Cellcom Israel Ltd.
Form 6-K
March 04, 2013

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 4, 2013

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

CELLCOM ISRAEL ANNOUNCES
FOURTH QUARTER AND FULL YEAR 2012 RESULTS

2012 results reflect the continued impact of the heightened competition in the cellular market

The Company continues to execute its efficiency plan, which led so far to savings at an annual rate of approximately NIS 550 million[1]

Cellcom Israel presents a 188% increase in free cash flow[2] for the fourth quarter of 2012 compared with the fourth quarter last year and a 20.6% increase in 2012 compared with 2011

2012 Full Year Highlights (compared to 2011[3]):

§ Free cash flow increased by 20.6% to NIS 1,130 million ($303 million)

§ Total Revenues decreased 8.7% to NIS 5,938 million ($1,591 million)

§Service revenues decreased 3.7% to NIS 4,582 million ($1,228 million)

§ EBITDA[2] decreased 19.1% to NIS 1,753 million ($470 million)

§ EBITDA margin 29.5%, down from 33.3%

§ Operating income decreased 30.7% to NIS 985 million ($264 million)

§ Net income decreased 35.6% to NIS 531 million ($142 million)

§ Cellular subscriber base totaled approx. 3.199 million[4] subscribers (at the end of December 2012)

Fourth Quarter 2012 Highlights (compared to fourth quarter of 2011):

§ Free cash flow increased by 188% to NIS 288 million ($77 million)

§ Total Revenues decreased 15.5% to NIS 1,407 million ($377 million)

§Service revenues decreased 13.4% to NIS 1,066 million ($286 million)

§ EBITDA decreased 12% to NIS 374 million ($100 million)

§ EBITDA margin 26.6%, up from 25.5%

§ Operating income decreased 7.8% to NIS 189 million ($51 million)

§Net income increased by 48.7% to NIS 113 million ($30 million)

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1 Based on a comparison of fourth quarter 2012 expenses to fourth quarter 2011 expenses.

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

3 The Company's consolidated financial results for 2011 include the results of Netvision Ltd., or Netvision, for the months September – December 2011, following the completion of Netvision's acquisition by the Company, on August 31, 2011.

4 After removal of approximately 138,000 data applications subscribers (M2M) from the Company's cellular subscriber base in the fourth quarter of 2012. See "Cellular subscriber base" section in this press release.

Netanya, Israel – March 4, 2013 – 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, 2012. Revenues for the fourth quarter and full year 2012 totaled NIS 1,407 million ($377 million) and NIS 5,938 million ($1,591 million), respectively; EBITDA for the fourth quarter 2012 totaled NIS 374 million ($100 million), or 26.6% of total revenues, and for the full year 2012 totaled NIS 1,753 million ($470 million), or 29.5% of total revenues; and net income for the fourth quarter and full year 2012 totaled NIS 113 million ($30 million) and NIS 531 million ($142 million), respectively. Basic earnings per share for the fourth quarter and full year 2012 totaled NIS 1.14 ($0.31) and NIS 5.34 ($1.43), respectively.

Commenting on the results, Nir Sztern, the Company's Chief Executive Officer, said: "2012 was a year of extensive activity for the Cellcom Group. In that year we completed the merger process with Netvision, dealt with the increased competition and adjusted the Group to the new market conditions. These activities will constitute a key layer for the continued success of the Group in the coming years.

We completed a complicated merger of two large companies in a remarkable speed and quality, while achieving all the ambitious goals that we set for ourselves. Today, the Group operates with a unified headquarters and with sales and service units offering a wide variety of mobile and landline communications services to our customers. Netvision's results for 2012, with over 112,000 landline telephony customers (an increase of approximately 32,000 customers), an increase in the number of internet (ISP) customers and annual EBITDA of NIS 283 million, demonstrate the merger's success.

The Group implements aggressive efficiency measures in all areas of its operations, which led so far to savings at an annual rate of approximately NIS 550 million. During 2012, we changed processes, optimized our operations, reduced headcount and cut expenses, all that while providing a high level of service in our call and service centers. We intend to continue the efficiency measures in 2013 as well".

On market competition, Nir Sztern commented: "During 2012, we successfully launched the "Cellcom Total" marketing plans, but the low price levels in the market together with the intensified competition and the transition to offering of aggressive marketing plans by some of our competitors, led to a significant decrease in revenues. These trends are expected to further adversely affect the Company's results of operations in the first quarter of 2013.

Cellcom Israel has been successful in keeping its position as a market leader in terms of number of cellular subscribers and continues its preparations to dealing with the challenges of 2013. We will continue to strengthen Cellcom Israel's position as a leading communications group, which provides comprehensive communications solutions to the customer".

Yaacov Heen, Chief Financial Officer, commented: "2012 was a challenging year for the communications market and for the Company. While we continue implementing our efficiency plan in order to adjust the Company's expense structure to the revenue level, we expect further erosion in revenues in the first quarter of 2013, which will lead to further erosion of profitability.

