Cellcom Israel Ltd.
Form 6-K
March 15, 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 March 15, 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

Index

1. Cellcom Israel Announces Fourth Quarter and Full Year 2016 Results

2. Cellcom Israel Ltd. and Subsidiaries – Consolidated Financial Statements As at December 31, 2016 (Audited)

3. Management Annual Report on Internal Control over Financial Reporting

Item 1

Cellcom Israel announces

fourth Quarter and full year 2016 Results

Cellcom Israel concludes 2016 with net income of NIS 150 million and EBITDA[1] of NIS 858 million.

Nir Sztern, Cellcom CEO said: "The Company continues its successful activity in the fixed-line market and reports of approximately 122,000 Cellcom tv households and more than 180,000 households in the landline wholesale market to date."

2016 Full Year Highlights (compared to 2015):

§ **Total Revenues** totaled NIS 4,027 million ($1,047 million) compared to NIS 4,180 million ($1,087 million) last year, a decrease of 3.7%

§ **Service revenues** totaled NIS 3,033 million ($789 million) compared to NIS 3,132 million ($815 million) last year, a decrease of 3.2%

§ **EBITDA[1]** totaled NIS 858 million ($223 million) compared to NIS 872 million[2] ($227 million) last year, a decrease of 1.6%

§ **EBITDA margin** 21.3%, an increase from 20.9% last year.

§ **Operating income** totaled NIS 310 million ($80 million) similar to last year.

§ **Net income** totaled NIS 150 million ($39 million) compared to NIS 97 million ($25 million) last year, an increase of 54.6%

§ **Free cash flow**[1] totaled NIS 416 million ($108 million) compared to NIS 494 million ($128 million) last year, a decrease of 15.8%

§ **Cellular subscriber base** totaled approximately 2.801 million subscribers (at the end of December 2016)

---

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

[2] EBITDA for 2015 includes a one-time expense in the amount of approximately NIS 30 million as a result of entering a collective employment agreement.

Fourth Quarter 2016 Highlights *(compared to fourth quarter of 2015):*

§ **Total Revenues** totaled NIS 984 million ($256 million) compared to NIS 1,046 million ($272 million) in the fourth quarter last year, a decrease of 5.9%

§ **Service revenues** totaled NIS 719 million ($187 million) compared to NIS 757 million ($197 million) in the fourth quarter last year, a decrease of 5.0%

§ **EBITDA**[1] totaled NIS 173 million ($45 million) compared to NIS 225 million ($59 million) in the fourth quarter last year, a decrease of 23.1%

§ **EBITDA margin** 17.6%, a decrease from 21.5% in the fourth quarter last year.

§ **Operating income** totaled NIS 32 million ($8 million) compared to NIS 79 million ($21 million) in the fourth quarter last year, a decrease of 59.5%

§ **Net income** totaled NIS 14 million ($4 million) compared to NIS 19 million ($5 million) in the fourth quarter last year, a decrease of 26.3%

§ **Free cash flow**[1] totaled NIS 83 million ($22 million) compared to NIS 121 million ($31 million) in the fourth quarter last year, a decrease of 31.4%

Nir Sztern, the Company's Chief Executive Officer, referred to the results of the full year and fourth quarter:

"Throughout 2016, we continued to be affected by the intensity of the competition in the cellular market while strengthening our position as a communications group. This is a year in which the Group's strategy of intensifying our activity as a communications group bore significant fruit.

The Cellcom tv success continues and expands, and there is no doubt that we offer an alternative to the Israeli consumer and generate competition in the market. To date, approximately 122,000 households have subscribed to Cellcom tv services, enjoying an advanced TV experience.

We continue to work actively in the landline market and to date, more than 180,000 households have subscribed to our internet infrastructure services. This achievement is even more impressive in light of the many challenges posed by the implementation of the reform in this market. We achieved all this alongside continuous successful landline solutions to business customers, offering IPVPN communications solutions, business continuity services, landline transmission services and PRI lines, data security services, fixed-line telephony services, cloud storage solutions and IOT services.

