Cellcom Israel Ltd.
Form 6-K
August 13, 2015

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For August 13, 2015

Commission File Number: 001-33271

CELLCOM ISRAEL LTD.

10 Hagavish Street

Netanya, Israel 4250708

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F __X__ Form 40-F _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

Index

Cellcom Israel announces

second Quarter 2015 Results

Revenues for the second quarter of 2015 totaled NIS 1,040 million, EBITDA[1] for the second quarter of 2015 totaled NIS 216 million and excluding a one-time effect[2] EBITDA totaled NIS 241 million

Net income for the second quarter of 2015 totaled NIS 12 million

Nir Sztern, the Company's CEO: "Cellcom tv success continues with full force in the second quarter as well. As of today, we have more than 40 thousand households enjoying Israel's new TV. In the framework of the wholesale market reform the Company is also experiencing great success with approximately 42 thousand households enjoying attractive prices and a unified internet service. The expansion of the landline products offering and the launch of triple play provide us a competitive advantage in the market"

"The Company completed an additional voluntary retirement process with a one-time cost of approximately NIS 25 million, whose effects we will see as of the third quarter of 2015"

Second Quarter 2015 Highlights *(compared to second quarter of 2014):*

§ **Total Revenues** totaled NIS 1,040 million ($276 million) compared to NIS 1,158 million ($307 million) in the second quarter last year, a decrease of 10.2%

§ **Service revenues** totaled NIS 786 million ($209 million) compared to NIS 923 million ($245 million) in the second quarter last year, a decrease of 14.8%

§ **Equipment revenues** totaled NIS 254 million ($67 million) compared to NIS 235 million ($62 million) in the second quarter last year, an increase of 8.1%

§ **EBITDA** totaled NIS 216 million ($57 million) compared to NIS 314 million ($83 million) in the second quarter last year, a decrease of 31.2%

§ **EBITDA excluding one-time effects**[2] totaled NIS 241 million ($64 million) compared to NIS 331 million ($88 million) in the second quarter last year, a decrease of 27.2%

§ **EBITDA margin** 20.8%, down from 27.1%

---

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

[2] The results for the second quarter of 2015 include a one-time effect of NIS 25 million in Other Expenses regarding a voluntary retirement plan. The results for the second quarter of 2014 include two one-time effects, the first is a decrease by NIS 22 million in Cost of Revenues and the second is an increase in Other Expenses by NIS 39 million.

- **EBITDA margin excluding one-time effects**[2] 23.2%, down from 28.6%
- **Operating income** totaled NIS 80 million ($21 million) compared to NIS 156 million ($41 million) in the second quarter last year, a decrease of 48.7%
- **Operating income excluding one-time effects**[2] totaled NIS 105 million ($28 million) compared to NIS 173 million ($46 million) in the second quarter last year, a decrease of 39.3%
- **Net income** totaled NIS 12 million ($3 million) compared to NIS 79 million ($21 million) in the second quarter last year, a decrease of 84.8%
- **Cellular subscriber base** totaled approx. 2.848 million subscribers (at the end of June 2015)
- **Free cash flow**[1] totaled NIS 119 million ($32 million) compared to NIS 361 million ($96 million) in the second quarter last year, a decrease of 67%

Nir Sztern, the Company's Chief Executive Officer, added:

"The influence of the fierce competition, apparent in the quarter's results, was manifested, among others, in erosion in revenues and profitability. The quarter was further influenced by high financing expenses in comparison to the former quarter and another voluntary retirement process, with a one-time cost of NIS 25 million, whose effects will be seen as of the third quarter of 2015.

With the operation of the landline wholesale market, we continued strengthening our position as a communications group providing value to its customers. In this frame, we have enlarged our landline offering towards the end of the quarter with a triple package, providing us a competitive advantage in the market and making us the only Group currently offering a real triple package combining tv services, internet infrastructure and provider and home telephony in one bill.

Cellcom tv success continues with full force in the second quarter as well. As of today, we have more than 40 thousand households enjoying Israel's new TV. In the framework of the wholesale market reform the Company is also experiencing great success with approximately 42 thousand households enjoying attractive prices and a unified internet service.

For the fifth consecutive year, the Company is granted the title of the leading cellular brand in Israel by the business newspaper 'Globes' and was chosen with 'Cellcom tv' as the year's winning launch both by Israel's marketing association and in a pole taken among Israel's leading marketing VPs".

Shlomi Fruhling, Chief Financial Officer, commented: "Alongside enlarging our operation in the landline market and continuing to recruit customers to 'Cellcom tv', the wholesale market service and triple package, in the second quarter of 2015 we experienced continued aggressive competition in the cellular market, demonstrated by continued decline in revenues from services. We expect the high competition level will continue in the next quarters.

-2-

Accordingly, the Group is committed and continues to act in order to adjust its expense structure to market conditions. In the second quarter of 2015, Selling, Marketing, General and Administrative Expenses reduced by NIS 34 million in comparison to the second quarter of last year. In addition, for a voluntary retirement plan the Group recorded in the quarter a one-time cost of NIS 25 million while the savings in payroll expenses we will gradually see as of the third quarter this year.

