

Partner



Company and Financial Overview

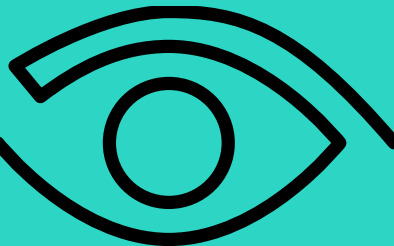
Q2 2016 Results

Safe harbor statement

This presentation includes 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 "estimate", "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. In particular, this presentation contains forward-looking statements regarding, among other: (i) the Moc's enforcement of the obligation of cellular operators to invest in infrastructure and future opposition of players in the market in case of a waiver of this obligation, as well as the MoC's decision over Golan's national roaming agreement with Hot Mobile; (ii) expected future savings and gains in efficiency as well as unexpected difficulties which may arise as a result of the network sharing agreement with Hot Mobile; (iii) the anticipated implementation of Bezeq's structural separation removal; (iv) the anticipated implementation of the regulations for the wholesale fixed-line market, for the broad-band reform and for the multicast and (v) the Company's strategy. In addition, all statements included in this presentation regarding our future performance and any 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. Future results may differ materially from those anticipated herein. For further information regarding risks, uncertainties and assumptions about Partner, trends in the Israeli telecommunications industry in general, the impact of current global economic conditions and possible regulatory and legal developments, and other risks we face, see the Company's Annual Reports on Form 20-F filed with the SEC, as well as its current reports on Form 6-K furnished to the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

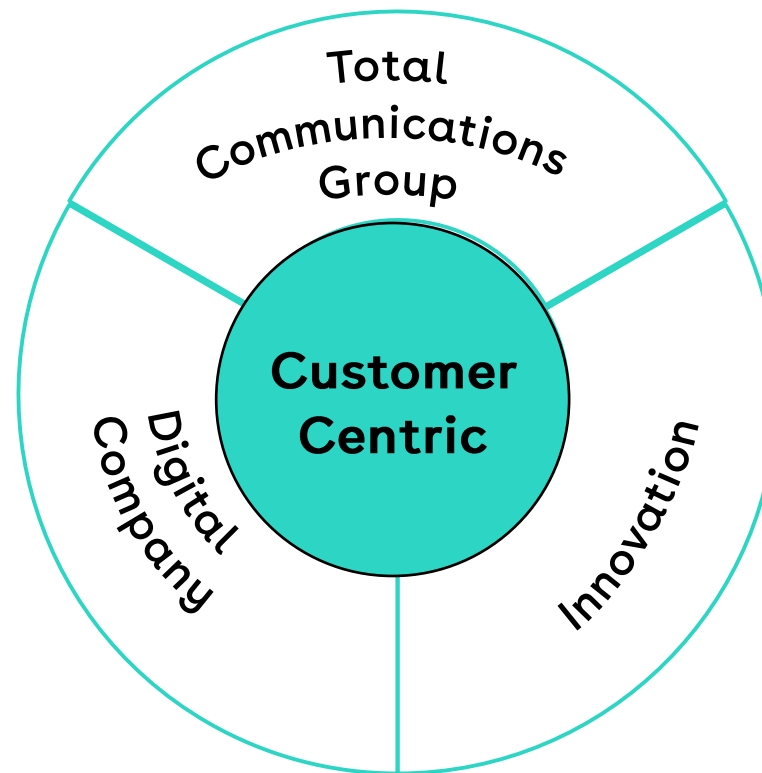
Company overview



Our strategy

Meet the full spectrum of our Customers' communications needs, including comprehensive solutions for businesses, enabling the connected life Anywhere, Anytime and on Any device

Be truly Digital in how we think, act and collaborate with all stakeholders and monetize data through enhanced efficiency, improvement of our current offerings and creation of valuable new activities



Enabling our Customers to innovate by effectively connecting them with the incredible wealth of information and capabilities available in the digital world and supporting their journey with useful tools and powerful partnerships

Value added controlling shareholder

Saban Capital Group

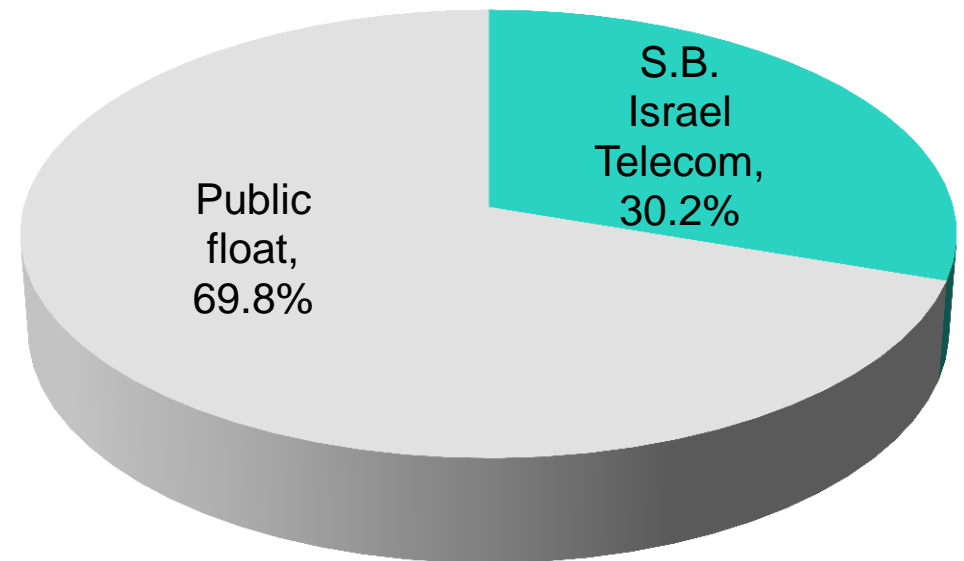


SABAN Capital Group, Inc.

Founded by Haim Saban, actively manages a globally diversified portfolio of investments across public equities, credit, alternative investments, and real property assets. Among its current and prior investments in the telecommunication & Media market are:

Univision - the premier Spanish-language media company in the US; Celestial Tiger Entertainment - a venture with Lionsgate and Astro, Malaysia's largest pay TV platform, to launch and operate new branded pay television channels across Asia; MNC - Indonesia's largest and only vertically-integrated media company. S.B. Israel Telecom Ltd. is an affiliate of Saban Capital Group, Inc.

Share holders



Network sharing agreement with HOT Mobile

- ❑ In February 2016, HOT Mobile exercised its option to advance the payment date of the one-time lump sum (NIS 250 million) to 2016
- ❑ From Q2 2016, capital expenditures and operating costs are shared according to the mechanism set out in the Network Sharing Agreement
- ❑ As of Q2 2016, HOT Mobile no longer makes payments related to the use of the network under the Right of Use Agreement
- ❑ **Network Sharing Agreement business model**
 - HOT Mobile to pay one-time amount of NIS 250 million during 2016
 - CAPEX – shared equally
 - OPEX – 50% shared equally and 50% split based on traffic
- ❑ **Key benefits**
 - Savings in CAPEX and OPEX
 - Smaller number of network sites
 - Improved network coverage and capacity
 - Optimal utilization of existing spectrum

Highly competitive cellular market

Successful launch of the Partner brand in Feb 2016

2015 : Partner Q2' 15 ARPU NIS 70

2016: Partner Q2' 16 ARPU NIS 65

Diagram illustrating the mobile service providers and MVNOs in 2015. The providers are Orange (with O12 smile), Cellcom, Telephone (with MOBILE), HOT mobile, and Golan (telecom). The MVNOs are You Phone, Hums (הומסלולר), Ramli (רמי לוי תקשורת), 019 MOBILE, and cellact (Mobile Messaging).

