Cellcom Israel Ltd.
Form 6-K
March 15, 2016

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

For March 15, 2016

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): ______

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1. Cellcom Israel Announces Fourth Quarter and Full Year 2015 Results

2. Cellcom Israel Ltd. and Subsidiaries – Consolidated Financial Statements as at December 31, 2015 (Audited)

Item 1

Cellcom Israel announces

fourth Quarter and full year 2015 Results

The Company concludes a year of successful operation in the landline market with over 70,000 Cellcom tv households and approximately 100,000 households in the wholesale market, as of today.

Cellcom Israel concludes 2015 with net income of NIS 97 million and EBITDA[1] of NIS 872 million. Excluding a one-time expense as a result of entering a collective employment agreement and an expense regarding an employee voluntary retirement plan[2], EBITDA totaled NIS 927 million.

2015 Full Year Highlights *(compared to 2014):*

§ **Total Revenues** totaled to NIS 4,180 million ($1,071 million), compared to NIS 4,570 million ($1,171 million) last year, an 8.5% decrease.

§ **Service revenues** totaled to NIS 3,132 million ($803 million), compared to NIS 3,565 million ($914 million) last year, a 12.1% decrease.

§ **EBITDA** totaled to NIS 872 million ($ 223 million), compared to NIS 1,282 million ($329 million) last year, a 32.0% decrease.

§ **EBITDA margin** 20.9%, down from 28.0% last year.

§

Operating income totaled to NIS 310 million ($79 million), compared to NIS 662 million ($170 million) last year, a 53.2% decrease.

§ **Net income** totaled to NIS 97 million ($25 million), compared to NIS 354 million ($91 million) last year, a 72.6% decrease.

§ **Cellular subscriber base** totaled approx. 2.835 million subscribers (at the end of December 2015).

§ **Free cash flow**[1] totaled to NIS 494 million ($127 million)**,** compared to NIS 1,204 million ($309 million) last year, a 59.0% decrease.

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

[2] These expenses amounted to a total amount of NIS 55 million (see details in paragraph "EBITDA" section in this press release).

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Fourth Quarter 2015 Highlights *(compared to fourth quarter of 2014):*

- **Total Revenues** totaled NIS 1,046 million ($268 million), compared to NIS 1,140 million ($292 million) in the same quarter last year, an 8.2% decrease.

- **Service revenues** totaled to NIS 757 million ($194 million), compared to NIS 835 million ($214 million) in the same quarter last year, a 9.3% decrease.

- **EBITDA** totaled to NIS 225 million ($58 million), compared to NIS 282 million ($72 million) in the same quarter last year, a 20.2% decrease.

  - **EBITDA margin** 21.5%, down from 24.7% in the same quarter last year.

- **Operating income** totaled NIS 79 million ($20 million), compared to NIS 131 million ($34 million) in the same quarter last year, a 39.7% decrease.

- **Net income** totaled to NIS 19 million ($5 million), compared to NIS 55 million ($14 million) in the same quarter last year, a 65.5% decrease.

- **Free cash flow** totaled to NIS 121 million ($31 million), compared to NIS 174 million ($45 million) in the same quarter last year, a 30.5% decrease.

Commenting on the results, Nir Sztern, the Company's Chief Executive Officer, said:

“2015 reflects the full strength of the competition effects in recent years. Alongside dealing with the competition arena and the decline in the financial indices, 2015 was a significant year in the establishment of the Group’s strategy for the coming years. This was a year of breakthrough, of significant steps for our future as a communications group, offering a total value proposition to the customer. This was the year of Cellcom tv's successful launch, which revolutionized and offers an alternative to the consumer in the TV market, with over 70,000 households enjoying, as of today, the Cellcom tv experience. In 2015, the Group also began operating in the wholesale market with attractive offers to customers both in the triple play and the internet infrastructure and provider worlds. Despite the many challenges in the implementation of the reform, we are leading customer recruitment in the wholesale market with approximately 100,000 households, as of today.

Entering into the Golan Telecom acquisition agreement is another step in turning Cellcom into a leading communications group. We hope that, as was the case in many markets around the world, the transaction will be reviewed in Israel also based on relevant considerations. As we previously announced, we intend to maintain Golan Telecom as an independent company and we assure all Golan Telecom’s customers that all their existing agreements will be honored.

We were able to implement our strategy in recent years as a value enhancing communications group to the customer thanks to the Group's excellent employees and managers, that engage in providing quality service to customers, and without them we would not have reached these achievements."

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Shlomi Fruhling, Chief Financial Officer, commented:

“During 2015, the Company moved to a growth path in the landline market by expanding operations with business customers, a successful Cellcom tv launch and a high customer recruitment rate for the wholesale market and the triple play offerings. Accordingly, we also recorded an increase in cost of revenues due to an increase in content costs and wholesale market communications costs. In the cellular market we have experienced a continued decline in service revenues which moderated throughout the year. We expect the level of competition in the market as characterized in 2015, to continue at the same pace in the coming quarters.

Despite the Company’s entry into new areas of operation, we managed to reduce selling, marketing, administrative and general expenses of the Group, which decreased by 4.4% compared to the corresponding year, and the investments in fixed assets which amounted to NIS 396 million, a 19% decrease compared to the previous year. Subsequently, the Group is committed and continues to work to adjust its costs and investments structure to the market’s condition.

The Group continued in 2015 also to act to lower its net debt, which at the end of the year amounted at NIS 2.75 billion, compared to NIS 2.96 billion last year. Free Cash Flow totaled in 2015 to NIS 494 million, a 59% decrease compared to the corresponding year. Most of the decrease resulted from a decrease in proceeds from customers in respect of services and handsets sold in 36 installments.

The Company's board of directors decided not to distribute a dividend for the fourth quarter of 2015, given the intensified competition and its adverse effect on the Company's results of operations, and in order to strengthen the Company's balance sheet. The board of directors will re-evaluate its decision in the future in light of market developments and the Company needs.”