The Group continued to act also in the second quarter in order to reduce its net debt, which at the end of the quarter amounted to NIS 2.86 billion in comparison to a net debt of NIS 3.27 billion at the end of the second quarter last year. Free cash flow totaled NIS 119 million in the second quarter of 2015, a 67% decrease in comparison with the second quarter of last year. The decrease is mostly attributed to a decline in customers receipts for end user equipment and service revenues (including hosting services).

The Company’s Board of Directors decided not to distribute a dividend for the second quarter of 2015, given the continued intensified competition in the market and its adverse effect on the Company's revenues and in order to further strengthen the Company's balance sheet. The Board of Directors will re-evaluate its decision as market conditions develop, and taking into consideration the Company's needs".

Netanya, Israel – August 13, 2015 – Cellcom Israel Ltd. (NYSE: CEL TASE: CEL) ("Cellcom Israel" or the "Company" or the "Group"), announced today its financial results for the second quarter of 2015. Revenues for the second quarter of 2015 totaled NIS 1,040 million ($276 million); EBITDA for the second quarter of 2015 totaled NIS 216 million ($57 million), which is 20.8% of total revenues; and net income for the second quarter of 2015 totaled NIS 12 million ($3 million). Basic earnings per share for the second quarter of 2015 totaled NIS 0.12 ($0.03).

Main Consolidated Financial Results:

	Q2/2015	**Q2/2014**	**% Change**	**Q2/2015**	**Q2/2014**
	NIS million			**US$ million (convenience translation)**	
Total revenues	**1,040**	1,158	(10.2%)	**276**	337
Operating Income	**80**	156	(48.7%)	**21**	45
Net Income	**12**	79	(84.8%)	**3**	23
Free cash flow	**119**	361	(67.0%)	**32**	105
EBITDA	**216**	314	(31.2%)	**57**	91
EBITDA, as percent of total revenues	**20.8%**	27.1%	(23.2%)		

Main Financial Data by Operating Segments:

	Cellcom Israel (*)	Netvision (**)	Consolidation adjustments (***)	Consolidated results
	Q2/2015 NIS million			
Total revenues	**850**	**235**	(45)	**1,040**
Service revenues	**612**	**219**	(45)	**786**
Equipment revenues	**238**	**16**	-	**254**
Operating Income	**56**	**32**	(8)	**80**
EBITDA	**164**	**52**	-	**216**
EBITDA, as percent of total revenues	**19.3%**	**22.1%**	-	**20.8%**

(*) Cellcom Israel Ltd. and its subsidiaries, excluding Netvision Ltd. and its subsidiaries.

(**) Netvision Ltd. and its subsidiaries.

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

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

	Q2/2015	Q2/2014	Change (%)
Cellular subscribers at the end of period (in thousands)	**2,848**	3,029	(6.0%)
Churn Rate for cellular subscribers (in %)	**10.2%**	11.1%	(8.1%)
Monthly cellular ARPU (in NIS)	**65.5**	75.4	(13.1%)

Financial Review

Revenues for the second quarter of 2015 decreased 10.2% totaling NIS 1,040 million ($276 million), compared to NIS 1,158 million ($307 million) in the second quarter last year. The decrease in revenues is attributed to a 14.8%

decrease in service revenues, which totaled NIS 786 million ($209 million) in the second quarter of 2015 as compared to NIS 923 million ($245 million) in the second quarter last year. This decrease was partially offset by an 8.1% increase in equipment revenues, which totaled NIS 254 million ($67 million) in the second quarter of 2015 as compared to NIS 235 million ($62 million) in the second quarter of 2014. Netvision's contribution to revenues for the second quarter of 2015 totaled NIS 190 million ($50 million) (excluding inter-company revenues) compared to NIS 209 million ($55 million) in the second quarter of 2014.

The decrease in second quarter 2015 **service revenues** resulted mainly from a decrease in cellular services revenues, due to the ongoing erosion in the price of these services as a result of the intensified competition in the cellular market. The decrease in service revenues also resulted from a decrease in revenues from long distance calls and hosting operators on the Company's communications networks. Netvision's contribution to service revenues for the second quarter of 2015 totaled NIS 174 million ($46 million) (excluding inter-company revenues) compared to NIS 195 million ($52 million) in the second quarter of 2014.

The increase in second quarter 2015 **equipment revenues** resulted mainly from an approximately 7% increase in the number of handsets sold during the second quarter of 2015 as compared with the second quarter of 2014. Netvision's contribution to equipment revenues for the second quarter of 2015 totaled NIS 16 million ($4 million), compared to NIS 14 million ($4 million) in the second quarter of 2014.

Cost of revenues for the second quarter of 2015 totaled NIS 682 million ($181 million), compared to NIS 671 million ($178 million) in the second quarter of 2014, a 1.6% increase. This increase resulted from content costs related to the TV field which the Company entered as of the end of 2014, as well as from a one-time cancelation of a provision for communications cables expenses in the amount of NIS 22 million in the second quarter of 2014. This increase was partially offset by a decrease in direct cost as a result of the decrease in revenues, decrease in depreciation expenses and efficiency measures.

Gross profit for the second quarter of 2015 totaled NIS 358 million ($95 million) compared to NIS 487 million ($129 million) in the second quarter of 2014, a 26.5% decrease. Gross profit margin for the second quarter of 2015 amounted to 34.4%, down from 42.1% in the second quarter of 2014.