Diagram illustrating the mobile service providers and MVNOs in 2016. The providers are Partner (with O12 smile), Cellcom, Telephone (with MOBILE and You Phone), HOT mobile, and Golan (telecom). The MVNOs are You Phone, Hums (הומסלולר), Ramli (רמי לוי תקשורת), 019 MOBILE, and cellact (Mobile Messaging).

Regulatory burden is high

Cellular investments	MoC doesn't equally enforce obligations to invest in infrastructure on all the players. Partner's petition to the Supreme Court has been heard and the Court required the State to inform, by the end of August, as to the enforcement steps taken. MoC informed Golan that it is not happy about the possibility of it becoming an MVNO and prefers it remain in the market as an infrastructure player; MoC has not approved Golan's national roaming agreement with Hot Mobile. Cellcom obtained a interim injunction preventing Golan from implementing its Agreement with Hot Mobile	
Cellular network sharing	Network sharing agreements brought to the MoC should be of similar investment and ownership obligations to the agreement already approved	
Bezeq structural separation	Bezeq is still in breach of the wholesale reform: Bezeq is in breach of the BSA service portfolio, and is in complete breach of the two other major elements of the wholesale reform (landline telephony and passive infrastructures). Under these circumstances, we estimate that a move by MoC to lift Bezeq's structural separation is unlikely	
Wholesale market	Broadband reform	Implemented but still suffering from "growing pains" which warrant MoC intervention
	Fixed Telephony	Was scheduled to start in May 2015, Bezeq is in breach. MoC published a consultation in which it suggests a substantial hike in the wholesale price. According to media reports, this consultation has been blocked
	Multicast	Was scheduled to start in May 2015, Bezeq is in breach.
	Wholesale market on Hot's network	Consultation document on the wholesale broadband pricing of Hot's network was published and submissions were made in April. Oral arguments were held in July.
Passive Infrastructure	We are examining several options for deploying an independent fixed-line infrastructure using fiber optics. Our goal would be to deploy a fiber-optic based infrastructure as part of our overall strategy to become a comprehensive telecommunications group. The independent fiber-optic based infrastructure would enable the Company to offer faster internet services in Israel, as well as the transmission of advanced and high quality television services. Among the alternatives being considered for deployment, the Company is focusing on taking advantage of the passive wholesale market that should enable the installation of independent fixed-line infrastructure, including using Bezeq's cable ducts	

Financial overview



Q2'2016 highlights

- ❑ Post paid subscribers increase (fourth consecutive quarter)
- ❑ ARPU erosion pace decreases Vs. previous periods
- ❑ Churn rate of Post-Paid subscribers declines Vs. previous quarter
- ❑ Lower OPEX and headcount Vs. previous quarters
- ❑ EBITDA margin increases Vs. previous quarters
- ❑ Higher cash flow Vs. previous quarter
- ❑ Continued reduction of net debt (NIS 2 B as of June 30, 2016)
- ❑ Lower level of equipment sales mainly due to tightening of the Company's customer credit policy

Q2'2016 highlights

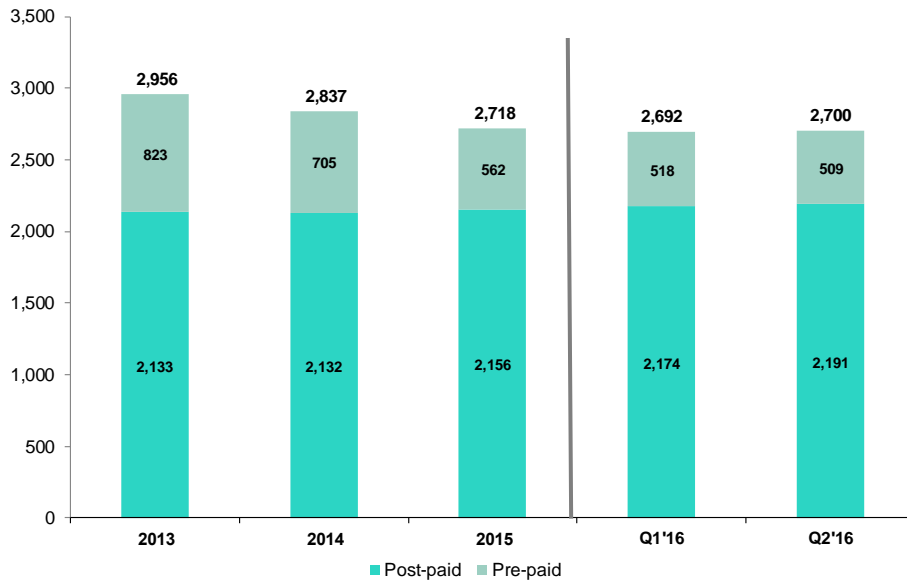
	<u>Q2' 16</u>	<u>Q2' 15</u>	<u>YoY change</u>
Total revenue (NIS, M)	897	1,044	-14%
Service revenue (NIS, M)	692	757	-9%
Equipment revenue (NIS, M)	205	287	-29%
Adjusted EBITDA* (NIS, M)	228	236	-3%
Adjusted EBITDA margin*	25%	23%	+2 ppt
Profit (NIS, M)	26	9	189%
Free cash flow* (NIS, M)	160	24	567%
Cellular ARPU (NIS)	65	70	-7%
Quarterly cellular churn rate	9.8%	10.9%	-1.1 ppt

*Adjusted EBITDA, Adjusted EBITDA margin & Free cash flow are Non GAAP financial measures. See "Use of Non-GAAP Financial Measures" in the quarterly PR

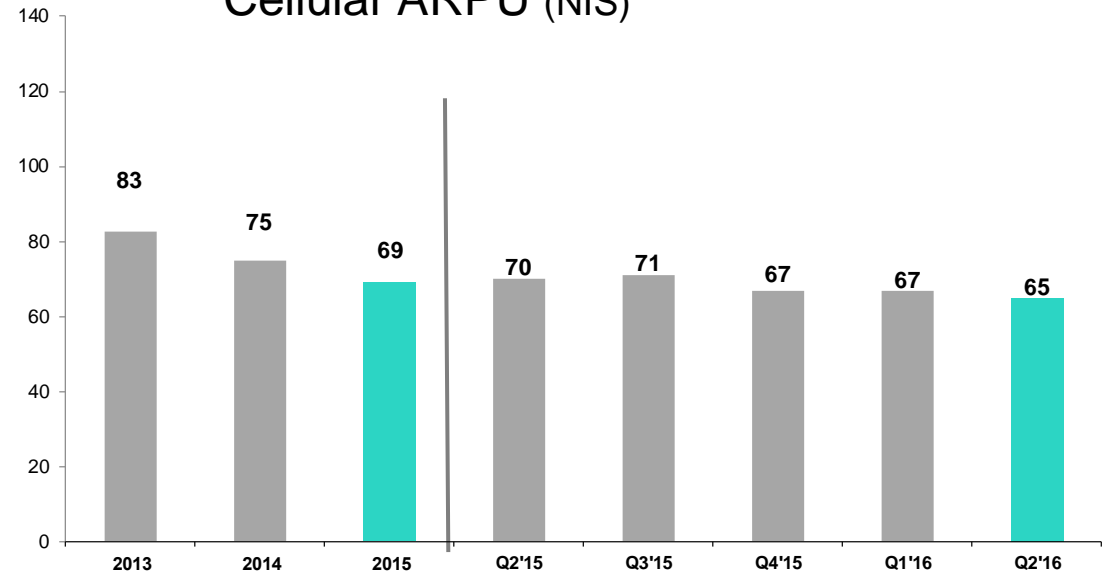
Challenging market environment

Post-Paid subscriber base grows for fourth consecutive quarter, ARPU erosion pace decreases and churn rate of Post-Paid subscribers declines

