

INTERNET GOLD GOLDEN LINES LTD  
Form 20-F  
April 26, 2017

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington D.C. 20549**

**FORM 20-F**

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

**OR**

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

**For the fiscal year ended December 31, 2016**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

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

Date of event requiring this shell company report \_\_\_\_\_

**Commission file number: 0-30198**

**INTERNET GOLD – GOLDEN LINES LTD.**

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

**Israel**

(Jurisdiction of incorporation or organization)

**2 Dov Friedman Street, Ramat Gan 5250301, Israel**

(Address of principal executive offices)

**Doron Turgeman, CEO, +972-3-9240000 (phone), +972-3-9399832 (fax)**

**2 Dov Friedman Street, Ramat Gan 5250301, Israel**

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

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

Title of each class	Name of each exchange on which registered
<b>Ordinary Shares, NIS 0.01 Par Value</b>	<b>NASDAQ Global Select Market</b>

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

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

**Ordinary Shares, par value NIS 0.01 per share .....19,203,186**

(as of December 31, 2016)

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

Yes      No

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

Yes      No

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

Yes      No

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

Yes      No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer      Accelerated filer  
Emerging growth company      Non-accelerated filer

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

Item 17      Item 18

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

Yes      No

## **INTRODUCTION**

We are a leading communications group in Israel. Our shares are listed on the NASDAQ Global Select Market and on the Tel Aviv Stock Exchange, or TASE. B Communications Ltd. (formerly known as 012 Smile.Communications Ltd.) is our subsidiary.

On April 14, 2010, our principal subsidiary, B Communications, completed the acquisition of the controlling 30.44% interest in Bezeq (TASE:BZEQ), Israel's largest telecommunications provider, from Ap.Sb.Ar. Holdings Ltd. (a consortium of Apax Partners, Saban Capital Group and Arkin Communications) for an aggregate cash purchase price of approximately NIS 6.5 billion. In accordance with the terms of the transaction, effective as of the closing of the acquisition, B Communications designated seven directors to replace the Apax-Saban-Arkin Group's representatives on Bezeq's Board of Directors, which numbers 11 directors. We began consolidating Bezeq's financial results into our financial statements effective as of the closing of the acquisition. B Communications currently owns 26.34% of Bezeq's outstanding shares. B Communications' ordinary shares are listed on the NASDAQ Global Select Market (symbol: BCOM) and on the TASE. We currently own 64.78% of the ordinary shares of B Communications.

The Bezeq Group operates the most comprehensive telecommunications infrastructure in Israel, with a broad range of telecommunications services across all of its markets. Through its wholly-owned subsidiaries, the Bezeq Group is a leading provider in Israel of fixed-line telephony services and fixed-line broadband Internet infrastructure access services, cellular telephony services, Internet service provider, or ISP, services, international telephony, or ILD, services, international and domestic data transfer and network services and information and communication technology, or ICT, services, pay television services and other communications infrastructures and services. In each of these markets, the Bezeq Group holds a significant market share, as indicated in the chart below.

As used in this annual report, the terms "we," "us" and "our" mean Internet Gold - Golden Lines Ltd. and its subsidiaries, "B Communications" means B Communications Ltd., "SP1" means B Communications (SP1) Ltd., "SP2" means B Communications (SP2) Ltd., "Eurocom Communications" means Eurocom Communications Ltd., "Bezeq" means Bezeq - The Israel Telecommunications Corp., Ltd.; "Pelephone" means Pelephone Communications Ltd., "Bezeq International" means Bezeq International Ltd. and "YES" (the trade name for DBS) and DBS mean DBS Satellite Services (1998) Ltd. Bezeq, Pelephone, Bezeq International and DBS are sometimes referred to as the Bezeq Group in this annual report.

Our consolidated financial statements appearing in this annual report are prepared in New Israeli Shekels and are translated into U.S. dollars at the representative rate of exchange at December 31, 2016 (NIS 3.845= \$1.00). The dollar amounts so presented should not be construed as representing amounts receivable, payable or incurred in dollars or convertible into dollars. All references in this annual report to "dollars" or "\$" are to U.S. dollars and all references in this annual report to "NIS" are to New Israeli Shekels.

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any registration statement or annual report that we previously filed, you may read the document itself for a complete description of its terms.

## **Forward Looking Statements**

Except for the historical information contained in this annual report, the statements contained in this annual report are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended, with respect to our business, financial condition and results of operations. Such forward-looking statements reflect our current view with respect to future events and financial results. We urge you to consider that statements which use the terms “anticipate,” “believe,” “do not believe,” “expect,” “plan,” “intend,” “estimate,” “anticipate” and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Such forward-looking statements are also included in Item 4 – “Information on the Company” and Item 5 – “Operating and Financial Review and Prospects.” Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly release any update or revision to any forward-looking statements to reflect new information, future events or circumstances, or otherwise after the date hereof. We have attempted to identify significant uncertainties and other factors affecting forward-looking statements in the Risk Factors section that appears in Item 3.D. “Key Information - Risk Factors.”