Netanya, Israel – March 15, 2016 – Cellcom Israel Ltd. (NYSE: CEL TASE: CEL) ("Cellcom Israel" or the "Company" or the "Group"), announced today its financial results for the fourth quarter and full year ended December 31, 2015. Revenues for the fourth quarter and full year 2015 totaled NIS 1,046 million ($268 million) and NIS 4,180 million ($1,071 million), respectively; EBITDA for the fourth quarter 2015 totaled NIS 225 million ($58 million), or 21.5% of total revenues, and for the full year 2015 totaled NIS 872 million ($223 million), or 20.9% of total revenues; net income for the fourth quarter and full year 2015 totaled NIS 19 million ($5 million) and NIS 97 million ($25 million), respectively. Basic earnings per share for the fourth quarter and full year 2015 totaled NIS 0.18 ($0.05) and NIS 0.95 ($0.24), respectively.

Main Consolidated Financial Results for 2015 (compared to 2014 results):

	NIS millions		% of Revenues		% Change	US$ millions (convenience translation)	
	2015	2014	2015	2014		2015	2014
Revenues - services	3,132	3,565	74.9%	78.0%	(12.1%)	803	914
Revenues - equipment	1,048	1,005	25.1%	22.0%	4.3%	268	257
Total revenues	**4,180**	**4,570**	**100.0%**	**100.0%**	**(8.5%)**	**1,071**	**1,171**
Cost of revenues - services	(2,000)	(1,983)	(47.8%)	(43.4%)	0.9%	(513)	(508)
Cost of revenues - equipment	(763)	(744)	(18.3%)	(16.3%)	2.6%	(195)	(191)
Total cost of revenues	**(2,763)**	**(2,727)**	**(66.1%)**	**(59.7%)**	**1.3%**	**(708)**	**(699)**
Gross profit	**1,417**	**1,843**	**33.9%**	**40.3%**	**(23.1%)**	**363**	**472**
Selling and marketing expenses	(620)	(672)	(14.8%)	(14.7%)	(7.7%)	(159)	(172)
General and administrative expenses	(465)	(463)	(11.1%)	(10.1%)	0.4%	(119)	(119)
Other expenses, net	(22)	(46)	(0.5%)	(1.0%)	(52.2%)	(6)	(12)
Operating income	**310**	**662**	**7.4%**	**14.5%**	**(53.2%)**	**79**	**170**
Financing expenses, net	(177)	(198)	(4.2%)	(4.3%)	(10.6%)	(45)	(51)
Profit before taxes on income	**133**	**464**	**3.2%**	**10.2%**	**(71.3%)**	**34**	**119**
Taxes on income	(36)	(110)	(0.9%)	(2.4%)	(67.3%)	(9)	(28)
Net income	**97**	**354**	**2.3%**	**7.8%**	**(72.6%)**	**25**	**91**
Free cash flow	**494**	**1,204**	**11.8%**	**26.3%**	**(59.0%)**	**127**	**309**
EBITDA	**872**	**1,282**	**20.9%**	**28.0%**	**(32.0%)**	**223**	**329**

Main Financial Data by Operating Segments:

	Cellcom Israel (*)	Netvision (**)	Consolidation adjustments (***)	Consolidated results
	2015			
	NIS millions			
Total revenues	**3,371**	**991**	**(182)**	**4,180**
Service revenues	**2,441**	**858**	**(167)**	**3,132**

Equipment revenues	**930**	**133**	**(15)**	**1,048**
Operating income	**194**	**140**	**(24)**	**310**
EBITDA	**642**	**224**	**6**	**872**
EBITDA, as percent of total revenues	**19.0%**	**22.6%**		**20.9%**

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

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

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

	2015	2014	Change (%)
Cellular subscribers at the end of the year (in thousands)	**2,835**	**2,967**	(4.4%)
Churn Rate for cellular subscribers (in %)	**42.0%**	**44.0%**	(4.5%)
Monthly cellular ARPU (in NIS)	**65.0**	**72.1**	(9.8%)

Financial Review

Revenues for 2015 decreased 8.5% totaling NIS 4,180 million ($1,071 million), compared to NIS 4,570 million ($1,171 million) last year. The decrease in revenues is attributed mainly to a 12.1% decrease in service revenues, from NIS 3,565 million ($914 million) in 2014 to NIS 3,132 million ($803 million) in 2015, as a result of the increased competition in the market. The decrease in revenues was partially offset by an increase in equipment revenues, which totaled NIS 1,048 million ($268 million) in 2015 compared to NIS 1,005 million ($257 million) in 2014 and revenues from OTT TV services launched at the end of 2014. Netvision's contribution to total revenues totaled NIS 809 million ($207 million) (excluding inter-company revenues) in 2015, compared to NIS 853 million ($219 million) in 2014. The decrease in Netvision's contribution is mainly due to a decrease in revenues from internet services and international calling services and was partially offset by a 63.9% increase in equipment revenues.

The decrease in **service revenues** in 2015 resulted mainly from a 14.7% decrease in revenues from cellular services due to the ongoing price erosion of these services and a decrease in subscriber base, resulting from the intensified competition in the cellular market. The decrease in service revenues also resulted from a decrease in revenues from internet services and international calling services due to intensified competition. Netvision's contribution to service revenues totaled NIS 691 million ($177 million) (excluding inter-company revenues) in 2015, compared to NIS 781 million ($200 million) in 2014.

The increase in **equipment revenues** in 2015 resulted mainly from an approximately 63.9% increase in Netvision’s end-user equipment revenues in 2015, compared to 2014 (excluding inter-company revenues). Netvision's contribution to equipment revenues totaled NIS 118 million ($30 million) in 2015 (excluding inter-company revenues), compared to NIS 72 million ($18 million) in 2014.

Revenues for the fourth quarter of 2015 decreased 8.2% totaling NIS 1,046 million ($268 million), compared to NIS 1,140 million ($292 million) in the fourth quarter of last year. The decrease in revenues is attributed mainly to a 9.3% decrease in service revenues, which totaled NIS 757 million ($194 million) in the fourth quarter 2015 compared to NIS 835 million ($214 million) in the fourth quarter of 2014, as well as from a 5.2% decrease in equipment revenues, which totaled NIS 289 million ($74 million) in the fourth quarter of 2015 compared to NIS 305 million ($78 million) in the fourth quarter last year. Netvision's contribution to total revenues for the fourth quarter of 2015 totaled NIS 222 million ($57 million) (excluding inter-company revenues) compared to NIS 218 million ($56 million) in the fourth quarter of 2014.

