

Cellcom Israel Ltd.  
Form 6-K  
November 12, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For November 12, 2013

Commission File Number: 001-33271

CELLCOM ISRAEL LTD.  
10 Hagavish Street  
Netanya, Israel 42140

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(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 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):

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Item 1

CELLCOM ISRAEL ANNOUNCES  
THIRD QUARTER 2013 RESULTS

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Cellcom Israel presents an increase in EBITDA compared with the previous quarter despite the high level of competition in the cellular market

Cellcom Israel declares a dividend of NIS 0.85 per share (totals approx. NIS 85 million)

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Third Quarter 2013 Highlights (compared to third quarter of 2012):

§ Free cash flow<sup>1</sup> decreased 6.0% to NIS 389 million (\$110 million)

§ Total Revenues decreased 15.5% to NIS 1,224 million (\$346 million)

§ Service revenues decreased 11.8% to NIS 1,013 million (\$286 million)

§ EBITDA<sup>1</sup> decreased 19.3% to NIS 347 million (\$98 million)

§ EBITDA margin 28.3%, down from 29.7%

§ Operating income decreased 27.6% to NIS 173 million (\$49 million)

§ Net income decreased 58.1% to NIS 52 million (\$15 million)

§ Cellular subscriber base totaled approx. 3.156 million subscribers (at the end of September 2013)

Netanya, Israel – November 12, 2013 – Cellcom Israel Ltd. (NYSE: CEL TASE: CEL) ("Cellcom Israel" or the "Company" or the "Group"), announced today its financial results for the third quarter of 2013. Revenues for the third quarter of 2013 totaled NIS 1,224 million (\$346 million); EBITDA for the third quarter of 2013 totaled NIS 347 million (\$98 million), or 28.3% of total revenues for the quarter; and net income for the third quarter of 2013 totaled NIS 52 million (\$15 million). Basic earnings per share for the third quarter of 2013 totaled NIS 0.53 (\$0.15).

Commenting on the third quarter's results, Nir Sztern, the Company's Chief Executive Officer, said: "Even in this quarter of intensified competition, the Company continues to present improvement in its operational results compared with the previous quarter. EBITDA, operating profit and free cash flow increased compared with the previous quarter and service revenues were maintained at a similar level as in the previous quarter. This is the second consecutive quarter of increase in EBITDA after four quarters of decrease. The improved results are the result of our continued efficiency measures

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<sup>1</sup> Please see "Use of Non-IFRS financial measures" section in this press release.



and a seasonal increase in revenues from roaming services, which were partially offset by the ongoing price erosion."

Regarding market competition, Nir Sztern noted: "Cellcom Israel continues to follow its strategy since the merger with Netvision and bases itself as a communications group. In the last quarter we launched a significant marketing campaign offering the group's cellular customers free home landline telephony for one year. This is a significant milestone for the future competition in the landline market, which constitutes one of the Company's growth engines, and we believe in the regulator's willingness to encourage real competition in this market.

During the last year and a half we acted vigorously to strengthen the Company's equity structure and repaid approximately NIS 1.3 billion to our debentures holders. As of the end of the third quarter we had cash balances of over NIS 1.3 billion."

Shlomi Fruhling, Chief Financial Officer, commented: "Despite the improvement in operational results in the third quarter this year compared with the previous quarter, net income decreased as a result of an increase in financing expenses and in tax expenses. The increase in financing expenses resulted mainly from an increase in CPI (Consumer Price Index) linkage expenses, related to the Company's debentures, due to a higher inflation, and the increase in tax expenses resulted from a one-time deferred tax expense of approximately NIS 7 million recorded in the third quarter this year following the enactment of a law, increasing the corporate tax rate to 26.5% commencing 2014.

In the third quarter of 2013 we generated free cash flow of NIS 389 million, a 12.8% increase compared with the previous quarter. The increase in free cash flow is mainly due to the ongoing efficiency measures implemented during the past year and savings in capital expenditure.

The Company's board of directors decided to distribute a cash dividend in the aggregate amount of approximately NIS 85 million out of the Company's existing retained earnings, after five consecutive quarters in which it did not distribute dividends in order to strengthen its balance sheet. During that period, the Company reduced its debt level by over NIS 1.1 billion. This decision does not indicate on dividend distribution in future quarters, and any such decision shall be examined according to the future market conditions and the Company's needs."

## Main Consolidated Financial Results:

	Q3/2013	Q3/2012	% Change	Q3/2013	Q3/2012
	NIS millions			US\$ millions (convenience translation)	
Total revenues	1,224	1,448	(15.5%)	346.1	409.4
Operating Income	173	239	(27.6%)	48.9	67.6
Net Income	52	124	(58.1%)	14.7	35.1
Free cash flow	389	414	(6.0%)	110.0	117.0
EBITDA	347	430	(19.3%)	98.1	121.6
EBITDA, as percent of total revenues	28.3%	29.7%	(4.7%)		

## Main Financial Data by Companies:

	Cellcom Israel without Netvision	Netvision (*)	Consolidation adjustments (**)	Consolidated results
	Q3/2013 NIS millions			
Total revenues	994	257	(27)	1,224
Service revenues	789	251	(27)	1,013
Equipment revenues	205	6	-	211
Operating Income	159	33	(19)	173
EBITDA	286	61	-	347
EBITDA, as percent of total revenues	28.8%	23.7%		28.3%

(\*) Netvision Ltd. and its subsidiaries.

(\*\*) Include inter-company revenues between Cellcom Israel and Netvision, and amortization expenses attributable to the merger.

