry into the market of MVNOs and two additional infrastructure based cellular operators has increased competition in the roaming market, since some of the entrants offer roaming solutions that allow them to set lower roaming charges. In addition, the requirement to sell unlocked handsets facilitates the ability of subscribers to use local SIM cards in their handsets when traveling abroad, which may compete with our roaming services and negatively affect our revenues and profits from roaming. Further competition in roaming services (both inbound and outbound) has arisen and may arise in the future from other telecommunication operators and new technologies that allow subscribers to use global SIM

cards and pure internet-based services such as Skype, Viber and WhatsApp, as well as other operator products which use VoIP applications. In addition, during 2014 some cellular operators began marketing plans that, in addition to calls, SMS and internet, include roaming services to set lists of countries.

Reliance on other service providers for roaming. We rely on agreements to provide roaming capability to our subscribers in many areas outside Israel. However, we cannot control the quality of the service that other telecommunication companies provide or whether they will be able to provide the services at all, and it may be inferior to our quality of service. Our subscribers also may not be able to use some of the advanced features that they enjoy when making calls on our network. As a result, we may lose some of our customers' roaming traffic to other roaming solutions, which would negatively impact our results of operations from this important source of earnings.

LTE licenses. LTE is an evolved mobile technology that allows a wide bandwidth for data services. Following the completion of the LTE frequencies tender in January 2015, the Ministry of Communications is due to allocate additional spectrum for LTE services in the 1800 range to us and to some other competing cellular telecommunications operators. Through network sharing arrangements, we and our competitors are able to expand our access, albeit on a shared basis with a partner, to these frequencies, thereby enhancing the ability to offer advanced technology services. Depending on the network sharing arrangements ultimately adopted and approved by the regulatory authorities, the conditions and regulatory limitations that will be imposed on such agreements, and the execution of such arrangements, we may have less access to 4G spectrum than some of our competitors, which would adversely affect our ability to offer equally or more attractive services.

The recent unionization of our employees might prevent us from executing necessary organizational and personnel changes, result in increased costs or disruption to our operations, and reduce management's flexibility to adapt operations to market conditions, and our operating expenses may be increased, all of which could adversely impact our results.

In August 2014, we recognized the Histadrut, an Israeli labour union, as the union representing the Company's employees and we have begun negotiations regarding a collective employment agreement. Collective employment agreements reached at other companies, including telecommunication companies, in recent years, resulted in substantial one-time payments as well as increase in annual employment costs for these companies.

As a result, management's flexibility to efficiently run our business and adjust operations to market conditions, and in particular to reduce employee headcount, may be reduced. In addition, the unionization of our employees may disrupt our operations or cause work stoppages and may increase operating expenses and adversely affect our results of operations.

Significant price decreases may in the future cause us to recognize substantial impairment in the value of our telecommunications assets.

As a result of price decreases in the market for cellular and fixed-line telecommunications services, we may be required to perform an impairment test on our telecommunications assets. In 2011, as a result of sharply worsening conditions in the fixed-line market, we recorded asset impairment charges of NIS 235 million for the fixed-line business and goodwill impairment of NIS 87 million with respect to the VOB/ISP and ILD group of Cash Generating Units ("CGUs") of the fixed line segment. At December 31, 2012,

2013 and 2014, we conducted required impairment tests and determined that no goodwill impairment should be recorded as of these dates. However, continued increases in the level of competition for cellular, fixed-line and data transmission services may bring further downward pressure on prices which may require us to perform further impairment tests of our assets. Such impairment tests may lead to recording additional significant impairment charges, which could have a material negative impact on our operating and net profit.

Our purchase commitments pursuant to our non-exclusive agreement with Apple for the purchase and resale of iPhone handsets in Israel may adversely affect our financial results.

Pursuant to a non-exclusive agreement we entered into in November 2012 with Apple Distribution International for the purchase and resale of iPhone handsets in Israel, we agreed to purchase a minimum quantity of iPhone handsets per year, for a period of three years. These purchases represent a significant portion of our expected handset purchases over that period. If we fail to meet the minimum quantities and do not reach an agreement with Apple regarding this matter, we may be in breach of the agreement which may involve payment of damages, which would increase our costs.

We depend on a limited number of suppliers. Our results of operations could be adversely affected if our suppliers fail to provide us with adequate supplies of network equipment and handsets and other devices or maintenance support on a timely basis.

Network suppliers. We purchased our network equipment, such as switching equipment, base station controllers and base transceiver stations and network software, mainly from Ericsson as well as from Alcatel-Lucent and other suppliers. As of January 2008, we purchase all our UMTS and LTE network equipment from Ericsson. In October 2010, we entered into an agreement with Ericsson for the upgrade and modernization of our networks and the deployment of our fourth generation network in Israel. We are therefore, as a practical matter, materially dependent on Ericsson as our sole vendor for our UMTS and LTE networks.

Handset and other equipment suppliers. We purchase the majority of our handsets and other equipment from a limited number of suppliers.

We cannot be certain that we will be able to obtain equipment or handsets from one or more alternative suppliers on a timely basis in the event that any of our suppliers is unable to satisfy our requirements for equipment or handsets, or that the equipment provided by such alternative supplier or suppliers will be compatible with our existing equipment. Our handset suppliers may experience inventory shortages from time to time.

Our results of operations could be adversely affected if any of our key suppliers fails to provide us with adequate supplies of handsets, equipment, as well as ongoing maintenance and upgrade support, in a timely manner. In addition, our results of operations could be adversely affected if the price of network equipment rises significantly. In our experience, suppliers from time to time extend delivery times, limit supplies and increase the prices of supplies due to their supply limitations and other factors. If the availability of handsets and other equipment furnished by our suppliers is insufficient to meet our customers' demands, we may lose opportunities to benefit from demand for this product, and our un-served customers may purchase the equipment independently which may adversely affect our revenues. In addition, the constant development of new handsets and other equipment can render existing handsets and other equipment obsolete resulting in high levels of slow moving inventory.

Unanticipated growth in subscriber demand for cellular data may require us to make additional investments and to modify certain products or services.

As part of our strategy of evolving into a diversified multi-service communications and media service provider, we have developed services and successfully encouraged subscriber demand for internet access and content and data consumption using cellular phones, smartphones, tablets, data cards and ISP Services. However, in the event subscriber demand for data increases more rapidly than expected, we may need to develop strategies to avoid data traffic overloading the capacity of the network. Such strategies may include modifying certain products or services or undertaking significant additional investments. In addition, regulatory developments seeking to ensure “fair usage” of the internet for all persons may impose changes on the terms and conditions of certain of our current or future services. In the event of substantial, rapid growth in data consumption by our subscribers and the public generally, we may be obliged to undertake significant investments and to adjust our product offerings or, both of which could have a material adverse effect on our financial condition or results of operations.

