Cellcom Israel Ltd.
Form 6-K
November 08, 2007

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 November 8, 2007

Commission File Number: 001-33271

CELLCOM ISRAEL LTD.

10 Hagavish Street
Netanya, Israel 42140

(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): ______

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No __X_–_

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not Applicable

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CELLCOM ISRAEL ANNOUNCES
THIRD QUARTER 2007 RESULTS

Cellcom Israel surpassed the 3,000,000 subscriber mark
and continues to show strong growth in all parameters

THIRD QUARTER 2007 HIGHLIGHTS *(results compared to third quarter of 2006):*

§ **Total Revenues from services** increased approx. 9% to NIS 1,413 million ($352 million)

§ **Revenues from content and value added services (including SMS)** increased approx. 47% and reached 8.4% of revenues

§ **Total Revenues (including handset and accessories revenues)** increased approx. 7% to NIS 1,572 million ($392 million)

§ **EBITDA**[1] increased approx. 11% to NIS 559 million ($139 million)**; EBITDA margin** 35.6%**,** up from 34.3%

§ **Operating profit** increased approx. 23% to NIS 366 million ($91 million)

§ **Net income** increased approx. 105% to NIS 270 million ($67 million)[2]

§ **Free Cash Flow**[1] increased approx. 50% to NIS 348 million ($87 million)

§ **Subscriber base** increased by approx. 57,000 during the quarter, reaching approx. 3.02 million at the end of Q3

§ **3G** subscribers reached approx. 281,000 at the end of Q3

§ **The Company Declared** NIS 2.63 **dividend per share** for the third quarter

Netanya, Israel – November 8, 2007 – Cellcom Israel Ltd. (NYSE: CEL TASE: CEL) ("Cellcom Israel", the "Company"), announced today its financial results for the third quarter ended September 30, 2007. Revenues for the third quarter totaled NIS 1,572 million ($392 million); EBITDA totaled NIS 559 million ($139 million), or 35.6% of revenues; and net income reached NIS 270 million ($67 million), or NIS 2.77 per share ($0.69 per share).

Commenting on the results, Amos Shapira, Chief Executive Officer said, "Our strong third quarter results represent Cellcom's seventh sequential quarter of growth and efficiency improvements across all of our performance parameters. This was achieved as a result of ongoing marketing efforts

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[1] Please view section "Use of Non-GAAP financial measures" at the end of this press release.

[2] Includes a one time amount following the release of a tax provision; See "Finance Expenses, Net" below.

to drive usage and introduce new products, while steadily reducing expenses and implementing efficiency measures in many areas of our operation. During the third quarter we also enhanced our investment in customer service by, among other measures, expanding our services and marketing teams, as part of the Company’s strategy to constantly improve service levels and customer satisfaction. During the third quarter we further strengthened our relationship with our customers through broad and successful marketing activities and launching innovative and new perception marketing plans such as "Cellcom Israel by the second", emphasizing again Cellcom’s innovation and marketing initiative”.

Mr. Shapira added: “The Company is prepared for the number portability, which is expected to be implemented on December 1, 2007. During the third quarter the Company surpassed the 3 million subscriber mark, thus clearly positioning the Company as Israel’s largest cellular company. The number of 3G subscribers benefiting from the diverse services and advanced 3.5G HSDPA network-based content, reached approximately 281,000, up 33% from last quarter. We are very pleased with our subscriber growth rate as well as with the increase in content and value added services revenues, which represented 8.4% of our overall revenues this quarter. Furthermore, our landline and transmission services, although not material to our overall revenues, contributed directly to higher revenues, serving as another growth driver for the Company. We intend to offer our landline and transmission customers a variety of new advanced services, using a new generation network (NGN) recently purchased".

Tal Raz, Chief Financial Officer commented: "We are very pleased with the substantial increase in profitability, despite increasing competition in the industry, the impending introduction of number portability and regulatory pressures. The improved profitability was mainly the result of a 9% increase in airtime minutes, higher revenues from content services as well as ongoing cost efficiencies. These improvements have been partially offset by an increase in customer retention expenses, as well as expenses associated with expanding the Company’s services and marketing teams. Free Cash Flow continued to be strong and was up 50% compared to the third quarter of last year. The improved free cash flow is a direct result of the Company’s improved financial performance, enabling us to distribute a NIS 2.63 dividend per share, and a total of approximately NIS 256 million”.

