



## **Altice Group Second Quarter ended June 30, 2013 Results**

### **Altice Group**

*Altice group has Euro 1.3bln of Pro forma Combined Revenue across 6 countries*

*Pro Forma Combined adjusted EBTIDA growth of 13.5%*

*OMT/ONI acquisitions completed after June 30th*

*Coditel minority buyout signed and on track for closing*

### **HOT Group**

*Total Revenue increased by 2.4% Q2 2013 vs Q2 2012*

*Cable EBITDA increased by 21.4% Q2 2013 vs Q2 2012*

*Triple play customer base increased to 38% of total Cable Customer Relationships*

**Luxembourg,** – August 12, 2013: Altice Finco S.A. (“Altice” or the “Company”), today announces financial and operating results for the three months ended June 30, 2013 (“Q2”) for the Company and HOT Telecommunications Systems Ltd (“HOT Group”).

### **Highlights Altice Group**

Subsequent to the end of Q2 2013, the Altice Group consummated a series of finance transactions and acquisitions. On July 2, 2013, the Fold-In, the Cabovisao Refinancing, the Coditel Refinancing, the ABO Refinancing and the Le Cable Refinancing were consummated. The Outremer Acquisition and the ONI Acquisition were consummated on July 5, 2013 and August 8, 2013, respectively. For further information please see “Post-balance sheet events” elsewhere in this Press Release.



## Highlights HOT Group

Highlights of the HOT Group for Q2 2013 compared to Q2 2012 (unless noted), include:

- Total revenue of NIS 1,057 million (+2.4%) and Total EBITDA of NIS 410 million (+10.2%)
- Cable Revenue of NIS 842 million flat compared to Q2 2012
- Cable EBITDA increased by 21.4% to NIS 442 reflecting ongoing cost restructuring (increased by 4% compared to Q1 2013)
- Triple play cable customers relationships reached 38% (increase of 2% during the second quarter 2013)
- Substantial increase in the average Internet speeds, substantial difference to Bezeq
- Despite a competitive market, UMTS mobile revenues increased by 3% compared to Q1 2013
- Mobile UMTS RGUs increased to 514,000 compared to 482,000 UMTS RGUs in Q1 2013

Altice CEO Dexter Goei stated, "Q2 2012 has been a transformational quarter for the Altice Group, we not only took steps to refinance all of the Altice Group assets into one financing pool (which transaction was completed on July 2, 2013) but we also signed two strategic acquisitions, Outremer Telecom in the French Overseas Territories and ONI a B2B operator in Portugal. Both acquisitions are very accretive with our existing fixed line infrastructure businesses in these regions. With Euro 1.3bln of pro forma combined Revenue for the Altice Group as of June 30, 2013 we have sufficient size to leverage economies of scale by deploying operational best practices and leveraging our supplier relationships."

## **Altice Group Combined Financial key figures**

### **Financial Presentation in Subsequent Periods and Certain Combined Financial and Operating Data**

The financial statements and the accompanying discussion and analysis in this press release focuses exclusively on the results of HOT-Telecommunication Systems Ltd., the only operating company in the restricted group as of June 30, 2013. Subsequent to June 30, 2013, Altice Group completed several financing and other corporate transactions that have significantly changed the composition of the restricted group. See "Post Balance Sheet Events" elsewhere in this press release.

Commencing with the quarterly report for the period ended September 30, 2013, the financial presentation and the accompanying discussion and analysis will include all of the operating companies that make up the expanded restricted group as of September 30, 2013. In addition, Altice Group will begin reporting its operations along the three key segments: Israel, Western Europe and French Overseas Territories.

In order to provide investors with perspective on the size and composition of the new restricted group and for illustrative purposes only, we have combined the results of the entities that will be in the restricted group at September 30, 2013 to prepare the selected financial information and key performance data presented below. The information presented herein may not reflect what the results of operations and key performance data would have been if these entities were part of the restricted group in the period presented and does not, and should not be used to, project the operating results or financial condition of the restricted group for any future period.

The financial information presented in this section is taken from separate financial statements of Altice Financing, Cool Holding, HOT, Cabovisao, Coditel Holding, Coditel Belgium, Coditel Luxembourg, Outremer, Le Cable Martinique, Le Cable Guadeloupe and Green for the periods presented. The financial Information presented herein represents the arithmetical sum of the corresponding items from the income statements and balance sheets, as the case may be, for each of HOT, Cabovisao, Coditel Holding, Group Outremer Telecom, Le Cable Martinique, Le Cable Guadeloupe and Green for the applicable periods and neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such.



## Altice Group Combined operational key figures

	June 30, 2013							
	Homes Passed	Cable Customer	Pay TV	RGU		Churn Pay TV	Cable Service ARPU	Cellular Subs
<b>Israel</b>	2,262,282	1,171,802	894,248	774,148	687,834	14.8%	NIS 227	760,846
<b>Western Europe</b>								
Belgium & Luxembourg	233,111	116,352	131,329	55,659	53,310	19.8%	€ 41.06	2,169
Portugal	905,889	243,351	231,339	155,738	230,154	25.4%	€ 34.89	0
<b>French Overseas Territories</b>								
Outremer	-	-	-	55,961	81,461			369,770
Le Cable	154,343	38,523	38,518	14,345	14,309	18.0%	€ 50.36	0
<b>Total</b>	<b>3,555,625</b>	<b>1,570,028</b>	<b>1,295,434</b>	<b>1,055,851</b>	<b>1,067,068</b>			<b>1,132,785</b>