We could be subject to legal claims due to the inability of our information systems to fully support our tariff plans.

In order to attract and retain the maximum number of subscribers in our highly competitive market, we design specific tariff plans to suit the preferences of various subscriber groups. We require sophisticated information systems to record accurately subscriber usage pursuant to the particular terms of each subscriber plan, as well as accurate database management and operation of a very large number of tariff plans. From time to time, we have detected some discrepancies between certain tariff plans and the information processed by our internal information systems, such as applying an incorrect rebate or applying an incorrect tariff to a service, resulting in a higher or lower charge. We have invested substantial resources to refine and improve our information and control systems and ensure that our tariff plans are appropriately processed by our information systems. We have also taken steps to remedy the identified discrepancies. Despite our investments, we may experience discrepancies in the future due to the multiplicity of our plans and the scope of the processing tasks. Further, while we invest substantial efforts in monitoring our employees and third-party distributors and dealers that market our services, it is possible that some of our employees, distributors or dealers may offer terms and make (or fail to make) representations to existing and prospective subscribers that do not fully conform to applicable law, our license or the terms of our tariff plans. As a result of these discrepancies, we may be subject to subscribers’ claims, including class action claims, and substantial sanctions for breach of our license that may materially adversely affect our results of operations.

Actual and alleged health risks related to network sites and the use of mobile telecommunications devices, including handsets, could have a material adverse effect on our business, operations and financial condition.

A number of studies have been conducted to examine the health effects of wireless phone use and network sites, and some of these studies have been construed as indicating that radiation from wireless phone use causes adverse health effects. Media reports have suggested that radio frequency emissions from network sites, wireless handsets and other mobile telecommunication devices may raise various health concerns.

The Ministry of Health published in July 2008 recommendations regarding precautionary measures when using cellular handsets. The Ministry of Health indicated that

although the findings of an international study on whether cellular phone usage increases the risk of developing certain tumors were not yet finalized, partial results of several of the studies were published, and a relationship between prolonged cellular phone usage and tumor development was observed in some of these studies. These studies, as well as the precautionary recommendations published by the Ministry of Health, have increased concerns of the Israeli public with regards to the connection between cellular phone exposure and illnesses.

In May 2011, the International Agency for Research on Cancer (“IARC”), which is part of the World Health Organization (“WHO”), published a press release according to which it classified radiofrequency electromagnetic fields as possibly carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use.

In June 2011, WHO published a fact sheet (no. 193) in which it was noted that “A large number of studies have been performed over the last two decades to assess whether mobile phones pose a potential health risk. To date, no adverse health effects have been established as being caused by mobile phone use”. It was also noted by WHO that “While an increased risk of brain tumors is not established, the increasing use of mobile phones and the lack of data for mobile phone use over time periods longer than 15 years warrant further research of mobile phone use and brain cancer risk in particular, with the recent popularity of mobile phone use among younger people, and therefore a potentially longer lifetime of exposure”. WHO notified that in response to public and governmental concern it will conduct a formal risk assessment of all studied health outcomes from radio frequency fields exposure by 2014. We are not aware that such an assessment has been published.

We have complied and are committed to continue to comply with the rules of the authorized governmental institutions with respect to the precautionary rules regarding the use of cellular telephones. We refer our customers to the precautionary rules that have been recommended by the Ministry of Health, as may be amended from time to time.

While, to the best of our knowledge, the handsets that we market comply with the applicable laws that relate to acceptable Specific Absorption Rate (“SAR”) levels, we rely on the SAR levels published by the manufacturers of these handsets and do not perform independent inspections of the SAR levels of these handsets. As the manufacturers’ approvals refer to a prototype handset, and not for each and every handset, we have no information as to the actual level of SAR of the handsets along the lifecycle of the handsets, including in the case of repaired handsets. Furthermore, our network sites comply with the International Council on Non-Ionizing Radiation Protection standard, a part of the World Health Organization, which has been adopted by the Israeli Ministry of Environmental Protection.

Several lawsuits have been filed in the past against operators and other participants in the wireless industry alleging adverse health effects and other claims relating to radio frequency transmissions from sites, handsets and other mobile telecommunications devices, including lawsuits against us.

A class action was filed against us and three other operators alleging, among other things, that health effects were caused due to a lack of cell sites, resulting in elevated levels of radiation, mainly from handsets. The plaintiffs stressed that health damages are not a part of the claim. Another class action was also filed against us and three other operators alleging, among other things, that the supply of accessories that are intended for carrying cellular handsets on the body are sold in a manner that contradicts the instructions and warnings of the cellular handset manufacturers and the recommendations of the Ministry of Health, and

without disclosing the risks entailed in the use of these accessories when they are sold or marketed.

In February 2009, a municipal court ruled against one of our competitors, stating that there is no need for the standard burden of proof to prove damages from a cellular network site, and that under certain circumstances it would be sufficient to prove the possibility of damage in order to transfer the burden of proof to the cellular companies. To the best of our knowledge, the defendant appealed the ruling and the ruling was dismissed as part of a settlement between the parties. Although we were not a party to this proceeding, such rulings could have an adverse effect on our ability to contend with claims of health damages as a result of the erection of network sites.

The perception of increased health risks related to network sites may cause us increased difficulty in obtaining leases for new network site locations or renewing leases for existing locations or otherwise in installing mobile telecommunication devices. If it is ever determined that health risks existed or that there was a deviation from radiation standards which would result in a health risk from sites, other telecommunication devices or handsets, this would have a material adverse effect on our business, operations and financial condition, including through exposure to potential liability, a reduction in subscribers and reduced usage per subscriber. Furthermore, we do not expect to be able to obtain insurance with respect to such liability.

In the event critical elements of our networks which provide mobile, fixed-line, ISP and ILD services are damaged or rendered non-operational, we may not be able to replace them or return them to service quickly. As a result, we may not be able, for an indeterminate period of time, to provide services to a substantial portion of our subscribers, furnish some services properly or at all, charge for services provided or ensure data security, causing loss of revenues, a duty of compensation to subscribers, damage to our brand and reputation, and loss of customers.

