MERRIMAC INDUSTRIES INC
Form SC 13D/A
February 04, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934 (Amendment No. 3)

Merrimac Industries, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

________590262101_________
(CUSIP Number)

Peter D. Goldstein
GAMCO Investors, Inc.
One Corporate Center
Rye, New York 10580-1435
(914) 921-5000
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

______________________ February 3, 2010________________________
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

1

CUSIP No. 590262101

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
Gabelli Funds, LLC I.D. No. 13-4044523

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00-Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e) X

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)

IA

2

CUSIP No. 590262101

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
GAMCO Asset Management Inc. I.D. No. 13-4044521

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00-Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	7	Sole voting power
Shares		None (Item 5)
Beneficially	8	Shared voting power
Owned		None
By Each	9	Sole dispositive power
Reporting		None (Item 5)
Person	10	Shared dispositive power
With		None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.00%

3

CUSIP No. 590262101

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
Teton Advisors, Inc. I.D. No. 13-4008049

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00 – Funds of investment advisory clients

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
Delaware

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.00%

14

Type of reporting person (SEE INSTRUCTIONS)
IA, CO

4

CUSIP No. 590262101

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
Gabelli Securities, Inc. I.D. No. 13-3379374

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00 – Client funds

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
Delaware

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)
HC, CO, IA

5

CUSIP No. 590262101

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
GGCP, Inc. I.D.
No. 13-3056041

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
None

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)

HC, CO

6

CUSIP No. 590262101

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
GAMCO Investors, Inc. I.D.
No. 13-4007862
Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
WC

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
New York

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)

HC, CO

7

CUSIP No. 590262101

1 Names of reporting persons
I.R.S. identification nos. of above persons (entities only)
Mario J. Gabelli

2 Check the appropriate box if a member of a group (SEE INSTRUCTIONS) (a)

(b)

3 Sec use only

4 Source of funds (SEE INSTRUCTIONS)
00 – Funds of a Private Entity

5 Check box if disclosure of legal proceedings is required pursuant to items 2 (d) or 2 (e)

6 Citizenship or place of organization
USA

Number Of	: 7	Sole voting power
Shares	:	None (Item 5)
Beneficially	: 8	Shared voting power
Owned	:	None
By Each	: 9	Sole dispositive power
Reporting	:	None (Item 5)
Person	:10	Shared dispositive power
With	:	None

11 Aggregate amount beneficially owned by each reporting person

None (Item 5)

12 Check box if the aggregate amount in row (11) excludes certain shares
(SEE INSTRUCTIONS)

13 Percent of class represented by amount in row (11)

0.00%

14 Type of reporting person (SEE INSTRUCTIONS)
IN

8

Item 1. Security and Issuer

This Amendment No. 3 to Schedule 13D on the Common Stock of Merrimac Industries, Inc. (the "Issuer") is being filed on behalf of the undersigned to amend the Schedule 13D, as amended (the "Schedule 13D"), which was originally filed on January 15, 2010. Unless otherwise indicated, all capitalized terms used herein but not defined herein shall have the same meaning as set forth in the Schedule 13D.

Item 2. Identity and Background

This statement is being filed by Mario J. Gabelli ("Mario Gabelli") and various entities which he directly or indirectly controls or for which he acts as chief investment officer. These entities engage in various aspects of the securities business, primarily as investment adviser to various institutional and individual clients, including registered investment companies and pension plans, and as general partner of various private investment partnerships. Certain of these entities may also make investments for their own accounts.

The foregoing persons in the aggregate often own beneficially more than 5% of a class of a particular issuer. Although several of the foregoing persons are treated as institutional investors for purposes of reporting their beneficial ownership on the short-form Schedule 13G, the holdings of those who do not qualify as institutional investors may exceed the 1% threshold presented for filing on Schedule 13G or implementation of their investment philosophy may from time to time require action which could be viewed as not completely passive. In order to avoid any question as to whether their beneficial ownership is being reported on the proper form and in order to provide greater investment flexibility and administrative uniformity, these persons have decided to file their beneficial ownership reports on the more detailed Schedule 13D form rather than on the short-form Schedule 13G and thereby to provide more expansive disclosure than may be necessary.

(a), (b) and (c) - This statement is being filed by one or more of the following persons: GGCP, Inc. ("GGCP"), GAMCO Investors, Inc. ("GBL"), Gabelli Funds, LLC ("Gabelli Funds"), GAMCO Asset Management Inc. ("GAMCO"), Teton Advisors, Inc. ("Teton Advisors"), Gabelli Securities, Inc. ("GSI"), Gabelli & Company, Inc. ("Gabelli & Company"), MJG Associates, Inc. ("MJG Associates"), Gabelli Foundation, Inc. ("Foundation"), MJG-IV Limited Partnership ("MJG-IV"), and Mario Gabelli. Those of the foregoing persons signing this Schedule 13D are hereafter referred to as the "Reporting Persons".

GGCP makes investments for its own account and is the controlling shareholder of GBL. GBL, a public company listed on the New York Stock Exchange, is the parent company for a variety of companies engaged in the securities business, including those named below.

GAMCO, a wholly-owned subsidiary of GBL, is an investment adviser registered under the Investment Advisers Act of 1940, as amended ("Advisers Act"). GAMCO is an investment manager providing discretionary managed account services for employee benefit plans, private investors, endowments, foundations and others.

GSI, a majority-owned subsidiary of GBL, is an investment adviser registered under the Advisers Act and serves as a general partner or investment manager to limited partnerships and offshore investment companies. As a part of its business, GSI may purchase or sell securities for its own account. GSI is the general partner or investment manager of a number of funds or partnerships, including Gabelli Associates Fund, Gabelli Associates Fund II, Gabelli Associates Limited, ALCE Partners, L.P., Gabelli Capital Structure Arbitrage Fund LP, Gabelli Capital Structure Arbitrage Fund Limited, Gabelli Global Partners L.P., Gabelli Intermediate Credit Fund L.P., Gabelli Japanese Value Partners L.P., GAMA Select Energy + L.P., GAMCO Medical Opportunities L.P., GAMCO Long/Short Equity Fund, L.P. and Gabelli Multimedia Partners, L.P. GSI and Marc Gabelli own 45% and 55%, respectively, of Gabelli Securities International Limited ("GSIL"). GSIL provides investment advisory services to offshore funds and accounts. GSIL is an investment advisor of Gabelli International Gold Fund Limited and Gabelli Global Partners, Ltd.

Gabelli & Company, a wholly-owned subsidiary of GSI, is a broker-dealer registered under the Securities Exchange Act of 1934, as amended ("1934 Act"), which as a part of its business regularly purchases and sells securities for its own account.

