Full End-To-End Service Communications Group

Mobile
- Appx. 2.8 million Mobile subs
  The largest cellular provider in Israel
- 26% Market\(^{(1)}\) share
- Leading brand in Israel's mobile market

Fixed line Residential
- Appx. 222k Broadband subs
- 170k TV subs\(^{(1)}\)
  (11% market share)
  Leading the TV revolution in Israel with OTT TV service
- Fixed line telephony
- International calls\(^{(1)}\)
  (25% market share)

Fixed line Business
- Cyber security
- Cloud services
- Transmission
- Hosting services
- Integration services

(1) As of Q4'17 based on companies' reports and Company's estimation
Strategy

- Transforming from a cellular company to a comprehensive telecom group
- Optimization of cost structure
- New Growth Engines
From
A cellular company
To a
Telecommunications Group
Cellular Segment
Maintaining Market Leadership

- Sales of bundled packages of cellular + fixed line products
  The first and only operator in Israel to offer quad play
- Upsale of data packages
- Sales of VAS products (cyber security, streaming music, backup, etc.)
Cellular Network Sharing Agreements

- The company signed a network hosting and sharing agreement with Golan Telecom (Israeli MNO) which came into effect at the beginning of Q2-2017.
- The Golan agreement is for a minimum 10 years with average annual payments of approx. M'NIS 210-220 per year.
- The company entered an additional hosting and sharing agreement with Xfone (New Israeli MNO) which did not commence its operations yet. The agreement (for the period of no less than 5 years) contains minimum annual payments, ranging between approx. M'NIS 20 in the first year and M'NIS 110 in the fifth year.*

* After the fifth year of the agreement, the payment mechanism between the parties changes.
TV Service
Reaching 11% Market Share in TV in Less than Three Years

- Launched new TV service in December 2014
- Hybrid solution of DTT linear TV plus OTT TV (VOD + channels)
- Over 10,000 VOD assets for unlimited usage
- Highly competitive price - NIS 99
  Attractive Quad and Triple play offers
- Multi screen strategy (IOS, Android smart tv, set top boxes, Apple tv)
- Cutting edge technology: full catch up and cloud PVR
- Advanced intuitive user experience
Offering The Top Channels Viewers Really Want

All the sports

Current events

The leading series
From
The leading studios

The world's leading children's channels

Entertainment, leisure, science and nature

Cellcom channels
Fast Growth in The TV Market
Cellcom tv subscribers since launch (Dec 2014)

TV Operations Profitable as of Q3'17
Continued Growth in Broadband

40% of wholesale market

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q2'15</th>
<th>Q3'15</th>
<th>Q4'15</th>
<th>Q1'16</th>
<th>Q2'16</th>
<th>Q3'16</th>
<th>Q4'16</th>
<th>Q1'17</th>
<th>Q2'17</th>
<th>Q3'17</th>
<th>Q4'17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>32</td>
<td>70</td>
<td>94</td>
<td>120</td>
<td>136</td>
<td>146</td>
<td>156</td>
<td>173</td>
<td>189</td>
<td>206</td>
<td>222</td>
</tr>
</tbody>
</table>
Fiber Deployment to The Home (FTTH)

- Optic fibers - the best infrastructure today for delivering fast and quality data

- Cellcom's fiber network will decrease wholesale expenses to Bezeq

- Optic fibers allow speeds of up to 1000 megabytes, and in the future they can reach 10,000 megabytes or more

- An independent fiber network enables better control over the product and service experience

- The basis for the fiber network is Cellcom's existing transmission network
Fiber Deployment to The Home (2)

- Cellcom commenced expanding its fiber optic network into residential areas.

- Holding negotiations with Partner Communications (Israeli MNO) regarding a potential long term cooperation agreement for the deployment of fiber infrastructure by both companies (1).

- Advanced its assessment of investing in IBC (A company that holds an exclusive right to deploy fiber over the electricity infrastructure in Israel), including the changes the Company requires for such an investment to materialize (2).