Some elements of our network, particularly our mobile network, perform critical functions for broad sectors of our network operation, such as switching, billing and data platforms. If such a critical element were damaged or ceased proper operation due to natural causes (such as fire, water, extreme weather conditions, earthquake), technical failures or hostile activities (see “3.5 Risk Factors - The political and military conditions in Israel may adversely affect our financial condition and results of operations”) or cyber incidents generated either externally through accidental malfunctioning or deliberate intrusion, or internally as a result of technical breakdown, damages may result to us or to our customers. For example, an entire sector of our network coverage or all of it may be rendered non-functioning, which means that we would not be able to provide telecommunications services to a substantial portion of our subscribers; or we may be unable to provide certain services, or to provide them without disruptions or charge for services rendered, or we may experience loss of data of the Company or of our customers stored with us. During 2014, we experienced an increase in cyber incidents, certain of which penetrated our cyber defenses, although no significant damage resulted and there was no loss of or access to subscriber data. Although we have integrated systems to protect against events such as cyber incidents and prepared Disaster Recovery Plans (“DRP”), it is not possible to determine in advance whether our defense systems and recovery plans will continue to be entirely effective, or how quickly we will be able to restore service. In the event we are unable to provide telecommunications services to a substantial portion of our subscribers, whether temporarily or for an extended period of time, or if subscriber data is lost or accessed, our business and short- and long-term results of operations will be materially negatively affected, we may be exposed to legal claims and liability to our subscribers, our brand and reputation may be damaged, we may suffer a

loss of customers, and we may be required to compensate our customers, which may adversely affect our results of operation.

The telecommunications industry is subject to rapid and significant changes in technology and industry structure which could reduce demand for our services.

We face competition from existing or future technologies that have the technical capability to handle mobile, fixed-line and international long distance telephone calls, and to interconnect with local and international telephone networks and the Internet. Such new and evolving technologies include fixed-line and broadband wireless access services, Over the Top or Internet-based voice and multimedia services, Wi-Fi technologies and VoC. For example, internet-based services that provide user experience largely equivalent to our offerings, such as Voice over IP (“VoIP”), messaging services (Skype, Viber, Whatsapp), and video services (youtube, video portals) are already available. In addition, the rapid development in recent years of technologies that allow international calls to be placed over the Internet without the need to use the services of an ILD has caused a decrease in the amount of international call minutes placed through the ILD services and also serve as an alternative for fixed-line communications. In particular, the risk posed by VoIP is that the purchase of a data package alone will be sufficient for the provision of most cellular voice, data and messaging services.

The effect of emerging and future technological changes, including the convergence of technologies, on the viability or competitiveness of our network cannot be accurately predicted. The technologies we employ or intend to employ may become obsolete or subject to competition from new disruptive technologies in the future. Competition from new technologies in the future may have a material adverse impact on our business and results of operations.

Moreover, global equipment vendors and Internet providers have expressed their interest in penetrating the cellular telephone industry and strengthening their position along the value chain. They have expressed their intention, and some have already begun, to provide direct access to the end-user to a wide variety of applications and services (e.g Apple with iTunes and Google with the Android market). This has already changed our competitive position and may further increase the dominance of those new providers at the expense of cellular service providers. Changes in the industry value chain structure might result in an increase in our expenses as well as a decrease in our revenues.

We are exposed to, and currently engaged in, a variety of legal proceedings, including requests to approve lawsuits as class actions related primarily to our network infrastructure and consumer claims.

In addition to a number of legal and administrative proceedings arising in the ordinary course of our business, we have been named as defendants in a number of civil and criminal proceedings related to our network infrastructure, which may result in civil liabilities or criminal penalties against us or our officers and directors, and consumer claims, including class action suits, regarding, for example, our tariff plans and billing methods, or alleging, for example, unlawful charges, which are costly to defend and may result in significant monetary damages and civil penalties. The number of class actions that have been filed against us has increased over the past few years and this trend may continue in light of various amendments to the Consumer Protection Law and stricter regulatory policies that have been adopted. The costs that may result from these lawsuits are only accrued when it is more likely than not that a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the

provisions recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk. The Company's assessment of risk is based both on the advice of legal counsel and on the Company's estimate of the financial exposure if the verdict is in favor of the plaintiff. If the requests to certify lawsuits against us as class actions are approved and succeed or if we underestimate the potential exposure our financial results will be adversely affected.

We are also subject to the risk of intellectual property rights claims against us, including in relation to innovations we develop ourselves and the right to use content, including music content, which we have purchased from third parties who present themselves as the owners of the intellectual property rights included in the content, or as the representatives of the owners of the intellectual property, when in fact they may not be. These claims may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages or may be required to obtain licenses for the infringing product or service. If we cannot obtain all necessary licenses on commercially reasonable terms, we may be forced to stop using or selling the products and services.

We are dependent upon our ability to interconnect with other telecommunications carriers. We also depend on Bezeq and other suppliers for transmission services and some of our Fixed-Line Services are dependent on our having access to Bezeq and the HOT Group's fixed-line network. The failure of these carriers to provide these services on a consistent basis could have a material adverse effect on us.

Our ability to provide commercially viable fixed-line and cellular telephone services depends upon our ability to interconnect with the telecommunications networks of existing and future fixed-line, cellular telephone and international operators in Israel in order to complete calls between our customers and parties on the fixed-line or other cellular telephone networks. All fixed-line, cellular telephone and international operators in Israel are legally required to provide interconnection to, and not to discriminate against, any other licensed telecommunications operator in Israel. We have interconnect relations with all the Israeli operators, including Bezeq and HOT Telecom, and we also depend on their internet broadband access infrastructure in order to provide ISP services and VoB fixed telephony services to the residential market. See "Item 3D.1b - Regulatory reforms that are intended to allow telecommunication providers, such as Partner, that do not have their own fixed-line infrastructure to include the infrastructure component as part of their bundled service offerings may negatively affect our business and results of operations if insufficiently and/or improperly implemented, or if the structural separation provisions (which apply to Bezeq and HOT) are removed before we have established ourselves in the fixed-line market" in our 2014 20-F.

We are also dependent on the submarine infrastructure made available by Med Nautilus, which provides mutual international transmission based on fiber optics between Israel and other countries. We also depend on foreign operators that provide us with interconnection to the global internet network.

We also rely on agreements to provide ILD services to our subscribers. However, we cannot control the quality of the service that other foreign telecommunication companies provide or whether they will be able to provide the services at all, and it may be inferior to our quality of service.