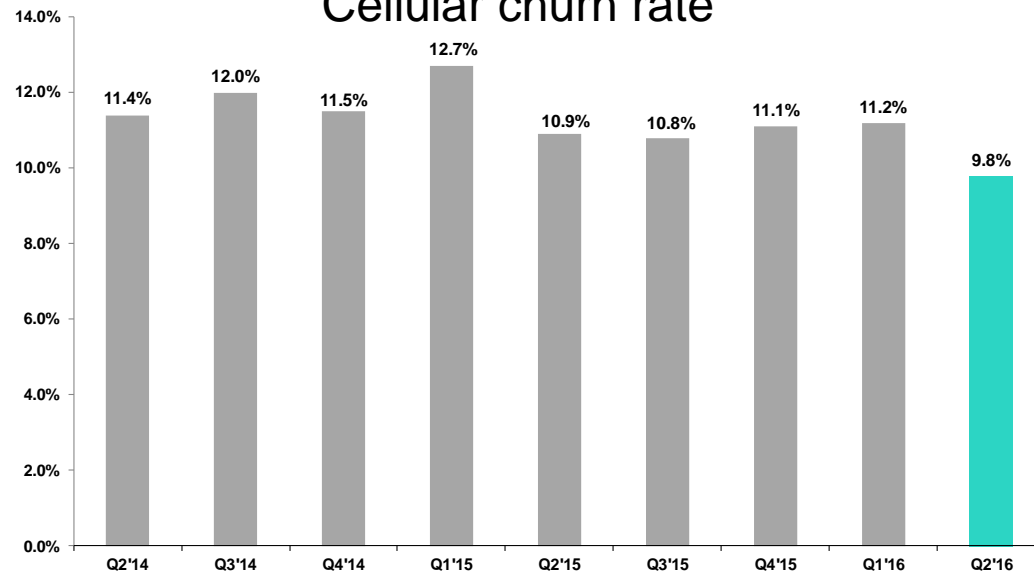
Cellular subscribers (EOP, '000)



Cellular ARPU (NIS)



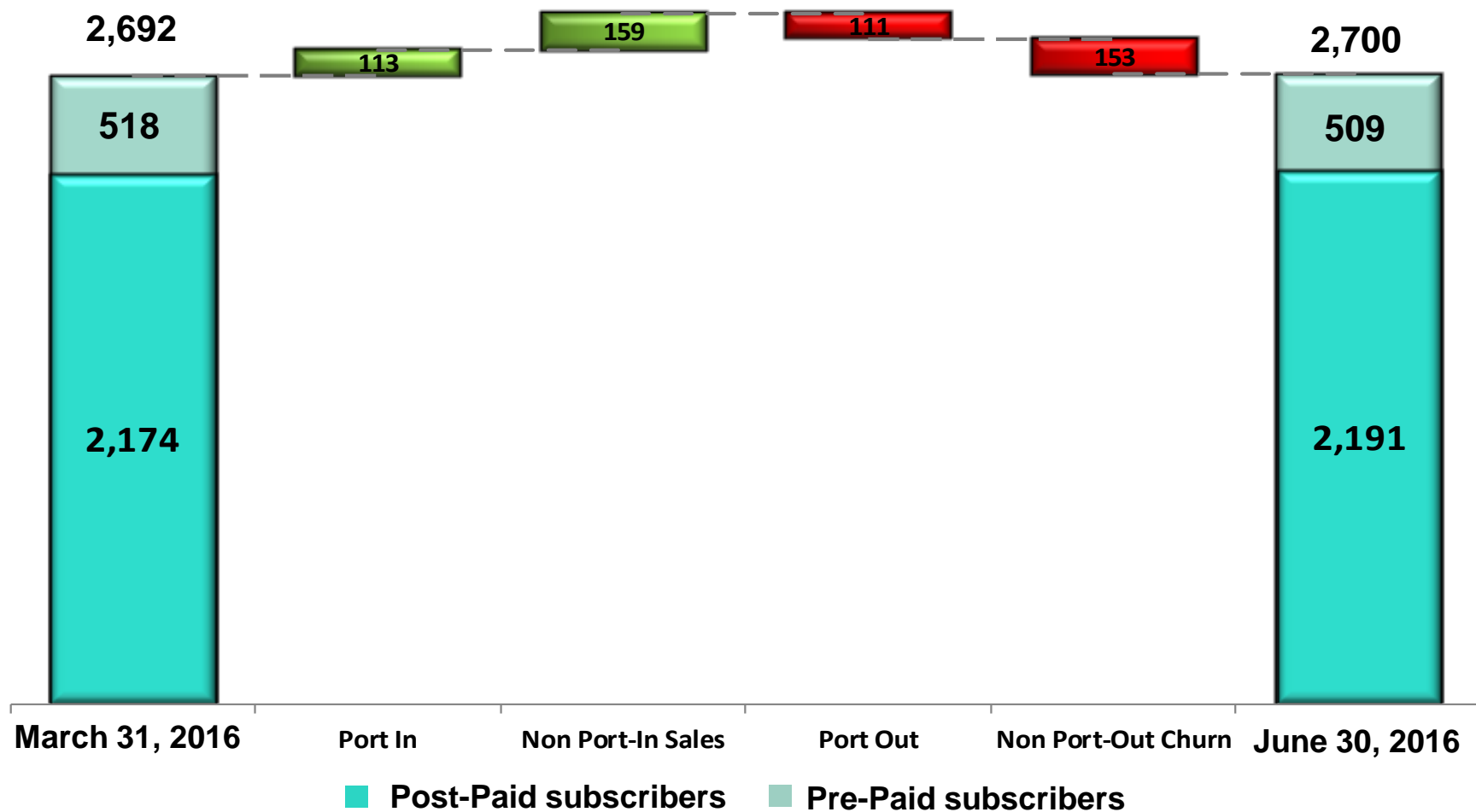
Cellular churn rate



Evolution of cellular subscriber base ('000)