Selling, Marketing, General and Administrative Expenses ("SG&A Expenses") for the second quarter of 2015 decreased 11.7% to NIS 256 million ($68 million), compared to NIS 290 million ($77 million) in the second quarter of 2014. This decrease is primarily the result of the efficiency measures implemented by the Company, which led to a decrease in advertising, payroll expenses, rent, depreciation and other expenses.

Other expenses for the second quarter of 2015 totaled NIS 22 million ($6 million), compared with other expenses of NIS 41 million ($11 million) in the second quarter of 2014. Other expenses for the second quarter of 2015 primarily include a one-time expense for an employee voluntary retirement plan in the amount of approximately NIS 25 million ($7 million), compared to a one-time expense in the second quarter of 2014 also for an employee voluntary retirement plan in the amount of approximately NIS 39 million ($10 million).

Operating income for the second quarter of 2015 decreased 48.7% to NIS 80 million ($21 million) from NIS 156 million ($41 million) in the second quarter of 2014. Operating income for the second quarter of 2015, was affected by a one-time expense for voluntary employee retirement plan in the amount of approximately NIS 25 million ($7 million), and a decrease in revenues primarily due to the ongoing erosion in service revenues.

EBITDA for the second quarter of 2015 decreased 31.2% totaling NIS 216 million ($57 million), compared to NIS 314 million ($83 million) in the second quarter of 2014. EBITDA for the second quarter of 2015, as a percent of second quarter revenues, totaled 20.8%, down from 27.1% in the second quarter of 2014. Excluding the one-time effects described above, EBITDA for the second quarter of 2015 totaled NIS 241 million ($64 million), a 27.2% decrease compared with the second

-5-

quarter of 2014 excluding one-time effects. EBITDA for the second quarter of 2015, as a percent of second quarter revenues, excluding the one-time effects, totaled 23.1%, down from 28.6% in the second quarter of 2014. Netvision's contribution to the EBITDA for the second quarter of 2015 totaled NIS 52 million ($14 million), compared to NIS 90 million ($24 million) in the second quarter of 2014, a 42.2% decrease. Netvision's contribution to EBITDA for the second quarter of 2015, excluding the one-time effects of a cancelation of a provision for communications cables expenses in the amount of NIS 22 million in the second quarter of 2014 and of voluntary employee retirement plans in the second quarter of 2015 and in the second quarter of last year, totaled NIS 57 million ($15 million), compared to NIS 73 million ($19 million) in the second quarter of 2014, a 21.9% decrease.

Financing expenses, net for the second quarter of 2015 decreased 3.1% and totaled NIS 62 million ($16 million), compared to NIS 64 million ($17 million) in the second quarter of 2014. The decrease resulted mainly from a decrease in interest expenses, as a result of a decrease in the Company's debentures debt level, which was partially offset with losses from hedging transactions on the Israeli Consumer Price Index and losses in the Company's investment portfolio.

Taxes on income for the second quarter of 2015 totaled NIS 6 million ($2 million), compared to NIS 13 million ($3 million) in the second quarter of 2014. The decrease is mainly attributed to the decrease in profit before taxes.

Net Income for the second quarter of 2015 totaled NIS 12 million ($3 million), compared to NIS 79 million ($21 million) in the second quarter of 2014, an 84.8% decrease. This decrease is mainly due to the continued erosion in cellular service revenues resulting from the intensified competition in the cellular market that was partially offset by a decrease in operational expenses.

Basic earnings per share for the second quarter of 2015 totaled NIS 0.12 ($0.03), compared to NIS 0.79 ($0.21) in the second quarter of last year.

Operating Review (data refers to cellular subscribers only)

Cellular subscriber base – at the end of June 2015 the Company had approximately 2.848 million cellular subscribers. During the second quarter of 2015 the Company's cellular subscriber base decreased by approximately 37,000 net cellular subscribers, all pre-paid subscribers.

Cellular Churn Rate for the second quarter of 2015 totaled 10.2%, compared to 11.1% in the second quarter of 2014. The cellular churn rate was primarily affected by the continued intensified competition in the cellular market.

The monthly cellular **Average Revenue per User ("ARPU")** for the second quarter of 2015 totaled NIS 65.5 ($17.4), compared to NIS 75.4 ($20.2) in the second quarter of 2014. The decrease in ARPU resulted from the ongoing erosion in the price of cellular services, resulting from the intensified competition in the cellular market.

-6-

Financing and Investment Review

Cash Flow

Free cash flow for the second quarter of 2015, decreased by 67% to NIS 119 million ($32 million), compared to NIS 361 million ($96 million) in the second quarter of 2014. The decrease in free cash flow was mainly due to a decrease in proceeds from customers due to the decrease in revenues in the second quarter of 2015 compared with the second quarter of 2014, resulting from the intensified competition in the cellular market as well as a decrease from proceeds from handsets sold in previous years.

Total Equity

Total Equity as of June 30, 2015 amounted to NIS 1,130 million ($300 million), primarily consisting of accumulated undistributed retained earnings of the Company.

Investment in Fixed Assets and Intangible Assets

During the second quarter of 2015, the Company invested NIS 119 million ($32 million) in fixed assets and intangible assets (including, among others, the acquisition of frequencies and fixed assets for the Company's 4G network), compared to NIS 104 million ($28 million) in the second quarter of 2014.