KEY FINANCIAL AND PERFORMANCE INDICATORS:

	Q3/2007	Q3/2006	% Change	Q3/2007	Q3/2006
	million NIS			million US$ (convenience translation)	
Total services revenues	**1,413**	1,300	8.7%	**352.1**	324.0
Revenues from content and value added services	**132**	90	46.7%	**32.9**	22.4
Handset and accessories revenues	**159**	167	-4.8%	**39.6**	41.6
Total revenues	**1,572**	1,467	7.2%	**391.7**	365.6
Operating Profit	**366**	297	23.2%	**91.2**	74.0
Net Income	**270**	132	104.5%	**67.3**	32.9
Cash Flow from Operating Activities, net of Investing Activities	**348**	232	50.0%	**86.7**	57.8
EBITDA	**559**	503	11.1%	**139.3**	125.3
EBITDA, as percent of Revenues	**35.6%**	34.3%	3.8%	**35.6%**	34.3%
Subscribers end of period (in thousands)	**3,017**	2,828	6.7%	**3,017**	2,828
Estimated Market Share[3]	**34%**	34%	-	**34%**	34%
Churn Rate (in %)	**3.6%**	3.8%	-5.3%	**3.6%**	3.8%
Average Monthly MOU (in minutes)	**353.7**	348.4	1.5%	**353.7**	348.4
Monthly ARPU	**155.5**	154.2	0.8%	**38.7**	38.4

FINANCIAL REVIEW

Revenues for the third quarter ended September 30, 2007 totaled NIS 1,572 million ($392 million), a 7.2% increase compared to NIS 1,467 million ($366 million) in the same quarter last year. The increase in revenues resulted from an 8.7% increase in revenues from services, to NIS 1,413 million ($352 million) compared to NIS 1,300 million ($324 million) in the same quarter last year. This increase is attributed mainly to an increase of approximately 9% in airtime usage (outgoing and incoming), following the increase in the Company's subscriber base and Minutes of Use ("MOU") per subscriber. The increase also resulted from a 46.7% increase in revenues from content and value added services (including SMS), which totaled, in the third quarter of 2007, NIS 132 million ($33 million), representing 8.4% of total revenues. The increase in revenues was partially offset by a decline in interconnection rates as well as the change in pricing for calls terminating in voicemail. The increase in revenues was also partially offset by a 4.8% decrease in handset and accessories' revenues from NIS 167 million ($42 million) in the third quarter of 2006, to NIS 159 million ($40 million) in the third quarter of 2007. This decrease was primarily due to a decline in average revenue per handset, due to the extensive sales campaigns launched during the third quarter of 2007.

Cost of Revenues for the third quarter of 2007 totaled NIS 846 million ($211 million), compared to NIS 837 million ($209 million) in the third quarter last year, an increase of 1.1%. This increase is primarily due to a 5.2% increase in cost of service revenues, mainly resulting from an increase in usage which lead to an increase in interconnect fees and content costs, partially offset by a decline

[3] In order to estimate the Company's market share, the Company was required to estimate the number of subscribers of two additional Israeli cellular operators - Pelephone Communications Ltd. ("Pelephone") and Mirs Communications Ltd. ("Mirs"), as at September 30, 2007, since Pelephone had not yet published this information, and Mirs does not publish this information.

in depreciation expenses. Most of the increase in cost of services revenues was offset by an 11.8% decline in the cost of handset and accessories' revenues, resulting mainly from increased efficiency in handset procurement, as well as a decline in the cost of accessories sold during the third quarter of 2007.

Gross profit margin for the third quarter of 2007 improved and increased to 46.2%, compared to 42.9% in the third quarter last year. Gross profit for the quarter totaled NIS 726 million ($181 million), a 15.2% increase compared to NIS 630 million ($157 million), in the third quarter last year.

Selling, Marketing, General and Administration Expenses ("SG&A expenses") for the third quarter of 2007 totaled NIS 360 million ($90 million), an increase of 8.1% compared to NIS 333 million ($83 million) in the same period last year. The increase in SG&A expenses is primarily due to increased marketing activities, which included, among other things, a 48% increase in advertising expenses, as well as enhancement of the service and marketing teams.

