

PARTNER COMMUNICATIONS CO LTD

Form 6-K

April 30, 2003

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15a-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

Report on Form 6-K dated April 30, 2003

Partner Communications Company Ltd.

(Translation of Registrant's Name Into English)

8 Amal Street
Afeq Industrial Park
Rosh Ha'ayin 48103
Israel

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F [X]

Form 40-F []

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes []

No [X]

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____)

This Form 6-K is incorporated by reference into the Company's Registration Statement on Form F-3 filed with the Securities and Exchange Commission on December 26, 2001 (Registration No. 333-14222).

Enclosure: Press Release dated April 30, 2003 re: Partner Communications Reports
First-Quarter Results; Company Posts NIS 34.8 Million Net Income, Attaching the Full Financial Report.

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PARTNER COMMUNICATIONS REPORTS FIRST QUARTER RESULTS

COMPANY POSTS NIS 34.8 MILLION NET INCOME

Rosh Ha ayin, Israel, April 30, 2003 Partner Communications Company Ltd. (NASDAQ and TASE: PTNR; LSE: PCCD) today announced its results for the first quarter ended March 31st 2003.

Highlights:

Revenues in Q1 2003 rose to NIS 1,031.3 million (US\$ 220.0 million), up 11% from NIS 929.5 million in Q1 2002.

EBITDA for Q1 2003 rose to NIS 261.8 million (US\$ 55.9 million), up 16% from NIS 225.9 million in Q1 2002.

Operating profit for Q1 2003 rose to NIS 130.3 million (US\$ 27.8 million), up 26% from NIS 103.8 million for Q1 2002.

Net income for Q1 2003 rose to NIS 34.8 million (US\$ 7.4 million), compared to a loss of NIS 22.9 million for Q1 2002.

Active subscribers rose 19% to 1,894,000, compared to 1,596,000 at the end of the first quarter of 2002.

Market share increased to an estimated 29%, up from 27% at the end of the first quarter of 2002.

Churn rate in the quarter was 4.0% versus 1.3% in Q1 2002.

Minutes of use per subscriber averaged 267 per month for the quarter, down 6% from 284 minutes per month in Q1 2002.

ARPU for the quarter was NIS 164 (US\$ 35.1), down 11% compared to NIS 184 in Q1 2002.

Average cost of acquiring a new subscriber (SAC) in the quarter was NIS 426 (US\$ 90.9), down 4% compared to NIS 443 in Q1 2002.

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Commenting on the first quarter results, Amikam Cohen, Partner's CEO said: Despite the persistently challenging macroeconomic environment, we continued to improve our operational and financial performance. We have also continued to demonstrate our ability to maintain tight controls over our costs and to adapt our business to changing market conditions as well as regulatory influences. Our core strengths in marketing, customer service, and network strategies enable us to achieve our performance goals.

Financial Review

Partner's Q1 2003 revenues totaled NIS 1,031.3 million (US\$ 220.0 million), up 11% from NIS 929.5 million in Q1 2002 and down 3% from NIS 1,062.1 million in Q4 2002. Revenues for Q1 2003 were substantially affected by the 10% reduction of incoming call termination tariffs on January 1, 2003 that was mandated by the regulator and by a reduction in roaming revenues resulting primarily from regional tension, which discouraged travel to and from Israel.

Data and content revenues accounted for 7% of total revenues in Q1 2003, compared to 5% in the first quarter of 2002 and 6.4% in Q4 2002. Data and content revenues accounted for approximately 8% of ARPU in Q1 2003.

Cost of revenues in Q1 2003, driven primarily by interconnect charges and other network expenses related to higher subscriber numbers and usage, increased by 9% to NIS 780.3 million (US\$ 166.5 million) versus NIS 713.7 million in Q1 2002. Q1 2002 cost of revenues benefited from a refund of royalties in the amount of NIS 12 million. Compared to Q4 2002, cost of revenues decreased by 3% from NIS 808.6 million. The decrease was mainly due to reduced interconnect and roaming charges to other cellular operators, an 11% reduction in the royalty rate paid to the Government, and efficiencies implemented in our network and logistical operations.

