

PARTNER COMMUNICATIONS CO LTD
Form 6-K
September 28, 2004

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 September 28, 2004

Partner Communications Company Ltd.

(Translation of Registrant's Name Into English)

8 Amal Street
Afeq Industrial Park
Rosh Haayin 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 Form 40-F

(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 No

(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 Statement on Form F-3 filed with the Securities and Exchange Commission on December 26, 2001 (Registration No. 333-14222).

Enclosures: Notice and Proxy Statement re Annual General Meeting and
Extraordinary General Meeting of Shareholders.

PARTNER COMMUNICATIONS COMPANY LTD.
NOTICE OF
GENERAL MEETINGS OF SHAREHOLDERS

Rosh Ha'ayin, Israel
September 28, 2004

Notice is hereby given that the general meetings of Shareholders (the **General Meetings**) of Partner Communications Company Ltd. (the **Company** or **Partner**), consisting of an Annual General Meeting (the **AGM**) and an Extraordinary General Meeting (the **EGM**) will be held on Wednesday, October 20, 2004 at 10:00 am. (Israel time) (the EGM will commence immediately following the end of discussions on the matters to be resolved at the AGM), at our offices, 8 Ha'amal Street, Rosh Ha'ayin, Israel or at any adjournments thereof.

It is proposed at the AGM to adopt the following resolutions:

- (i) to re-appoint Kesselman & Kesselman, independent certified public accountants in Israel and a member of PriceWaterhouseCoopers International Limited (the Auditor), as the Company's Auditor for the period ending at the close of the following annual general meeting, to authorize the Board of Directors of the Company to determine its remuneration and to approve the report of the Board of Directors with respect to the remuneration paid to the Auditor and its affiliate to the year ended December 31, 2003;
- (ii) to re-appoint the Company's directors whose terms are expiring and to appoint new directors;
- (iii) to approve the Company's Financial Statements for the year ended December 31, 2003 and the report of the Board of Directors for such period; and

It is proposed at the EGM to adopt the following resolutions:

- (i) to approve the provision of indemnification letters to Messrs. Dennis Lui, Colin Tucker and Mordechai Keret, the Company's directors;
 - (ii) to approve the provision of indemnification letter to Mr. Moshe Vidman, one of the Company's External Directors (*Dahatz*);
 - (iii) to approve the provision of indemnification letter to any director who would be appointed by the Board of Directors until the approval of his nomination and indemnification by the shareholders; and
 - (iv) to approve the remuneration of Mr. Moshe Vidman, one of the Company's External Directors (*Dahatz*).
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Only shareholders of record at the close of business on September 29, 2004 are entitled to receive notice of, and to vote at the General Meetings, subject to the restrictions in the Company's Articles of Association, as set forth in the attached Proxy Statement. All shareholders are cordially invited to attend the General Meetings in person.

Shareholders who will not attend the General Meetings in person are requested to complete, date and sign the enclosed form of proxy and to return it promptly (and in any event at least two business days prior to the date of the General Meetings) in the pre-addressed envelope provided. Shareholders may revoke their proxies by written notice received at the offices of the Company prior to the commencement of the General Meetings, and vote their shares in person.

The Articles of Association of the Company also allow shareholders of the Company to vote at the General Meetings by means of a deed of vote and a form of deed of vote will be made available to shareholders registered in the Company's Shareholder Register. Holders of American Depositary Shares are not registered in the Company's Shareholder Register but may instruct the Depository, JPMorgan Chase Bank, as to the exercise of the voting rights pertaining to the Ordinary Shares evidenced by their American Depositary Shares, in the manner and to the extent provided in the Depository Agreement governing the American Depositary Shares.

Registered joint holders of shares should take note that, pursuant to Article 19.9 of the Articles of Association of the Company, only the first named joint holder of any share shall vote, either in person, by proxy, or by deed of vote, without taking into account the other registered joint holder(s) of the share. For this purpose, the first named joint holder shall be the person whose name is registered first in the Shareholder Register.

Copies of the proposed resolutions are available at our offices, 8 Hamal Street, Rosh Haayin, Israel, every business day from 9 AM to 5PM (Israel time). Our telephone number is +972-54-7814191.

By Order of the Board of Directors

ROLY KLINGER, ADV.
General Counsel and Joint
Company Secretary

PARTNER COMMUNICATIONS COMPANY LTD.

8 Ha amal Street

Rosh Ha ayin 48092, Israel

PROXY STATEMENT

This Proxy Statement is furnished to the holders of Ordinary Shares, par value NIS 0.01 per share (the **Ordinary Shares**), including holders of American Depositary Shares (each representing one Ordinary Share, the **ADSs**) of Partner Communications Company Ltd. (the **Company** or **Partner**) in connection with the solicitation by the Board of Directors of proxies for use at the general meetings of Shareholders (the **General Meetings**), consisting of an Annual General Meeting of Shareholders (the **AGM**) and an Extraordinary General Meeting of Shareholders (the **EGM**), to be held on October 20, 2004 at 10:00 am (Israel time) (the EGM will commence immediately following the end of discussions on the matters to be resolved at the AGM), at our offices, 8 Ha amal Street, Rosh Ha ayin, Israel, or at any adjournments thereof.

It is proposed at the AGM to adopt the following resolutions:

- (i) to re-appoint Kesselman & Kesselman, independent certified public accountants in Israel and a member of PriceWaterhouseCoopers International Limited (the **Auditor**), as the Company's Auditor for the period ending at the close of the following annual general meeting, to authorize the Board of Directors of the Company to determine its remuneration and to approve the report of the Board of Directors with respect to the remuneration paid to the Auditor and its affiliate for the year ended December 31, 2003;
- (ii) to re-appoint the Company's directors whose terms are expiring and to appoint new directors;
- (iii) to approve the Company's Audited Financial Statements for the year ended December 31, 2003 and the report of the Board of Directors for such period.

It is proposed at the EGM to adopt the following resolutions:

- (i) to approve the provision of indemnification letters to Messrs. Dennis Lui, Colin Tucker and Mordechai Keret, the Company's directors (the **Directors**)
- (ii) to approve the provision of indemnification letter to Mr. Moshe Vidman, one of the Company's External Directors (*Dahatz*);

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- (iii) to approve the provision of indemnification letter to any director who would be appointed by the Board of Directors until the approval of his appointment and indemnification by the shareholders; and
- (iv) to approve the remuneration of Mr. Moshe Vidman, one of the Company's External Directors (*Dahatz*).

A form of proxy for use at the General Meetings and a return envelope for the proxy are enclosed. Shareholders may revoke their proxies by written notice received at the offices of the Company prior to the General Meetings and vote their shares in person. Ordinary Shares represented by any proxy in the enclosed form, if the proxy is properly executed and delivered to the Company at least two business days prior to the date of the General Meetings, will be voted as indicated on the form or, if no preference is noted, will be voted in favor of the matters described above, and in such manner as the holder of the proxy may determine with respect to any other business as may come before the General Meetings or any adjournment thereof.