We have no control over the quality and timing of the investment and maintenance activities that are necessary for these entities to provide us with interconnection to their

respective telecommunications networks. Disruptions, stoppages, strikes and slowdowns experienced by them may significantly affect our ability to provide telecommunication services. The failure by our suppliers to provide reliable interconnections and transmission services to us on a consistent basis could have a material adverse effect on our business, financial condition or results of operations.

Our marketing strategy relies on using the international Orange brand. If our brand license agreement terminates or is revoked, we will lose one of our main competitive strengths.

Our marketing strategy relies on the use of the international Orange brand, which we have licensed from Orange Brand Services Limited, a member of the "Orange Group", since July 1, 1998. The license shall be in effect for a period of ten years commencing on April 1, 2015 unless extended by an agreement between the parties which they undertook to negotiate in good faith. Under the brand license agreement, Orange may terminate our license if we have materially breached the agreement and such breach has not been remedied within a certain time period.

If we lose the use of the Orange brand, we would lose one of our main competitive strengths and have to create and position a new brand, which could require substantial time and financial resources. As a result, our business and results of operation may be negatively affected.

The political and military conditions in Israel may adversely affect our financial condition and results of operations.

The political and military conditions in Israel directly influence us. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. Hostilities involving Israel, the interruption or curtailment of trade between Israel and its trading partners and political instability within Israel or its neighboring countries are likely to cause our revenues to fall and harm our business. During the last decade, there has been a high level of violence between Israel and the Palestinians, including missile strikes by Hamas against Israel, which led to an armed conflict between Israel and the Hamas over the past few years and more recently in July 2014. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. There is evidence that Iran has a strong influence among extremist groups in areas that neighbor Israel, such as Hamas in Gaza and Hezbollah in Lebanon. This situation may potentially escalate in the future to violent events which may affect Israel and us. Ongoing violence between Israel and its Arab neighbors and Palestinians may have a material adverse effect on the Israeli economy, in general, and on our business, financial condition or results of operations. During such periods, incoming and outgoing tourism may be affected which consequently may have an adverse effect on our financial results. In particular, in recent conflicts, missile attacks have occurred on civilian areas, which could cause substantial damage to our infrastructure network, reducing our ability to continue serving our customers as well as our overall network capacity. In addition, in the event political unrest and instability in the Middle East, including changes in some of the governments in the region, causes investor concerns resulting in a reduction in the value of the shekel, our expenses in non-shekel currencies may increase, with a material adverse effect on our financial results.

Some of our directors, officers and employees are currently obligated to perform annual reserve duty. Additionally, all reservists are subject to being called to active duty at any time under emergency circumstances. In addition, some of our employees may be forced

to stay at home during emergency circumstances in their area. We cannot assess the full impact of these requirements on our workforce and business if conditions should change.

During an emergency, including a major communications crisis in Israel's national communications network, a natural disaster, or a special security situation in Israel, control of our network may be assumed by a lawfully authorized person in order to protect the security of the State of Israel or to ensure the provision of necessary services to the public. During such circumstances, the government also has the right to withdraw temporarily some of the spectrum granted to us. Under the Equipment Registration and Mobilization to the Israel Defense Forces Law, 1987, the Israel Defense Force may mobilize our engineering equipment for their use, compensating us for the use and damage. This may materially harm our ability to provide services to our subscribers in such emergency circumstances, and would thus have a negative impact on our revenues and results of operations.

Moreover, the Prime Minister of Israel may, under powers which the Telecommunications Law grants him for reasons of state security or public welfare, order us to provide services to the security forces, to perform telecommunications activities and to set up telecommunications facilities required by the security forces to carry out their duties. While the Telecommunications Law provides that we will be compensated for rendering such services to security forces, the government is seeking a change in the Telecommunications Law which would require us to bear some of the cost involved with complying with the instructions of security forces. Such costs may be significant and have a negative impact on our revenues and results of operations.

Operating a telecommunications network involves the inherent risk of fraudulent activities and potential abuse of our services, which may cause loss of revenues and non-recoverable expenses.

There is an inherent risk of potential abuse by individuals, groups, businesses or other organizations that use our telecommunications services and avoid paying for them. The effects of such fraudulent activities may be, among others, a loss of revenue and out-of-pocket expenses which we will have to pay to third parties in connection with those services, such as interconnect fees, payments to international operators or to operators overseas and payments to content providers. Such payments may be non-recoverable. Although we are taking measures in order to prevent fraudulent activities, we have suffered from these activities in the past, and we may suffer from them in the future. The financial impact of fraudulent activities that have occurred in the past has not been material. However, fraudulent activities may in the future materially affect our financial condition and results of operations.

Our business may be impacted by shekel exchange rate fluctuations and inflation.

Nearly all of our revenues and a majority of our operating expenses are denominated in shekels. However, in recent years, between one fifth and one quarter of our operating expenses (excluding depreciation and amortization), including a substantial majority of our equipment purchases, were linked to or denominated in non-shekel currencies, mainly the US dollar. These expenses related principally to the acquisition of equipment and devices, where the price paid by us is based mainly on US dollars. In addition, a substantial amount of our capital expenditures are incurred in, or linked to, non-shekel currencies, mainly US dollars. A decline in the value of the shekel against the dollar (or other foreign currencies) could have a further adverse impact on our results, which may be material if we are unable to pass on higher costs to our customers in the Israeli market. Material changes in exchange rates may cause the amounts that we must invest to increase materially in shekel terms.

Since May 2013, we have not entered into any derivative transactions to hedge underlying exposure to foreign currencies. As a matter of policy, we do not enter into transactions of a speculative or trading nature.

Our bank borrowings and repayments of principal and interest on our Series B Notes due 2016, Series C Notes due 2018, Series D Notes due 2021 and Series E Notes due 2017 are currently in shekels, of which Series B and C, and bank borrowings, at a total principal of NIS 1,675 million (including current maturities, less offering expenses) are linked to CPI. We may not be able to raise our tariffs in a manner that would fully compensate for any increase in the CPI. Therefore, an increase in the rate of inflation may also have a material adverse impact upon us by increasing our financial expenses without an offsetting increase in revenue.

We may fail to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, which may have a material adverse effect on our operating results and our share price.

