

ALTICE FINANCING S.A.

ALTICE FINCO S.A.

QUARTERLY REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2013

Altice Financing S.A.

37, rue d'Anvers
L-1130 Luxembourg
Grand Duchy of Luxembourg

Altice Finco S.A.

37, rue d'Anvers
L-1130 Luxembourg
Grand Duchy of Luxembourg

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ALTICE FINANCING S.A.

Société Anonyme

Interim condensed financial statements as at and for the period ended 31 March 2013

37, rue d'Anvers
L - 1130 LUXEMBOURG
R.C.S. Luxembourg: B171.162

ALTICE FINANCING S.A.
Condensed statement of comprehensive income for the three months ended 31 March 2013
(Expressed in EUR)

	Notes	For the three months ended 31 March 2013	For the period ended 31 December 2012
Finance income		35.683.477	926.892
Finance costs		-22.667.892	-65.276.130
Net finance income / (costs)		13.015.585	-64.349.238
Administrative expenses		-170.448	-71.884
Net foreign exchange losses		-96.308	-1.611.145
Transaction/Parents expenses		-4.757.904	0
Profit (Loss) before tax		7.990.925	-66.032.267
Income tax (expense) / benefit	7	-3.943.765	19.016.171
Profit / (Loss) for the period		4.047.160	-47.016.095
Other comprehensive income			
Revaluation reserve movement		-27.233.043	0
Currency translation movement		4.920.421	-3.847.040
Total comprehensive income/(expense) for the period		-18.265.462	-50.863.135

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

ALTICE FINANCING S.A.
Condensed statement of financial position as at 31 March 2013
(Expressed in EUR)

ASSETS	Notes	31 March 2013	31 December 2012
Non-current assets			
Loans and other receivables	9	797.476.876	770.476.989
Deferred tax assets		<u>15.664.170</u>	<u>19.017.746</u>
Total non-current assets		<u>813.141.046</u>	<u>789.494.736</u>
Current assets			
Accrued interests receivables	9	22.951.780	925.907
Other receivables		9.715.973	17.999.247
Cash and cash equivalents	10	<u>59.304.102</u>	<u>83.773.673</u>
Total current assets		<u>91.971.855</u>	<u>102.698.826</u>
TOTAL ASSETS		<u>905.112.901</u>	<u>892.193.562</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	11	28.872	28.872
Other revaluation reserve		-27.233.043	0
Foreign currency translation reserve		1.073.381	-3.847.040
Accumulated losses		<u>-42.968.935</u>	<u>-47.016.095</u>
Total equity		<u>-69.099.725</u>	<u>-50.834.263</u>
Liabilities			
Non-current liabilities			
Borrowings	12	859.502.075	839.368.072
Derivative financial instruments	8	<u>50.695.439</u>	<u>62.450.909</u>
Total non-current liabilities		<u>910.197.514</u>	<u>901.818.981</u>
Current liabilities			
Trade and other payables		827.479	1.201.869
Borrowings and accrued interests payables	12	63.185.553	40.005.401
Current tax liabilities		<u>2.080</u>	<u>1.575</u>
Total liabilities		<u>64.015.112</u>	<u>41.208.844</u>
TOTAL EQUITY AND LIABILITIES		<u>905.112.901</u>	<u>892.193.562</u>

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

ALTICE FINANCING S.A.
Condensed statement of changes in equity for the three months ended 31 March 2013
(Expressed in EUR)

	Issued capital	Other revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total equity		
Balance as at 17 August 2012	28.872	-	-	-	28.872		
Loss for the period	-		-	-47.016.095	-47.016.095		
Other comprehensive loss for the period	-		-3.847.040	-	3.847.040		
Total comprehensive loss for the period	0	0	-3.847.040	-47.016.095	-50.863.135		
Balance as at 31 December 2012	28.872	0	-3.847.040	-47.016.095	-50.834.263		
As at 1 January 2013	28.872	0	-	3.847.040	-	47.016.095	-50.834.263
Profit for the period	-	-	-	4.047.160	4.047.160		
Other comprehensive income for the period	-	- 22.312.622	-	-	22.312.622		
Total comprehensive income for the period	0	-22.312.622	0	4.047.160	-18.265.462		
As at 31 March 2013	28.872	-22.312.622	-3.847.040	-42.968.935	-69.099.725		

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

ALTICE FINANCING S.A.**Condensed statement of cash flows for the three month ended 31 March 2013****(Expressed in EUR)**

	For the three months ended 31 March 2013	For period ended 31 December 2012
Cash flows from operating activities		
Profit / (loss) for the period	4.047.160	-47.016.095
Adjustments for:		
- Income tax expenses	3.943.765	-19.016.171
- Depreciation	733.901	109.248
- Net foreign exchange losses	-96.308	-1.611.145
Movements in working capital:		
- Increase in trade and other receivables	-1.590	-160.765
- Increase in trade and other payables	-374.390	1.201.869
Net cash generated by/(used in) operating activities	<u>8.252.538</u>	<u>-66.493.059</u>
Cash flows from investing activities		
Loans granted to related parties	-30.340.750	-770.476.989
Advances made to related parties	0	-17.838.482
Net cash used in investing activities	<u>-30.340.750</u>	<u>-788.315.471</u>
Cash flows from financing activities		
Proceeds from issuance of shares	0	28.872
Proceeds from issuance of bonds	0	874.313.341
Payments of finance costs	-958.813	64.239.990
Net cash(used in)/generated by financing activities	<u>-958.813</u>	<u>938.582.203</u>
Net (decrease)/increase in cash and cash equivalents	-23.047.025	83.773.673
Impact of Foreign exchange valuations	-1.422.546	
Cash and cash equivalents at beginning of the period	<u>83.773.673</u>	<u>0</u>
Cash and cash equivalents at end of the period	<u>59.304.102</u>	<u>83.773.673</u>

The notes on pages 8 to 17 are an integral part of these condensed interim financial statements.

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

1. Corporate information

Altice Financing S.A. (the 'Company') is a company incorporated and domiciled in Luxembourg whose bonds are publicly traded.

The principal activity of the Company is described in Note 5.

2. Basis of preparation

(a) Statement of compliance

The condensed interim financial statements for the three months ended 31 March 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2012.

These condensed interim financial statements were approved by the Board of Directors on 14 May 2013.

(b) Judgments and estimates

Preparing the condensed interim financial statements requires the Board of Directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, significant judgments made by the Board of Directors in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2012.

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

4. Financial instruments

Financial risk management policy

The Company's financial risk management policy is consistent with the one disclosed in the financial statements as at and for the year ended 31 December 2012

5. Operating segments

The Board of Directors has determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Company.

Segments assets

There are no major changes in segment assets.

6. Seasonality of operations

This information should be provided to allow for a proper appreciation of the results, however the Board of Directors have concluded that this does not apply to this Company.

7. Income tax expense

Income tax expense is recognized based on the Board of Director's best estimate of the weighted average annual income tax expected for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate in respect of continuing operations for the three months ended 31 March 2013 was 29,22% (as at 31 December 2012: 28,80%). The change in effective tax rate was caused mainly by the following factors.

- During the three months ended 31 March 2013 an increase of 0.42% in the tax rate became effective in Luxembourg, country in which the Company generates 100% of its taxable income. The effect of the change in tax rate was recognized immediately during the three months ended 31 March 2013.

ALTICE FINANCING S.A.
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Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

8. Derivative financial instruments

	31 December 2012	
	Assets	Liabilities
Forward foreign exchange contracts	0	52,631,251
Cross currency swaps	0	9,819,658
Total	0	62,450,909

	31 March 2013	
	Assets	Liabilities
Forward foreign exchange contracts	0	42,795,818
Cross currency swaps	0	7,899,622
Total	0	50,695,439

Trading derivatives are classified as current asset or liability. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The derivative financial instruments were evaluated and are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

8. Derivative financial instruments (cont'd)

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The Board of Directors considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of derivatives instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

8. Derivative financial instruments (cont'd)

Fair value of financial instruments (cont'd)

Fair value measurements recognised in the statement of financial position (cont'd)

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Other derivatives financial liabilities	-	62,450,909	-	62,450,909
Total	-	62,450,909	-	62,450,909

	31 March 2013			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Other derivatives financial liabilities	-	50,695,439	-	50,695,439
Total	-	50,695,439	-	50,695,439

ALTICE FINANCING S.A.
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Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

9. Loans and other receivables

The detail of loans and other receivables is the following:

	31 March 2013	31 December 2012
Non-currents assets:		
Bonds Cool Holdings Ltd	213.851.578	207.419.580
Bonds H.Hadaros 2012 Ltd	194.237.686	188.395.614
Bonds HOT Telecommunications System Ltd	386.279.906	374.661.795
Loan Altice VII S.à r.l.	3.107.707	0
Total non-currents assets:	797.476.876	770.476.989
Current assets:		
Interest on bonds Cool Holdings Ltd	8.521.477	343.768
Interest on bonds H.Hadaros 2012 Ltd	7.733.920	311.997
Interest on bonds HOT Telecom.System Ltd	6.696.383	270.142
Total current assets:	22.951.780	925.907
Total loans and other receivables	820.428.656	771.402.896

The loans and other receivables were evaluated and are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012. The Loan to Altice VII S.à r.l. is an interest free bearing loan with a maturity date in March 2062 or early repayment date which means a written notice not later than five days prior to the foreseen repayment date.

10. Cash and cash equivalents

	31 March 2013	31 December 2012
Cash at bank and in hand	40,467,001	5,567,602
Cash in short-term deposit	18,837,101	78,206,072
Cash and cash equivalents	59,304,102	83,773,673

Cash and cash equivalents include the following for the purposes of the statements of cash flows:

	31 March 2013	31 December 2012
Cash and cash equivalents	59,304,102	83,773,673
Cash and cash equivalents	59,304,102	83,773,673

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

11. Issued capital

	Ordinary shares
At 01 January 2013	28,872
At 31 March 2013	28,872

As at 31 March 2013 the subscribed capital amounts to EUR 31,000 and is divided into 31,000 shares fully paid-up with a nominal value per share of EUR 1.

The authorized and unissued share capital of the Company is set at EUR 2,000,000 and is divided into 2,000,000 shares of a nominal value per share of EUR 1 and is valid until 5 years after the date of the publication of the authorized and unissued share capital of the Company.

The Company may repurchase its own shares within the limits set by the Law of 10 August 1915 (the Law) and the Articles. The Board of Directors will have to be authorised by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

The shares are freely transferable. All shares have equal economic and voting rights.

Each share entitles the holder thereof to a fraction of the Company's assets and profits in accordance with Article 26 of the incorporation deed.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

12. Borrowings

The detail of the borrowings is the following:

	31 March 2013	31 December 2012
Non-currents liabilities:		
Senior Secured Notes 12/19 7.875% USD	334,430,423	324,078,456
Senior Secured Notes 12/19 7.875% USD	7,788,532	7,554,075
Senior Secured Notes 12/19 8% EUR	190,450,913	190,569,073
Senior Secured Notes 12/19 8% EUR	9,969,054	9,984,099
Notes Proceed Loan 12/20 9.875% USD	316,863,152	307,182,370
Total non-currents liabilities:	859,502,075	839,368,072
Current liabilities:		
Interest on Senior Secured Notes 12/19 7.875% USD	8,819,324	1,414,966
Interest on Senior Secured Notes 12/19 7.875% USD	172,652	18,204
Interest on Senior Secured Notes 12/19 8% EUR	5,174,556	844,444
Interest on Senior Secured Notes 12/19 8% EUR	229,122	24,444
Interest on Notes Proceed Loan 12/20 9.875% USD	8,854,198	353,976
Intercompany Loan Cool Holdings Ltd.	38,445,576	37,289,251
Interest on Intercompany Loan Cool Holdings Ltd.	1,490,125	60,114
Total current liabilities:	63,185,553	40,005,401
Total Borrowings	922,687,628	879,373,473

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

13. Contingencies

The Company had no material contingencies at 31 March 2013 (31 December 2012: nil).

14. Commitments

The Company has a committed USD 80 million working capital facility which is available but undrawn as of March 31, 2013. The Company has a committed USD 80 million working capital facility which is available but undrawn as of March 31, 2013.

15. Assets pledged as security

The shares, bank accounts and receivables of the Company and the following entities (its subsidiary, its parent company (Altice VII S.à r.l.), Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd have been pledged for the issued senior security notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

16. Related parties transactions

a) Loans to related parties

	Amounts owed by related parties	
	31 March 2013	31 December 2012
Bonds Cool Holding Ltd	213.851.578	207.763.349
Bonds H.Hadaros 2012 Ltd	194.237.686	188.707.611
Bonds HOT Telecommunication System Ltd.	386.279.906	374.931.937
Loan Altice VII S.à r.l.	3.107.707	0
Trade Receivable HOT Telecommunication System Ltd	3.198.017	14.071.644
Receivable Altice VII S.à r.l.	6.295.462	3.766.838

ALTICE FINANCING S.A.
Société Anonyme
Notes to the condensed interim financial statements for the period ended 31 March 2013
(Expressed in EUR)

19. Related parties transactions (cont'd)

b) Loans from related parties

	Amounts owed to related parties	
	31 March 2013	31 December 2012
Senior Notes Proceed Loan Altice Finco S.A.	325.717.351	307.536.346
Intercompany loan Cool Holdings Ltd	39.935.701	37.349.365

c) Profit and loss transactions with related parties

	31 March 2013	31 December 2012
Interest income Bonds Cool Holdings Ltd	8,134,965	342,765
Interest income Bonds H.Hadaros 2012 Ltd	7,383,129	311,087
Interest income Bonds HOT Telecommunication System Ltd.	6,392,653	269,353
Interest expense Senior Notes Proceed Loan Altice Finco S.A	-8,489,246	-353,976
Interest expense Intercompany Loan Cool Holdings Ltd	-1,422,537	-59,938

The related party Altice IV S.A. acquired in January 2013 an amount of USD 6,500,000 of bonds with a coupon interest of 9.875% with a maturity date on 15/12/2020 issued during the year ended 31 December 2012 by Altice Financing S.A.