Continued grow of Post-Paid subscriber base

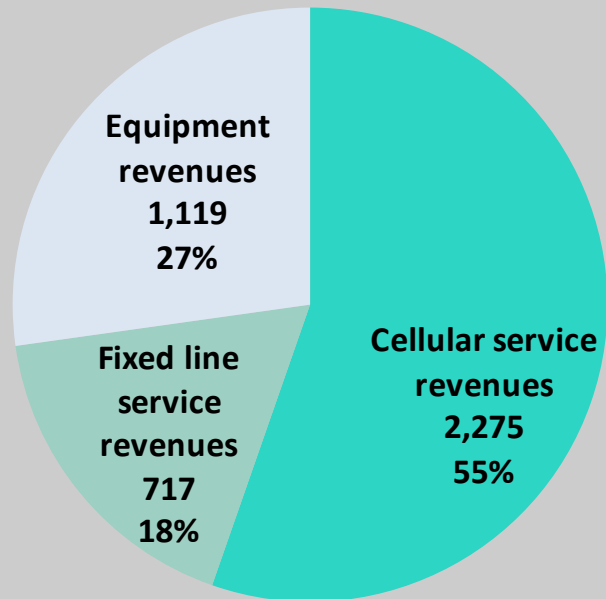
+17k Post-Paid subs, - 9k Pre-Paid subs



Company revenues - diversifying revenue sources

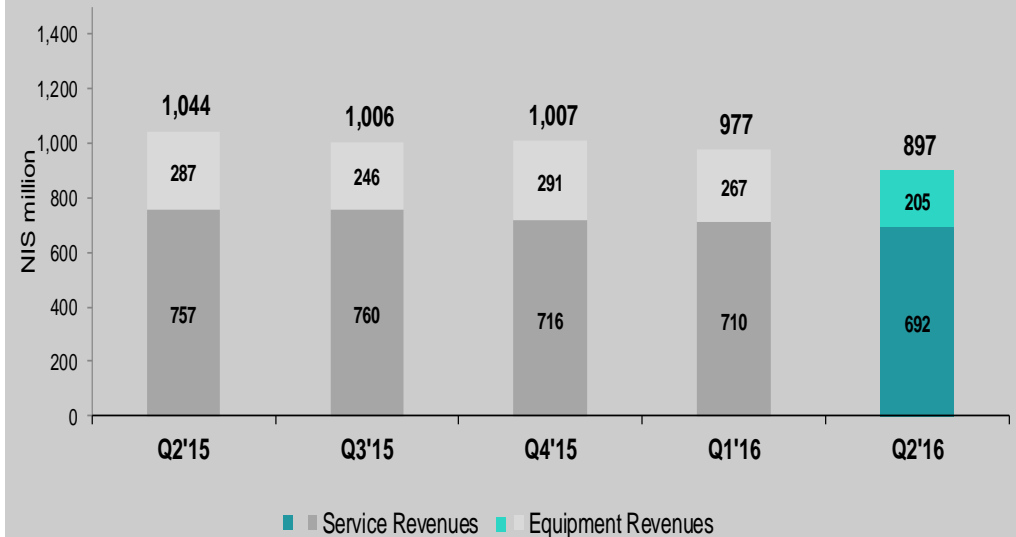
Equipment revenues affected by tightening of the customer credit policy