Signing the network sharing agreements with Electra Consumer Products and Xfone 018, will ensure revenues while reducing investment to the Group over the coming decade, with an ability to offer advanced high quality cellular services thanks to the amount of frequencies the shared network shall have. We are happy to have received the requisite approval from the Antitrust Commissioner and are awaiting the Ministry of Communications' approval and the completion of the transactions in order to move forward.

We were able to achieve the results of our strategy as a communications group, providing added value to the customer, thanks to the trust of our shareholders and thanks to the excellent employees and managers of the Group, in their daily uncompromising work in providing quality service to the Company's customers."

Shlomi Fruhling, Chief Financial Officer, said:

"2016 was characterized by growth in the fixed-line segment as well as continuous competition in the cellular segment, which was reflected by an erosion of service revenues compared to last year.

The service revenues in the cellular segment decreased by 4.9% compared to last year and were mainly affected by the intense competition during the year, though compared to previous years we are seeing a reduction in the level of erosion. The erosion was partially offset by an increase in revenues from national roaming services. The contribution of the cellular segment to EBITDA increased by 4.0% compared to last year, due to efficiency measures implemented by the Company.

We continued to grow in the fixed-line segment due to the ongoing recruitment of customers to Cellcom tv, to the landline wholesale market and for triple-play services. The increase in revenues from the Internet and TV fields was partially offset by a decrease in revenues from long distance calling services.

The Group continued to reduce its operating expenses. In 2016, the selling, marketing, general and administrative expenses of the Group decreased by approximately 8.4% compared to last year.

During 2016, the Company completed a debt offering through the issuance of two new series of debentures in Israel totaling approximately NIS 400 million with an average duration of 6.7 years. In addition, the Company completed a debt offering through a private placement of additional Series I debentures, for a total consideration of NIS 250 million. The debt offerings saw high demand, indicating a continued vote of confidence by investors in the Company.

The free cash flow for 2016 totaled NIS 416 million, a 15.8% decrease compared to NIS 494 million in 2015. The decrease in free cash flow was mainly due to a decrease in receipts from customers for services and end user equipment.

The Company's Board of Directors decided not to distribute a dividend for the fourth quarter of 2016, given the ongoing 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, while taking into consideration the Company's needs."

Netanya, Israel – March 15, 2017 – Cellcom Israel Ltd. (NYSE: CEL; TASE: CEL) ("Cellcom Israel" or the "Company" or the "Group") announced today its financial results for the fourth quarter and full year ended December 31, 2016.

The Company reported that revenues for the fourth quarter and full year 2016 totaled NIS 984 million ($256 million) and NIS 4,027 million ($1,047 million), respectively; EBITDA for the fourth quarter 2016 totaled NIS 173 million ($45 million), or 17.6% of total revenues, and for the full year 2016 totaled NIS 858 million ($223 million), or 21.3% of total revenues; net income for the fourth quarter and full year 2016 totaled NIS 14 million ($4 million) and NIS 150 million ($39 million), respectively. Basic earnings per share for the fourth quarter and full year 2016 totaled NIS 0.12 ($0.03) and NIS 1.47 ($0.38), respectively.

Main Consolidated Financial Results:

	NIS millions		**% of Revenues**		**% Change**	**US$ millions (convenience translation)**	
	2016	**2015**	**2016**	**2015**		**2016**	**2015**
Revenues - services	3,033	3,132	75.3%	74.9%	(3.2%)	789	815
Revenues - equipment	994	1,048	24.7%	25.1%	(5.2%)	258	272
Total revenues	**4,027**	**4,180**	**100.0%**	**100.0%**	**(3.7%)**	**1,047**	**1,087**
Cost of revenues - services	(2,028)	(2,000)	(50.4%)	(47.8%)	1.4%	(527)	(520)
Cost of revenues - equipment	(674)	(763)	(16.7%)	(18.3%)	(11.7%)	(176)	(199)
Total cost of revenues	**(2,702)**	**(2,763)**	**(67.1%)**	**(66.1%)**	**(2.2%)**	**(703)**	**(719)**
Gross profit	**1,325**	**1,417**	**32.9%**	**33.9%**	**(6.5%)**	**344**	**368**
Selling and marketing expenses	(574)	(620)	(14.3%)	(14.8%)	(7.4%)	(149)	(161)
General and administrative expenses	(420)	(465)	(10.4%)	(11.1%)	(9.7%)	(109)	(121)
Other expenses, net	(21)	(22)	(0.5%)	(0.5%)	(4.5%)	(6)	(6)
Operating income	**310**	**310**	**7.7%**	**7.4%**	**0.0%**	**80**	**80**
Financing expenses, net	(150)	(177)	(3.7%)	(4.2%)	(15.3%)	(39)	(46)
Profit before taxes on income	**160**	**133**	**4.0%**	**3.2%**	**20.3%**	**41**	**34**
Taxes on income	(10)	(36)	(0.2%)	(0.9%)	(72.2%)	(2)	(9)
Net income	**150**	**97**	**3.7%**	**2.3%**	**54.6%**	**39**	**25**
Free cash flow	**416**	**494**	**10.3%**	**11.8%**	**(15.8%)**	**108**	**128**
EBITDA	**858**	**872**	**21.3%**	**20.9%**	**(1.6%)**	**223**	**227**

-4-

	Q4/2016	Q4/2015	Change%	Q4/2016	Q4/2015
	NIS million			US$ million (convenience translation)	
Total revenues	**984**	1,046	(5.9%)	**256**	272
Operating Income	**32**	79	(59.5%)	**8**	21
Net Income	**14**	19	(26.3%)	**4**	5
Free cash flow	**83**	121	(31.4%)	**22**	31
EBITDA	**173**	225	(23.1%)	**45**	59
EBITDA, as percent of total revenues	**17.6%**	21.5%	(18.1%)		

Main Financial Data by Operating Segments:

Starting from the first quarter of 2016, the Company presents its operations in two segments, "Cellular" segment and "Fixed-line" segment. These segments are managed separately for allocating resources and assessing performance purposes. The Company adjusted its operating segments reporting for prior periods on a retroactive basis, therefore the segment reporting for those periods reflect the new reporting format.

Cellular Segment - the segment includes the cellular communications services, end user cellular equipment and supplemental services.

Fixed-line segment - the segment includes landline telephony services, internet infrastructure and connectivity services, television services, end user fixed-line equipment and supplemental services.

	Cellular (*)			Fixed-line (**)			Consolidation adjustments (***)		Consolidated results		
			Change			Change					Change
NIS million	**2016**	**2015**	**%**	**2016**	**2015**	**%**	**2016**	**2015**	**2016**	**2015**	**%**
Total revenues	**2,998**	3,203	(6.4%)	**1,229**	1,181	4.1%	**(200)**	(204)	**4,027**	4,180	(3.7%)
Service revenues	**2,162**	2,273	(4.9%)	**1,071**	1,063	0.8%	**(200)**	(204)	**3,033**	3,132	(3.2%)
Equipment revenues	**836**	930	(10.1%)	**158**	118	33.9%	**-**	-	**994**	1,048	(5.2%)
EBITDA	**625**	601	4.0%	**233**	271	(14.0%)	**-**	-	**858**	872	(1.6%)
EBITDA, as percent of total revenues	**20.8%**	18.8%	10.6%	**19.0%**	22.9%	(17.0%)			**21.3%**	20.9%	1.9%

-5-

NIS million	Cellular (*)			Fixed-line (**)			Consolidation adjustments (***)		Consolidated results		
	Q4'16	Q4'15	Change %	Q4'16	Q4'15	Change %	Q4'16	Q4'15	Q4'16	Q4'15	Change %
Total revenues	**707**	779	(9.2%)	**327**	319	2.5%	**(50)**	(52)	**984**	1,046	(5.9%)
Service revenues	**502**	546	(8.1%)	**267**	263	1.5%	**(50)**	(52)	**719**	757	(5.0%)
Equipment revenues	**205**	233	(12.0%)	**60**	56	7.1%	**-**	-	**265**	289	(8.3%)
EBITDA	**117**	154	(24.0%)	**56**	71	(21.1%)	**-**	-	**173**	225	(23.1%)
EBITDA, as percent of total revenues	**16.5%**	19.8%	(16.7%)	**17.1%**	22.3%	(23.3%)			**17.6%**	21.5%	(18.1%)

