PFIZER INC
Form 4
September 17, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
LAMATTINA JOHN L

(Last) (First) (Middle)

PFIZER INC. ATT: CORPORATE SECRETARY, 235 EAST 42ND STREET

(Street)

NEW YORK, NY 10017

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PFIZER INC [PFE]

3. Date of Earliest Transaction (Month/Day/Year)
09/14/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities	8. Price of Derivativ

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)		Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		(Month/Day/Year)		(Instr. 3 and 4)		Security (Instr. 5)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stock Units SSP	(1)	09/14/2007		A		226		(2)	(2)	Common Stock	226	$ 24.2

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LAMATTINA JOHN L PFIZER INC. ATT: CORPORATE SECRETARY 235 EAST 42ND STREET NEW YORK, NY 10017			Senior Vice President	

Signatures

By: Lawrence A. Fox, by power of atty.	09/17/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each unit represents one phantom share of common stock.

(2) These units, which were acquired pursuant to the Pfizer Inc. Nonfunded Deferred Compensation and Supplemental Savings Plan, are settled in cash following the reporting person's separation from service and may be transferred by the reporting person into an alternative investment account at any time.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 1.47 Diluted earnings per share (in NIS) 1.01 0.69 0.20 0.43 0.45 0.13 1.47 Weighted-average number of shares used in the calculation of basic earnings per share (in shares) 100,604,578 100,605,503 100,605,503 100,604,578 100,606,203 100,606,203 100,604,578 W number of shares used in the calculation of diluted earnings per share (in shares) 100,604,578 101,340,873 101,340,873 100,705,952 101,265,547 101,265,547 100,698,306

* See Note 3 regarding the early adoption of IFRS 15, *Revenue from Contracts with Customers.*

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Cellcom Israel Ltd. and Subsidiaries

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six months ended June 30,		**Convenience translation into US dollar (Note 2D)** For the six months ended June 30,	For the three months ended June 30,		**Convenience translation into US dollar (Note 2D)** For the three months ended June 30,	For the year ended December 31,
	2016	2017	2017	2016	2017	2017	2016
	NIS millions		US$ millions	NIS millions		US$ millions	NIS millions
	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	(Audited)
Profit for the period	103	71	20	44	45	13	150
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss							
Changes in fair value of cash flow hedges transferred to profit or loss, net	–	–	–	–	–	–	1
Total other comprehensive income for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax	–	–	–	–	–	–	1
Other comprehensive income items that will not be transferred to profit or loss							
Re-measurement of defined benefit plan, net of tax	–	–	–	–	–	–	(1)
Total other comprehensive loss for the period that will not be transferred to profit or loss, net of tax	–	–	–	–	–	–	(1)
Total other comprehensive income for the period, net of tax	–	–	–	–	–	–	–
Total comprehensive income for the period	103	71	20	44	45	13	150
Total comprehensive income attributable to:							
Owners of the Company	102	70	20	44	45	13	148
Non-controlling interests	1	1	–	–	–	–	2
Total comprehensive income for the period	103	71	20	44	45	13	150

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Explanation of Responses:

Cellcom Israel Ltd. and Subsidiaries

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests	Total equity	Convenience translation into US dollar (Note 2D)
	Share capital	Capital reserve	Retained earnings	Total			
	NIS millions						US$ millions
For the six months ended June 30, 2017 (Unaudited)							
Balance as of January 1, 2017 (Audited)	1	(1)	1,322	1,322	18	1,340	383
Comprehensive income for the period							
Profit for the period	–	–	70	70	1	71	20
Transactions with owners, recognized directly in equity							
Share based payments	–	–	2	2	–	2	1
Derecognition of non-controlling interests due to loss of control in a consolidated company (see Note 8)	–	–	–	–	(15)	(15)	(4)
Balance as of June 30, 2017 (Unaudited)	1	(1)	1,394	1,394	4	1,398	400

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Retained earnings	Total		
	NIS millions					
For the six months ended June 30, 2016 (Unaudited)						
Balance as of January 1, 2016 (Audited)	1	(2)	1,170	1,169	16	1,185
Comprehensive income for the period						
Profit for the period	–	–	102	102	1	103
Transactions with owners, recognized directly in equity						
Share based payments	–	–	3	3	–	3
Dividend to non-controlling intererst in a subsidiary	–	–	–	–	(1)	(1)

Balance as of June 30, 2016 (Unaudited)	1	(2)	1,275	1,274	16	1,290

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Cellcom Israel Ltd. and Subsidiaries

