Cellcom Israel Ltd.
Form 6-K
May 24, 2017

**FORM 6-K**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Private Issuer**

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For May 24, 2017

Commission File Number: 001-33271

**CELLCOM ISRAEL LTD.**

10 Hagavish Street

Netanya, Israel 4250708

(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 _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

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 __X__

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not Applicable

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**Item 1**

**Cellcom Israel announces**

**first Quarter 2017 Results**

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***Cellcom Israel concludes the first quarter of 2017 with net income of NIS 26 million and EBITDA[1] of NIS 201 million.***

***Nir Sztern, Cellcom CEO said: "We continue the quarterly growth trend of Cellcom tv subscribers, and in the first quarter, approximately 13,000 households who chose the best television in Israel joined the service. In the field of Internet infrastructure we also maintained our position as significant recruiters in the market with the addition of 17,000 new households."***

***"Revenues for the first quarter of 2017 were affected by the continued competition and price erosion in service revenues in the cellular segment and a decrease in revenues from national roaming compared to the first quarter of last year. The decrease in service revenues in the cellular segment was partially offset by growth in service revenues from the fixed-line segment in respect of television and wholesale market services."***

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First Quarter 2017 Highlights *(compared to first quarter of 2016):*

§ **Total Revenues** totaled NIS 959 million ($264 million) compared to NIS 1,022 million ($281 million) in the first quarter last year, a decrease of 6.2%

§ **Service revenues** totaled NIS 739 million ($203 million) compared to NIS 774 million ($213 million) in the first quarter last year, a decrease of 4.5%

§ **EBITDA**[1] totaled NIS 201 million ($55 million) compared to NIS 238 million ($66 million) in the first quarter last year, a decrease of 15.5%

- **EBITDA margin** 21.0%, a decrease from 23.3% in the first quarter last year

- **Operating income** totaled NIS 67 million ($19 million) compared to NIS 101 million ($28 million) in the first quarter last year, a decrease of 33.7%

- **Net income** totaled NIS 26 million ($7 million) compared to NIS 59 million ($16 million) in the first quarter last year, a decrease of 55.9%

- **Free cash flow**[1] totaled NIS 66 million ($18 million) compared to NIS 149 million ($41 million) in the first quarter last year, a decrease of 55.7%

- **Cellular subscriber base** totaled approximately 2.792 million subscribers (at the end of March 2017)

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[1] Please see "Use of Non-IFRS financial measures" section in this press release.

**Nir Sztern, the Company's Chief Executive Officer, referred to the results of the first quarter of 2017:**

"Revenues for the first quarter of 2017 were affected by the continued competition and price erosion in service revenues in the cellular segment and a decrease in revenues from national roaming compared to the first quarter of last year. The decrease in service revenues in the cellular segment was partially offset by growth in service revenues from the fixed-line segment in respect of television and wholesale market services. In the first quarter of the year, the equipment revenues also decreased due to postponement of new handsets launches. In the second quarter of the year, we see an increase in activity of the end-user equipment in the cellular segment, with the cancellation of the purchase tax on this equipment and the successful launch of the Galaxy S8.

In the first quarter of 2017 again the intensified competition is reflected in the Company's results. In this quarter, we received all the required approvals for the network sharing agreements including the network sharing agreement with Golan which entered into force and guarantees us aggregate consideration of approximately NIS 2 billion over the coming decade. This is a significant achievement for the Company in the competitive market in which it operates. The effect of the network sharing agreement with Golan will be reflected gradually from the second quarter over the term of the agreement.

We continue the quarterly growth trend of Cellcom tv subscribers, and in the first quarter, approximately 13,000 households who chose the best television in Israel joined the service. In the field of Internet infrastructure we also maintained our position as significant recruiters in the market with the addition of 17,000 new households.

I am proud of our position in the television market as an innovative and quality company which provides value to the customer. In the recent weeks we announced that HBO content will be added to Cellcom tv at no additional cost. In addition we announced the possibility of viewing and recording from all smart TV screens and Android TV and launched the first Quattro package in Israel - all communications services in one package which includes television, three cellular lines, internet (connectivity and infrastructure) and a landline telephone service at a worthwhile and attractive price to the customer. This move is another step in our long-term strategy as a communications group that provides comprehensive service to its customers.