20. Events after the reporting period

The Company signed with Altice VII S.à r.l. a financial guarantee agreement on 02 April 2013. Altice VII S.à r.l. provides the necessary financial guarantee to the Company in order to obtain credit facilities and for the services rendered under the terms of this financial guarantee agreement, the Company will pay a fee for an amount of USD 5,101,244.-.

21. Approval of the interim condensed financial statements

The interim condensed financial statements were approved by the Board of Directors and authorized for issue on 14 May 2013.

ALTICE FINCO S.A.

Société Anonyme

Interim condensed consolidated financial statements as at and for the period ended 31 March 2013

37, rue d'Anvers
L - 1130 LUXEMBOURG
R.C.S. Luxembourg: B171.151

ALTICE FINCO S.A.

Condensed consolidated statement of comprehensive Income for the three months ended

31 March 2013

(Expressed in EUR)

	Notes	For the three months ended 31 March 2013	For period ended 31 December 2012
Finance income		35.718.329	931.024
Finance costs		-22.337.870	-66.556.398
Net finance income / (costs)		13.380.459	-65.625.375
Administrative expenses		-406.562	-123.230
Net foreign exchange losses		-96.084	-1.610.835
Transaction/Parents expenses		-4.757.904	0
Profit / (Loss) before tax		8.119.909	-67.359.439
Income tax (expense)/benefit	7	-3.944.221	19.014.596
Profit / (Loss) for the period		4.175.689	-48.344.843
Other comprehensive income			
Revaluation reserve movement		-27.233.043	0
Currency translation movement		4.739.740	-3.847.431
Total comprehensive income/(expense) for the period		-18.317.615	-52.192.273

The notes on pages 23 to 32 are an integral part of these financial statements.

ALTICE FINCO S.A.**Condensed consolidated statement of financial position as at 31 March 2013****(Expressed in EUR)**

ASSETS	Notes	31 March 2013	31 December 2012
Non-current assets			
Loans and other receivables	9	797.476.876	770.476.989
Deferred tax assets		<u>15.664.170</u>	<u>19.017.746</u>
Total non-current assets		<u>813.141.046</u>	<u>789.494.736</u>
Current assets			
Accrued interests receivables	9	22.951.780	925.907
Other receivables		9.714.025	18.010.490
Cash and cash equivalents	10	<u>59.305.229</u>	<u>83.773.673</u>
Total current assets		<u>91.971.035</u>	<u>102.710.070</u>
TOTAL ASSETS		<u>905.112.081</u>	<u>892.204.806</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	11	32.597	32.597
Other revaluation reserve		-27.233.043	0
Foreign currency translation reserve		892.309	-3.847.431
Accumulated losses		<u>-44.169.155</u>	<u>-48.344.843</u>
Total equity		<u>-70.477.291</u>	<u>-52.159.676</u>
Liabilities			
Non-current liabilities			
Borrowings	12	859.598.271	839.363.940
Derivative financial instruments	8	<u>50.695.439</u>	<u>62.450.909</u>
Total non-current liabilities		<u>910.293.711</u>	<u>901.814.848</u>
Current liabilities			
Trade and other payables		1.112.532	1.259.346
Borrowings and accrued interests payables	12	64.178.967	41.287.137
Current tax liabilities		<u>4.162</u>	<u>3.150</u>
Total liabilities		<u>65.295.661</u>	<u>42.549.633</u>
TOTAL EQUITY AND LIABILITIES		<u>905.112.081</u>	<u>892.204.806</u>

The notes on pages 23 to 32 are an integral part of these financial statements.

ALTICE FINCO S.A.
Condensed consolidated statement of changes in equity for the three months ended 31 March 2013
(Expressed in EUR)

	Issued capital	Other revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as at 17 August 2012	32.597	-	-	-	32.597
Loss for the period	-	-	-	- 48.344.843	- 48.344.843
Other comprehensive loss for the period	-	-	- 3.847.431	-	- 3.847.431
Total comprehensive loss for the period	-	-	- 3.847.431	- 48.344.843	- 52.192.273
Balance as at 31 December 2012	32.597	-	- 3.847.431	- 48.344.843	- 52.159.676
As at 1 January 2013	32.597	-	- 3.847.431	- 48.344.843	- 52.159.676
Profit for the period	-	-	-	4.175.689	4.175.689
Other comprehensive income for the period	-	- 22.493.303	-	-	- 22.493.303
Total comprehensive income for the period	-	- 22.493.303	-	4.175.689	- 18.317.615
As at 31 March 2013	32.597	- 22.493.303	- 3.847.431	- 44.169.155	- 70.477.291

The notes on pages 23 to 32 are an integral part of these financial statements.

ALTICE FINCO S.A.**Condensed consolidated statement of cash flows for the three month ended 31 March 2013****(Expressed in EUR)**

	For the three months ended 31 March 2013	For period ended 31 December 2012
Cash flows from operating activities		
Profit / (loss) for the period	4.175.689	-48.344.843
Adjustments for:		
- Income tax expenses	3.944.221	-19.014.596
- Depreciation	733.901	109.248
- Net foreign exchange losses	96.084	1.610.835
Movements in working capital:		
- Increase in trade and other receivables	-1.590	-172.008
- Increase in trade and other payables	-146.814	1.259.346
Net cash generated by/(used in) operating activities	8.801.490	-64.552.018
Cash flows from investing activities		
Loans granted to related parties	-30.340.750	-770.476.989
Advances made to related parties	0	-17.838.482
Net cash (used in)/generated in investing activities	-30.340.750	-788.315.471
Cash flows from financing activities		
Proceeds from issuance of shares	0	32.597
Proceeds from issuance of bonds	0	870.983.190
Payments of finance costs	-960.403	65.624.287
Net cash (used in)/generated by financing activities	-960.403	936.640.074
Net(decrease)/ increase in cash and cash equivalents	-22.499.663	83.772.585
Impact of Foreign exchange valuations	-1.967.693	
Cash and cash equivalents at beginning of the period	83.772.585	0
Cash and cash equivalents at end of the period	59.305.229	83.772.585

The notes on pages 23 to 32 are an integral part of these financial statements.

ALTICE FINCO S.A.
Société Anonyme
Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

1. Corporate information

Altice Finco S.A. (the 'Company') is a company incorporated and domiciled in Luxembourg whose bonds are publicly traded. The Company holds Altice Financing S.A. and together they form the Group.

The principal activity of the Group is described in Note 5.

2. Basis of preparation

(a) Statement of compliance

The interim condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

These interim condensed consolidated financial statements were approved by the Board of Directors on 14 May 2013.

(b) Judgments and estimates

Preparing the interim condensed consolidated financial statements requires the Board of Directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, significant judgments made by the Board of Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

3. Significant accounting policies

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

ALTICE FINCO S.A.
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Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

4. Financial instruments

Financial risk management policy

The Group's financial risk management policy is consistent with the one disclosed in the consolidated financial statements as at and for the year ended 31 December 2012

5. Operating segments

The Board of Directors has determined that there is only one segment based on their lending activity. This segment corresponds to the level to which they analyze the activity of the Group.

Segments assets

There are no major changes in segment assets.

6. Seasonality of operations

This information should be provided to allow for a proper appreciation of the results, however the Board of Directors have concluded that this does not apply to this Group.

7. Income tax expense

Income tax expense is recognized based on the Board of Director's best estimate of the weighted average annual income tax expected for the full financial year applied to the pre-tax income of the interim period. The Group's effective tax rate in respect of continuing operations for the three months ended 31 March 2013 was 29,22% (as at 31 December 2012: 28,80%). The change in effective tax rate was caused mainly by the following factors.

- During the three months ended 31 March 2013 an increase of 0.42% in the tax rate became effective in Luxembourg, country in which the Group generates 100% of its taxable income. The effect of the change in tax rate was recognized immediately during the three months ended 31 March 2013.

ALTICE FINCO S.A.
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Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

8. Derivative financial instruments

	31 December 2012	
	Assets	Liabilities
Forward foreign exchange contracts	0	52,631,251
Cross currency swaps	0	9,819,658
Total	0	62,450,909

	31 March 2013	
	Assets	Liabilities
Forward foreign exchange contracts	0	42,795,818
Cross currency swaps	0	7,899,622
Total	0	50,695,439

Trading derivatives are classified as current asset or liability. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The derivative financial instruments were evaluated and are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

ALTICE FINCO S.A.
Société Anonyme
Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

8. Derivative financial instruments (cont'd)

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The Board of Directors considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of derivatives instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ALTICE FINCO S.A.
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Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

8. Derivative financial instruments (cont'd)

Fair value of financial instruments (cont'd)

Fair value measurements recognised in the statement of financial position (cont'd)

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Other derivatives financial liabilities	-	62,450,909	-	62,450,909
Total	-	62,450,909	-	62,450,909

	31 March 2013			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Other derivatives financial liabilities	-	50,695,439	-	50,695,439
Total	-	50,695,439	-	50,695,439

ALTICE FINCO S.A.
Société Anonyme
Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

9. Loans and other receivables

The detail of loans and other receivables is the following:

	31 March 2013	31 December 2012
Non-currents assets:		
Bonds Cool Holdings Ltd	213.851.578	207.419.580
Bonds H.Hadaros 2012 Ltd	194.237.686	188.395.614
Bonds HOT Telecommunications System Ltd	386.279.906	374.661.795
Loan Altice VII S.à r.l.	3.107.706	0
Total non-currents assets:	797.476.876	770.476.989
Current assets:		
Interest on bonds Cool Holdings Ltd	8.521.477	343.768
Interest on bonds H.Hadaros 2012 Ltd	7.733.920	311.997
Interest on bonds HOT Telecom.System Ltd	6.696.383	270.142
Total current assets:	22.951.780	925.907
Total loans and other receivables	820.428.656	771.402.896

The loans and other receivables were evaluated and are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012. The "Loan" to Altice VII S.à r.l. is an interest free bearing loan with a maturity date in March 2062 or early repayment date which means a written notice not later than five days prior to the foreseen repayment date.

10. Cash and cash equivalents

	31 March 2013	31 December 2012
Cash at bank and in hand	40,468,128	5,567,602
Cash in short-term deposit	18,837,101	78,206,072
Cash and cash equivalents	59,305,229	83,773,673

Cash and cash equivalents include the following for the purposes of the statements of cash flows:

	31 March 2013	31 December 2012
Cash and cash equivalents	59,305,229	83,773,673
Bank overdrafts	0	-1,088
Cash and cash equivalents	59,305,229	83,772,585

ALTICE FINCO S.A.
Société Anonyme
Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

11. Issued capital

	Ordinary shares
At 01 January 2013	32,597
At 31 March 2013	32,597

As at 31 March 2013 the subscribed capital amounts to EUR 35,000 and is divided into 35,000 shares fully paid-up with a nominal value per share of EUR 1.

The authorized and unissued share capital of the Company is set at EUR 2,000,000 and is divided into 2,000,000 shares of a nominal value per share of EUR 1 and is valid until 5 years after the date of the publication of the authorized and unissued share capital of the Company.

The Company may repurchase its own shares within the limits set by the Law of 10 August 1915 (the Law) and the Articles. The Board of Directors will have to be authorised by the shareholders' meeting acting in accordance with Article 23.11 to proceed to such a repurchase. In any case, the repurchase cannot result in reducing the net assets of the Company below the aggregate amount of the subscribed capital and the reserves which may not be distributed under the Law of 10 August 1915 on commercial companies and the Articles.

The shares are freely transferable. All shares have equal economic and voting rights.

Each share entitles the holder thereof to a fraction of the Company's assets and profits in accordance with Article 26 of the incorporation deed.

Each share entitles its holder to a preferential subscription right as provided for by the Law.

ALTICE FINCO S.A.
Société Anonyme
Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

12. Borrowings

The detail of the borrowings is the following:

	31 March 2013	31 December 2012
Non-currents liabilities:		
Senior Secured Notes 12/19 7.875% USD	334,430,423	324,078,456
Senior Secured Notes 12/19 7.875% USD	7,788,532	7,554,075
Senior Secured Notes 12/19 8% EUR	190,450,913	190,569,073
Senior Secured Notes 12/19 8% EUR	9,969,054	9,984,099
Senior Secured Notes 12/20 9.875% USD	296,375,925	287,182,475
Senior Secured Notes 12/20 9.875% USD	20,583,424	19,995,762
Total non-currents liabilities:	859,598,271	839,363,940
Current liabilities:		
Bank overdraft (CBP current account)	0	1,088
Interest on Senior Secured Notes 12/19 7.875% USD	8,819,324	1,414,966
Interest on Senior Secured Notes 12/19 7.875% USD	172,652	18,204
Interest on Senior Secured Notes 12/19 8% EUR	5,174,556	844,444
Interest on Senior Secured Notes 12/19 8% EUR	229,122	24,444
Interest on Senior Secured Notes 12/20 9.875% USD	9,331,868	1,577,542
Interest on Senior Secured Notes 12/20 9.875% USD	515,744	57,082
Intercompany Loan Cool Holdings Ltd.	38,445,576	37,289,251
Interest on Intercompany Loan Cool Holdings Ltd.	1,490,125	60,114
Total current liabilities:	64,178,967	41,287,137
Total Borrowings	923,777,238	880,651,077

ALTICE FINCO S.A.
Société Anonyme
Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

13. Contingencies

The Group had no material contingencies at 31 March 2013 (31 December 2012: nil).