Dividend

On August 12, 2015, the Company's board of directors decided not to declare a cash dividend for the second quarter of 2015. In making its decision, the board of directors considered the Company's dividend policy and business status and decided not to distribute a dividend at this time, given the intensified competition and its adverse effect on the Company's revenues, and in order to strengthen the Company's balance sheet. The board of directors will re-evaluate its decision in future quarters. No future dividend declaration is guaranteed and is subject to the Company's board of directors' sole discretion, as detailed in the Company's annual report for the year ended December 31, 2014 on Form 20-F, under "Item 8 - Financial Information – A. Consolidated Statements and Other Financial Information - Dividend Policy".

Debentures

For information regarding the Company's summary of financial liabilities and details regarding the Company's outstanding debentures as of June 30, 2015, see "Disclosure for Debenture Holders" section in this press release.

Other developments during the second quarter of 2015 and subsequent to the end of the reporting period

Network Sharing Agreements

In July 2015, the Israeli Antitrust Commissioner approved the previously reported co-operation agreement regarding maintenance services for passive elements of cell sites, between the Company and Pelephone Communications Ltd., which includes unifying passive elements and streamlining costs through a common contractor. The approval is for a period of ten years and is subject to certain conditions.

Following the previously reported network sharing agreements between the Company and Golan Telecom Ltd., or Golan, which are subject to the approvals of the Israeli Ministry of communications, or MOC, and the Israeli Antitrust Commissioner, the parties recently held communications with the MOC in which the parties were required to make material changes to the principles of the agreements between them, as a condition for the MOC's approval, including network sharing in the 3G and 4G radio networks, which includes ownership of half the radio networks active components by each company, effective right of use in the passive infrastructure, common management and sharing of the radio networks' construction, operation and maintenance costs. The Company and Golan are conducting negotiations in order to reach agreements according to such principles. The Company estimates that a new agreement, if reached, would result in substantial additional payments to the Company.

According to the existing agreements between the Company and Golan, if approvals for the network sharing agreements are not received by December 31, 2015, then (unless otherwise agreed by the parties), Golan will be required to pay the Company (1) the difference between the reduced payment it actually paid and the full payment it is required to pay according to the national roaming agreement, for the national roaming services provided and to be provided by the Company to Golan from July 2014 until December 31, 2015, which amounts to approximately NIS 300 million as of the end of the second quarter of 2015 (which the Company has not recorded as revenues), and expected to continue to substantially increase until December 31, 2015, and (2) as of that date, full payment in accordance with the national roaming agreement, all in accordance with Golan's customers usage of the Company's networks, as may be. Should the Company and Golan reach such new agreements which will change the current agreement as to this matter as mentioned above, the payment of the difference and future amounts will be subject to such new agreements and such accrued amount of the difference could be reduced materially or eliminated. In addition, the Company can provide no assurances that Golan will not contest any such amounts or that the Company will be able to collect such amounts in full or at all.

The Company cannot guarantee such agreements will be reached or that regulatory approvals will be granted based on such agreements, if reached.

For additional details see the Company's most recent annual report for the year ended December 31, 2014 on Form 20-F, filed on March 16, 2015, or 2014 Annual Report, under "Item 3. Key Information – D. Risk Factors – Risks Related to our Business – We operate in a heavily regulated industry, which can harm our results of operations. In recent years, regulation in Israel has materially adversely affected our results" and "We face intense competition in all aspects of our business", and "Item 4. Information on the Company – B. Business Overview – Network and Technology - Network and Cell Sites Sharing Agreements" and "Government Regulation – Network Sharing".

4 Generation Network

In August 2015, following the award of additional 1800MHz frequencies for 4G technologies to the Company in January 2015, the MOC amended the Company's cellular license to include 4G services and allocated such frequencies to the Company.

For additional details see the Company's 2014 Annual Report under "Item 4. Information on the Company – B. Business Overview – Network and Technology – Spectrum Allocation".

Rights Offering

In June 2015, the Company filed a registration statement with the Securities and Exchange Commission, or the SEC, and the Israeli Securities Authority, or the ISA, in preparation for a possible rights offering that would be expected to raise approximately NIS 120-150 million (assuming a full exercise of subscription rights), or "the Rights Offering". Discount Investment Corporation Ltd., or DIC, the Company's controlling shareholder, has announced that if such Rights Offering will be effected by the Company, DIC intends to exercise all subscription rights offered to it and purchase additional shares if possible, pursuant to the Rights Offering, for a total investment amount which will not exceed NIS 100 million.

The execution, timing, terms (including subscription ratio) and amount of such possible Rights Offering have not yet been determined and are subject to further approvals of the Company's Board of Directors, declaration of effectiveness of the registration statement by the SEC, and approvals of the ISA, the Tel Aviv Stock Exchange and the New York Stock Exchange. There is no assurance that such approvals will be received or that the Rights Offering will be executed, nor as to its timing, terms or amount.

This announcement does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in the United States or in Israel. The securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended, and may not be sold in Israel absent an exemption under Section 35-29 of the Israeli Securities Law 5728-1968 and a permit from the ISA. Any offering of securities in the United States and Israel, if the Company determines to pursue the Rights Offering, will be made by means of a prospectus that may be obtained from the Company.