Annual 2015 Revenues (NIS M)*

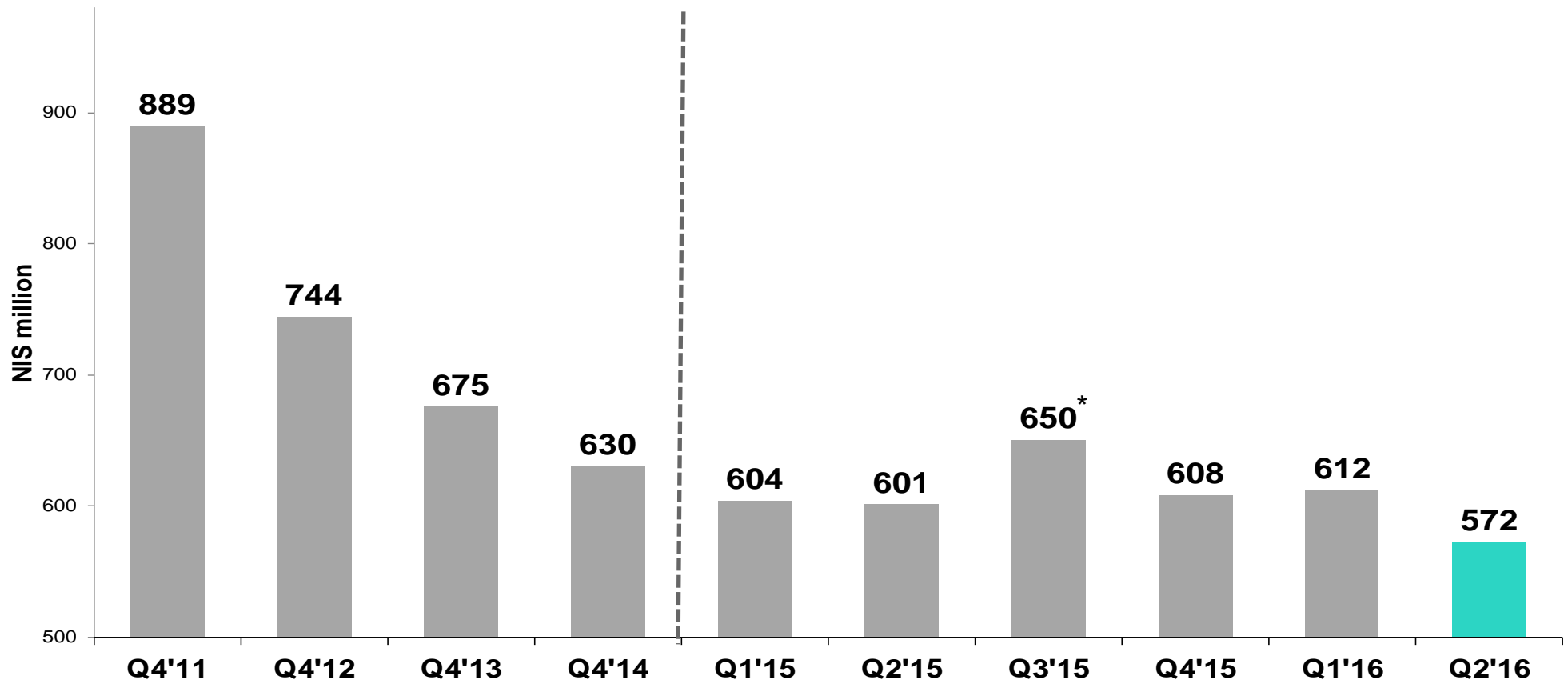


* Segment revenues exclude inter-segment revenues

Quarterly Revenues



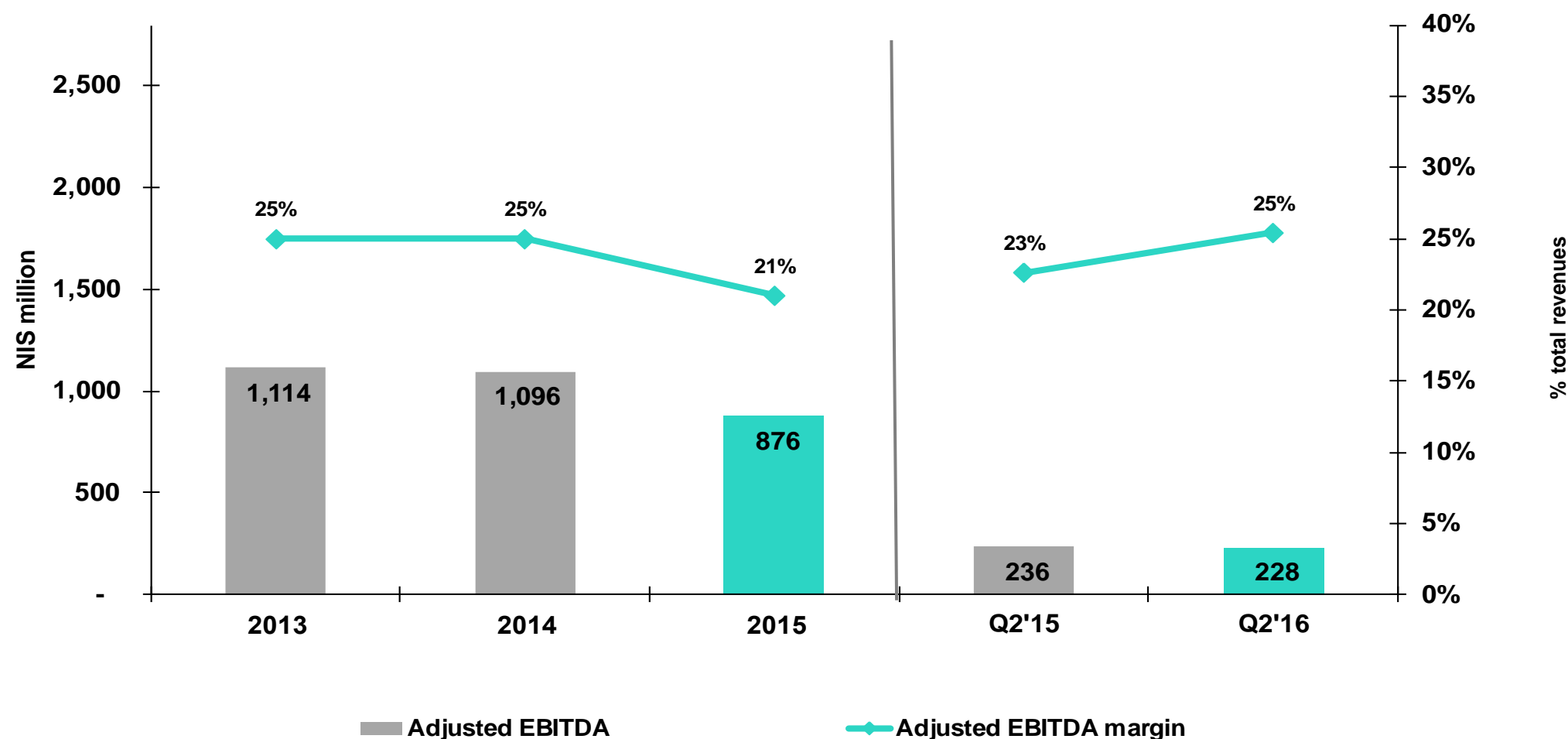
OPEX: decline in S&M expenses and the beginning of the network sharing agreement



OPEX includes cost of service revenues, and selling, marketing and administrative expenses, and excludes depreciation and amortization and impairment charges. Please see "Use of Non-GAAP Financial Measures" in the quarterly PR.

* Q3 2015 OPEX includes NIS 35 m one-time expense of the employee retirement plan

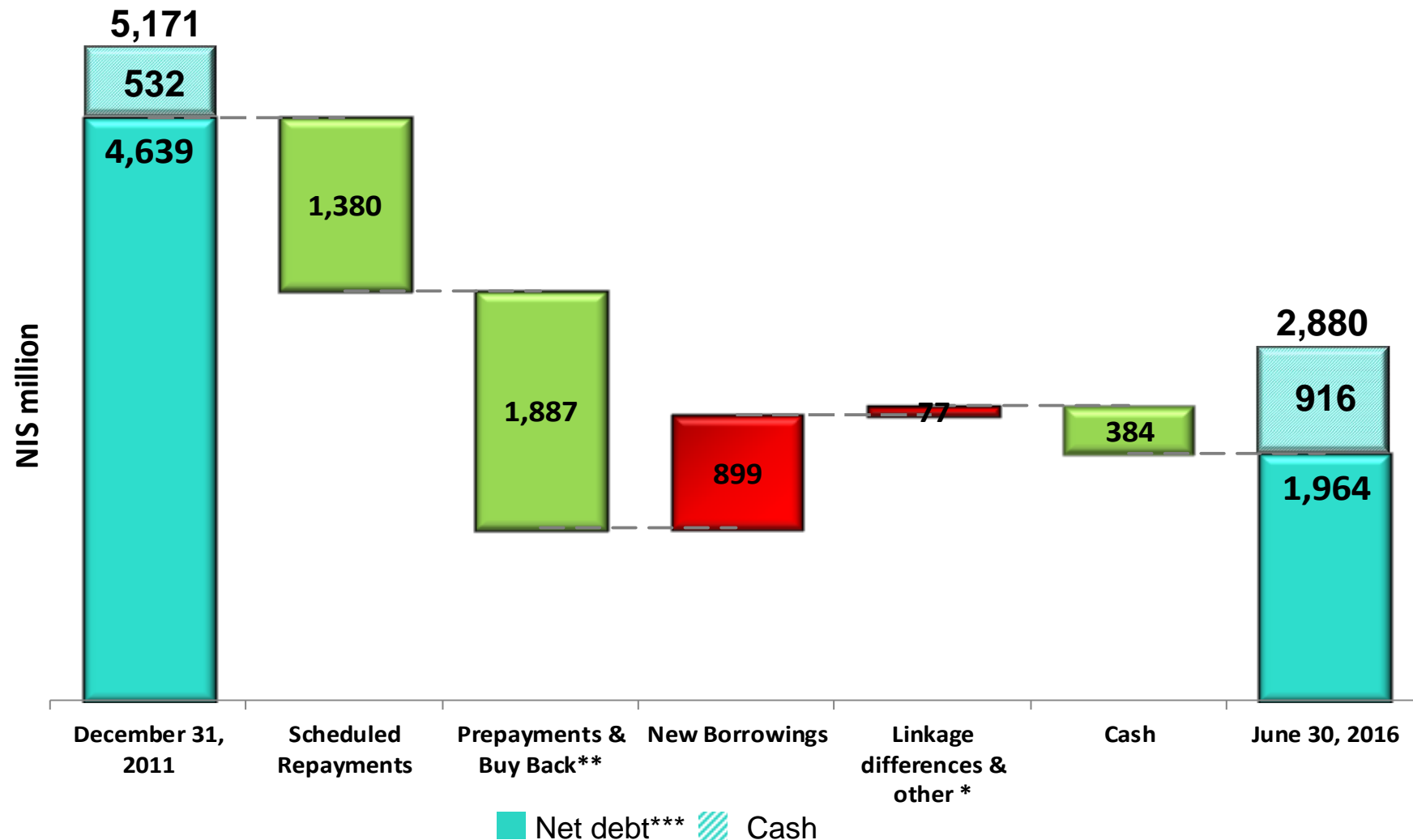
EBITDA* & EBITDA margin



*Adjusted EBITDA is a Non GAAP financial measure which represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges. Please see "Use of Non-GAAP Financial Measures" in the quarterly PR.