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The decrease in fourth 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, as well as a decrease in revenues from international calling services. Netvision's contribution to service revenues for the fourth quarter of 2015 totaled NIS 165 million ($42 million) (excluding inter-company revenues) compared to NIS 187 million ($48 million) in the fourth quarter of last year.

The decrease in fourth quarter 2015 **equipment revenues** resulted mainly from a decrease in the number of cellular handsets sold during the fourth quarter of 2015 compared with the fourth quarter of 2014, which was partially offset by an increase in Netvision's end-user equipment revenues. Netvision's contribution to equipment revenues for the fourth quarter of 2015 totaled NIS 57 million ($15 million) compared to NIS 31 million ($8 million) in the fourth quarter of 2014.

Cost of revenues for 2015 totaled NIS 2,763 million ($708 million), compared to NIS 2,727 million ($699 million) in 2014, a 1.3% increase. This increase is attributed to a 0.9% increase in the cost of service revenues and a 2.6% increase in the cost of equipment revenues. The increase in the cost of service revenues in 2015 compared with 2014, mainly resulted from an increase in content costs related to OTT TV services launched at the end of 2014, a one-time reduction of a provision for cell-sites rent expenses in the amount of NIS 44 million ($11 million), as well as a one-time cancelation of a provision for communications cables expenses in the amount of NIS 22 million ($6 million), both in 2014. This increase was partially offset by a decrease in other cost of revenues expenses such as depreciation and maintenance. Netvision's contribution to cost of service revenues (excluding inter-company expenses) decreased to NIS 450 million ($115 million) in 2015 from NIS 471 million ($121 million) in 2014, mainly due to a decrease in cost of revenues from international calling services and a decrease in communications cables expenses. The increase in cost of equipment revenues mainly resulted from an increase in Netvision's equipment sales to business customers. Netvision's contribution to cost of equipment revenues increased to NIS 101 million ($26 million) in 2015 from NIS 55 million ($14 million) in 2014.

Cost of revenues for the fourth quarter of 2015 decreased to NIS 688 million ($176 million) from NIS 732 million ($188 million) in the fourth quarter of 2014, a decrease of 6.0%. This decrease resulted mainly from a decrease in the cost of sales of handsets, as a result of a decrease in sales of such handsets and from a decrease in the cost of services as a result of efficiency measures, which were partially offset by an increase in content costs related to the OTT TV services launched at the end of 2014, and in Netvision's end-user equipment costs.

Gross profit for 2015 decreased 23.1% to NIS 1,417 million ($363 million) from NIS 1,843 million ($472 million) in 2014. Netvision's contribution to the gross profit for 2015 totaled NIS 258 million ($66 million) compared to NIS 327 million ($84 million) in 2014. Gross profit margin for 2015 amounted to 33.9%, down from 40.3% in 2014.

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Gross profit for the fourth quarter 2015 decreased 12.3% to NIS 358 million ($92 million) from NIS 408 million ($105 million) in the fourth quarter of 2014. Gross profit margin for the fourth quarter 2015 amounted to 34.2% down from 35.8% in the fourth quarter of last year.

Selling, Marketing, General and Administrative Expenses ("SG&A Expenses") for 2015 decreased 4.4% to NIS 1,085 million ($278 million), compared to NIS 1,135 million ($291 million) in 2014. This decrease is primarily the result of the efficiency measures implemented by the Company, which led to a decrease in advertising expenses and other expenses as well as a decrease in depreciation and amortization expenses attributable to the acquisition of Netvision. Netvision's contribution to SG&A expenses totaled NIS 143 million ($37 million) in 2015, including amortization expenses related to intangible assets attributable to the acquisition of Netvision, compared to NIS 142 million ($36 million) in 2014.

SG&A Expenses for the fourth quarter of 2015 increased 1.5% to NIS 277 million ($71 million), compared to NIS 274 million ($70 million) in the fourth quarter of last year. This increase resulted mainly from an increase in customer acquisition commissions, which was partially offset by efficiency measures implemented by the Company in respect of other expenses.

Operating income for 2015 decreased 53.2% to NIS 310 million ($79 million) from NIS 662 million ($170 million) in 2014. Netvision's contribution to operating income[3] in 2015 totaled NIS 116 million ($30 million) compared to NIS 180 million ($46 million) in 2014.

Operating income for the fourth quarter of 2015 decreased 39.7% to NIS 79 million ($20 million) from NIS 131 million ($34 million) in the fourth quarter of last year. Netvision's contribution to operating income[3] in the fourth quarter of 2015 totaled NIS 36 million ($9 million), compared to NIS 39 million ($10 million) in the fourth quarter of last year.

EBITDA for 2015 decreased 32.0% to NIS 872 million ($223 million) from NIS 1,282 million ($329 million) in 2014. EBITDA for 2015 excluding a one-time expense in an amount of approximately NIS 30 million, as a result of entering a collective employment agreement and an expense regarding an employee voluntary retirement plan in the amount of approximately NIS 25 million, totaled NIS 927 million ($238 million). EBITDA for 2015, as a percent of revenues, totaled 20.9% down from 28.0% in 2014. Netvision's contribution to EBITDA for 2015 totaled NIS 230 million ($59 million), (including consolidation adjustments) compared to NIS 315 million ($81 million) in 2014.

[3] Including amortization expenses related to intangible assets attributable to the acquisition of Netvision.

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EBITDA for the fourth quarter of 2015 decreased 20.2% totaling NIS 225 million ($58 million) compared to NIS 282 million ($72 million) in the fourth quarter of last year. EBITDA for the fourth quarter of 2015, as a percent of fourth quarter revenues, totaled 21.5%, down from 24.7% in the fourth quarter of 2014. Netvision's contribution to EBITDA for the fourth quarter of 2015 totaled NIS 65 million ($17 million) (including consolidation adjustments) compared to NIS 72 million ($18 million) in the fourth quarter of 2014.

Other expenses for 2015 totaled NIS 22 million ($6 million) and primarily include an expense for an employee voluntary retirement plan in the amount of approximately NIS 25 million ($6 million), which was accrued for in the second quarter of 2015, compared to NIS 46 million ($12 million) in 2014, mainly from an expense for an employee voluntary retirement plan, in the amount of NIS 39 million, recorded in the second quarter of 2014.