Operating profit increased 23.2%, reaching NIS 366 million ($91 million) in the third quarter of 2007, compared to NIS 297 million ($74 million) in the third quarter of 2006. **EBITDA** for the third quarter of 2007 totaled NIS 559 million ($139 million), an 11.1% increase compared to NIS 503 million ($125 million) in the same quarter last year. EBITDA, as a percent of revenues, increased to 35.6% in the third quarter of 2007, compared to 34.3% in the third quarter of 2006.

Finance Expenses, net for the third quarter of 2007 totaled NIS 75 million ($19 million), compared to NIS 53 million ($13 million) in the same period last year, an increase of 41.5%. The increase in finance expenses is primarily attributed to the Israeli Consumer Price Index ("CPI") linkage expenses related to the Company's debentures, totaling NIS 50 million ($12 million) this quarter, compared to NIS 4 million ($1 million) in the same quarter last year. The increase in finance expenses was partially offset by profits generated on the hedging portfolio the Company manages against currency, interest and CPI exposures. The net profit on the hedging portfolio, recorded under finance expenses, totaled NIS 7 million in the third quarter of 2007, compared to an NIS 12 million loss in the same quarter last year. The profit on the hedging portfolio stems primarily from approximately NIS 12 million profit from hedging transactions against the CPI, which increased 2.5% in the third quarter, compared to only a 0.2% increase in the same quarter last year. This profit was partially offset by a loss on currency hedging transactions, following the 5.6% appreciation of the NIS against the US dollar this quarter, compared to a 3.1% appreciation in the same quarter last year.

In October 2007, subsequent to the balance sheet date, the Israeli Supreme Court issued two new rulings readdressing its previous ruling of November 2006 regarding the deductibility of financing expenses for tax purposes, that might be attributed by the Israeli Tax Authority to a financing of dividends. As of June 30, 2007 the Company had an accumulated tax provision in the amount of approximately NIS 72 million, that was based on the possibility that part of the Company's financing expenses will not be recognized as a deductible expense for tax purposes.

As a result of the Supreme Court's new rulings of October 2007 and based on the Company's legal counsels' opinion, the Company has released the aforesaid tax provision and reduced the income tax expenses by approximately NIS 72 million during the three month period ended September 30, 2007. For additional details see the Company’s annual report for the year ended December 31, 2006 on Form 20-F under "Item 5. Operating and Financial Review and Prospects – A. Operating Results – Income tax".

Net Income for the third quarter of 2007 increased 104.5% to NIS 270 million ($67 million), compared to NIS 132 million ($33 million) in the third quarter last year (including a one time amount following a release of a tax provision, as described above). **Basic earnings per share** for the third quarter of 2007 totaled NIS 2.77 ($0.69), compared to NIS 1.35 ($0.34) in the third quarter last year.

OPERATING REVIEW

New Subscribers– at the end of the third quarter of 2007 the Company had approximately 3.02 million subscribers. During the third quarter of 2007, the Company added approximately 57,000 net new subscribers, compared to a net increase of approximately 70,000 subscribers in the same period last year. The number of 3G subscribers as at the end of the third quarter of 2007 totaled approximately 281,000 subscribers, representing 9.3% of the Company’s total subscriber base.

Churn Rate during the third quarter of 2007 was 3.6%, compared to 3.8% in the third quarter last year.

Average subscriber **Minutes of Use ("MOU")** in the third quarter of 2007 totaled 353.7 minutes, compared to 348.4 minutes in the second quarter last year, an increase of 1.5%.

The monthly **Average Revenue per User (ARPU)** in the third quarter of 2007, totaled NIS 155.5 ($38.7), compared to NIS 154.2 ($38.4) in the third quarter last year, a 0.8% increase**.**

FINANCING AND INVESTMENT REVIEW

Cash Flow

Free cash flow (Cash provided by operating activities, net of cash used in investing activities) for the third quarter of 2007 totaled NIS 348 million ($87 million), a 50.0% increase from NIS 232 million ($58 million) generated in the third quarter last year. The Company continues to generate, on an ongoing basis, significant levels of free cash flow, as a result of increased revenues, improved cash collection and cost efficiencies that were partially offset by an increase in expenses as a result of expanding the Company's service and marketing teams and the increase in customer retention and acquisition costs.

