



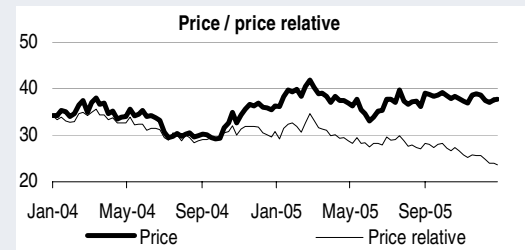
Increase Target Price

- We are increasing our target price to NIS 43 per share (from NIS 38) as we rollover our target price from mid last year. We make marginal adjustments to our 2006E estimates, with revenues down 1% and EBITDA down 2%.
- Despite its limited growth opportunities, we view PTNR as an attractively valued mobile stock both in an EMEA and a European universe, with about 5x EBITDA and 10% FCF yield for 2007E.
- We think one key reason for recent weak performance is likely to be increased uncertainty over final ownership structure. Several Israeli press reports (Globes, Ma'ariv) have written about HTIL potentially selling, and we think the structure of the HTIL-ORTE deal indeed points in this direction.
- We would take a sanguine view about this, though acknowledge that these uncertainties may increase short term trading pressures. The key risk with this view is a potential change to dividend policy on the back of a potential ownership change. We do not think so. Another risk is any potential deterioration in the security environment following recent elections in Palestine.
- Net net, given our view on valuations, return on capital and management track record, we continue to see upside potential in equity valuations and maintain our Outperform rating on the stock.

Partner is one of three mobile operators in Israel.

Rating	OUTPERFORM*
Price (26 Jan 06)	37.68 (NIS)
Target price (12 months)	43.00 (NIS)
Market cap. (NIS m)	6,058.94
Enterprise value (NIS m)	8,663.31
Region/country	Europe/Israel
Sector	Wireless Telecommunication Services
Analyst's Coverage Universe	Emerging Markets
Weighting (vs. broad market)	
Date	27 January 2006

* Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.



The price relative chart measures performance against the Israel TA100 index. On 26/01/06 the Israel TA100 index closed at 868.33. On 26/01/06 the spot exchange rate was NIS5.64/Eu 1. - Eu 0.82/US\$1

Performance over	1mth	3mths	12mths
Absolute (%)	-2.6	-6.6	5.9
Relative (%)	-7.0	-18.2	-20.5

Year	12/03A	12/04A	12/05E	12/06E
Revenues (NIS m)	4,467.7	5,140.7	5,148.7	5,263.5
EBITDA (NIS m)	1,391.74	1,577.57	1,587.78	1,608.16
Net income (NIS m)	1,162.7	471.6	402.7	468.8
EPS (CS adj., NIS)	6.34	2.56	2.40	2.92
ROIC (%)	21.5	25.8	24.6	24.3
P/E (x)	5.9	14.7	15.7	12.9
P/E rel (%)	18.8	64.6	84.1	—
EV/EBITDA (x)	6.2	5.1	5.5	5.2

Dividend 2004 (NIS)	—	Book value/share (12/04, NIS)	3.8
Dividend yield (%)	—	Free float (%)	40.0
IC (12/05E, NIS m)	3,823.04	Number of shares (m)	160.80
Net debt (12/05E, NIS m)	2,604.4	EV/IC (12/05E, x)	2.2
Net debt/equity (12/05E, %)	427.2	Current WACC (12/05E, %)	9.6

Source: FTI, Company data, Datastream, Credit Suisse Securities (EUROPE) LTD. Estimates

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Investment Summary

Figure 1: Estimate changes

NIS in millions, unless otherwise stated

	2006 New	2006 old	change
Revenues	5,263	5312	-1%
EBITDA	1,608	1636	-2%
margin		31%	

Source: Credit Suisse estimates

Figure 2: Comparative valuations

Ticker	MBT.N	VIP.N	TCELL.IS	PTNR.TA	EMOB.CA	ORTE.CA
Rec.	Neutral	Neutral	Outperform	Outperform	Neutral	Outperform
EV/EBITDA '08E	4.8	4.8	4.6	4.9	4.8	6.8
EV/EBITDA '07E	5.3	5.6	5.3	5.2	6.0	7.9
EV/EBITDA '06E	5.9	6.9	6.0	5.2	6.8	9.7
P/CE '08E	5.5	5.5	6.1	4.8	5.6	6.8
P/CE '07E	5.9	6.2	6.5	5.1	7.0	7.9
P/CE '06E	6.5	7.5	7.1	5.3	7.9	9.9
P/E '08E	11.0	11.9	7.8	14.6	8.6	13.0
P/E '07E	11.3	13.7	10.0	14.3	11.1	15.0
P/E '06E	11.9	15.9	10.8	12.9	12.4	17.7
FCF yield '08E	8.6%	9.0%	9.9%	10.6%	9.6%	3.3%
FCF yield '07E	5.3%	4.8%	8.8%	9.6%	7.7%	-1.5%
FCF yield '06E	2.1%	-2.1%	5.9%	8.2%	6.8%	-13.9%
ROIC '08E	22.1%	19.7%	29.6%	22.4%	44.2%	18.0%
ROIC '07E	22.3%	18.4%	32.7%	22.3%	38.4%	18.3%
ROIC '06E	24.0%	17.6%	32.8%	24.3%	37.5%	19.4%