## Pro Forma Combined Revenue

Euros in millions	Pro Forma Combined Revenue				
	2012	Q2 2012	Q2 2013	Growth	LQA <sup>(2)</sup>
<b>Israel</b>	<b>846.0</b>	<b>210.4</b>	<b>223.0</b>	<b>6.0%</b>	<b>892.0</b>
Belgium & Luxembourg	74.2	18.1	17.8	(1.7)%	71.2
Portugal	117.9	29.8	28.0	(6.0)%	112.0
Switzerland	41.9	10.8	10.6	(1.9)%	42.4
<b>Western Europe</b>	<b>234.0</b>	<b>58.7</b>	<b>56.4</b>	<b>(3.9)%</b>	<b>225.6</b>
Outremer	195.1	47.7	48.5	1.7%	194.0
Le Cable	24.4	6.2	6.2	0.0%	24.8
<b>French Overseas Territories</b>	<b>219.5</b>	<b>53.9</b>	<b>54.7</b>	<b>1.5%</b>	<b>218.8</b>
<b>Intercompany eliminations</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>
<b>Total<sup>(1)</sup></b>	<b>1,299.6</b>	<b>323.0</b>	<b>334.1</b>	<b>3.4%</b>	<b>1,336.4</b>

(1) excludes the acquisition of ONI

(2) LQA is calculated by multiplying the revenue for the three months ended June 30, 2013 by four.

## Pro Forma Combined Adjusted EBITDA

Euros in millions	Pro Forma Combined Adjusted EBITDA				
	2012	Q2 2012	Q2 2013	Growth	LQA <sup>(2)</sup>
<b>Israel</b>	<b>296.2</b>	<b>75.8</b>	<b>86.5</b>	<b>14.1%</b>	<b>346.0</b>
Belgium & Luxembourg	46.9	11.0	11.0	0.0%	44.0
Portugal	34.0	8.4	11.4	35.7%	45.6
Switzerland	12.2	3.3	3.0	(9.1)%	12.0
<b>Western Europe</b>	<b>93.1</b>	<b>22.7</b>	<b>25.4</b>	<b>11.9%</b>	<b>101.6</b>
Outremer	63.1	14.6	16.3	11.6%	65.2
Le Cable	11.6	2.8	3.4	21.4%	13.6
<b>French Overseas Territories</b>	<b>74.6</b>	<b>17.4</b>	<b>19.7</b>	<b>13.2%</b>	<b>78.8</b>
<b>Intercompany eliminations</b>	<b>-0.1</b>		<b>0.0</b>		<b>0.0</b>
<b>Total<sup>(1)</sup></b>	<b>463.9</b>	<b>115.9</b>	<b>131.6</b>	<b>13.5%</b>	<b>526.4</b>

(1) excludes the acquisition of ONI and estimated synergies of Euro 12,5 min

(2) LQA is calculated by multiplying the Adjusted EBITDA for the three months ended June 30, 2013 by four.



## Pro Forma Liquidity & Leverage

Euros in millions	Pro Forma Liquidity & Leverage		
	Q1 2013	Q2 2013	L2QA <sup>(1)</sup>
<b>Total Adjusted EBITDA excluding Pro Forma Synergies</b>	<b>128.1</b>	<b>131.6</b>	<b>519.4</b>
Pro forma Synergies			12.5
Estimated ONI Annualized EBITDA			16.0
<b>Total L2QA EBITDA including Synergies and ONI</b>			<b>547.9</b>
Altice Financing SA 2012 Senior Secured Notes			561
Altice Finco SA 2012 Senior Notes			326
Existing HOT Unsecured Notes			294
<b>Total debt of restricted group as of June 30, 2013</b>			<b>1,181</b>
Altice Finco SA 2013 Secured Notes (released from escrow on July 2, 2013)			250
Altice Financing SA 2013 Term Loan (draw down post June 30, 2013)			582
Coditel Mezzanine Facility			106
<b>Total Pro Forma restricted group debt</b>			<b>2,118</b>

## HOT Group Financial Key figures

(NIS in millions)	Q2 2013	Q1 2013	Q2 2012	Q2 2013 vs Q1 2013	Q2 2013 vs Q2 2012
Revenue (*)	1,057	1,065	1,032	(0.7)%	2.4%
<i>Of which : Cable (1)</i>	842	841	843	0.1%	(0.1)%
<i>Mobile</i>	223	232	193	(3.9)%	15.5%
Total operating income	106	84	90	26.2%	17.8%
<i>Of which : Cable (1)</i>	191	203	132	(5.9)%	44.7%
<i>Mobile</i>	(85)	(119)	(40)	(28.6)%	112.5%
Net income	37	17	5	117.7%	640.0%
EBITDA (*) (2)	410	399	372	2.8%	10.2%
<i>Of which : Cable (1)</i>	442	425	364	4.0%	21.4%
<i>Mobile</i>	(32)	(26)	11	23.1%	(390.9)%
EBITDA Revenue %	39%	37%	36%	2%	3%
Operating Cash Flow	300	281	230	6.8%	30.4%
<i>Of which : Cable (1)</i>	331	336	260	(1.5)%	27.3%
<i>Mobile</i>	(31)	(55)	(30)	(43.6)%	(3.3)%
Capital Expenditure (*) (3)	(208)	(177)	(501)	17.5%	(58.5)%
<i>Of which : Cable (1)</i>	(151)	(122)	(321)	23.8%	(53.0)%
<i>Mobile</i>	(57)	(55)	(182)	3.6%	(68.7)%
Free Cash Flow (*) (4)	79	98	(50)	(19.4)	258.0%
<i>Of which : Cable (1)</i>	148	189	50	(21.7)%	196.0%
<i>Mobile</i>	(69)	(91)	(103)	24.2%	33%