In the fourth quarter of 2012 we generated free cash flow of NIS 288 million, a 188% increase compared with the fourth quarter of 2011. We concluded 2012 with free cash flow of NIS 1,130 million, a 20.6% increase compared with 2011, despite the erosion of revenues. The increase in free cash flow in 2012 is primarily a result of the decrease in purchase of cellular handsets, due to a significant decrease in sales of such handsets, and the efficiency measures implemented during the year.

The Company’s Board of Directors decided not to distribute a dividend for the fourth quarter of 2012, in order to further strengthen the Company's balance sheet at this time of market uncertainty. The Board of Directors will re-evaluate its decision in the coming quarters as market conditions develop, and taking into consideration the Company's needs".

Main Consolidated Financial Results for 2012 (compared to 2011 results, which include Netvision's Results for September through December 2011 only):

	NIS millions		% of Revenues		% Change	US$ millions (convenience translation)	
	2012	2011	2012	2011		2012	2011
Revenues - Services	4,582	4,759	77.2%	73.1%	(3.7%)	1,228	1,275
Revenues - Equipment	1,356	1,747	22.8%	26.9%	(22.4%)	363	468
Total revenues	5,938	6,506	100.0%	100.0%	(8.7%)	1,591	1,743
Cost of revenues - Services	(2,450)	(2,126)	(41.3%)	(32.7%)	15.2%	(656)	(570)
Cost of revenues - Equipment	(1,013)	(1,282)	(17.0%)	(19.7%)	(21.0%)	(272)	(343)
Total cost of revenues	(3,463)	(3,408)	(58.3%)	(52.4%)	1.6%	(928)	(913)
Gross Profit	2,475	3,098	41.7%	47.6%	(20.1%)	663	830
Marketing and Sales Expenses	(865)	(990)	(14.6%)	(15.2%)	(12.6%)	(232)	(265)
General and Administration Expenses	(629)	(685)	(10.6%)	(10.5%)	(8.2%)	(168)	(184)
Other Income (Expenses), net	4	(1)	0.1%	-		1	-
Operating income	985	1,422	16.6%	21.9%	(30.7%)	264	381
Financing expenses, net	(259)	(293)	(4.4%)	(4.5%)	(11.6%)	(70)	(79)
Income before Income Tax	726	1,129	12.2%	17.4%	(35.7%)	194	302
Income Tax	(195)	(304)	(3.3%)	(4.7%)	(35.9%)	(52)	(81)
Net Income	531	825	8.9%	12.7%	(35.6%)	142	221
Free Cash Flow	1,130	937	19.0%	14.4%	20.6%	303	251
EBITDA	1,753	2,167	29.5%	33.3%	(19.1%)	470	580

Main Financial Data by Companies:

	Cellcom Israel without Netvision			Netvision	Consolidation adjustments (*)	Consolidated results
	2012	2011	Change (%)	2012		2012
	NIS millions				NIS millions	
Total revenues	4,891	6,132	(20.2%)	1,134	(87)	5,938
Service revenues	3,617	4,420	(18.2%)	1,052	(87)	4,582
Equipment revenues	1,274	1,712	(25.6%)	82	-	1,356
Operating Income	907	1,425	(36.4%)	182	(104)	985
EBITDA	1,470	2,084	(29.5%)	283	-	1,753
EBITDA, as a percent of total revenues	30.1%	34.0%	(11.5%)	25.0%	-	29.5%

(*)Include inter-company revenues between Cellcom Israel and Netvision, and amortization expenses related to intangible assets attributable to the acquisition of Netvision.

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

	2012	2011	Change (%)
Cellular subscribers at the end of the year (in thousands) 5	3,199	3,349	(4.5%)
Churn Rate for cellular subscribers (in %) 6	31.5%	25.1%	25.5%
Monthly cellular ARPU (in NIS)	87.5	106.0	(17.5%)
Average Monthly cellular MOU (in minutes)	390	346	12.7%

Financial Review

Revenues for 2012 decreased 8.7% totaling NIS 5,938 million ($1,591 million), compared to NIS 6,506 million ($1,743 million) last year. The decrease in revenues is attributed to a 22.4% decrease in equipment revenues, totaled NIS 1,356 million ($363 million) in 2012 compared to NIS 1,747 million ($468 million) in 2011, as well as a 3.7% decrease in service revenues as a result of the increased competition in the market, intensified further by the entry of new operators to the Israeli cellular market, from NIS 4,759 million ($1,275 million) in 2011 to NIS 4,582 million ($1,228 million) in 2012. These decreases were partially offset by an increase in Netvision's contribution to revenues, which totaled NIS 1,047 million ($280 million) (excluding inter-company revenues) in 2012, compared to NIS 374 million ($100 million) in 2011. The increase in Netvision's contribution was mainly due to the consolidation of Netvision's results for September through December 2011 only in 2011 (following the completion of the acquisition of Netvision on August 31, 2011), while in 2012 the Company

5 Data for 2012 is after removal of approximately 138,000 data applications subscribers (M2M) from the Company's cellular subscriber base and data for 2011 is after removal of approximately 52,000 cellular subscribers from the Company's cellular subscriber base, made during the fourth quarters of 2012 and 2011, respectively. See "Cellular subscriber base" section in this press release.

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