2015 Share Incentive Plan

In June 2015, the Company's Board of Directors annulled its March 2015 decision to grant options to certain non-director officers and senior employees under the Company's 2015 Share Incentive Plan, or the Plan, which had not been granted.

In August 2015, the Company's board of directors resolved to make a certain reduction in the options acceleration events to be granted under the Plan and to grant 2,660,000 options to certain non-director officers (preceded by the Company's compensation committee's resolution to this end) and senior employees, of which 1,740,000 options will be granted to the Company's executive officers, including 525,000 options to Mr. Sztern, the Company's CEO, at an exercise price of US$ 6.68 (or, subject to the approval of the Israeli Tax Authority – NIS 25.65) per share. Mr. Sztern's grant is subject to shareholders approval in accordance with the Israeli Companies Law. The options granted will be vested in three equal installments on each of the first, second and third anniversary of the date of grant. The options of the first installment may be exercised within 24 months from their vesting, and the options of the second and third installments may be exercised with 18 month from their vesting.

For additional details please see "Item 6. Directors, Senior Management and Employees – E. Share Ownership – 2015 Share Incentive Plan" of 2014 Annual Report.

Voluntary Retirement Plan

In April 2015, the Group, in collaboration with the employees' representatives, launched a new voluntary retirement plan for employees, following which, the Company recorded a one-time expense in an amount of approximately NIS

25 million in the second quarter of 2015 with respect to employees joining this plan.

Conference Call Details

The Company will be hosting a conference call on Thursday, August 13, 2015 at 10:00 am ET, 07:00 am PT, 15:00 UK time, 17:00 Israel time. On the call, management will review and discuss the results for the second quarter of 2015, and will be available to answer questions. To participate, please either access the live webcast on the Company's website, or call one of the following teleconferencing numbers below. Please begin placing your calls at least 10 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Number: 1 888 281 1167   UK Dial-in Number: 0 800 917 5108

Israel Dial-in Number: 03 918 0685   International Dial-in Number: +972 3 918 0685

at: 10:00 am Eastern Time; 07:00 am Pacific Time; 15:00 UK Time; 17:00 Israel Time

To access the **live webcast** of the conference call, please access the investor relations section of Cellcom Israel's website: www.cellcom.co.il. After the call, a **replay** of the call will be available under the same investor relations section.

About Cellcom Israel

Cellcom Israel Ltd., established in 1994, is the largest Israeli cellular provider; Cellcom Israel provides its approximately 2.848 million subscribers (as at June 30, 2015) with a broad range of value added services including cellular and landline telephony, roaming services for tourists in Israel and for its subscribers abroad and additional services in the areas of music, video, mobile office etc., based on Cellcom Israel's technologically advanced infrastructure. In addition, at the end of 2014, the Company launched television services over the internet (Over the top TV or OTT TV). The Company operates an LTE 4 generation network (currently partially deployed) and an HSPA 3.5 Generation network enabling advanced high speed broadband multimedia services, in addition to GSM/GPRS/EDGE networks. Cellcom Israel offers Israel's broadest and largest customer service infrastructure including telephone customer service centers, retail stores, and service and sale centers, distributed nationwide. Through its broad customer service network Cellcom Israel offers technical support, account information, direct to the door parcel delivery services, internet and fax services, dedicated centers for hearing impaired, etc. Cellcom Israel further provides through its wholly owned subsidiaries internet connectivity services and international calling services, as well as landline telephone communication services in Israel, in addition to data communication services.

Cellcom Israel's shares are traded both on the New York Stock Exchange (CEL) and the Tel Aviv Stock Exchange (CEL). For additional information please visit the Company's website www.cellcom.co.il

Forward-Looking Statements

The following information contains, or may be deemed to contain forward-looking statements (as defined in the U.S. Private Securities Litigation Reform Act of 1995 and the Israeli Securities Law, 1968). In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expect," "plan," "anticipate," "t "estimate," "predict," "potential" or "continue," the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about the Company, may include projections of the Company's future financial results, its anticipated growth strategies and anticipated trends in its business. These statements are only predictions based on the Company's current expectations and projections about future events. There are important factors that could cause the Company's actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause such differences include, but are not limited to: changes to the terms of the Company's license, new legislation or decisions by the regulator affecting the Company's operations, new competition and changes in the competitive environment, the outcome of legal proceedings to which the Company is a party, particularly class action lawsuits, the Company's ability to maintain or obtain permits to construct and operate cell sites, and other risks and uncertainties detailed from time to time in the Company's filings with the U.S. Securities and Exchange Commission, including under the caption “Risk Factors” in its Annual Report for the year ended December 31, 2014.

Although the Company believes the expectations reflected in the forward-looking statements contained herein are reasonable, it cannot guarantee future results, level of activity, performance or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The Company assumes no duty to update any of these forward-looking statements after the date hereof to conform its prior statements to actual results or revised expectations, except as otherwise required by law.

The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Unless noted specifically otherwise, the dollar denominated figures were converted to US$ using a convenience translation based on the New Israeli Shekel (NIS)/US$ exchange rate of NIS 3.769 = US$ 1 as published by the Bank of Israel for June 30, 2015.