Financing expenses, net for 2015 decreased 10.6% to NIS 177 million ($45 million), compared to NIS 198 million ($51 million) in 2014. The decrease mainly resulted from a decrease in interest expenses, associated with the Company's debentures, due to a lower debt level in 2015 compared with 2014.

Financing expenses, net for the fourth quarter 2015 decreased 14.3% to NIS 48 million ($12 million), compared to NIS 56 million ($14 million) in the fourth quarter of last year. The decrease resulted mainly from a decrease in interest expenses, associated with the Company's debentures, due to a lower debt level.

Taxes on income for 2015 decreased 67.3% to NIS 36 million ($9 million) from NIS 110 million ($28 million) in 2014. The decrease in taxes on income resulted mainly from a decrease in profit before taxes on income.

Taxes on income for the fourth quarter of 2015 decreased 40.0% to NIS 12 million ($3 million) from NIS 20 million ($5 million) in the fourth quarter of last year.

Net Income for 2015 decreased by 72.6% to NIS 97 million ($25 million) from NIS 354 million ($91 million) in 2014. Netvision's contribution to net income, including inter-company transactions, decreased from NIS 143 million ($37 million) in 2014 to NIS 86 million ($22 million) in 2015.

Net income for the fourth quarter 2015 decreased 65.5% to NIS 19 million ($5 million) from NIS 55 million ($14 million) in the fourth quarter of 2014. Netvision's contribution to net income in the fourth quarter of 2015 decreased to NIS 26 million ($7 million) from NIS 32 million ($8 million) in the fourth quarter of 2014.

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Basic earnings per share for 2015 totaled NIS 0.95 ($0.24), compared to NIS 3.51 ($0.9) in 2014. Basic earnings per share for the fourth quarter of 2015 totaled NIS 0.18 ($0.05), compared to NIS 0.52 ($0.13) in the fourth quarter of last year.

Operating Review (data refers to cellular subscribers only)

Cellular subscriber base – at the end of 2015 the Company had approximately 2.835 million cellular subscribers, a decrease of approximately 132,000 subscribers net, or approximately 4.4%, compared to the cellular subscriber base at the end of 2014. In the fourth quarter of 2015, the Company's cellular subscriber base increased by approximately 3,000 net cellular subscribers.

Cellular Churn Rate for 2015 totaled 42.0%, compared to 44.0% in 2014. The cellular churn rate for the fourth quarter 2015 totaled to 11.1%, compared to 11.5% in the fourth quarter of last year. Both annual and quarterly churn rates were primarily affected by the intensified competition in the cellular market.

The monthly cellular **Average Revenue per User (ARPU)** for 2015 totaled NIS 65.0 ($16.6) compared to NIS 72.1 ($18.5) in 2014. ARPU for the fourth quarter of 2015 totaled NIS 63.0 ($16.0), compared to NIS 67.8 ($17.4) in the fourth quarter of last year. Both annual and quarterly ARPU were affected by the ongoing erosion in the price of cellular services, resulting from the intensified competition in the cellular market.

Financing and Investment Review

<u>Cash Flow</u>

Free cash flow for 2015 totaled NIS 494 million ($127 million), compared to NIS 1,204 million ($309 million) in 2014, a 59.0% decrease. Cash flows from operating activities for 2015 totaled NIS 835 million ($214 million), a 46.4% decrease compared to NIS 1,557 million ($399 million) in 2014. In 2015, the cash flow was affected by a decrease in service revenues in 2015 compared with 2014 and in proceeds from customers from end-user handsets sold in 36 installments. Cash flows used in investing activities totaled to NIS 341 million ($87 million) in 2015, compared to NIS 353 million ($90 million) in 2014.

Free cash flow for the fourth quarter of 2015 decreased by 30.5% totaling NIS 121 million ($31 million), from NIS 174 million ($45 million) in the fourth quarter of last year. The decrease in free cash flow resulted mainly from the decrease in proceeds from customers as a result of the erosion in the Company's current revenues.

Total Equity

Total Equity as of December 31, 2015 amounted to NIS 1,185 million ($304 million), primarily consisting of accumulated undistributed retained earnings of the Company.

Investments in Fixed Assets and Intangible Assets

During 2015 and the fourth quarter of 2015, the Company invested NIS 396 million ($101 million) and NIS 104 million ($27 million), respectively, in fixed assets and intangible assets (including, among others, investment in LTE 4 generation network, investments in information systems and software and investments in TV set-top boxes), compared to NIS 487 million ($125 million) and NIS 185 million ($47 million) in 2014 and the fourth quarter 2014, respectively.

Dividend

On March 14, 2016, the Company's board of directors decided not to declare a cash dividend for the fourth 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 results of operations, 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 December 31, 2015, see "Disclosure for Debenture Holders" section in this press release.

Conference Call Details

The Company will hold a conference call discussing its results for the year 2015 and the fourth quarter of 2015 on Tuesday, March 15, 2016, at 10:00 am ET, 07:00 am PT, 14:00 UK time, 16:00 Israel time. On the call, management will review and discuss the results, 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: 1 888 668 9141   UK Dial-in Number: 0 800 917 5108
Israel Dial-in Number: 03 918 0609   International Dial-in Number: +972 3 918 0609

at: 10:00 am Eastern Time; 07:00 am Pacific Time; 14:00 UK Time; 16:00 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.

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About Cellcom Israel

Cellcom Israel Ltd., established in 1994, is the largest Israeli cellular provider; Cellcom Israel provides its approximately 2.835 million cellular subscribers (as at December 31, 2015) with a broad range of value added services including cellular 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. The Company operates an LTE 4 generation network 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 OTT TV services (as of December 2014), internet infrastructure (as of February 2015) and 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,” “ “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 3.902 = US$ 1 as published by the Bank of Israel for December 31, 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 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 of Non-IFRS Measures" in the press release.

Free cash flow is a non-IFRS measure and is defined as the net cash provided by operating activities (including the effect of exchange rate fluctuations on cash and cash equivalents), 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 of Non-IFRS Measures" below.

Company Contact	**Investor Relations Contact**
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Financial Tables Follow

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Cellcom Israel Ltd.