Condensed Consolidated Interim Statements of Changes in Equity (cont'd)

	Attributable to owners of the Company				Non-controlling interests	Total equity	Convenience translation into US dollar (Note 2D)
	Share capital	Capital reserve	Retained earnings	Total			
	NIS millions						US$ millions
For the three months ended June 30, 2017 (Unaudited)							
Balance as of April 1, 2017 (Unaudited)	1	(1)	1,348	1,348	19	1,367	391
Comprehensive income for the period							
Profit for the period	–	–	45	45	–	45	13
Transactions with owners, recognized directly in equity							
Share based payments	–	–	1	1	–	1	–
Derecognition of non-controlling interests due to loss of control in a consolidated company (see Note 8)	–	–	–	–	(15)	(15)	(4)
Balance as of June 30, 2017 (Unaudited)	1	(1)	1,394	1,394	4	1,398	400

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Retained earnings	Total		
	NIS millions					
For the three months ended June 30, 2016 (Unaudited)						
Balance as of April 1, 2016 (Unaudited)	1	(2)	1,230	1,229	16	1,245
Comprehensive income for the period						
Profit for the period	–	–	44	44	–	44
Transactions with owners, recognized directly in equity						
Share based payments	–	–	1	1	–	1
Balance as of June 30, 2016 (Unaudited)	1	(2)	1,275	1,274	16	1,290

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Cellcom Israel Ltd. and Subsidiaries

Condensed Consolidated Interim Statements of Changes in Equity (cont'd)

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Retained earnings	Total		
	NIS millions					
For the year ended December 31, 2016 (Audited)						
Balance as of January 1, 2016 (Audited)	1	(2)	1,170	1,169	16	1,185
Comprehensive income for the year						
Profit for the year	–	–	148	148	2	150
Other comprehensive income (loss) for the year, net of tax	–	1	(1)	–	–	–
Transactions with owners, recognized directly in equity						
Share based payments	–	–	5	5	1	6
Dividend to non-controlling interest in a subsidiary	–	–	–	–	(1)	(1)
Balance as of December 31, 2016 (Audited)	1	(1)	1,322	1,322	18	1,340

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Cellcom Israel Ltd. and Subsidiaries

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended June 30,		Convenience translation into US dollar (Note 2D) For the six months ended June 30,	For the three months ended June 30,		Convenience translation into US dollar (Note 2D) For the three months ended June 30,	For the year ended December 31,
	2016	2017*	2017*	2016	2017*	2017*	2016
	NIS millions		US$ millions	NIS millions		US$ millions	NIS millions
	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	(Audited)
Cash flows from operating activities							
Profit for the period	103	71	20	44	45	13	150
Adjustments for:							
Depreciation and amortization	267	269	77	132	136	39	534
Share based payments	3	2	1	1	1	–	6
Loss (gain) on sale of property, plant and equipment	3	(2)	(1)	2	(2)	(1)	10
Gain on sale of shares in a consolidated company (see Note 8)	–	(10)	(3)	–	(10)	(3)	–
Income tax expenses	34	23	7	16	13	4	10
Financing expenses, net	68	75	21	44	44	12	150
							–
Changes in operating assets and liabilities:							
Change in inventory	22	3	1	15	6	2	21
Change in trade receivables (including long-term amounts)	(75)	104	30	(17)	44	13	(28)
Change in other receivables (including long-term amounts)	15	(166)	(47)	(17)	(14)	(3)	(5)
Changes in trade payables, accrued expenses and provisions	30	25	7	28	36	10	–
Change in other liabilities (including long-term amounts)	23	(13)	(4)	(15)	(7)	(2)	20
Income tax paid	(50)	(26)	(7)	(29)	(14)	(4)	(88)
Income tax received	–	–	–	–	–	–	1
Net cash from operating activities	443	355	102	204	278	80	781
Cash flows from investing activities							
Acquisition of property, plant and equipment	(151)	(237)	(67)	(83)	(144)	(42)	(295)

Acquisition of intangible assets	(41)	(94)	(27)	(19)	(47)	(13)	(73)
Change in current investments, net	(4)	(76)	(22)	(3)	(77)	(22)	(9)
Payments for other derivative contracts, net	–	(3)	(1)	–	(2)	(1)	–
Proceeds from sale of property, plant and equipment	1	–	–	1	–	–	2
Interest received	7	8	2	1	4	1	11
Proceeds from sale of shares in a consolidated company, net of cash disposed (see Note 8)	–	(8)	(2)	–	(8)	(2)	–
Net cash used in investing activities	(188)	(410)	(117)	(103)	(274)	(79)	(364)