## TABLE OF CONTENTS

	Page
<u>PART I</u>	1
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	1
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	1
<u>ITEM 3. KEY INFORMATION</u>	1
<u>A. Selected Financial Data</u>	1
<u>B. Capitalization and Indebtedness</u>	2
<u>C. Reasons for the Offer and Use of Proceeds</u>	2
<u>D. Risk Factors</u>	2
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	15
<u>A. History and Development of the Company</u>	15
<u>B. Business Overview</u>	16
<u>C. Organizational Structure</u>	70
<u>D. Property, Plants and Equipment</u>	70
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	70
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	70
<u>A. Operating Results</u>	70
<u>B. Liquidity and Capital Resources</u>	83
<u>C. Research and Development, Patents and Licenses</u>	104
<u>D. Trend Information</u>	104
<u>E. Off-Balance Sheet Arrangements</u>	104
<u>F. Tabular Disclosure of Contractual Obligations</u>	105
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	105
<u>A. Directors and Senior Management</u>	105
<u>B. Compensation</u>	107
<u>C. Board Practices</u>	109
<u>D. Employees</u>	113
<u>E. Share Ownership</u>	114
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	115
<u>A. Major Shareholders</u>	115
<u>B. Related Party Transactions</u>	116
<u>C. Interests of Experts and Counsel</u>	121
<u>ITEM 8. FINANCIAL INFORMATION</u>	121
<u>A. Consolidated Statements and Other Financial Information</u>	121
<u>B. Significant Changes</u>	135
<u>ITEM 9. THE OFFER AND LISTING</u>	135
<u>A. Offer and Listing Details</u>	135
<u>B. Plan of Distribution</u>	136
<u>C. Markets</u>	136
<u>D. Selling Shareholders</u>	136
<u>E. Dilution</u>	136
<u>F. Expense of the Issue</u>	136
<u>ITEM 10. ADDITIONAL INFORMATION</u>	136

<u>A.</u>	<u>Share Capital</u>	136
<u>B.</u>	<u>Memorandum and Articles of Association</u>	136
<u>C.</u>	<u>Material Contracts</u>	141
<u>D.</u>	<u>Exchange Controls</u>	141
<u>E.</u>	<u>Taxation</u>	141
<u>F.</u>	<u>Dividends and Paying Agents</u>	146
<u>G.</u>	<u>Statement by Experts</u>	146
<u>H.</u>	<u>Documents on Display</u>	147
<u>I.</u>	<u>Subsidiary Information</u>	147
<u>ITEM 11.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS</u>	147
<u>ITEM 12.</u>	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	148
<u>PART II</u>		149
<u>ITEM 13.</u>	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	149
<u>ITEM 14.</u>	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	149
<u>ITEM 15.</u>	<u>CONTROLS AND PROCEDURES</u>	149
<u>ITEM 16.</u>	<u>[RESERVED]</u>	150
<u>ITEM 16A.</u>	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	150
<u>ITEM 16B.</u>	<u>CODE OF ETHICS</u>	150
<u>ITEM 16C.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	151
<u>ITEM 16D.</u>	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	151
<u>ITEM 16E.</u>	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	151
<u>ITEM 16F.</u>	<u>CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	151
<u>ITEM 16G.</u>	<u>CORPORATE GOVERNANCE</u>	151
<u>ITEM 16H.</u>	<u>MINE SAFETY DISCLOSURE</u>	152
<u>PART III</u>		153
<u>ITEM 17.</u>	<u>FINANCIAL STATEMENTS</u>	153
<u>ITEM 18.</u>	<u>FINANCIAL STATEMENTS</u>	153
<u>ITEM 19.</u>	<u>EXHIBITS</u>	154

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**A. Selected Financial Data**

The tables below as of and for the five years ended December 31, 2016 set forth selected consolidated financial data, which is derived from our audited consolidated financial statements. The audited consolidated financial statements as of December 31, 2015 and 2016 and for the years ended December 31, 2014, 2015 and 2016 appear in this annual report.

**Consolidated Statement of Income Data:**

(Amounts in millions, except share and per share data)

	Year Ended December 31,					2016
	2012	2013	2014	2015	2016	2016
	(NIS)					(U.S. \$)
Revenues	10,278	9,563	9,055	9,985	10,084	2,623
Depreciation and amortization	2,367	2,014	1,873	2,131	2,161	563
Salaries	1,980	1,874	1,771	1,960	2,017	525

Edgar Filing: INTERNET GOLD GOLDEN LINES LTD - Form 20-F

General and operating expenses	3,997	3,586	3,371	3,878	4,024	1,047
Other operating expenses (income)	(1 )	57	(535 )	3	21	5
	8,343	7,531	6,480	7,972	8,223	2,140
Operating profit	1,935	2,032	2,575	2,013	1,861	483
Finance expense	997	931	1,329	759	1,108	288
Finance income	(582 )	(535 )	(635 )	(164 )	(133 )	(35 )
Finance expense, net	415	396	694	595	975	253
Profit after financing expenses, net	1,520	1,636	1,881	1,418	886	230
Share of losses (profit) in equity- Accounted investee	245	252	170	(12 )	5	1
Profit before income tax	1,275	1,384	1711	1,430	881	229
Income tax expenses	556	524	667	347	442	115
Net profit for the year	719	860	1,044	1,083	439	114
Profit (loss) attributable to owners of the company	(37 )	26	(103 )	87	(202 )	(53 )
Income attributable to non-controlling interest	756	834	1,147	996	641	167
Net profit for the year	719	860	1,044	1,083		