

PARTNER COMMUNICATIONS CO LTD
Form 20-F
March 30, 2017

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
ANNUAL REPORT
FILED PURSUANT TO SECTION 12, 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

As filed with the Securities and Exchange Commission on March 30, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE
ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Date of event requiring this shell company report _____

Commission file number 1-14968

PARTNER COMMUNICATIONS COMPANY LTD.
(Exact Name of Registrant as Specified in its Charter)

ISRAEL
(Jurisdiction of Incorporation or Organization)

8 AMAL STREET
AFEQ INDUSTRIAL PARK
ROSH-HA'AYIN 48103
ISRAEL

(Address of Principal Executive Offices)

Hadar Vismunski-Weinberg
ExecutiveOffices@partner.co.il

(Name, Telephone, E-mail and/or facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one ordinary share, nominal value NIS 0.01 per share	The NASDAQ Global Select Market
Ordinary Shares, nominal value NIS 0.01 per share*	The NASDAQ Global Select Market

* Not for trading, but only in connection with the registration of American Depositary Shares representing such ordinary shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities Registered Pursuant to Section 12(g) of the Act:

NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

ORDINARY SHARES OF NIS 0.01 EACH 156,993,337

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934.

YES NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board x

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

ITEM 17 ITEM 18

If this is an annual report, indicate by checkmark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

YES NO

2

TABLE OF CONTENTS

<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	5
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	5
<u>ITEM 3. KEY INFORMATION</u>	5
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	30
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	74
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	74
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	106
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	130
<u>ITEM 8. FINANCIAL INFORMATION</u>	134
<u>ITEM 9. THE OFFER AND LISTING</u>	140
<u>ITEM 10. ADDITIONAL INFORMATION</u>	141
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	153
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	156
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	156
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	156
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	156
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	158
<u>ITEM 16B. CODE OF ETHICS</u>	158
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	158
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	159
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	159
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	159
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	159
<u>ITEM 17. FINANCIAL STATEMENTS</u>	159
<u>ITEM 18. FINANCIAL STATEMENTS</u>	159
<u>ITEM 19. EXHIBITS</u>	159

INTRODUCTION

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 LP, Partner Business Communications Solutions LP, Partner Communication Products 2016 LP, 012 Smile Telecom Ltd. ("012 Smile") and 012 Smile's wholly-owned subsidiary, 012 Telecom Ltd., except as the context otherwise requires. Partner Future Communications 2000 Ltd. serves as the general partner and the Company serves as the limited partner of each of the limited partnerships.

Pursuant to a 15- year Network Sharing Agreement that the Company entered into with HOT Mobile Ltd. ("HOT Mobile") in November 2013, the parties created a 50-50 limited partnership, P.H.I. Networks (2015) Limited Partnership ("PHI"). See "Item 4B.9 OUR NETWORK".

In the context of cellular services, references to "our network" refer to Partner's cellular telecommunications network which includes our core network, as well as the shared radio access network with HOT Mobile which is operated by PHI and any other Company infrastructure which enables our cellular service.

In addition, references to our "financial statements" are to our consolidated financial statements, unless the context requires otherwise.

The Company currently 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 anti-virus and anti-spam filtering; and fixed-line voice communication services provided through Voice Over Broadband ("VOB"), SIP voice trunks and Network Termination Point Services ("NTP") – under which the Group supplies, installs, operates and maintains endpoint network equipment and solutions, including providing and installing equipment and cabling, within a subscriber's place of business or premises; (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 sales and leasing of telecommunications, audio visual and related devices: mainly handsets, phones, tablets, laptops, modems, data cards, domestic routers, servers, audio-visual devices and related peripherals and equipment. Unless the context indicates otherwise, expressions such as "our business," "Partner's business" and "the Company's business" or "industry" refer to both Cellular 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 annual report 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 annual report 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 annual report have been made at the exchange rate on December 31, 2016, of NIS 3.845 = US\$1.00 as published by the Bank of Israel, unless otherwise specified. See "Item 3A. Key Information – Selected Financial Data – Exchange Rate Data".

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Our financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board ("IASB"). See "Item 18. Financial Statements" and "Item 5A. Operating and Financial Review and Prospects – Operating Results".

FORWARD-LOOKING STATEMENTS

This annual report 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 "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 annual report, including the statements in the sections of this annual report entitled "Item 3D. Key Information – Risk Factors," "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects" and elsewhere in this annual report regarding our future performance, revenues or margins, market share or reduction of expenses, regulatory developments, 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 see "Item 3D Risk Factors," "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 light of these risks, uncertainties and assumptions, the forward-looking events discussed in this annual report 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.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

ITEM 3. KEY INFORMATION

3A. Selected Financial Data

Our consolidated financial statements for the years ended December 31, 2012, 2013, 2014, 2015 and 2016, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The tables below at and for the years ended December 31, 2012, 2013, 2014, 2015 and 2016, set forth selected consolidated financial data under IFRS. The selected financial information is derived from our consolidated financial statements, which have been audited by Kesselman & Kesselman, our independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited. The audited consolidated financial statements at December 31, 2015 and 2016 and for the years ended December 31, 2014, 2015 and 2016, appear at the end of this report.