Gabelli Funds, a wholly owned subsidiary of GBL, is a limited liability company. Gabelli Funds is an investment adviser registered under the Advisers Act which presently provides discretionary managed account services for The Gabelli Equity Trust Inc., The Gabelli Asset Fund, The GAMCO Growth Fund, The Gabelli Convertible and Income Securities Fund Inc., The Gabelli Value Fund Inc., The Gabelli Small Cap Growth Fund, The Gabelli Equity Income

Fund, The Gabelli ABC Fund, The GAMCO Global Telecommunications Fund, GAMCO Gold Fund, Inc., The Gabelli Global Multimedia Trust Inc., The GAMCO Global Convertible Securities Fund, Gabelli Capital Asset Fund, GAMCO International Growth Fund, Inc., The GAMCO Global Growth Fund, The Gabelli Utility Trust, The GAMCO Global Opportunity Fund, The Gabelli Utilities Fund, The Gabelli Blue Chip Value Fund, The GAMCO Mathers Fund, The Gabelli Woodland Small Cap Value Fund, The Comstock Capital Value Fund, The Gabelli Dividend and Income Trust, The Gabelli Global Utility & Income Trust, The Gabelli Global Gold, Natural Resources, & Income Trust, The Gabelli Global Deal Fund, Gabelli Enterprise M&A Fund, The Gabelli SRI Green Fund, Inc. and The Gabelli Healthcare & Wellness Rx Trust (collectively, the "Funds"), which are registered investment companies.

Teton Advisors, an investment adviser registered under the Advisers Act, provides discretionary advisory services to The GAMCO Westwood Mighty Mitessm Fund, The GAMCO Westwood Income Fund and The GAMCO Westwood SmallCap Equity Fund.

MJG Associates provides advisory services to private investment partnerships and offshore funds. Mario Gabelli is the sole shareholder, director and employee of MJG Associates. MJG Associates is the Investment Manager of Gabelli International Limited and Gabelli Fund, LDC. Mario J. Gabelli is the general partner of Gabelli Performance Partnership, LP.

The Foundation is a private foundation. Mario Gabelli is the Chairman, a Trustee and the Investment Manager of the Foundation. Elisa M. Wilson is the President of the Foundation.

Mario Gabelli is the majority stockholder, Chief Executive Officer and a director of GGCP and Chairman and Chief Executive Officer of GBL. Mario Gabelli is also deemed to be the controlling shareholder of Teton through his control of GGCP and MJG-IV.

The Reporting Persons do not admit that they constitute a group.

GBL, GAMCO, and Gabelli & Company are New York corporations and GSI and Teton Advisors are Delaware corporations, each having its principal business office at One Corporate Center, Rye, New York 10580. GGCP is a Wyoming corporation having its principal business office at 140 Greenwich Avenue, Greenwich, CT 06830. Gabelli Funds is a New York limited liability company having its principal business office at One Corporate Center, Rye, New York 10580. MJG Associates is a Connecticut corporation having its principal business office at 140 Greenwich Avenue, Greenwich, CT 06830. The Foundation is a Nevada corporation having its principal offices at 165 West Liberty Street, Reno, Nevada 89501.

For information required by instruction C to Schedule 13D with respect to the executive officers and directors of the foregoing entities and other related persons (collectively, "Covered Persons"), reference is made to Schedule I annexed hereto and incorporated herein by reference.

(e) - On April 24, 2008, Gabelli Funds settled an administrative proceeding with the Securities and Exchange Commission ("Commission") regarding frequent trading in shares of a mutual fund it advises, without admitting or denying the findings or allegations of the Commission. The inquiry involved Gabelli Funds' treatment of one investor who had engaged in frequent trading in one fund (the prospectus of which did not at that time impose limits on frequent trading), and who had subsequently made an investment in a hedge fund managed by an affiliate of Gabelli Funds. The investor was banned from the fund in August 2002, only after certain other investors were banned. The principal terms of the settlement include an administrative cease and desist order from violating Section 206(2) of the Investment Advisers Act of 1940, Section 17(d) of the Investment Company Act of 1940 ("Company Act"), and Rule 17d-1 thereunder, and Section 12(d)(1)(B)(1) of the Company Act, and the payment of $11 million in disgorgement and prejudgment interest and $5 million in a civil monetary penalty. Gabelli Funds was also required to retain an independent distribution consultant to develop a plan and oversee distribution to shareholders of the monies paid to the Commission, and to make certain other undertakings.

In September 2008, Gabelli Funds reached agreement in principle with the staff of the Commission, subject to Commission approval, on a previously disclosed matter that had been ongoing for several years involving compliance with Section 19(a) of the Investment Company Act of 1940 and Rule 19a-1 thereunder by two closed-end funds. The agreement was finalized with the Commission on January 12, 2009. The provisions of Section 19(a) and Rule 19a-1 require registered investment companies, when making a distribution in the nature of a dividend from sources other than net investment income, to contemporaneously provide written statements to shareholders that adequately disclose the source or sources of such distribution. While the two funds sent annual statements and provided other materials containing this information, the shareholders did not receive the notices required by Rule 19a-1 with any of the distributions that were made for 2002 and 2003. Gabelli Funds believes that the funds have been in compliance with Section 19(a) and Rule 19a-1 since the beginning of 2004. As part of the settlement, in which Gabelli Funds neither admits nor denies the findings by the Commission, Gabelli Funds agreed to pay a civil monetary penalty of $450,000 and to cease and desist from causing violations of Section 19(a) and Rule 19a-1. In connection with the settlement, the Commission noted the remedial actions previously undertaken by Gabelli Funds.

(f) - Reference is made to Schedule I hereto.

Item 5. Interest In Securities Of The Issuer

Item 5 to Schedule 13D is amended, in pertinent part, as follows:

(a) As a result of the acquisition by Crane Co. of more than 90 percent of the Issuer's common stock, the Reporting Persons no longer have beneficial ownership
of any of the Issuer's shares.

(c) Information with respect to all transactions in the Securities which were effected during the past sixty days or since the most recent filing on Schedule 13D, whichever is less, by each of the Reporting Persons and Covered Persons is set forth on Schedule II annexed hereto and incorporated herein by reference.

(e) The Reporting Persons ceased to be beneficial owners of 5% or more of the Issuer's common stock on February 3, 2010.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 4, 2010

GGCP, INC.
MARIO J. GABELLI

By:/s/ Douglas R. Jamieson
Douglas R. Jamieson
Attorney-in-Fact

GABELLI FUNDS, LLC
TETON ADVISORS, INC.

By:/s/ Bruce N. Alpert
Bruce N. Alpert
Chief Operating Officer – Gabelli Funds, LLC
Chairman – Teton Advisors, Inc.

GAMCO ASSET MANAGEMENT INC.
GAMCO INVESTORS, INC.
GABELLI SECURITIES, INC.

By:/s/ Douglas R. Jamieson
Douglas R. Jamieson
President & Chief Operating Officer – GAMCO Investors, Inc.
President – GAMCO Asset Management Inc.
President – Gabelli Securities, Inc.

Schedule I
Information with Respect to Executive
Officers and Directors of the Undersigned
Schedule I to Schedule 13D is amended, in pertinent part, as follows:

The following sets forth as to each of the executive officers and directors of the undersigned: his name; his business address; his present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted. Unless otherwise specified, the principal employer of each such individual is GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., Gabelli & Company, Inc., Teton Advisors, Inc., or GAMCO Investors, Inc., the business address of each of which is One Corporate Center, Rye, New York 10580, and each such individual identified below is a citizen of the United States. To the knowledge of the undersigned, during the last five years, no such person has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), and no such person was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which he was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities law or finding any violation with respect to such laws except as reported in Item 2(d) and (e) of this Schedule 13D.