Proxies for use at the General Meetings are being solicited by the Board of Directors of the Company. Only shareholders of record at the close of business on September 29, 2004 will be entitled to receive notice of, and to vote at the General Meetings. Proxies are being mailed to shareholders on or about September 28, 2004 and will be solicited primarily by mail; however, certain of our officers, directors, employees and agents, none of whom will receive additional compensation therefore, may solicit proxies by telephone, telegram or other personal contact. We will bear the cost of the solicitation of the proxies by the Board of Directors, including postage, printing and handling, and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of Ordinary Shares.

On September 26, 2004 the Company had outstanding 183,606,138 Ordinary Shares. The holder of each Ordinary Share is entitled to one vote upon each of the matters to be presented at the General Meetings. Two or more shareholders holding Ordinary Shares conferring in the aggregate at least one-third of our voting rights, present in person or by proxy at the General Meetings, or who have delivered to us a deed of vote, and entitled to vote, will constitute a quorum at the General Meetings.

ANNUAL GENERAL MEETING

ITEM 1 RE-APPOINTMENT OF AUDITOR AND DETERMINATION OF ITS REMUNERATION

Under the Israeli Companies Law, 5759-1999 (the **Companies Law**) and the Company's Articles of Association, the shareholders of the Company are authorized to appoint the Company's Auditor and to authorize the Board of Directors to determine its remuneration. In addition, the approval of the Auditor's remuneration and his re-appointment by the Audit Committee is required under the Nasdaq Corporate Governance Rules.

In accordance with the Company's Articles of Association, it is hereby reported to the Company's shareholders that the remuneration of the Company's Auditor for the year ended December 31, 2003 was NIS 1,373 thousand for auditing activities, NIS 284 thousand for tax consultation services and NIS 15 thousand for auditing activities for a subsidiary of the Company. Under the Company's Articles of Association, the said report with respect to the Auditor's Remuneration requires the approval of shareholders. Kesselman & Kesselman, independent certified public accountants in Israel and a member of PriceWaterhouseCoopers International Limited, has been recommended by the Board of Directors of the Company for reappointment as an Auditor of the Company for the period ending at the close of the following annual general meeting.

It is proposed that at the AGM the following resolutions be adopted:

RESOLVED, that the Company's Auditor, Kesselman & Kesselman be and they hereby are re-appointed as an auditor of the Company for the period ending at the close of the following annual general meeting, and that the Board of Directors be and it is hereby authorized to determine its remuneration in addition to the approval of the Auditor's remuneration and his re-appointment by the Audit Committee, as required under the Nasdaq Corporate Governance Rules ; and

RESOLVED, that the report of the Board of Directors with respect to the Auditor's Remuneration for the year ended December 31, 2003 be and it is hereby approved.

The affirmative vote of the holders of a majority of the Ordinary Shares present, in person or by proxy, and voting on the matter is required for the approval thereof.

The Board of Directors recommends a vote FOR approval of these proposed resolutions.

ITEM 2 RE APPOINTMENT OF THE COMPANY'S DIRECTORS AND APPOINTMENT OF NEW DIRECTORS

Under the Companies Law and the Company's Articles of Association, the directors of the Company (excluding the External Directors (*Dahatzim*)) are elected at each annual general meeting. The elected directors shall commence their terms from the close of the AGM and shall serve in office until the close of the next annual general meeting, unless their office becomes vacant earlier in accordance with the provisions of the Companies Law and the Company's Articles of Association.

Out of the twelve (12) directors who are listed below, ten (10) directors are terminating their office as directors of the Company as of the end of the AGM. It is suggested that these directors will be re-elected for another period as mentioned above. Two (2) directors, Mr. Dennis Lui, is a new director who will replace Mr. Dominic Lai as a director and Mr. Mordechai Keret is a new director who will replace Mr. Amir Kess as a director, both from the close of the AGM.

Proxies (other than those directing the proxy holders not to vote for all of the listed nominees) will be voted for the election of all of the twelve (12) nominees, to hold office until the close of the next annual general meeting, unless their office becomes vacant earlier in accordance with the provisions of the Companies Law and the Company's Articles of Association. In the event any one or more of such nominees shall be unable to serve, the proxies will be voted for the election of such other person or persons as shall be determined by the proxy holder in accordance with his or her best judgment. The Company is not aware of any reason why any of the nominees, if elected, should not be able to serve as a director.

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Name	Position
Fok Kin-ning, Canning	Chairman of the Board of Directors
Chan Ting Yu	Director
Khoo Chek Ngee	Director
Chow Woo Mo Fong, Susan	Director
Uzia Galil	Director
Erez Gissin	Director
Tal Raz	Director
Frank John Sixt	Director
Pesach Shachar	Director
Dr. Colin Tucker	Director
Mordechai Keret	Director
Lui Pok Man, Dennis	Director

Fok Kin-ning, Canning has been a director of Partner Communications Company Ltd. since May 1998 and the Chairman of its Board of Directors since that time. Mr. Fok has been an Executive Director of Hutchison Whampoa Limited since 1984 and its Group Managing Director since 1993. He also serves as the Chairman of Hutchison Harbour Ring Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Global Communications Holdings Limited and Hutchison Telecommunications Limited (the holding company of the telecommunications interests of Hutchison Whampoa Limited). In addition, Mr. Fok is the Co-Chairman of Husky Energy Inc., the Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited. He is also a Director of Cheung Kong (Holdings) Limited. Mr. Fok holds a Bachelor of Arts degree from St. John's University in Minnesota, United States and a diploma in financial administration from the University of New England in Australia. He is a member of the Australian Institute of Chartered Accountants.

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Chan Ting Yu was a director of Partner from October 1997 to March 2000 and became a director again in May 2001. He is a member of the Executive Committee and the Compensation Committee. Mr. Chan is the Deputy Group Managing Director of Hutchison Telecommunications International Limited. Since joining the Hutchison Whampoa group, he has been closely involved in the management and development of Hutchison's telecommunications business internationally. Mr. Chan holds a degree in Law and Arts (Maths), as well as a Postgraduate Certificate in Laws.

Khoo Chek Ngee has been a director of Partner since October 1997. He is a consultant of Hutchison Whampoa Limited and has been a director of Hutchison Telecommunications Limited since 1993. From 1993 to 2003, he was the Group Managing Director of Hutchison Telecommunications Limited. From 1966 to 1993, he was with Singapore Telecommunications Pte. Ltd., rising to the position of Vice President of Mobile Communications in 1991. Mr. Khoo holds a Bachelor of Science degree in Engineering from the London University Imperial College of Science and Technology, and he participated in the Advanced Telecommunications Management Program at the Center of Telecommunication Management, University of Southern California.