We continue to develop new growth engines and recently launched Cyber 360, an advanced comprehensive security solution for the business, that enables end-to-end protection of the enterprise through an innovative digital interface under control and monitoring of the business owner. The cyber-attack that took place two weeks ago illustrates the need for comprehensive cyber solutions for businesses."

**Shlomi Fruhling, Chief Financial Officer, said:**

"In the first quarter of 2017 we continued to recruit customers for Cellcom tv, the wholesale market service and the triple play service. Revenues from services in the fixed-line segment continue to grow following vast recruitment of subscribers. In the cellular segment, we experienced continued high level of competition which reflected in a continued erosion of service revenues from customers. In addition, we recorded a decrease in revenues from national roaming services compared to the first quarter of 2016.

As of the first quarter of 2017 the Company applies International Financial Reporting Standard (IFRS 15) and capitalizes part of the salaries expenses and commissions related to customer acquisition costs. The application of this standard is expected to have a material positive effect on the Company's financial results for the year.

Compared to the previous quarter, we recorded an increase of 2.8% in service revenues and a 16.2% improvement in EBITDA, as a result of the continued implementation of the growth strategy in the fixed-line segment, revenues' enhancement activity, an increase in revenues from national roaming services in the cellular segment and the application of International Financial Reporting Standard (IFRS 15).

Free cash flow for the first quarter of 2017 totaled NIS 66 million, a 55.7% decrease compared to the first quarter of 2016. The decrease in free cash flow resulted mainly from a one-time tax refund received in the first quarter of 2016 and from higher cash capital expenditures in fixed assets and intangible assets in the first quarter of 2017 compared to the first quarter of 2016.

The Company's Board of Directors decided not to distribute a dividend for the first quarter of 2017, given the continued intensified competition in the market and its effect on the Company's operating results and in order to further strengthen the Company's balance sheet. The Board of Directors will re-evaluate its decision as market conditions develop, and taking into consideration the Company's needs."

**Netanya, Israel – May 24, 2017** – Cellcom Israel Ltd. (NYSE: CEL; TASE: CEL) ("Cellcom Israel" or the "Company" or the "Group") announced today its financial results for the first quarter of 2017.

The Company reported that revenues for the first quarter of 2017 totaled NIS 959 million ($264 million); EBITDA for the first quarter of 2017 totaled NIS 201 million ($55 million), or 21.0% of total revenues; net income for the first quarter of 2017 totaled NIS 26 million ($7 million). Basic earnings per share for the first quarter of 2017 totaled NIS 0.25 ($0.07).

**Main <u>Consolidated</u> Financial Results:**

| | **Q1/2017** | **Q1/2016** | **Change%** | **Q1/2017** | **Q1/2016** |
|---|---|---|---|---|---|
| | **NIS million** | | | **US$ million (convenience translation)** | |
| Total revenues | **959** | 1,022 | (6.2%) | **264** | 281 |
| Operating Income | **67** | 101 | (33.7%) | **19** | 28 |

| | | | | | |
|---|---|---|---|---|---|
| Net Income | **26** | 59 | (55.9%) | **7** | 16 |
| Free cash flow | **66** | 149 | (55.7%) | **18** | 41 |
| EBITDA | **201** | 238 | (15.5%) | **55** | 66 |
| EBITDA, as percent of total revenues | **21.0%** | 23.3% | (9.9%) | | |

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**Main Financial Data by Operating Segments:**

| NIS million | Cellular (*) | | | Fixed-line (**) | | | Consolidation adjustments (***) | | Consolidated results | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1'17 | Q1'16 | Change % | Q1'17 | Q1'16 | Change % | Q1'17 | Q1'16 | Q1'17 | Q1'16 | Change % |
| Total revenues | **692** | 778 | (11.1%) | **316** | 293 | 7.8% | **(49)** | (49) | **959** | 1,022 | (6.2%) |
| Service revenues | **509** | 559 | (8.9%) | **279** | 264 | 5.7% | **(49)** | (49) | **739** | 774 | (4.5%) |
| Equipment revenues | **183** | 219 | (16.4%) | **37** | 29 | 27.6% | **-** | - | **220** | 248 | (11.3%) |
| EBITDA | **159** | 178 | (10.7%) | **42** | 60 | (30.0%) | **-** | - | **201** | 238 | (15.5%) |
| EBITDA, as percent of total revenues | **23.0%** | 22.9% | 0.4% | **13.3%** | 20.5% | (35.1%) | | | **21.0%** | 23.3% | (9.9%) |

(*) The segment includes the cellular communications services, end user cellular equipment and supplemental services.