Selling and marketing expenses remained relatively stable in Q1 2003, totaling NIS 78.3 million (US\$ 16.7 million) versus NIS 78.6 million in Q1 2002. Compared to Q4 2002, selling and marketing expenses decreased by 8% from NIS 85.3 million. The decrease

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compared to Q4 2002 resulted primarily from an increased level of marketing expenditures in Q4 2002. Q1 2003 expenditures were in line with the average quarterly selling and marketing expenditures of NIS 77.0 million over the last eight quarters.

General and administrative expenses in Q1 2003 totaled NIS 42.4 million (US\$ 9.0 million) compared to NIS 33.4 million in Q1 2002, an increase of 27%. The increase resulted primarily from higher insurance premiums, increased provision for doubtful accounts, and increased expenses associated with the consolidation of our operations in our Rosh Haayin campus. Compared to Q4 2002, general and administrative expenses increased by 9% from NIS 38.9 million, mainly due to a larger provision for doubtful accounts in a slowing economy.

Operating profit increased to NIS 130.3 million (US\$ 27.8 million) from NIS 103.8 million in Q1 2002, an increase of 26%, and from NIS 129.3 million in Q4 2002, an increase of 1%. Operating profit for Q1 2003 as a percentage of revenues increased to 13% from 11% in Q1 2002 and 12% in Q4 2002. EBITDA for Q1 2003 as a percentage of revenues increased to 25% from 24% in Q1 2002. EBITDA for Q4 2002 as a percentage of revenues was also 25%.

Financial expenses in Q1 2003 were NIS 95.5 million (US\$ 20.4 million), down 22% from NIS 122.6 million in Q1 2002, primarily due to lower foreign currency exchange differences. Compared to Q4 2002, financial expenses decreased by 3% from NIS 98.7 million.

In Q1 2003, the Company had net income of NIS 34.8 million (US\$ 7.4 million), or NIS 0.19 (US\$ 0.04) per ADS or per share, compared to a loss of NIS 22.9 million, or NIS 0.13 per share or per ADS for Q1 2002, and net income of NIS 30.6 million, or NIS 0.17 per share or per ADS in Q4 of 2002.

We are very pleased with our financial results for Q1 2003, said Mr. Alan Gelman, Partner's Chief Financial Officer. We grew our net income from Q4 2002 despite the fact that our revenues were substantially affected by the 10% reduction of incoming call

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termination tariffs on January 1, 2003, as was mandated by the regulator. We also achieved revenue growth of 11% as compared to the first quarter of 2002, demonstrating our ability to continue to grow our revenues at a healthy rate in a highly penetrated market. Looking forward, we expect higher revenues in Q2 2003 and improving margins.

Funding and Investing Review

In Q1 2003, the Company generated free cash flow for the fourth consecutive quarter. This achievement enabled the Company to reduce its bank debt by NIS 145 million over the past twelve months. Cash flow from operating activities net of investing activities totaled NIS 23.7 million (US\$ 5.1) in Q1 2003 compared to negative cash flow of NIS 312.7 million in Q1 2002 and positive cash flow of NIS 74.1 million in Q4 2002. Q1 2002 results included cash outflows of NIS 176.0 million for licenses for Third Generation and 1800 GSM spectrum.

Capital expenditures totaled NIS 64.1 million (US\$ 13.7 million) in Q1 2003, or 6% of revenues, down from NIS 127.1 million in Q1 2002, or 14% of revenues. Compared with the previous quarter, capital expenditures were down 47% from NIS 120.7 million, principally due to timing differences in the Company's investment plan. The Company expects to invest substantially less in Second Generation capital expenditures in 2003 than it did in 2002, in anticipation of the upcoming buildout of its Third Generation network. The timing of the buildout will be finalized in accordance with the progress made in 3G networks worldwide and the competitive landscape in Israel.

As of the end of Q1 2003, the US dollar equivalent of US\$ 514 million had been drawn from our US\$ 683 million bank facility, leaving the Company with additional credit availability of US\$ 169 million.

Commenting on the Company's funding situation, Mr. Gelman said: Our consistent cash flow generation and the remaining availability from our credit facility, should allow us to execute our business strategy without any additional injection of capital or the need for any additional credit facility or debt instruments.