GGCP, Inc.
Directors:

Mario J. Gabelli	Chief Executive Officer of GGCP, Inc., and Chairman & Chief Executive Officer of GAMCO Investors, Inc.; Director/Trustee of all registered investment companies advised by Gabelli Funds, LLC.

Officers:

Mario J. Gabelli	President and Chief Executive Officer
Michael G. Chieco	Vice President, Chief Financial Officer, Secretary
Silvio A. Berni	Vice President Corporate Development and Controller

GAMCO Investors, Inc.
Directors:

Edwin L. Artzt	Former Chairman and Chief Executive Officer Procter & Gamble Company 900 Adams Crossing Cincinnati, OH 45202
Raymond C. Avansino	Chairman & Chief Executive Officer E.L. Wiegand Foundation Reno, NV 89501
Richard L. Bready	Chairman and Chief Executive Officer Nortek, Inc. 50 Kennedy Plaza Providence, RI 02903
Mario J. Gabelli	See above
Elisa M. Wilson	Director
Eugene R. McGrath	Former Chairman and Chief Executive Officer Consolidated Edison, Inc.
Robert S. Prather	President & Chief Operating Officer Gray Television, Inc. 4370 Peachtree Road, NE Atlanta, GA 30319

Officers:

Mario J. Gabelli	Chairman and Chief Executive Officer
Douglas R. Jamieson	President and Chief Operating Officer

Henry G. Van der Eb	Senior Vice President
Bruce N. Alpert	Senior Vice President
Jeffrey M. Farber	Executive Vice President and Chief Financial Officer
Christopher Michailoff	Acting Secretary

GAMCO Asset Management Inc.
Directors:

Douglas R. Jamieson
Regina M. Pitaro
William S. Selby

Officers:

Mario J. Gabelli	Chief Investment Officer – Value Portfolios
Douglas R. Jamieson	President
Jeffrey M. Farber	Chief Financial Officer
Chistopher J. Michailoff	General Counsel and Secretary

Gabelli Funds, LLC
Officers:

Mario J. Gabelli	Chief Investment Officer – Value Portfolios
Bruce N. Alpert	Executive Vice President and Chief Operating Officer
Agnes Mullady	Vice President and President Closed-End Fund Division

Teton Advisors, Inc.
Directors:

Bruce N. Alpert	Chairman
Douglas R. Jamieson	See above
Nicholas F. Galluccio	Chief Executive Officer and President
Alfred W. Fiore	1270 Avenue of the Americas 20th Floor New York, NY 10020

Edward T. Tokar	Beacon Trust Senior Managing Director 333 Main Street Madison, NJ 07940
Howard F. Ward	Portfolio Manager GAMCO Investors, Inc. One Corporate Center Rye, NY 10580

Officers:

Bruce N. Alpert	See above
Nicholas F. Galluccio	See above
Jeffrey M. Farber	Chief Financial Officer

Gabelli Securities, Inc.

Directors:

Robert W. Blake	President of W. R. Blake & Sons, Inc. 196-20 Northern Boulevard Flushing, NY 11358
Douglas G. DeVivo	General Partner of ALCE Partners, L.P. One First Street, Suite 16 Los Altos, CA 94022
Douglas R. Jamieson	President

Officers:

Douglas R. Jamieson	See above
Christopher J. Michailoff	Secretary
Jeffrey M. Farber	Chief Financial Officer

Gabelli & Company, Inc.
Directors:

James G. Webster, III	Chairman & Interim President
Irene Smolicz	Senior Trader Gabelli & Company, Inc.

Officers:	
James G. Webster, III	See Above
Bruce N. Alpert	Vice President - Mutual Funds
Diane M. LaPointe	Treasurer
Douglas R. Jamieson	Secretary

Gabelli Foundation, Inc.	
Officers:	
Mario J. Gabelli	Chairman, Trustee & Chief Investment Officer
Elisa M. Wilson	President

MJG-IV Limited Partnership	
Officers:	
Mario J. Gabelli	General Partner

SCHEDULE II
INFORMATION WITH RESPECT TO
TRANSACTIONS EFFECTED DURING THE PAST SIXTY DAYS OR
SINCE THE MOST RECENT FILING ON SCHEDULE 13D (1)

DATE	SHARES PURCHASED SOLD(-)	AVERAGE PRICE(2)
COMMON STOCK-MERRIMAC INDUSTRIES INC.		
GABELLI SECURITIES, INC.		
2/03/10	2,500-	16.0000
GABELLI ASSOCIATES LIMITED		
2/03/10	29,500-	16.0000
GABELLI ASSOCIATES FUND II		
2/03/10	7,600-	16.0000
GABELLI ASSOCIATES FUND		
2/03/10	82,538-	16.0000
GAMCO ASSET MANAGEMENT INC.		
2/03/10	112,000-	16.0000
TETON ADVISORS, INC.		
2/03/10	50,000-	16.0000
GABELLI FUNDS, LLC.		
THE GABELLI GLOBAL DEAL FUND		
2/03/10	65,200-	16.0000
GABELLI ABC FUND		
2/03/10	26,900-	16.0000

(1) UNLESS OTHERWISE INDICATED, ALL TRANSACTIONS WERE EFFECTED ON THE AMEX.

(2) PRICE EXCLUDES COMMISSION.

(3) THE TRANSACTIONS ON 2/03/10 WERE A RESULT OF ACQUISITION OF THE ISSUER BY CRANE CO. FOR $16.00 PER SHARE.

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(17
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(17
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-

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-

-

Other long-term liabilities

(12
)

(12
)

-

(12
)

-

-

-

(4,308
)

(4,854
)

(1,562
)

(736
)

(614

)

(954
)

(988
)

* Including accrued interest on debentures.

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Note 21 - Financial Instruments (cont'd)

Currency risk and CPI

The Group's exposure to foreign currency risk and CPI is as follows:

	December 31, 2017			December 31, 2018		
	In or linked to foreign currencies (mainly USD)	Linked to CPI	Unlinked	In or linked to foreign currencies (mainly USD)	Linked to CPI	Unlinked
	NIS millions			NIS millions		
Current assets						
Cash and cash equivalents	29	-	498	13	-	1,189
Current investments, including derivatives	13	135	181	20	171	177
Trade receivables	61	-	1,219	56	-	1,096
Other receivables	-	-	8	-	1	1
Non- current assets						
Long-term receivables	-	54	495	-	57	449
Current liabilities						
Current maturities of debentures and of loans from financial institutions	-	(322)	(297)	-	(328)	(292)
Trade payables and accrued expenses	(115)	-	(537)	(182)	-	(514)
Other current liabilities, including derivatives	(1)	(42)	(161)	-	(20)	(164)
Non- current liabilities						
Long-term loans from financial institutions	-	-	(462)	-	-	(334)
Debentures	-	(1,288)	(1,071)	-	(998)	(1,914)
Other non-current liabilities	(1)	-	(11)	(12)	-	-
	(14)	(1,463)	(138)	(105)	(1,117)	(306)

The Group's exposure to linkage and foreign currency risk in respect of derivatives is as follows:

	December 31, 2018			
	Currency/ linkage receivable	Currency/ linkage payable	Notional Value	Fair value
			NIS millions	
Instruments not used for hedging				
Forward exchange contracts on foreign currencies	USD	NIS	203	4
Forward exchange contracts on CPI	CPI	NIS	400	(1)