Our efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 relating to the evaluation of our internal control over financial reporting require substantial resources, management time and attention. We expect these efforts to require a continued commitment of resources. If we fail to maintain the adequacy of our internal controls, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting. Although our management has concluded that our internal control over financial reporting was effective as of December 31, 2014, we may identify material weaknesses or other disclosable conditions relating to internal control over financial reporting in the future. Failure to maintain effective internal control over financial reporting could result in investigation or sanctions by regulatory authorities and significant effort and expense, and could have a material adverse effect on our operating results and on the market price of our ordinary shares.

Based on a decision of the Board of Directors in 2012, dividend distributions are assessed from time to time on the basis of various factors. There can be no assurance that dividends will be declared or, if they are, at what level.

In September 2012, the Board of Directors resolved to cancel the existing dividend policy, which targeted a minimum payout ratio of 80% of annual net income, and to assess dividend distributions (and their scope) from time to time, by reference to, among other things, the Company's cash flow, profitability, debt level, debt coverage ratios and the business environment in general. The level of any distribution of dividends may also be affected by the Company's stated intention to use its cash flow and take other measures to reduce its net debt, as well as by the need to comply with existing financial covenants and to fund any necessary capital expenditures.

Under Israeli law, the payment of dividends is generally made from accumulated retained earnings or retained earnings accrued over a period of the last two years (after deducting prior dividends to the extent not already deducted from retained earnings), and in either case, provided there is no reasonable concern that the dividend will prevent the company from satisfying current or foreseeable obligations as they come due. A dividend distribution that does not meet the above mentioned conditions would be allowed only after receiving court approval and after providing debtors with the opportunity to present to the court any opposition to the dividend distribution.

For the year ended December 31, 2010, the Company distributed dividends in an amount of NIS 1,217 million. In addition, NIS 1,400 million was distributed to shareholders

in March 2010 following the reduction of the shareholders' equity as approved by the Courts. For the year ended December 31, 2011, the Company distributed dividends in an amount of NIS 350 million. For the year ended December 31, 2012, the Company distributed dividends in an amount of NIS 160 million. No dividends have been declared for the years ended December 31, 2013 and 2014.

There is no assurance that we will declare dividend distributions in the future or regarding the level of any dividend distribution which may be declared. A distribution of dividends that may result in a significant reduction of our future reserves could prevent us from complying with existing or future financial covenants, or limit our ability to fund capital expenditures. We may also be required to increase our financial indebtedness to obtain needed liquidity, which may not be possible on commercially reasonable terms or at all.

If we are unable to pay dividends at levels anticipated by our shareholders, the market price of our shares may be negatively affected and the value of our investors' investment may be reduced.

RISKS RELATED TO OUR PRINCIPAL SHAREHOLDERS

30.48% of our issued and outstanding shares and voting rights are held by S.B. Israel Telecom Ltd., our largest shareholder, who has a shareholders' agreement with Scailex Corporation Ltd., whose holdings amounted to 5.98% of our issued and outstanding shares and voting rights as of March 31, 2015.

As of March 31, 2015, our largest shareholder, S.B. Israel Telecom Ltd. ("S.B. Israel Telecom"), held approximately 30.48% of our issued and outstanding shares following the change of control transaction in January 2013, pursuant to which S.B. Israel Telecom acquired shares from Scailex Corporation Ltd. ("Scailex") and Leumi Partners Ltd. As of March 31, 2015, Scailex held approximately 5.98% of our issued and outstanding shares. As part of the change of control transaction, S.B. Israel Telecom and Scailex have signed a shareholders' agreement regarding, among others, the exercise of their voting rights (in which they have agreed to hold a preliminary meeting to coordinate a uniform vote in advance of each shareholders' meeting) and their consent regarding nomination of directors in Partner. As our largest shareholder, S.B. Israel Telecom has the ability to significantly influence our business through its ability to appoint directors serving on our Board of Directors and thereby substantially control all actions that require approval of our Board of Directors. S.B. Israel Telecom is not obligated to provide us with financial support or to exercise its rights as a shareholder in our best interests or in the best interests of our other shareholders and note holders, and it may engage in activities that conflict with such interests. If the interests of S.B. Israel Telecom conflict with the interests of our other shareholders and note holders, those shareholders and note holders could be disadvantaged by the actions that it may pursue. However, S.B. Israel Telecom is subject to the fairness duty of a controlling shareholder under the Israeli Companies Law, and, in the context of related party transactions, to vote for the approval of transactions which are in favor of the Company.

Following resolutions of the Tel-Aviv-Jaffa District Court in July 2014 and January 2015, the Court appointed a receiver with respect to the control of most of Scailex's shares in Partner in light of Scailex's failure to comply with its obligations to its note holders. In February 2015, the receiver sold 6,215,750 shares on the Tel-Aviv Stock Exchange, retaining control over 9,076,050 shares in the Company, which represent 5.76% of the Company's issued and outstanding shares. The receiver may sell all or a portion of these shares in the public market within a short period, or there may be a public perception that such a sale may

occur. The effect of such a sale or perception may be to depress the market price of our shares or to impair our ability to raise capital through the sale of equity and equity-related securities.

3.6 Ratio of Earnings to Fixed Charges

Our ratio of earnings to fixed charges for the periods indicated below was as follows:

Ratio of Earnings to Fixed Charges (1)	2010	2011	2012	2013	2014	Three Months Ended March 31, 2015
	8.67	3.26	3.14	1.73	2.10	1.68

(1) Our ratio of earnings to fixed charges is calculated by dividing (i) income (loss) from ordinary activities before income taxes plus fixed charges by (ii) fixed charges. Fixed charges consist of interest expensed and capitalized, amortization of issuance costs relating to our notes payable, and one third of our operating leases, principally for antenna sites (being the portion deemed to represent the interest factor).

3.7 Use of Proceeds

The net proceeds from any offering, after deduction of the arranger's fees and other expenses and commissions of the offering, will be published in the supplemental shelf offering report for the offering of securities pursuant to this Shelf Prospectus.

We intend to use the net proceeds from any offering for general corporate purposes which may include refinancing of outstanding debt, financing our operating and investment activities, financing future mergers and acquisitions (if any), and dividend distributions, subject to the decision of the Company's board of directors from time to time.

Until used by us in the manner aforementioned, the proceeds of any offering will be invested by us, at our discretion and subject to the decision of the Company's board of directors from time to time, in non-speculative investments, including, but not limited to, interest bearing monetary deposits, foreign currency deposits, governmental and corporate bonds and the like investments. For the purpose of the foregoing, investment in equity securities, instruments linked to equity securities or to indexes of equity securities or options on securities or in derivative instruments shall not be deemed non-speculative investments.