## Main Performance Indicators (data refers to cellular subscribers only):

	Q3/2013	Q3/2012	Change (%)
Cellular subscribers at the end of period (in	3,156	3,338	(5.5%)

thousands)			
Churn Rate for cellular subscribers (in %)	8.9%	8.6%	3.5%
Monthly cellular ARPU (in NIS)	79.6	86.7	(8.2%)
Average Monthly cellular MOU (in minutes)	461	399	15.5%

### Financial Review

Revenues for the third quarter of 2013 decreased 15.5% totaling NIS 1,224 million (\$346 million), compared to NIS 1,448 million (\$409 million) in the third quarter last year. The decrease in revenues is attributed mainly to an 11.8% decrease in service revenues, which totaled NIS 1,013 million (\$286 million) in the third quarter of 2013 as compared to NIS 1,148 million (\$325 million) in the third quarter of 2012. The decrease in revenues also resulted from a 29.7% decrease in equipment revenues,

which totaled NIS 211 million (\$60 million) in the third quarter of 2013 as compared to NIS 300 million (\$85 million) in the third quarter of 2012. Netvision's contribution to revenues for the third quarter of 2013 totaled NIS 230 million (\$65 million) (excluding inter-company revenues) compared to NIS 261 million (\$74 million) in the third quarter of 2012.

The decrease in service revenues for the third quarter of 2013 resulted mainly from a decrease in cellular services revenues, due to the ongoing erosion in the price of these services as a result of the intensified competition in the cellular market. The decrease in service revenues also resulted from a decrease in revenues from international calls services, internet services (ISP) and roaming services, which was partially offset by an increase in revenues from hosting operators on the Company's communications networks. Netvision's contribution to service revenues for the third quarter of 2013 totaled NIS 224 million (\$63 million) (excluding inter-company revenues) compared to NIS 246 million (\$70 million) in the third quarter of 2012. The decrease in Netvision's contribution to service revenues resulted mainly from a decrease in revenues from internet services (ISP) and international calls services in the third quarter of 2013 compared with the third quarter last year.

The decrease in equipment revenues for the third quarter of 2013 resulted from an approximately 30% decrease in the number of cellular handsets sold during the third quarter of 2013 compared with the third quarter of 2012. Netvision's contribution to equipment revenues for the third quarter of 2013 totaled NIS 6 million (\$2 million), compared to NIS 15 million (\$4 million) in the third quarter of 2012.

Cost of revenues for the third quarter of 2013 totaled NIS 745 million (\$211 million), compared to NIS 853 million (\$241 million) in the third quarter of 2012, a 12.7% decrease. This decrease resulted mainly from a decrease in costs associated with the sale of cellular handsets, primarily as a result of a decrease in the number of cellular handsets sold during the third quarter of 2013 as compared with the third quarter of 2012. The decrease in cost of revenues also resulted from a decrease in the cost of content and in payroll expenses mainly as a result of efficiency measures.

Gross profit for the third quarter of 2013 decreased 19.5% to NIS 479 million (\$135 million), compared to NIS 595 million (\$168 million) in the third quarter of 2012. Gross profit margin for the third quarter of 2013 amounted to 39.1%, down from 41.1% in the third quarter of 2012.

Selling, Marketing, General and Administrative Expenses ("SG&A Expenses") for the third quarter of 2013 decreased 14.6% to NIS 304 million (\$86 million), compared to NIS 356 million (\$101 million) in the third quarter of 2012. This decrease is primarily the result of the efficiency measures implemented by the Company, which led to a decrease in payroll expenses and other expenses. The decrease in SG&A expenses also resulted from a decrease in depreciation and amortization expenses and sales commissions.

Operating income for the third quarter of 2013 decreased 27.6% to NIS 173 million (\$49 million) from NIS 239 million (\$68 million) in the third quarter of 2012.



EBITDA for the third quarter of 2013 decreased 19.3% totaling NIS 347 million (\$98 million) compared to NIS 430 million (\$122 million) in the third quarter of 2012. Netvision's contribution to the EBITDA for the third quarter of 2013 totaled NIS 61 million (\$17 million), compared to NIS 75 million (\$21 million) in the third quarter of 2012. EBITDA for the third quarter of 2013, as a percent of third quarter revenues, totaled 28.3%, down from 29.7% in the third quarter of 2012.

Financing expenses, net for the third quarter of 2013 increased 43.8% and totaled NIS 92 million (\$26 million), compared to NIS 64 million (\$18 million) in the third quarter of 2012. The increase resulted mainly from a decrease in gains on hedging transactions and an increase in Israeli Consumer Price Index (CPI) linkage expenses, associated with the Company's debentures, due to increased inflation. The increase in financing expenses, net, also resulted from a decrease in gains on the Company's investment in tradable debentures and a decrease in interest income on deposits mainly due to a decrease in the interest rate in the market during the third quarter of 2013 as compared with the third quarter of last year. These effects were partially offset by a decrease in interest expenses, associated with the Company's debentures, due to a decrease in debt level during the past year.

Net Income for the third quarter of 2013 totaled NIS 52 million (\$15 million), compared to NIS 124 million (\$35 million) in the third quarter of 2012, a 58.1% decrease. This decrease is primarily the result of the erosion in the price of cellular services during the past year and the significant decrease in equipment revenues, as well as the increase in financing expenses, net. The decrease in net income also resulted from a one-time deferred tax expense in the amount of approximately NIS 7 million (\$2 million) following the enactment of a law in July 2013 increasing corporate tax rate to 26.5% commencing 2014.