(\*) Segment information (revenue, operating profit, EBITDA, capital expenditures and Free Cash Flow) are presented before elimination of intercompany transactions

## HOT Group Operational Key figures

in thousands	Q2 2013	Q1 2013	Q2 2012	Q2 2013 vs Q1 2013	Q2 2013 vs Q2 2012
Cable Customer Relationships	1,172	1,188	1,224	(1.4)%	(4.3)%
ARPU (in NIS) <sup>(5)</sup>	227	223	219	1.8%	3.7%
Triple Play Customer Relationships	447	429	391	4.2%	14.3%
% Triple Play Relationships	38%	36%	32%	2%	6%
Cable TV RGUs	894	898	894	(0.5)%	-
Broadband Internet RGUs	774	774	774	-	-
Fixed-Line Telephony RGUs	688	684	672	0.6%	2.4%
Mobile UMTS RGUs	514	482	142	6.6%	262%
Mobile iDEN RGUs	247	276	421	(10.5)%	(41.3)%

- (1) Cable segment includes Cable television, Telecom (broadband Internet and fixed-line telephony) and ISP services
- (2) EBITDA represents profit before net financing income, taxes on income, depreciation and amortization, and before expenses in respect of options and before expenses (income) derived from other expenses (income), net and network set up expenses. EBITDA is an additional measure used by management to demonstrate our underlying performance and should not replace the measures in accordance with IFRS as an indicator of our performance, but rather should be used in conjunction with the most directly comparable IFRS measure. Reconciliation of EBITDA to operating income provided on page 25 of this press release.
- (3) Capital expenditures is a measure of the amount of capital expenditure accrued during the period and is not a measure of the cash used for capital expenditure during the period. The difference between accrued capital expenditure in the period and the cash used for capital expenditure during the period is a result of delayed payment obligations in relation to our capital expenditures. For the three months ended June 30, 2012 and 2013 we had cash used for capital expenditures of NIS 280 million and NIS 221 million respectively. We also had cash used to capitalize commissions which were reflected in our operating cash flow of NIS 32 million and NIS 22 million for the three months ended June 30, 2012 and 2013, respectively. We had total cash used for capital expenditures for the three months ended June 30, 2012 and 2013 of NIS 312 million and NIS 243 million respectively.
- (4) Free cash flow is defined as net cash provided by the operating activities less purchases of property and equipment and purchase of intangibles, each as reported in the Group's consolidated statement of cash flows. Free cash flow is an additional measure used by the management to demonstrate the Group's ability to service debt and performance, but rather should be used in conjunction with the most directly comparable IFRS measure.
- (5) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the service provided (including revenue earned from set-top box rentals, VOD and interconnection, but excluding installation fees and set-top box sales), in each case including the proportional allocation of the bundling discount, and after certain discounts) for the respective period by the average number of subscribers for that period and further by the number of months in the period. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two.



## **1. Review of HOT Group operational Key figures**

### **1.1. Cable**

In the Cable segment, during the second quarter 2013, revenues remained relatively stable at NIS 842 million compared to the second quarter 2012. This stability is explained by the 3.7% increase in the Cable-based services ARPU (NIS 227 during Q2 2013 compared to NIS 219 during Q2 2012) which was offset by the decrease in the number of subscribers by 4.3% (1,172,000 as of June 30, 2013 compared to 1,224,000 as of June 30, 2012).

The increase in the Cable-based services ARPU is explained by higher number of RGUs per customer as a result of our triple-play service, for which the number of subscribers as a percentage of our Cable Customer Relationships increased to 38% as of June 30, 2013 (compared to 32% as of June 30, 2012). As of June 30, 2013, the Group reached an average number of RGUs per Cable Customer Relationship of 2.01 services compared to 1.91 as of June 30, 2012.

In the Cable segment, operating income in the second quarter 2013 amounted to NIS 191 million as compared to NIS 132 in the comparative period last year, an increase of 44.7% mainly due to:

- a decrease in salaries and social benefits expenses by approximately NIS 33 million resulting from the measures taken to increase the efficiency of the costs structure, enabled by an increase in the quality of the network as a result of the investments made and the improvement of the technical service systems;
- a decrease in network and set top box maintenance by approximately NIS 14 million as a result of investments in the network and a more efficient process for set top box maintenance;
- a decrease in royalties by approximately NIS 12 million paid to the State of Israel following the regulations enacted under the Communications Law pursuant to the rate of royalties applicable to our cable telecommunication licenses, have been reduced to 0% with effect from January 2, 2013;
- a decrease in advertising expenses by approximately NIS 10 million as a result of the launch of Hot Net ISP in the first quarter 2012; and
- a decrease in the content expenses by approximately NIS 13 million as a result of the first positive impact of renegotiated movie channel contracts.

The above decreases were offset by an increase in depreciation and amortization of NIS 16 million.

In the second quarter 2013, EBITDA increased by 21.4% to NIS 442 million compared to NIS 364 million for the same period in 2012. This increase was mainly driven by the increase in operating income as a result of the cost optimization and decrease in other expenses as explained above.