* See Note 3 regarding the early adoption of IFRS 15, *Revenue from Contracts with Customers.*

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Cellcom Israel Ltd. and Subsidiaries

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

	For the six months ended June 30,		Convenience translation into US dollar (Note 2D) For the six months ended June 30,	For the three months ended June 30,		Convenience translation into US dollar (Note 2D) For the three months ended June 30,	For the year ended December 31,
	2016	2017 *	2017 *	2016	2017 *	2017 *	2016
	NIS millions		**US$ millions**	**NIS millions**		**US$ millions**	**NIS millions**
	(Unaudited)		**(Unaudited)**	**(Unaudited)**		**(Unaudited)**	**(Audited)**
Cash flows from financing activities							
Payments for derivative contracts, net	(6)	–	–	–	–	–	(13)
Long term loans from financial institutions	200	200	57	200	200	57	340
Repayment of debentures	(385)	(514)	(147)	–	–	–	(732)
Proceeds from issuance of debentures, net of issuance costs	250	–	–	–	–	–	653
Dividend paid	(1)	–	–	–	–	–	(1)
Interest paid	(92)	(86)	(25)	–	(8)	(2)	(185)
Net cash from (used in) financing activities	(34)	(400)	(115)	200	192	55	62
Changes in cash and cash equivalents	221	(455)	(130)	301	196	56	479
Cash and cash equivalents as at the beginning of the period	761	1,240	355	681	589	169	761
Cash and cash equivalents as at the end of the period	982	785	225	982	785	225	1,240

* See Note 3 regarding the early adoption of IFRS 15, *Revenue from Contracts with Customers.*

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 - General

A. Cellcom Israel Ltd. (the "Company") is a company incorporated and domiciled in Israel and its official address is 10 Hagavish Street, Netanya 4250708, Israel. The condensed consolidated interim financial statements of the Group as at June 30, 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group operates and maintains a cellular mobile telephone system in Israel and provides cellular and landline telecommunications services, internet infrastructure and connectivity services, international calls services and television over the internet services (known as Over the Top TV services, or OTT TV services). The Company is a subsidiary of Discount Investment Corporation (the parent company "DIC"), which is controlled by IDB Development Corporation Ltd., or IDB.

B. Material event in the reporting period - Change in estimate

In the reporting period, the Company has changed the expected useful life of certain intangible asset items. For further information, see Note 2E, regarding the basis of preparation of the financial statements.

Note 2 - Basis of Preparation

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2016 (hereinafter - “the annual financial statements”).

These condensed consolidated interim financial statements were authorized for issue by the Company’s Board of Directors on August 4, 2017.

B. Functional and presentation currency

These condensed consolidated financial statements are presented in New Israeli Shekel ("NIS"), which is the Group's functional currency, and are rounded to the nearest million. NIS is the currency that represents the primary economic environment in which the Group operates.

C. Basis of measurement

These condensed consolidated financial statements have been prepared on the basis of historical cost except for the following assets and liabilities: current investments and derivative financial instruments that are measured at fair value through profit or loss, deferred tax assets and liabilities, assets and liabilities in respect of employee benefits and provisions.

D. Convenience translation into U.S. dollars ("dollars" or "$")

For the convenience of the reader, the reported NIS figures as of and for the six and three month periods ended June 30, 2017, have been presented in dollars, translated at the representative rate of exchange as of June 30, 2017 (NIS 3.496 = US$ 1.00). The dollar amounts presented in these financial statements should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 2 - Basis of Preparation (cont'd)

E. Use of estimates and judgments

Except as described below, the estimates and underlying assumptions that were applied in the preparation of these interim financial statements are consistent with those applied in the preparation of the annual financial statements.

During the six and three month periods ended June 30, 2017, management has updated an estimate as follows:

Towards the end of the Company's 2G and 3G frequencies (the "Frequencies") original amortization period, the Company's annual depreciation committee examined the estimated useful life of the Frequencies. Based on Company's estimate, the Company will continue to use the Frequencies at least for the next 10 years.

The estimated useful life of the Frequencies was determined in the past according to the period of the Company's cellular license (until 2022).