Chow Woo Mo Fong, Susan has been a director of Partner since August 1998. Mrs. Chow has been an Executive Director of Hutchison Whampoa Limited since 1993 and its Deputy Group Managing Director since 1998. She is a solicitor and holds a Bachelor's degree in Business Administration. Mrs. Chow is also an Executive Director of Cheung Kong Infrastructure Holdings Limited, Hutchison Harbour Ring Limited, Hutchison Global Communications Holdings Limited and a Director of Hongkong Electric Holdings Limited, TOM Group LIMITED and Hutchison Telecommunications Limited.

Uzia Galil has been a director of Partner since August 1999. Mr. Galil currently serves as President and Chief Executive Officer of Uzia Initiatives and Management Ltd., a company specializing in the promotion and nurturing of new businesses associated with mobile communication, electronic commerce and medical information media, which he founded in November 1999. From 1962 until November 1999, Mr. Galil served as President and Chief Executive Officer of Elron Electronics Industries Ltd., an Israeli high technology holding company, which he founded and of which he also served as Chairman of the Board. From January 1981 until leaving Elron, Mr. Galil also served as Chairman of the Board of Directors of Elbit Ltd., an electronic communication affiliate of Elron, and as a member of the Board of Directors of Elbit Systems Ltd., a defense electronics affiliate of Elron, and all other private companies held in the Elron portfolio. Mr. Galil currently serves as a member of the Board of Directors of Orbotech Ltd., NetManage Inc., and as Chairman of Zoran Corporation. From 1980 to 1990, Mr. Galil served as Chairman of the International Board of Governors of the Technion. Mr. Galil holds a M.S. in Electrical Engineering from Purdue University and a B.S. from the Technion. Mr. Galil has also been awarded an honorary doctorate in technical sciences by the Technion in recognition of his contribution to the development of science-based industries in Israel, an honorary doctorate in philosophy by the Weizman Institute of Science, an honorary doctorate in engineering by Polytechnic University, New York, and an honorary doctorate from the Ben-Gurion University of the Negev in Israel and the Solomon Bublick prize laureate from the Hebrew University of Jerusalem. In 1997 he was awarded the prestigious Israel Prize for his contribution to the development of the Israeli hi-tech industry.

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Erez Gissin has been a director of Partner since August 1998 and is a member of the Executive Committee. For the last two years, Mr. Gissin has been the CEO of IP Planet Network Ltd., an Israeli technology company providing satellite broadband services. Previously, he was Vice President of Business Development of the Eurocom Group, an Israeli leader in telecom and internet products and services. Mr. Gissin holds a Bachelor of Science in Industrial Engineering from Tel-Aviv University and an MBA degree from Stanford University, California.

Tal Raz has been a director of Partner since November 2001 and is a member of the Executive Committee and the Compensation Committee. Mr. Raz is serving as Vice President Finance and Chief Financial Officer of Elron Electronic Industries Ltd. since May 2002. Prior to joining Elron, Mr. Raz was the acting President and Chief Executive Officer of Elbit Ltd. from October 2001. Mr. Raz was appointed Vice President of Elbit in June 1998, and served as Chief Financial Officer of Elbit since he joined Elbit in April 1997, having previously served in the same capacity at Agentsoft Ltd., Jerusalem, and Paul Winston Corporation, New York. Prior thereto he was a senior auditor at Deloitte & Touche's New York office. He also serves as Chairman of CellAct and as a board member of Elron Telesoft, A.M.T. Advanced Metal Technologies Ltd., RDC Rafael Development Corporation Ltd. and KIT-e-Learning BV. Mr. Raz is a certified public accountant, and holds Bachelor of Arts and Master of Arts degrees in accounting and business administration from Baruch Collage, New York.

Frank John Sixt has been a director of Partner since May 1998. Mr. Sixt has been an Executive Director of Hutchison Whampoa Limited since 1991 and its Group Finance Director since 1998. He is the Chairman of TOM Group Limited and TOM Online Inc.. He is also an Executive Director of Cheung Kong Infrastructure Holdings Limited, Hongkong Electric Holdings Limited and Hutchison Global Communications Holdings Limited and a Director of Cheung Kong (Holdings) Limited, Hutchison Telecommunications (Australia) Limited, Husky Energy Inc. and Hutchison Telecommunications Limited. He holds a Bachelor of Arts degree and a Master of Arts degree from McGill University and a Bachelor's degree in Civil Law from the University of Montreal, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

Pesach Shachar has been a director of Partner since May 1998 and is a member of the Executive Committee. For 21 years, he was the General Manager, founder, and a shareholder in Nogay Ltd., a telecommunications consulting firm active in numerous high-tech projects in Israel and overseas. In that capacity, he advised Hutchison on the prospects in the cellular market in Israel, established the Partner shareholder consortium and advised Hutchison on the bidding for the license and launch of operations. Mr. Shachar served 28 years in the Israel Defense Forces Signal Corps and Air Force, reaching the rank of Colonel.

Dr. Colin Tucker has been a director of Partner since July 2003. He is Deputy Chairman of Hutchison 3G. Dr. Tucker was previously a Managing Director of Hutchison 3G UK Limited and the Chief Operating Officer International Operations for Orange plc. He also served as the Technical Director of Orange plc. Dr. Tucker served as the Director and General Manager of Telepoint systems at GPT Limited, and as Director of Engineering for Plessey Telecommunication Products Ltd. He was also an Industrial Professor at Loughborough University.

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Mordechai Keret has been a director of Partner since April 2004. He has also been an Executive Vice President at Arison Holdings (1998) Ltd., an Israeli investment company, since 1993. Mr. Keret currently serves as a director at a number of companies in which Arison Holdings or its affiliates are a shareholder, including Housing and Construction Holdings Ltd., Eurocom Communication Ltd., Eurocom Cellular Communications Ltd., Internet Gold Golden Lines Ltd., D.B.S Satellite Services (1988) Ltd., Gaon Holdings Ltd., Ham-Let Ltd. and other companies in the Arison Group and Priortech Ltd. Mr. Keret is an Israeli CPA and holds a B.A. degree in accounting and economics from the Tel-Aviv University.

Lui Pok Man, Dennis has been a director of Partner since April 2004 and is the Chairman of the Executive Committee and the Chairman of the Compensation Committee. He first joined the Hutchison Whampoa Limited group in 1986 and was the managing director in charge of the mobile telecommunications, fixed-line, multi-media, internet business, and paging business in Hong Kong, China, Taiwan and Macau from January 1989 until 2000. Mr. Lui rejoined the Hutchison Whampoa Limited group in May 2001 as Group Managing Director of Hutchison Telecommunications International Limited (HTI) overseeing all the operations and new business development of the HTI group. He is also a director of Hutchison Telecommunications (Australia) Limited. He holds a Bachelor of Science Degree from the University of Oregon.