(**) The segment includes landline telephony services, internet infrastructure and connectivity services, television services, end user fixed-line equipment and supplemental services.

(***) Include cancellation of inter-segment revenues between "Cellular" and "Fixed-line" segments.

**Financial Review (first quarter of 2017 compared to first quarter of 2016):**

**Revenues** for the first quarter of 2017 decreased 6.2% totaling NIS 959 million ($264 million), compared to NIS 1,022 million ($281 million) in the first quarter last year. The decrease in revenues is attributed to a 4.5% decrease in service revenues and an 11.3% decrease in equipment revenues.

**Service revenues** totaled NIS 739 million ($203 million) in the first quarter of 2017, a 4.5% decrease from NIS 774 million ($213 million) in the first quarter last year.

**Service revenues in the cellular segment** totaled NIS 509 million ($140 million) in the first quarter of 2017, an 8.9% decrease from NIS 559 million ($154 million) in the first quarter last year. This decrease resulted mainly from a decrease in cellular services revenues and from a decrease in revenues from national roaming services. The decrease in cellular services revenues resulted from the ongoing erosion in the prices of these services and churn of customers as a result of the aggressive competition in the cellular market.

**Service revenues in the fixed-line segment** totaled NIS 279 million ($77 million) in the first quarter of 2017, a 5.7% increase from NIS 264 million ($73 million) in the first quarter last year. This increase resulted mainly from an increase in revenues from Internet and TV services.

**Equipment revenues** totaled NIS 220 million ($61 million) in the first quarter of 2017, an 11.3% decrease compared to NIS 248 million ($68 million) in the first quarter last year. This decrease resulted mainly from a decrease in the amount of end user equipment sold in the cellular segment. This decrease was partially offset by an increase in equipment sales in the fixed-line segment.

**Cost of revenues** for the first quarter of 2017 totaled NIS 665 million ($183 million), compared to NIS 670 million ($184 million) in the first quarter of 2016, a 0.7% decrease. This decrease resulted mainly from a decrease in the quantity of end user equipment sold in the cellular segment. The decrease was partially offset by an increase in costs of TV services content and in costs related to internet services in the fixed-line segment.

**Gross profit** for the first quarter of 2017 decreased 16.5% to NIS 294 million ($81 million), compared to NIS 352 million ($97 million) in the first quarter of 2016. Gross profit margin for the first quarter of 2017 amounted to 30.7%, down from 34.4% in the first quarter of 2016.

**Selling, Marketing, General and Administrative Expenses** ("SG&A Expenses") for the first quarter of 2017 decreased 9.6% to NIS 227 million ($62 million), compared to NIS 251 million ($69 million) in the first quarter of 2016. This decrease is primarily a result of a decrease in salaries and commissions expenses due to capitalization of part of the customer acquisition costs as a result of early adoption of a new International Financial Reporting Standard (IFRS 15) as of the first quarter of 2017.

**Operating income** for the first quarter of 2017 decreased by 33.7% to NIS 67 million ($19 million) from NIS 101 million ($28 million) in the first quarter of 2016. The decrease in the operating income resulted mainly from a decrease in revenues from cellular services. The decrease was partially offset by a decrease in selling and marketing expenses in the amount of NIS 28 million ($8 million) due to capitalization of part of the customer acquisition costs as a result of early adoption of a new International Financial Reporting Standard (IFRS 15) as of the first quarter of 2017.

**EBITDA** for the first quarter of 2017 decreased by 15.5% totaling NIS 201 million ($55 million) compared to NIS 238 million ($66 million) in the first quarter of 2016. EBITDA as a percent of revenues for the first quarter of 2017 totaled 21.0%, down from 23.3% in the first quarter of 2016. The decrease in EBITDA resulted mainly from the ongoing erosion in service revenues. The decrease was partially offset by a decrease in selling and marketing expenses due to capitalization of part of the customer acquisition costs as a result of early adoption of a new International Financial Reporting Standard (IFRS 15) as of the first quarter of 2017.

Cellular segment EBITDA for the first quarter of 2017 totaled NIS 159 million ($44 million), compared to NIS 178 million ($49 million) in the first quarter last year, a decrease of 10.7%, which resulted mainly from a decrease in service revenues as mentioned above. Fixed-line segment EBITDA for the first quarter of 2017 totaled NIS 42 million ($12 million), compared to NIS 60 million ($17 million) in the first quarter last year, a 30.0% decrease, mainly as a result of an erosion in the internet field profitability.