3.8 Capitalization and Indebtedness

The following table sets forth our capitalization as of March 31, 2015. The information in this table should be read in conjunction with and is qualified by reference to the consolidated financial statements and notes thereto and other financial information incorporated by reference into this Shelf Prospectus.

At March 31, 2015
(Unaudited)

Cash and cash equivalents	<u>969</u>
Debt	
Series B Notes due 2016, less deferred costs, including current maturities	239
Series C Notes due 2018, less deferred costs	691
Series D Notes due 2021, less deferred costs	542
Series E Notes due 2017, less deferred costs, including current maturities	556
Bank borrowings	1,522
Total debt	<u>3,550</u>
Equity:	
Share capital	2
Capital surplus	1,102
Accumulated retained earnings	315
Treasury shares	(351)
Total equity	<u>1,068</u>
Total capitalization	<u>3,649</u>

3.9 Markets

Our ADSs are quoted on the NASDAQ Global Select Market under the symbol “PTNR”. Our ordinary shares are traded on the Tel Aviv Stock Exchange under the symbol “PTNR”. Please see our 2014 20-F for information on the historical price range of our ordinary shares.

3.10 Description of Share Capital

Our registered share capital consists of a single class of 235 million ordinary shares, par value NIS 0.01 per share.

As of December 31, 2014, we had 157,334,245 issued and outstanding ordinary shares (not including 3,206,690 shares held by the Company as treasury shares), and outstanding employee stock options to purchase an aggregate of 8,962,116 ordinary shares at a weighted average exercise price of NIS 32.08, with the latest expiration date of these options being 2024 (of which options to purchase an aggregate of 4,902,943 ordinary shares were exercisable as of December 31, 2014). As of March 31, 2015 we had outstanding 157,657,777 ordinary shares (not including 2,887,710 shares held by the Company as treasury shares), and outstanding employee stock options to purchase an aggregate of 9,066,461 ordinary shares, of which 4,907,751 were exercisable, and outstanding restricted shares granted to employees in an aggregate amount of 1,511,310 none of which are exercisable.

All outstanding ordinary shares (not including shares held by the Company as treasury shares and not including restricted shares held by a trustee on behalf of employees) are validly issued, fully paid and non-assessable. The ordinary shares do not have preemptive

rights. Under the terms of our 2004 Equity Incentive Plan, our board of directors may from time to time elect to allow exercise of employee stock options through a net exercise procedure and, with respect to employee stock options granted after February 23, 2009, may from time to time require exercise of employee stock options through a net exercise procedure. In the net exercise procedure, an exercising employee is not required to make a cash payment of the exercise price and instead upon option exercise receives ordinary shares with a fair market value equal to the difference between (i) the aggregate exercise price of the options being exercised and (ii) the aggregate fair market value of the ordinary shares underlying the options being exercised. To the extent that a net exercise procedure is used, the maximum number of ordinary shares that can be issued upon exercise of employee stock options will be less than that stated above.

In addition, as of December 31, 2014, 3,206,690 ordinary shares and as of March 31, 2015, 2,887,710 ordinary shares were held by us as treasury shares. These treasury shares were purchased by us in 2008, as part of a purchase of 4,467,990 ordinary shares, with a book value (cost) of NIS 351 million.

From January 1, 2012 through December 31, 2014, we issued a total of 427,237 ordinary shares, all of which were issued upon the exercise of options granted under our share option plans. No other shares were issued during this time period. From January 1, 2015 through March 31, 2015, we issued 4,552 ordinary shares.

From January 1, 2015 through March 31, 2015, the Company issued an additional 287,200 employee stock options to purchase ordinary shares of the Company and additional 58,260 restricted shares to employees.

3.11 Exchange Rate Data

From March 1, 2015 until March 31, 2015, the high and low exchange rates were NIS 4.053 per US dollar and NIS 3.926 per US dollar, respectively, as published by the Bank of Israel.

From April 1, 2015 until April 30, 2015, the high and low exchange rates were NIS 4.014 per US dollar and NIS 3.861 per US dollar, respectively, as published by the Bank of Israel.

From May 1, 2015 until May 22, 2015, the high and low exchange rates were NIS 3.89 per US dollar and NIS 3.819 per US dollar, respectively, as published by the Bank of Israel.

On May 22, 2015, the exchange rate was NIS 3.873 per US dollar as published by the Bank of Israel. Please see our 2014 20-F for other historical exchange rate information.

3.12 Expenses of the Offering

The aggregate amount that we will pay for consulting fees, distribution fees and commitment fees and other commissions and expenses in connection with an offering under this Shelf Prospectus will be published in the supplemental shelf offering reports.

3.13 Incorporation of Certain Information by Reference

We are allowed to “incorporate by reference” the information we file with the Israel Securities Authority (“ISA”) on the Magna system, which means that we can disclose

important information to you by referring to those documents. The information incorporated by reference is considered to be part of this Shelf Prospectus. We incorporate by reference the documents listed below:

- (A) Our Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed with the ISA on the Magna system on March 11, 2015;
- (B) Our report on Form 6-K titled "Partner Communications announces the entering into Loan Agreements", filed with the ISA on the Magna system on April 1, 2015; and
- (C) Our report on Form 6-K titled "Partner Communications announces an amendment to the brand license agreement", filed with the ISA on the Magna system on April 9, 2015.
- (D) Our report on Form 6-K titled "Partner Communications announces the receipt of the Ministry of Communications approval of the network sharing agreement with hot mobile", filed with the ISA on the Magna system on April 20, 2015.
- (E) Our report on Form 6-K titled "Partner Communications reports the appointment of a director", filed with the ISA on the Magna system on May 5, 2015.
- (F) Our report on Form 6-K titled "Partner communications announces management succession", filed with the ISA on the Magna system on May 19, 2015.
- (G) Our report on Form 6-K titled "Partner communications reports first quarter 2015 results", filed with the ISA on the Magna system on May 20, 2015.

We also incorporate by reference in this Shelf Prospectus all subsequent annual reports filed with the ISA on Form 20-F and those of our reports submitted to the ISA on Form 6-K that we specifically identify in such form as being incorporated by reference in this prospectus after the date hereof and prior to the completion of an offering of securities under this prospectus.

As you read the above documents, you may find inconsistencies in information from one document to another. If you find inconsistencies between the documents and this Shelf Prospectus, you should rely on the statements made in the most recent document. All information appearing in this Shelf Prospectus is qualified in its entirety by the information and financial statements, including the notes thereto, contained in the documents incorporated by reference herein.