It is proposed that at the AGM the following resolution be adopted:

RESOLVED, that the twelve (12) nominees named and described above are re-appointed/appointed to serve as directors of the Company until the close of the next annual general meeting, unless their office becomes vacant earlier in accordance with the provisions of the Companies Law and the Company's Articles of Association

The affirmative vote of the holders of a majority of the Ordinary Shares present, in person or by proxy, and voting on the matter is required for the approval thereof.

The Board of Directors recommends a vote FOR approval of this proposed resolution.

ITEM 3 APPROVAL OF THE COMPANY'S AUDITED FINANCIAL STATEMENTS

Our Board of Directors has approved the Audited Financial Statements of the Company for the year ended December 31, 2003, as required by the Companies Law. These financial statements are distributed together with this Proxy Statement. Under our Articles of Association, a shareholders' approval is required for both the financial statements and the respective report of the Board of Directors. A representative of the Company's Auditor, Kesselman & Kesselman, independent certified public accountants in Israel and a member of PricewaterhouseCoopers International Limited, is expected to be present at the AGM, and will be available to respond to appropriate questions from shareholders.

It is proposed that at the AGM the following resolution be adopted:

RESOLVED, that the Audited Financial Statements of the Company for the year ended December 31, 2003 and the report of the Board of Directors for such period are hereby approved.

The affirmative vote of the holders of a majority of the Ordinary Shares present, in person or by proxy, and voting on the matter is required for the approval thereof.

The Board of Directors recommends a vote FOR approval of this proposed resolution.

*****EXTRAORDINARY GENERAL MEETING*****

ITEM 1 APPROVAL OF INDEMNIFICATION FOR 3 OF THE COMPANY S DIRECTORS

The Companies Law and the Company s Articles of Association authorize the Company, subject in each case to the approval of shareholders, to indemnify a director of the Company for liabilities or expenses he incurs in consequence of an action done by him in the capacity as a director of the Company for:

- (i) any financial liability imposed on the director in favor of another person in accordance with a judgment, including a judgment given in a settlement or a judgment of an arbitrator, approved by court; and
- (ii) reasonable litigation expenses, including legal fees, incurred by the director or which he or she was ordered to pay by a court, within the framework of proceedings filed against him or her by the Company or on its behalf or by another person, or in a criminal proceeding in which he or she was acquitted, or in a criminal proceeding in which he or she was convicted of a felony which does not require a finding of criminal intent.

The Company may indemnify a director after the fact and may undertake to indemnify a director in advance, provided the undertaking is restricted to events of a kind which the Company s Board of Directors believes can be anticipated at the time of the making of the indemnification undertaking and at an amount the Board of Directors has determined is reasonable in the circumstances.

The Companies Law and the Articles of Association of the Company provide that the Company may not indemnify a director for: (a) a breach of the director s duty of loyalty toward the Company unless the director acted in good faith and had reasonable grounds to assume that the action would not harm the Company; (b) a breach of the director s duty of care done intentionally or with haste (pezizut); (c) an intentional act intended to unlawfully yield a personal profit; or (d) a fine or a penalty imposed upon the director.

The Audit Committee and the Board of Directors unanimously resolved to indemnify the Company s directors, whose names are listed in Exhibit A hereto, to the fullest extent permitted by law and to provide each of them with an indemnification letter substantially in the form attached as Exhibit B hereto (the **Indemnification Letter**).

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The terms of the Indemnification Letters are substantially similar to the terms of the indemnification letters issued to the other directors and external directors in the Company.

It is proposed, in accordance with the Companies Law and the Company's Articles of Association, that at the EGM the following resolution be adopted:

RESOLVED, to approve the Company's undertaking to indemnify the Company's directors, whose names are listed in Exhibit A hereto, to the fullest extent permitted by law and to provide each of them with an Indemnification Letter.

Under Section 268 of the Companies Law, two or more persons who hold voting rights in a company and each of whom has a personal interest in the approval of the same transaction up for approval by the said company shall be deemed as one holder. Also, Section 268 states that a person who holds 25% or more of the voting rights at a company's general meeting (if there is no other person who holds more than 50% of these voting rights) is deemed a controlling party. One or more of our principal shareholders may be deemed, for the sake of being cautious, a controlling party with respect to the indemnification of our directors and the approval of the indemnification of said directors may require approval by a special majority of the shareholders of the Company (the **Special Majority**). A Special Majority requires the affirmative vote of the holders of a majority of the Ordinary Shares present, in person or by proxy, and voting on the matter for the approval thereof, provided that either (a) the majority of the Ordinary Shares voted at the meeting includes at least one-third of the Ordinary Shares voted by shareholders who do not have a personal interest in the matter; or (b) the total Ordinary Shares of the shareholders referred to in clause (a) voted against the matter does not exceed one percent of the aggregate voting rights of the Company. For this purpose, each shareholder is asked to indicate on the enclosed proxy card whether or not he has a personal interest in this matter, at least two business days prior to the date of the General Meetings, as a condition for his right to vote and be counted with respect to such resolution. Under the Companies Law, a **personal interest** of a shareholder (i) includes a personal interest of any members of the shareholder's immediate family (or spouses thereof) or a personal interest of an entity in which the shareholder (or such family member thereof) serves as a director or the CEO, owns at least 5% of its issued share capital or its voting rights or has the right to appoint a director or the CEO and (ii) excludes an interest arising in itself from the ownership of shares in any company.

The Board of Directors recommends a vote FOR approval of this proposed resolution.

ITEM 2 APPROVAL OF INDEMNIFICATION OF MR. MOSHE VIDMAN ONE OF THE COMPANY'S EXTERNAL DIRECTORS

The Companies Law and the Company's Articles of Association authorize the Company, subject in each case to the approval of shareholders, to indemnify a director of the Company for liability or expense he incurs in consequence of an action done by him in the capacity as a director of the Company for:

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- (i) any financial liability imposed on the director in favor of another person in accordance with a judgment, including a judgment given in a settlement or a judgment of an arbitrator, approved by court; and
- (ii) reasonable litigation expenses, including legal fees, incurred by the director or which he or she was ordered to pay by a court, within the framework of proceedings filed against him or her by the Company or on its behalf or by another person, or in a criminal proceeding in which he or she was acquitted, or in a criminal proceeding in which he or she was convicted of a felony which does not require a finding of criminal intent.

The Company may indemnify a director after the fact and may undertake to indemnify a director in advance, provided the undertaking is restricted to events of a kind which the Company's Board of Directors believes can be anticipated at the time of the making of the indemnification undertaking and at an amount the Board of Directors has determined is reasonable in the circumstances.