**Financing expenses, net** for the first quarter of 2017 increased 29.2% and totaled NIS 31 million ($9 million), compared to NIS 24 million ($7 million) in the first quarter of 2016. The increase resulted mainly from lower deflation of the Israeli Consumer Price Index in the first quarter of 2017 compared to the first quarter of 2016.

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**Net Income** for the first quarter of 2017 totaled NIS 26 million ($7 million), compared to NIS 59 million ($16 million) in the first quarter of 2016, a 55.9% decrease.

**Basic earnings per share** for the first quarter of 2017 totaled NIS 0.25 ($0.07), compared to NIS 0.59 ($0.16) in the first quarter last year.

Operating Review

**Main Performance Indicators - Cellular segment**:

| | **Q1/2017** | **Q1/2016** | **Change (%)** |
|---|---|---|---|
| Cellular subscribers at the end of period (in thousands) | **2,792** | 2,813 | (0.7%) |
| Churn Rate for cellular subscribers (in %) | **12.0%** | 11.1% | 8.1% |
| Monthly cellular ARPU (in NIS) | **60.2** | 65.2 | (7.7%) |

**Cellular subscriber base** - at the end of the first quarter of 2017 the Company had approximately 2.792 million cellular subscribers. During the first quarter of 2017 the Company's cellular subscriber base decreased by approximately 9,000 net cellular subscribers.

**Cellular Churn Rate** for the first quarter of 2017 totaled to 12.0%, compared to 11.1% in the first quarter last year.

The monthly cellular **Average Revenue per User ("ARPU")** for the first quarter of 2017 totaled NIS 60.2 ($16.6), compared to NIS 65.2 ($18.0) in the first quarter last year. The decrease in ARPU resulted, among others, from the ongoing erosion in the prices of cellular services, resulting from the intense competition in the cellular market.

Main Performance Indicators - Fixed-line segment:

| | **Q1/2017** | **Q1/2016** | **Change (%)** |
|---|---|---|---|
| **Internet infrastructure field-** households at the end of period (in thousands) | **173** | 121 | 43.0% |
| **TV field-** households at the end of period (in thousands) | **124** | 75 | 65.3% |

In the first quarter of 2017, the Company's households base in respect of the internet infrastructure field increased by approximately 17,000 net households (in the fourth quarter of 2016 the Company's internet infrastructure households base was 156,000 and not 163,000, as previously reported), and the Company's households base in the TV field increased by 13,000 net households.

Financing and Investment Review

Cash Flow

**Free cash flow** for the first quarter of 2017, after elimination of a loan provided to Golan Telecom in the amount of NIS 130 million, as previously reported, totaled NIS 66 million ($18 million), compared to NIS 149 million ($41 million) in the first quarter of 2016, a 55.7% decrease. The decrease in free cash flow, resulted mainly from a one-time tax refund received in the first quarter of 2016 and from higher cash capital expenditures in fixed assets and intangible assets in the first quarter of 2017 compared to the first quarter of 2016.

Total Equity

Total Equity as of March 31, 2017 amounted to NIS 1,367 million ($376 million) primarily consisting of undistributed accumulated retained earnings of the Company.

Cash Capital Expenditures in Fixed Assets and Intangible Assets

During the first quarter of 2017, the Company invested NIS 140 million ($39 million) in fixed assets and intangible assets (including, among others, investments in the Company's communications networks, information systems, software and TV set-top boxes and capitalization of part of the customer acquisition costs as a result of early adoption of a new International Financial Reporting Standard (IFRS 15)), compared to NIS 90 million ($25 million) in the first quarter 2016.

Dividend

On May 23, 2017, the Company's Board of Directors decided not to declare a cash dividend for the first quarter of 2017. In making its decision, the board of directors considered the Company's dividend policy and business status and decided not to distribute a dividend at this time, given the intensified competition and its adverse effect on the Company's results of operations, and in order to strengthen the Company's balance sheet. The board of directors will re-evaluate its decision in future quarters. No future dividend declaration is guaranteed and is subject to the Company's board of directors' sole discretion, as detailed in the Company's annual report for the year ended December 31, 2016 on Form 20-F dated March 20, 2017, or the 2016 Annual Report, under "Item 8 - Financial Information – A. Consolidated Statements and Other Financial Information - Dividend Policy".