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Operational Review

During Q1 2003, net active subscribers increased by 57,000, or 3.1%.

The Company's active subscriber base as of March 31, 2003 totaled 1,894,000, representing an approximate market share of 29% versus 27% at the end of Q1 2002. It was comprised of 306,000 business subscribers (16% of the base), 1,035,000 post-paid private subscribers (55% of the base) and 553,000 prepaid subscribers (29% of the base).

The quarterly churn rate for Q1 2003 was 4.0%, compared to 1.3% in Q1 2002 and 2.9% in Q4 2002. The increase was driven primarily by increased churn in the prepaid sector and by rotational churn. Rotational churn occurs when an existing customer purchases a new handset and a SIM card, and then ceases to use either the new or the old SIM card. The Company anticipates a churn rate in 2003 of approximately 16%.

75% of the decline in average monthly revenue per subscriber (ARPU) in Q1 2003 versus Q4 2002 was caused by the reduction of incoming call termination tariffs, and lower roaming revenues. ARPU for the first quarter of 2003 was NIS 164 (US\$ 35.1), compared to NIS 184 for Q1 2002, a decrease of 11%, and NIS 178 for Q4 2002, a decrease of 8%. MOU for the quarter was 267 minutes compared to 284 minutes per month for Q1 2002, a decrease of 6%, and 272 minutes per month for Q4 2002, a decrease of less than 2%.

The average cost of acquiring new subscribers (SAC) in Q1 2003 was NIS 426 (US\$ 90.9), compared to NIS 443 in Q1 2002 and NIS 482 for Q4 2002. The Company expenses in full all subscriber acquisition and customer retention costs.

Mr. Gelman added, Looking forward to the rest of 2003, we anticipate relatively stable MOU, ARPU and SAC.

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Conference Call Details

Partner Communications will hold a conference call to discuss the company's first-quarter results on April 30, 2003, at 18:00 Israel local time (11:00 a.m. Eastern Daylight time). This conference call will be broadcast live over the Internet and can be accessed by all interested parties through our investor Web site at <http://investors.partner.co.il>.

To listen to the broadcast, please go to the Web site at least 15 minutes prior to the start of the call to register, download, and install any necessary audio software. For those unable to listen to the live broadcast, an archive of the call will be available via the Internet (at the same location as the live broadcast) shortly after the call ends until midnight on May 7, 2003.

About Partner Communications

Partner Communications Company Ltd. is a leading Israeli mobile communications operator known for its GSM/GPRS based services and the development of wirefree applications under the preferred orange brand. The Company commenced full commercial operations in January 1999 and, through its network, provides quality of service and a range of features to more than 1.89 million subscribers in Israel. Partner subscribers can use roaming services in 109 destinations using 254 GSM networks. The Company was awarded a 3G license in 2002. Partner's ADSs are quoted on NASDAQ under the symbol PTNR and on the London Stock Exchange (LSE) under the symbol PCCD. Its shares are quoted on the Tel Aviv Stock Exchange (TASE) under the symbol PTNR. For further information: <http://investors.partner.co.il>

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Notes: Some of the information in this release contains forward-looking statements that involve risks and uncertainties within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us.

Words such as believe, anticipate, expect, intend, seek, will, plan, could, may, project, goal, target, and similar expressions often identify forward-looking statements but are not the only way we identify these statements. Because such statements involve risks and uncertainties, actual results may differ materially from the results currently expected. Factors that could cause such differences include, but are not limited to:

Uncertainties about the degree of growth in the number of consumers using wireless personal communications services and in the number of residents;

The risks associated with the implementation of a third-generation network and business strategy, including risks relating to the operations of new systems and technologies, substantial expenditures required and potential unanticipated costs, uncertainties regarding the adequacy of suppliers on whom we must rely to provide both network and consumer equipment and consumer acceptance of the products and services to be offered;

The impact of existing and new competitors in the market in which we compete, including competitors that may offer less expensive products and services, desirable or innovative products, technological substitutes, or have extensive resources or better financing;

The introduction or popularity of new products and services, including prepaid phone products, which could increase churn;