Foreign currency put options	NIS	USD	(147)	-
Embedded derivative in lease contracts	USD	NIS	15	1

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 21 - Financial Instruments (cont'd)

Currency risk and CPI (cont'd)

	December 31, 2017			
	Currency/ linkage receivable	Currency/ linkage payable	Notional Value	Fair value
			NIS millions	
Instruments not used for hedging				
Forward exchange contracts on foreign currencies	USD	NIS	105	(1)
Forward exchange contracts on CPI	CPI	NIS	500	(17)
Foreign currency put options	NIS	USD	(105)	1
Embedded derivative in lease contracts	USD	NIS	16	2

Sensitivity analysis

A change of the CPI as at December 31, 2018 and 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Change	Equity NIS millions	Net income NIS millions
December 31, 2018			
Increase in the CPI of	2.0%	(11)	(11)
Increase in the CPI of	1.0%	(6)	(6)
Decrease in the CPI of	(1.0)%	2	2
Decrease in the CPI of	(2.0)%	1	1
December 31, 2017			
Increase in the CPI of	2.0%	(9)	(9)
Increase in the CPI of	1.0%	(2)	(2)
Decrease in the CPI of	(1.0)%	-	-
Decrease in the CPI of	(2.0)%	-	-

Sensitivity of change in foreign exchange rate is immaterial as at December 31, 2018 and 2017.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments, not including derivatives, was:

	Carrying amount	
	2017	2018
	NIS millions	NIS millions
Fixed rate instruments		
Financial assets	679	355
Financial liabilities	(3,440)	(3,865)
	(2,761)	(3,510)
Variable rate instruments		
Financial assets	221	1,179

Cellcom Israel Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 21 - Financial Instruments (cont'd)

Fair value sensitivity analysis for fixed rate instruments
A change of interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity				Profit or loss			
	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease
	NIS millions				NIS millions			
December 31, 2018								
Fair value sensitivity (net)	(10)	10	(5)	5	(10)	10	(5)	5

	Equity				Profit or loss			
	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease	1.0% increase	1.0% decrease	0.5% increase	0.5% decrease
	NIS millions				NIS millions			
December 31, 2017								
Fair value sensitivity (net)	(9)	9	(5)	5	(9)	9	(5)	5

Cash flow sensitivity analysis for variable rate instruments
A change of 1% in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by immaterial amounts.

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, 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:

	December 31, 2017		December 31, 2018	
	Book value	Fair value	Book value	Fair value
	NIS millions		NIS millions	
Debentures including current maturities and accrued interest	(2,954)	(3,288)*	(3,466)	(3,585)*
Long-term loans from financial institutions including current maturities and accrued interest	(540)	(574)	(462)	(479)

* The fair value as of December 31, 2018 includes principal and interest in a total sum of approximately NIS 373 million, paid in January 2019, after the end of the reporting period. The fair value as of December 31, 2017 includes principal and interest in a total sum of approximately NIS 418 million, paid in January 2018.

The fair value of marketable debentures is determined by reference to the quoted closing asking 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.

Note 21 - Financial Instruments (cont'd)

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

The table below analysis financial instruments carried at fair value, by valuation method, to the different levels.

	December 31, 2018			
	Level 1 NIS millions	Level 2 NIS millions	Level 3 NIS millions	Total NIS millions
Financial assets at fair value through profit or loss				
Current investments in debt securities and shares	398	-	-	398
Derivatives	-	6	-	6
Total assets	398	6	-	404
Financial liabilities at fair value through profit or loss				
Derivatives	-	(1)	-	(1)
Total liabilities	-	(1)	-	(1)

There have been no transfers during the year between Levels 1 and 2.

	December 31, 2017			
	Level 1 NIS millions	Level 2 NIS millions	Level 3 NIS millions	Total NIS millions
Financial assets at fair value through profit or loss				
Current investments in debt securities and shares	361	-	-	361
Derivatives	-	3	-	3
Total assets	361	3	-	364
Financial liabilities at fair value through profit or loss				
Derivatives	-	(18)	-	(18)
Total liabilities	-	(18)	-	(18)

(3) Details regarding fair value measurement at Level 2

Financial instrument	Valuation method for determining fair value
Forward contracts	Fair value 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 adjustment required for the parties' credit risks.
	Fair value is measured based on the Black-Scholes formula.

Foreign
currency
options

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 21 - Financial Instruments (cont'd)

(4) Offset of financial assets and financial liabilities

The following table sets out the carrying amounts of recognized financial instruments that were offset in the consolidated statements of financial position:

	December 31, 2018			
	Note	Gross amounts of recognized financial assets (liabilities)	Gross amounts of financial assets (liabilities) recognized and offset in the consolidated statements of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statements of financial position
		NIS millions	NIS millions	NIS millions
Financial assets				
Trade receivables	9	160	(125)	35
Financial liabilities				
Trade payables and accrued expenses	13	(144)	125	(19)

	December 31, 2017			
	Note	Gross amounts of recognized financial assets (liabilities)	Gross amounts of financial assets (liabilities) recognized and offset in the consolidated statements of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statements of financial position
		NIS millions	NIS millions	NIS millions
Financial assets				
Trade receivables	9	170	(123)	47

Financial liabilities				
Trade payables and accrued expenses	13	(149)	123	(26)

Share price risk - sensitivity analysis

The Group's investments in securities include investments in equity instruments. The sensitivity analysis below presents the effect of a change in share prices on the fair value of securities held by the Group, assuming that all other variables remain constant.

A change in share prices would have increased (decreased) profit or loss and equity by the amounts shown below (after tax):

	December 31, 2018	
	NIS millions	
	Profit or loss	Equity
Increase of 5%	1	1
Increase of 10%	3	3
Decrease of 5%	(1)	(1)
Decrease of 10%	(3)	(3)

Cellcom Israel Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 22 - Revenues

By type of revenue:

	Year ended December 31,		
	2016	2017	2018
	NIS millions	NIS millions	NIS millions
Revenues from equipment	994	952	904
Revenues from services:			
Cellular services	2,025	1,777	1,581
Land-line communications services	871	1,004	1,068
Other services	137	138	135
Total revenues from services	3,033	2,919	2,784
Total revenues	4,027	3,871	3,688

Note 23 - Cost of Revenues

Composition

	Year ended December 31,		
	2016	2017	2018
	NIS millions	NIS millions	NIS millions
According to source of income:			
Cost of revenues from equipment	674	645	642
Cost of revenues from services	2,028	2,035	2,019
	2,702	2,680	2,661
According to its components:			
Cost of revenues from equipment	674	645	642
Rent and related expenses	321	281	271
Salaries and related expenses	241	224	217
Fees to communications operators	732	767	783
Cost of content and value added services	168	212	223
Depreciation and amortization	396	412	390
Royalties and fees	93	86	84
Other	77	53	51
Total cost of revenues from services	2,028	2,035	2,019
	2,702	2,680	2,661

Note 24 - Selling and Marketing Expenses

Composition

	Year ended December 31,		
	2016	2017	2018
	NIS millions	NIS millions	NIS millions
Salaries and related expenses	257	241	277
Commissions	179	88	85
Advertising and public relations	44	36	38
Depreciation and amortization	20	33	86
Other	74	81	81
	574	479	567

Note 25 - General and Administrative Expenses

Composition

	Year ended December 31,		
	2016	2017	2018
	NIS millions	NIS millions	NIS millions
Salaries and related expenses	123	124	81
Depreciation and amortization	118	110	108
Rent and maintenance	55	51	46
Data processing and professional services	39	36	34
Allowance for doubtful accounts	33	46	37
Other	52	59	54
	420	426	360

Note 26 - Other Income (Expenses), net

Composition

	Year ended December 31,		
	2016	2017	2018
	NIS millions	NIS millions	NIS millions
Other Income (Expenses), net	(21)	11	(26)

In May 2018, the Group, in collaboration with the employees' representatives, launched a new voluntary retirement plan for employees, following which, the Company recorded an expense in an amount of approximately NIS 26 million in the second quarter of 2018 with respect to employees who joined this plan. (in 2016 the Group has recorded an expense from voluntary retirement plans for employees in an amount of approximately NIS 13 million).