Shareholders' Equity

Shareholders' Equity as of September 30, 2007, primarily consisting of accumulated undistributed retained earnings, totaled NIS 909 million ($227 million).

Investment in Fixed Assets

During the third quarter of 2007 the Company invested NIS 142 million ($35 million) in fixed assets (including investments in information systems and software recorded under other assets in the balance sheet), compared to NIS 103 million ($26 million) in the same quarter last year.

Dividend

On November 7, 2007, the Company's board of directors declared a cash dividend in the amount of NIS 2.63 per share, and in the aggregate amount of approximately NIS 256 million (the equivalent of approximately $0.67 per share and approximately $65 million in the aggregate, based on the representative rate of exchange on November 7,2007; The actual US$ amount for dividend paid in US$ will be converted from NIS based upon the representative rate of exchange published by the Bank of Israel on November 29, 2007), subject to withholding tax described below. The dividend will be payable to all of the Company’s shareholders of record at the end of the trading day in the NYSE on November 19, 2007. The payment date will be December 3, 2007. According to the Israeli tax law, the Company will deduct at source 20% of the dividend amount payable to each shareholder, as aforesaid, subject to applicable exemptions. The amount of dividend declared per share for the third quarter does not necessarily reflect dividends for future quarterly periods, which may change in accordance with the Company’s dividend policy. Dividend declaration is not 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, 2006 on Form 20-F, under “Item 8 - Financial Information - Dividend Policy”.

Financing

Issuance of Debentures

In October 2007, subsequent to the balance sheet date, the Company issued two series of debentures to the Public in Israel. The debentures are listed for trading on the Tel Aviv Stock Exchange.

Series C Debentures were issued for a total principal amount of NIS 245,000,000 par value. The debentures' principal is payable in nine equal semiannual payments on March 1 and September 1, for each of the years 2009 through 2012 (inclusive) and on March 1, 2013. The interest on the debentures will be paid semiannually on March 1 and on September 1, for each of the years 2008 through 2012 (inclusive) and on March 1, 2013. The debentures bear an annual interest of 4.6% and are linked (principal and interest) to the Israeli CPI for August 2007.

Series D Debentures were issued for a total principal amount of NIS 826,968,000 par value. The debentures' principal is payable in five equal annual payments on July 1, for each of the years 2013 through 2017 (inclusive). The interest on the debentures will be paid annually on July 1, for each of the years 2008 through 2017 (inclusive). The debentures bear an annual interest of 5.19% and are linked (principal and interest) to the Israeli CPI for August 2007.

Partial Debt Repayment

In March 2006, the Company entered into an agreement with Citibank N.A. and Citibank International plc (together “Citi”) in a facility agreement under which Citi made available, by itself and through a bank consortium lead by Citi, a term loan and a revolving credit facility to the amount of $350 million, comprising of a $280 million term loan and up to $70 million under a revolving credit facility. In April 2006, the Company converted part of the dollar based loan for a shekel based loan. As at September 30, 2007, the balance of the loan totaled NIS 1,189 million ($170 million denominated in US$ and NIS 506.4 million denominated in NIS) and the revolving credit facility is not used.

On October 24, 2007, subsequent to the balance sheet date, the Company's Board of Directors decided on a voluntary partial prepayment of the loan, in a principal amount of $140 million (comprising of $85 million denominated in US$ and approximately NIS 253 million denominated in NIS), representing approximately 50% of the balance of the loan. The prepayment will be made during November 2007, in accordance with the terms of the facility agreement. Pursuant to the aforesaid partial prepayment, the outstanding principal amount of the loan will be $140 million (comprising of $85 million denominated in US$ and approximately NIS 253 million denominated in NIS).

For additional details see the Company’s annual report for the year ended December 31, 2006 on Form 20-F under "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Debt Service – Credit facility from bank syndicate".