The effects of vigorous competition in the market in which we operate and for more valuable customers, which may decrease prices charged, increase churn and change the customer mix, profitability and average revenue per user;

The availability and cost of capital and the consequences of increased leverage;

The risks and costs associated with the need to acquire additional spectrum for current and future services;

The risks associated with technological requirements, technology substitution and changes and other technological developments;

Fluctuations in exchange rates;

The results of litigation filed or to be filed against us; and

The possibility of the market in which we compete being impacted by changes in political, economic or other factors, such as monetary policy, legal and regulatory changes or other external factors over which we have no control;

As well as the risk factors specified under the heading Risk Factors in our 2002 annual report on Form 20F filed with the SEC on March 14, 2003.

The attached summary financial statements were prepared in accordance with U.S. GAAP. The attached summary financial statements for Q1 2003 are unaudited.

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The convenience translations of the Nominal New Israeli Shekel (NIS) figures into US Dollars were made at the rate of exchange prevailing at March 31st, 2003: US \$1.00 equals NIS4.687. The translations were made purely for the convenience of the reader.

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

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PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)

CONDENSED CONSOLIDATED BALANCE SHEETS

	New Israeli shekels*		Convenience translation into U.S. dollars**	
	March 31, 2003	December 31, 2002	March 31, 2003	December 31, 2002
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
In thousands				
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	1,621	1,360	346	290
Security deposit	106,653	107,794	22,755	22,999
Accounts receivable:				
Trade	496,261	518,768	105,880	110,682
Other	56,661	50,986	12,089	10,878
Inventories	147,707	137,508	31,514	29,338
	<u>808,903</u>	<u>816,416</u>	<u>172,584</u>	<u>174,187</u>
INVESTMENTS AND LONG-TERM RECEIVABLES:				
Non-marketable securities	3,530	3,530	753	753
Accounts receivables trade	1,092		233	
Funds in respect of employee rights upon retirement	45,159	42,461	9,635	9,059
	<u>49,781</u>	<u>45,991</u>	<u>10,621</u>	<u>9,812</u>
FIXED ASSETS, net of accumulated depreciation and amortization	<u>1,816,625</u>	<u>1,864,511</u>	<u>387,588</u>	<u>397,806</u>
LICENSE AND DEFERRED CHARGES, net of amortization	<u>1,255,046</u>	<u>1,269,348</u>	<u>267,772</u>	<u>270,823</u>
	<u>3,930,355</u>	<u>3,996,266</u>	<u>838,565</u>	<u>852,628</u>

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	New Israeli shekels*		Convenience translation into U.S. dollars**	
	March 31, 2003	December 31, 2002	March 31, 2002	December 31, 2001
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
In thousands				
Liabilities net of capital deficiency				
CURRENT LIABILITIES:				
Accounts payable and accruals:				
Trade	503,715	532,987	107,471	113,716
Other	155,305	202,166	33,135	43,133
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	659,020	735,153	140,606	156,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LONG-TERM LIABILITIES:				
Bank loans	2,445,763	2,467,556	521,818	526,468
Notes payable	820,225	828,975	175,000	176,867
Liability for employee rights upon retirement	64,768	60,966	13,819	13,008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	3,330,756	3,357,497	710,637	716,343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	3,989,776	4,092,650	851,243	873,192
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CAPITAL DEFICIENCY:				
Share capital – ordinary shares of NIS 0.01 par value: authorized December 31, 2002 and March 31, 2003 – 235,000,000 shares; issued and outstanding December 31, 2002 – 181,595,222 shares and March 31, 2003 – 181,717,139 shares	1,817	1,816	387	387
Capital surplus	2,293,400	2,293,270	489,311	489,283
Deferred compensation	(4,373)	(6,385)	(933)	(1,362)
Accumulated deficit	(2,350,265)	(2,385,085)	(501,443)	(508,872)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital deficiency	(59,421)	(96,384)	(12,678)	(20,564)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	New Israeli shekels*		Convenience translation into U.S. dollars**	
	3 month period ended March 31,		3 month period ended March 31,	
	2003	2002	2003	2002
	(Unaudited)			
	In thousands (except per share data)			
REVENUES net	1,031,266	929,490	220,027	198,312
COST OF REVENUES	780,312	713,699	166,484	152,272
GROSS PROFIT	250,954	215,791	53,543	46,040
SELLING AND MARKETING EXPENSES	78,292	78,633	16,704	16,777
GENERAL AND ADMINISTRATIVE EXPENSES	42,354	33,399	9,037	7,126
OPERATING PROFIT	130,308	103,759	27,802	22,137
FINANCIAL EXPENSES net	95,488	122,559	20,373	26,148
LOSS ON IMPAIRMENT OF INVESTMENTS IN NON-MARKETABLE SECURITIES		4,054		865
NET INCOME (LOSS)	34,820	(22,854)	7,429	(4,876)
EARNINGS (LOSS) PER SHARE (EPS):				
Basic and diluted	0.19	(0.13)	0.04	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	181,649,859	178,934,166	181,649,859	178,934,166
Diluted	183,286,020	178,934,166	183,286,020	178,934,166