14. Commitments

The Company has a committed USD 80 million working capital facility which is available but undrawn as of March 31, 2013. The Company has a committed USD 80 million working capital facility which is available but undrawn as of March 31, 2013.

15. Assets pledged as security

The shares, bank accounts and receivables of the Company and the following entities (its subsidiary, its parent company (Altice VII S.à r.l.), Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd have been pledged for the issued senior security notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

16. Related parties transactions

a) Loans to related parties

	Amounts owed by related parties	
	31 March 2013	31 December 2012
Bonds Cool Holding Ltd	213.851.578	207.763.349
Bonds H.Hadaros 2012 Ltd	194.237.686	188.707.611
Bonds HOT Telecommunication System Ltd.	386.279.906	374.931.937
Loan Altice VII S.à r.l.	3.107.707	0
Trade Receivable HOT Telecommunication System Ltd	3.198.017	14.071.644
Receivable Altice VII S.à r.l.	6.295.462	3.766.838

ALTICE FINCO S.A.
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Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2013
(Expressed in EUR)

16. Related parties transactions (cont'd)

b) Loans from related parties

	Amounts owed to related parties	
	31 March 2013	31 December 2012
Intercompany loan Cool Holdings Ltd	39,935,701	37,349,365

c) Profit and loss transactions with related parties

	31 March 2013	31 December 2012
Interest income Bonds Cool Holdings Ltd	8,134,965	342,765
Interest income Bonds H.Hadaros 2012 Ltd	7,383,129	311,087
Interest income Bonds HOT Telecommunication System Ltd	6,392,653	269,353
Interest expense Intercompany Loan Cool Holdings Ltd	-1,422,537	-59,938

The related party Altice IV S.A. acquired in January 2013 an amount of USD 13,000,000 of bonds with a coupon interest of 7.875% with a maturity date on 15/12/2019 and an amount of USD 6,500,000 of bonds with a coupon interest of 9.875% with a maturity date on 15/12/2020 issued during the year ended 31 December 2012 by Altice Financing S.A.

17. Events after the reporting period

The Group signed with Altice VII S.à r.l. a financial guarantee agreement on 02 April 2013. Altice VII S.à r.l. provides the necessary financial guarantee to the Company in order to obtain credit facilities and for the services rendered under the terms of this financial guarantee agreement, the Group will pay a fee for an amount of USD 5,101,244.-.

18. Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 14 May 2013.

HOT – TELECOMMUNICATION SYSTEMS LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2013
IN NIS MILLIONS
UNAUDITED

Auditors' review report to the Shareholders of HOT – Telecommunication Systems Ltd.

Introduction

We have reviewed the accompanying financial information of Hot - Telecommunication Systems Ltd. and its subsidiaries (hereinafter - the Group), which includes the condensed consolidated balance sheet as of March 31, 2013 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the period of three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting" and they are also responsible for the preparation of the financial information for this interim period in accordance with Part D' of the Securities Regulations (Periodic and immediate reports) - 1970. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

The condensed financial information for an interim period of a consolidated company, whose assets constitute approximately 26% of the total consolidated assets as of March 31, 2013 and whose revenues constitute approximately 21% of the total consolidated revenues for the period of three months then ended, has been reviewed by Kost Forer Gabbay & Kasierer, Certified Public Accountants alone and their review report has been furnished to Brightman Almagor Zohar, Certified Public Accountants and Brightman Almagor Zohar's conclusions, in so far as it relates to the financial information for that company, is based on Kost Forer Gabbay & Kasierer, Certified Public Accountants' review report.

The Group's consolidated financial statements as of December 31, 2012 and for the year then ended were audited by Kost Forer Gabbay & Kasierer, Certified Public Accountants and their audit report thereon, dated March 27, 2013, included an unqualified opinion. Furthermore, the Group's interim consolidated financial statements as of March 31, 2012 and for the period of three months then ended were reviewed by Kost Forer Gabbay & Kasierer, Certified Public Accountants, whose review report thereon, dated May 22, 2012, included an unqualified conclusion

Scope of the review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and on the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to what is stated in the previous paragraph, based on our review and on the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, from all material perspectives, with disclosure provisions in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) 1970.

Without qualifying our above conclusion, we draw attention to the contents of Note 3 to the interim consolidated financial statements on the subject of claims that have been presented against the Company and its subsidiary companies and which it is not possible to assess or to calculate their impact at this stage.

Tel-Aviv, Israel
May 14, 2013

Brightman Almagor Zohar
Certified Public Accountants

Kost Forer Gabbay & Kasierer
Certified Public Accountants

CONSOLIDATED BALANCE SHEET

	March 31		December 31
	2013	2012	2012
	Unaudited		Audited
	NIS millions		
<u>Current Assets</u>			
Cash and cash equivalents	46	14	32
Restricted cash	15	-	69
Trade receivables	503	*) 380	549
Other receivables	63	68	62
Inventory	35	19	27
	662	481	739
<u>Non-Current Assets</u>			
Long-term trade receivables	74	96	82
Investment in available for sale financial asset	28	36	28
Other long-term receivables	130	*) 114	115
Fixed assets, net	4,041	3,896	4,136
Intangible assets, net	724	835	753
Goodwill	1,264	1,264	1,264
Deferred taxes	46	66	*) 48
	6,307	6,307	6,426
	6,969	6,788	7,165

*) Reclassified - see Note 2C.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	March 31		December 31
	2013	2012	2012
	Unaudited		Audited
	NIS millions		
<u>Current Liabilities</u>			
Credit from financial institutions and current maturities of bonds	125	*) 473	125
Trade payables	973	818	1,062
Other payables	434	*) 338	412
Short-term loan from related party	15	-	70
Provision for legal claims	55	159	68
	<u>1,602</u>	<u>1,788</u>	<u>1,737</u>
<u>Non-Current Liabilities</u>			
Loans from financial institutions and bonds	1,264	*) 2,423	1,326
Loan from related party	1,900	-	1,900
Other long-term liabilities	352	560	374
Advances received for the installation of terminal equipment	53	44	52
Employee benefit liabilities, net	30	28	32
Deferred taxes	305	318	*) 299
	<u>3,904</u>	<u>3,373</u>	<u>3,983</u>
<u>Equity</u>			
Share capital	97	96	97
Share premium	1,680	1,654	1,680
Treasury shares	(184)	-	(184)
Capital reserve on share-based payments	-	38	-
Capital reserve on available for sale financial asset	10	16	10
Capital reserve on the re-measurement of defined benefit plans	(8)	**) (9)	**) (9)
Accumulated losses	(132)	**) (168)	**) (149)
	<u>1,463</u>	<u>1,627</u>	<u>1,445</u>
	6,969	6,788	7,165

*) Reclassified - see Note 2C.

**) Restated - see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

May 14, 2013		
Date of the approval of the financial statements	Hertzel Ozer Chairman of the Board of Directors and Chief Executive Officer	Jean-Luc Berrebi Deputy Chief Executive Officer and Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended March 31		Year ended December 31
	2013	2012	2012
	Unaudited		Audited
	NIS millions		
Revenues	1,065	1,027	4,192
Depreciation and amortization	276	244	1,094
Operating expenses	566	*) 513	*) 2,259
Selling and marketing expenses	62	79	300
General and administrative expenses	38	37	163
Other expenses (income), net	39	7	(23)
Operating income	84	147	399
Finance income	10	10	18
Finance expenses	(71)	(75)	(320)
Income before taxes on income	23	82	97
Taxes on income	6	22	*) 18
Net income	17	60	79
Other comprehensive loss (after tax effect):			
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</u>			
Loss on available for sale financial asset	-	(5)	(11)
<u>Items not to be reclassified to profit or loss in subsequent periods:</u>			
Actuarial gains (loss) on defined benefit plans	1	(1)	(1)
Other comprehensive income (loss)	1	(6)	(12)
Total comprehensive income	18	54	67

*) Restated - see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (losses)	Capital reserve on an available for sale financial asset	Total equity
	Unaudited						
	NIS millions						
<u>Balance as of January 1, 2013 (Audited)</u>	97	1,680	(184)	*) (9)	*) (149)	10	1,445
Net income	-	-	-	-	17	-	17
Total other comprehensive income	-	-	-	1	-	-	1
Total comprehensive income	-	-	-	1	17	-	18
<u>Balance as of March 31, 2013</u>	<u>97</u>	<u>1,680</u>	<u>(184)</u>	<u>(8)</u>	<u>(132)</u>	<u>10</u>	<u>1,463</u>

	Share capital	Share premium	Capital reserve on share-based payments	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (losses)	Capital reserve on an available for sale financial asset	Total equity
	Unaudited						
	NIS millions						
<u>Balance as of January 1, 2012 (Audited)</u>	96	1,654	31	*) (8)	*) 137	21	1,931
Net income	-	-	-	-	*) 60	-	60
Total other comprehensive loss	-	-	-	*) (1)	-	(5)	(6)
Total comprehensive income (loss)	-	-	-	(1)	60	(5)	54
Dividend paid	-	-	-	-	(365)	-	(365)
Cost of share-based payment	-	-	7	-	-	-	7
<u>Balance as of March 31, 2012</u>	<u>96</u>	<u>1,654</u>	<u>38</u>	<u>*) (9)</u>	<u>*) (168)</u>	<u>16</u>	<u>1,627</u>

*) Restated - see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

HOT – TELECOMMUNICATION SYSTEM LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve on share-based payment transactions	Treasury shares	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (losses)	Capital Reserve on an available for sale financial asset	Total Equity
	Audited							
	NIS millions							
Balance as of January 1, 2012	96	1,654	31	-	*) (8)	*) 137	21	1,931
Net income	-	-	-	-	-	*) 79	-	79
Total other comprehensive loss	-	-	-	-	*) (1)	-	(11)	(12)
Total comprehensive income (loss)	-	-	-	-	(1)	79	(11)	67
Purchase of treasury shares	-	-	-	(184)	-	-	-	(184)
Dividend paid	-	-	-	-	-	(365)	-	(365)
Exercise of option warrants	1	17	(17)	-	-	-	-	1
Expiration and forfeiture of option warrants	-	9	(29)	-	-	-	-	(20)
Cost of share-based payment	-	-	15	-	-	-	-	15
Balance as of December 31, 2012	97	1,680	-	(184)	*) (9)	*) (149)	10	1,445

*) Restated - see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended March 31		Year ended December 31
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from operating activities</u>			
Net income	17	**) 60	**) 79
Adjustments required to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	300	244	1,094
Gain on the disposal of fixed assets	-	-	(1)
Taxes on income	6	22	**) 18
Change in employee benefit liabilities, net	(1)	**) 4	**) 7
Linkage differentials and write down of discounts relating to long-term loans from financial institutions and bonds	1	2	31
Revaluation of other long-term liabilities	-	3	4
Cost of share-based payments	-	7	(5)
Financing and other expenses, net	46	36	137
	352	318	1,285
Changes in asset and liability items:			
Decrease (increase) in trade receivables	46	*) (19)	(188)
Increase in other receivables and long-term receivables	(16)	*) (4)	(17)
Prepaid expenses paid to marketers	(26)	(15)	(104)
Decrease (increase) in inventory	(8)	5	(3)
Decrease (increase) in non-current trade receivables	8	(11)	3
Increase(decrease) in trade payables	(52)	*) (21)	*) 153
Increase (decrease) in other payables	7	*) (10)	(28)
Decrease in provision for legal claims	(13)	(9)	(100)
Decrease in other long-term liabilities	(1)	(2)	(30)
Increase in income in advance from the installation of terminal equipment, net	1	5	13
	(54)	(81)	(301)
Cash paid and received during the period for:			
Interest paid	(39)	(13)	(151)
Interest received	5	3	12
Income taxes received	-	-	13
Dividends received	-	-	2
	(34)	(10)	(124)
Net cash provided by operating activities	281	287	939

*) Reclassified - see Note 2C.

**) Restated - see Note 2B.

The accompanying notes form an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended March 31		Year ended December 31
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from investment activities</u>			
Acquisition of fixed assets and intangible assets	(183)	*) (305)	*) (1,131)
Consideration from the disposal of fixed assets	-	-	2
Repayment of (investment in) designated cash, net	54	-	(69)
Net cash used in investment activities	(129)	(305)	(1,198)
<u>Cash flows from financing activities</u>			
Short-term credit from financial institutions, net	-	(86)	(295)
Receipt of long-term loans from financial institutions, net of re-organization commissions and the issuance of bonds	-	500	1,050
Receipt (repayment) of short-term loan from a related party, net	(55)	-	70
Receipt of long-term loan from a related party	-	-	1,900
Repayment of long-term loans from financial institutions and bonds	(63)	(16)	(1,826)
Repayment of other long-term liabilities	(20)	(17)	(76)
Issuance of share capital	-	-	1
Dividend to shareholders in the Company	-	(365)	(365)
Purchase of treasury shares	-	-	(184)
Net cash provided by (used in) financing activities	(138)	16	275
<u>Increase (decrease) in cash and cash equivalents</u>	14	(2)	16
<u>Cash and cash equivalents at the beginning of the period</u>	32	16	16
<u>Cash and cash equivalents at the end of the period</u>	46	14	32
<u>Significant non-cash activities</u>			
Purchase of fixed assets on supplier credit	279	*) 246	*) 316
Purchase of fixed assets under finance leasing	4	27	51

*) Reclassified - see Note 2C.