Basic earnings per share for the third quarter of 2013 totaled NIS 0.53 (\$0.15), compared to NIS 1.25 (\$0.35) in the third quarter last year.

#### Operating Review (data refers to cellular subscribers only)

Cellular subscriber base – at the end of the third quarter of 2013 the Company had approximately 3.156 million cellular subscribers. During the third quarter of 2013 the Company's cellular subscriber base increased by approximately 5,000 net cellular subscribers, all of them post-paid subscribers.

Cellular Churn Rate for the third quarter 2013 totaled to 8.9%, compared to 8.6% in the third quarter of 2012. The cellular churn rate continues to be affected by the intensified competition in the cellular market, especially following the entry of the new operators to the cellular market during the second quarter of 2012.

Average monthly cellular Minutes of Use per subscriber ("MOU") for the third quarter 2013 totaled 461 minutes, compared to 399 minutes in the third quarter of 2012, an increase of 15.5%. The

increase in MOU primarily resulted from subscribers' transition to marketing plans, which include unlimited air time minutes.

The monthly cellular Average Revenue per User ("ARPU") for the third quarter 2013 totaled NIS 79.6 (\$22.5), compared to NIS 86.7 (\$24.5) in the third quarter of 2012, a decrease of 8.2%. The decrease in ARPU resulted, among others, from the erosion in the price of cellular services during the past year, resulting from the intensified competition in the cellular market.

#### Financing and Investment Review

##### Cash Flow

Free cash flow for the third quarter of 2013, decreased 6.0% to NIS 389 million (\$110 million), compared to NIS 414 million (\$117 million) in the third quarter of 2012. The decrease in free cash flow mainly resulted from a decrease in proceeds from customers due to the decrease in revenues in the third quarter of 2013 compared with the third quarter of 2012, resulting from the intensified competition in the cellular market. This decrease was partially offset by a decrease in payments to vendors, among others, as a result of streamlining of various expenses, and a decrease in payments for acquisition of fixed assets.

##### Total Equity

Total Equity as of September 30, 2013 amounted to NIS 690 million (\$195 million), primarily consisting of accumulated undistributed retained earnings of the Company.

##### Investment in Fixed Assets and Intangible Assets

During the third quarter of 2013, the Company invested NIS 68 million (\$19 million) in fixed assets and intangible assets (including, among others, rights of use of communication lines and investments in information systems and software), compared to NIS 99 million (\$28 million) in the third quarter of 2012.

##### Dividend

On November 12, 2013, the Company's board of directors declared a cash dividend in the amount of NIS 0.85 per share, and in the aggregate amount of approximately NIS 85 million (the equivalent of approximately \$0.24 per share and approximately \$24 million in the aggregate, based on the representative rate of exchange on November 8, 2013; The actual US\$ amount for dividend paid in US\$ will be converted from NIS based upon the representative rate of exchange published by the Bank of Israel on December 10, 2013), subject to withholding tax described below, out of the Company's existing retained earnings. The dividend will be payable to all of the Company's shareholders of record at the end of the trading day in the NYSE on November 27, 2013. The payment date will be December 12, 2013. According to the Israeli tax law, the Company will deduct at source 25% of the dividend amount payable to each shareholder, as aforesaid, subject to applicable exemptions. The dividend per share that the Company will pay does not indicate on future dividend distributions or their level, which can change at any time in accordance with the Company's dividend

policy. A dividend declaration is not 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, 2012 on Form 20-F, under "Item 8 - Financial Information - A. Consolidated Statements and Other Financial Information - Dividend Policy".

In making the decision of dividend distribution, the Company's board of directors considered and determined the following: (1) the distribution complies with the Profit Test given that the Company's existing retained earnings, as such term is defined in the applicable Israeli law, as of September 30, 2013 (NIS 701 million) exceeds the amount of dividend declared (and after the reduction of the dividend declared will total approximately NIS 616 million); (2) the distribution complies with the Solvency Test after considering the Company's financial condition, including the Company's free cash flow, the Company's financial debt balance, the Company's net debt, including the Company's investment portfolio, the Company's forecasted cash flows for the years 2013-2015 and the Company's ability to raise additional debt; (3) the distribution complies with the license limitation, the Company's financial covenants and additional undertakings related to dividend distribution; (4) the distribution of the dividend shall not materially adversely affect the Company's financial condition, including the Company's capital structure, leverage level, liquidity, the fulfillment of the Company's undertakings and the Company's ability to continue the Company's operation as conducted prior to the distribution of the dividend declared, including the Company's ability to fulfill its investments plans. In making the aforementioned determinations, which involve forecasts, the board assumed (a) the Company will continue to be leveraged at a rate complying with the Company's covenants and undertakings; and (b) market and regulation conditions will not change drastically.

#### Debentures

For information regarding the Company's summary of financial liabilities and details regarding the Company's outstanding debentures as of September 30, 2013, see "Disclosure for Debenture Holders" section in this press release.

Other developments during the third quarter of 2013 and subsequent to the end of the reporting period

#### Regulation

National Roaming Agreement – Following the Anti Trust Commissionaire's issuance of an exemption from the requirement to receive an approval to restrictive arrangements in September 2013, the Company will be the exclusive provider of national roaming services to Golan Telecom Ltd. for the duration of the agreement.