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(1) The conclusion of the agreement is subject to further negotiations between the parties and if concluded, the execution of the agreement will be subject to regulatory approvals. There is no assurance that the negotiations will be concluded nor that regulatory approvals will be received or that the agreement will be executed.

(2) There is no assurance that the Company and IBC will enter negotiations, that such negotiations if conducted shall be concluded into a binding agreement, or that such agreement, if entered, will receive the necessary regulatory approvals or be executed.
Aggressive Cost Reduction

- Reduction of head count
- Dealer commission reduction
- Reduction of advertising and sales promotion expenses
- IT systems and building maintenance expenses reduction
- Warranty and repair services expense reduction
- Reduction in ‘walk in center' branches and office space
IOT as a Growth Engine

IOT - The Internet Of Things
The ability to connect things in a smart way that will lead to efficiency, business growth and life quality improvement
The Cellcom Smart City Solution

Combination of various solutions including:

- Energy efficiency
- Waste management
- Sensors of environmental protection
- Water management
Cellcom "Smart City"
offers end-to-end solutions

- Own communications network
- Integration
- Information security
- Extensive knowledge and experience in providing various solutions
- Collaboration with leading vendors
IDF'S Home Front Command Tender for "Smart Shelters"

Cellcom won the tender for "Smart Shelters" - transferring 1,500 public shelters throughout Israel with communications and remote control capabilities, including:

- Remote control opening of the shelter
- Wi-Fi connection
- Public address system for delivering messages to those in the shelter

The solution chosen is based on solutions from some of the leading manufacturers in the market and meets the strictest and most stringent data security requirements.
## 2017 Key Financial Summary\(^{(1,2)}\)

<table>
<thead>
<tr>
<th>M'Nis</th>
<th>2016</th>
<th>2017</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>4,027</td>
<td>3,871</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Service Revenues</td>
<td>3,033</td>
<td>2,919</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Equipment Revenues</td>
<td>994</td>
<td>952</td>
<td>-4.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>858</td>
<td>853</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Net Income</td>
<td>150</td>
<td>113</td>
<td>-24.7%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>416</td>
<td>325</td>
<td>-21.9%</td>
</tr>
</tbody>
</table>

(1) As of the first quarter of 2017 the company applies IFRS 15
(2) All data should be reviewed in conjunction with the Company's press release and financial report for the fourth quarter of 2017
### Q4'17 Key Financial Summary

<table>
<thead>
<tr>
<th>M'Nis</th>
<th>Q4'16</th>
<th>Q4'17</th>
<th>YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>984</td>
<td>975</td>
<td>-0.9%</td>
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<tr>
<td>Service Revenues</td>
<td>719</td>
<td>712</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Equipment Revenues</td>
<td>265</td>
<td>263</td>
<td>-0.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>173</td>
<td>189</td>
<td>-9.2%</td>
</tr>
<tr>
<td>Net Income</td>
<td>14</td>
<td>10</td>
<td>-28.6%</td>
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<tr>
<td>Free Cash Flow</td>
<td>83</td>
<td>77</td>
<td>-7.2%</td>
</tr>
</tbody>
</table>

(1) As of the first quarter of 2017 the company applies IFRS 15  
(2) All data should be reviewed in conjunction with the Company's press release and financial report for the fourth quarter of 2017
Substantial Reduction of Financial Debt

M'NIS

Financial Debt, Net

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (M'NIS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4,553</td>
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<tr>
<td>2013</td>
<td>3,842</td>
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<tr>
<td>2014</td>
<td>2,951</td>
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<tr>
<td>2015</td>
<td>2,747</td>
</tr>
<tr>
<td>2016</td>
<td>2,547</td>
</tr>
<tr>
<td>2017</td>
<td>2,553</td>
</tr>
</tbody>
</table>
Contact us

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