The Companies Law and the Articles of Association of the Company provide that the Company may not indemnify a director for: (a) a breach of the director's duty of loyalty toward the Company unless the director acted in good faith and had reasonable grounds to assume that the action would not harm the Company; (b) a breach of the director's duty of care done intentionally or with haste (*pevizut*); (c) an intentional act intended to unlawfully yield a personal profit; or (d) a fine or a penalty imposed upon the director.

The Audit Committee and the Board of Directors unanimously resolved to indemnify Mr. Moshe Vidman, one of the Company's External Directors (*Dahatz*), to the fullest extent permitted by law and to issue to him an indemnification letter substantially in the form attached as **Exhibit B** hereto (the **Indemnification Letter**).

The terms of the Indemnification Letter are substantially similar to the terms of the indemnification letters issued to Mr. Zilberfarb and Mr. Fullerton in May 2001 and in February 2003.

It is proposed, in accordance with the Companies Law and the Company's Articles of Association, that at the EGM the following resolution be adopted:

RESOLVED, to approve the indemnification of Mr. Moshe Vidman, one of the Company's External Directors (*Dahatz*), to the fullest extent permitted by law and to provide him the Indemnification Letter.

The affirmative vote of the holders of a majority of the Ordinary Shares present, in person or by proxy, and voting on the matter is required for the approval of the indemnification of Mr. Vidman, one of the Company's External directors (*Dahatz*).

The Board of Directors recommends a vote FOR approval of this proposed resolution.

ITEM 3 INDEMNIFICATION OF ANY DIRECTOR WHO WOULD BE APPOINTED BY THE BOARD OF DIRECTORS UNTIL THE APPROVAL OF HIS APPOINTMENT AND INDEMNIFICATION BY THE SHAREHOLDERS

The Audit Committee and the Board of Directors approved the indemnification of any director, who would be duly appointed by the Board of Directors, to the fullest extent permitted by law, until the approval of his appointment and indemnification by the shareholders and to provide him with an Indemnification Letter substantially in the form attached hereto as **Annex B** .

It is proposed that at the EGM the following resolution be adopted:

RESOLVED, to approve the indemnification of any director who would be duly appointed by the Board of Directors, to the fullest extent permitted by law, until the approval of such director's appointment and indemnification by the shareholders and to provide him with the Indemnification Letter

Under Section 268 of the Companies Law, two or more persons who hold voting rights in a company and each of whom has a personal interest in the approval of the same transaction up for approval by the said company shall be deemed as one holder. Also, Section 268 states that a person who holds 25% or more of the voting rights at a company's general meeting (if there is no other person who holds more than 50% of these voting rights) is deemed a controlling party. One or more of our principal shareholders may be deemed, for the sake of being cautious, a controlling party with respect to the indemnification of our directors and the approval of the indemnification of said directors may require approval by a special majority of the shareholders of the Company (the **Special Majority**). A Special Majority requires the affirmative vote of the holders of a majority of the Ordinary Shares present, in person or by proxy, and voting on the matter for the approval thereof, provided that either (a) the majority of the Ordinary Shares voted at the meeting includes at least one-third of the Ordinary Shares voted by shareholders who do not have a personal interest in the matter; or (b) the total Ordinary Shares of the shareholders referred to in clause (a) voted against the matter does not exceed one percent of the aggregate voting rights of the Company. For this purpose, each shareholder is asked to indicate on the enclosed proxy card whether or not he has a personal interest in this matter, at least two business days prior to the date of the General Meetings, as a condition for his right to vote and be counted with respect to such resolution. Under the Companies Law, a **personal interest** of a shareholder (i) includes a personal interest of any members of the shareholder's immediate family (or spouses thereof) or a personal interest of an entity in which the shareholder (or such family member thereof) serves as a director or the CEO, owns at least 5% of its issued share capital or its voting rights or has the right to appoint a director or the CEO and (ii) excludes an interest arising in itself from the ownership of shares in any company.

The Board of Directors recommends a vote FOR approval of this proposed resolution.

ITEM 4 - REMUNERATION OF MR. MOSHE VIDMAN, ONE OF THE COMPANY'S EXTERNAL DIRECTORS (DAHATZ)

Under the Companies Law and the Companies Regulations (Rules Regarding Compensation and Expenses to an External Director), 2000, as amended (the **Regulations**), the provision by us of remuneration to our External Directors (*Dahatzim*) requires the approval of our shareholders.

The Regulations provide tables for payment of annual remuneration and for additional remuneration based on the participation of the External Directors (*Dahatzim*) in meetings or resolutions of the Board of Directors or committees thereof. The Regulations also allow for reimbursement of certain expenses to External Directors (*Dahatzim*).

At the Extraordinary General Meeting held on February 10, 2003, the shareholders of the Company approved the payment of the following remuneration to Mr. Bigger, Mr. Zilberfarb and Mr. Fullerton, as External Directors (*Dahatzim*) of the Company: (i) an annual fee (the **Annual Fee**) and an attendance fee (the **Attendance Fee**) to each such External Director in the maximum amount permitted under the Regulations (to be automatically increased to the maximum amounts permitted from time to time); provided, that the Annual Fee shall not exceed an amount of or equal to US \$30,000 per annum, and the Attendance Fee shall not exceed an amount of or equal to US \$1,000 per meeting of the Board of Directors or committee thereof (the **Approved Caps**); and (ii) reimbursement of certain expenses to the External Directors, as allowed by the Regulations.

Following said approval, the Companies Regulations (Alleviation for Public Companies whose Shares are Traded on a Stock Exchange Outside of Israel), 2002, as amended (the **Alleviation Regulations**) increased the maximum amounts that a company may pay its External Directors in recognition of the additional duties, demands and burden placed upon them under U.S. securities laws and NASDAQ National Market rules.

The maximum amounts currently permitted under the Regulations (as amended by the Alleviation Regulations) with respect to the Company for the Annual Fee is NIS 100,000 (US\$22,326.41 according to the representative exchange rate on September 19, 2004) per annum, and for the Attendance Fee is NIS 3,000 (US\$669.79 according to the representative exchange rate on September 19, 2004) per meeting of the Board of Directors or committee thereof attended by the External Director (each linked to the Israeli Consumer Price Index, in accordance with the Regulations). These current maximum amounts are lower than the Approved Caps (approved by the shareholders).

Pursuant to the provisions of the Companies Law, the Company is required to have at least two External Directors (*Dahatzim*) on its Board of Directors. In the interests of good corporate governance, the Company elected to have three External Directors (*Dahatzim*), which are also qualified as Independent Directors. Mr. Ben Zion Zilberfarb and Mr. Robert Donald Fullerton are the Company's External Directors (*Dahatzim*); re-elected and elected (respectively) as External Directors (*Dahatzim*) at the Extraordinary General Meeting held on February 10, 2003 for a term of three years in accordance with the Companies Law. At the Annual General Meeting held on October, 28, 2003, the shareholders of the Company appointed Mr. Moshe Vidman as a third External Director (Dahatz), to replace Mr. Bigger (who resigned due to his appointment to another position).