(An Israeli Corporation)

Consolidated Statements of Financial Position

	December 31, 2014 NIS millions	December 31, 2015 NIS millions	Convenience translation into US dollar December 31, 2015 US$ millions
Assets			
Cash and cash equivalents	1,158	761	195
Current investments, including derivatives	521	281	72
Trade receivables	1,417	1,254	321
Other receivables	65	104	27
Inventory	89	85	22
Total current assets	3,250	2,485	637
Trade and other receivables	824	785	201
Property, plant and equipment, net	1,834	1,745	447
Intangible assets, net	1,315	1,254	322
Deferred tax assets	17	9	2
Total non- current assets	3,990	3,793	972
Total assets	7,240	6,278	1,609
Liabilities			
Current maturities of debentures	1,092	734	188
Trade payables and accrued expenses	773	677	173
Current tax liabilities	77	53	14
Provisions	101	110	28
Other payables, including derivatives	370	286	73
Total current liabilities	2,413	1,860	476
Debentures	3,548	3,054	783
Provisions	21	20	5
Other long-term liabilities	12	24	6
Liability for employee rights upon retirement, net	14	12	3

Deferred tax liabilities	140	123	32
Total non- current liabilities	3,735	3,233	829
Total liabilities	6,148	5,093	1,305
Equity attributable to owners of the Company			
Share capital	1	1	-
Cash flow hedge reserve	(3)	(2)	-
Retained earnings	1,078	1,170	300
Non-controlling interests	16	16	4
Total equity	1,092	1,185	304
Total liabilities and equity	7,240	6,278	1,609

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Cellcom Israel Ltd.

(An Israeli Corporation)

Consolidated Statements of Income

	Year ended December 31, 2013 NIS millions	Year ended December 31, 2014 NIS millions	Year ended December 31, 2015 NIS millions	Convenience translation into US dollar Year ended December 31, 2015 US$ millions
Revenues	4,927	4,570	4,180	1,071
Cost of revenues	(2,990)	(2,727)	(2,763)	(708)
Gross profit	1,937	1,843	1,417	363
Selling and marketing expenses	(717)	(672)	(620)	(159)
General and administrative expenses	(570)	(463)	(465)	(119)
Other income (expenses), net	1	(46)	(22)	(6)
Operating profit	651	662	310	79
Financing income	156	100	55	14
Financing expenses	(402)	(298)	(232)	(59)
Financing expenses, net	(246)	(198)	(177)	(45)
Profit before taxes on income	405	464	133	34
Taxes on income	(117)	(110)	(36)	(9)
Profit for the year	288	354	97	25
Attributable to:				
Owners of the Company	287	351	95	25
Non-controlling interests	1	3	2	-
Profit for the year	288	354	97	25
Earnings per share				
Basic earnings per share (in NIS)	2.89	3.51	0.95	0.24
Diluted earnings per share (in NIS)	2.86	3.48	0.95	0.24
	99,495,525	99,924,306	100,589,458	100,589,458

Weighted-average number of shares used in the calculation of basic earnings per share (in shares)				
Weighted-average number of shares used in the calculation of diluted earnings per share (in shares)	100,319,724	100,706,282	100,589,530	100,589,530

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Cellcom Israel Ltd.

(An Israeli Corporation)

Consolidated Statements of Cash Flows

	Year ended December 31, 2013 NIS millions	Year ended December 31, 2014 NIS millions	Year ended December 31, 2015 NIS millions	Convenience translation into US dollar Year ended December 31, 2015 US$ millions
Cash flows from operating activities				
Profit for the year	288	354	97	25
Adjustments for:				
Depreciation and amortization	676	610	562	144
Share based payment	9	3	3	1
Loss (gain) on sale of property, plant and equipment	2	7	(1)	-
Income tax expense	117	110	36	9
Financing expenses, net	246	198	177	45
Other income	(3)	-	-	-
Changes in operating assets and liabilities:				
Change in inventory	27	(5)	4	1
Change in trade receivables (including long- term amounts)	576	422	209	54
Change in other receivables (including long- term amounts)	(34)	(35)	(34)	(9)
Change in trade payables, accrued expenses and provisions	(185)	(24)	(54)	(14)
Change in other liabilities (including long-term amounts)	(33)	36	(95)	(24)
Payments for derivative hedging contracts, net	(17)	(6)	-	-
Income tax paid	(119)	(119)	(68)	(18)
Income tax received	6	6	-	-
Net cash from operating activities	1,556	1,557	836	214
Cash flows used in investing activities				
Acquisition of property, plant, and equipment	(275)	(289)	(305)	(78)
Acquisition of intangible assets	(90)	(77)	(91)	(23)
Dividend received	1	-	2	-
Change in current investments, net	(16)	(15)	231	59
	(10)	4	-	-

Proceeds from (payments for) other derivative contracts, net				
Proceeds from sale of property, plant and equipment	17	4	4	1
Interest received	29	23	15	4
Repayment of a long term deposit	-	-	48	12
Net cash used in investing activities	(344)	(350)	(96)	(25)

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Cellcom Israel Ltd.

(An Israeli Corporation)

Consolidated Statements of Cash Flows (cont.)

	Year ended December 31, 2013 NIS millions	Year ended December 31, 2014 NIS millions	Year ended December 31, 2015 NIS millions	Convenience translation into US dollar Year ended December 31, 2015 US$ millions
Cash flows used in financing activities				
Payments for derivative contracts, net	(8)	(29)	(32)	(8)
Repayment of long term loans from banks	(6)	(12)	-	-
Repayment of debentures	(1,124)	(1,092)	(873)	(224)
Proceeds from issuance of debentures, net of issuance costs	-	326	(3)	(1)
Dividend paid	(81)	(4)	(1)	-
Interest paid	(350)	(295)	(227)	(58)
Net cash used in financing activities	(1,569)	(1,106)	(1,136)	(291)
Changes in cash and cash equivalents	(357)	101	(396)	(102)
Cash and cash equivalents as at the beginning of the year	1,414	1,057	1,158	297
Effect of exchange rate fluctuations on cash and cash equivalents	-	-	(1)	-
Cash and cash equivalents as at the end of the year	1,057	1,158	761	195

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Cellcom Israel Ltd.