Network Sharing Agreement – In November 2013, Partner Communications Ltd. announced it has entered a network sharing agreement with Hot Mobile Ltd. for a term of 15 years, according to which the two companies will create a 50%-50% joint venture, which would operate and develop a cellular network that will be shared by both companies. As an intermediate phase until no later than December 31, 2016, Partner granted Hot Mobile, when possible, rights of use of its cellular network in order to supplement Hot Mobile's network coverage. According to the announcement, the scope and terms of the agreement are subject to approvals by the Israeli authorities, including the Antitrust Authority.

For additional details regarding the national roaming agreement and network sharing agreement see the Company's most recent annual report on Form 20-F for the year ended December 31, 2012, under "Item 3. Key Information – D. Risk Factors – Risks related to our business –We face intense competition in all aspects of our business" as well as under "Item 4. Information on

the Company – B. Business Overview – Competition" and "Government Regulations — Additional UMTS Operators".

International Communications Services – In October 2013 the Ministry of Communications published a hearing regarding a change to the International Communications Services Regulation. The hearing proposes, among others, that such services shall be provided by the landline operators and cellular operators themselves and not through a separate company, as required today. The approval of such proposed change may also cause the annulment of structural limitations currently imposed on the Bezeq and Hot groups in relation to the International Communications services, even before the creation of a landline wholesale market. In addition, it is proposed that such services may be provided by the holders of a special license for the provision of International Communications services which will neither be obligated to provide service to anyone so requesting nor to all the countries in the world, and to annul the restrictions on the cooperation between cellular operators and international communications services operators in relation to prepaid calling cards.

For additional details see the Company's most recent annual report on form 20-F for the year ended on December 31, 2012, filed on March 4, 2013 under "Item 3. Key Information – D. Risk Factors – Risks related to our business – We operate in a heavily regulated industry, which can harm our results of operation. In recent years, regulation in Israel has materially adversely affected our results", " - We face intense competition in all aspects of our business", "- Risks related to our wholly owned subsidiary Netvision – changes in the regulatory environment could adversely affect Netvision's business", under "Item 4. Information on the Company – B. Business Overview - Competition", "- Government Regulations – Long Distance Services" and under "NETVISION – Telephony Business – Competition".

Broadband Infrastructure Services - In August 2013, I.B.C. Israel Broadband Company (2013) Ltd., a company owned by the Israeli Electric Company, or IEC, and an international group led by Via Europa, received licenses for the provision of broadband infrastructure services on the IEC's optic fibers infrastructure to other licenses holders as well as directly to large business customers.

For additional details see the Company's most recent annual report on form 20-F for the year ended on December 31, 2012, filed on March 4, 2013 under "Item 4. Information on the Company – B. Business Overview - The Telecommunications Industry in Israel - Wireline Services - Broadband and Internet services", under "Cellular Service and Products – Landline Services" and under "- Competition".

## Organization of Employees

In September 2013, following the previously reported notices received from the Histadrut, an Israeli labor union, claiming the required minimum number of employees for the recognition of a representing labor union joined the Histadrut, the Company, after verifying the joining of the minimum required by law, has recognized the Histadrut as the Company's and Netvision's employees representing labor union and has commenced negotiations regarding a collective employment agreement with the employees' representatives.

## Compensation Policy

In September 2013, the Company's Extraordinary General Meeting of Shareholders, or the Meeting, approved the Company's Compensation Policy.

For more information, please see the Company's Proxy Statement relating to the Meeting, which was filed on Form 6-K on August 5, 2013 and the Company's immediate report filed on Form 6-K on September 3, 2013.

## Conference Call Details

The Company will be hosting a conference call regarding its results for the third quarter on Tuesday, November 12, 2013 at 10:00 am EST, 07:00 am PST, 15:00 GMT, 17:00 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: 1 888 407 2553      UK Dial-in Number: 0 800 917 5108

Israel Dial-in Number: 03 918 0644      International Dial-in Number: +972 3 918 0644

at: 10:00 am Eastern Time; 07:00 am Pacific Time; 15:00 UK Time; 17:00 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](http://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 leading Israeli cellular provider; Cellcom Israel provides its approximately 3.156 million subscribers (as at September 30, 2013) with a broad range of value added services including cellular and landline 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 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

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services, internet and fax services, dedicated centers for hearing impaired, etc. Cellcom Israel further provides through its wholly owned subsidiaries internet connectivity services and international calling services, as well as landline telephone communication services in Israel, in addition to data communication 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 [www.cellcom.co.il](http://www.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, 2012.

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 3.537 = US\$ 1 as published by the Bank of Israel for September 30, 2013.

#### 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; 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 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 between the net income and the EBITDA presented at the end of this Press Release.

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Free cash flow is a non-IFRS measure and is defined as the net cash provided by operating activities 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 the reconciliation note in this Press Release.

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Financial Tables Follow

Cellcom Israel Ltd.  
(An Israeli Corporation)