(*) 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 (2016 full year compared to 2015):

Revenues for 2016 decreased 3.7% totaling NIS 4,027 million ($1,047 million), compared to NIS 4,180 million ($1,087 million) last year. The decrease in revenues is attributed to a 3.2% decrease in service revenues and a 5.2% decrease in equipment revenues.

Service revenues for 2016 totaled NIS 3,033 million ($789 million), a 3.2% decrease from NIS 3,132 million ($815 million) last year.

Service revenues in the cellular segment totaled NIS 2,162 million ($562 million) in 2016, a 4.9% decrease from NIS 2,273 million ($591 million) last year. This decrease resulted mainly from a decrease in cellular services revenues due to the ongoing erosion in the price of these services and churn of customers as a result of the competition in the cellular market. This decrease was partially offset by an increase in revenues from national roaming services.

Service revenues in the fixed-line segment totaled NIS 1,071 million ($279 million) in 2016, a 0.8% increase from NIS 1,063 million ($276 million) last year. This increase resulted mainly from an increase in revenues from the Internet and TV fields. Such increase was partially offset by a decrease in revenues from long distance calling services.

Equipment revenues totaled NIS 994 million ($258 million) in 2016, a 5.2% decrease compared to NIS 1,048 million ($272 million) last year. This decrease resulted mainly from a decrease in the quantity of end user equipment sold during 2016 in the cellular segment as compared to 2015. This decrease was partially offset by an increase in equipment sales in the fixed-line segment.

Cost of revenues totaled NIS 2,702 million ($703 million) in 2016, compared to NIS 2,763 million ($719 million) in 2015, a 2.2% decrease. This decrease resulted mainly from a decrease in costs of end user equipment sold, primarily as a result of a decrease in the quantity of end user equipment sold in cellular segment during 2016 as compared to 2015, which was partially offset by an increase in content costs related to the TV field and in costs related to the landline wholesale market.

Gross profit for 2016 decreased 6.5% to NIS 1,325 million ($344 million), compared to NIS 1,417 million ($368 million) in 2015. Gross profit margin for 2016 amounted to 32.9%, down from 33.9% in 2015.

Selling, Marketing, General and Administrative Expenses ("SG&A Expenses") for 2016 decreased 8.4% to NIS 994 million ($258 million), compared to NIS 1,085 million ($282 million) in 2015. This decrease is primarily a result of efficiency measures implemented by the Company, a one-time expense as a result of entering a collective employment agreement in 2015, and a decrease in depreciation and amortization expenses.

Other expenses for 2016 totaled NIS 21 million ($6 million), compared to other expenses of NIS 22 million ($6 million) in 2015. Other expenses for 2016 primarily include an expense for a new employee voluntary retirement plan in the amount of approximately NIS 13 million ($3 million), compared to an expense for the previous employee voluntary retirement plan in the amount of approximately NIS 25 million ($7 million) in 2015.

Operating income for 2016 is similar to 2015, NIS 310 million ($80 million). The decrease in the revenues was fully offset by a decrease in cost of revenues and Selling, Marketing, General and Administrative Expenses.

EBITDA for 2016 decreased by 1.6% totaling NIS 858 million ($223 million) compared to NIS 872 million ($227 million) in 2015. EBITDA for 2016, as a percent of revenues, totaled 21.3% up from 20.9% in 2015. The decrease in the EBITDA resulted mainly from the ongoing erosion in service revenues. The decrease was partially offset by a decrease in operating expenses, mainly as a result of efficiency measures implemented by the Company and from a one-time expense in 2015 as a result of entering a collective employment agreement.

Cellular segment EBITDA for 20