Debentures

For information regarding a summary of the Company's financial liabilities and details regarding the Company's outstanding debentures as of March 31, 2017, see "Disclosure for Debenture Holders" section in this press release.

Loans from Financial Institutions

For details regarding the fulfillment of financial covenants included in the loan agreements, which are identical to those included in the Company's Debentures Series F through K, see comment no.1 to the table of "Aggregation of the information regarding the debenture series issued by the Company" under "Disclosure for Debenture Holders" section in this press release. For additional details regarding the loans see the Company's 2016 Annual Report, under "Item 5B. Liquidity and Capital Resources – Other Credit Facilities".

**Other developments during the first quarter of 2017 and subsequent to the end of the reporting period**

**Network Sharing Agreements**

Following previous reports regarding the Company's network sharing and hosting services agreements with Marathon 018 Xfone Ltd., or Xfone, and with Electra Consumer Products Ltd., or Electra, in March and April 2017, respectively, both agreements came into effect after their respective preliminary conditions were met and the Company's agreement with Electra was adopted by Golan Telecom Ltd., or Golan Telecom, upon completion of its share capital being purchased by Electra. In April 2017, Xfone notified the Company that the Ministry of Communications granted Xfone a non-exclusive general license for the provision of cellular services.

For additional details see the Company's 2016 Annual Report under "Item 3. Key Information – D. Risk Factors – Risks Related to our Business – We face intense competition in all aspects of our business" and "Item 4. Information on the Company – B. Business Overview - Networks and Infrastructure - Cellular Segment- Network Sharing Agreements", "- Competition – Cellular" and "- Government Regulation – Cellular Segment - Additional MNOs" and the Company's current reports on Form 6-K dated March 20 2017 and April 5, 2017.

**Sale of Indirect Subsidiary**

In May 2017, a wholly owned indirect subsidiary of the Company, 013 Netvision Ltd., or Netvision, has entered an agreement for the sale of its holdings in Internet Rimon Israel 2009 Ltd., or Rimon, a subsidiary of Netvision, to the other shareholders of Rimon. The agreement is subject to regulatory approvals and contains customary terms and conditions. The consideration shall be paid to Netvision in several installments over a period of two years from the closing of the transaction. The Company expects to record a capital gain of approximately NIS 10-15 million following the consummation of the agreement.

**Conference Call Details**

The Company will be hosting a conference call regarding its results for the first quarter of 2017 on Wednesday, May 24, 2017 at 09:30 am ET, 06:30 am PT, 14:30 UK time, 16:30 Israel time. On the call, management will review and discuss the results, and will be available to answer questions. To participate, please either access the live webcast on the Company's website, or call one of the following teleconferencing numbers below. Please begin placing your calls at least 10 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

| | |
|---|---|
| US Dial-in Number: 1 866 652 8972 | UK Dial-in Number: 0 808 101 2717 |
| Israel Dial-in Number: 03 918 0608 | International Dial-in Number: +972 3 918 0608 |

at: 09:30 am Eastern Time; 06:30 am Pacific Time; 14:30 UK Time; 16:30 Israel Time

To access the **live webcast** of the conference call, please access the investor relations section of Cellcom Israel's website: www.cellcom.co.il. After the call, a **replay** of the call will be available under the same investor relations section.

**About Cellcom Israel**

Cellcom Israel Ltd., established in 1994, is the largest Israeli cellular provider; Cellcom Israel provides its approximately 2.792 million cellular subscribers (as at March 31, 2017) with a broad range of value added services including cellular telephony, roaming services for tourists in Israel and for its subscribers abroad and additional services in the areas of music, video, mobile office etc., based on Cellcom Israel's technologically advanced infrastructure. The Company operates an LTE 4 generation network and an HSPA 3.5 Generation network enabling advanced high speed broadband multimedia services, in addition to GSM/GPRS/EDGE networks. Cellcom Israel offers Israel's broadest and largest customer service infrastructure including telephone customer service centers, retail stores, and service and sale centers, distributed nationwide. Through its broad customer service network Cellcom Israel offers technical support, account information, direct to the door parcel delivery services, internet and fax services, dedicated centers for hearing impaired, etc. Cellcom Israel further provides OTT TV services (as of December 2014), internet infrastructure (as of February 2015) and connectivity services and international calling services, as well as landline telephone communications services in Israel, in addition to data communications services. Cellcom Israel's shares are traded both on the New York Stock Exchange (CEL) and the Tel Aviv Stock Exchange (CEL). For additional information please visit the Company's website http://investors.cellcom.co.il.