Other Income, net, for 2017 mainly includes a NIS 10 million capital gain from the sale of an indirect subsidiary of the Company. (The total consideration of the sale is approximately NIS 25 million)

Note 27 - Financing Income and Expenses

Composition

	Year ended December 31,		
	2016	2017	2018
	NIS millions	NIS millions	NIS millions
Interest income from installment sale transactions	38	31	27
Net change in fair value of financial assets measured at fair value through profit or loss	6	14	12
Other	2	7	7
Financing income	46	52	46

Linkage expenses to CPI and interest expenses on long-term liabilities	(157)	(147)	(138)
Net change in fair value of derivatives	-	(8)	(7)
Discount amortization	(26)	(32)	(26)
Other	(13)	(9)	(19)
Financing expenses	(196)	(196)	(190)
Net financing expenses recognized in profit or loss	(150)	(144)	(144)

Note 28 - Income Tax

A. Details regarding the tax environment of the Group

Corporate tax rate

Presented hereunder are the tax rates relevant to the Group in the years 2016-2018:
2016 - 25%
2017 - 24%
2018 - 23%

On January 4, 2016 the Israeli Parliament passed the Law for the Amendment of the Income Tax Ordinance (Amendment 216) - 2016, by which, inter alia, the corporate tax rate was reduced by 1.5% to a rate of 25% as from January 1, 2016.
Furthermore, on December 22, 2016 the Israeli Parliament passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) - 2016, by which, inter alia, the corporate tax rate was reduced from 25% to 23% in two steps. The first step to a rate of 24% as from January 2017 and the second step to a rate of 23% as from January 2018.

As a result of the aforesaid, the deferred tax balances as at December 31, 2017 and at December 31, 2018 were calculated according to the new tax rate of 23% - the tax rate expected to apply on the date of reversal.

Current taxes for the reported periods are calculated according to the tax rates presented above.

B. Composition of income tax expense (income)

	Year ended December 31,		
	2016 NIS millions	2017 NIS millions	2018 NIS millions
Current tax expense (income)			
Current year	35	27	14
Adjustments for prior years, net	(27)	(1)	1
	8	26	15
Deferred tax expense (income)			
Creation and reversal of temporary differences	21	14	(21)
Change in tax rate	(19)	-	-
	2	14	(21)
Income tax expense (income)	10	40	(6)

Cellcom Israel Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 28 - Income Tax (cont'd)

C. Income tax in respect of other comprehensive income (loss)

	Year ended December 31, 2016 NIS millions	2017 NIS millions	2018 NIS millions
Before tax	1	1	(2)
Tax (benefit) expenses	(1)	-	1
Net of tax	-	1	(1)

D. Reconciliation between the theoretical tax on the pre-tax profit (loss) and the tax expense (income)

	Year ended December 31, 2016 NIS millions	2017 NIS millions	2018 NIS millions
Profit (loss) before taxes on income	160	153	(70)
Primary tax rate of the Group	25.0%	24.0%	23.0%
Tax calculated according to the Group’s primary tax rate	40	37	(16)
Additional tax (tax saving) in respect of:			
Non-deductible expenses	4	5	6
Taxes in respect of previous years	(27)	(1)	1
Effect of change in tax rate	(19)	-	-
Other differences	12	(1)	3
Income tax expenses (tax income)	10	40	(6)

Note 28 - Income Tax (cont'd)

E. Deferred tax assets and liabilities

(1) Recognized deferred tax assets and liabilities

Deferred taxes are calculated according to the tax rate anticipated to be in effect on the date of reversal as stated above.

The movement in deferred tax assets and liabilities is attributable to the following items:

	Allowance for doubtful debts NIS millions	Property, plant and equipment and intangible assets NIS millions	Carry forward tax deductions and losses NIS millions	Other NIS millions	Total NIS millions
Balance of deferred tax asset (liability) as at January 1, 2018	43	(197)	-	23	(131)
Changes recognized in profit or loss	(1)	1	17	4	21
Changes recognized in equity	3	-	-	7	10
Changes recognized in other comprehensive income	-	-	-	1	1
Balance of deferred tax asset (liability) as at December 31, 2018	45	(196)	17	35	(99)
Deferred tax asset	45	5	17	37	104
Offset of balances					(104)
Deferred tax asset in the consolidated statements of financial position as at December 31, 2018					-
Deferred tax liability	-	(201)	-	(2)	(203)
Offset of balances					104
Deferred tax liability in the consolidated statements of financial position as at December 31, 2018					(99)

Note 28 - Income Tax (cont'd)

E. Deferred tax assets and liabilities (cont'd)

(1) Recognized deferred tax assets and liabilities (cont'd)

	Allowance for doubtful debts NIS millions	Property, plant and equipment and intangible assets NIS millions	Other NIS millions	Total NIS millions
Balance of deferred tax asset (liability) as at January 1, 2017	43	(184)	24	(117)
Changes recognized in profit or loss	-	(13)	(1)	(14)
Balance of deferred tax asset (liability) as at December 31, 2017	43	(197)	23	(131)
Deferred tax asset	43	5	26	74
Offset of balances				(74)
Deferred tax asset in the consolidated statements of financial position as at December 31, 2017				-
Deferred tax liability	-	(202)	(3)	(205)
Offset of balances				74
Deferred tax liability in the consolidated statements of financial position as at December 31, 2017				(131)

(2) Unrecognized deferred tax liability

As at December 31, 2018 and 2017, a deferred tax liability for temporary differences related to an investment in a subsidiary was not recognized as the decision whether to sell the investment is within the Group and it is satisfied that it will not be sold in the foreseeable future.

F. Tax assessments

The Company has received final tax assessments up to and including the year ended December 31, 2013 (2013 fiscal year).

013 Netvision Ltd has received final tax assessments up to and including the year ended December 31, 2015 (2015 fiscal year).

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Cellcom Israel Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 28 - Income Tax (cont'd)

F. Tax assessments (cont'd)

In January 2019, after the end of the reporting period, the Israeli Tax Authority issued a best judgment assessment for 2014 to the Company, generally due to timing differences. According to the assessment, if the Company's claims are rejected, the Company will be required to pay additional income tax in relation to the year 2014, in an amount of approximately NIS 56 million (including interest and Israeli CPI differences). The Company filed an objection to the tax assessment.
The Company filed an objection to the tax assessment. The Company estimates that such assessment shall not have a material effect on the Company's financial statements.