## **1.2. Mobile services**

Revenue generated by our mobile segment through our subsidiary, HOT mobile, increased to NIS 223 million during the second quarter 2013 compared to NIS 193 million for the second quarter 2012, an increase of 15.5%, due to the increase in the number of new subscribers to our UMTS network which was launched in May 2012, partially offset by the decrease in the number of iDEN subscribers. The average monthly revenues per mobile subscriber has decreased to NIS 82 during the second quarter 2013 compared to NIS 107 during the second quarter 2012 as a result of continued promotions on our UMTS offerings in a highly competitive environment and the decrease in iDEN ARPU.

UMTS subscribers have increased by 262% to approximately 514,000 as of June 30, 2013 (compared to 142,000 as of June 30, 2012), and incorporates an increase of 32,000 subscribers during the second quarter 2013.

The numbers of iDEN subscribers as of June 30, 2013 was approximately 247,000, compared to approximately 421,000 as of June 30, 2012, and incorporates a decrease of 29,000 subscribers during the second quarter 2013. The reasons for the decrease in the number of subscribers are mainly due to organic churn and the transfer of our iDEN subscribers to our UMTS network.

Mobile service revenue, including subscriptions and interconnection fees received, increased to NIS 185 million during the second quarter 2013 compared to NIS 152 million for the comparative period in 2012. Handset revenue decreased slightly from NIS 41 million for second quarter 2012 to NIS 38 million for the second quarter 2013.

Operating loss of our mobile segment for the second quarter 2013 amounted to NIS 85 million as compared to NIS 40 million in the comparative period last year, as a result of an increase in revenues by NIS 30 million compared to the second quarter 2012, which was more than offset by the following expenses as a result of the UMTS based network launched in May 2012:



- an increase in interconnection fees and cellular roaming costs by NIS 74 million, following higher traffic volume;
- an increase in depreciation and amortization by NIS 8 million, due to higher capital expenditure in 2012; and
- an increase in network maintenance by NIS 12 million, due to higher cellular sites rental and operating expenses.

During the second quarter 2013, sales and marketing expenses decreased by NIS 9 million compared to the second quarter 2012, mainly due to lower resellers commissions.

Our mobile segment generated negative EBITDA of NIS 32 million during the second quarter 2013 compared to a positive EBITDA of NIS 11 million for the same comparative period last year, primarily due to increased interconnection and cellular roaming costs and other UMTS-based service expenses, partially offset by an increase in revenues.

## 2. HOT Group Review of financial Key figures

(NIS in millions)	Q2 2013	Q2 2012	Q2 2013 vs Q2 2012
<b>Revenues</b>	<b>1,057</b>	<b>1,032</b>	<b>2%</b>
Depreciation and amortization	289	265	9%
Operating expenses	548	535	2%
Selling and marketing expenses	59	84	(30)%
Administrative and general	40	44	(9)%
Other expenses, net	15	14	7%
<b>Operating income</b>	<b>106</b>	<b>90</b>	<b>18%</b>
Financing expenses, net	(76)	(70)	9%
Tax expenses/(income)	(7)	15	(147)%
<b>Net income</b>	<b>37</b>	<b>5</b>	<b>640%</b>

### 2.1. Revenues

The Group's revenues amounted to NIS 1,057 million during the second quarter 2013, compared to NIS 1,032 million in the corresponding period last year, an increase of NIS 25 million primarily driven by the Group's mobile segment, following the launch of its UMTS network in May 2012.

### 2.2. Expenses

The Group's depreciation and amortization expenses during the second quarter 2013 amounted to NIS 289 million, compared to NIS 265 million in the corresponding period last year, an increase of approximately 9% mainly due to higher amortization of telecommunication and network infrastructures, cable network assets and converters and modems.

The Group's operating expenses in the period amounted to NIS 548 million, compared to NIS 535 million in the corresponding period last year, an increase of approximately 2%. The NIS 13 million increase mainly results from an increase in interconnect fee expenses in the mobile segment, partially offset by a decrease in salary and social benefit expenses, in royalties payable to the State of Israel, and in content expenses.

The Group's selling and marketing expenses in the second quarter 2013 amounted to NIS 59 million, compared to NIS 84 million in the corresponding period last year, a decrease of approximately 30%. The decrease of NIS 25 million was primarily due lower advertising expenses, salaries and social benefits expenses, and resellers' commissions.

The Group's administrative and general expenses in the second quarter 2013 amounted to NIS 40 million, compared to NIS 44 million in the corresponding period last year, a decrease of 9%, primarily attributable to reduced salaries and social benefits expenses.

The Group's other expenses in the second quarter 2013 remained relatively stable, at NIS 15 million, compared to NIS 14 million in the corresponding period last year.

### **2.3. Net result**

The Group's financial expenses in the second quarter 2013 amounted to NIS 76 million, compared to NIS 70 million in the corresponding period last year, an increase of NIS 6 million, mainly driven by the foreign currency exchange fluctuations, with no significant change in financial interest expense.

The Group's tax income in the second quarter 2013 amounted to NIS 7 million, as compared with a tax expense of NIS 15 million in the corresponding period last year, a decrease of 147%, reflecting the updating of deferred tax assets in respect of timing differences.

The Group's net income in the second quarter 2013 amounted to NIS 37 million, compared to NIS 5 million in the corresponding period last year. The NIS 32 million increase was due to the operating performance in the Cable segment partially offset by the Mobile segment and lower tax expenses.