Source: Credit Suisse estimates

Figure 3: European mobile comps

Company	EV / EBITDA		PE			FCF Yield			
	2006E x	2007E x	2008E	2006E x.	2007E x	2008E x	2006E	2007E	2008E
Vodafone	6.5	6.1	5.7	11.9	11.1	9.9	6.4%	5.2%	6.4%
TEM	7.6	6.6	5.8	16.0	12.7	11.0	6.8%	8.6%	10.0%
O2	7.3	6.6	6.1	23.7	19.7	17.6	4.7%	5.4%	6.2%
Tele2	6.0	4.7	3.6	11.3	8.9	7.4	10.3%	13.6%	16.7%
COSMOTE	8.2	7.4	6.9	16.3	14.2	13.4	5.8%	7.4%	8.3%
Mobistar	6.8	6.5	6.2	14.4	13.4	12.9	7.0%	8.0%	8.2%
Elisa	6.2	5.8	5.6	17.7	16.2	16.3	6.5%	7.5%	7.8%
SonaeCom	6.9	6.3	5.3	17.8	13.7	10.5	6.5%	8.8%	10.8%
Virgin Mobile	9.3	8.4	7.7	15.6	14.3	13.3	6.5%	7.1%	7.6%
Weighted average (Big cap only)	6.8	6.3	5.9	14.5	12.9	11.7	6.4%	6.2%	7.3%
Weighted average (Small cap)	6.2	5.5	5.0	15.4	13.3	12.3	7.5%	8.5%	9.4%
Weighted average All	6.7	6.2	5.7	14.6	13.0	11.8	6.6%	6.5%	7.5%

Source: Credit Suisse estimates

Companies Mentioned (Price as of 26 Jan 06)

- Cosmote (COSr.AT, Eu19.18, OUTPERFORM, TP Eu16.00, MARKET WEIGHT)
- Elisa Corporation (ELI1V.HE, Eu16.22, UNDERPERFORM, TP Eu13.00, MARKET WEIGHT)
- Hutchison Telecom (HTA.AX, A\$.28, OUTPERFORM, TP A\$.42, OVERWEIGHT)
- Mobile Telesystems (MBT.N, \$37.37, NEUTRAL, TP \$41.00)
- Mobinil (EMOB.CA, 202.61, NEUTRAL, TP 220.00)
- Mobistar (MSTAR.BR, Eu63.60, OUTPERFORM, TP Eu75.00, MARKET WEIGHT)
- O2 PLC (OOM.L, 200.00 p, NEUTRAL, TP 160.00 p, MARKET WEIGHT)
- Orascom Telecom (ORTE.CA, 373.43, OUTPERFORM, TP 420.00)
- Partner Communications (PTNR.TA, NIS37.68, OUTPERFORM, TP NIS43.00)
- SonaeCom (SNC.LS, Eu3.59, NEUTRAL, TP Eu4.00, MARKET WEIGHT)
- Tele2 (TEL2b.ST, SKr82.50, OUTPERFORM, TP SKr93.00, MARKET WEIGHT)
- Telefonica Moviles (TEM.MC, Eu9.11, NEUTRAL, TP Eu9.20, MARKET WEIGHT)
- Turkcell (TCELL.IS, \$16.55, OUTPERFORM, TP \$20.00)
- Vimpelcom (VIP, \$47.45, NEUTRAL, TP \$54.00)
- Virgin Mobile (VMOB.L, 368.50 p, UNDERPERFORM, TP 250.00 p, MARKET WEIGHT)
- Vodafone Group (VOD.L, 121.25 p, NEUTRAL, TP 130.00 p, MARKET WEIGHT)

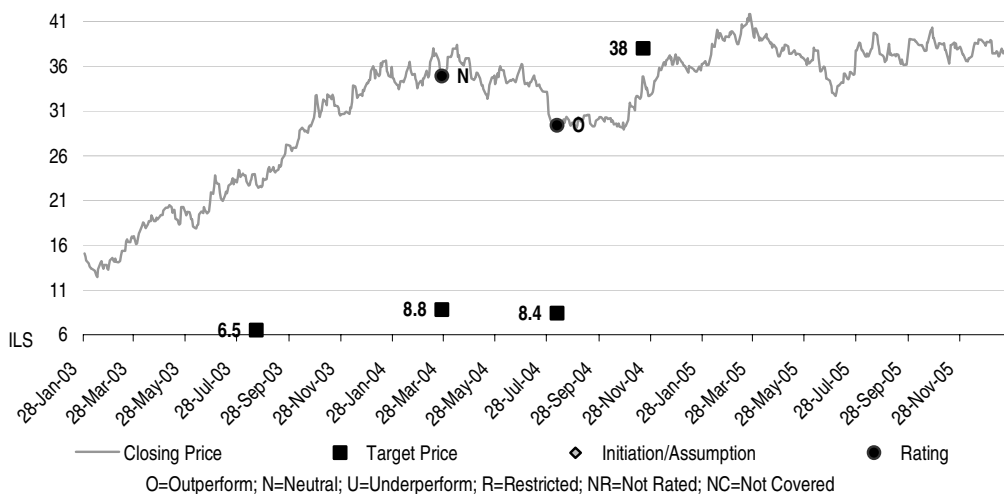
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See the *Companies Mentioned* section for full company names.

3-Year Price, Target Price and Rating Change History Chart for PTNR.TA



PTNR.TA Date	Closing Price Price (ILS)	Target Price Price (ILS)	Rating	Initiation/ Assumption
20-Aug-03	22.81	6.5		
26-Mar-04	34.92	8.8	NEUTRAL	
09-Aug-04	29.4	8.4	OUTPERFORM	
19-Nov-04	34.89	38		

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Neutral: The stock's total return is expected to be in line with the industry average* (range of $\pm 10\%$) over the next 12 months.

Underperform:** The stock's total return is expected to underperform the industry average* by 10-15% or more over the next 12 months.

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****The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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Neutral/Hold*	45%	(60% banking clients)
Underperform/Sell*	14%	(49% banking clients)
Restricted	3%	

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Price Target: (12 months) for (PTNR.TA)

Method: DCF, comparative

Risks: macro, competition

See the Companies Mentioned section for full company names.

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