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For the sake of good order, the Company would like to formally approve, as agreed in advance with Mr. Moshe Vidman, that the remuneration previously approved for the other External Directors (*Dahatzim*) will also be paid to Mr. Moshe Vidman.

The Audit Committee and the Board of Directors approved and ratified payment of the following remuneration to Mr. Vidman as an External Director (*Dahatz*) of the Company:

- (i) an Annual Fee and an Attendance Fee in the maximum amount permitted under the Regulations, the Alleviation Regulations or any other regulation and/or applicable law; provided, that the Annual Fee and the Attendance Fee shall not exceed the relevant Approved Caps; and
- (ii) reimbursement of certain expenses as allowed by the Regulations.

It is proposed that at the EGM the following resolution be adopted:

RESOLVED:

- (a) to approve and ratify the payment of the Annual Fee and the Attendance Fee to Mr. Moshe Vidman from the date of his appointment as an External Director (*Dahatz*) of the Company in the amounts specified in the annexes to the Regulations under the heading "maximum amount" with respect to the Company (being classified as a Class D Company therein) as increased by the Alleviation Regulations, such amounts shall be automatically increased to the maximum amounts permitted from time to time in accordance with, and the payment of which shall otherwise be subject to, the Regulations, the Alleviation Regulations or any other regulations and/or applicable law (without further actions of the Audit Committee, the Board of Directors or the Shareholders); provided, that the Annual Fee and the Attendance Fee shall not exceed the relevant Approved Cap;
- (b) to approve the reimbursement of expenses as set forth in the Regulations to Mr. Moshe Vidman as an External Director (*Dahatz*).

The affirmative vote of the holders of a majority of the Ordinary Shares present, in person or by proxy, and voting on the matter is required for the approval thereof.

The Board of Directors recommends a vote FOR approval of this proposed resolution.

RESTRICTIONS ON VOTING RIGHTS

Partner conducts its operations pursuant to a license granted to Partner by the Minister of Communications of the State of Israel. Partner's Articles of Association and, with respect to shareholders other than shareholders of Partner prior to its public offering, Partner's license contain provisions that may cause the suspension of voting rights of the holders of Ordinary Shares or ADSs if such voting rights would breach the ownership limits contained in our license. These limits prohibit the transfer or acquisition of 10% or more of Partner's means of control and acquisition of control of the Company without the consent of the Minister of Communications in Israel, and restrict cross-control and cross-ownership of other mobile telephone operators in Israel, and shareholdings and agreements which may reduce or harm competition. Ordinary Shares or Ordinary Shares represented by ADSs held in breach of these limits may be considered as dormant shares. Notwithstanding anything to the contrary in this Proxy Statement, dormant shares will not bear any rights to which the holders would otherwise be entitled, other than the right to receive dividends and other distributions to shareholders (including the right to participate in rights offerings). Specifically, the holders of dormant shares will not have voting rights with respect to their dormant shares, nor will they have the right to participate in general meetings of shareholders.

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Any shareholder seeking to vote at the General Meetings must notify the Company prior to the vote, or, if the vote is by deed of vote, must so indicate on the deed of vote, if any of the shareholder's holdings in Partner or the shareholder's vote requires the consent of the Minister of Communications due to a breach by the shareholder of the restrictions on the transfer or acquisition of means of control or acquisition of control of Partner, or the provisions regarding cross-ownership or cross-control of other mobile telephone operators in Israel, in each case as specified in sections 21 and 23 of Partner's license. If a shareholder does not provide such notification, the shareholder shall not vote and, if the shareholder has voted, his or her vote shall not be counted.

By Order of the Board of Directors

ROLY KLINGER, ADV.

General Counsel and Joint Company Secretary

Dated: September 28, 2004

Exhibit A

Mr. Dennis Lui (Director)

Mr. Mordechai Keret (Director)

Mr. Colin Tucker (Director)

Exhibit B

Date: _____

Mr. _____

Dear Mr. _____:

Letter of Indemnification

Partner Communications Company Ltd. (**Partner**) hereby undertakes to indemnify you, as a director of Partner, to the fullest extent and in the maximum amount permitted by law, against all payments, costs or expenses (including reasonable legal expenses) you incur as a result of any financial obligation you bear in connection with any proceeding, investigation or threat, or criminal proceeding from which you will be acquitted or in which you are convicted, provided however, that the crime for which you are convicted does not require a finding of criminal intent, in each such case, including a settlement judgment or an arbitration decision approved by court, all in connection with and in the scope of your activities as a director of Partner (including activities you participated in before the date of this indemnification letter).

Upon the occurrence of an event for which you may be entitled to be indemnified, subject to the terms of this letter and any laws applicable at such time, Partner shall provide you with the necessary payments to cover all your expenses and other payments in respect of the legal proceedings in question, so that you will not have to pay for or finance them yourself.

Indemnification according to this letter will be subject to applicable law and to the following terms and conditions:

1. That you notify Partner within a reasonable time of your learning of any legal proceedings instigated against you in connection with any event that may give rise to indemnification and that you provide Partner, or anyone specified by Partner, with any documents connected to the proceeding in question.
2. That Partner reserves the right to represent you in the proceedings or to appoint any legal counsel of its choice for this purpose (unless its choice of legal counsel is unacceptable to you for reasonable reasons). Partner or such legal counsel will take all necessary steps to bring the matter to a close and will keep you informed of key steps in the process. The appointed counsel will be bound by a fiduciary duty to you and to Partner. If a conflict of interests should arise between the appointed counsel and yourself, counsel will inform Partner and you will be entitled to appoint a different counsel reasonably acceptable to Partner and the terms of this indemnification agreement shall apply to the new appointment. If Partner should decide to settle by arbitration, it shall be allowed to do so as long as the proceedings against you are terminated first or in parallel. If Partner so requests, you will sign any document that will empower it or any appointed counsel to represent you and defend you in any proceeding as stated above. You will cooperate as reasonably demanded of you with Partner and any appointed legal counsel and Partner shall cover all related expenses so that you will not have to make any payments or incur any expenses yourself.