**Forward-Looking Statements**

The following information contains, or may be deemed to contain forward-looking statements (as defined in the U.S. Private Securities Litigation Reform Act of 1995 and the Israeli Securities Law, 1968). In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “ “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about the Company, may include projections of the Company's future financial results, its anticipated growth strategies and anticipated trends in its business. These statements are only predictions based on the Company's current expectations and projections about future events. There are important factors that could cause the Company's actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause such differences include, but are not limited to: changes to the terms of the Company's license, new legislation or decisions by the regulator affecting the Company's operations, new competition and changes in the competitive environment, the outcome of legal proceedings to which the Company is a party, particularly class action lawsuits, the Company's ability to maintain or obtain permits to construct and operate cell sites, and other risks and uncertainties detailed from time to time in the Company's filings with the U.S. Securities and Exchange Commission, including under the caption “Risk Factors” in its Annual Report for the year ended December 31, 2016.

Although the Company believes the expectations reflected in the forward-looking statements contained herein are reasonable, it cannot guarantee future results, level of activity, performance or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The Company assumes no duty to update any of these forward-looking statements after the date hereof to conform its prior statements to actual results or revised expectations, except as otherwise required by law.

The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Unless noted specifically otherwise, the dollar denominated figures were converted to US$ using a convenience translation based on the New Israeli Shekel (NIS)/US$ exchange rate of NIS 3.632 = US$ 1 as published by the Bank of Israel for March 31, 2017.

**Use of non-IFRS financial measures**

**EBITDA** is a non-IFRS measure and is defined as income before financing income (expenses), net; other income (expenses), net (excluding expenses related to employee voluntary retirement plans); income tax; depreciation and amortization and share based payments. This is an accepted measure in the communications industry. The Company presents this measure as an additional performance measure as the Company believes that it enables us to compare operating performance between periods and companies, net of any potential differences which may result from differences in capital structure, taxes, age of fixed assets and related depreciation expenses. EBITDA should not be considered in isolation, or as a substitute for operating income, any other performance measures, or cash flow data, which were prepared in accordance with Generally Accepted Accounting Principles as measures of profitability or liquidity. EBITDA does not take into account debt service requirements, or other commitments, including capital expenditures, and therefore, does not necessarily indicate the amounts that may be available for the Company's use. In addition, EBITDA as presented by the Company may not be comparable to similarly titled measures reported by other companies, due to differences in the way these measures are calculated. See the reconciliation of net income to EBITDA under "Reconciliation of Non-IFRS Measures" in the press release.

**Free cash flow** is a non-IFRS measure and is defined as the net cash provided by operating activities (including the effect of exchange rate fluctuations on cash and cash equivalents) excluding a loan to Golan Telecom, minus the net cash used in investing activities excluding short-term investment in tradable debentures and deposits and proceeds from sales of such debentures (including interest received in relation to such debentures) and deposits. See "Reconciliation of Non-IFRS Measures" below.


| Company Contact | Investor Relations Contact |
|---|---|
| Shlomi Fruhling | Ehud Helft |
| Chief Financial Officer | GK Investor & Public Relations |
| investors@cellcom.co.il | cellcom@GKIR.com |
| Tel: +972 52 998 9735 | Tel: +1 617 418 3096 |


**Financial Tables Follow**

**Cellcom Israel Ltd.**

(An Israeli Corporation)

**Condensed Consolidated Interim Statements of Financial Position**

| | | | **Convenience translation into US dollar** | |
|---|---|---|---|---|
| | March 31, 2016 | March 31, 2017 | March 31, 2017 | December 31, 2016 |
| | NIS millions | | US$ millions | NIS millions |
| Assets | | | | |
| Cash and cash equivalents | 681 | 589 | 162 | 1,240 |
| Current investments, including derivatives | 282 | 283 | 78 | 284 |
| Trade receivables | 1,299 | 1,293 | 356 | 1,325 |
| Current tax assets | - | 47 | 13 | 25 |
| Other receivables | 61 | 71 | 20 | 61 |
| Inventory | 78 | 67 | 18 | 64 |
| Total current assets | 2,401 | 2,350 | 647 | |