According to applicable law, the Company's cellular license may be extended for additional 6-year periods, subject to the requirements set in the license. The Company estimates that based on its experience and acquaintance with the communications market in Israel, if current conditions continue, there is high probability that the license will be extended for an additional term of 6 years.

In light of the aforesaid, the estimated useful life of the Frequencies has been re-evaluated for the first time, for an additional period of ten years, starting from the beginning of the second quarter of 2017 and ending in 2028 (instead of 18-20 years ending in 2022, as originally estimated).

The effect of this change on the condensed consolidated interim financial statements, in current and future periods is as follows:

	For the six month period ended June 30, 2017	For the three month period ended June 30, 2017	For the six month period ending December 31, 2017	Subsequently
	(Unaudited) NIS Millions			
Decrease (increase) in depreciation expenses	4	4	8	(12)

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 2 - Basis of Preparation (cont'd)

F. Exchange rates and known Consumer Price Indexes are as follows:

	Exchange rates of US$	Consumer Price Index (points)*
As of June 30, 2017	**3.496**	**222.23**
As of June 30, 2016	3.846	220.46
As of December 31, 2016	3.845	220.68
Increase (decrease) during the period:		
Six months ended June 30, 2017	**(9.08%)**	**0.70%**
Six months ended June 30, 2016	(1.44%)	(0.40%)
Three months ended June 30, 2017	**(3.74%)**	**0.90%**
Three months ended June 30, 2016	2.12%	0.51%
Year ended December 31, 2016	(1.46%)	(0.30%)

*According to 1993 base index.

Note 3 - Significant Accounting Policies

Except as described below, the accounting policies of the Group in these condensed consolidated interim financial statements are the same as those applied in the annual financial statements.

Below is a description of the essence of the change made in the accounting policies used in the condensed consolidated interim financial statement and its effect:

Adoption of a new standard effective January 1, 2017

IFRS15, *Revenue from Contracts with Customers*

Effective January 1, 2017 the Group early adopted International Financial Reporting Standard 15 ("IFRS 15" or "the standard"), which provides guidance on revenue recognition.

The standard introduces a new five step model for recognizing revenue from contracts with customers:

1. Identifying the contract with the customer.
2. Identifying separate performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to separate performance obligations.
5. Recognizing revenue when the performance obligations are satisfied.

The standard was applied using the cumulative effect approach as from the initial date of application, with an adjustment to the balance of retained earnings as at January 1, 2017 and without restating comparative data.

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

In the framework of the initial application of the standard, the Group has chosen to apply the following expedients:

1. Application of the cumulative effect approach only for contracts not completed at the transition date; and

2. Examining the aggregate effect of contract changes that occurred before the date of initial application, instead of examining each change separately.

The main impact of the standard on the Group's financial statements is that customer acquisition costs are capitalized when it is expected that the Group will recover these costs, instead of recognizing these costs in profit or loss as incurred, as was done prior to the adoption of the standard. Accordingly, incremental incentives and commissions paid to Group employees and resellers for securing contracts with customers, are recognized as an asset and are amortized to profit or loss, in accordance with the expected service period from these contracts (over a period of 2-3 years). Such customer acquisition costs capitalization, is expected to have a material positive effect on the Group's results of operations in the coming years, which will be leveled off in later years.

In the statements of cash flows, customer acquisition costs paid are presented as part of cash flows used in investing activities.

The Group applies the practical exemption specified in the standard and recognizes customer acquisition costs in profit or loss when the expected amortization period of these costs is one year or less.

In respect of contracts which have not been concluded until the date of transition, such change did not have a material impact on the retained earnings at the initial date of application.

The tables below present the effects on the condensed consolidated interim statements of financial position as at June 30, 2017 and on the condensed consolidated interim statements of income for the six and three month periods then ended, assuming that the previous revenue recognition policy would have continued in that period:

The effect on the condensed consolidated interim statements of financial position as at June 30, 2017:

	According to the previous policy	Effect of the standard*	**According to IFRS 15**
	NIS millions (Unaudited)		
Intangible assets and others, net	1,180	48	1,228
Deferred tax liabilities	126	11	137
Retained earnings	1,357	37	1,394

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

The effect on the condensed consolidated interim statements of income for the six month period ended June 30, 2017:

	According to the previous policy	Effect of the standard*	According to IFRS 15
	NIS millions (Unaudited)		
Revenues	1,921	–	1,921
Cost of revenues	(1,330)	–	(1,330)
Gross profit	591	–	591
Selling and marketing expenses	(274)	48	(226)
General and administrative expenses	(208)	–	(208)
Other income, net	12	–	12
Operating profit	121	48	169
Financing income	26	–	26
Financing expenses	(101)	–	(101)
Financing expenses, net	(75)	–	(75)
Profit before taxes on income	46	48	94
Taxes on income	(12)	(11)	(23)
Profit for the period	34	37	71
Attributable to:			
Owners of the Company	33	37	70
Non-controlling interests	1	–	1
Profit for the period	34	37	71
Earnings per share			
Basic earnings per share (in NIS)	0.33	0.37	0.70
Diluted earnings per share (in NIS)	0.33	0.36	0.69

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

The effect on the condensed consolidated interim statements of income for the three month period ended June 30, 2017:

	According to the previous policy	Effect of the standard*	**According to IFRS 15**
	NIS millions (Unaudited)		
Revenues	962	–	962
Cost of revenues	(665)	–	(665)
Gross profit	297	–	297
Selling and marketing expenses	(132)	20	(112)
General and administrative expenses	(95)	–	(95)
Other income, net	12	–	12
Operating profit	82	20	102
Financing income	14	–	14
Financing expenses	(58)	–	(58)
Financing expenses, net	(44)	–	(44)
Profit before taxes on income	38	20	58
Taxes on income	(9)	(4)	(13)
Profit for the period	29	16	45
Attributable to:			
Owners of the Company	29	16	45
Non-controlling interests	–	–	–
Profit for the period	29	16	45

Earnings per share			
Basic earnings per share (in NIS)	0.29	0.16	0.45
Diluted earnings per share (in NIS)	0.29	0.16	0.45

* According to the standard, incremental costs of obtaining a contract with a customer are recognized as an asset when it is probable that the Group will recover those costs. Accordingly, incremental incentives and commissions paid to Group employees and resellers for securing contracts with customers, are recognized as an asset and amortized to profit or loss in accordance with the expected service period from these contracts.

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments

The Group operates in two reportable segments, as described below, which are the Group's strategic business units. The strategic business unit's allocation of resources and evaluation of performance are managed separately. The operating segments were determined based on internal management reports reviewed by the Group's chief operating decision maker (CODM). The CODM does not examine assets or liabilities for those segments and therefore, they are not presented.

Y Cellular segment - the segment includes the cellular communications services, cellular equipment and supplemental services.

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

The accounting policies of the reportable segments are the same as described in the annual financial statements in Note 3, regarding Significant Accounting Policies.

	Six-month period ended June 30, 2017* NIS millions (Unaudited)				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Segment EBITDA to profit for the period
External revenues	1,358	563	–	1,921	
Inter-segment revenues	7	84	(91)	–	
Segment EBITDA**	317	121			438
Reconciliation of reportable segment EBITDA to profit for the period					
Depreciation and amortization					(269)
Taxes on income					(23)

Financing income	26
Financing expenses	(101)
Share based payments	(2)
Other income	2
Profit for the period	71

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments (cont'd)

	Six-month period ended June 30, 2016 NIS millions (Unaudited)				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Segment EBITDA to profit for the period
External revenues	1,554	497	–	2,051	
Inter-segment revenues	8	90	(98)	–	
Segment EBITDA**	359	117			476
Reconciliation of reportable segment EBITDA to profit for the period					
Depreciation and amortization					(267)
Taxes on income					(34)
Financing income					28
Financing expenses					(96)
Share based payments					(3)
Other expenses					(1)
Profit for the period					103

	Three-month period ended June 30, 2017* NIS millions (Unaudited)				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Segment EBITDA to profit for the period
External revenues	670	292	–	962	
Inter-segment revenues	3	39	(42)	–	

Segment EBITDA**	158	79	237
Reconciliation of reportable segment EBITDA to profit for the period			
Depreciation and amortization			(136)
Taxes on income			(13)
Financing income			14
Financing expenses			(58)
Share based payments			(1)
Other income			2
Profit for the period			45

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments (cont'd)

	Three-month period ended June 30, 2016 NIS millions (Unaudited)				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Segment EBITDA to profit for the period
External revenues	780	249	–	1,029	
Inter-segment revenues	4	45	(49)	–	
Segment EBITDA**	181	57			238
Reconciliation of reportable segment EBITDA to profit for the period					
Depreciation and amortization					(132)
Taxes on income					(16)
Financing income					16
Financing expenses					(60)
Share based payments					(1)
Other expenses					(1)
Profit for the period					44