Mr. _____

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3. That whether or not Partner shall operate in accordance with section 2 above, it shall still cover all and every kind of expense incurred by you that is included in the introductory paragraph of this agreement so that you will not have to pay or finance them yourself. You will not be indemnified for any expenses arising from a settlement or arbitration unless Partner has agreed to the settlement or arbitration.
4. That according to this indemnification letter, Partner will not be required to pay any sums that were, in fact, already paid to you or for you in respect of insurance or any other indemnification obligations made to you by anyone in Partner.
5. That upon your request for payment in connection with any event according to this indemnification letter, Partner shall complete all the necessary arrangements required by the law for payment and shall act to receive all necessary authorizations, if demanded. If any authorization should be required for payment, and the payment is not authorized for any reason, this payment or part of it will be subject to the approval of the court (if relevant) and Partner shall act in order to receive authorization.
6. That in the event that you are indemnified and paid for any sums in accordance with this letter of indemnification in connection with a legal proceeding, and later it becomes clear that you were not entitled to such payments, the sums will be considered as a loan given to you by Partner subject to a low interest rate as specified in section 3(9) of the Income Tax Ordinance or any other legislation replacing it and which is not a taxable benefit. You shall be required to repay such amounts in accordance with the payment arrangements fixed by Partner, and at such time as Partner shall request in writing.
7. That you shall remain entitled to indemnification by Partner as provided in this letter of indemnification even when you are no longer a director in Partner, as long as the events that led to the payments, costs and expenses for which indemnification is being sought took place while you were a director.

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8. That the judicial authority which ruled in the relevant proceeding did not establish that your actions were a breach of the duty of care made intentionally or with haste (*pizit*) or an intentional act intended to unlawfully yield a personal profit.
9. That you shall not be entitled to indemnification for a breach of your duty of loyalty to Partner, unless you acted in good faith and had reasonable grounds to assume that the action would not harm Partner. Also, you shall not be entitled to indemnification for a fine or a penalty imposed on you.
10. The indemnification set forth in this letter of indemnification shall include financial obligations relating to each of the following subjects:
 - 10.1 Any offering of Partner s securities to private investors and/or to the public and listing of such securities, and/or the offer by Partner to purchase securities from the public and/or from private investors or other holders, and any undertakings, representations, warranties and other obligations related to any such offering and Partner s status as a public company or as an issuer of securities.
 - 10.2 Partner s status, obligations and/or actions as a public company, and/or the fact that Partner s securities were issued to the public or to private investors and/or are traded on a stock exchange (including Nasdaq stock market), whether in Israel or abroad.
 - 10.3 The erection, construction and operation of Partner s mobile telephone network, including the erection and operation of antennas and other equipment and environmental issues, including undertakings, activities and communications with authorities regarding the foregoing and including the work performed by Partner s subcontractors in connection therewith.
 - 10.4 The purchase, distribution, marketing and sale of handsets, other terminal equipment and any other of Partner s products and/or any marketing plans and/or publications.
 - 10.5 Investments Partner and/or its subsidiaries and/or its affiliates make in other entities whether before and/or after the investment is made, entering into the transaction, the execution, development and monitoring thereof, including actions taken or alleged omissions by you in the name of Partner and/or any subsidiary thereof and/or any affiliates thereof as a director, officer, employee and/or a board observer of the entity which is the subject of the transaction and the like.

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- 10.6 The merger, acquisition or other business combination or any such proposed transaction of Partner, any subsidiary thereof and/or any affiliate thereof with or into another entity and/or the sale or proposed sale of the operations and/or business, or part thereof, of Partner, any of its subsidiaries and/or any of its affiliates.
- 10.7 Labor relations and/or employment matters in Partner, its subsidiaries and/or its affiliates and trade relations of Partner, its subsidiaries and/or its affiliates, including with employees, independent contractors, customers, suppliers and various service providers.
- 10.8 The testing of products developed and/or marketed by Partner, its subsidiaries and/or its affiliates and/or in connection with the distribution, sale, license or use of such products.
- 10.9 The intellectual property of Partner, its subsidiaries and/or its affiliates, and its protection, including the registration or assertion of rights to intellectual property and the defense of claims related to intellectual property.
- 10.10 Actions taken (or alleged omissions) pursuant to or in accordance with the policies and procedures of Partner, its subsidiaries and/or its affiliates, whether such policies and procedures are published or not.
- 10.11 The borrowing or other receipt of funds and any other financing transaction or arrangement, or any such proposed transaction, agreement or arrangement.
- 10.12 Class actions, derivative actions or any other legal proceedings against you and/or Partner and/or any of its subsidiaries or affiliates, in connection with your role and/or activities in Partner or on its behalf.
- 10.13 Any other actions which can be anticipated for companies of the type of Partner, and which the Board of Directors may deem appropriate.

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- 11. Although Partner cannot accurately predict the maximum exposure with respect to any of the above subjects, Partner believes that an amount of \$10 million per subject (under this Letter of Indemnification together with any prior indemnification letter, if granted to you) is a reasonable maximum for the indemnification set forth herein. However, in the event you would have been entitled to additional indemnification but for this maximum, Partner will consider in good faith increasing this maximum and/or indemnifying you retroactively for financial obligations in excess of this maximum, on a case-by-case basis.
- 12. For the avoidance of doubt, it is hereby clarified that nothing contained in this letter derogates from Partner's right to indemnify you post factum, subject to applicable law, for any amounts which you may be obligated to pay without the limitations set forth above.

You should be aware that, insofar as indemnification for liabilities arising under the United States Securities Act of 1933 (the "Securities Act") may be permitted to Partner's directors and officers, Partner has been advised that in the opinion of the U.S. Securities and Exchange Commission (the "SEC") such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event of a claim for such indemnification, Partner will (in accordance with an undertaking given to the SEC), unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

This Letter of Indemnification and all issues related thereto shall be governed by the law of the State of Israel, without giving effect to any conflicts of law principles. The courts in Tel Aviv, Israel shall have the exclusive local and international jurisdiction in connection with this Letter of Indemnification.

on behalf of
Partner Communications Company Ltd.

I accept the terms and conditions of the above.

[Director]

Date

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
2003 ANNUAL REPORT



PARTNER COMMUNICATIONS COMPANY LTD.

(An Israeli Corporation)
2003 ANNUAL REPORT

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The amounts are stated in New Israeli Shekels (NIS) in thousands.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of

PARTNER COMMUNICATIONS COMPANY LTD.

