PARTNER COMMUNICATIONS CO LTD
Form 6-K
November 23, 2011

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 November 23, 2011

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 o

(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 o   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 Statements on Form S-8 filed with the Securities and Exchange Commission on December 4, 2002 (Registration No. 333-101652), September 5, 2006 (Registration No. 333-137102) and on September 11, 2008 (Registration No. 333-153419)

Enclosure: Partner Communications Reports Third Quarter 2011 Results

PARTNER COMMUNICATIONS REPORTS
THIRD QUARTER 2011 RESULTS

· DIVIDEND DECLARED FOR Q3 2011:
NIS 0.90 PER SHARE, IN TOTAL APPROX. NIS 140 MILLION
· EBITDA[1] OF NIS 529 MILLION
· FREE CASH FLOW OF NIS 376 MILLION

Q3 2011 Highlights[2] (compared with Q3 2010 unless otherwise stated)

- Total Revenues: NIS 1,751 million (US$ 472 million), an increase of 6%
- Service Revenues[3]: NIS 1,366 million (US$ 368 million), a decrease of 6%
- Equipment Revenues[3]: NIS 385 million (US$ 104 million), an increase of 99%
- Operating Profit: NIS 314 million (US$ 85 million), a decrease of 34%
- Net Profit: NIS 172 million (US$ 47 million), a decrease of 44%
- EBITDA[1]: NIS 529 million (US$ 143 million), a decrease of 17%
- EBITDA Margin: 30% of total revenues compared with 39%
- Operating Working Capital[4]: Decrease of NIS 132 million compared with Q2 2011
- Capitalized Expenditures[5]: NIS 132 million, an increase of 97%
- Free Cash Flow[6]: NIS 376 million (US$ 101 million), a decrease of 23%
- Net Debt[7]: NIS 4.7 billion
- Cellular Subscriber Base: 26,000 net additions, subscriber base of 3.201 million
- ARPU[8]: NIS 111 (US$ 30), a decrease of 11% compared with NIS 125

1 For definition of EBITDA measure, see “Use of Non-GAAP Financial Measures” below.

2 On March 3, 2011, the Company completed the acquisition of all of the outstanding shares of 012 Smile Telecom Ltd. ("012 Smile"), an Israeli operator of international telecoms services and local fixed line services and a provider of internet services. The financial results for Q3 2011 therefore include the results of 012 Smile whereas the results for Q3 2010 do not include the results of 012 Smile. Further detail is provided below.

3 In order to reflect a change in the approach of Management, the allocation of revenues and cost of revenues between services and equipment within the cellular segment was changed, effective as of Q4 2010. Total profit for the cellular and fixed line segments separately remains unchanged. The analysis presented assumes a retroactive application of the reallocation to Q3 2010.

4 Changes in operating assets and liabilities excluding adaptors, rights of use and income tax liabilities.

5 Investment in fixed assets including intangible assets but excluding capitalized subscriber acquisition and retention costs, net.

6 Cash flows from operating activities before interest payments, net of cash flows used for investing activities.

7 Total current and non-current borrowings less cash and cash equivalents.

8 The ARPU for Q3 2010 has been restated under the lower interconnect tariffs of Q3 2011, for the purpose of comparison.

Rosh Ha'ayin, Israel, November 23, 2011 - Partner Communications Company Ltd. ("Partner" or the "Company") (NASDAQ and TASE: PTNR), a leading Israeli communications operator, announces today its results for the third quarter of 2011. Partner reported total revenues of NIS 1.75 billion (US$ 472 million) in the third quarter of 2011, EBITDA of NIS 529 million (US$ 143 million) and net profit for the third quarter of NIS 172 million (US$ 47 million).

Mr. Haim Romano, Partner's CEO, said:

"The financial results for the third quarter of 2011 reflect both the impact of the regulatory changes as well as the increased competition in the cellular market. The challenging market conditions, the intensification in competition and our commitment to the highest level of customer service in the telecommunications market, requires Partner to prepare and act accordingly, while maintaining the Company's assets and enhancing operational processes.

Partner has always regarded its customers as one of its main assets and will continue to take all necessary steps and actions in order to safeguard this strategic asset.

As a result, the Company will continue to implement steps aimed at improving the interface with the customers, making procedures more efficient as well as simplifying the marketing offers to the customers. These steps are expected to improve the level of service and the customer experience.

The Company is preparing for the changes in the telecommunication market and will adjust the number of positions and the workforce to a level appropriate for the Company's objectives and market conditions, in addition to taking the necessary steps to improve operational efficiency.