Note 29 - Operating Leases

Non-cancelable operating lease rentals are payable as follows:

	December 31, 2017 NIS millions	December 31, 2018 NIS millions
Less than one year	275	283
Between one and five years	573	435
More than five years	70	23
	918	741

During the year ended December 31, 2018, NIS 284 million was recognized as expenses in respect of operating leases in the consolidated statements of income (2017 and 2016, NIS 280 million and NIS 286 million, respectively).

Major operating lease and service agreements:

a. Office buildings and warehouses - there are lease agreements for periods of up to 14 years.
b. Switching stations- there are lease agreements for switching station locations for periods of up to 18 years.
c. Cell sites- there are lease agreements for cell sites for periods of up to 21 years.
d. Service centers, retail stores and stands - there are lease agreements for service and installation centers and stands for periods of up to 13 years.
e. Motor vehicles - lease for a period of 3 years.

Note 30 - Commitments

A. The Group has commitments regarding the license it was granted in 1994, including:

1. Not to pledge any of the assets used to execute the license without the advance consent of the Ministry of Communications.

2.

The Company's shareholders' joint equity, combined with the Company's equity, shall not amount to less than US$ 200 million. Regarding this stipulation, a shareholder holding less than 10% of the rights to the Company's equity is not taken into account.

The Group is in compliance with the above conditions.

Note 30 - Commitments (cont'd)

B. As at December 31, 2018, the Group has commitments to purchase equipment for the communications networks, end user equipment, systems and software maintenance, and content and related services, in a total amount of approximately NIS 452 million.

C. Between 2003 and 2019, the Group entered into a number of agreements with TI Sparkle Ireland Telecommunications Ltd. (formerly Mediterranean Nautilus Ltd.) and TI Sparkle (Israel) Ltd. (formerly Mediterranean Nautilus (Israel) Ltd.), (or collectively TI Sparkle), for the purchase of rights of use of certain telecommunications capacities on TI Sparkle's communications cables, as well as maintenance and operation services relating to these cables. Over the last few years the Group has increased the capacity purchased for significantly lower prices, as well as reduced maintenance costs. The term of the agreement with respect to capacity purchased from TI Sparkle is in effect until May 2032. The Group has the option to terminate agreements with respect to parts of the capacity in 2022 and 2027. The remainder of the obligation under all existing agreements as of December 31, 2018 is NIS 92 million.

D. In March and April 2017 the Sharing Agreements came into effect – (1) the 4G network sharing and 2G and 3G hosting services agreement with Xfone (which commenced operating in the cellular market in April 2018), (2) the 3G and 4G network sharing and 2G hosting services agreement with Golan (originally entered into with Electra and adopted by Golan, after being acquired by Electra) and (3) an agreement combining the 4G network sharing arrangements of the Xfone agreement and the Golan agreement into one three-way agreement.

The Sharing Agreements set the terms under which the sharing networks operate, including:

usage of the parties' relevant frequencies, management and operation by separate entities, or the Joint Corporations, possession of equal parts of the shared network active elements, investment in equal parts in future active elements and IRU of each sharing party to the other sharing parties and IRU by us to the other sharing parties and the Joint Corporations to our passive elements of the shared networks, services provided by us to the Joint Corporations, as a subcontractor and certain arrangements for separation of the parities and adding another sharing party.

The agreements are for a term of ten years, and will be extended for additional periods, unless either party notifies otherwise. The termination of the Golan Agreement prior to the lapse of the first 10 years due to a breach by Golan will entitle us to liquidated damages of NIS 600 million plus VAT. In addition to standard termination causes, Xfone may terminate its agreement by prior written notice if it decides to cease operating in the cellular market in Israel.

The average annual consideration to be received by us under the Golan agreement (starting with lower annual payments and increasing over the term) is expected to be in a range of approximately NIS 210-220 million plus VAT, depending on Golan's number of subscribers and their usage of the shared network and our 2G network.

The consideration for us under the Xfone agreement includes substantially similar arrangements (mutatis mutandis to its sharing and hosting agreement), but during a period of up to five years beginning April 2018, Xfone will be entitled to replace its payments for IRU to the passive network and operating costs with a monthly payment per subscriber, but in any case not less than certain minimum annual amounts (ranging between approximately NIS 20 million in the first year and approximately NIS 110 million in the fifth year).

Under the Golan Agreement (which replaces the former national roaming services agreement) in April 2017, we provided a loan to Golan in the sum of NIS 130 million for a period of 10 years to be repaid in 6 semi-annual equal installments beginning the 8th year of the Term (interest and CPI differentials to be accrued, will be paid as of the 6th year). The loan is guaranteed by a second degree floating charge on Golan's assets and rights (excluding certain exceptions) or an equivalent guaranty.

According to the terms of the Golan agreement, part of the consideration is recognized as revenues and part is recognized as a reduction of operation costs.

The agreement includes a number of performance obligations for revenue recognition purposes: (1) IRU of passive elements; (2) IRU in its part of the existing active elements of the shared 3G and 4G network and 2G hosting services; (3) Transmission services. In addition, Golan shall pay the Company for participation in the operating costs of the 3G and 4G shared network and 2G network and future ongoing investments in the shared networks, according to a mechanism set in the agreement.

Cellcom Israel Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 30 - Commitments (cont'd)

E. In October 2016, the Company entered into an agreement with Apple Sales International for the purchase and distribution of iPhone handsets in Israel. Under the terms of the agreement, the Company has committed to purchase a minimum quantity of iPhone products over a period of three years, which are expected to represent a significant portion of the Company total cellular handsets purchase amounts, over that period.

F. In May 2016, the Company entered into several agreements aiming to provide the Company with a comprehensive CRM SAAS solution, on a cloud 'software as a service', or SAAS, basis, which, when completed, will gradually replace all the Company current CRM systems with one CRM solution that will serve both the Company cellular and fixed-line segments. These agreements include the following main agreements:

An agreement with salesforce.com EMEA Limited, or Salesforce, for the provision of Salesforce's CRM SAAS platform, including various products and services and support for the agreement term. The agreement is valid until August 2019 and may be terminated by the Company subject to prior written notice.

The Company also has an option to renew the agreement for two additional periods of 5 years each under certain terms.

Two agreements with Vlocity UK Ltd., or Vlocity, as follows: (i) an agreement for the provision of Vlocity's telecom-CRM SAAS solution, based on Salesforce platform, including support for such services for the agreement term. This agreement is valid until November 2019. and (ii) an agreement for the development and customization for Salesforce's and Vlocity's CRM solution. This agreement will be valid until the project is completed, and may be terminated by the Company subject to prior written notice.

G. In July 2018, the Company entered a new collective employment agreement with its employees' representatives and the Histadrut (an Israeli union labor) for a three year period until the end of 2020, which is similar to the Company's previous collective employment agreement (which expired at the end of 2017) and includes certain nonmaterial additions.

In January 2019, after the end of the reporting period, the Histadrut, the union representing the Company's employees, announced of a labor dispute.