OTHER DEVELOPMENTS DURING THIRD QUARTER AND SUBSEQUENT TO BALANCE SHEET DATE

Site Licensing– In July 2007, the Company was served with a petition filed with the Israeli High Court of Justice, filed against the Minister of Environmental Protection, the Minister of Interior and the Minister of Communications ("MOC"); the Company and three other cellular operators were joined as formal respondents. The petition sought to cancel the said exemption for radio access devices, to annul any environmental permits previously granted and to prevent the granting of environmental permits in the future by the Ministry of Environmental Protection for radio access devices, based on the exemption. In August 2007, the petition was dismissed in limine for failure to exhaust the relevant proceedings prior to the filing of the petition, without consideration of the merits of the case.

In October 2007, subsequent to the balance sheet date, the Commissioner of Environmental Radiation at the Ministry of Environmental Protection informed he will not grant and/or renew operating permits to radio access devices, where the local planning and building committee’s engineer objected to the Company's reliance upon the said exemption for radio access devices. It is the Company’s view that the Commissioner’s position is invalid and the Company intends to act vigorously in order to receive said permits.

In October 2007, subsequent to the balance sheet date, the Interior and Environmental Protection Committee of the Knesset approved the Non-Ionizing Radiation Regulations, 2007. The Regulations include a prohibition on the construction of cell sites in apartments, including porches. The Minister of Environmental Protection was given the authority to approve the construction and operation of cell sites in roof porches, in exceptional cases. The prohibition doesn’t apply to cell sites in relation to which an operating permit was provided prior to the commencement of the regulations. The Company will decide which actions to take, if any, after the regulations’ enactment process is completed and the final form is published.

For additional details see the Company’s most recent annual report for the year ended December 31, 2006 on Form 20-F under “Item 3. Key Information – D. Risk Factors – Risks related to our business – We may not be able to obtain permits to construct cell sites” as well as under “Item 4. Information on the Company – B. Business Overview – Government Regulations – Permits for Cell Site Construction – Site Licensing” and also our immediate report on Form 6-K of September 24, 2007 under “Item 3.7 Risk Factors – Risks related to our business – We may not be able to obtain permits to construct cell sites” as well as under “Item 3.8 – Material Changes – Site Licensing”.

MVNO – In August 2007, the Israeli government instructed the MOC to take all measures necessary to allow any mobile virtual network operator, or MVNO, wishing to provide cellular services to the public using the network of a cellular operator to do so as of December 31, 2007. In the event that an MVNO and the cellular operator will not have reached an agreement as to the provision of service by way of MVNO within six months from the date the MVNO has approached the cellular operator, the MOC is authorized to examine the causes thereof. Should the MOC determine that the same is due to noncompetitive behavior of the cellular operator or market failure, the MOC may use its authority to provide instructions. Such instructions may include intervening in the terms of the agreement, including by setting the price of the service.

The previous government decision on that matter, from September 2006, appointed a governmental committee to examine the possibility of implementing MVNO operation in Israel. Following that decision, the MOC has been conducting an examination, using an international consulting firm. In October 2007, subsequent to the balance sheet date, the MOC published the abstract of the consulting firm's recommendations, which included a recommendation to refrain from forcefully introducing MVNO's and to encourage their entrance by granting licenses and to regulator's interference only in case of market failure . The MOC has not yet published its findings and recommendations and, to the best of the Company's knowledge, is expected to hold a hearing in the coming weeks.

For additional details see our most recent annual report for the year ended December 31, 2006 on Form 20-F under "Item 3. Key Information – D. Risk Factors – Risks related to our business – We face intense competition in all aspects of our business" as well as under "Item 4. Information on the Company – B. Business Overview – Competition, and under Government Regulations – Mobile Virtual Network Operator" and also in our immediate report on Form 6-K of September 24, 2007 under "Item 3.7 Risk Factors – Risks Related to our business – We face intense competition in all aspects of our business"".

Change in Charging Units – In September 2007, the Company's general license was amended to the effect that prevents the Company from offering subscribers calling plans using airtime charging units other than the basic airtime charging unit set in the general license (which is currently up to a 12-second unit and as of January 1, 2009 will become a one-second unit). The Company has been taking steps to address the effects of the amendment to the license and at this time is unable to assess the potential effect of the amendment on the results of operations.

For additional details see our most recent annual report for the year ended December 31, 2006 on Form 20-F 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" and under "Item 4.

Information on the Company – B. Business Overview – Government Regulations – Tariff Supervision” and "Item 5. Operating and Financial Review and Prospects – A. Operating Results – Overview – General".