### **2.4. EBITDA**

The EBITDA for the second quarter 2013 amounted to NIS 410 million (39% of revenues), compared to NIS 372 million (36% of revenues) in the corresponding period last year. The increase was driven by our Cable segment and was partially offset by a decrease in Mobile EBITDA.

### 3. HOT Group Cashflow

(NIS in millions)	Q2 2013	Q2 2012
Cash and cash equivalents at beginning of period	46	14
Net cash provided by operating activities	300	230
Net cash provided by (used in) investment operations	(297)	(280)
Net cash provided by (used in) financing operations	(37)	74
<b>Cash and cash equivalents at end of period</b>	<b>12</b>	<b>38</b>

#### 3.1. Net cash provided by operating activities

The net cash generated by the HOT Group from operating activities during the second quarter 2013 amounted to NIS 300 million, compared to NIS 230 million in the corresponding period last year, an increase of NIS 70 million primarily due to a NIS 38 million increase in EBITDA and a positive impact of change in working capital, other operating assets and liabilities of NIS 43 million, which were partially offset by a NIS 6 million increase in cash interest expenses.

#### 3.2. Net cash used in investment activities

The net cash used in investment activities during the second quarter 2013 amounted to NIS 297 million, compared to NIS 280 million for the corresponding period last year, an increase of NIS 17 million. This resulted from three main items:

- in June 2013, HOT granted a payment to Altice Financing S.A for an amount of NIS 87 million corresponding to a portion of the contingent consideration related to acquisition of Hot Mobile, subject to certain conditions (For further details, see Note 5C to the HOT consolidated financial statements as of June 30, 2013);
- purchases of fixed and intangible assets decreased by NIS 59 million; and
- restricted cash increased by an amount of NIS 11 million.

### 3.3. Net cash generated provided by (used in) by financing activities

The net cash used in financing activities in the second quarter 2013 amounted to NIS 37 million, compared to net cash of NIS 74 million in the corresponding period last year, a change of NIS 111 million. This resulted from the repayment of a loan granted by the Altice Group in an amount of NIS 15 million and the repayment of other long-term liabilities in an amount of NIS 23 million.

The net cash provided by financing activities in the corresponding period last year, in an amount of NIS 74 million, included the net receipt of banking credit for NIS 279 million, partially allocated to a purchase of treasury shares for NIS 184 million.

## 4. HOT Group Capital expenditures

(NIS in millions)	Q2 2013	Q2 2012
Cable Capital Expenditures	151	321
Mobile Capital Expenditures	57	182
<b>Total Capital Expenditures</b>	<b>208</b>	<b>503</b>
Adjustment related to intercompany (1)	-	(2)
<b>Total Capital Expenditures</b>	<b>208</b>	<b>501</b>

Total Capital Expenditures for the second quarter 2013 decreased by 58% compared to the second quarter 2012. The Capital Expenditure is now stable compared to a much higher level of capital intensity in 2012 which was due mainly due to:

- the acquisition of new set top boxes (HD/PVR);
- the upgrade of our fixed-line network; and
- the expansion of the UMTS network launched in May 2012.

## 5. ALTICE / HOT Group Debt profile

HOT Group had unsecured bonds of NIS 1,395 million as of June 30, 2013, after a partial repayment of NIS 63 million during the six months ended June 30, 2013. Altice Finco S.A. and Altice Financing S.A. had EUR and USD bonds outstanding translating into NIS 4,203 million as of June 30, 2013. Total cash for the restricted group was NIS 204 million as of this date. In addition, Altice has a committed USD 80 million working capital facility undrawn as of this date.

(NIS in millions)	As of June 30, 2013		
	HOT Group	Altice	Combined
Unsecured bonds HOT (4)	1,395		1,395
Secured bonds Altice (1)		2,657	2,657
Unsecured bonds Altice (2)		1,546	1,546
<b>Total Altice Restricted Group Debt</b>	<b>1,395</b>	<b>4,203</b>	<b>5,598</b>
<b>Total Cash and cash equivalents</b>	<b>12</b>	<b>192</b>	<b>204</b>
<b>Net Annualized Leverage (L2QA) (3)</b>			<b>3.3X</b>

Exchange rates as of June 30, 2013 are NIS1.00 = \$0.275 and NIS1.00 = €0.211

(1) USD 460 million and Euro 210 million respectively

(2) USD 425 million

(3) Excluding network lease amounting to NIS 112 million as of June 30, 2013

(4) The amount reflected above is reduced by capitalized debt issuance costs

Altice entered into certain hedging foreign exchange transactions to effectively exchange a portion of the payment obligations for interest and principal of such indebtedness from EURO/USD to NIS. See note 11 of the financial statements as of December 31, 2012 of Altice Financing S.A. for a detailed description.

As Altice plans for its future development, it continues to review the scope of its financing options, which may include accessing the equity or debt capital markets in the short to medium-term.



## **6. Post balance sheet events**

Subsequent to the end of the Q2 2013, the Altice Group consummated a series of finance transactions, expanded the restricted group by folding in Cabovisao, Coditel and ABO and refinancing their existing indebtedness, refinanced indebtedness of the Le Cable entities, and completed the Outremer and ONI acquisitions.

### **6.1.New Financing Arrangements**

#### **Senior Notes**

Altice Finco issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the "2013 Senior Notes").