Use of non-IFRS financial measures

EBITDA is a non-IFRS measure and is defined as income before financing income (expenses), net; other income (expenses), net (excluding one-time expenses related to employee retirement plans); income tax; depreciation and amortization and share based payments. This is an accepted measure in the communications industry. The Company presents this measure as an additional performance measure as the Company believes that it enables us to compare operating performance between periods and companies, net of any potential differences which may result from differences in capital structure, taxes, age of fixed assets and related depreciation expenses. EBITDA should not be considered in isolation, or as a substitute for operating income, any other performance measures, or cash flow data, which were prepared in accordance with Generally Accepted Accounting Principles as measures of profitability or liquidity. EBITDA does not take into account debt service requirements, or other commitments, including capital expenditures, and therefore, does not necessarily indicate the amounts that may be available for the Company's use. In addition, EBITDA as presented by the Company may not be comparable to similarly titled measures reported by other companies, due to differences in the way these measures are calculated. See the reconciliation of net income to EBITDA under "Reconciliation for Non-IFRS Measures" below.

Free cash flow is a non-IFRS measure and is defined as the net cash provided by operating activities minus the net cash used in investing activities excluding short-term investment in tradable debentures and deposits and proceeds from sales of such debentures (including interest received in relation to such debentures) and deposits. See "Reconciliation for Non-IFRS Measures" below.

Company Contact	**Investor Relations Contact**
Shlomi Fruhling	Ehud Helft
Chief Financial Officer	GK Investor & Public Relations in partnership with LHA
investors@cellcom.co.il	cellcom@GKIR.com
Tel: +972 52 998 9755	Tel: +1 617 418 3096

Financial Tables Follow

-11-

Cellcom Israel Ltd.

(An Israeli Corporation)

Condensed Consolidated Interim Statements of Financial Position

	June 30, 2014	June 30, 2015	Convenience translation into US dollar June 30, 2015	December 31, 2014
	NIS millions		US$ millions	NIS millions
Assets				
Cash and cash equivalents	1,083	**894**	**237**	1,158
Current investments, including derivatives	520	**375**	**99**	521
Trade receivables	1,541	**1,311**	**348**	1,417
Other receivables	132	**89**	**24**	65
Inventory	88	**85**	**22**	89
Total current assets	3,364	**2,754**	**730**	3,250
Trade and other receivables	784	**772**	**205**	824
Property, plant and equipment, net	1,796	**1,797**	**477**	1,834
Intangible assets, net	1,339	**1,291**	**343**	1,315
Deferred tax assets	22	**15**	**4**	17
Total non- current assets	3,941	**3,875**	**1,029**	3,990
Total assets	7,305	**6,629**	**1,759**	7,240
Liabilities				
Current maturities of debentures and long term loans and short term credit	1,093	**736**	**195**	1,092
Trade payables and accrued expenses	630	**643**	**171**	773
Current tax liabilities	86	**68**	**18**	77
Provisions	170	**117**	**31**	101
Other payables, including derivatives	420	**368**	**98**	370
Total current liabilities	2,399	**1,932**	**513**	2,413

Debentures	3,791	**3,397**	**901**	3,548
Provisions	21	**23**	**6**	21
Other long-term liabilities	15	**8**	**2**	12
Liability for employee rights upon retirement, net	12	**12**	**3**	14
Deferred tax liabilities	139	**127**	**34**	140
Total non- current liabilities	3,978	**3,567**	**946**	3,735
Total liabilities	6,377	**5,499**	**1,459**	6,148
Equity attributable to owners of the Company				
Share capital	1	**1**	**-**	1
Cash flow hedge reserve	(6)	**(3)**	**(1)**	(3)
Retained earnings	920	**1,115**	**296**	1,078
Non-controlling interest	13	**17**	**5**	16
Total equity	928	**1,130**	**300**	1,092
Total liabilities and equity	7,305	**6,629**	**1,759**	7,240

Cellcom Israel Ltd.

(An Israeli Corporation)

Condensed Consolidated Interim Statements of Income

	For the six months ended June 30,		Convenience translation into US dollar For the six months ended June 30,	For the three months ended June 30,		Convenience translation into US dollar For the three months ended June 30,	For the year en Decemb
	2014	**2015**	**2015**	**2014**	**2015**	**2015**	**2014**
	NIS millions		**US$ millions**	**NIS millions**		**US$ millions**	**NIS mil**
Revenues	2,288	**2,102**	**558**	1,158	**1,040**	**276**	4,570
Cost of revenues	(1,335)	**(1,404)**	**(373)**	(671)	**(682)**	**(181)**	(2,727
Gross profit	953	**698**	**185**	487	**358**	**95**	1,843
Selling and marketing expenses	(334)	**(304)**	**(81)**	(170)	**(148)**	**(39)**	(672
General and administrative expenses	(238)	**(239)**	**(63)**	(120)	**(108)**	**(29)**	(463
Other expenses, net	(40)	**(20)**	**(5)**	(41)	**(22)**	**(6)**	(46
Operating profit	341	**135**	**36**	156	**80**	**21**	662
Financing income	63	**33**	**9**	31	**27**	**7**	100
Financing expenses	(154)	**(113)**	**(30)**	(95)	**(89)**	**(23)**	(298
Financing expenses, net	(91)	**(80)**	**(21)**	(64)	**(62)**	**(16)**	(198
Profit before taxes on income	250	**55**	**15**	92	**18**	**5**	464
Taxes on income	(57)	**(17)**	**(5)**	(13)	**(6)**	**(2)**	(110
Profit for the period	193	**38**	**10**	79	**12**	**3**	354
Attributable to:							
Owners of the Company	193	**37**	**10**	79	**12**	**3**	351
	-	**1**	**-**	-	**-**	**-**	3