(An Israeli Corporation)

Reconciliation of Non-IFRS Measures

EBITDA

The following is a reconciliation of net income to EBITDA:

	Year ended December 31			**Convenience translation into US dollar**
				Year ended December 31
	2013	**2014**	**2015**	**2015**
	NIS millions	**NIS millions**	**NIS millions**	**US$ millions**
Net income	288	354	97	25
Income taxes	117	110	36	9
Financing income	(156)	(100)	(55)	(14)
Financing expenses	402	298	232	59
Other expenses (income)	(1)	7	(3)	(1)
Depreciation and amortization	676	610	562	144
Share based payments	9	3	**3**	**1**
EBITDA	1,335	1,282	**872**	**223**

Three-month period ended December 31			
2013	**2014**	**2015**	**Convenience**

	NIS millions	**NIS millions**	**NIS millions**	**translation into US dollar 2015 US$ millions**
Net income	102	55	19	5
Income taxes	38	20	12	3
Financing income	(49)	(28)	(11)	(3)
Financing expenses	79	84	59	15
Other expenses	-	3	1	-
Depreciation and amortization	163	148	143	37
Share based payments	2	-	**2**	**1**
EBITDA	335	282	**225**	**58**

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Free cash flow

The following table shows the calculation of free cash flow:

	Year ended December 31			Convenience translation into US dollar Year ended December 31
	2013	**2014**	**2015**	**2015**
	NIS millions	**NIS millions**	**NIS millions**	**US$ millions**
Cash flows from operating activities(*)	1,556	1,557	835	214
Cash flows from investing activities	(344)	(350)	(96)	(25)
Sale of tradable debentures(**)	(2)	(3)	(245)	(62)
Free cash flow	1,210	1,204	494	127

	Three-month period ended December 31			**Convenience translation into US dollar**
	2013	**2014**	**2015**	**2015**
	NIS millions	**NIS millions**	**NIS millions**	**US$ millions**
Cash flows from operating activities(*)	376	277	210	54
Cash flows from investing activities	(66)	(99)	8	2
Sale of tradable debentures(**)	(2)	(4)	**(97)**	**(25)**
Free cash flow	308	174	**121**	**31**

(*) Including the effect of exchange rate fluctuations on cash and cash equivalents.

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

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Cellcom Israel Ltd.

(An Israeli Corporation)

Key financial and operating indicators (unaudited)

NIS millions unless otherwise stated	**Q4-2013**	**Q1-2014**	**Q2-2014**	**Q3-2014**	**Q4-2014**	**Q1-2015**	**Q2-2015**	**Q3-2015**	**Q**
Cellcom service revenues	774	728	728	680	648	619	612	618	5
Netvision service revenues	229	223	220	226	214	224	219	210	2
Cellcom equipment revenues	208	188	221	250	274	245	238	215	2
Netvision equipment revenues	24	15	14	15	33	32	16	28	5
Consolidation adjustments	(26)	(24)	(25)	(29)	(29)	(58)	(45)	(39)	(
Total revenues	**1,209**	**1,130**	**1,158**	**1,142**	**1,140**	**1,062**	**1,040**	**1,032**	**1**
Cellcom EBITDA	258	265	224	268	210	136	164	182	1
Netvision EBITDA	77	75	90	78	72	60	52	53	6
Total EBITDA	**335**	**340**	**314**	**346**	**282**	**196**	**216**	**235**	**2**
Operating profit	**170**	**185**	**156**	**190**	**131**	**55**	**80**	**96**	**7**
Financing expenses, net	30	27	64	51	56	18	62	49	4
Profit for the period	**102**	**114**	**79**	**106**	**55**	**26**	**12**	**40**	**1**
Free cash flow	**308**	**366**	**361**	**303**	**174**	**127**	**119**	**127**	**1**
Cellular subscribers at the end of period (in 000's)	*3,092	3,049	3,029	3,010	2,967	2,885	2,848	2,832	2
Monthly cellular ARPU (in NIS)	78.7	74.7	75.4	70.6	67.8	65.5	65.5	66.0	6
Churn rate for cellular subscribers (%)	9.9%	11.1%	11.1%	11.0%	11.5%	11.9%	10.2%	10.1%	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.

(An Israeli Corporation)

<u>Disclosure for debenture holders as of December 31, 2015</u>

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

			As of 31.12.2015					As of 14.03.16		
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)
B[4][8] **	22/12/05 02/01/06* 05/01/06* 10/01/06* 31/05/06*	925.102	370.041	441.665	23.094	464.759	229.148	185.020	219.558	5.30%
D[7]**	07/10/07 03/02/08* 06/04/09* 30/03/11* 18/08/11*	2,423.075	599.203	701.733	18.162	719.895	741.214	599.203	693.762	5.19%
E[7][8] **	06/04/09 30/03/11* 18/08/11*	1,798.962	327.266	326.760	20.174	346.934	172.077	163.633	163.633	6.25%

F(4)(5)(6) **	20/03/12	714.802	714.802	733.508	16.504	750.012	784.710	714.802	727.185	4.60%	(
G(4)(5)(6)**	20/03/12	285.198	285.198	285.600	9.777	295.377	319.336	285.198	285.198	6.99%	(
H(4)(5)(7)**	08/07/14 03/02/15* 11/02/15*	949.624	949.624	801.089	9.221	810.310	911.259	949.624	949.624	1.98%	(
I(4)(5)(7)**	08/07/14 03/02/15* 11/02/15*	557.705	557.705	498.043	11.323	509.366	564.564	557.705	557.705	4.14%	(

Total	7,654.468	3,803.839	3,788.398	108.255		3,896.653	3,722.308	3,455.185	3,596.665

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Comments:

(1) In the reporting period, the Company fulfilled all terms of the debentures. The Company also fulfilled all terms of the Indentures. Debentures Series F through I financial covenants - as of December 31, 2015 the net leverage (net debt to EBITDA excluding one time events ratio- see definition in the Company's annual report for the year ended December 31, 2014 on Form 20-F, under "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Debt Service") was 3.06 (the net leverage without excluding one-time events was 3.16). In the reporting period, no cause for early repayment occurred. (2) Including interest accumulated in the books. (3) Annual payments, excluding Series F through I debentures in which the payments are semi annual. (4) Regarding debenture Series B and F through I, the Company undertook not to create any pledge on its assets, as long as debentures are not fully repaid, subject to certain exclusions. (5) Regarding debenture Series F through I - the Company has the right for early redemption under certain terms (see the Company's annual report for the year ended December 31, 2014 on Form 20-F, under "Item 5. Operating and Financial Review and Prospects– B. Liquidity and Capital Resources – Debt Service". (6) Regarding debenture Series F and G - in June 2013, following a second decrease of the Company's debenture rating since their issuance, the annual interest rate has been increased by 0.25% to 4.60% and 6.99%, respectively, beginning July 5, 2013. (7) In February 2015, pursuant to an exchange offer of the Company's Series H and I debentures for a portion of the Company's outstanding Series D and E debentures, respectively, or the Exchange Offer, the Company exchanged approximately NIS 555 million principal amount of Series D debentures with approximately NIS 844 million principal amount of Series H debentures, and approximately NIS 272 million principal amount of Series E debentures with approximately NIS 335 million principal amount of Series I debentures. (8) On January 5, 2016, after the end of the reporting period, the Company repaid principal payments of approximately NIS 221 million of Series B debentures and approximately NIS 164 million of Series E debentures.

(*) On these dates additional debentures of the series were issued, the information in the table refers to the full series.

(**) As of December 31, 2015, all series of debentures are material, which represent 5% or more of the total liabilities of the Company, as presented in the financial statements.

Cellcom Israel Ltd.

<u>Disclosure for debenture holders as of December 31, 2015 (cont.)</u>

<u>Debentures Rating Details*</u>

Series	Rating Company	Rating as of 31.12.2015 (1)	Rating as of 14.03.2016	Rating assigned upon issuance of the Series	Recent date of rating as of 14.03.2016	Additional ratings between original issuance and the recent date of rating as of 14.03.2016 (2)	
							Rating
B	S&P Maalot	A+	A+	AA-	09/2015	5/2006, 9/2007, 1/2008, 10/2008, 3/2009, 9/2010, 8/2011, 1/2012, 3/2012, 5/2012, 11/2012, 06/2013, 06/2014, 08/2014, 01/2015, 09/2015	AA-, AA,AA-,A+ (2)
D	S&P Maalot	A+	A+	AA-	09/2015	1/2008, 10/2008, 3/2009, 9/2010, 8/2011, 1/2012, 3/2012, 5/2012, 11/2012, 06/2013, 06/2014, 08/2014, 01/2015, 09/2015	AA-, AA,AA-,A+ (2)
E	S&P Maalot	A+	A+	AA	09/2015	9/2010, 8/2011, 1/2012, 3/2012, 5/2012, 11/2012, 06/2013, 06/2014, 08/2014, 01/2015, 09/2015	AA,AA-,A+ (2)
F	S&P Maalot	A+	A+	AA	09/2015	5/2012, 11/2012, 06/2013, 06/2014, 08/2014, 01/2015, 09/2015	AA,AA-,A+ (2)
G	S&P Maalot	A+	A+	AA	09/2015	5/2012, 11/2012, 06/2013, 06/2014 08/2014, 01/2015, 09/2015	AA,AA-,A+ (2)
H	S&P Maalot	A+	A+	A+	09/2015	06/2014, 08/2014, 01/2015, 09/2015	A+ (2)
I	S&P Maalot	A+	A+	A+	09/2015	06/2014, 08/2014, 01/2015, 09/2015	A+ (2)

(1) In September 2015, S&P Maalot affirmed the Company's rating of “ilA+/stable”.

(2) In September 2007, S&P Maalot issued a notice that the AA- rating for debentures issued by the Company was in the process of recheck with positive implications (Credit Watch Positive). In October 2008, S&P Maalot issued a notice that the AA- rating for debentures issued by the Company is in the process of recheck with stable implications (Credit Watch Stable). This process was withdrawn upon assignment of AA rating in March 2009. In August 2011, S&P Maalot issued a notice that the AA rating for debentures issued by the Company is in the process of recheck with negative implications (Credit Watch Negative). In May 2012, S&P Maalot updated the Company's rating from an "ilAA/negative" to an “ilAA-/negative”. In November 2012, S&P Maalot affirmed the Company's rating of “ilAA-/negative”. In June 2013, S&P Maalot updated the Company's rating from an "ilAA-/negative" to an “ilA+/stable”. In June 2014, August 2014, January 2015 and September 2015, S&P Maalot affirmed the Company's rating of “ilA+/stable”. For details regarding the rating of the debentures see the S&P Maalot report dated September 17, 2015.

**** A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to suspension, revision or withdrawal at any time, and each rating should be evaluated independently of any other rating.***

Cellcom Israel Ltd.

Summary of Financial Undertakings (according to repayment dates) as of December 31, 2015

a. Debentures issued to the public by the Company and held by the public, excluding such debentures held by the Company's parent company, by a controlling shareholder, by companies controlled by them, or by companies controlled by the Company, based on the Company's "solo" financial data (in thousand NIS).

	Principal payments					
	ILS linked to CPI	**ILS not linked to CPI**	**Euro**	**Dollar**	**Other**	**Gross interest payments (without deduction of tax)**
First year	563,929	162,950	-	-	-	173,693
Second year	636,783	219,972	-	-	-	130,334
Third year	329,751	196,961	-	-	-	76,966
Fourth year	329,751	139,939	-	-	-	54,486
Fifth year and on	922,760	435,247	-	-	-	113,644
Total	2,782,974	1,155,069	-	-	-	549,123

b. Private debentures and other non-bank credit, excluding such debentures held by the Company's parent company, by a controlling shareholder, by companies controlled by them, or by companies controlled by the Company, based on the Company's "solo" financial data (in thousand NIS) – None.

c. Credit from banks in Israel based on the Company's "solo" financial data (in thousand NIS) - None.

d. Credit from banks abroad based on the Company's "solo" financial data (in thousand NIS) - None.

e. Total of sections a - d above, total credit from banks, non-bank credit and debentures based on the Company's "solo" financial data (in thousand NIS).