As part of Partner's commitment to network quality and technological progress, we are in the process of accelerating investment in the fixed line transmission network and the upgrade of the network, in advance of fourth generation implementation. Regarding our business support systems, the Company is investing in enhancing the existing systems and is making preparations for their upgrade. Capitalized expenditures for the year 2012 are expected to total approximately NIS 650 million."

Referring to 012 Smile, Mr. Romano noted that, "As a telecommunications group, we continue to work towards maximizing the synergies between the companies, while at the same time ensuring that each of the companies continues to focus on its core business, in order to offer the group's customers a wide array of services in the areas of cellular, fixed-line telephony, internet and long distance calls."

Mr. Ziv Leitman, Partner's Chief Financial Officer commented:

"As in the first half of the year, the regulatory changes regarding the reduction in interconnect tariffs and the restrictions on exit fines continue to impair the financial results.

The improvement in free cash flow was mainly due to the reduction in operating working capital by NIS 132 million compared with the previous quarter. This was an outcome of various factors, including a reduction in inventory levels, an increase in factoring of handset revenues as a result of higher proportion of sales through credit card transactions as opposed to payments through the customer bill, and finally a reduction in sales of equipment, compared with the quarterly level in the first half of the year.

As a result of these factors, free cash flow increased by 138% in the quarter compared with previous quarter, to reach NIS 376 million.

The reduction in equipment sales in the second half of 2011 is expected to reduce profits from sales on one hand, but to reduce working capital on the other hand.

Capitalized expenditures in the third quarter were higher than the quarterly level during the first half of the year. This trend is expected to continue in the fourth quarter reflecting the impact of the upgrade of the Company's networks.

The high level of cash on the Company's balance sheet is due to be partially used for repayment of Series A Notes in the next two quarters.

Service Revenues for the cellular segment in the third quarter were at a level similar to that of the second quarter due to a seasonal increase, in particular from roaming revenues, which was offset mainly through the ongoing price erosion and the impact of one-time provisions for lawsuits made against the Company.

The Board of Directors has approved the distribution of a dividend for Q3 2011 in the amount of NIS 0.90 (US 24 cents) per share or ADS, a total of approximately NIS 140 million (US$ 38 million), representing approximately 80% of the net profit for Q3 2011."

Key Financial and Operational Parameters

	Q3 2011	Q3 2010	Change
Revenues (NIS millions)	1,751	1,650	+6 %
Operating Profit (NIS millions)	314	476	(34)%
Net Profit (NIS millions)	172	309	(44)%
Free Cash Flow (NIS millions)	376	487	(23)%
EBITDA (NIS millions)	529	641	(17)%
Cellular Subscribers (end of period, in thousands)	3,201	3,133	+2 %
Quarterly Cellular Churn Rate (%)	7.2	5.0	+2.2
Average Monthly Usage per Cellular Subscriber (minutes)	410	361	+14 %
Average Monthly Revenue per Cellular Subscriber (NIS)	111	125 [9]	(11)%

Partner Consolidated Results

NIS Millions	Partner and its subsidiaries excluding 012 Smile			012 Smile and its subsidiaries	Inter-Company[10]	Consol-idated
	Q3 2011	Q3 2010	Change	Q3 2011	Q3 2011	Q3 2011
Total Revenues	1,476	1,650	(11)%	301	(26)	1,751
Service Revenues	1,097	1,457	(25)%	295	(26)	1,366
Equipment Revenues	379	193	96 %	6	-	385
Operating Profit	313	476	(34)%	(1)	2	314
EBITDA	469	641	(27)%	60	-	529

Revenues totaled NIS 1,751 million (US$ 472 million) in Q3 2011, an increase of 6% from NIS 1,650 million in Q3 2010. 012 Smile's contribution to total revenues totaled NIS 301 million (US$ 81 million), or NIS 275 million excluding inter-company revenues. Excluding 012 Smile, revenues decreased by 11% in Q3 2011 compared with Q3 2010.

---

[9] The ARPU for Q3 2010 has been restated under the lower interconnect tariffs of Q3 2011, for the purpose of comparison.

[10] Includes inter-company revenues and expenses between Partner and 012 Smile.

Service revenues for Q3 2011 were NIS 1,366 million (US$ 368 million), compared with NIS 1,457 million in Q3 2010, a decrease of 6%. Excluding 012 Smile's contribution to service revenues (excluding inter-company revenues) of NIS 269 million (US$ 72 million), service revenues decreased by 25%. This decrease mainly reflects the 71% reduction in the interconnect voice tariffs and the 94% reduction in the interconnect SMS tariff from January 1, 2011 which together reduced service revenues by approximately NIS 282 million this quarter. Excluding the impact of the reduction in interconnect tariffs and 012 Smile's contribution, service revenues would have decreased by approximately 5%, which mainly reflects an increase in airtime rebates related to sales campaigns under which the subscribers are eligible to obtain rebates dependent upon the level of their monthly usage. In addition, the decrease reflects the impact on revenues in the total amount of approximately NIS 26 million (US$ 7 million) of the one-time provisions made in the quarter with respect to various lawsuits filed against the Company.
The decreases were partially offset by the positive impact on revenues from the continued growth in the cellular subscriber base and increased revenues from data and content services.