3.14 Indemnification of Directors and Officers

Indemnification

As permitted by the Israeli Companies Law, our Articles of Association provide that Partner may indemnify an Office Holder of Partner to the fullest extent permitted by law.

Without derogating from the foregoing, and subject to limitations set forth in the Israeli Securities Law, our Articles of Association specifically provide that Partner may indemnify an Office Holder of Partner for liability or expense he incurs or that is imposed upon him as a result of an action or inaction by him (or together with other Office Holders of Partner) in his capacity as an Office Holder of Partner including (subject to specified conditions) also in advance, as follows:

- 1) financial liability incurred by, or imposed upon the Office Holder in favor of another person in accordance with a judgment, including a judgment given in a settlement or a judgment of an arbitrator, approved by an authorized court.

- 2) reasonable legal expenses, including attorney fees, incurred by the Office Holder or which he was ordered to pay by an authorized court in the context of a proceeding filed against him by Partner or on Partner's behalf or by a third party, in a criminal proceeding in which he was acquitted or in a criminal proceeding in which he was convicted of an offense which does not require criminal intent.
- 3) reasonable legal expenses, including attorney fees, incurred by the Office Holder due to an investigation or proceeding conducted against him by an authority authorized to conduct such investigation or proceeding and which ended without filing of an indictment against him and without the imposition of a financial liability as a substitute for a criminal proceeding or that was ended without filing of an indictment against him but for which he was subject to a financial liability as a substitute for a criminal proceeding relating to an offense which does not require criminal intent, within the meaning of the relevant terms under the law or in connection with a financial sanction ("itzum caspi").
- 4) payment to an injured party as a result of a violation set forth in Section 52.54(a)(1)(a) of the Israeli Securities Law, including by indemnification in advance or expenses incurred in connection with a proceeding ("halich") under Chapters H3, H4 or I1 of the Israeli Securities Law, or under Chapter 4 of Part 9 of the Israeli Companies Law, in connection with any affairs, including reasonable legal expenses, which term includes attorney fees, including by indemnification in advance.

Our Articles of Association also permit us to indemnify any Office Holders of Partner for any other liability or expense in respect of which it is permitted or will be permitted under applicable law to indemnify an Office Holder of Partner.

The Israeli Companies Law and our Articles of Association also permit us to undertake in advance to indemnify an Office Holder with respect for items (2), (3) and (4) above, or any other matter permitted by law. The Israeli Companies Law and our Articles of Association also permit us to undertake in advance to indemnify an Office Holder with respect to item (1) above, provided however, that the undertaking to indemnify is restricted to events which in the opinion of the Board of Directors are anticipated in light of Partner's activities at the time of granting the undertaking to indemnify, and is limited to a sum or measurement determined by the Board of Directors to be reasonable under the circumstances. The undertaking to indemnify shall specify the events that, in the opinion of the Board of Directors are expected in light of the Company's actual activity at the time of grant of the undertaking and the sum or measurement which the Board of Directors determined to be reasonable under the circumstances.

The Israeli Companies Law combined with our Articles of Association also permits us to indemnify an Office Holder retroactively for all kinds of events, subject to any applicable law.

In no event may we indemnify an Office Holder for any of the following:

- 1) a breach of the duty of loyalty toward us, unless the Office Holder acted in good faith and had reasonable grounds to assume that the action would not harm Partner's interest;
- 2) a breach of the duty of care done intentionally or recklessly ("pzizut") other than if made only by negligence;
- 3) an act intended to unlawfully yield a personal profit;
- 4) a fine, a civil fine ("knas ezrahi"), a financial sanction ("itzum kaspi") or a penalty ("kofer") imposed on him; and
- 5) a Proceeding ("halich").

We have undertaken to indemnify our Office Holders, subject to certain conditions as aforesaid. We consider from time to time the indemnification of our Office Holders, which indemnification will be subject to approval of our compensation committee, Board of Directors and in certain cases, such as indemnification of directors and the CEO, also of our shareholders.

Under the indemnification letters granted to Office Holders prior to the extraordinary general meeting of shareholders held on October 17, 2013 ("October 2013 EGM"), the aggregate indemnification amount payable by us to Office Holders and other indemnified persons pursuant to all letters of indemnification issued to them by us will not exceed the higher of (i) 25% of shareholders equity and (ii) 25% of market capitalization, each measured at the time of indemnification (the "Combined Maximum Indemnity Amount", and "the Original Indemnification Letter").

Under the indemnification letters granted to Office Holders after the October 2013 EGM, the aggregate indemnification amount payable by us to Office Holders (including, *inter alia*, Office Holders nominated on behalf of Partner in subsidiaries) pursuant to all letters of indemnification issued or that may be issued to them by Partner on or after the October 2013 EGM, for any occurrence of an event set out in such a letter (including an attachment thereto) will not exceed 25% of shareholders equity (according to the latest reviewed or audited financial statements approved by Partner's Board of Directors prior to approval of the indemnification payment) ("the Revised Indemnification Letter"). However, under the circumstances where indemnification for the same event is to be made in parallel under the Revised Indemnification Letter and to one or more indemnified persons under the Original Indemnification Letter, the maximum indemnity amount for the indemnified persons that received the Revised Indemnification Letter shall be adjusted so it does not exceed the Combined Maximum Indemnity Amount to which any other indemnified person is entitled under the Original Indemnification Letter.

Release

The Companies Law and our Articles of Association authorize the Company, subject to obtaining the required approvals (of our compensation committee, Board of Directors and in certain cases, such as release of directors and the CEO, also of our shareholders), to release our Office Holders, in advance, from such persons' liability, entirely or partially, for damage in consequence of the breach of the duty of care toward us. Notwithstanding the foregoing, we may not release such person from such person's liability, resulting from any of the following events: (i) the breach of duty of loyalty towards us; (ii) the breach of duty of care made intentionally or recklessly ("pzizut"), other than if made only by negligence; (iii) an act intended to unlawfully yield a personal profit; (iv) a fine ("knass"), a civil fine ("knass ezrahi"), a financial sanction ("itzum caspi") or a penalty ("kofer") imposed upon such person; and (v) the breach of duty of care in a distribution ("haluka").