The accompanying notes form an integral part of the interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL

- A. These financial statements have been prepared in a condensed format as of March 31, 2013 and for the periods of three months ended on that date (hereinafter –The interim consolidated financial statements). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2012 and for the year then ended and the accompanying notes thereto (hereinafter – The annual consolidated financial statements).
- B. As of the balance sheet date the Group has a working capital deficit of approximately NIS 940 million (as of December 31, 2012 - approximately NIS 998 million).

In the assessment of the Company's Board of Directors, after having received satisfactory explanations from the Company's management, the working capital deficit does not indicate that the Company has a liquidity problem and that the Company has sufficient sources of financing in order to clear the deficit on its working capital and to continue its operations, inter alia, by means of the forecast cash flows from operating activities and from the unexploited credit facilities from a related party.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

- A. The format for the preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 "Financial reporting for interim periods" and also with the disclosure provisions in accordance with Part D' of the Securities Regulations (Periodic and Immediate Reports) – 1970.

- B. New standards, interpretations and amendments that have been implemented by the Company for the first time

The main accounting policies that have been implemented in the preparation of the interim consolidated financial statements are consistent with those that were implemented in the preparation of the Consolidated Annual Financial Statements, except as detailed below:

1. IAS 19 (Revised) - Employee Benefits

In June 2011, the IASB published IAS 19 (Revised), which is required to be implemented as from January 1, 2013. The principal amendments that are relevant to the Company are as follows:

- Actuarial gains and losses are to be recognized under other comprehensive income and are not to be reflected in profit or loss.
- The yield on the plan assets is to be recognized in profit or loss based on the discount rate used to measure the employee benefit liabilities, without connection to the actual results of the investments portfolio.
- The distinction between short-term employee benefits and long-term employee benefits is to be based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.

As from January 1, 2013, the Company has changed its accounting policy and has implemented IAS 19 (Revised) for the first time retrospectively.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is the impact of the changes in the accounting policy as the result of the initial implementation of IAS 19 (Revised) on the Company's financial statements:

In the balance sheet

	As previously reported	The impact of IAS 19 (Revised) NIS millions	As presented in these financial statements
<u>As of March 31, 2012</u>			
Capital reserve on the re-measurement of defined benefit plans, net	-	(9)	(9)
Accumulated losses	(177)	9	(168)
<u>As of December 31, 2012</u>			
Capital reserve on the re-measurement of defined benefit plans, net	-	(9)	(9)
Accumulated losses	(158)	9	(149)

In the statements of comprehensive income

	As previously reported	The impact of IAS 19 (Revised) NIS millions	As presented in these financial statements
<u>For the three months ended March 31, 2012</u>			
Operating expenses	514	(1)	513
Net income	59	1	60
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	-	(1)	(1)
Total comprehensive income	54	-	54
<u>For the year ended December 31, 2012</u>			
Operating expenses	2,261	(2)	2,259
Taxes on income	17	1	18
Net income	78	1	79
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	-	(1)	(1)
Total comprehensive income	67	-	67

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - **SIGNIFICANT ACCOUNTING POLICIES** (Continued)In the statements of changes in equity

	As previously reported	The impact of IAS 19 (Revised) NIS millions	As presented in these financial statements
<u>As of January 1, 2012</u>			
Capital reserve on the re-measurement of defined benefit plans, net of the tax effect	-	(8)	(8)
Retained earnings	129	8	137

2. IFRS 13- Fair value measurement

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to the international standards. IFRS 13 defines fair value as the price that would be received on the sale of an asset or paid on the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value reflects the ability of a market participant to produce economic benefits by means of the highest and best use of an asset. In addition, IFRS 13 details the characteristics of market participants on which the assumptions have been based in the calculation of the fair value. Fair value measurement is to be based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The provisions of IFRS 13 are to be applied prospectively as from January 1, 2013 and they do not apply to comparative figures. See Note 6.

The initial implementation of IFRS 13 has not had an impact on the Company's financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Continued)**C. Reclassification**

The Company has reclassified certain items in the comparative periods which are presented in the interim financial statements, in order to adjust them to the classification presented in the current period.

The main reclassifications that have been made include:

- (a) A reclassification has been made in the statement of cash flows for the period of three months ended March 31, 2012 in respect of financial leasing in an amount of NIS 27 million from the purchase of fixed assets, which formed part of the net cash flows used for investment activities and from the increase in other long-term liabilities, which formed part of net cash provided by financing activities, to significant non-cash activities.
- (b) The elimination of the exaggeration in respect of income receivable in trade receivables opposite income in advance which is recorded under other payables as of March 31, 2012, in an amount of NIS 17 million.
- (c) A reclassification of the liabilities in respect of bonds from the item bonds to loans from financial institutions and bonds (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 1,378 million. Furthermore, a reclassification has been made in respect of current maturities of bonds to credit from financial institutions and current maturities of bonds (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 123 million. The aforesaid has also had a similar impact on the statements of cash flows for the said periods.
- (d) A reclassification (by way of the consolidation of items) of the item rights to broadcast movies and programs to other long-term receivables as of March 31, 2012 in an amount of NIS 86 million.
- (e) A reclassification of the balance of deferred taxes from non-current assets to non-current liabilities in an amount of NIS 13 million as of December 31, 2012.
- (f) A reclassification in respect of the purchase of fixed assets on supplier credit in the statement of cash flows for the period of three months ended March 31, 2012 in an amount of NIS 1 million from cash flows used in investment activities to cash flows produced by operating activities and in an amount of NIS 9 million from cash flows produced by operating activities to cash flows used in investment activities in the year ended December 31, 2012.

D. Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost of exiting from the contract and the present value of the net anticipated cost of fulfilling it .

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - CONTINGENT LIABILITIES**

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter - The Legal Claims).

In the opinion of the managements of the Companies in the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of NIS 55 million has been recorded in the financial statements as of March 31, 2013, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the managements of the Companies in the Group, the amount of the additional exposure, in an amount of approximately NIS 3.8 billion (over and above the provisions that have been recorded in these financial statements), as of March 31, 2013, as a result of lawsuits that have been filed against companies in the Group on various matters, is as follows:

- A. An amount of approximately NIS 2.1 billion in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.
- B. An amount of approximately NIS 0.4 billion (an amount of NIS 62 million in respect of claims that were filed after the balance sheet date) in respect of claims, of which it is not yet possible, at this stage, to make an assessment, the main ones being in connection applications for the approval of class actions that were presented close to the date of the financial statements.
- C. An amount of approximately NIS 1.3 billion in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50%.

The following is an abbreviated summary of the Group's contingent liabilities effective as of March 31, 2013, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of March 31, 2013	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	Provisions recorded in the financial statements as of March 31, 2013	Provisions recorded in the financial statements as of December 31, 2012	Updating of the expense (income), net in the reporting period
NIS millions					
Customers	3,375	334	10	10	-
Lawsuits after the balance sheet date in respect of customers	62	62	-	-	-
Copyrights	81	-	43	54	1
Suppliers	37	-	2	3	-
Employees	5	1	-	1	-
The merger transaction	234	-	-	-	-
Total	3,794	397	55	68	1

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4: - DEVELOPMNENTS IN THE FIELD OF LEGISLATION AND SUPERVISION**

The Group is subject to a broad range of legislation, which organizes and restricts its business operations, including its charge rates. Arrangements apply to the Company's charge rates under the force of the Communications Law. The Company's supervised service charges are set in regulations and are updated in accordance with a linkage formula. All of the Group's operating segments face competition. As a general rule, the Company's operations are subject to arrangements that are dictated by the authorities and are subject to supervision.

NOTE 5: - ADDITIONAL SIGNIFICANT EVENTS IN THE REPORTING PERIOD

- A. During the reporting period, the management of the subsidiary company HOT Mobile made a decision to vacate its office building in the Airport City, in respect of which there is a long-term rental contract with Airport City up to and including the year 2019. As a result of this decision, the company recognized an expense of NIS 27 million in the reporting period, which was recorded under other expenses, reflecting rental expenses, taxes and the amortization of leasehold improvements in the leased property, which are irrecoverable in the Company's assessment and which fall within the definition of a burdensome contract.
- B. The allocation of options to senior employees
- As a result of the delisting of the Company's shares from trading, and in accordance with the agreements that had been signed with the Company's employees and office holders, within the framework of the allocation agreements, it was determined that in the event that the Company's shares would be delisted from trading for any reason whatsoever, the offerees would be entitled to exercise all of the options that had vested within a period of 90 days from the time of the delisting, within that period, so long as they became shareholders immediately prior to the delisting from trading. On March 25, 2013 all of the options expired. The impact of the aforesaid was recorded in the annual financial statements as of December 31, 2012.

NOTE 6: - FINANCIAL INSTRUMENTS**A. Fair value**

The following are the carrying values in the accounting records and the fair values of financial instruments that are presented in the financial statements other than in accordance with their fair values as of March 31, 2013:

	<u>Carrying value</u>	<u>Fair value</u>
	<u>NIS millions</u>	
<u>Financial liabilities</u>		
Bonds bearing interest at a fixed rate of interest (including current maturities)	1,389	1,503
Liabilities to the government and other long-term liabilities at a fixed rate of interest (including current maturities)	200	210
Loan from related party	1,931	1,931
	<u>3,520</u>	<u>3,644</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - POST BALANCE SHEET DATE EVENTS

- A. See Note 3 for the amount of class actions filed after the balance sheet date
- B. See Note 5A for vacation of office building in the Airport City.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - OPERATING SEGMENTSA. General

As stated in the annual consolidated financial statements, the companies in the Group are engaged in three principal operating segments: Cellular, Telecom and Broadcasting.

B. Report on segmental activities

	For the period of three months ended March 31, 2013					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental income *)	Total consolidated
	Unaudited					
	NIS in millions					
Revenues from external sources	232	507	562	5	(241)	1,065
Segmental income (loss)	(119)	154	55	(2)	-	88
Other unattributed expenses						(4)
Operating income						84
Financing expenses, net						(61)
Income before taxes on income						23

*) The revenues are primarily attributed to the Telecom segment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - **OPERATING SEGMENTS** (Continued)

	For the period of three months ended March 31, 2012					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental income *)	Total consolidated
	Unaudited					
	NIS in millions					
Revenues from external sources	189	493	578	1	(234)	1,027
Segment income (loss)	(5)	114	40	(2)	-	147
Financing expenses, net						(65)
Income before taxes on income						82

	For the year ended December 31, 2012					
	Cellular	Telecom	Broadcasting	Other	Inter-segmental income *)	Total consolidated
	Audited					
	NIS in millions					
Total revenues	855	2,008	2,275	11	(957)	4,192
Segment income (loss)	(203)	491	107	(12)	(2)	381
Other unattributed income						18
Operating income						399
Financing expenses, net						(302)
Income before taxes on income						97

*) The revenues are primarily attributed to the Telecom segment.

COOL HOLDING LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2013

NIS IN MILLIONS

UNAUDITED

AUDITORS' REVIEW REPORT

to the shareholders of

COOL HOLDING LTD.

37, rue d'Anvers

L-1130 Luxembourg

Introduction

As detailed in an engagement letter signed on March 20, 2013 in Luxembourg, we were engaged to provide a review report on the financial statements of Cool Holding Ltd. We have reviewed the accompanying financial information of Cool Holding Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated balance sheet as of March 31, 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our conclusion, we draw attention to Notes 3 to the interim consolidated financial statements regarding claims filed against the subsidiary - HOT Telecommunication Systems Ltd, and its subsidiaries and which it is not possible to assess or to calculate their impact at this stage.

Tel-Aviv, Israel
May 14, 2013

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

	March 31,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	46	27	32
Restricted cash	15	270	69
Trade receivables	503	*) 380	549
Other receivables	70	68	63
Inventory	35	19	27
	669	764	740
NON-CURRENT ASSETS:			
Long-term trade receivables	74	96	82
Investment in available for sale financial asset	28	36	28
Loan to related party	184	-	184
Other long-term receivables	130	*) 114	115
Fixed assets	4,306	4,156	4,407
Intangible assets	1,647	1,887	1,706
Goodwill	2,560	3,164	2,560
Deferred taxes	57	72	*) 59
	8,986	9,525	9,141
	9,655	10,289	9,881

*) Reclassified- see Note 2c.

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

CONSOLIDATED BALANCE SHEETS

	March 31,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from financial institutions and current maturity of debentures	125	*) 664	125
Short term loan from related party	15	1,132	70
Trade payables	974	820	1,062
Other payables	528	*) 387	432
Provision for legal claims	64	178	77
	1,706	3,181	1,766
NON-CURRENT LIABILITIES:			
Loans from financial institutions and debentures	1,264	*) 3,233	1,326
Loans from related party	3,909	-	3,909
Other long-term liabilities	349	558	371
Advanced received for installation fees	53	44	52
Employee benefit liability, net	30	28	32
Deferred taxes	561	604	*) 564
	6,166	4,467	6,254
EQUITY ATTRIBUTED TO THE EQUITY HOLDERS OF THE COMPANY			
Share capital	6	6	6
Capital reserve on transaction with a controlling shareholder	1,681	452	1,681
Capital reserve on the re-measurement of defined benefit plans	(8)	**) (9)	**) (9)
Capital reserve from available for sale financial assets	6	-	6
Capital reserve from transaction with non-controlling interests	257	-	257
Retained earnings (accumulated losses)	(205)	**) 550	**) (126)
	1,737	999	1,815
NON-CONTROLLING INTERESTS			
	46	1,642	46
Total equity	1,783	2,641	1,861
	9,655	10,289	9,881

*) Reclassified- see Note 2c.