	Year ended December 31, 2016 NIS millions (Audited)				
	Cellular	Fixed-line	Reconciliation for consolidation	Consolidated	Reconciliation of subtotal Segment EBITDA to profit for the period
External revenues	2,981	1,046	–	4,027	
Inter-segment revenues	17	183	(200)	–	

Segment EBITDA**	625	233	–	858
Reconciliation of reportable segment EBITDA to profit for the year				
Depreciation and amortization				(534)
Taxes on income				(10)
Financing income				46
Financing expenses				(196)
Other expenses				(8)
Share based payments				(6)
Profit for the year				150

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 4 - Operating Segments (cont'd)

* See Note 3 regarding the early adoption of IFRS 15, *Revenue from Contracts with Customers.*

** Segment EBITDA as reviewed by the Group's CODM, represents earnings before interest (financing expenses, net), taxes, other income (expenses) (except for an expense in the amount of approximately NIS 13 million in respect of voluntary retirement plan for employees, which has been recorded in the second quarter of 2016 and a capital gain in the amount of approximately NIS 10 million due to a sale of a subsidiary which has been recorded in the second quarter of 2017 (see Note 8, regarding Sale of Indirect Subsidiary)), depreciation and amortization and share based payments, as a measure of operating profit. Segment EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

Note 5 - Debentures and Long-term Loans from Financial Institutions

Debentures

In June 2017, the Company entered into an agreement with certain Israeli institutional investors, according to which the Company irrevocably undertook to issue to the institutional investors, and the institutional investors irrevocably undertook to purchase from the Company, NIS 220 million aggregate principal amount of additional debentures of the existing series K debentures (which are listed on the Tel Aviv Stock Exchange, or TASE), on July 1, 2018, or the Agreed Date.

The price was set at NIS 1.011 for each Series K debenture (which bear a stated interest rate of 3.55% per annum) of NIS 1 principal amount, or a total consideration of approximately NIS 222 million, reflecting an effective interest yield of 3.6% per annum. The Company is required to pay a certain commitment fee to the institutional investors. In case the debentures' rating on the Agreed Date shall be il(A-) or below, the price shall be reduced to NIS 1.001 for each Series K debenture of NIS 1 principal amount.

The closing of the issuance will be subject to certain customary conditions, including: the receipt of the TASE's approval, the absence of any event of default under the series K debentures indenture, the Company having an Israeli shelf prospectus in force, and satisfaction of the conditions set out in the series K debentures indenture for the issuance of additional K debentures (meaning, aside from the no events of default condition detailed above, that the issuance of additional debentures itself will not cause a rating downgrade compared to the rating prior to such issuance, and that the Company meets the financial covenants applicable to the series K debentures on the date of such issuance and thereafter). In June 2017, the TASE granted the Company the said requisite approval.

In relation to the said offering, the Company's rating agency reaffirmed the rating of ilA+/stable for the Company and its debentures.

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 5 - Debentures and Long-term Loans from Financial Institutions (cont'd)

Long-term Loans from Financial Institutions

a. In June 2017, the Company entered into a loan agreement with an Israeli bank that provided the Company a similar loan in August 2015 (the "Lender" and the "2015 Loan Agreement", respectively), according to which the Lender has agreed, subject to certain customary conditions, to provide the Company a deferred loan in a principal amount of NIS 150 million, unlinked, which will be provided to the Company in March 2019, and will bear an annual fixed interest of 4%. The loan's principal amount will be payable in four equal annual payments on March 31 of each of the years 2021 through and including 2024 and the interest will be payable in ten semi-annual installments on March 31 and September 30 of each calendar year commencing September 30,2019 through and including March 31, 2024. Until the provision of the loan, the Company is required to pay the Lender a commitment fee.

The agreement includes similar terms and obligations to those included in the Company's August 2015 loan agreement (for additional details, see Note 17(2) to the annual financial statements, regarding long-term loans from financial institutions) and applies the right to demand immediate repayment of either or both agreements due to certain events of default under either agreement.

b. According to a loan agreement entered by the Company and two Israeli financial institutions in May 2015 (for additional details, see Note 17(2) to the annual financial statements, regarding long-term loans from financial institutions), in June 30, 2017 the second loan under the agreement in a principal amount of NIS 200 million was provided to the Company. The loan is without linkage and the principal amount bears an annual fixed interest of 5.1%. The loan's principal amount will be payable in four equal annual payments on June 30 of each of the years 2019 through 2022 (inclusive). The interest will be paid in ten semi-annual installments on June 30 and December 31, of each calendar year commencing December 31, 2017 through and including June 30, 2022.