Debt & cash evolution (31/12/2011 to 30/06/2016)

Substantial cash on the balance sheet



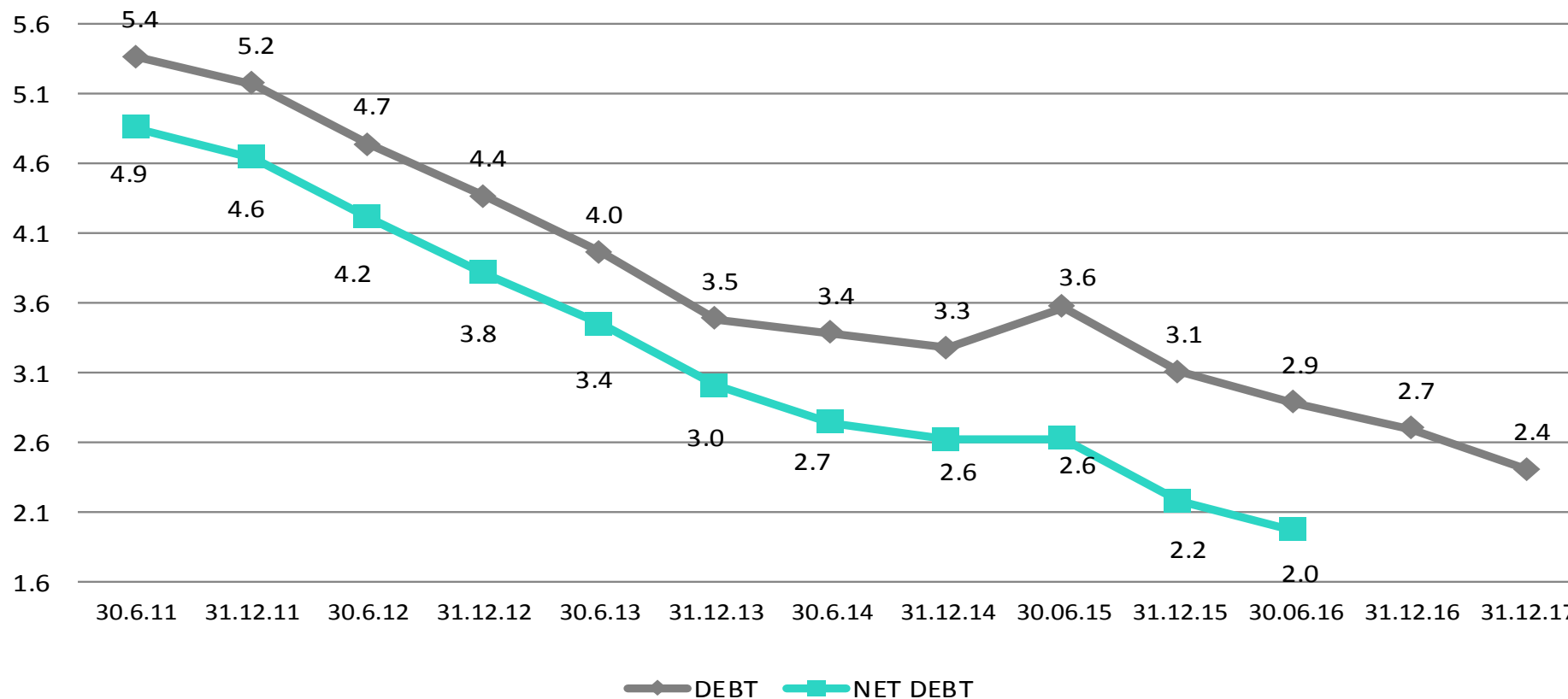
* Other includes amortization of deferred issuance expenses and discount

** Prepayments - repaid in advance of the original repayment schedule

*** Net debt reflects total long term debt including current maturities less cash and cash equivalents.

Please see "Use of Non-GAAP Financial Measures" in the quarterly PR

Debt reduction (NIS B)



Debt figures for year-end 2016 & 2017 include NIS 250 M loan which is expected to be received at December 2016 and two loans of NIS 100 M, each of which is expected to be received at December 2017.

Debt figures for year-end 2016 & 2017 are calculated according to CPI forecast for 2016-2017.

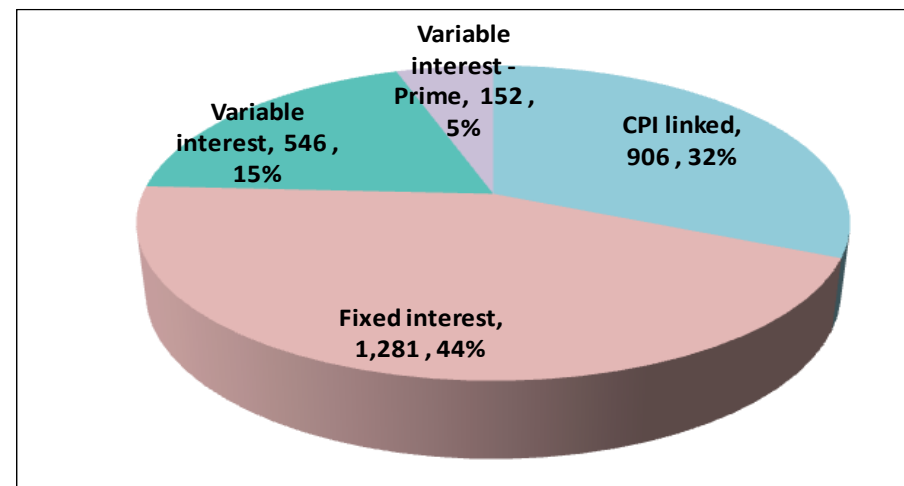
Debt structure (as of June 30, 2016)

Series	Amount (NIS M)	Coupon	Duration (a/o 30/06)	Linkage	Annual Yield to Maturity (a/o 30/06)
Series B	74	3.4%	0.42	CPI	0.4%
Series C	636	3.35%	1.48	CPI	1.0%
Series D	546	MAKAM + 1.2%	3.41	Variable interest Makam	1.7%
Series E	243	5.5%	0.99	Fixed	1.0%
Borrowings	1,386				
Offering expenses	(5)				
TOTAL DEBT	2,880				

* In April 2016 the company executed a buy-back of its notes series C in an amount of NIS 62 million.