CONFERENCE CALL DETAILS

The Company will be hosting a conference call on Thursday, November 8, 2007 at 09:00 am EDT, 04:00 pm Israel time, and 02:00 pm UK 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: 1 888 407 2553	UK Dial-in Number: 0 800 051 8913
Israel Dial-in Number: 03 918 0609	International Dial-in Number: +972 3 918 0609

at: 9:00 am Eastern Time; 6:00 am Pacific Time; 2:00 pm UK Time; 4:00 pm Israel Time

To access the **live webcast** of the conference call, please access the investor relations section of Cellcom Israel's website: http://investors.ircellcom.co.il/events.cfm. 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 leading Israeli cellular provider; Cellcom Israel provides its 3 million subscribers 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. The Company operates an HSDPA 3.5 Generation network enabling the fastest high speed content transmission available in the world, in addition to GSM/GPRS/EDGE and TDMA 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 its customers technical support, account information, direct to the door parcel services, internet and fax services, dedicated centers for the hearing impaired, etc. In April 2006 Cellcom Israel, through Cellcom Fixed Line Communications L.P., a limited partnership wholly-owned by Cellcom Israel, became the first cellular operator to be granted a special general license for the provision of 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 http://investors.ircellcom.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, 1969). 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 us, may include projections of our future financial results, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our 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 our license, new legislation or decisions by the regulator affecting our operations, the outcome of legal proceedings to which we are a party, particularly class action lawsuits, our ability to maintain or obtain permits to construct and operate cell sites, and other risks and uncertainties detailed from time to time in our filings with the U.S. Securities and Exchange Commission, including under the caption "Risk Factors" in our most recent Annual Report for the year ended December 31, 2006 and also in our immediate report on Form 6-K of September 24, 2007 under "Item 3.7 Risk Factors".

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

The Company presents its financial statements using Israeli General Accepted Accounting Principles. Unless noted specifically otherwise, the dollar denominated figures were converted to US$ using a convenience translation based on the US$\New Israeli Shekel (NIS) conversion rate of NIS 4.013 = US$1 as published by the Bank of Israel on September 30, 2007.

USE OF NON-GAAP FINANCIAL MEASURES

EBITDA is a non-GAAP measure and is defined as income before financial income (expenses), net; other income (expenses), net; income tax; depreciation and amortization. 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 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 between the net income and the EBITDA presented at the end of this Press Release.

Free cash flow is a non-GAAP measure and is defined as the net cash provided by operating activities minus the net cash used in investing activities. See the reconciliation note at the end of this Press Release.

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Financial Tables Follow

Cellcom Israel Ltd.
(An Israeli Corporation)

Condensed Consolidated Balance Sheets

			Convenience translation into US dollar	
	September 30, 2007 NIS millions (Unaudited)	December 31, 2006 NIS millions (Audited)	September 30, 2007 US$ millions (Unaudited)	December 31, 2006 US$ millions (Audited)
Current assets				
Cash and cash equivalents	**522**	56	**130**	14
Trade receivables, net	**1,356**	1,242	**338**	309
Other receivables	**106**	123	**27**	31
Inventory	**145**	131	**36**	33
	2,129	1,552	**531**	387
Long-term receivables	**511**	526	**127**	131
Property, plant and equipment, net	**2,345**	(**)(*)2,550	**584**	(**)(*)635
Other assets, net	**657**	(**)695	**164**	(**)173
Total assets	**5,642**	5,323	**1,406**	1,326

(*) Restated due to initial implementation of a new Israeli Accounting Standard.
(**) Reclassified due to initial implementation of a new Israeli Accounting Standard.

Cellcom Israel Ltd.
(An Israeli Corporation)

Condensed Consolidated Balance Sheets

			Convenience translation into US dollar	
	September 30, 2007 NIS millions (Unaudited)	December 31, 2006 NIS millions (Audited)	September 30, 2007 US$ millions (Unaudited)	December 31, 2006 US$ millions (Audited)
Current liabilities				
Short-term bank credit	**238**	-	**59**	-
Trade payables	**787**	819	**196**	204
Other current liabilities	**524**	496	**131**	123
	1,549	1,315	**386**	327
Long-term liabilities				
Long-term loans from banks	**938**	1,208	**234**	301
Debentures				