**) Restated- see Note 2b.

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

May 14, 2013		
Date of approval of the financial statements	Laurent Godineau Director	Jeremie Bonnin Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Year ended
	March 31		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Revenues	1,065	1,027	4,192
Depreciation and amortization	312	220	1,202
Operating expenses	566	*) 513	*) 2,259
Selling and marketing expenses	62	80	300
General and administrative expenses	39	40	173
Other expenses (income), net and network establishments costs	39	50	627
Operating income (loss)	47	124	(369)
Finance income	17	17	17
Finance expenses	(145)	(148)	(574)
Loss before taxes on income	(81)	(7)	(926)
Taxes on income (tax benefit)	(2)	15	*) (18)
Loss	(79)	(22)	(908)
Other comprehensive income (loss) (net of tax effect):			
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</u>			
Change in fair value of available for sale financial asset	-	-	6
<u>Items not to be reclassified to profit or loss in subsequent periods:</u>			
Actuarial gains (loss) on defined benefit plans	1	*) (1)	*) (1)
Other comprehensive income (loss)	1	(1)	5
Total comprehensive loss	(78)	(23)	(903)

*) Restated- see Note 2b.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
Net income (loss) attributable to:			
Equity holders of the Company	(79)	(34)	(710)
Non-controlling interests	-	12	(198)
	<u>(79)</u>	<u>(22)</u>	<u>(908)</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(78)	(35)	(707)
Non-controlling interests	-	12	(196)
	<u>(78)</u>	<u>(23)</u>	<u>(903)</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Capital reserve for transaction with controlling shareholder	Reserve from available-for-sale financial assets	Capital reserve from translation with non-controlling interests	Capital reserve on the re-measurement of defined benefit plans	Retained deficit	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance at January 1, 2013 (audited)	6	1,681	6	257	(9)	(126)	1,815	46	1,861
Loss	-	-	-	-	-	(79)	(79)	-	(79)
Other comprehensive income, net of tax	-	-	-	-	1	-	1	-	1
Total comprehensive income (loss)	-	-	-	-	1	(79)	(78)	-	(78)
Balance at March 31, 2013	6	1,681	6	257	(8)	(205)	1,737	46	1,783

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Capital reserve for transaction with controlling shareholder	Reserve for available-for-sale financial assets	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
	Unaudited							
	NIS in millions							
Three months ended March 31, 2012:								
Balance at January 1, 2012 (audited)	6	452	-	(8)	584	1,034	1,752	2,786
Net income (loss)	-	-	-	-	(34)	(34)	12	(22)
Other comprehensive loss, net of tax	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income (loss)	-	-	-	(1)	(34)	(35)	12	(23)
Share-based payment in a consolidated company	-	-	-	-	-	-	7	7
Equity benefit on transaction with controlling interest	-	*) -	-	-	-	-	-	*) -
Dividend to non-controlling interest	-	-	-	-	-	-	(129)	(129)
Balance at March 31, 2012	6	452	-	(9)	550	999	1,642	2,641

*) Represents an amount lower than NIS 1 million.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve for transaction with controlling shareholder	Reserve from available-for-sale financial assets	Capital reserve from translation with non-controlling interests	Capital reserve on the re-measurement of defined benefit plans	Retained earnings (deficit)			
	Audited								
	NIS in millions								
Balance at January 1, 2012	6	452	-	-	(8)	584	1,034	1,752	2,786
Loss	-	-	-	-	-	(710)	(710)	(198)	(908)
Other comprehensive income (loss), net of tax	-	-	4	-	(1)	-	3	2	5
Total comprehensive income (loss)	-	-	4	-	(1)	(710)	(707)	(196)	(903)
Share-based payment in a consolidated company	-	-	-	-	-	-	-	18	18
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(129)	(129)
Acquisition of non-controlling interests	-	-	2	257	-	-	259	(1,399)	(1,140)
Equity contribution on transaction with controlling shareholder	-	1,229	-	-	-	-	1,229	-	1,229
Balance at December 31, 2012	6	1,681	6	257	(9)	(126)	1,815	46	1,861

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended March 31		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from operating activities:</u>			
Loss	(79)	**) (22)	**) (908)
Adjustments required to reconcile loss to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Interest on behalf of loan received and/or granted to related party, net	94	-	6
Depreciation and amortization	336	264	1,202
Impairment of goodwill	-	-	604
Gain from fixed assets disposal	-	-	(1)
Deferred taxes, net	(1)	14	**) (10)
Impairment of available for sale financial assets	-	5	20
Linkage differences on behalf of other long term liabilities	1	4	31
Interest on loan from controlling shareholder	-	36	142
Change in employee benefit liabilities, net	(1)	**) 4	**) 7
Share based payment	-	7	18
	<u>429</u>	<u>334</u>	<u>2,019</u>
Changes in asset and liability items:			
Decrease (Increase) in trade receivables	46	*) (19)	(188)
Increase in other accounts receivable and other long-term receivables	(15)	*) (4)	(18)
Decrease (increase) in inventory	(8)	5	(3)
Decrease (increase) in long term trade receivables	8	(11)	3
Increase in cost of subscriber acquisition cost and fees paid to subcontractors	(26)	(15)	(104)
Increase (decrease) in trade payables	(51)	*) (21)	*) 151
Increase (decrease) in other accounts payables and other long term payables	(11)	*) 41	(64)
Decrease in provision for legal claims	(13)	(9)	(110)
Increase in advances received for installation fees and deposits for converters, net	1	2	10
	<u>(69)</u>	<u>(31)</u>	<u>(323)</u>
Net cash provided by operating activities	<u>281</u>	<u>281</u>	<u>788</u>

*) Reclassified- see Note 2c.

**) Restated- see Note 2b.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from investing activities:</u>			
Purchase of fixed and intangible assets	(183)	*) (305)	*) (1,131)
Repayment (investment) of restricted cash	54	(67)	134
Proceeds from sale of fixed assets	-	-	2
Loan granted to related party	-	-	(184)
Net cash used in investing activities	(129)	(372)	(1,179)
<u>Cash flows from financing activities:</u>			
Repayment of long-term loans from financial institutions and debentures	(63)	(16)	(2,676)
Drawing of long-term loans from banks and finance entities	-	500	1,050
Receipt (repayment) of short term loan from related party	(55)	(237)	70
Short-term bank credit, net	-	-	(595)
Repayment of liability to the government and others	(20)	(17)	(74)
Receiving loans from related party	-	-	3,909
Repayment of loan from controlling shareholder	-	-	(9)
Transaction with non-controlling interests	-	-	(1,140)
Dividend paid to non-controlling interests	-	(129)	(129)
Net cash provided by (used in) financing activities	(138)	101	406
Increase in cash and cash equivalents	14	10	15
Cash and cash equivalents at beginning of period	32	17	17
Cash and cash equivalents at end of period	46	27	32

*) Reclassified- see Note 2c.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
(a) <u>Material non-cash activities</u>			
Acquisition of fixed assets on supplier credit	279	*) 246	*) 316
Acquisition of fixed assets under finance leasing	4	27	51
(b) <u>Cash paid during the period for:</u>			
Interest paid	39	16	231
(c) <u>Cash received during the period for:</u>			
Interest received	5	4	14
Taxes received	-	-	13

*) Reclassified- see Note 2c.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. These financial statements have been prepared in a condensed format as of March 31, 2013 and for the three months period then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2012 and for the year then ended and the accompanying notes ("annual consolidated financial statements").
- b. The Group's working capital deficit:

As of the balance sheet date, the Group has a working capital deficit of NIS 1,037 million (as of December 31, 2012 - NIS 1,026 million).

In the assessment of HOT's Board of Directors, after having received satisfactory explanations from HOT's management, the working capital deficit does not indicate that HOT has a liquidity problem and that HOT have sufficient sources of financing in order to clear the deficit on its working capital and to continue its operations, inter alia, by means of the forecast cash flows from operating activities and from the unexploited credit facilities.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. The format for the preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting".

- b. New standards, interpretations and amendments that have been implemented by the Company for the first time

The main accounting policies that have been implemented in the preparation of the interim consolidated financial statements are consistent with those that were implemented in the preparation of the Consolidated Annual Financial Statements, except as detailed below:

1. IAS 19 (Revised) - Employee Benefits

In June 2011, the IASB published IAS 19 (Revised), which is required to be implemented as from January 1, 2013. The principal amendments that are relevant to the Company are as follows:

- Actuarial gains and losses are to be recognized under other comprehensive income and are not to be reflected in profit or loss.
- The yield on the plan assets is to be recognized in profit or loss based on the discount rate used to measure the defined benefit obligation, without connection to the actual results of the investments portfolio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- The distinction between short-term employee benefits and long-term employee benefits is to be based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.

As from January 1, 2013, the Company has changed its accounting policy and has implemented IAS 19 (Revised) for the first time retrospectively.

The following is the impact of the changes in the accounting policy as the result of the initial implementation of IAS 19 (Revised) on the Company's financial statements:

In the statements of financial position

	As previously reported	The impact of IAS 19 (Revised)	As presented in these financial statements
		NIS millions	
<u>As of March 31, 2012</u>			
Capital reserve on the re-measurement of defined benefit plans, net	-	(9)	(9)
Retained earnings	541	9	550
<u>As of December 31, 2012</u>			
Capital reserve on the re-measurement of defined benefit plans, net	-	(9)	(9)
Accumulated losses	(135)	9	(126)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In the statements of comprehensive income

	<u>As previously reported</u>	<u>The impact of IAS 19 (Revised) NIS millions</u>	<u>As presented in these financial statements</u>
<u>For the three months ended March 31, 2012</u>			
Operating expenses	514	(1)	513
Net loss	(23)	1	(22)
Capital reserve on the re- measurement of defined benefit plans, net of the tax effect	-	(1)	(1)
Total comprehensive loss	<u>(23)</u>	<u>-</u>	<u>(23)</u>
<u>For the year ended December 31, 2012</u>			
Operating expenses	2,261	(2)	2,259
Taxes on income (tax benefit)	(19)	1	(18)
Net loss	(909)	1	(908)
Capital reserve on the re- measurement of defined benefit plans, net of the tax effect	6	(1)	5
Total comprehensive loss	<u>(903)</u>	<u>-</u>	<u>(903)</u>

In the statements of changes in equity

	<u>As previously reported</u>	<u>The impact of IAS 19 (Revised) NIS millions</u>	<u>As presented in these financial statements</u>
<u>As of January 1, 2012</u>			
Capital reserve on the re- measurement of defined benefit plans, net of the tax effect	-	(8)	(8)
Retained earnings	<u>576</u>	<u>8</u>	<u>584</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. IFRS 13- Fair value measurement

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to the international standards. IFRS 13 defines fair value as the price that would be received on the sale of an asset or paid on the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value reflects the ability of a market participant to produce economic benefits by means of the highest and best use of an asset. In addition, IFRS 13 details the characteristics of market participants on which the assumptions have been based in the calculation of the fair value. Fair value measurement is to be based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The provisions of IFRS 13 are to be applied prospectively as from January 1, 2013 and they do not apply to comparative figures. See Note 6.

The initial implementation of IFRS 13 has not had an impact on the HOT's financial statements.

c. Reclassification:

HOT, and as a result- the Company, have reclassified certain items in the comparative periods that are presented in the interim financial statements, in order to adjust them to the classification presented in the current period.

The main reclassifications that have been made include:

- (1) A reclassification has been made in the statement of cash flows for the period of three months ended March 31, 2012 in respect of financial leasing in an amount of NIS 27 million from the purchase of fixed assets, which formed part of the net cash flows used for investment activities and from the increase in other long-term liabilities, which formed part of net cash provided by financing activities, to significant non-cash activities.
- (2) The elimination of the exaggeration in respect of income receivable in trade receivables opposite income in advance which is recorded under other payables as of March 31, 2012, in an amount of NIS 17 million.
- (3) A reclassification of the liabilities in respect of debentures from the item debentures to loans from financial institutions and debentures (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 1,378 million. Furthermore, a reclassification has been made in respect of current maturities of debentures to credit from financial institutions and current maturities of debentures (by way of the consolidation of the items) as of March 31, 2012, in an amount of NIS 123 million. The aforesaid has also had a similar impact on the statements of cash flows for the said periods.
- (4) A reclassification (by way of the consolidation of items) of the item rights to broadcast movies and programs to other long-term receivables as of March 31, 2012 in an amount of NIS 86 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- (5) A reclassification of the balance of deferred taxes from non-current assets to non-current liabilities in an amount of NIS 13 million as of December 31, 2012.
- (6) A reclassification in respect of the purchase of fixed assets on supplier credit in the statement of cash flows for the period of three months ended March 31, 2012 in an amount of NIS 1 million from cash flows used in investment activities to cash flows produced by operating activities and in an amount of NIS 9 million from cash flows produced by operating activities to cash flows used in investment activities in the year ended December 31, 2012.

d. Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost of exiting from the contract and the present value of the net anticipated cost of fulfilling it.