Condensed Consolidated Interim Statements of Financial Position

	September 30, 2012	September 30, 2013	Convenience translation into US dollar September 30, 2013 US\$ millions	December 31, 2012 NIS millions
	NIS millions			
<b>Assets</b>				
Cash and cash equivalents	1,139	827	234	1,414
Current investments, including derivatives	493	511	145	493
Trade receivables	1,912	1,790	506	1,856
Other receivables	87	76	21	67
Inventory	125	89	25	112
<b>Total current assets</b>	<b>3,756</b>	<b>3,293</b>	<b>931</b>	<b>3,942</b>
Trade and other receivables	1,291	904	256	1,219
Property, plant and equipment, net	2,084	1,907	539	2,077
Intangible assets, net	1,552	1,418	401	1,515
Deferred tax assets	60	25	7	34
<b>Total non- current assets</b>	<b>4,987</b>	<b>4,254</b>	<b>1,203</b>	<b>4,845</b>
<b>Total assets</b>	<b>8,743</b>	<b>7,547</b>	<b>2,134</b>	<b>8,787</b>
<b>Liabilities</b>				
Current maturities of debentures and long term loans and short term credit	1,142	1,101	311	1,129
Trade payables and accrued expenses	859	608	172	827
Current tax liabilities	114	69	20	87
Provisions	169	181	51	175
Other payables, including derivatives	424	361	102	492
<b>Total current liabilities</b>	<b>2,708</b>	<b>2,320</b>	<b>656</b>	<b>2,710</b>
Long-term loans from banks	10	5	2	10
Debentures	5,399	4,337	1,226	5,368
Provisions	21	21	6	21
Other long-term liabilities	35	12	3	21
Liability for employee rights upon retirement, net	13	16	5	12

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Deferred tax liabilities	157	146	41	145
Total non- current liabilities	5,635	4,537	1,283	5,577
Total liabilities	8,343	6,857	1,939	8,287
Equity attributable to owners of the Company				
Share capital	1	1	-	1
Cash flow hedge reserve	3	(15 )	(4 )	(12 )
Retained earnings	395	701	198	509
Non-controlling interests	1	3	1	2
Total equity	400	690	195	500
Total liabilities and equity	8,743	7,547	2,134	8,787

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Cellcom Israel Ltd.  
(An Israeli Corporation)

Condensed Consolidated Interim Statements of Income

	For the nine months ended September 30, 2012		Convenience translation into US dollar For the nine months ended September 30, 2013		For the three months ended September 30, 2013		Convenience translation into US dollar For the three months ended September 30, 2013		For the year ended December 31, 2012
	NIS millions		US\$ millions		NIS millions		US\$ millions		NIS millions
Revenues	4,531	3,718	1,051	1,448	1,224	346	5,938		
Cost of revenues	(2,590 )	(2,278 )	(644 )	(853 )	(745 )	(211 )	(3,463 )		
Gross profit	1,941	1,440	407	595	479	135	2,475		
Selling and marketing expenses	(671 )	(522 )	(148 )	(215 )	(166 )	(47 )	(865 )		
General and administrative expenses	(474 )	(438 )	(124 )	(141 )	(138 )	(39 )	(629 )		
Other income (expenses), net	-	1	-	-	(2 )	-	4		
Operating profit	796	481	135	239	173	49	985		
Financing income	149	118	33	66	36	10	181		
Financing expenses	(366 )	(334 )	(94 )	(130 )	(128 )	(36 )	(440 )		
Financing expenses, net	(217 )	(216 )	(61 )	(64 )	(92 )	(26 )	(259 )		
Profit before taxes on income	579	265	75	175	81	23	726		
Taxes on income	(161 )	(79 )	(22 )	(51 )	(29 )	(8 )	(195 )		
Profit for the period	418	186	53	124	52	15	531		
Attributable to:									
Owners of the Company	418	185	53	124	52	15	530		
Non-controlling interests	-	1	-	-	-	-	1		

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Profit for the period	418	186	53	124	52	15	531
Earnings per share							
Basic earnings per share (in NIS)	4.20	1.87	0.53	1.25	0.53	0.15	5.34
Diluted earnings per share (in NIS)	4.20	1.85	0.52	1.25	0.52	0.15	5.33

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Cellcom Israel Ltd.  
(An Israeli Corporation)

Condensed Consolidated Interim Statements of Cash Flows

	For the nine months ended September 30, 2012		For the nine months ended September 30, 2013		For the three months ended September 30, 2012		For the three months ended September 30, 2013	
	NIS millions		US\$ millions		NIS millions		US\$ millions	
			Convenience translation into US dollar				Convenience translation into US dollar	
			For the nine months ended				For the three months ended	
			September 30, 2013				September 30, 2013	
							For the year ended December 31, 2012	
							NIS millions	
Cash flows from operating activities								
Profit for the period	418	186	53	124	52	15	531	
Adjustments for:								
Depreciation and amortization	579	513	145	190	171	48	765	
Share based payment	4	7	2	1	1	-	7	
Loss (gain) on sale of property, plant and equipment	-	2	1	(1)	1	-	2	
Gain on sale of shares in an associate	-	-	-	-	-	-	(6)	
Income tax expense	161	79	22	51	29	8	195	
Financing expenses, net	217	216	61	64	92	26	259	
Other expenses (income)	-	(3)	(1)	(1)	-	-	2	
Changes in operating assets and liabilities:								
Change in inventory	41	22	6	3	11	3	52	
Change in trade receivables (including long-term amounts)	64	434	123	98	160	45	183	
Change in other receivables (including long-term amounts)	(42)	(29)	(8)	-	19	6	6	

