PARTNER COMMUNICATIONS CO LTD
Form 6-K
November 21, 2012

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 21, 2012

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 2012 Results

PARTNER COMMUNICATIONS REPORTS
THIRD QUARTER 2012 RESULTS

EFFICIENCY MEASURES LED TO A SIGNIFICANT REDUCTION OF NIS 600 MILLION IN ANNUAL TERMS[1] OF THE COMPANY'S OPERATING EXPENSES

FREE CASH FLOW[2] THIS QUARTER INCREASED BY 20% COMPARED TO PREVIOUS QUARTER TO TOTAL OF NIS 375 MILLION, AFTER INVESTMENT OF NIS 125 MILLION IN THE UPGRADE OF THE NETWORK AND INFORMATION SYSTEMS

OVER THE PAST 12 MONTHS THE COMPANY HAS REPAID NIS 700 MILLION OF DEBT, INCLUDING NIS 80 MILLION IN THE LAST QUARTER

PARTNER CONTINUES WITH ITS CUSTOMER-CENTRIC STRATEGY AND LEADS IN THE CUSTOMER SERVICE EXPERIENCE- ARPU IN THE QUARTER WAS NIS 97, THE HIGHEST IN THE ISRAELI CELLULAR MARKET

THE NETWORK UPGRADE WAS COMPLETED IN MOST AREAS OF THE COUNTRY TO A SPEED OF 42 Mbps AND PARTNER LEADS BY A CONSIDERABLE MARGIN IN BROWSING SPEEDS IN VAST AREAS OVER ITS COMPETITORS

EBITDA[3] IN THE QUARTER TOTALED NIS 401 MILLION, 30% EBITDA MARGIN

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NET PROFIT IN THE QUARTER TOTALED NIS 110 MILLION

Rosh Ha'ayin, Israel, November 21, 2012 – Partner Communications Company Ltd. ("Partner" or "the Company") (NASDAQ and TASE: PTNR), a leading Israeli communications operator, announced today its results for the quarter ending September 30, 2012.

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1 Annual rate based on comparison of third quarter 2012 to the third quarter 2011.

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

3 For definition of EBITDA measure, see "Use of Non-GAAP Financial Measures" below.

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Q3 2012 Highlights (compared with Q3 2011)

- Total Revenues: NIS 1,315 million (US$ 336 million), a decrease of 25%
- Service Revenues: NIS 1,150 million (US$ 294 million), a decrease of 16%
- OPEX: NIS 942 million (US$ 241 million) compared with NIS 1,252 million, improved by 25%
- OPEX excluding equipment[4]: NIS 793 million (US $203 million)compared with NIS 952 million, improved by 17%
- Net Debt: NIS 4.1 billion (US$ 1.0 billion), a decrease of NIS 0.6 billion
- Cellular Subscriber Base: 3.04 million at quarter-end

Commenting on the third quarter results, Mr. Haim Romano, Partner's CEO, said:

"The financial results of the third quarter reflect the financial and operational robustness of Partner. The Company reported a strong free cash flow for the third quarter after investments, which totaled NIS 375 million, an increase of 20% compared to the previous quarter. At the same time, we continue to significantly reduce our financial debt and, in the past year, the Company has reduced and repaid debt in the amount of NIS 700 million. Moreover, the operational efficiency measures implemented by the Company over the past year are yielding good results and, among other things, have led to a decrease in the operating expenses by approximately NIS 600 million in annual terms, while improving organizational processes and raising the level of customer service."

Mr. Haim Romano noted: "In the third quarter, Partner invested NIS 125 million mainly in the upgrade of major parts of the cellular network to a speed of 42 Mbps, as well as, in preparation for the fourth generation technology and in vast areas of the country, Partner's distinct technological advantage is discernible through the speed of browsing. The Company continues to invest in the world's leading IT systems, as well as in the development of digital channels to enhance the customer experience."

Mr. Haim Romano emphasized: "We continue to adhere to the strategy of focusing on the customer and to constantly improve the customer service, with the understanding that the package price is not the main factor in creating customer loyalty. We believe that quality service, offering innovative products and services and an advanced network will enhance and enrich the customer experience, and strengthen the customer's attachment and loyalty to the Company. The Company continues to adhere to the "Clear" policy which does not prefer new customers over existing customers, even at a cost of a limited reduction in market share, a concept that reinforces the level of loyalty of our customers.

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4 Operating expenses including cost of service revenues, selling, marketing and administrative expenses and excluding depreciation and amortization

Our customer’s satisfaction and loyalty is also reflected in the highest level of ARPU in the market, despite the increased market competition from a multiplicity of operators. We believe the Company’s customer service continues to be the best in the cellular market and, during the third quarter, Orange was awarded first place among all major cellular operators in Israel in the ’Market-test index for customer experience‘."