NOTE 3:- CONTINGENT LIABILITIES AND COMMITMENTS

During the routine course of business, lawsuits have been filed against the companies in HOT's Group and various legal proceedings are outstanding against it (hereinafter - The Legal Claims).

In the opinion of the managements of the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of NIS 64 million has been recorded in the financial statements as of March 31, 2013, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the managements of HOT's Group, the amount of the additional exposure, in an amount of approximately NIS 3.8 billion (over and above the provisions that have been recorded in these financial statements), as of March 31, 2013, as a result of lawsuits that have been filed against companies in the Group on various matters, is as follows:

- a. An amount of approximately NIS 2.1 billion in respect of claims, in respect of which in the assessment of the HOT's Group management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.
- b. An amount of approximately NIS 0.4 billion (an amount of NIS 62 million in respect of claims that were filed after the balance sheet date) in respect of claims, in respect of which it is not yet possible, at this stage, to make an assessment, the main ones being in connection applications for the approval of class actions that were presented close to the date of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

- c. An amount of approximately NIS 1.3 billion in respect of claims which, in the assessment of the HOT's Group management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50%.

The following is an abbreviated summary of the Group's contingent liabilities effective as of March 31, 2013, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of March 31, 2013	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	NIS millions		
			Provisions recorded in the financial statements as of March 31, 2013	Provisions recorded in the financial statements as of December 31, 2012	Updating of the expense (income), net in the reporting period
Customers	3,375	334	19	19	-
Lawsuits after the balance sheet date in respect of customers	62	62	-	-	-
Copyrights	81	-	43	54	1
Suppliers	37	-	2	3	-
Employees	5	1	-	1	-
The merger transaction	234	-	-	-	-
Total	3,794	397	64	77	1

NOTE 4:- DEVELOPMNENTS IN THE FIELD OF LEGISLATION AND SUPERVISION

HOT's Group is subject to a broad range of legislation, which organizes and restricts its business operations, including its charge rates. Arrangements apply to the Group's charge rates under the force of the Communications Law. The Group's supervised service charges are set in regulations and are updated in accordance with a linkage formula. All of the Group's operating segments face competition. As a general rule, the Group's operations are subject to arrangements that are dictated by the authorities and are subject to supervision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- ADDITIONAL SIGNIFICANT EVENTS IN THE REPORTING PERIOD

During the reporting period, the management of a subsidiary company of HOT- HOT Mobile decided to vacate its office building in the Airport City, in respect of which there is a long-term rental contract with Airport City up to and including the year 2019. As a result of this decision, HOT Mobile recognized an expense of NIS 27 million in the reporting period, which was recorded under other expenses, reflecting rental expenses, taxes and the amortization of leasehold improvements in the leased property, which are irrecoverable in the HOT's Mobile assessment and which fall within the definition of a burdensome contract.

NOTE 6:- FINANCIAL INSTRUMENTS

a. Fair value

The following are the carrying values in the accounting records and the fair values of financial instruments that are presented in the financial statements other than in accordance with their fair values as of March 31, 2013:

	Carrying value	Fair value
	NIS millions	
Financial liabilities		
Debentures bearing interest at a fixed rate of interest (including current maturities)	1,389	1,503
Liabilities to the government and other long-term liabilities at a fixed rate of interest (including current maturities)	202	222
Loan from related party	3,985	3,985
	<u>5,576</u>	<u>5,710</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- OPERATING SEGMENTS

As mentioned in the company's consolidated annual financial statements, the company operates in three main business segments: Cellular, Telecom and Broadcasting..

	Three months ended March 31, 2013 (unaudited)					
	Cellular	Telecom	Broadcasting	Others	Inter segmental income *)	Total consolidated
	NIS in millions					
External revenues	232	507	562	5	(241)	1,065
Segment Income (loss)	(119)	110	63	(2)	-	52
Unattributed other loss, net						(4)
Operating loss						47
Financial Expenses, Net						(128)
Loss before taxes						(81)

*) Revenues attributable to the Telecom segment.

	Three months ended March 31, 2012 (unaudited)					
	Cellular	The in-country fixed line communications	Cable television	Others	Inter segment revenues *)	Total consolidated
	NIS in millions					
External revenues	189	493	578	1	(234)	1,027
Segment Income (loss)	(5)	80	51	(2)	-	124
Unattributed other income, net						-
Operating income						124
Financial Expenses, Net						(131)
Loss before taxes						(7)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- OPERATING SEGMENTS (Cont.)

	Year Ended December 31, 2012					
	Cellular	Telecom	Broadcasting	Others	Inter segmental income *)	Total consolidated
	NIS in millions					
External revenues	855	2,008	2,275	11	(957)	4,192
Segment Income (loss)	(203)	(268)	143	(12)	(2)	(342)
Unattributed other loss, net						(27)
Operating loss						(369)
Financial Expenses, Net						(557)
Loss before taxes						(926)

*) Revenues attributable to the Telecom segment.

NOTE 8:- POST BALANCE SHEET DATE EVENTS

- a. See Note 3 for the amount of class actions filed after the balance sheet date
- b. See Note 5 for vacation of office building in the Airport City.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9:- CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO")

a. Consolidated Balance Sheet:

	March 31,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
CURRENT ASSETS			
Cash and cash equivalents	-	13	-
Restricted cash	-	270	-
Other receivables	7	-	1
	7	283	1
NON-CURRENT ASSETS			
Investment in investee	2,206	2,206	2,206
Loan to related party	184	-	184
	2,390	2,206	2,390
	2,397	2,489	2,391
CURRENT LIABILITIES			
Credit from banks and others	-	191	-
Trade payables	1	2	-
Loan from controlling shareholder	-	1,132	-
Other accounts payable	43	25	4
	44	1,350	4
NON-CURRENT LIABILITIES			
Loans from banks and others	-	810	-
Loan from related party	1,053	-	1,053
	1,053	810	1,053
	1,097	2,160	1,057
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	6	6	6
Reserve for transaction with controlling shareholder	1,681	452	1,681
Retained loss	(387)	(129)	(353)
Total equity	1,300	329	1,334
	2,397	2,489	2,391

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9:- CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Cont.)

b. Statements of comprehensive income:

	Three months ended March 31,		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in millions		
General and administrative expenses	(1)	-	(2)
Operating loss	(1)	-	(2)
Other income *)	-	236	181
Finance income	7	1	2
Finance expenses	(40)	(60)	(228)
Net income (loss)	(34)	177	(47)
Other comprehensive income (loss) (net of tax effect):	-	-	-
Total comprehensive income (loss)	(34)	177	(47)

*) See note 7d.

c. statements of changes in equity:

	Attributable to equity holders of the Company			
	Capital reserve for transaction with controlling shareholder			
	Share capital	Retained earnings (loss)		Total
	NIS in millions			
Balance at January 1, 2013	6	1,681	(353)	1,334
Loss	-	-	(34)	(34)
Total comprehensive loss	-	-	(34)	(34)
Balance at March 31, 2013 (unaudited)	6	1,681	(387)	1,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9:- CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Cont.)

	Attributable to equity holders of the Company			
	Capital reserve for transaction with controlling shareholder			Total
	Share capital	Retained earnings (loss)		
	Unaudited			
	NIS in million			
Balance at January 1, 2012 (audited)	6	452	(306)	152
Net income	-	-	177	177
Other comprehensive loss, net of tax	-	-	-	-
Total comprehensive loss	-	-	177	177
Equity benefit on transaction with controlling shareholder	-	*) -	-	*) -
Balance at March 31, 2012 (unaudited)	6	452	(129)	329

*) Represents an amount lower than NIS 1 million.

	Attributable to equity holders of the Company			
	Capital reserve for transaction with controlling shareholder			Total
	Share capital	Retained earnings (loss)		
	NIS in millions			
Balance at January 1, 2012	6	452	(306)	152
Net loss	-	-	(47)	(47)
Total comprehensive loss	-	-	(47)	(47)
Equity benefit on transaction with controlling shareholder	-	1,229	-	1,229
Balance at December 31, 2012	6	1,681	(353)	1,334

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9:- CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Cont.)

d. Consolidated statements of cash flows:

	Three months ended March 31,		Year ended December 31,
	2013	2012	2012
	Unaudited		Audited
<u>Cash flows from operating activities:</u>			
Net income (loss)	(34)	177	(47)
Adjustments required in order to present cash flows from operating activities:			
Adjustments to the profit or loss items:			
Interest on behalf of loan received and/or granted to related party, net	31	-	2
Linkage differences on behalf of other long term liabilities	-	2	-
Interest on loan from controlling shareholder	-	36	142
Other income	-	(236)	(236)
	(3)	(21)	(139)
<u>Changes in asset and liability items:</u>			
Increase (decrease) in other receivables	1	-	(1)
Increase in trade payables	1	-	(2)
Increase in other accounts payable	1	16	(7)
	3	16	(10)
<u>Cash received during the period for:</u>			
Dividend received	-	236	236
Net cash provided by operating activities	-	231	87
<u>Cash flows from investing activities:</u>			
Investment in restricted cash	-	(67)	203
Loan granted to related party	-	-	(184)
Net cash used in investing activities	-	(67)	19

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9:- CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY ("SOLO") (Cont.)

- d. Consolidated statements of cash flows:

	Three months ended		Year ended
	March 31,		December 31,
	2013	2012	2012
	Unaudited		Audited
<u>Cash flows from financing activities:</u>			
Short-term bank credit, net from bank commission	-	(152)	(301)
Repayment of long-term loans from financial institutions	-	-	(850)
Repayment of loan from controlling shareholder	-	-	(9)
Receipt of loan from related party			1,053
Net cash used in financing activities	-	(152)	(107)
Increase (decrease) in cash and cash equivalents	-	12	(1)
Cash and cash equivalents at the beginning of the period	-	1	1
Cash and cash equivalents at the end of the period	-	13	-

The accounting policies applied in the above condensed data are identical to those applied in the consolidated financial statements as detailed in note 2, except:

- The accounting treatment of investments in shares of investees pursuant to IAS 27:

When presenting the data from the separate financial statements of the parent company ("solo"), investment in shares of subsidiary is accounted for at cost or at fair value in accordance with IAS 39 and not at equity. The Company has elected to account for said investment at cost and, accordingly, the investment in shares of HOT is presented at cost.

On February 19, 2012 HOT distributed a dividend of NIS 365 million. As a result of this distribution, the company received NIS 236 million as a cash dividend which has been classified as other income in the solo financial statement of the company.

CERTAIN DEFINITIONS

Definitions of certain terms used in this quarterly report and certain financial and operating data can be found below.

“Acquisition Note” refers to SPV1’s NIS 955.5 million aggregate principal amount of notes due 2019 issued to the Senior Secured Notes Issuer on December 27, 2012.

“Communications Law” refers to the Israeli Communications Law (Telecommunication and Broadcasting), 5742 - 1982 .

“Cool Holding” refers to Cool Holding Ltd., (a) a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg and registered with the Luxembourg Trade and Companies’ Register under number B152495 and having its registered office at 37, rue d’Anvers, L-1130 Luxembourg and (b) a private limited liability company incorporated in Israel with Israeli registration number 51-426602-2 and having its registered office at 16 Abba Hillel Rd., Ramat-Gan 52506, Israel.

“Cool Proceeds Note” refers to Cool Holding’s NIS 1,052.8 million aggregate principal amount of notes due 2019 issued to the Senior Secured Notes Issuer on December 27, 2012.

“Existing HOT Unsecured Notes” refers to the NIS 825 million notes (Series A) and the NIS 675 million notes (Series B) of HOT, offered to Israeli investors pursuant to an Israeli shelf offering report dated March 29, 2011 under an Israeli shelf prospectus dated February 28, 2011, as amended on March 29, 2011, and as amended from time to time.

“Group” refers to the Senior Notes Issuer, Cool Holding and their respective subsidiaries (including HOT and its subsidiaries).

“HOT” refers to HOT-Telecommunication Systems Ltd.

“HOT Mobile” refers to HOT Mobile Ltd., formerly known as MIRS Communications Ltd. HOT Mobile and its subsidiary do not guarantee the Notes, the HOT Refinancing Notes or any loan made under the Revolving Credit Facility Agreement.

“HOT Proceeds RCF Note” refers to HOT’s NIS 320 million aggregate principal amount of notes issued to the Senior Secured Notes Issuer on December 27, 2012 subject to the terms of the revolving loan agreement dated December 27, 2012 among, inter alia, the Senior Secured Notes Issuer, HOT and Citibank, N.A., London Branch as Security Agent.

“HOT Proceeds Term Note” refers to HOT’s NIS 1,900 million aggregate principal amount of notes issued to the Senior Secured Notes Issuer on December 27, 2012.

“HOT Refinancing Notes” refers to, collectively, the HOT Proceeds RCF Note and the HOT Proceeds Term Note.

“HOT Telecom” refers to HOT Telecom Limited Partnership.

“Issuers” refers to the Senior Notes Issuer and the Senior Secured Notes Issuer.

“Luxembourg” refers to the Grand Duchy of Luxembourg.

“Notes” refers to, collectively, the (i) \$460 million 7 7/8% senior secured notes due 2019 issued by the Senior Secured Notes Issuer, (ii) €210 million 8% senior secured notes due 2019 issued by the Senior Secured Notes Issuer, and (iii) \$425 million 9 7/8% senior notes due 2020 issued by the Senior Notes Issuer.