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Note 30 - Commitments (cont'd)

H. In March 2019, after the end of the reporting period, the Company entered into the following definitive agreements, or the Transaction, which in addition to standard and customary conditions, include the following:

- Purchaser Agreements - The Company and the Israel Infrastructure Fund, or IIF, entered into partnership agreements for the purchase of 70% of IBC's share capital by a jointly and equally owned limited partnership (to be formed), or the Purchaser. The Purchaser Agreements contain an undertaking for an additional investment of up to NIS 200 million by both the Company and IIF, pro rata to their holdings in the Purchaser, over a period of 3 years and certain arrangements regarding a party's failure to make its share of the committed investment and regarding dead lock situations.

- Share Purchase Agreement, or SPA - The Purchaser, IBC, the Israeli Electric Company, or IEC and the other shareholders and main creditors of IBC entered an agreement for the purchase of 70% of IBC's share capital, through investment of the Purchaser in IBC, for a total amount of NIS 103.5 million (subject to certain consideration adjustment mechanism, with respect to IBC's net working capital at closing), or the "Consideration, to be provided partly as investment and partly as shareholders' loan. The other 30% of IBC's issued and outstanding share capital will be owned by IEC. The Consideration shall be used to settle generally all of IBC's debts (other than a certain amount to IEC). The SPA contains certain precedent conditions to the closing of the transaction, including regulatory approvals, the receipt of updated licenses with reduced deployment obligations, as well as the effectiveness of the other agreements.

- Shareholders Agreement - The Purchaser and IEC (holding 70% and 30% of IBC's share capital, respectively) entered into a shareholders agreement. The agreement regulates the management of IBC, including certain arrangements regarding funding of IBC and dilution (and anti-dilution in certain circumstances) of non-participating shareholders.

- IRU Agreement – The Company and IBC entered into an agreement granting to the company an indefeasible right of Use, or IRU to a 10-15% percentage of IBC's fiber optics 'home pass' (i.e. fiber-optic actually reaching / connected to the building), as shall be deployed by IBC in the next 15 years (and may be extended to additional periods with no additional consideration other than annual maintenance payments). The undertaking is subject to certain conditions which should be satisfied at the closing of the SPA and certain amount is available immediately. The IRU consideration is subject to actual IBC's 'home pass' deployment, and is expected to increase each quarter based on the actual addition of 'home passes' deployed during such quarter and shall be paid in 40 quarterly installations (10 years), in addition to annual maintenance payments.

- IEC Services Agreement - IBC and IEC entered into an agreement updating IBC's existing right of use and services agreement for IBC's fiber-optic network when deployed over IEC's infrastructure. The IEC Services Agreement includes improved pricing and arrangements for IBC's exclusive right to deploy its fiber-optics over the IEC's electricity network and other services provided by IEC to IBC in relation thereof.

The Shareholders Agreement and the IEC Services Agreement shall become effective at, and are subject to, the completion of the SPA. The Purchaser Agreements and the IRU Agreement became effective upon signing.

The execution of the Transaction will be subject to the said conditions precedent, including regulatory approvals. IBC has already filed a request with the Ministry of Communications for an updated license with reduced deployment obligations. There is no assurance that the Transaction will be approved and executed, nor as to its timing and terms.

In addition, the Company and IIF entered a term sheet for the sale of the company's independent fiber-optic infrastructure in residential areas as shall be at the end of 2019, to IBC, for the sum of NIS180-200 million (subject to the rate of the fiber-optic deployment and the number of actual 'home pass' connected at the end of 2019 and certain adjustments). The consideration for the sale is expected to be partly financed by IBC's shareholders' loans, including by the company. The Fiber-optic sale TS is not part of the Transaction. Once the sale is completed, the IRU Agreement, including the company's obligation to purchase percentage of IBC's fiber optics 'home pass' (as detailed above), shall apply to the infrastructure purchased from the company. The transaction is conditioned on the parties entering a definitive agreement, further agreement with the IEC, closing of the SPA and regulatory approvals. There is no assurance that the parties will reach a definitive agreement, that the sale will be approved and executed, nor as to its timing and terms.

Note 31 - 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 consolidated financial statements in respect of all lawsuits against the Group amounted to NIS 63 million (see also Note 14, regarding Provisions).

Described hereunder are the outstanding lawsuits against the Group, classified into groups with similar characteristics. The amounts presented below are calculated based on the claims amounts as of the date of their submission to the Group.

A. Consumer claims

In the ordinary course of business, lawsuits have been filed against the Group by its customers. These are mostly purported class actions, 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. As of December 31, 2018, the amounts claimed from the Group by its customers sum up to NIS 16.238 billion (including approved class actions as detailed below). In addition, there are other purported class actions against the Group, in which the amount claimed has not been quantified if the lawsuits are certified as class actions, and in respect of which the Group has exposure in addition to the above mentioned. In addition, there are other purported class action for approximately NIS 453 million, that has been filed against the Group and other defendants together without specifying the amount claimed from the Group, another purported class action against the Group and other defendants together, in which the amount claimed from the Group was estimated by the plaintiffs to be approximately NIS 3 million, and other purported class actions, that have been filed against the Group and other defendants together in which the amount claimed has not been quantified if the lawsuits are certified as class actions and in respect of which the Group has exposure in addition to the above mentioned.

In December 2017, the District Court approved a lawsuit filed against the Company in May 2015, relating to an allegation that the Company unlawfully charged some of its subscribers for call details reports as a class action. In January 2019, after the end of the reporting period, the Supreme Court expanded the approval relating to an allegation for unlawfully charging additional subscribers for call detail report. The total amount claimed was not quantified by the plaintiffs.

In April 2018, a request to certify a lawsuit filed against the Company in December 2014 was approved as class action, relating to an allegation that the Company unlawfully charged subscribers who disconnected from the Company's services during a certain billing month for the full month. The total amount claimed was not quantified by the plaintiff.

In July 2018, a request to certify a lawsuit filed against the Company in June 2015 was approved as a class action, relating to an allegation that the Company unlawfully charged subscribers for collection expenses due to lack of payment or late payment relating to part of the lawsuit causes of action. The total amount claimed relating to the original lawsuit was estimated by the plaintiffs to be millions of NIS.

Of all the consumer purported class actions, in three purported class actions with aggregate amounts claimed estimated by the plaintiffs of approximately NIS 15.034 billion, and in three purported class actions that has been filed against the Group without specifying the amount claimed from the Group, settlement agreements were filed with the court and the proceedings are still pending.

Of all the consumer purported class actions, there is a purported class action for approximately NIS 15 million, of which at this early stage it is not possible to assess the chances of success.

After the end of the reporting period, three purported class actions against the Group, with aggregate amounts claimed estimated by the plaintiffs of approximately NIS 186 million were concluded.

Note 31 - Contingent Liabilities (cont'd)

Described hereunder are the outstanding consumer class actions and purported class actions against the Group broken down by amount claimed if the lawsuit is certified as a class action, as of December 31, 2018:

Claim amount	Number of claims	Total claims amount (NIS millions)
Up to NIS 100 million	15	515
NIS 100-500 million	3	723
Above NIS 1 billion	1	15,000
Unquantified claims	16	-
Against the Group and other defendants together without specifying the amount claimed from the Group	5	453
Against the Group and other defendants together, in which the amount claimed from the Group has been quantified	1	3
Unquantified claims against the Group and other defendants	6	-

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 in February 2019, after the end of the reporting period, an updated settlement agreement was filed with the court and proceedings are still pending.