	Year ended December 31,					2016
	2012	2013	2014	2015	2016	2016
	New Israeli Shekels in millions					US\$ in
	(except per share data)					millions(1)
Consolidated Statement of Income Data						
Revenues, net	5,572	4,519	4,400	4,111	3,544	922
Cost of revenues	4,031	3,510	3,419	3,472	2,924	760
Gross profit	1,541	1,009	981	639	620	162
Selling and marketing expenses	551	462	438	417	426	111
General and administrative expenses	236	217	193	223	263	68
Income with respect to Settlement agreement with Orange	-	-	-	61	217	56
Other income, net	111	79	50	47	45	12
Operating profit	865	409	400	107	193	51
Finance income	21	29	3	13	13	3
Finance expenses	255	240	162	156	118	31
Finance costs, net	234	211	159	143	105	28
Profit (loss) before income tax	631	198	241	(36)	88	23
Income tax expenses	153	63	79	4	36	9

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Profit (loss) for the year	478	135	162	(40)	52	14
Earnings (loss) per ordinary share and per ADS						
Basic:	3.07	0.87	1.04	(0.26)	0.33	0.09
Diluted	3.07	0.86	1.04	(0.26)	0.33	0.09
Weighted average number of shares outstanding (in thousands)						
Basic:	155,646	155,687	155,802	156,081	156,268	156,268
Diluted (for calculation above):	155,773	156,199	156,400	156,081	158,096	158,096

5

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	Year ended December 31,					2016
	2012	2013	2014	2015	2016	2016
	New Israeli Shekels in millions					US\$ in
	(except per share data)					millions (1)
Other Financial Data						
Capital expenditures (2)	558	413	434	271	202	53
Adjusted EBITDA (3)	1,602	1,114	1,096	876	834	217
Dividend per share (4)	1.03	—	—	—	—	—
Statement of Cash Flow Data						
Net cash provided by operating activities	1,705	1,539	951	922	945	245
Net cash used in investing activities	(471)	(498)	(431)	(356)	(639)	(166)
Net cash used in financing activities	(1,218)	(1,108)	(338)	(303)	(516)	(134)
Balance Sheet Data (at year end)						
Current assets	2,120	1,703	1,817	2,185	2,339	608
Non current assets	4,297	3,784	3,679	3,341	2,858	744
Property and equipment	1,990	1,791	1,661	1,414	1,207	314
License and other intangible assets	1,217	1,167	1,079	956	793	206
Goodwill	407	407	407	407	407	106
Deferred income tax asset	36	12	14	49	41	10
Total assets	6,417	5,487	5,496	5,526	5,197	1,352
Current liabilities (5)	1,525	1,374	1,385	1,765	1,607	418
Long-term liabilities (5)	4,151	3,239	3,072	2,741	2,479	645
Total liabilities	5,676	4,613	4,457	4,506	4,086	1,063
Shareholders' equity	741	874	1,039	1,020	1,111	289
Total liabilities and shareholders' equity	6,417	5,487	5,496	5,526	5,197	1,352

(1) The NIS figures at December 31, 2016, and for the period then ended have been translated throughout this annual report into dollars using the representative exchange rate of the dollar at December 31, 2016 (USD 1 = NIS 3.845). The translation was made solely for convenience, is supplementary information, and is distinguished from the financial statements. The translated dollar figures should not be construed as a representation that the Israeli

currency amounts actually represent, or could be converted into, dollars. See also "Item 3A. Key Information – Selected Financial Data – Exchange Rate Data".

- (2) Capital Expenditures represent additions to property and equipment (see Note 10 to our consolidated financial statements) and intangible assets (see Note 11 to our consolidated financial statements).

Adjusted EBITDA as reviewed by the CODM represents Earnings Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use and impairment charges) and Other expenses (mainly amortization of share based compensation). Adjusted EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other (3) companies. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results. The usage of the term "Adjusted EBITDA" is to highlight the fact that the Amortization includes amortization of deferred expenses – right of use and amortization of employee share based compensation and impairment charges; it is fully comparable to EBITDA information which has been previously provided for prior periods.

The dividend per share was calculated in respect of the period for which it was announced. For the years ended (4) December 31, 2013, 2014, 2015 and 2016, no dividend was declared by the Company. During 2012, the Company declared a dividend in the amount of approximately NIS 160 million, or NIS 1.03 per share.

- (5) See Note 15 to the consolidated financial statements for information regarding long-term liabilities and current maturities of long-term borrowings and notes payable.

The tables below at and for the years ended December 31, 2012, 2013, 2014, 2015 and 2016, set forth a reconciliation between Profit (Loss) and Adjusted EBITDA.

	Year ended December 31,					
	2012	2013	2014	2015	2016	2016
	New Israeli Shekels in millions					US\$ in millions (1)
Reconciliation Between Profit (Loss) and Adjusted EBITDA						
Profit (Loss)	478	135	162	(40)	52	14
Depreciation and amortization expenses	726	700	689	753	595	154
Finance costs, net	234	211	159	143	105	28
Income tax expenses	153	63	79	4	36	9
Other (*)	11	5	7	16	46	12
Adjusted EBITDA (2)	1,602	1,114	1,096	876	834	217

The translations of NIS amounts into US dollars appearing throughout this annual report have been made at the (1) exchange rate on December 31, 2016, of NIS 3.845 = US\$1.00 as published by the Bank of Israel, unless otherwise specified. See "Item 3A. Key Information – Selected Financial Data – Exchange Rate Data".

Adjusted EBITDA as reviewed by the CODM represents Earnings Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use and impairment charges) and Other expenses (mainly amortization of share based compensation). Adjusted EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other (2) companies. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results. The usage of the term "Adjusted EBITDA" is to highlight the fact that the Amortization includes amortization of deferred expenses – right of use and amortization of employee share based compensation and impairment charges; it is fully comparable to EBITDA information which has been previously provided for prior periods.

(*)Mainly amortization of employee share based compensation.

7

At December 31,
2014 2015 2016

Cellular Industry Data