We have audited the consolidated balance sheets of Partner Communications Company Ltd. and its subsidiary (collectively "the Company") as of December 31, 2002 and 2003 and the related consolidated statements of operations, changes in shareholders' equity (capital deficiency) and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Israel and in the United States, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2002 and 2003 and the consolidated results of operations, changes in shareholders' equity (capital deficiency) and cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

Tel-Aviv, Israel
March 30, 2004

Kesselman & Kesselman
Certified Public Accountants (Israel)

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED BALANCE SHEETS

	December 31		
	2002	2003	2003
	New Israeli shekels		Convenience translation into U.S. dollars (note 1a)
	In thousands		
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	1,360	3,774	862
Security deposit	107,794		
Accounts receivable (note 13):			
Trade	518,768	482,141	110,103
Other	50,986	56,543	12,912
Inventories	137,508	102,861	23,490
Deferred income taxes (note 10)		220,000	50,240
	816,416	865,319	197,607
INVESTMENTS AND LONG-TERM RECEIVABLES:			
Non-marketable securities (note 2)	3,530		
Accounts receivable - trade (note 13)		13,906	3,176
Funds in respect of employee rights upon retirement (note 7)	42,461	58,724	13,410
	45,991	72,630	16,586
FIXED ASSETS , net of accumulated depreciation and amortization (note 3)	1,864,511	1,694,584	386,980
LICENSE AND DEFERRED CHARGES , net of accumulated amortization (note 4)	1,269,348	1,325,948	302,797
DEFERRED INCOME TAXES (note 10)		413,752	94,486
T o t a l a s s e t s	3,996,266	4,372,233	998,456

Amikam Cohen
Chief Executive Officer

Alan Gelman
Chief Financial Officer

Ben-Zion Zilberfarb
Director

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	December 31		
	2002	2003	2003
	New Israeli shekels		Convenience translation into U.S. dollars (note 1a)
	In thousands		
Liabilities and shareholders' equity (net of capital deficiency)			
CURRENT LIABILITIES:			
Current maturities of long-term bank loans (note 5)		119,853	27,370
Accounts payable and accruals:			
Trade	532,987	387,818	88,563
Other (note 13)	202,166	252,585	57,681
T o t a l current liabilities	735,153	760,256	173,614
LONG-TERM LIABILITIES:			
Bank loans, net of current maturities (note 5)	2,467,556	1,687,215	385,297
Notes payable (note 6)	828,975	766,325	175,000
Liability for employee rights upon retirement (note 7)	60,966	76,506	17,471
Asset retirement obligations (note 13)		6,367	1,454
T o t a l long-term liabilities	3,357,497	2,536,413	579,222
COMMITMENTS AND CONTINGENCIES (note 8)			
T o t a l liabilities	4,092,650	3,296,669	752,836
SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)			
(note 9):			
Share capital - ordinary shares of NIS 0.01 par value: authorized - December 31, 2002 and 2003 - 235,000,000 shares; issued and outstanding - December 31, 2002 - 181,595,222 shares and December 31, 2003 - 182,695,574 shares	1,816	1,827	417
Less - receivable in respect of shares		(4,374)	(999)
Capital surplus	2,293,270	2,303,055	525,933
Deferred compensation	(6,385)	(2,509)	(573)
Accumulated deficit	(2,385,085)	(1,222,435)	(279,158)
T o t a l shareholders' equity (capital deficiency)	(96,384)	1,075,564	245,620
	3,996,266	4,372,233	998,456

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31			
	2001	2002	2003	2003
	New Israeli shekels			Convenience translation into U.S. dollars (note 1a)
	In thousands (except per share data)			
REVENUES - net :				
Services	2,972,079	3,766,584	4,117,887	940,371
Equipment	277,270	287,979	349,832	79,889
	3,249,349	4,054,563	4,467,719	1,020,260
COST OF REVENUES:				
Services	2,187,612	2,499,534	2,586,707	590,707
Equipment	531,551	569,924	549,749	125,542
	2,719,163	3,069,458	3,136,456	716,249
GROSS PROFIT	530,186	985,105	1,331,263	304,011
SELLING AND MARKETING EXPENSES	292,960	308,079	314,008	71,708
GENERAL AND ADMINISTRATIVE EXPENSES	134,282	143,594	162,387	37,083
OPERATING PROFIT	102,944	533,432	854,868	195,220
FINANCIAL EXPENSES, net (note 13)	400,927	445,180	321,710	73,467
LOSS ON IMPAIRMENT OF INVESTMENTS IN NON-MARKETABLE SECURITIES (note 2)	8,862	4,054	3,530	806
INCOME (LOSS) BEFORE TAX BENEFIT	(306,845)	84,198	529,628	120,947
TAX BENEFIT (note 10)			633,022	144,559
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLES	(306,845)	84,198	1,162,650	265,506
CUMULATIVE EFFECT, AT BEGINNING OF YEAR, OF A CHANGE IN ACCOUNTING PRINCIPLES (note 1p)	3,483			
NET INCOME (LOSS) FOR THE YEAR	(303,362)	84,198	1,162,650	265,506
EARNINGS (LOSS) PER SHARE ("EPS"):				
Basic:				
Before cumulative effect	(1.72)	0.47	6.39	1.46
Cumulative effect	0.02			
	(1.70)	0.47	6.39	1.46
Diluted:				
Before cumulative effect	(1.72)	0.46	6.34	1.45
Cumulative effect	0.02			

	Year ended December 31			
	(1.70)	0.46	6.34	1.45
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	178,909,274	179,984,090	181,930,803	181,930,803
Diluted	178,909,274	183,069,394	183,243,157	183,243,157

The accompanying notes are an integral part of the financial statements.

PARTNER COMMUNICATIONS COMPANY LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)

	Share capital		Receivables in respect of shares issued	Capital surplus	Deferred compensation	Accumulated deficit	Total
	Number of shares	Amount					
(In thousands)							
New Israeli Shekels:							
BALANCE AT DECEMBER 31, 2000	178,888,888	1,789		2,317,993	(65,021)	(2,165,921)	88,840
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2001:							
Exercise of options granted to employees	35,697	*		47			47
Amortization of deferred compensation related to employee stock option grants net of deferred compensation with respect to stock options forfeited Loss				(19,960)	40,659	(303,362)	20,699 (303,362)
BALANCE AT DECEMBER 31, 2001	178,924,585	1,789		2,298,080	(24,362)	(2,469,283)	(193,776)
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2002:							
Exercise of options granted to employees	2,670,637	27		4,210			4,237
Amortization of deferred compensation related to employee stock option grants net of deferred compensation with respect to stock options forfeited Net income				(9,020)	17,977	84,198	8,957 84,198
BALANCE AT DECEMBER 31, 2002	181,595,222	1,816		2,293,270	(6,385)	(2,385,085)	(96,384)
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2003:							
Exercise of options granted to employees	1,100,352	11	(4,374)	7,754			3,391
Income tax benefit in respect of exercise of options granted to employees				730			730
Deferred compensation related to employee stock option grants				2,666	(2,666)		
Amortization of deferred compensation related to employee stock option grants net of deferred compensation with respect to stock options forfeited Net income				(1,365)	6,542	1,162,650	5,177 1,162,650
BALANCE AT DECEMBER 31, 2003	182,695,574	1,827	(4,374)	2,303,055	(2,509)	(1,222,435)	1,075,564

Share capital

Convenience translation into u.s. dollars (note 1a):
BALANCE AT JANUARY 1, 2003

181,595,222 414