Changes in trade payables, accrued expenses and provisions	(30 )	(141 )	(40 )	59	(38 )	(11 )	(89 )
Change in other liabilities (including long-term amounts)	(13 )	(15 )	(4 )	(29 )	(8 )	(2 )	(92 )
Proceeds from (payments for) derivative hedging contracts, net	17	(10 )	(3 )	9	(4 )	(1 )	20
Income tax paid	(165 )	(87 )	(25 )	(48 )	(26 )	(7 )	(209 )
Income tax received	15	6	2	-	-	-	15
Net cash from operating activities	1,266	1,180	334	520	460	130	1,641
Cash flows from investing activities							
Acquisition of property, plant, and equipment	(376 )	(228 )	(64 )	(92 )	(57 )	(16 )	(457 )
Acquisition of intangible assets	(82 )	(64 )	(18 )	(30 )	(16 )	(4 )	(97 )
Change in current investments, net	(204 )	(16 )	(5 )	468	(6 )	(2 )	(212 )
Proceeds from (payments for) other derivative contracts, net	11	(7 )	(2 )	8	(2 )	(1 )	9
Proceeds from sale of property, plant and equipment	3	12	3	2	2	1	7
Interest received	24	24	7	16	5	1	35
Loan to equity accounted investee	-	-	-	1	-	-	-
Proceeds from sale of shares in a consolidated company	7	-	-	-	-	-	7
Dividend received	-	1	-	-	-	-	-
Net cash from (used in) investing activities	(617 )	(278 )	(79 )	373	(74 )	(21 )	(708 )

Cellcom Israel Ltd.  
(An Israeli Corporation)

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the nine months ended September 30, 2012		2013		Convenience translation into US dollar For the nine months ended September 30, 2013		Convenience translation into US dollar For the three months ended September 30, 2013		For the year ended December 31, 2012	
	NIS millions		US\$ millions		NIS millions		US\$ millions		NIS millions	
Cash flows from financing activities										
Payments for derivative contracts, net	(11 )	(5 )	(1 )	(5 )	(1 )	(5 )	-	(12 )		
Repayment of long term loans from banks	(9 )	(6 )	(2 )	(5 )	(6 )	(2 )	(2 )	(16 )		
Repayment of debentures	(661 )	(1,124 )	(318 )	(182 )	(563 )	(159 )	(660 )			
Proceeds from issuance of debentures, net of issuance costs	992	-	-	-	-	-	992			
Dividend paid	(391 )	-	-	(130 )	-	-	(391 )			
Interest paid	(350 )	(354 )	(100 )	(168 )	(174 )	(49 )	(352 )			
Net cash used in financing activities	(430 )	(1,489 )	(421 )	(490 )	(744 )	(210 )	(439 )			
Changes in cash and cash equivalents	219	(587 )	(166 )	403	(358 )	(101 )	494			
Cash and cash equivalents as at the beginning of the period	920	1,414	400	736	1,185	335	920			
Cash and cash equivalents as at the end of the period	1,139	827	234	1,139	827	234	1,414			



Cellcom Israel Ltd.  
(An Israeli Corporation)

Reconciliation for Non-IFRS Measures

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EBITDA

The following is a reconciliation of net income to EBITDA:

	Three-month period ended September 30,		Year ended December 31,	
	2012 NIS millions	2013 NIS millions	Convenience translation into US dollar 2013 US\$ millions	2012 NIS millions
Profit for the period	124	52	15	531
Taxes on income	51	29	8	195
Financing income	(66 )	(36 )	(10 )	(181 )
Financing expenses	130	128	36	440
Other expenses (income)	-	2	-	(4 )
Depreciation and amortization	190	171	49	765
Share based payments	1	1	-	7
EBITDA	430	347	98	1,753

Free cash flow

The following table shows the calculation of free cash flow:

	Three-month period ended September 30,		Year ended December 31,	
	2012 NIS millions	2013 NIS millions	Convenience translation into US dollar 2013 US\$ millions	2012 NIS millions

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Cash flows from operating activities	520	460	130	1,641
Cash flows from investing activities	373	(74 )	(21 )	(708 )
Short-term Investment in (sale of) tradable debentures and deposits (*)	(479 )	3	1	197
Free cash flow	414	389	110	1,130

(\*) Net of interest received in relation to tradable debentures.

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Cellcom Israel Ltd.  
(An Israeli Corporation)

## Key financial and operating indicators (unaudited)

NIS millions unless otherwise stated Q1-2012 Q2-2012 Q3-2012 Q4-2012 Q1-2013 Q2-2013 Q3-2013 FY-2011 FY-2012

Cellcom service revenues	945	942	902	828	758	790	789	4,420	3,617
Netvision service revenues	258	258	276	260	254	246	251	365	1,052
Cellcom equipment revenues	382	297	285	310	256	213	205	1,712	1,274
Netvision equipment revenues	17	19	15	31	17	13	6	35	82
Consolidation adjustments	(17)	(18)	(30)	(22)	(27)	(26)	(27)	(26)	(87)
Total revenues	1,585	1,498	1,448	1,407	1,258	1,236	1,224	6,506	5,938
Cellcom EBITDA	410	399	355	306	251	271	286	2,084	1,470
Netvision EBITDA	65	75	75	68	63	68	61	83	283
Total EBITDA	475	474	430	374	314	339	347	2,167	1,753
Operating profit	275	282	239	189	139	169	173	1,422	985
Financing expenses, net	36	117	64	42	46	78	92	293	259
Profit for the period	173	121	124	113	67	67	52	825	531
Free cash flow	144	284	414	288	168	345	389	937	1,130
Cellular subscribers at the end of period (in 000's)	3,362	3,333	3,338	* 3,199	3,166	3,151	3,156	3,349	3,199
Monthly cellular ARPU (in NIS)	90.5	90.3	86.7	82.4	75.9	79.7	79.6	106	87.5
Average monthly cellular MOU (in minutes)	365	375	399	428	432	468	461	346	390
Churn rate for cellular subscribers (%)	6.3%	8.1%	8.6%	8.7%	9.4%	9.0%	8.9%	25.1%	31.5%

\* After removal of approximately 138,000 data applications subscribers (M2M) from the Company's cellular subscriber base.