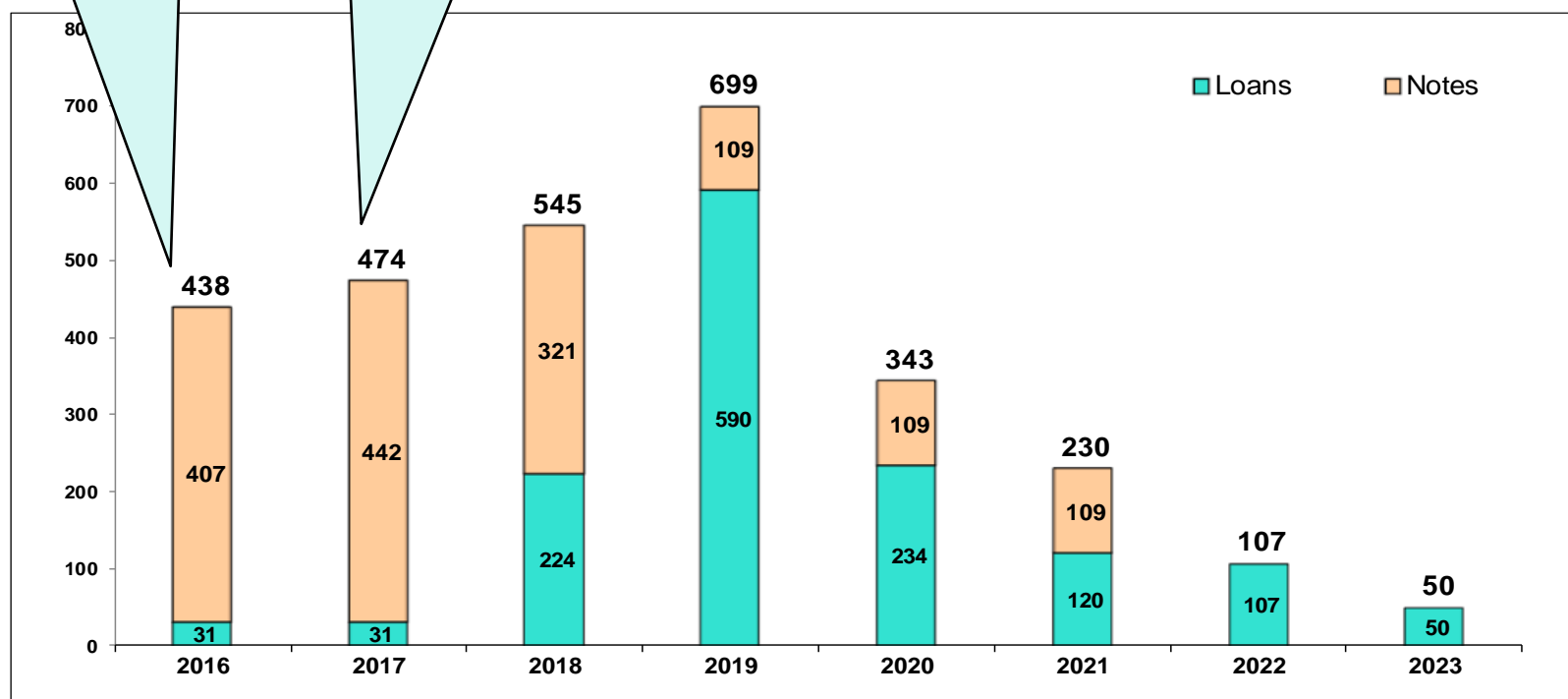
Repayment Schedule and Exposure: Notes & Loans a/o June 30, 2016 (NIS M)