Equipment revenues totaled NIS 385 million (US$ 104 million) in Q3 2011, increasing by 99% compared with Q3 2010. The increase largely reflects an increase in the average revenue per handset, largely due to the proportion of smartphones sold.

Gross Profit totaled NIS 541 million (US$ 146 million) in Q3 2011, a decrease of 17% from NIS 655 million in Q3 2010. Excluding 012 Smile's contribution to gross profit of NIS 50 million, the decrease in gross profit was 25%. This decrease mainly reflects the direct negative impact of the reduction of interconnect tariffs on gross profit in the amount of approximately NIS 113 million, partially offset by an increase in gross profit from cellular equipment sales.

Other income, net, totaled NIS 30 million (US$ 8 million) in Q3 2011 from NIS 10 million in Q3 2010, reflecting an increase in recognized deferred revenue from handset payment installment plans related to the increase in equipment sales, as well as the impact of a one-time provision in Q3 2010 in the amount of approximately NIS 6 million made with respect to a lawsuit and a motion for the recognition of this lawsuit as a class action, filed against the Company.

Operating profit for Q3 2011 totaled NIS 314 million (US$ 85 million), a decrease of 34% from NIS 476 million in Q3 2010. Excluding 012 Smile's contribution of an operating loss of NIS1 million, the decrease in operating profit remains 34%.

EBITDA in Q3 2011 totaled NIS 529 million (US$ 143 million), of which NIS 60 million was contributed by 012 Smile. Excluding 012 Smile's contribution to EBITDA, EBITDA decreased by 27% compared with NIS 641 million in Q3 2010.

Financial expenses, net in Q3 2011 were NIS 81 million (US$ 22 million), an increase of 31% from NIS 62 million in Q3 2010. This largely reflected an increase in interest expenses resulting from the higher debt level which was partially offset by the lower linkage expenses due to the increase in CPI by only 0.6% in Q3 2011 compared with 1.2% in Q3 2010.

Net profit for Q3 2011 was NIS 172 million (US$ 47 million), a decrease of 44% from NIS 309 million in Q3 2010.

Based on the weighted average number of shares outstanding during Q3 2011, basic earnings per share or ADS, was NIS 1.11 (US 30 cents) in Q3 2011, a decrease of 44% from NIS 1.99 in Q3 2010.

Funding and Investing Review

Cash flows generated from operating activities before interest payments, net of cash flows used for investing activities ("Free Cash Flow"), totaled NIS 376 million (US$ 101 million) in Q3 2011, a decrease of 23% from NIS 487 million in Q3 2010.

Cash generated from operations decreased by 10% from NIS 571 million in Q3 2010 to NIS 513 million in Q3 2011. This is mainly explained by the decrease in net profit as described above. Cash generated from operations for Q3 2011 was positively affected by arrangements made by 012 Smile with credit card companies to advance the billing cycle payments by a number of days. These arrangements improved operating cash flow by approximately NIS 37 million in Q3 2011.

Investment in fixed assets including intangible assets but excluding capitalized subscriber acquisition and retention costs, net, increased by 97% from NIS 67 million in Q3 2010 to NIS 132 million (US$ 36 million) in Q3 2011. The increase primarily reflects the unusually low level of investment in fixed assets in Q3 2010.

Capitalized subscriber acquisition and retention costs, net, decreased from NIS 17 million in Q3 2010 to NIS 3 million in Q3 2011, reflecting the significant decrease in the capitalized costs, following the amendment to the Communications Law which restricts subscriber exit fines, introduced in February 2011.

The level of net debt at the end of Q3 2011 stood at NIS 4.72 billion, compared with NIS 4.86 billion at the end of Q2 2011.

Dividend

The Board of Directors has approved the distribution of a cash dividend (paid in NIS) for Q3 2011 in the amount of NIS 0.90 (US 24 cents) per share or ADS (a total of approximately NIS 140 million or US$ 38 million) to shareholders and ADS holders of record on December 7, 2011. The dividend is expected to be paid on December 20, 2011.