Non-controlling interests							
Profit for the period	193	**38**	**10**	79	**12**	**3**	354
Earnings per share							
Basic earnings per share (in NIS)	1.94	**0.37**	**0.10**	0.79	**0.12**	**0.03**	3.51
Diluted earnings per share (in NIS)	1.91	**0.37**	**0.10**	0.78	**0.12**	**0.03**	3.48
Weighted-average number of shares used in the calculation of basic earnings per share (in shares)	99,533,099	**100,584,490**	**100,584,490**	99,533,099	**100,584,490**	**100,584,490**	99,924,
Weighted-average number of shares used in the calculation of diluted earnings per share (in shares)	100,702,823	**100,584,490**	**100,584,490**	100,711,161	**100,584,490**	**100,584,490**	100,706

Cellcom Israel Ltd.

(An Israeli Corporation)

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended June 30,		Convenience translation into US dollar For the six months ended June 30,	For the three months ended June 30,		Convenience translation into US dollar For the three months ended June 30,	For the year ended December 31,
	2014	**2015**	**2015**	**2014**	**2015**	**2015**	**2014**
	NIS millions		**US$ millions**	**NIS millions**		**US$ millions**	**NIS millions**
Cash flows from operating activities							
Profit for the period	193	**38**	**10**	79	**12**	**3**	354
Adjustments for:							
Depreciation and amortization	310	**281**	**75**	155	**138**	**37**	610
Share based payment	2	**-**	**-**	1	**-**	**-**	3
Loss (gain) on sale of property, plant and equipment	2	**(2)**	**-**	2	**-**	**-**	7
Income tax expense	57	**17**	**5**	13	**6**	**2**	110
Financing expenses, net	91	**80**	**21**	64	**62**	**16**	198
Changes in operating assets and liabilities:							
Change in inventory	(4)	**4**	**1**	(5)	**24**	**6**	(5)
Change in trade receivables (including long-term amounts)	295	**113**	**30**	123	**23**	**6**	422
Change in other receivables (including long-term amounts)	(83)	**(24)**	**(6)**	(14)	**(8)**	**(2)**	(35)
Changes in trade payables, accrued expenses and provisions	26	**(71)**	**(19)**	(19)	**(25)**	**(7)**	(24)
Change in other liabilities (including long-term amounts)	66	**17**	**4**	68	**25**	**7**	36
Payments for derivative hedging contracts, net	(6)	**-**	**-**	(1)	**-**	**-**	(6)
Income tax paid	(55)	**(36)**	**(10)**	(25)	**(9)**	**(2)**	(119)
Income tax received	-	**-**	**-**	-	**-**	**-**	6
Net cash from operating activities	894	**417**	**111**	441	**248**	**66**	1,557

Cash flows from investing activities							
Acquisition of property, plant and equipment	(127)	**(162)**	**(43)**	(63)	**(86)**	**(23)**	(289)
Acquisition of intangible assets	(44)	**(59)**	**(15)**	(19)	**(39)**	**(11)**	(77)
Change in current investments, net	(14)	**137**	**36**	88	**146**	**39**	(15)
Proceeds (payments) for other derivative contracts, net	(2)	**-**	**-**	(1)	**(1)**	**-**	4
Proceeds from sale of property, plant and equipment	3	**4**	**1**	-	**-**	**-**	4
Repayment of a long term deposit	-	**48**	**13**	-	**-**	**-**	-
Interest received	17	**13**	**3**	5	**2**	**1**	23
Net cash from (used in) investing activities	(167)	**(19)**	**(5)**	10	**22**	**6**	(350)

-14-

Cellcom Israel Ltd.

(An Israeli Corporation)

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

	For the six months ended June 30,		Convenience translation into US dollar For the six months ended June 30,	For the three months ended June 30,		Convenience translation into US dollar For the three months ended June 30,	For the year ended December 31,
	2014	2015	2015	2014	2015	2015	2014
	NIS millions		US$ millions	NIS millions		US$ millions	NIS millions
Cash flows from financing activities							
Payments for derivative contracts, net	(14)	**(9)**	**(2)**	(13)	**(7)**	**(2)**	(29)
Repayment of long term loans from banks	(11)	**-**	**-**	-	**-**	**-**	(12)
Repayment of debentures	(523)	**(523)**	**(139)**	-	**-**	**-**	(1,092)
Proceeds from issuance of debentures, net of issuance costs	-	**(3)**	**(1)**	-	**(3)**	**(1)**	326
Dividend paid	(4)	**-**	**-**	-	**-**	**-**	(4)
Interest paid	(149)	**(124)**	**(33)**	-	**-**	**-**	(295)
Net cash used in financing activities	(701)	**(659)**	**(175)**	(13)	**(10)**	**(3)**	(1,106)
Changes in cash and cash equivalents	26	**(261)**	**(69)**	438	**260**	**69**	101
Cash and cash equivalents as at the beginning of the period	1,057	**1,158**	**307**	645	**637**	**169**	1,057
Effect of exchange rate fluctations on cash and cash equivalents	-	**(3)**	**(1)**	-	**(3)**	**(1)**	-
Cash and cash equivalents as at the end of the period	1,083	**894**	**237**	1,083	**894**	**237**	1,158

-15-

Cellcom Israel Ltd.