#### **Term Loan Facility**

On June 24, 2013, Altice Financing entered into a senior secured term loan credit facility (as amended from time to time, the "2013 Term Loan Facility") which provides for U.S. dollar term loans (the "2013 Term Loans") up to an aggregate principal amount equivalent to \$1,034 million. Altice Financing may draw under the 2013 Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the existing Altice Financing debt documents. On July 2, 2013 and July 5, 2013, Altice Financing borrowed \$584.2 million and U.S. dollar-equivalent \$81.9 million under the 2013 Term Loan (the "First Draw"). The proceeds of the First Draw, together with the proceeds of the 2013 Senior Notes and cash on the balance sheet of the Group were applied to complete the Fold-In, the Cabovisao Refinancing, the Coditel Refinancing, the Le Cable Refinancing and the ABO Refinancing on July 2, 2013, and the Outremer Transaction on July 5, 2013.

Altice Financing made a further borrowing under the 2013 Term Loan to finance the consummation of the ONI Transaction on August 8, 2013.

#### **Revolving Credit Facility and Guarantee Facility**

On July 1, 2013, Altice Financing entered into an additional €50 million super senior secured revolving credit facility (the "2013 Revolving Credit Facility") and a €75 million guarantee facility (the "2013 Guarantee Facility").

## **6.2.Fold-In**

On July 2, 2013, Altice VII transferred all of the share capital of Altice Holdings and the other entities constituting the Group on that date (other than Altice Finco and Cool Holding and their respective subsidiaries) to Altice Pool in exchange for a €135 million vendor note that matures prior to the first anniversary of such transfer.

### **Cabovisao Refinancing**

On July 2, 2013, Altice Financing repaid the outstanding indebtedness under the existing Cabovisao Bridge Facility of €203 million (the “Cabovisao Refinancing”).

### **Coditel Refinancing**

On July 2, 2013, Coditel Holding prepaid approximately €7 million of its €138 million indebtedness outstanding under the existing Coditel Senior Facility and Altice Holdings purchased substantially all of the remaining interests of the existing lenders under the existing Coditel Senior Facility.

### **ABO Refinancing**

On July 2, 2013 ABO refinanced approximately €70 million of its existing indebtedness to third parties (the “ABO Refinancing”).

### **Le Cable Refinancing**

Le Cable Martinique and Le Cable Guadeloupe are indirect subsidiaries of Altice VII. On July 2, 2013, Altice Pool refinanced approximately (x) €8 million of indebtedness of Le Cable Martinique and (y) €14 million of indebtedness of Le Cable Guadeloupe (collectively, the “Le Cable Refinancing”).



### **Outremer Transaction**

On June 7, 2013, Altice VII and certain of its subsidiaries entered into a sale and purchase agreement (the "Outremer Purchase Agreement") with the existing investors in, and certain managers of, OMT Invest and certain of its affiliates pursuant to which (i) Altice (through Altice Blue Two, an entity formed by Altice for the purpose of the Outremer Transaction) had agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately pursuant to the Outremer Investment Agreement (as described below) on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries were to be refinanced using a portion of the proceeds of the First Draw. The parties to the Outremer Purchase Agreement entered into an investment agreement (the "Outremer Investment Agreement") pursuant to which (i) Altice contributed all of the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe and (ii) managers of OMT Invest contributed all of the outstanding shares of OMT Invest not sold to Altice under the Outremer Purchase Agreement. The transactions described above are collectively referred to as the "Outremer Transaction".

On July 5, 2013, Altice Pool used a portion of the proceeds of the First Draw to consummate the Outremer Transaction and pay certain fees and expenses. Following the Outremer Transaction, Altice VII, through its wholly-owned subsidiary Altice Caribbean, owns approximately 77% of the equity interests in Altice Blue Two with the remaining equity interest being held by management of OMT Invest (the "OMT Minority Shareholders").

### **ONI Transaction**

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the "ONI Purchase Agreement"), the owner of the Portuguese telecommunications group, ONI, pursuant to which Cabovisao, purchased substantially all of the outstanding shares of Winreason and certain outstanding indebtedness of ONI was refinanced (the "ONI Transaction"). Altice Financing made a further borrowing under the 2013 Term Loan to finance the consummation of the ONI Transaction on August 8, 2013.



## Schedule of upcoming events

- November 12, 2013 : third quarter 2013 results

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## HOT Group – Consolidated Income Statement

(NIS in millions)	For the three months ended		
	June 30, 2013	June 30, 2012	Change in %
<b>Revenues</b>	<b>1,057</b>	<b>1,032</b>	<b>2%</b>
Depreciation and amortization	289	265	9%
Operating expenses	548	535	2%
Sales and marketing expenses	59	84	(30)%
Administrative and general	40	44	(9)%
Other (income) expenses, net	15	14	7%
<b>Operating income</b>	<b>106</b>	<b>90</b>	<b>18%</b>
Financing income	7	29	(76)%
Financing expenses	(83)	(99)	(16)%
<b>Income before taxes on income</b>	<b>30</b>	<b>20</b>	<b>50%</b>
Taxes on income (tax benefit)	(7)	15	(147)%
<b>Net income</b>	<b>37</b>	<b>5</b>	<b>640%</b>