	Principal payments					
	ILS linked to CPI	**ILS not linked to CPI**	**Euro**	**Dollar**	**Other**	**Gross interest payments (without deduction of tax)**
First year	563,929	162,950	-	-	-	173,693
Second year	636,783	219,972	-	-	-	130,334

Third year	329,751	196,961	-	-	-	76,966
Fourth year	329,751	139,939	-	-	-	54,486
Fifth year and on	922,760	435,247	-	-	-	113,644
Total	2,782,974	1,155,069	-	-	-	549,123

f. Out of the balance sheet Credit exposure based on the Company's "solo" financial data - None.

g. Out of the balance sheet Credit exposure of all the Company's consolidated companies, excluding companies that are reporting corporations and excluding the Company's data presented in section f above (in thousand NIS) - None.

h. Total balances of the credit from banks, non-bank credit and debentures of all the consolidated companies, excluding companies that are reporting corporations and excluding Company's data presented in sections a - d above (in thousand NIS) - None.

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Cellcom Israel Ltd.

Summary of Financial Undertakings (according to repayment dates) as of December 31, 2015 (cont.)

i. Total balances of credit granted to the Company by the parent company or a controlling shareholder and balances of debentures offered by the Company held by the parent company or the controlling shareholder (in thousand NIS) - None.

j. Total balances of credit granted to the Company by companies held by the parent company or the controlling shareholder, which are not controlled by the Company, and balances of debentures offered by the Company held by companies held by the parent company or the controlling shareholder, which are not controlled by the Company (in thousand NIS).

	Principal payments					
	ILS linked to CPI	**ILS not linked to CPI**	**Euro**	**Dollar**	**Other**	**Gross interest payments (without deduction of tax)**
First year	5,956	683	-	-	-	1,882
Second year	6,264	701	-	-	-	1,518
Third year	3,687	1,409	-	-	-	1,131
Fourth year	3,687	1,391	-	-	-	975
Fifth year and on	18,437	10,917	-	-	-	2,736
Total	38,031	15,101	-	-	-	8,242

k. Total balances of credit granted to the Company by consolidated companies and balances of debentures offered by the Company held by the consolidated companies (in thousand NIS) - None.

Item 2

Cellcom Israel Ltd.

and Subsidiaries

Consolidated Financial

Statements

As at December 31, 2015

(Audited)

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Contents

Report of Independent Registered Public Accounting Firm

To Board of Directors and Shareholders of

Cellcom Israel Ltd.

We have audited the accompanying consolidated statements of financial position of Cellcom Israel Ltd. (hereinafter – "the Company") and subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Cellcom Israel Ltd.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The accompanying consolidated financial statements as of and for the year ended December 31, 2015 have been translated into United States dollars ("dollars") solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in New Israeli Shekels have been translated into dollars on the basis set forth in Note 2D to the consolidated financial statements.

Somekh Chaikin

Certified Public Accountants (Isr.)

Member Firm of KPMG International

Tel Aviv, Israel

March 14, 2016

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Cellcom Israel Ltd. and Subsidiaries

Consolidated Statements of Financial Position

	Note	December 31, 2014 NIS millions	December 31, 2015 NIS millions	Convenience translation into US dollar (Note 2D) December 31, 2015 US$ millions
Assets				
Cash and cash equivalents	8	1,158	**761**	**195**
Current investments, including derivatives		521	**281**	**72**
Trade receivables	9	1,417	**1,254**	**321**
Other receivables	9	65	**104**	**27**
Inventory	10	89	**85**	**22**
Total current assets		3,250	**2,485**	**637**
Trade and other receivables	9	824	**785**	**201**
Property, plant and equipment, net	11	1,834	**1,745**	**447**
Intangible assets, net	12	1,315	**1,254**	**322**
Deferred tax assets	28	17	**9**	**2**
Total non- current assets		3,990	**3,793**	**972**
Total assets		7,240	**6,278**	**1,609**
Liabilities				
Current maturities of debentures	17	1,092	**734**	**188**
Trade payables and accrued expenses	13	773	**677**	**173**
Current tax liabilities	28	77	**53**	**14**
Provisions	14	101	**110**	**28**
Other payables, including derivatives	15	370	**286**	**73**
Total current liabilities		2,413	**1,860**	**476**
Debentures	17	3,548	**3,054**	**783**
Provisions	14	21	**20**	**5**
Other long-term liabilities	16	12	**24**	**6**
Liability for employee rights upon retirement, net	18	14	**12**	**3**
Deferred tax liabilities	28	140	**123**	**32**

Total non- current liabilities		3,735	**3,233**	**829**
Total liabilities		6,148	**5,093**	**1,305**
Equity attributable to owners of the Company	19			
Share capital		1	**1**	**-**
Cash flow hedge reserve		(3)	**(2)**	**-**
Retained earnings		1,078	**1,170**	**300**
Non-controlling interests		16	**16**	**4**
Total equity		1,092	**1,185**	**304**
Total liabilities and equity		7,240	**6,278**	**1,609**

Date of approval of the consolidated financial statements: March 14, 2016.

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

Cellcom Israel Ltd. and Subsidiaries

Consolidated Statements of Income

	Note	Year ended December 31, 2013 NIS millions	Year ended December 31, 2014 NIS millions	Year ended December 31, 2015 NIS millions	Convenience translation into US dollar (Note 2D) Year ended December 31, 2015 US$ **millions**
Revenues	22	4,927	4,570	4,180	1,071
Cost of revenues	23	(2,990)	(2,727)	(2,763)	(708)
Gross profit		1,937	1,843	1,417	363
Selling and marketing expenses	24	(717)	(672)	(620)	(159)
General and administrative expenses	25	(570)	(463)	(465)	(119)
Other income (expenses), net	26	1	(46)	(22)	(6)
Operating profit		651	662	310	79
Financing income		156	100	55	14
Financing expenses		(402)	(298)	(232)	(59)
Financing expenses, net	27	(246)	(198)	(177)	(45)
Profit before taxes on income		405	464	133	34
Taxes on income	28	(117)	(110)	(36)	(9)
Profit for the year		288	354	97	25
Attributable to:					
Owners of the Company		287	351	95	25
Non-controlling interests		1	3	2	-
Profit for the year		288	354	97	25
Earnings per share	19				
Basic earnings per share (in NIS)		2.89	3.51	0.95	0.24
Diluted earnings per share (in NIS)		2.86	3.48	0.95	0.24
Weighted-average number of shares used in the calculation of basic earnings per share (in shares)		99,495,525			