Note 6 - Revenues

Composition

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2016	2017	2016	2017	2016
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Revenues from equipment	495	451	247	231	994
Revenues from services:					
Cellular services	1,059	915	537	446	2,025
Land-line communications services	431	486	215	252	871
Other services	66	69	30	33	137
Total revenues from services	1,556	1,470	782	731	3,033
Total revenues	2,051	1,921	1,029	962	4,027

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 7 - Financial Instruments

Fair value

(1) Financial instruments measured at fair value for disclosure purposes only

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, current investments, including derivatives, loans, trade and other payables, including derivatives and other long-term liabilities, are equal or approximate to their fair value.

The fair values of the remaining financial liabilities and their book values as presented in the consolidated statements of financial position are as follows:

	June 30, 2016		2017		December 31, 2016	
	Book value	Fair value*	Book value	Fair value*	Book value	Fair value*
	NIS millions		NIS millions		NIS millions	
Debentures including current maturities and accrued interest	(3,755)	(4,103)	(3,310)	(3,625)	(3,815)	(4,112)

* The fair value of marketable debentures is determined by reference to the market price at the reporting date (level 1), with the addition of principal and interest amounts, which were paid during the following month after the end of the reporting period.

(2) Fair value hierarchy of financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, using a valuation method in accordance with the fair value hierarchy level. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: inputs that are not based on observable market data (unobservable inputs).

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	NIS millions			
Financial assets at fair value through profit or loss				
Current investments in debt securities	354	–	–	354
Derivatives	–	6	–	6
Total assets	354	6	–	360
Financial liabilities at fair value				
Derivatives at fair value through profit or loss	–	(19)	–	(19)
Total liabilities	–	(19)	–	(19)

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 7 - Financial Instruments (cont'd)

(2) Fair value hierarchy of financial instruments measured at fair value (cont'd)

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	NIS millions			
Financial assets at fair value through profit or loss				
Current investments in debt securities	282	–	–	282
Derivatives	–	2	–	2
Total assets	282	2	–	284
Financial liabilities at fair value				
Derivatives at fair value through profit or loss	–	(29)	–	(29)
Total liabilities	–	(29)	–	(29)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	NIS millions			
Financial assets at fair value through profit or loss				
Current investments in debt securities	282	–	–	282
Derivatives	–	2	–	2
Total assets	282	2	–	284
Financial liabilities at fair value				
Derivatives at fair value through profit or loss	–	(17)	–	(17)
Total liabilities	–	(17)	–	(17)

During the reporting period, there have been no transfers between Levels 1 and 2.

(3) Valuation methods to determine fair value

Foreign currency options - fair value is measured based on the Black-Scholes formula.

Forward contracts - fair value is measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using market interest rates appropriate for similar instruments, including the adjustments required for the parties' credit risks.

Note 8 - 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. In June 2017, the sale of Netvision's holdings in Rimon was completed, following which the Company recorded a capital gain of approximately NIS 10 million. The consideration shall be paid to Netvision in several installments over a period of two years from the closing of the transaction.

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 9 - Commitments

In March 2017 and in April 2017, the Company's network sharing and hosting services agreements with Marathon 018 Xfone Ltd. (which has not entered the cellular market yet) and with Electra Consumer Products Ltd., or Electra, respectively, 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.

Upon completion of the Company's network sharing and hosting services agreement with Electra/Golan Telecom, or the Network Sharing Agreement, a loan in an amount of NIS 130 million was provided to Golan Telecom according to the terms of such agreement.

According to the terms of the Network Sharing Agreement, part of the consideration is recognized as revenues and part is recognized as a reduction of operation costs.

The Network Sharing Agreement includes a number of performance obligations for revenue recognition purposes:

- Right of Use (IRU) to Golan Telecom to the passive elements of the Company;
- Right of Use (IRU) to Golan Telecom in half of the existing active elements of the 3G and 4G network and 2G hosting services;
- Transmission services to Golan Telecom.

In addition, Golan Telecom shall pay the Company for participation in network expenses, according to a mechanism as set forth in the Network Sharing Agreement, including for development and operations services to the 3G and 4G shared network.

For additional details, see Note 30(6) to the annual financial statements.