(An Israeli Corporation)

Reconciliation for Non-IFRS Measures

EBITDA

The following is a reconciliation of net income to EBITDA:

	Three-month period ended June 30,			**Year ended December 31,**
	2014 NIS millions	**2015 NIS millions**	**Convenience translation into US dollar 2015 US$ millions**	**2014 NIS millions**
Profit for the period	79	**12**	**3**	354
Taxes on income	13	**6**	**2**	110
Financing income	(31)	**(27)**	**(7)**	(100)
Financing expenses	95	**89**	**23**	298
Other expenses (income) **(*)**	2	**(2)**	**(1)**	7
Depreciation and amortization	155	**138**	**37**	610
Share based payments	1	**-**	**-**	3
EBITDA	314	**216**	**57**	1,282

(*) Other expenses for the second quarter of 2015 exclude a one-time expense for an employee retirement plan in the amount of approximately NIS 25 million ($7 million).

Free cash flow

The following table shows the calculation of free cash flow:

	Three-month period ended June 30,			Year ended December 31,
			Convenience translation into US dollar	
	2014 NIS millions	2015 NIS millions	2015 US$ millions	2014 NIS millions
Cash flows from operating activities	441	**248**	**66**	1,557
Cash flows from investing activities	10	**22**	**6**	(350)
Short-term Investment in (sale of) tradable debentures and deposits (*)	(90)	**(151)**	**(40)**	(3)
Free cash flow	361	**119**	**32**	1,204

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

-16-

Cellcom Israel Ltd.

(An Israeli Corporation)

Key financial and operating indicators (unaudited)

NIS millions unless otherwise stated	**Q2-2013**	**Q3-2013**	**Q4-2013**	**Q1-2014**	**Q2-2014**	**Q3-2014**	**Q4-2014**	**Q1-2015**	**Q**
Cellcom service revenues	790	789	774	728	728	680	648	619	6
Netvision service revenues	246	251	229	223	220	226	214	224	2
Cellcom equipment revenues	213	205	208	188	221	250	274	245	2
Netvision equipment revenues	13	6	24	15	14	15	33	32	1
Consolidation adjustments	(26)	(27)	(26)	(24)	(25)	(29)	(29)	(58)	(
Total revenues	**1,236**	**1,224**	**1,209**	**1,130**	**1,158**	**1,142**	**1,140**	**1,062**	**1**
Cellcom EBITDA	271	286	258	265	224	268	210	136	1
Netvision EBITDA	68	61	77	75	90	78	72	60	5
Total EBITDA	**339**	**347**	**335**	**340**	**314**	**346**	**282**	**196**	**2**
Operating profit	**169**	**173**	**170**	**185**	**156**	**190**	**131**	**55**	**8**
Financing expenses, net	78	92	30	27	64	51	56	18	6
Profit for the period	**67**	**52**	**102**	**114**	**79**	**106**	**55**	**26**	**1**
Free cash flow	**345**	**389**	**308**	**366**	**361**	**303**	**174**	**127**	**1**
Cellular subscribers at the end of period (in 000's)	3,151	3,156	*3,092	3,049	3,029	3,010	2,967	2,885	2
Monthly cellular ARPU (in NIS)	79.7	79.6	78.7	74.7	75.4	70.6	67.8	65.5	6
Churn rate for cellular subscribers (%)	9.0%	8.9%	9.9%	11.1%	11.1%	11.0%	11.5%	11.9%	1

* After a removal of approximately 64,000 pre-paid subscribers from the Company's cellular subscriber base following a change to the subscribers counting mechanism.

Cellcom Israel Ltd.

<u>Disclosure for debenture holders as of June 30, 2015</u>

Aggregation of the information regarding the debenture series issued by the Company [1], in million NIS

			As of 30.06.2015					As of 12.08.2015			Principal Repayment Dates		
Series	Original Issuance Date	Principal on the Date of Issuance	Principal Balance on Trade	Linked Principal Balance	Interest Accumulated in Books	Debenture Balance Value in Books[2]	Market Value	Principal Balance on Trade	Linked Principal Balance	Interest Rate (fixed)	From	To	In R D
B[4]**	22/12/05 02/01/06* 05/01/06* 10/01/06* 31/05/06*	925.102	370.041	443.192	11.336	454.529	473.763	370.041	444.905	5.30%	05.01.13	05.01.17	Ja
D[7][8]**	07/10/07 03/02/08* 06/04/09* 30/03/11* 18/08/11*	2,423.075	898.804	1,057.125	54.008	1,111.133	744.749	599.203	702.909	5.19%	01.07.13	01.07.17	Ju
E[7]**	06/04/09 30/03/11* 18/08/11*	1,798.962	327.266	326.131	9.863	335.994	351.091	327.266	327.266	6.25%	05.01.12	05.01.17	Ja