Total debt in B.S:	2,880
Cash	<u>(916)</u>
Net Debt	1,964

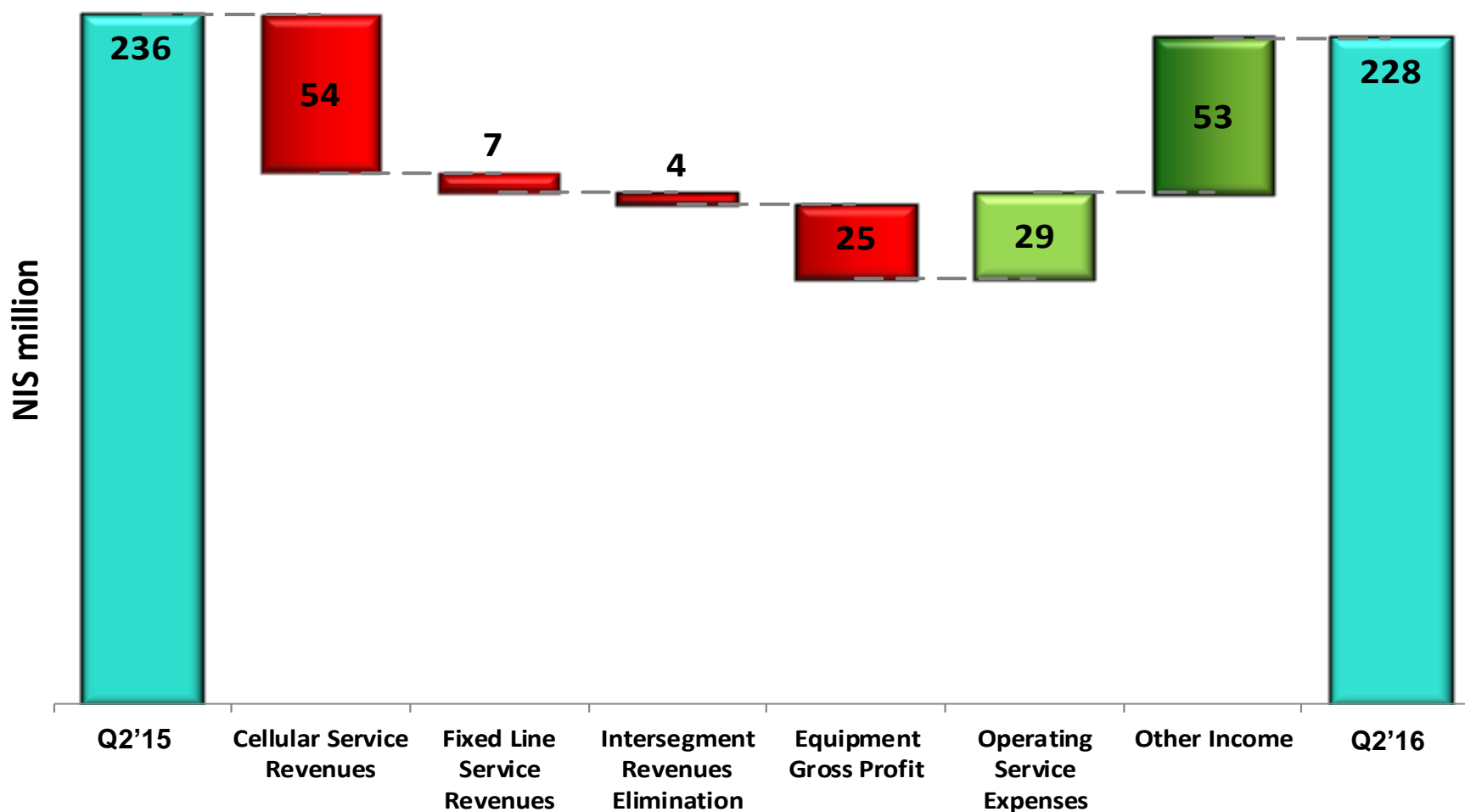


Receipt of deferred loan of NIS 250 M

Receipt of deferred loans of NIS 200 M in total



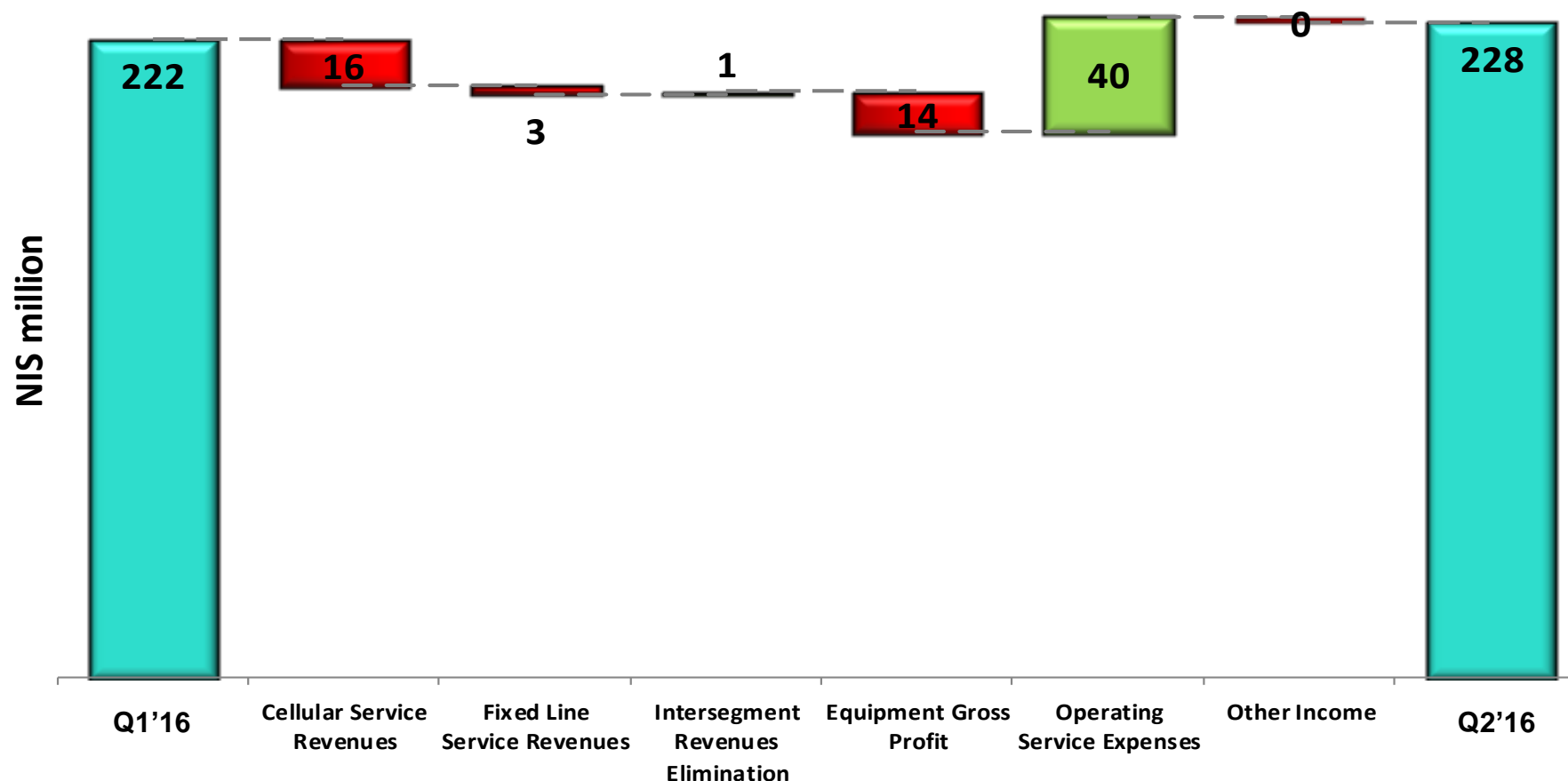
Bridging Adjusted EBITDA results (Q2'15 vs. Q2'16)



* Adjusted EBITDA represents earnings before interest (finance costs, net), taxes, depreciation, amortization (including amortization of intangible assets, deferred expenses-right of use, and share based compensation expenses) and impairment charges. Please refer to the section 'Use of non-GAAP financial measures' in the Company's quarterly PR.

Revenues presented include intersegment revenues; operating services expenses exclude intersegment expenses.

Bridging Adjusted EBITDA results (Q1'16 vs. Q2'16)



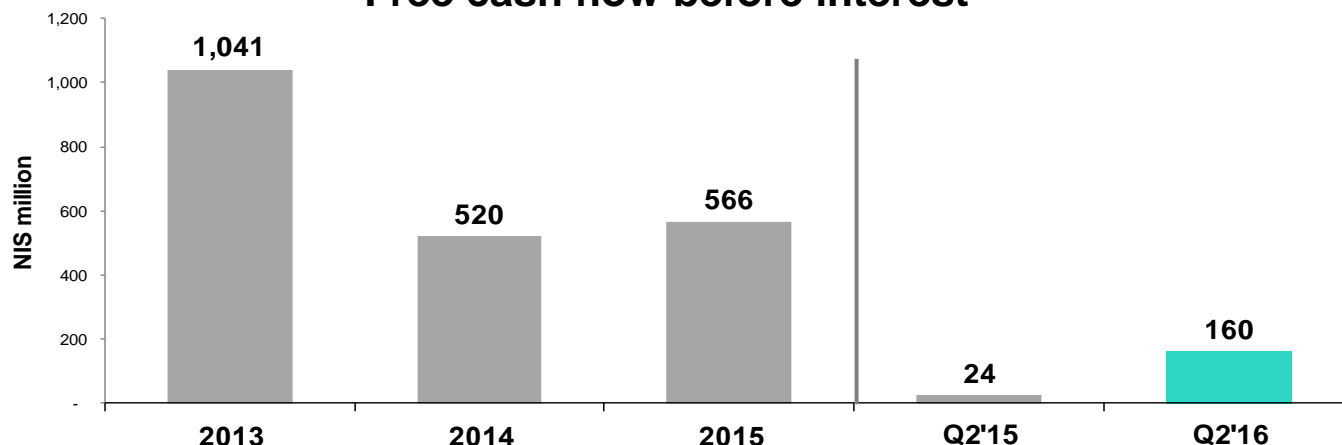
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Revenues presented include intersegment revenues; operating services expenses exclude intersegment expenses.

Balance sheet* & cash flow

Assets	NIS million	Liabilities and Equity	NIS million
Cash and cash equivalents	916	Current maturities of notes payable & borrowings	447
Trade receivables and other	1,161	Trade payables	674
Inventories	82	Other current liabilities	512
Total Current Assets	2,159	Total Current Liabilities	1,633
Trade receivables and other	514	Long term notes payable & borrowings	2,433
Property and equipment	1,291	Other liabilities	84
Goodwill	407	Total Long-term Liabilities	2,517
Intangible assets	863	Equity	1,084
Total Long-term Assets	3,075	Total Liabilities and Equity	5,234
Total Assets	5,234		

Free cash flow before interest**



* Balance sheet as of June 30, 2016.

** Free cash flow represents cash flows generated from operating activities before interest payments, net of cash flows used for investments activities. Free cash flow is a Non GAAP financial measure. See "Use of Non-GAAP Financial Measures" in the quarterly PR

Partner's strengths

- **Strong Foundations:**
Widest 4G coverage, leading customer service, network sharing agreement, more than 16 hundred kilometers of fiber optics
- **Defined Strategy:**
Transforming into a Total Communications Group, diversified revenue sources from private and business customers, increasing digital operations, innovation
- **Billing Relations:**
Partner serves ~2.7 million cellular subscribers, in addition to our fixed-line households with broadband internet and ISP services
- **Innovative DNA:**
First to offer Roaming to Customers in Israel, First to offer SMS in Israel, First to offer 3G & 4G in Israel, New products, Focus on retail operation

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Thank you