Note 10 - Contingent Liabilities

In the ordinary course of business, the Group is involved in various lawsuits against it. The costs that may result from these lawsuits are only accrued for when it is more likely than not that a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded is based on a case-by-case assessment of the risk level, while events that occur in the course of the litigation may require a reassessment of this risk. The Group’s assessment of risk is based both on the advice of its legal counsels and on the Group's estimate of the probable settlements amounts that are expected to be incurred, if such settlements will be agreed by both parties. The provision recorded in the condensed consolidated interim financial statements as of June 30 2017, in respect of all lawsuits against the Group amounts to approximately NIS 56 million.

Described hereunder are details regarding new purported class actions which have been added during the reporting period or updates on lawsuits which were included in the annual financial statements. The amounts presented below are calculated based on the claims amounts as of the date of their submission to the Group and refer to the sum estimated by the plaintiffs, if the lawsuit is certified as a class action.

Consumer claims

In the ordinary course of business, lawsuits have been filed against the Group by its customers. These are mostly requests for approval of class action lawsuits, particularly concerning allegations of illegal collection of funds, unlawful conduct or breach of license, or a breach of agreements with customers, causing monetary and non-monetary damage to them. During the reporting period, five purported class actions have been filed against the Group (two of which were included in Note 31(1) to the annual financial statements): three purported class actions against the Group in the total sum estimated by the plaintiffs to be approximately NIS 18 million and two purported class actions against the Group, without specifying the amount claimed from the Group. At this early stage, it is not possible to assess their chances of success.

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

Note 10 - Contingent Liabilities (cont'd)

Consumer claims (cont'd)

During the reporting period, twelve purported class actions (six of which were reported as dismissed in Note 31(1) to the annual financial statements), were concluded: eight purported class actions against the Group for a total sum of approximately NIS 487 million, a purported class action against the Group, in which the amount claimed has not been quantified by the plaintiffs, two purported class actions against the Group and other defendants together in which the amount claimed has not been quantified by the plaintiffs and a purported class action for approximately NIS 6.7 billion, that has been filed against the Group and other defendants together.

In December 2016, the District court partially approved a request to certify a lawsuit filed against the Company in July 2014 as a class action, relating to an allegation that the commercial messages the Company sent to its subscribers failed to meet the requirements by applicable law. In January 2017, the plaintiffs appealed the dismissal of the allegations which were not approved, to the Supreme Court. The total amount claimed was estimated by the plaintiffs to be approximately NIS 21 million.

In January 2017, the District court partially approved a request to certify a lawsuit filed against the Group in February 2013 as a class action, relating to an allegation that the Group failed to disconnect customers within the time frame set in its license and applicable law. In March 2017, the plaintiffs appealed the dismissal of the allegations which were not approved, to the Supreme Court. The total amount claimed was estimated by the plaintiffs to be approximately NIS 72 million.

After the end of the reporting period, a purported class action has been filed against the Group, in a total amount estimated by the plaintiffs to be approximately NIS 272 million, if the lawsuit is certified as a class action. At this early stage it is not possible to assess its chances of success.

After the end of the reporting period, a purported class action against the Group and other defendants, in which the amount claimed has not been quantified by the plaintiffs, was concluded.

Described hereunder are purported class actions against the Group, in which the amount claimed was NIS 1 billion or more:

1. In March 2015, a purported class action in a total amount estimated by the plaintiffs to be approximately NIS 15 billion, if the lawsuit is certified as a class action, was filed against the Company, by plaintiffs alleging to be subscribers of the Company, in connection with allegations that the Company unlawfully violated the privacy of its subscribers. In February 2017, a settlement agreement was filed with the court and proceedings are still pending.

2. In December 2015, a purported class action was filed against the Company and two other defendants, alleging that the defendants unlawfully offer cellular pre-paid calling cards for very high prices by allegedly coordinating such prices among them. The total amount claimed from all defendants, including the Company, had the lawsuit been certified as a class action, was estimated by the plaintiffs to be approximately NIS 13 billion, out of which, based on the data specified in the lawsuit by the plaintiffs, an estimated amount of approximately NIS 6.7 billion was claimed from the Company. In September 2016, the purported class action was dismissed by the District Court. In November 2016, the plaintiffs filed an appeal regarding the District Court's decision and in January 2017, the Supreme Court dismissed their appeal.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELLCOM ISRAEL LTD.

Date:	August 4, 2017	By:	/s/ Liat Menahemi Stadler
		Name:	Liat Menahemi Stadler
		Title:	VP Legal and Corporate Secretary