Regulatory Developments

Recommendations of the Public Committee for the Determination of the Wholesale Service Tariffs in the Fixed-Line Market and the Examination and Revision of Bezeq's Tariff Structure ("Hayek Committee")

In October 2011, the Hayek Committee published its recommendations to the Minister of Communications. The recommendations are substantially similar to the interim recommendations, previously reported by the Company and further include, inter alia, the following recommendations:

1. Determination of the Tariffs for the Wholesale Market

a. Wholesale service tariffs shall be set by the regulator. Until such time, each wholesale service tariff shall be fixed, regardless of consumer's characteristics and shall not exceed 75% of the average retail price offered by the fixed-line general licensee with the largest market share in the private internet infrastructure sector during July to September 2011. This arrangement shall apply for six months from its approval by the Minister of Communications. The Minister of Communications may extend the period only by six months.

b. The wholesale service tariffs that will be determined by the regulator shall be maximum tariffs, based on the cost principal while taking into account the granting of incentives to make investments. The tariffs shall be reviewed every three years.

2. Structural Separation

a. The structural separation requirement imposed on the fixed-line general licensees shall be cancelled and replaced by accounting separation between the services that these licensees provide and the infrastructures. This change will became effective upon the earlier of either the passage of a period of six months from the signing of wholesale agreements or from the beginning of provision of wholesale services as set in the said agreements. If agreements are not reached regarding the said wholesale services, the structural separation shall be cancelled when wholesale tariffs will be set by the regulator. In addition, the transfer of information between the retail and wholesale divisions of each of the companies will be prohibited.

b. If no wholesale market is established within 24 months from the publish date of the Hayek Committee recommendations, the regulator shall resume structural separation between the infrastructure of fixed-line general licensees and services provided to end users.

3. Supervision over Retail Tariffs

a. The supervision over Bezeq's retail tariffs will be based on the maximum tariff determination method, and not the constant tariff determination method. The maximum tariff shall be revised from time to time by the regulator and shall be calculated in accordance with the cost principle.

b. Removal of the supervision on the maximum tariff by setting tariffs in the regulations, and transition to tariff supervision based on the provisions of the Communications Law, shall be executed once the regulator is convinced that the level of competition in the field allows it. After removal of the supervision and after cancellation of the structural separation, the regulator shall consider the cancellation of the fixed usage fees that are charged by Bezeq, while setting a timetable for this cancellation.

4. The Telecommunications Initiative on the Electricity Company's Infrastructure

The Hayek Committee recommended applying to the entity that will be established as part of the initiative, regulatory rules similar to the rules set for the provision of wholesale services, as they will be applied to other fixed-line general licensees, with the necessary technological adjustments.

The implementation of the recommendations, either in whole or in part, is subject to its approval by the Minister of Communications and other additional legislative processes.

Limitation of Exit Fines for Existing Customers in the Telecommunications Market

Following the Company's previous report regarding the limitation of exit fines, on November 8, 2011 the amendment to the Communications Law regarding the limitation of exit fines for existing customers of various telecommunications operators: cable and satellite, internet, fixed-line telephony and international telephony, became effective. In accordance with the amendment, the exit fines shall be limited and will be based on the calculation of 8% of the customer's average monthly bill for the company's services multiplied by the balance of the remaining number of months in the commitment period.

The companies may continue to collect from the customer the balance payments for equipment, which was purchased as well as debts incurred by the customer. However, as of the said date, the companies may not charge the outstanding equipment payments in one payment.

Change in Corporate Tax Rate

On October 30, 2011 the Government of Israel adopted the main part of the recommendations included in the tax chapter of the report issued by a committee for socio-economic change. The Government resolved, inter alia, to fix the corporate tax rate at 25% commencing 2012 rather than continuing the gradual reduction of corporate tax to 18% by 2016 in accordance with the current enacted tax laws; under these laws the corporate tax rate applicable for 2012 is 23%. The gradual reduction of corporate tax rate will be reconsidered no later than 2014, taking into account the economic and fiscal conditions of the Israeli economy and the conditions in the global market at that time. The law memorandum, which was published further to adoption of the main part of the committee's recommendations as above, has not been enacted in law.

The above changes in tax rates do not have any effect on the measurement of deferred tax assets and liabilities presented in the consolidated financial results as of September 30, 2011, since the relating amendment to the law has not been substantially enacted as of that date.

Had the legislation procedures relating to the new tax rates been substantially completed by September 30, 2011, and the laws been amended to include the above mentioned changes in tax rates as per the Government resolution, the effect of these changes on the consolidated financial results as of September 30, 2011 would have been an increase of NIS 11 million in net deferred tax liabilities; which would have been carried as an expense to the statement of income.

Cellular Segment Financial Review11

NIS Millions Q3 2011