Referring to the changes in the telecommunications market, Mr. Haim Romano said: "At the end of the previous quarter Partner launched the 012 Mobile brand, which is primarily based on a self-service model through the internet for customers who want pure cellular network services. We are satisfied with the enrollment of tens of thousands of customers to 012 Mobile, most of whom were previously customers of our competitors.

During the third quarter the operational merger with 012 Smile was completed, which enhanced Partner’s leadership as a comprehensive communications group and has increased the value for our customers. During the quarter, the Company launched bundled service packages offering cellular, fixed line and ISP services, which have been very successful.”

In conclusion, Mr. Haim Romano said: "The financial and operational robustness of the Company, its significant core strengths and competitive ability to quickly adapt to the changing reality, in addition to our consistent investment in innovative growth engines, affirms our position as leaders in the telecommunications market.”

Mr. Ziv Leitman, Partner's Chief Financial Officer commented on the quarter results:

“The financial results of the third quarter compared to the previous quarter reflect the impact of increasing competition, on the one hand and the continued impact of the efficiency measures implemented by the Company during the past year and the seasonality effects, on the other hand.

The Company reported this quarter a strong free cash flow (after interest payments), which totaled NIS 310 million. The cash flow was positively affected by the decrease in working capital, following a decrease in equipment sales and the relatively high proportion of equipment sales by credit card and cash. Assuming these trends continue, the decrease in working capital is expected to continue, which should positively affect the free cash flow in the coming quarters.

Despite the fierce competition in the cellular market the Company succeeded this quarter in maintaining an ARPU level which totaled NIS 97, the highest in the cellular market, compared with NIS 101 in the previous quarter. The ARPU was mainly affected by the continued price erosion and the transition of customers to unlimited packages, which was partially offset by seasonal roaming revenues. The high ARPU reflects the Company's strategy to find a balance between a high ARPU level and market share, in part as a result of our refusal to be drawn into a price war, thereby allowing us to maintain high ARPU. The Company estimates that the level of ARPU for the fourth quarter will be lower than in the third quarter, as a result of seasonality effects and continued price erosion in the market.

In the third quarter, the Company continued to implement efficiency measures while strictly controlling its cost structure. The Company's operating expenses (excluding equipment, depreciation and amortization) decreased in the third quarter by approximately NIS 60 million, a decrease that resulted from the efficiency measures and one-time decreases in royalty expenses and other expenses.

The Company continues to adjust its workforce to the changing market conditions and, in the third quarter, the number of positions was reduced by approximately 850. In total, from September 2011 until the end of October 2012, the number of positions has been reduced by approximately 2,725 positions, mostly by reducing the level of new recruits. The number of employees on a FTE basis at the end of October 2012 was 5,863. The Company will continue in the coming quarters to implement operational efficiency measures and to reduce operating expenses.

The Company's investments in fixed assets totaled NIS 125 million in the third quarter and over the past nine months the Company has invested approximately NIS 371 million in the network and IT systems. Investments in the fourth quarter of 2012 are expected to be at a higher level than in the previous quarters; however, total annual investments will not reach the level of approximately NIS 650 million that was estimated in the annual forecast for 2012.

The Company's net debt at the end of the quarter totaled NIS 4.1 billion, reflecting a decrease of approximately NIS 600 million over the past year. The company intends to use its strong cash flow and to take measures to reduce the level of net debt by an additional amount of approximately NIS 800 million. In light of the decreasing net debt trend, the Company took measures in recent months to reduce the financing costs including, among others, early repayment of bank loans, a significant reduction in our unused credit facility and the adoption of a buy-back plan of bonds."

Key Financial and Operating Indicators5

	Q3'12	Q3'11	Change
Revenues (NIS millions)	1,315	1,751	(25)%
Operating Expenses6 (NIS millions)	942	1,252	(25)%
Operating Profit (NIS millions)	217	314	(31)%
Net Profit (NIS millions)	110	172	(36)%
Free Cash Flow (NIS millions)	375	376	-
EBITDA (NIS millions)	401	529	(24)%
EBITDA Margin (%)	30 %	30 %	-
Cellular Subscribers (end of period, thousands)	3,042	3,201	(5)%
Quarterly Cellular Churn Rate (%)	10.4	7.2	3.2
Average Monthly Revenue per Cellular Subscriber (NIS)	97	111	(13)%
Average Monthly Usage per Cellular Subscriber (minutes)	457	410	11 %

Partner Consolidated Results

	Cellular Segment			Fixed Line Segment			Elimination		Consolidated		
NIS Millions	Q3'12	Q3'11	Change %	Q3'12	Q3'11	Change %	Q3'12	Q3'11	Q3'12	Q3'11	Change %
Total Revenues	1,049	1,449	(28)%	304	347	(12)%	(38)	(45)	1,315	1,751	(25)%
Service Revenues	892	1,070	(17)%	296	341	(13)%	(38)	(45)	1,150	1,366	(16)%
Equipment Revenues	157	379	(59)%	8	6	33 %	-	-	165	385	(57)%
Operating Profit	184	300	(39)%	33	14	136 %	-	-	217	314	(31)%
EBITDA	328	447	(27)%	73	82	(11)%	-	-	401	529	(24)%

Financial Review

In Q3 2012, total revenues were NIS 1,315 million (US$ 336 million), a decrease of 25% from NIS 1,751 million in Q3 2011.