“Pledged Proceeds Notes” refers to, collectively, the Cool Proceeds Note, the HOT Refinancing Note and the Acquisition Notes, each as defined herein.

“Revolving Credit Facility” refers to the facility made available under the revolving credit facility agreement entered into on November 27, 2012 between, among others, the Senior Secured Notes Issuer as borrower and certain other guarantors party thereto, certain lenders party thereto, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, HSBC Bank plc, ING Bank N.V., J.P. Morgan Limited and Morgan Stanley Bank International Limited as Mandated Lead Arrangers, Citibank International plc as Facility Agent and Citibank, N.A., London Branch as Security Agent, as amended.

“Senior Notes Issuer” refers to Altice Finco S.A. (*société anonyme*), incorporated under the laws of Luxembourg, with registered address 37, rue d’Anvers, L-1130 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B171151.

“Senior Notes Proceeds Loan” refers to the proceeds loan agreement dated December 27, 2012 between the Senior Notes Issuer and the Senior Secured Notes Issuer pursuant to which the proceeds of the Senior Notes were on-lent by the Senior Notes Issuer to the Senior Secured Notes Issuer.

“Senior Secured Notes Issuer” refers to Altice Financing S.A. (*société anonyme*), incorporated under the laws of Luxembourg, with registered address 37, rue d’Anvers, L-1130 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B171162.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF HOT

The following discussion and analysis is intended to assist in providing an understanding of HOT-Telecommunication Systems Ltd.'s financial condition, changes in financial condition and results of operations and should be read together with HOT's financial statements for the three months ended March 31, 2013, including the accompanying notes, included elsewhere in this quarterly report, and the financial statements and other information included in HOT Telecommunication Systems Ltd.'s 2012 annual report. Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties. Certain capitalized terms used below have been defined in the notes to HOT's financial statements included herein. In this section only, references to 'we', 'us', 'our', 'HOT' and the 'Company' may refer to HOT-Telecommunication Systems Ltd. or, collectively, HOT-Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

Forward Looking Statements

Certain statements in this quarterly report contain "forward looking statements" as that term is defined by the U.S. federal securities laws. To the extent that statements in this quarterly report 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. Forward looking statements in this quarterly report may include statements regarding business, product and finance strategies, our capital expenditures, subscriber growth and retention rates, competitive and economic factors and liquidity. 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. In addition to the risk factors described in our 2012 annual report, the following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash flow to service our debt and to control and finance our capital expenditures and operations;
- restrictions and limitations contained in the agreements governing our debt;
- our ability to raise additional financing or refinance or existing indebtedness;
- fluctuations in currency exchange rates, inflation and interest rates;
- risks associated with our structure, this offering, and our other indebtedness;
- the competitive environment and downward price pressure in the broadband communications, television sector, fixed line telephony and cellular telephony in Israel in which we and the entities in which we have interests operate;
- risks related to royalties payments and our licenses;
- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;
- changes in consumer television viewing preferences and habits and our ability to maintain and increase the number of subscriptions to our digital television, telephony and broadband Internet services and the average revenue per household;
- capital spending for the acquisition and/or development of telecommunications networks and services and equipment and competitor responses to our products and services, and the products and services of the entities in which we have interests;
- consumer acceptance of existing service offerings, including our analog and digital video, fixed-line and cellular telephony and broadband Internet services and or multiple-play packages and consumer acceptance of new technology, programming alternatives and broadband services that we may offer;

- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to maintain favorable roaming arrangements for our cellular services;
- the availability of attractive programming for our analog and digital video services or necessary equipment at reasonable costs;
- technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- the ability of third party suppliers and vendors to timely deliver qualitative products, network infrastructure, equipment, software and services;
- our ability to protect our intellectual property rights and avoid any infringement of any third party's intellectual property rights;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we may acquire;
- any disruptions in the credit and equity markets which could affect our credit instruments and cash investments;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in laws or treaties relating to taxation in Israel and/or Luxembourg, or the interpretation thereof;
- our ability to maintain subscriber data and comply with data privacy laws;
- our ability to manage our brand;
- changes in, or failure or inability to comply with, government regulations in Israel and adverse outcomes from regulatory proceedings;
- the application of law generally and government intervention that opens our fixed-line and cellular networks to competitors, which may have the effect of increasing competition and reducing our ability to reach the expected returns on investment;
- our ability to obtain building and environmental permits for the building and upgrading of our cellular network, and to comply generally with city planning laws;
- our inability to completely control the prices we charge to customers or the programming we provide;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- our ultimate parent's interest may conflict with our interests;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events; and
- other factors discussed in this quarterly report.

The cable television, broadband Internet infrastructure access, fixed-line telephony, Internet service provider ("ISP") services and cellular services industries are changing rapidly and, therefore, the forward looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward looking statements and such risks, uncertainties and other factors speak only as of the date of this quarterly report, and we

expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward looking statement.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of this quarterly report.

Overview

We are the sole cable operator in Israel and one of two operators that own a national fixed-line network infrastructure, with our cable network passing most homes in Israel. We are the leading provider of pay television services and the second leading provider of broadband Internet infrastructure access and fixed-line telephony services in terms of number of subscribers in Israel. We are currently the only provider of bundled triple-play services in Israel, which include pay television, broadband Internet infrastructure access and fixed-line telephony services. We are also a growing provider of cellular services in Israel, having launched in May 2012 our Universal Mobile Telecommunication System ("UMTS") based third generation ("3G") cellular services in addition to our existing Integrated Digital Enhanced ("iDEN") cellular services. As of March 31, 2013, we had approximately 1.2 million Cable Customer Relationships, which accounted for approximately 2.4 million revenue generating units ("RGUs"), and 758,000 cellular RGUs.

We believe that our cable network is among the most technologically advanced in the Middle East region. Our fully owned cable network includes extensive fiber and is therefore generally accepted as faster, with greater data capacity and able to offer better quality than copper based digital subscriber line ("DSL") networks. Our entire cable network is U.S. Docsis 3.0-enabled allowing us to offer subscribers maximum download speeds of up to 100 Mbps, which we believe is higher than those achieved at similar pricing by our largest DSL competitor on a large scale. This enables our customers to connect several devices (such as computers, tablets and smartphones (via Wi-Fi connection)) to the Internet at the same time and receive interactive services like video-on-demand ("VOD") and personal video recording ("PVR"), as well as high-definition television ("HDTV"). We own an extensive iDEN cellular network with nationwide coverage and we are building an expanding UMTS network, offering, what we believe to be, the most advanced 3G services available in Israel covering approximately 46% of the inhabited territory of Israel and approximately 60% of the Israeli population, both as of March 31, 2013. We have entered into a national roaming agreement with a cellular provider with UMTS coverage in the areas of Israel that are currently outside of our UMTS network coverage area.

We provide the following products and services to our customers:

- *Multiple-play.* As of March 31, 2013, approximately 36% of all Cable Customer Relationships, subscribed to our triple-play services, consisting of the television, high-speed broadband Internet infrastructure access and fixed telephony services described below, while approximately 34% of all Cable Customer Relationships, subscribed to our triple-play services as of December 31, 2012.
- *Pay television.* Our television offering includes over 150 digital television channels, including up to 21 HDTV channels, and several premium digital services and personal video recording (PVR) functionality. We offer customers in our network area the opportunity to subscribe to packages of channels focusing on sports, popular series, documentaries, and content for children, content in Arabic and in Russian to address demand from the culturally diverse population of Israel, content for adults and other content. As of March 31, 2013, we provided VOD services to approximately 57% of our pay television RGUs. As of March 31, 2013, we had approximately 898,000 pay television RGUs (comprising 883,000 digital television RGUs and 15,000 analog television RGUs), compared to approximately 896,000 pay television RGUs (comprising 878,000 digital television RGUs and 18,000 analog television RGUs) as of December 31, 2012. Our pay television, including digital and analog, ARPU was NIS 209 for the three months ended March 31, 2013.
- *Telecom.* Our current telecom portfolio consists of high-speed broadband Internet infrastructure access with download speeds of up to 100 Mbps and fixed-line telephony services. As of March 31, 2013, we had approximately 774,000 broadband Internet infrastructure access RGUs compared to approximately 771,000 broadband Internet infrastructure access RGUs as of December 31, 2012. Our broadband Internet infrastructure access ARPU was approximately NIS 66 for the three months ended March 31, 2013. As of March 31, 2013, we had approximately

684,000 fixed-line telephony RGUs compared to approximately 676,000 as of December 31, 2012. Our fixed-line telephony services ARPU was approximately NIS 49 for the three months ended March 31, 2013.

- *Cellular.* Our cellular services are provided through HOT Mobile, which we acquired on November 28, 2011, and provide customers with various packages which may include unlimited national calls, texts and/or Internet usage. As of March 31, 2013, our iDEN business had approximately 276,000 cellular RGUs and our UMTS business had approximately 482,000 cellular RGUs.
- *Other.* Our current ISP services, which we launched in the first half of 2012, are provided under the “HOTnet” brand.

We added a total of approximately 13,000 total cable RGUs, net, during the three months ended March 31, 2013. The RGU growth during the three months ended March 31, 2013 is primarily attributable to growth in our triple-play bundle subscriptions resulting in the growth in our fixed-line telephony services, which added approximately 8,000 RGUs, net.

Key Operating Measures

We use several key operating measures, including number of homes connected, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies. As ARPU varies considerably for our different services, RGU growth is not necessarily indicative of the overall development of our business and results of operations.

	As of and for the year ended December 31, 2012	As of and for the three months ended March 31, 2013
	in thousands except percentages and as otherwise indicated	
HOT Summary Statistical and Operating Data		
Total Israeli Homes	2,243	2,252
Customer Relationships		
Cable Customer Relationships ⁽¹⁾	1,198	1,188
Cable Revenue Generating Units (RGUs)⁽²⁾		
Digital Television RGUs	878	883
Analog Television RGUs	18	15
Total Television RGUs	896	898
Broadband Internet Infrastructure Access RGUs	771	774
Fixed-Line Telephony RGUs	676	684
Total Cable RGUs	2,343	2,356
RGUs per Cable Customer Relationship (in units)	1.96x	1.98x
Cellular Revenue Generating Units (RGUs)⁽³⁾		
UMTS RGUs	441	482
iDEN RGUs	325	276
Total Cellular RGUs ⁽³⁾	766	758
Cable Services Penetration		
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%
Cable Customer Bundling⁽⁴⁾		
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	34%	36%
Churn⁽⁵⁾		
Churn in Pay Television RGUs	15.3%	13.6%
ARPU⁽⁶⁾		
Cable-based services ARPU (in NIS)	220	223
Pay television ARPU (in NIS)	212	209
Broadband Internet infrastructure access ARPU (in NIS)	62	66

Fixed-line telephony ARPU (in NIS).....	52	49
Market Share		
Cellular Market Share ⁽⁷⁾	8%	8%

* Not reported on a quarterly basis

- (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 RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs 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).

Subscribers and RGUs

Cable based services

Cable Customer Relationships represent 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 and fixed-line telephony). RGUs (revenue generating units) relate to sources of revenue, which may not always be the same as Cable Customer Relationship numbers. For example, one person may subscribe for two different services, thereby accounting for only one Cable Customer Relationship, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per service basis. RGUs for fixed-line telephony services are counted on a per line basis.

As of March 31, 2013, we had approximately 1.2 million Cable Customer Relationships, which represented a decrease of approximately 10,000 Cable Customer Relationships compared to December 31, 2012. The decrease in our Cable Customer Relationships was primarily due to increased competition for our product offerings and our focus on multi-play products, such as triple-play, and partially offset by an increase in Israeli homes passed. The number of Cable Customer Relationships as a percentage of total Israeli homes was 53% as of December 31, 2012 and as of March 31, 2013.

We have experienced an increase in the proportion of Cable Customer Relationships subscribing for our triple-play service as a result of our attractive bundling strategy, with the number of triple-play subscribers as a percentage of our Cable Customer Relationships increasing from 34% as of December 31, 2012 to 36% as of March 31, 2013. As a result, we experienced an increase in the number of RGUs per Cable Customer Relationship, with the average number of RGUs per Cable Customer Relationship increasing from 1.96 services as of December 31, 2012 to 1.98 services as of March 31, 2013.

As of March 31, 2013, we had approximately 898,000 pay television RGUs, compared to approximately 896,000 pay television RGUs as of December 31, 2012. The increase in pay television RGUs for the three months ended March 31, 2013 was primarily due to an increase in digital television RGUs by approximately 6,000 RGUs (net) as a result of our efforts to increase the attractiveness of our television channel offering, including an overall increase in HD content, VOD and PVR services and our continued marketing of our triple-play bundles as well as due to the conversion of certain subscribers from analog to digital television. As of March 31, 2013, we had approximately 15,000 analog television RGUs compared to 18,000 analog television RGUs as of December 31, 2012. We are in the process of phasing out our analog services, which we plan to complete during 2013.

As of March 31, 2013, we had approximately 774,000 broadband Internet infrastructure access RGUs, compared to approximately 771,000 broadband Internet infrastructure access RGUs as of December 31, 2012. The increase in broadband Internet infrastructure access RGUs was primarily due to the growth in the number of subscriptions to broadband Internet infrastructure access overall in Israel and our ability to offer our subscribers higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL and mobile broadband networks, which has allowed us to expand our market share in Israel. The increase was also impacted by our ability to offer, and the increase in take-up of our triple-play bundles, mainly the triple-play bundle offering a download speed of 100 Mbps, which we started to offer in March 2013.