Cellcom Israel Ltd.

Disclosure for debenture holders as of September 30, 2013

Aggregation of the information regarding the debenture series issued by the company (1), in million NIS

Series	Original Issuance Date	Principal on the Date of Issuance	As of 30.09.2013					As of 12.11.2013	
			Principal Balance on Trade	Linked Principal Balance	Interest Accumulated in Books	Debenture Balance Value in Books(2)	Market Value	Principal Balance on Trade	Linked Principal Balance
B(4) **	22/12/05								
	02/01/06*								
	05/01/06*								
	10/01/06*								
	31/05/06*	925.102	740.081	893.320	34.764	928.084	994.966	740.081	893.320
D **	07/10/07								
	03/02/08*								
	06/04/09*								
	30/03/11*								
	18/08/11*	2,423.075	1,938.460	2,282.927	29.540	2,312.467	2,525.813	1,938.460	2,282.927
E **	06/04/09								
	30/03/11*								
	18/08/11*	1,798.962	1,199.308	1,199.308	55.037	1,254.345	1,333.750	1,199.308	1,199.308
F(4)(5) (6) **	20/03/12	714.802	714.802	739.680	8.110	747.790	848.899	714.802	739.680

G(4)(5)(6)

	20/03/12	285.198	285.198	285.198	4.751	289.949	330.003	285.198	285.198
Total		6,147.139	4,877.849	5,400.433	132.202	5,532.635	6,033.432	4,877.849	5,400.433

## Comments:

(1) In the reported period, the company fulfilled all terms of the debentures. The company also fulfilled all terms of the Indentures. Debentures F and G financial covenants - as of September 30, 2013 the net leverage (net debt to EBITDA ratio- see definition in the Company's annual report for the year ended December 31, 2012 on Form 20-F, under "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Debt Service – Shelf prospectus") was 2.99. In the reported period, no cause for early repayment occurred. (2) Including interest accumulated in the books and excluding net balance of premium on debentures and deferred issuance expenses. (3) Annual payments, excluding series F and G debentures in which the payments are semi annual. (4) Regarding Debenture series B, F and G- the company undertook not to create any pledge on its assets, as long as debentures are not fully repaid, subject to certain exclusions. (5) Regarding Debenture series F and G - the company has the right for early redemption under certain terms (see the Company's annual report for the year ended December 31, 2012 on Form 20-F, under "Item 5. Operating and Financial Review and Prospects– B. Liquidity and Capital Resources – Debt Service – Shelf prospectus"). (6) Regarding Debenture series F and G - in June 2013, following a second decrease of the Company's debenture rating since their issuance, the annual interest rate has been increased by 0.25% to 4.60% and 6.99%, respectively, beginning July 5, 2013.

(\*) On these dates additional debentures of the series were issued, the information in the table refers to the full series.

(\*\*) Series B, D, E and F are material, which represent 5% or more of the total liabilities of the Company, as presented in the financial statements.

## Cellcom Israel Ltd.

Disclosure for debenture holders as of September 30, 2013 (cont.)

## Debentures Rating Details\*

Series	Rating Company	Rating as of 30.09.2013(1)	Rating as of 12.11.2013	Rating assigned upon issuance of the Series	Recent date of rating as of 12.11.2013	Additional ratings between original issuance and the recent date of rating as of 12.11.2013 (2)
B	S&P Maalot	A+	A+	AA-	06/2013	5/2006, 9/2007, 1/2008, 10/2008, AA-, 3/2009, 9/2010, AA,AA-,A+ 8/2011, 1/2012, (2) 3/2012, 5/2012, 11/2012, 6/2013
D	S&P Maalot	A+	A+	AA-	06/2013	1/2008, 10/2008, 3/2009, 9/2010, AA-, 8/2011, 1/2012, AA,AA-,A+ 3/2012, (2) 5/2012, 11/2012, 6/2013
E	S&P Maalot	A+	A+	AA	06/2013	9/2010, 8/2011, 1/2012, 3/2012, AA,AA-,A+ 5/2012, 11/2012, (2) 6/2013
F	S&P Maalot	A+	A+	AA	06/2013	5/2012, 11/2012, AA,AA-,A+ 6/2013 (2)
G	S&P Maalot	A+	A+	AA	06/2013	5/2012, 11/2012, AA,AA-,A+ 6/2013 (2)

(1) In June 2013, S&P Maalot updated the Company's rating from an "ilAA-/negative" to an "ilA+/stable".

(2) In September 2007, S&P Maalot issued a notice that the AA- rating for debentures issued by the Company was in the process of recheck with positive implications (Credit Watch Positive). In October 2008, S&P Maalot issued a notice that the AA- rating for debentures issued by the Company is in the process of recheck with stable implications (Credit Watch Stable). This process was withdrawn upon assignment of AA rating in March 2009. In August 2011, S&P Maalot issued a notice that the AA rating for debentures issued by the Company is in the process of recheck with negative implications (Credit Watch Negative). In May 2012, S&P Maalot updated the Company's rating from an "ilAA/negative" to an "ilAA-/negative". In November 2012, S&P Maalot affirmed the Company's rating of "ilAA-/negative". In June 2013, S&P Maalot updated the Company's rating from an "ilAA-/negative" to an "ilA+/stable". For details regarding the rating of the debentures see the S&P Maalot report

dated June 20, 2013.

\*A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to suspension, revision or withdrawal at any time, and each rating should be evaluated independently of any other rating.