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(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	New Israeli shekels*		Convenience translation into U.S. dollars**
	3 month period ended March 31,		3 month period ended March 31,
	2003	2002	2003
	(Unaudited) In thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	34,820	(22,854)	7,429
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	134,977	120,851	28,798
Loss on impairment of investments in non-marketable securities		4,054	
Amortization of deferred compensation related to employee stock option grants, net	1,838	3,587	392
Liability for employee rights upon retirement	3,802	4,280	811
Accrued interest and exchange and linkage differences on (erosion of) long-term liabilities	(6,843)	60,082	(1,460)
Erosion of (accrued interest and exchange differences on) security deposit	1,141	(5,527)	244
Sundry	(3,004)	(556)	(641)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable:			
Trade	21,415	(20,584)	4,569
Other	(5,675)	(12,160)	(1,211)
Increase (decrease) in accounts payable and accruals:			
Trade	8,209	(17,286)	1,752
Other	(49,319)	(55,895)	(10,523)
Increase in inventories	(10,199)	(27,652)	(2,176)
Net cash provided by operating activities	131,162	30,340	27,984
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(108,882)	(164,481)	(23,230)
Proceeds from sale of fixed assets	4,074	1,913	869
Purchase of additional spectrum		(176,027)	
Funds in respect of employee rights upon retirement	(2,698)	(4,407)	(576)
Net cash used in investing activities	(107,506)	(343,002)	(22,937)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options granted to employees	305	20	65
Long-term bank loans received		820,956	
Repayment of long term bank loans	(23,700)	(506,524)	(5,056)
Net cash provided by (used in) financing activities	(23,395)	314,452	(4,991)

INCREASE IN CASH AND CASH EQUIVALENTS	261	1,790	56
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,360	5,272	290
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,621	7,062	346

Supplementary information on investing activities not involving cash flows

At March 31, 2003, trade payables include NIS 79,925,000 (\$17,052,000) (unaudited) in respect of acquisition of fixed assets. This balance will be given recognition in these statements upon payment.

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(An Israeli Corporation)

**RECONCILIATION BETWEEN OPERATING CASH FLOWS
AND EBITDA**

	New Israeli shekels*		Convenience translation into U.S. dollars**
	3 month period ended March 31		3 month period ended March 31,
	2003	2002	2003
		(Unaudited) In thousands	
Net cash provided by operating activities	131,162	30,340	27,984
Liability for employee rights upon retirement	(3,802)	(4,280)	(811)
Accrued interest and exchange and linkage differences on (erosion of) long-term liabilities	6,843	(60,082)	1,460
Erosion of (accrued interest and exchange and linkage differences on) security deposit	(1,141)	5,527	(244)
Decrease (increase) in accounts receivable:			
Trade	(21,415)	20,584	(4,569)
Other	5,675	12,160	1,211
Increase (decrease) in accounts payable and accruals:			
Trade	(8,209)	17,286	(1,752)
Other	49,319	55,895	10,523
Increase in inventories	10,199	27,652	2,176
Financial expenses***	93,149	120,786	19,874
EBITDA	261,780	225,868	55,852

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

** The convenience translation of the New Israeli Shekel (NIS) figures into US dollars was made at the exchange prevailing at March 31, 2003: US \$1.00 equals 4.687 NIS.