B. Employees, subcontractors, suppliers, authorities and others claims

In the ordinary course of business, lawsuits have been filed against the Group by employees, subcontractors, suppliers, authorities and others which deal mostly with claims for breach of provisions of the law governing termination of employment and obligatory payments to employees, claims for breach of agreements, copyright and patent infringement and compulsory payments to authorities.

As of December 31, 2018, the amounts that are claimed from the Group under these claims total approximately NIS 78 million.

C. Liens and guarantees

As part of issuance of the Series F and H through L debentures and the loan agreements which the Company entered into, the Company committed not to create liens on its assets, subject to certain exceptions.

The Group has given bank guarantees as follows:

a. To the Government of Israel (to guarantee performance of the Cellular License) - NIS 80 million.
b. To the Government of Israel (to guarantee performance of the Licenses of the Group) - NIS 18 million.
c. To suppliers, government institutions and others - NIS 157 million.

Note 32 - Regulation and Legislation

A. Under an interim order issued by the Supreme Court in September 2010, the Company's ability to rely on the exemption from obtaining a building permit for the construction of radio access devices under cellular networks, was reduced to replacing and relocating existing radio access devices in certain conditions. In October 2018, regulations setting procedures for the construction, changes and replacement of radio access devices exempt from building permits, were enacted. Although these regulations reflect previous judicial limitations placed upon the Company's ability to make changes and replace radio access devices, they also introduce a new licensing procedure that may further reduce the Company's ability to construct new radio access devices based on such exemption.

B. A policy document regarding landline wholesale services published by the Ministry of Communications in 2012 provided for the creation of an effective wholesale telecommunications access market in Israel and the gradual annulment of the structural separation in the Bezeq and Hot groups and its replacement with an accounting separation and change of the supervision on Bezeq retail tariffs to maximum tariffs rather than the current setting of fixed tariffs, generally depending on the development of a wholesale market and the state of competition in the market, and with relation to television services, if there is a reasonable possibility of providing a basic package of television services through the internet by providers without a national landline infrastructure.

In 2015, the wholesale landline market was formally launched in Israel in regards to internet infrastructure services and use of certain physical infrastructure by operators who do not own such infrastructure.
Although the wholesale market was formally applicable to Hot's infrastructure as well, Hot's infrastructure has been effectively excluded from the wholesale market up until 2018, initially as the maximum tariffs for Hot's wholesale infrastructure service were not published by the MOC until June 2017 (and are higher than those set for Bezeq's service) and thereafter, due to disagreements with Hot as to the implementation of the service, which were resolved by the MOC. The Ministry of Communications resolved not to interfere with the tariffs Hot has set for its wholesale telephony service.

In June 2017, the Ministry of Communications published regulations setting Bezeq's resale telephony service to be provided by Bezeq as of July 2017, as a temporary 14 month alternative for wholesale landline telephony service and postponed Bezeq's obligation to offer wholesale telephony service until the lapse of said resale telephony service period. In June 2018, the Ministry of Communications resolved not to prolong said Bezeq's temporary alternative further and to obligate Bezeq to provide wholesale landline telephony services as of August 1, 2018.

Further, in January 2016, the Ministry of Communications announced its intention to annul Bezeq and Hot's structural separation as part of its plan to ensure massive investment in fiber optics infrastructure in Israel. In December 2016 the Ministry of Communications informed Bezeq that it intends to hold a public hearing regarding a possible annulment of the corporate separation and thereafter the structural separation in the Bezeq group. In February 2019, Bezeq filed a petition with the Supreme Court of Justice, against the MOC, requesting the immediate cancellation of the structural separation imposed on Bezeq.
An amendment to the Communications Law applies certain wholesale obligations on all landline operators, including the Company and requiring all landline operators to grant all other landline operators access to their passive infrastructure (except IBC's passive infrastructure), the terms of which (with the exclusion of Bezeq and Hot whose terms are set by the regulator) will be negotiated by the parties.

Note 32 - Regulation and Legislation (cont'd)

C. In 2017, following the Ministry of Communication's requirement to unify the unified licenses held by each communications group into one unified license, the Company completed a reorganization of its subsidiaries, including Netvision, following which all the Company's fixed-line operation under the unified license are unified under the Company's wholly owned subsidiary Cellcom Fixed Line Communications, Limited Partnership.

D. In May 2018, the Ministry of Communications amended the Company's licenses to regulate the manner of response of call centers, including measurable parameters for response times. The amendment shall come into force in March 2019 but is subject to further hearing process published in October 2018. In addition, in July 2019, an amendment to the Israeli Consumer Protection Law regulating the manner of response of call centers, will also come into effect. The amendment includes measurable parameters for response times, which are partly incompatible with the said amendment to the Company's licenses.

Note 33 - Related Parties

A. Balance sheet

	December 31, 2017 NIS millions	December 31, 2018 NIS millions
Current assets	2	3
Current liabilities	2	1
Long-term liability - debentures (including current maturity)*	-	-

* Debentures balance held by related parties, which includes debentures held for the benefit of the public, through, among others, provident funds, mutual funds and pension funds, as of December 31, 2018 and 2017, is NIS 8 million par value linked to the CPI and NIS 19 million par value linked to the CPI, respectively.

B. Transactions with related and interested parties executed in the ordinary course of business at regular commercial terms:

	Year ended December 31,		
	2016 NIS millions	2017 NIS millions	2018 NIS millions
Income:			
Revenues	17	13	12
Expenses:			
Cost of revenues and other	16	16	13

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Note 33 - Related Parties (cont'd)

In the ordinary course of business, from time to time, the Group purchases, leases, sells and cooperates in the sale of goods and services or otherwise engages in transactions with entities that are members of the DIC/IDB group or other interested or related parties.

The Group has examined said transactions and believes them to be on commercial terms comparable to those that the Group could obtain from/ provide to unaffiliated parties.

C. Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to executive officers (such as a car, medical insurance, etc.), and contributes to a post-employment defined benefit plan on their behalf.

The Group has undertaken to indemnify the Group's directors and officers, as well as certain other employees for certain events listed in the indemnifications letters given to them. The aggregate amount payable to all directors and officers and other employees who may have been or will be given such indemnification letters is limited to the amounts the Group receives from the Group’s insurance policy plus 30% of the Group’s shareholders’ equity as of December 31, 2001 or NIS 486 million, adjusted for changes in the Israeli CPI.

Executive officers also participate in the Group’s share option program (see Note 20, regarding Share-Based Payments).

Key management personnel compensation is comprised of:

	Year ended December 31,		
	2016	2017	2018
	NIS millions	NIS millions	NIS millions
Short-term employee benefits	4	6	4
Share-based payments	1	1	1
	5	7	5

D. Agreements with DIC

In October 2006, the Company entered into an agreement with DIC pursuant to which DIC provides the Company with advisory services in the areas of management, finance, business and accountancy. In 2015, the agreement was amended so that the annual consideration for DIC management services would be equal to the director's fees (both the annual fee and the meeting attendance fee) paid to the Company's external and independent director (which is in the amount of NIS 134,180 per year and NIS 4,035 per meeting, adjusted for changes in the Israeli CPI for October 2015), for each director that DIC nominates or proposes to the Company's Board of Directors, but no more than five directors. This agreement was not renewed for an additional term after October 2018.

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