Service revenues in Q3 2012 totaled NIS 1,150 million (US$ 294 million), decreasing by 16% compared with NIS 1,366 million in Q3 2011.

For the cellular segment, service revenues in Q3 2012 were NIS 892 million (US$ 228 million), a decrease of 17% from NIS 1,070 million in Q3 2011. The decrease largely reflected the continuing price erosion of cellular services including voice and data services, following the entry of new competitors (MVNO's and new operators) in the first half of the year, as well as the continued decrease in revenues from roaming services. The decrease also reflected the lower postpaid cellular subscriber base which has decreased by 6% on an average basis over the past year. For the fixed line segment, service revenues totaled NIS 296 million (US$ 76million) in Q3 2012, a decrease of 13% from NIS 341 million in Q3 2011. The decrease in service revenues for the fixed line segment mainly reflected the decrease in the average subscriber base in the fixed line market over the period, as well as price erosion in fixed line services.

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5 See also definitions on first page.

6 Operating expenses including cost of revenues, selling, marketing and administrative expenses and excluding depreciation and amortization

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Equipment revenues in Q3 2012 were NIS 165 million (US$ 42 million), decreasing by 57% from NIS 385 million in Q3 2011. The decrease was due to a significant reduction in the quantity of cellular equipment sold in Q3 2012 compared with Q3 2011. In line with the second quarter, the main factors that led to the reduction compared with the parallel quarter included strengthened competition for handset sales, the Company's strategy to require more stringent payment terms, a general decrease in market demand reflecting the high proportion of smartphones sold last year, and an end to the use of special discounts for customers with new handsets.

Gross profit totaled NIS 381 million (US$ 97 million) in Q3 2012, decreasing by 30% compared to NIS 541 million in Q3 2011, principally reflecting the decrease in gross profit from cellular services and cellular equipment sales.

Operating profit in Q3 2012 was NIS 217 million (US$ 55 million), decreasing by 31% compared with NIS 314 million in Q3 2011. For the cellular segment, operating profit decreased by 39%, whereas for the fixed line segment, operating profit increased by 136%.

EBITDA in Q3 2012 totaled NIS 401 million (US$ 103 million), a decrease of 24% from NIS 529 million in Q3 2011. The cellular segment contributed EBITDA of NIS 328 million (US$ 84 million) in Q3 2012, decreasing by 27% from NIS 447 million in Q3 2011. The fixed line segment contributed EBITDA of NIS 73 million (US$ 19 million) in Q3 2012, a decrease of 11% compared with Q3 2011.

Operating expenses (including cost of service revenues, selling, marketing and administrative expenses and excluding depreciation and amortization) totaled NIS 793 million (US$ 203 million) in Q3 2012, a decrease of 17% or NIS 159 million from Q3 2011. Operating expenses in Q3 2012 were positively affected mainly by the efficiency measures implemented by the Company as well as from a one-time reduction in cellular royalty expenses in an amount of approximately NIS 20 million, which was recorded following an amendment to the royalty regulations, as well as a one-time reduction in fixed-line infrastructure expenses in an amount of approximately NIS 8 million.

Financial expenses, net in Q3 2012 were NIS 68 million (US$ 17 million), a decrease of 16% compared with NIS 81 million in Q3 2011, mainly reflecting the lower debt level (see Funding and Investing Review below).

Net profit in Q3 2012 was NIS 110 million (US$ 28 million), a decrease of 36% from NIS 172 million in Q3 2011. Based on the weighted average number of shares outstanding during Q3 2012, basic (reported) earnings per share or ADS, was NIS 0.71 (US$ 0.19), a decrease of 36% compared to NIS 1.11 in Q3 2011.

Funding and Investing Review

In Q3 2012, cash flows generated from operating activities before interest payments, net of cash flows used for investing activities ("Free Cash Flow") totaled NIS 375 million (US$ 96 million), approximately no change from NIS 376 million in Q3 2011.

Cash generated from operations decreased by 4% from NIS 513 million in Q3 2011 to NIS 491 million (US$ 125 million) in Q3 2012. The decrease was due to the decrease in net profit, partially offset by a larger decrease in trade receivables in Q3 2012 than in Q3 2011.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.

The level of investment in fixed assets in Q3 2012 including intangible assets but excluding