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

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SUMMARY OPERATING DATA

	<u>March 31, 2002</u>	<u>March 31, 2003</u>
Subscribers (in thousands)	1,596	1,894
Estimated share of total Israeli mobile telephone subscribers	27%	29%
Churn rate in quarter	1.3%	4%
Average monthly usage in quarter per subscriber (minutes)	284	267
Usage for Business subscribers	514	536
Usage for private subscribers	259	244
Usage for pre-paid subscribers	170	143
Average monthly revenue in quarter per subscriber, including in-roaming revenue (NIS)	184	164
ARPU for Business subscribers	337	318
ARPU for private subscribers	167	147
ARPU for pre-paid subscribers	127	113
Number of operational base stations (in parenthesis number of micro sites out of total number of base stations)	1,901 (690)	2,065 (738)
Subscriber acquisition costs in quarter per subscriber (NIS)	443	426
Number of employees (full-time equivalent)	2,469	2,723

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PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
INTERIM FINANCIAL STATEMENTS
AT MARCH 31, 2003
(Unaudited)

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PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
INTERIM FINANCIAL STATEMENTS
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The amounts are stated in New Israeli Shekels (NIS) in thousands.

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PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED BALANCE SHEETS

	New Israeli shekels		Convenience translation into U.S. dollars (see note 2b)	
	March 31, 2003	December 31, 2002	March 31, 2003	December 31, 2002
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
In thousands				
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	1,621	1,360	346	290
Security deposit	106,653	107,794	22,755	22,999
Accounts receivable:				
Trade	496,261	518,768	105,880	110,682
Other	56,661	50,986	12,089	10,878
Inventories	147,707	137,508	31,514	29,338
	808,903	816,416	172,584	174,187
INVESTMENTS AND LONG-TERM RECEIVABLES:				
Non-marketable securities	3,530	3,530	753	753
Accounts receivables trade	1,092		233	
Funds in respect of employee rights upon retirement	45,159	42,461	9,635	9,059
	49,781	45,991	10,621	9,812
FIXED ASSETS, net of accumulated depreciation and amortization	1,816,625	1,864,511	387,588	397,806
LICENSE AND DEFERRED CHARGES, net of amortization	1,255,046	1,269,348	267,772	270,823
	3,930,355	3,996,266	838,565	852,628

Date of approval of the financial statements: April 30, 2003.

Amikam Cohen
Chief Executive Officer

Alan Gelman
Chief Financial Officer

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	New Israeli shekels		Convenience translation into U.S. dollars (see note 2b)	
	March 31, 2003	December 31, 2002	March 31, 2002	December 31, 2001
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
In thousands				
Liabilities net of capital deficiency				
CURRENT LIABILITIES:				
Accounts payable and accruals:				
Trade	503,715	532,987	107,471	113,716
Other	155,305	202,166	33,135	43,133
Total current liabilities	659,020	735,153	140,606	156,849
LONG-TERM LIABILITIES:				
Bank loans	2,445,763	2,467,556	521,818	526,468
Notes payable	820,225	828,975	175,000	176,867
Liability for employee rights upon retirement	64,768	60,966	13,819	13,008
Total long-term liabilities	3,330,756	3,357,497	710,637	716,343
Total liabilities	3,989,776	4,092,650	851,243	873,192
CAPITAL DEFICIENCY:				
Share capital ordinary shares of NIS 0.01 par value: authorized December 31, 2002 and March 31, 2003 235,000,000 shares; issued and outstanding December 31, 2002 181,595,222 shares and March 31, 2003 181,717,139 shares				
Capital surplus	2,293,400	2,293,270	489,311	489,283
Deferred compensation	(4,373)	(6,385)	(933)	(1,362)
Accumulated deficit	(2,350,265)	(2,385,085)	(501,443)	(508,872)
Total capital deficiency	(59,421)	(96,384)	(12,678)	(20,564)
	3,930,355	3,996,266	838,565	852,628

The accompanying notes are an integral part of these condensed financial statements.