## HOT Group – Consolidated balance sheet

Assets (NIS million)	June 30, 2013	December 31, 2012
Cash and cash equivalents	12	32
Restricted cash	4	69
Trade receivables	586	549
Other receivables	82	62
Inventory	<u>23</u>	<u>27</u>
<b>Current assets</b>	<b>707</b>	<b>739</b>
Long-term trade receivables	69	82
Other long term receivables	131	115
Investment in available for sale financial asset	29	28
Fixed assets, net	4,002	4,136
Intangible assets, net	683	753
Goodwill	1,264	1,264
Deferred taxes	<u>57</u>	<u>48</u>
<b>Non-Current assets</b>	<b>6,235</b>	<b>6,426</b>
<b>TOTAL Assets</b>	<b>6,942</b>	<b>7,165</b>

Equity and Liabilities (NIS million)	June 30, 2013	December 31, 2012
Credit from financial institutions and current maturities of bonds	126	125
Trade payables	1,004	1,062
Other payables	342	412
Short term loan from a related party	-	70
Provision for legal claims	<u>69</u>	<u>68</u>
<b>Current Liabilities</b>	<b>1,541</b>	<b>1,737</b>
Loans from financial institutions and bonds	1,270	1,326
Loans from a related party	1,900	1,900
Other long-term liabilities	339	374
Advances received for terminal equipment installation	53	52
Employee benefit liabilities, net	25	32
Deferred taxes	<u>313</u>	<u>299</u>
<b>Non-Current Liabilities</b>	<b>3,900</b>	<b>3,983</b>
<b>Equity</b>	<b>1,501</b>	<b>1,445</b>
<b>TOTAL Equity and Liabilities</b>	<b>6,942</b>	<b>7,165</b>

## HOT Group – Consolidated statement of cash flow

Millions of NIS	For the three months ended	
	June 30, 2013	June 30, 2012
<b>Cash Flow from Current Activities</b>		
<b>Net income</b>	<b>37</b>	<b>5</b>
<i>Adjustments required to present cash flows from current activities :</i>		
Depreciation and amortization	289	265
Gain on disposal of fixed assets		
Taxes on income, net	(7)	15
Change in employee benefit liabilities, net	(5)	(1)
Linkage differentials on bonds and long term loans	6	11
Revaluation of other long term liabilities	11	12
Cost of share based payment		5
Financing and other expenses, net	53	39
	<b>347</b>	<b>346</b>
<i>Change in asset and liability items</i>		
Increase (decrease) in trade receivables	(83)	(58)
Increase in other receivable and long-term receivables	(20)	(22)
Increase in subscription acquisition costs		
Prepaid expenses paid to marketers	(22)	(32)
Decrease (increase) in inventory	12	(16)
Decrease (increase) in non-current trade receivables	5	5
Increase (decrease) in trade payables	65	66
Increase (decrease) in other payables	2	(16)
Increase (decrease) in provision for legal claims	14	7
Increase(decrease) in other long term liabilities	-	(7)
Increase (decrease) in income in advance from the installation of terminal equipment, net	1	4
	<b>(26)</b>	<b>(69)</b>
<i>Cash paid and received over the course of the year for :</i>	<b>(58)</b>	<b>(52)</b>
<b>Net cash from current operations</b>	<b>300</b>	<b>230</b>

## **HOT Group – Consolidated statement of cash flow**

Millions of NIS	For the three months ended	
	June 30, 2013	June 30, 2012
<b>Net cash from current operations</b>	<b>300</b>	<b>230</b>
<b>Cash Flow from Investment Activities</b>		
Payment of contingent consideration for a consolidated subsidiary	(87)	-
Acquisition of fixed assets and intangible assets	(221)	(280)
Proceeds from the disposal of fixed assets	-	-
Repayment (investment) in restricted cash, net	11	-
<b>Net cash used in investment activities</b>	<b>(297)</b>	<b>(280)</b>
<b>Cash Flow from Financing Activities</b>		
Short-term credit from financial institutions, net	1	106
Receipt of long-term loans from financial institutions, net of re-organization commissions and the issuance of bonds		200
Repayment of loan from a related party	(15)	-
Receipt of short-term loan from a related party	-	-
Repayment of long-term loans from financial institutions	-	(27)
Increase in other long-term liabilities	-	-
Repayment of other long-term liabilities	(23)	(21)
Issuance of share capital	-	-
Dividend for shareholders in the Company	-	-
Purchase of treasury shares	-	(184)
<b>Net cash used in financing Activities</b>	<b>(37)</b>	<b>74</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(34)</b>	<b>24</b>
Balance of cash and cash equivalents at the beginning of the period	46	14
Balance of cash and cash equivalents at the end of the period	12	38



## HOT Group Reconciliation of operating income to EBITDA

(NIS in millions)	For the three months ended	
	June 30, 2013	June 30, 2012 (*)
<b>Operating income</b>	<b>106</b>	<b>90</b>
Depreciation and amortization	289	265
Other income, net	15	14
Options (capital and phantom)	-	3
<b>EBITDA (1)</b>	<b>410</b>	<b>372</b>

(\*) Following the initial implementation of IAS19 (Revised), as described in Note 2B(1) to the Hot Consolidated financial statements, the EBITDA for the three months ended June 30, 2012 was adjusted by NIS 1 million.

- (1) EBITDA represents profit before net financing income, taxes on income, depreciation and amortization, and before expenses in respect of options and before expenses (income) derived from other expenses (income), net and network set up expenses. EBITDA is an additional measure used by management to demonstrate our underlying performance and should not replace the measures in accordance with IFRS as an indicator of our performance, but rather should be used in conjunction with the most directly comparable IFRS measure.