3.15 Where You Can Find More Information

We are subject to the reporting requirements of the US Securities Exchange Act of 1934 that are applicable to a foreign private issuer. In accordance with the US Securities Exchange Act of 1934, we file reports, including annual reports on Form 20-F. We also furnish to the SEC under cover of Form 6-K material information required to be made public in Israel, filed with and made public by any stock exchange or distributed by us to our shareholders. Reports and other information filed by us with the SEC may be inspected without charge and copied at prescribed rates at the SEC's Public Reference Room at 100 F

Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>). Our Internet address is <http://www.orange.co.il>. This website address is included in this Shelf Prospectus as an inactive textual reference only. The information and other content appearing on our website are not part of this Shelf Prospectus. You may also find our reports filed with the ISA on the Magna site whose address is www.magna.isa.gov.il.

3.16 Legal Matters

Certain legal matters with respect to Israeli law are being passed upon for us by Agmon & Co. Rosenberg Hacohen & Co., our Israeli counsel, and certain legal matters with respect to United States law are being passed upon for us by Shearman & Sterling (London) LLP, our U.S. counsel.

3.17 Experts

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to the Annual Report on Form 20-F for the year ended December 31, 2014 have been so incorporated in reliance on the report of Kesselman & Kesselman, certified public accountants (Israel) and a member of PricewaterhouseCoopers International Limited, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The offices of Kesselman & Kesselman are located at Trade Tower 25 Hamered St., Tel Aviv, 68125, Israel.

You should rely only on the information contained or incorporated by reference in this Shelf Prospectus or any supplement thereof. We have not, and the consultants have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the consultants are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this Shelf Prospectus is accurate only as of the date on the front cover of this Shelf Prospectus or such earlier date that is indicated in this Shelf Prospectus. Our business, financial condition, results of operations and prospects may have changed since such date.

פרק 4 – פרטיים נוספים

4.1 חוות דעת משפטית

סמוֹך לפנֵי פְּרָסָם תְּשִׁקְּיף הַמְּדָף קִיבְּלָה הַחְבָּרָה מִמְּשֻׁרְד עֲוֹרְכִּי הַדָּין אֲגָמָן וּשְׁוֹתָ', רֹזֶנְבָּרְגִּ הַכָּהָן וּשְׁוֹתָ', אֲגָמָן וּשְׁוֹתָ' רֹזֶנְבָּרְגִּ הַכָּהָן וּשְׁוֹתָ' :



תל-אביב, 2 ביוני 2015

לכבוד
חברת פרטנר תקשורת בע"מ
רחוב עמל 8
פארק תעשיות אפק
ראש העיר

א.ג.ג.,

הנדון : תשקיף מדף של פרטנר תקשורת בע"מ (להלן: "החברה")

הננו מתייחסים לתשקיף מדף העומד להתפרסם על-ידכם בדבר הצעה לציבור של מנויות רגילות של החברה ו/או ניירות ערך אחרים של החברה, ככל שיוצאו על פי תשקיף המדף (להלן: "תשקיף המדף").

לבוקשתכם, הרינו לחוות את דעתנו כי הדירקטוריים של החברה נתמנו כדין ושמותיהם נכללים בתשקיף המדף.

אנו מסכימים שחוות דעתנו זו תיכלל בתשקיף המדף להתפרסם על ידכם בחודש יוני 2015.

בכבוד רב,

רָן שְׁלוֹם, עֲוֹד יְעֵרָה בָּן-הַרּוֹשׁ, עֲוֹד

אֲגָמָן וּשְׁוֹתָ', רֹזֶנְבָּרְגִּ הַכָּהָן וּשְׁוֹתָ', עֲוֹרְכִּי-דָין

4.2 **מכתב הסכמה של רואי החשבון**

1 ביוני 2015

לכבוד

הדירקטוריון של פרטנר תקשורת בע"מ,

א.ג.ב.

אנו מסכימים להכללה בדרך של הפניה בתשkill המדף (להלן – "תשkill המדף") של חברת פרטנר תקשורת בע"מ (להלן – "החברה") , של חוות דעת רואי החשבון שנחתמה על ידיינו בתאריך 10 במרץ 2015 המתיחסת לדוחות הכספיים המאוחדים של החברה וכן לאפקטיביות של רכיבי בקרה פינימית על דיווח כספי של החברה, ליום 31 בדצמבר 2014 אשר הוגש על ידי החברה ל – United States Securities and Exchange Commission ולרשות ניירות ערך בישראל במסגרת דוח F-20 לשנת 2014 ביום 11 במרץ 2015, וכן להכללת שמו תחת הכותרות "experts" בתשkill המדף.

מכתב זה ניתן לפי בקשה החברה ומיועד אך ורק להיכלל בתשkill המדף של החברה, אשר יוגש לרשות ניירות ערך בישראל והמיועד להתפרסם בחודש יוני 2015. בנוסף מכיוון שנירות הערך המוצעים במסגרת תשkill המדף לא נרשמו ולא ירשמו תחת ה- Securities Act of 1933, לא הגשנו את מכתב הסכמתנו זה תחת ה- Act of 1933.

ברכה,

קסלמן וקסלמן

רואי החשבון

PwC Israel

קסלמן וקסלמן, מגדל הסחר, רחוב המרד 25, תל-אביב 50005 תל-אביב 6150001
טלפון: +972-3-7954555, פקס: +972-3-7954556 www.pwc.com/il

4.3 הוואות בקשר להצעה

בהתאם לתקנה 4א לתקנות ניירות ערך (אגרת בקשה למתן היתר לפרסום תשקיף), התשס"ו-2005, החברה שילמה לרשות ניירות ערך אגרת בקשה למתן היתר לפרסום תשקיף מדף, ואולם תוספת האגרה תשולם بعد ניירות הערך המוצעים במועד פרסום דוח הצעת המדף בסכומים ובמועדים הקבועים בתקנות כאמור.

4.4 עיוון במסמכים

עותק מתשייף זה, ההיתר לפרסומו, וכן העותק מכל דוח, חוות דעת או אישור הכלולים או הנזכרים בו, ניתנים לעיוון במשרדה הרשות של החברה ברוחב עמל 8, פארק תעשיות אפק, ראש העין 48103, בשעות העבודה המקובלות, וכן באתר האינטרנט של רשות ניירות ערך שכתובתו : www.magna.isa.gov.il

פרק 5: חתימות

החברה:

חברת פרטנר תקשורת בע"מ

הדיקטורים:

אדם צ'זנו

אלון שליו

מייכאל אנגל

בארי בן זאב

פרד גלוקמן

סומית ג'איסינגראני

אסנת רונן

יואב רובינשטיין

אוריה סבן

אריה (אריק) שטיינברג

אורית ירון

יהודית סבן