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## Cellcom Israel Ltd.

## Summary of Financial Undertakings (according to repayment dates) as of September 30, 2013

a. Debentures issued to the public by the Company and held by the public, excluding such debentures held by the Company's parent company, by a controlling shareholder, by companies controlled by them, or by companies controlled by the Company, based on the Company's "solo" financial data (in thousand NIS).

	ILS linked to CPI	Principal payments			Other	Gross interest payments (without deduction of tax)
		ILS not linked to CPI	Euro	Dollar		
First year	757,299	292,693	-	-	-	284,134
Second year	757,299	292,693	-	-	-	226,301
Third year	757,299	292,693	-	-	-	168,469
Fourth year	829,020	349,382	-	-	-	107,006
Fifth year and on	645,485	226,757	-	-	-	58,407
Total	3,746,402	1,454,216	-	-	-	844,317

b. Private debentures and other non-bank credit, excluding such debentures held by the Company's parent company, by a controlling shareholder, by companies controlled by them, or by companies controlled by the Company, based on the Company's "solo" financial data (in thousand NIS) – None

c. Credit from banks in Israel based on the Company's "solo" financial data (in thousand NIS) - None

d. Credit from banks abroad based on the Company's "solo" financial data (in thousand NIS) - None

e. Total of sections a - d above, total credit from banks, non-bank credit and debentures based on the Company's "solo" financial data (in thousand NIS).

	ILS linked to CPI	Principal payments			Other	Gross interest payments (without deduction of tax)
		ILS not linked to CPI	Euro	Dollar		
First year	757,299	292,693	-	-	-	284,134
Second year	757,299	292,693	-	-	-	226,301
Third year	757,299	292,693	-	-	-	168,469
Fourth year	829,020	349,382	-	-	-	107,006
Fifth year and on	645,485	226,757	-	-	-	58,407



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Total	3,746,402	1,454,216	-	-	-	844,317
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- f. Out of the balance sheet Credit exposure based on the Company's "solo" financial data - None
- g. Out of the balance sheet Credit exposure of all the Company's consolidated companies, excluding companies that are reporting corporations and excluding the Company's data presented in section f above (in thousand NIS) - None
- h. Total balances of the credit from banks, non-bank credit and debentures of all the consolidated companies, excluding companies that are reporting corporations and excluding Company's data presented in sections a - d above (in thousand NIS).

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## Cellcom Israel Ltd.

Summary of Financial Undertakings (according to repayment dates) as of September 30, 2013 (cont.)

	Principal payments					Gross interest payments (without deduction of tax)
	ILS linked to CPI	ILS not linked to CPI	Euro	Dollar	Other	
First year	-	7,380	-	-	-	725
Second year	-	5,000	-	-	-	300
Third year	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-
Fifth year and on	-	-	-	-	-	-
Total	-	12,380	-	-	-	1,025

i. Total balances of credit granted to the Company by the parent company or a controlling shareholder and balances of debentures offered by the Company held by the parent company or the controlling shareholder (in thousand NIS).

	Principal payments					Gross interest payments (without deduction of tax)
	ILS linked to CPI	ILS not linked to CPI	Euro	Dollar	Other	
First year	-	12	-	-	-	3
Second year	-	12	-	-	-	2
Third year	-	12	-	-	-	1
Fourth year	-	12	-	-	-	1
Fifth year and on	-	-	-	-	-	-
Total	-	46	-	-	-	7

j. Total balances of credit granted to the Company by companies held by the parent company or the controlling shareholder, which are not controlled by the Company, and balances of debentures offered by the Company held by companies held by the parent company or the controlling shareholder, which are not controlled by the Company (in thousand NIS).

	Principal payments					Gross interest payments (without deduction of tax)
	ILS linked to CPI	ILS not linked to CPI	Euro	Dollar	Other	

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First year	36,763	7,123	-	-	-	10,611
Second year	36,763	7,123	-	-	-	8,247
Third year	36,763	7,123	-	-	-	5,884
Fourth year	39,010	7,473	-	-	-	3,456
Fifth year and on	20,227	1,402	-	-	-	1,481
Total	169,526	30,243	-	-	-	29,679

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Cellcom Israel Ltd.

Summary of Financial Undertakings (according to repayment dates) as of September 30, 2013 (cont.)

k. Total balances of credit granted to the Company by consolidated companies and balances of debentures offered by the Company held by the consolidated companies (in thousand NIS) - None

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Item 2

Cellcom Israel Ltd.  
and Subsidiaries

Condensed Consolidated  
Interim Financial Statements  
As at September 30, 2013  
(Unaudited)

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Condensed Consolidated Interim Financial Statements as at September 30, 2013

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## Condensed Consolidated Interim Statements of Financial position

	September 30, 2012	September 30, 2013	Convenience translation into US dollar (Note 2D) September 30, 2013 US\$ millions (Unaudited)	December 31, 2012 NIS millions (Audited)
<b>Assets</b>				
Cash and cash equivalents	1,139	827	234	1,414
Current investments, including derivatives	493	511	145	493
Trade receivables	1,912	1,790	506	1,856
Other receivables	87	76	21	67
Inventory	125	89	25	112
<b>Total current assets</b>	<b>3,756</b>	<b>3,293</b>	<b>931</b>	<b>3,942</b>
Trade and other receivables	1,291	904	256	1,219
Property, plant and equipment, net	2,084	1,907	539	2,077
Intangible assets, net	1,552	1,418	401	1,515
Deferred tax assets				