## HOT Group Summary Statistical and Operating Data

in thousands except percentages and as otherwise indicated		
	June 30, 2013	December 31, 2012
<b>Total Israeli Homes</b>	<b>2,262</b>	<b>2,243</b>
Customer Relationships		
Cable Customer Relationships <sup>(1)</sup>	1,172	1,198
<b>Cable Revenue Generating Units (RGUs)<sup>(2)</sup></b>		
Digital Television RGUs	880	878
Analog Television RGUs	14	18
Total Television RGUs	894	896
Broadband Internet Infrastructure Access RGU	774	771
Fixed-Line Telephony RGUs	688	676
Total Cable RGUs	2,356	2,343
RGUs per Cable Customer Relationship (in units)	2.01x	1.96x
<b>Cellular Revenue Generating Units (RGUs)<sup>(3)</sup></b>		
UMTS RGUs	514	441
iDEN RGUs	247	325
Total Cellular RGUs <sup>(3)</sup>	761	766
<b>Cable Services Penetration</b>		
Television RGUs as % of Total Israeli Homes	40%	40%
Broadband Internet Infrastructure Access RGUs as % of Total Israeli Homes	34%	34%
Fixed-Line Telephony RGUs as % of Total Israeli Homes	30%	30%
<b>Cable Customer Bundling<sup>(4)</sup></b>		
Single-Play Customer Relationships as % of Cable Customer Relationships	*	47%
Double-Play Customer Relationships as % of Cable Customer Relationships	*	19%
Triple-Play Customer Relationships as % of Cable Customer Relationships	38%	34%



in thousands except percentages and as otherwise indicated	June 30, 2013	December 31, 2012
<b>Churn<sup>(5)</sup></b>		
Churn in Pay Television RGUs	14.8%	15.3%
<b>ARPU<sup>(6)</sup></b>		
Cable-based services ARPU (in NIS)	225	220
Mobile ARPU (in NIS)	82	99
<b>Market Share</b>		
Cellular Market Share <sup>(7)</sup>	8%	8%

\* not reported

- (1) Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable-based services (including pay television, broadband Internet infrastructure access or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our cellular or ISP services.
- (2) RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.
- (3) Cellular RGUs is equal to the net number of lines or SIM cards that have been activated on our cellular network.
- (4) Cable customer bundling for our stand-alone, double-play and triple-play services is presented as a percentage of Cable Customer Relationships. Our double play package customers include customers who have purchased a combination of two services out of our pay television, broadband Internet infrastructure access and fixed-line telephony services. Our triple-play package comprises pay television, broadband Internet infrastructure access and fixed-line telephony services.
- (5) Churn is calculated by dividing the number of RGUs for a given service that have been disconnected during a particular period (either at the customer's request or due to a termination of the subscription by us) by the average number of RGUs for such service, excluding transfers between our services (other than a transfer between our cable services and cellular services), during such period. For example, an analog television customer who



migrates to our digital television services or a customer who migrates from our double-play to triple-play services or vice-versa will not increase churn.

- (6) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the service provided, in each case including the proportional allocation of the bundling discount, and after certain deductions) for the respective period by the average number of subscribers for that period and further by the number of months in the period. The average number of subscribers is calculated as the number of subscribers on the first day in the respective period plus the number of subscribers on the last day of the respective period, divided by two.
- (7) Our cellular market share is based on our estimate of the total cellular lines in Israel, which is based on the number of lines reported by other cellular operators in Israel. This market share calculation is not indicative of nor does it correlate to the market share calculation required under our cellular license. In relation to the addition of frequencies to our cellular license enabling us to provide UMTS based 3G services, we were required to pay a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. The remaining amount equal to NIS 695 million is payable in 2016 subject to certain deductions based on market share gained by HOT Mobile (based on the higher of the market share as measured in September 2013 and September 2016).



## **NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO PURCHASE SECURITIES**

This press release does not constitute or form part of, and should not be construed as, an offer or invitation to sell securities of Altice Finco S.A. or Altice Financing S.A. (collectively the "Altice Issuers") or the solicitation of an offer to subscribe for or purchase securities of an Altice Issuer, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever. Any decision to purchase any securities of an Altice Issuer should be made solely on the basis of the final terms and conditions of the securities and the information to be contained in the offering memorandum produced in connection with the offering of such securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the applicable Altice Issuer and the nature of the securities before taking any investment decision with respect to securities of such Altice Issuer. Any such offering memorandum may contain information different from the information contained herein

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this presentation, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things: our future financial conditions and performance, results of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; and future developments in the markets in which we participate or are seeking to participate. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "could", "estimate", "expect", "forecast", "intend", "may", "plan", "project" or "will" or, in each case, their negative, or other variations or comparable terminology. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. To the extent that statements in this press release are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

## **FINANCIAL MEASURES**

In this press release, we present certain non-GAAP measures, including EBITDA. HOT defines "EBITDA" as profit before net financing income, taxes on income, depreciation and amortization, expenses in respect of options, expenses (income) derived from, net and network set up expenses. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by us to EBITDA of other companies. EBITDA as presented herein differs from the definition of "Consolidated Combined EBITDA" contained in the indentures governing the Senior Secured Notes and the Senior Notes or for purposes of any other indebtedness of an Altice Issuer. The information presented as EBITDA is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission (the "SEC") and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

EBITDA is not a measurement of performance under IFRS and you should not consider EBITDA as an alternative to net income or operating profit or other performance measures determined in accordance with IFRS or to cash flows from operations, investing activities or financing activities. EBITDA has limitations as an analytical tool, and you should not consider it in isolation.