As of March 31, 2013, we had approximately 684,000 fixed-line telephony RGUs, compared to approximately 676,000 fixed-line telephony RGUs as of December 31, 2012. The increase in fixed-line telephony RGUs was primarily due to the increase in take-up of our multiple-play service bundles, in particular fixed-line telephony bundled with broadband Internet infrastructure access (double-play) and fixed-line telephony bundled with broadband Internet infrastructure access and pay television (triple-play).

Cellular Services

Cellular RGUs is equal to the net number of lines or SIM cards that have been activated on our cellular network. As of March 31, 2013, we had approximately 758,000 cellular RGUs compared to 766,000 cellular RGUs as of December 31, 2012. As of March 31, 2013, our cellular RGUs comprised 482,000 RGUs for our UMTS service and 276,000 RGUs for our iDEN service. The decrease in cellular RGUs was primarily due to subscribers disconnecting from our existing iDEN cellular network and was partially offset by the growth of our UMTS based 3G service which we launched in May 2012.

ARPU

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) for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two.

Cable-based services ARPU increased by NIS 6, or 2.8%, from NIS 217 in the three months ended March 31, 2012 to NIS 223 in the three month ended March 31, 2013. The increase in the cable-based services ARPU is explained by higher number of RGUs per Cable Customer Relationship.

Pay television ARPU decreased by NIS 7, or 3.2%, from NIS 216 in the three months ended March 31, 2012 to NIS 209 in the three months ended March 31, 2013. The decrease was primarily the result of an increase in triple-play subscribers and subscribers taking higher capacity broadband Internet infrastructure access services as part of their bundle resulting in a decrease in ARPU for pay television pursuant to discounts applicable due to our bundling strategies. In addition, the decrease in revenue from our services as a result of the postponement of the availability of certain new content and the increase in free VOD content also impacted ARPU.

Broadband Internet infrastructure access ARPU increased by NIS 7, or 11.9%, from NIS 59 in the three months ended March 31, 2012 to NIS 66 in the three months ended March 31, 2013. The increase in broadband Internet infrastructure access ARPU was primarily the result of an increase in take-up of our higher value higher speed services (including 100 Mbps services which we introduced in 2010) and partially offset by discounts applicable pursuant to our bundling strategies.

Fixed-line telephony ARPU decreased by NIS 5, or 9.2%, from NIS 54 in the three months ended March 31, 2012 to NIS 49 in the three months ended March 31, 2013. The decrease was primarily the result of decreased call volumes per subscriber, as subscribers reduced the number of calls placed over landlines, as a result of the strong competition from the cellular segment, which we believe is consistent with general industry-wide trends, increased demand for our bundled service offers resulting in discounts applicable pursuant to our bundling strategies and the reduction in revenue as a result of the increased take-up of our unlimited fixed-line telephony offerings.

Certain Cable-Based Services and Mobile Related Information (unaudited)⁽¹⁾

	Fiscal Year 2012				FY 2012	Fiscal Year 2013
	Q1	Q2	Q3	Q4	Total	Q1
Total cable RGUs ('000s)	2,320	2,340	2,333	2,343	2,343	2,356
Cable-based services ARPU (NIS).....	217	219	220	223	220	223
Cable revenue (NIS in millions).....	840	843	839	839	3,361	841
Year on year growth ⁽²⁾	—	—	—	—	—	0.12%
Cable-based services EBITDA (NIS in millions) ⁽³⁾	364	364	372	370	1,470	425
Cable-based services EBITDA margin....	43.3%	43.2%	44.3%	44.1%	43.7%	50.5%

(1) The cable based information contained in this table includes only the results of operations for our cable based business and does not include any results of operations from our cellular business.

(2) Year on year growth shows the percentage growth comparing Q1 2013 against Q1 2012.

(3) Gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended), which was required to be implemented from January 1, 2013. See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this quarterly report. The restatement had a positive impact of NIS 1 million, NIS 1 million, NIS 3 million and NIS 2 million respectively on cable-based services EBITDA for the three months ended March 31, 2012, June 30, 2012, September 30, 2012 and December 31, 2012.

Discussion and Analysis of Our Consolidated Operating Results

Three Months Ended March 31, 2013 compared to the Three Months Ended March 31, 2012

This section provides an analysis of our results of operations for the three months ended March 31, 2013 and 2012.

The table below sets forth our results of operations and the period on period percentage change for the periods under review:

	For the three months ended March 31,		Change	
	2012 ⁽¹⁾	2013	Amount	%
NIS in millions except percentages				
HOT Consolidated Statement of Operations Data				
Revenue				
Telecom	493	507	14	2.8
Cable television	578	562	(16)	(2.8)
Cellular	189	232	43	22.8
Other	1	5	4	400
Adjustments	(234)	(241)	(7)	3.0
Total revenue.....	1,027	1,065	38	3.7
Expenses				
Depreciation and amortization	244	276	32	13.1
Operating expenses ⁽¹⁾	513	566	53	10.3
Selling and marketing expenses	79	62	(17)	(21.5)
General and administrative expenses	37	38	1	2.7
Other expenses (income), net	7	39	32	457.1
Operating income⁽¹⁾	147	84	(63)	(42.9)
Finance income	10	10	-	-
Finance expenses	75	71	(4)	(5.3)
Income before taxes on income⁽¹⁾	82	23	(59)	(72.0)
Taxes on income (benefit)	22	6	(14)	(63.6)
Net income⁽¹⁾	60	17	(43)	(72.7)
Other comprehensive loss (after tax effect)				
Loss on available for sale financial asset	(5)	-	5	100
Change in actuarial gains and losses ⁽¹⁾	(1)	1	2	200
Total comprehensive income (loss)	54	18	(36)	(66.7)

⁽¹⁾ Gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended), which was required to be implemented from January 1, 2013. See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this quarterly report.

Total Revenue. For the three months ended March 31, 2013, we generated total revenue of NIS 1,065 million, a 3.7% increase compared to NIS 1,027 million for the three months ended March 31, 2012. As compared to the three months ended March 31, 2012, our total revenue for our cable based business (Telecom, Cable and Other) for the three months ended March 31, 2013 remained stable and our cellular revenue increased by approximately 22.8%.

Telecom. Revenue generated by our fixed-line telephony and broadband Internet infrastructure access division increased by 2.8% to NIS 507 million for the three months ended March 31, 2013 as compared to NIS 493 million for the three months ended March 31, 2012. This is primarily a result of an increase in broadband Internet infrastructure access revenues resulting from an increase in broadband Internet infrastructure access RGUs and increased ARPU as a result of the factors mentioned above. Fixed line telephony revenue remained relatively stable as a result of an increase in fixed-line telephony RGUs which was offset by a decrease in fixed-line telephony ARPU as a result of the factors mentioned above. See “—Key Operating Measures—Subscribers and RGUs” and “—Key Operating Measures—ARPU”.

Cable television. Cable television revenue for the three months ended March 31, 2013 decreased by 2.8% to NIS 562 million as compared to NIS 578 million for the three months ended March 31, 2012. This decrease in revenue is a result of an increase in triple-play subscribers and subscribers taking higher capacity broadband Internet infrastructure access services as part of their bundle resulting in a decrease in ARPU for pay television, which was partially offset by an increase in the number of RGUs subscribing to digital pay television. In addition, the postponement of the availability of certain new content and the increase in free VOD content decreased revenues from VOD services by NIS 10 million.

Cellular. Revenue generated by our cellular segment through our subsidiary, HOT Mobile, increased by 22.8% to NIS 232 million for the three months ended March 31, 2013 from NIS 189 million for the three months ended March 31, 2012. While our revenue provided from the sale of cellular handsets remained relatively stable at NIS 44 million for the three months ended March 31, 2013 compared to NIS 41 million for the three months ended March 31, 2012, our cellular services revenue, including subscriptions and interconnection fees received, increased to NIS 188 million for the three months ended March 31, 2013 from NIS 148 million for the three months ended March 31, 2012. This revenue increase is mainly due to the number of new subscribers to our UMTS-based services which was launched in May 2012 and offset by the churn of customers from our iDEN services as a result of decreased marketing and the termination in the third quarter of 2012 of our contract with the Israeli Defense Force. Cellular revenues were also impacted by the decrease in ARPU due to strong competition in the market and reduction in subscribers to our iDEN services which have a higher ARPU.

Other. Other revenue was NIS 5 million for the three months ended March 31, 2013 and includes revenue related to our ISP services which we began offering in the first half of 2012. We had revenue of NIS 1 million from ISP services in the three months ended March 31, 2012.

Adjustments. Adjustments increased from NIS 234 million for the three months ended March 31, 2012 to NIS 241 million for the three months ended March 31, 2013. The majority of adjustments relate to payments from HOT to HOT Telecom related to use of the cable network.

Total Expenses. Total expenses amounted to NIS 981 million for the three months ended March 31, 2013, an increase of 11.5% compared to NIS 880 million for the three months ended March 31, 2012.

Depreciation and amortization. Depreciation and amortization totaled NIS 276 million for the three months ended March 31, 2013, an increase of 13.1% compared to NIS 244 million for the three months ended March 31, 2012. This was a result of increases in depreciation of hardware and commissions related to our cable based services and depreciation of our cellular network and was offset by decrease in depreciation of our handsets.

Operating expenses. Operating expenses continued to represent the majority of our total expenses. Our operating expenses increased for the three months ended March 31, 2013 to NIS 566 million from NIS 513 million for the three months ended March 31, 2012 (an increase of 10.3% period-on-period). Operating expenses increased as a result of increased operating expenses relating to our cellular business due to the launch of our UMTS cellular telephony network, including increased interconnection fees of NIS 85 million related to our national roaming costs and an increase in the cost of handsets by NIS 9 million. This increase was partially offset by a decrease in certain operating expenses relating to our cable-based business, including a decrease in salaries and social benefits resulting from the measures taken to increase the efficiency of our costs structure (including a reduction in the number of employees) enabled by an increase in the quality of the network as a result of recent investments made and the improvement of the customers service systems, a decrease in the royalties paid to the State of Israel by NIS 11 million following the regulations enacted under the Communications Law pursuant to which the rate of royalties applicable to our cable telecommunication licenses have been reduced to 0% with effect from January 2, 2013 and a decrease in cable network maintenance and set-top box maintenance expenses by NIS 9 million due to the recent investments made towards improvement of the network and a more efficient maintenance process for set-top boxes.

Selling and marketing expenses. Sales and marketing expenses decreased by 21.5% from NIS 79 million for the three months ended March 31, 2012 to NIS 62 million for the three months ended March 31, 2013. Compared to the prior year period, our sales and marketing expenses decreased as a result of decreased sales commissions, advertising costs and sales promotion and decrease in salaries and social benefits of sales personnel resulting from the measures taken to increase the efficiency of our costs structure as compared to the prior year period.

Administrative and general expenses. Administrative and general expenses increased by NIS 1 million from NIS 37 million for the three months ended March 31, 2012 to NIS 38 million for the three months ended March 31, 2013.

Other expenses (income), net. Other expenses (income), net, and network set up expenses increased to an expense of NIS 39 million for the three months ended March 31, 2013 as compared to an expense of NIS 7 million for

the three months ended March 31, 2012. Other expenses for the three months ended March 31, 2013 included a provision that was recognized as a result of the decision to vacate the office building previously occupied by HOT Mobile under a leasehold arrangement extending until 2019.

Financing income and expenses. Net financing expenses were NIS 61 million for the three months ended March 31, 2013 compared to NIS 65 million for the three months ended March 31, 2012 due to the factors described below.

Financing Income. Financing income remained unchanged at NIS 10 million for the three months ended March 31, 2013 compared to the three months ended March 31, 2012.

Financing expenses. Our financing expenses for the three months ended March 31, 2013 totaled NIS 71 million, down from NIS 75 million for the three months ended March 31, 2012.

Taxes on income. For the three months ended March 31, 2013 we recorded an income tax expense of NIS 6 million compared to an income tax expense of NIS 22 million for the three months ended March 31, 2012. The decrease in income tax expense was a result of a decrease in net income and the updating of deferred tax assets in respect of timing differences. Our effective tax rate for the three months ended March 31, 2013 was 26% as compared to an effective tax rate of 27% for the three months ended March 31, 2012.

Net income. We recorded a net income of NIS 17 million for the three months ended March 31, 2013. For the three months ended March 31, 2012, we reported a net income of NIS 60 million. The underlying decrease in net income primarily reflects the factors described above.

EBITDA. We generated total EBITDA of NIS 399 million for the three months ended March 31, 2013 compared to NIS 403 million for the three months ended March 31, 2012 representing a decrease of 1.0% due to the factors described below. The following table presents a reconciliation of EBITDA to total net income for the period.

	For the three months ended March 31,	
	2012 ⁽²⁾	2013
	NIS in millions	
EBITDA ⁽¹⁾	403	399
(Taxes on income) benefit.....	(22)	(6)
Financing expenses, net	(65)	(61)
Options	(5)	-
Other (expenses) income, net and network set up expenses	(7)	(39)
Depreciation and amortization	(244)	(276)
Total net income	60	17

(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. In particular, you should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS), (b) cash flows from operating, investing and financing activities or (c) any other measures of performance under generally accepted accounting principles.

(2) Gives effect to the restatement of financial statements by HOT with retrospective effect (in accordance with IAS 8) to implement IAS19 (as amended), which was required to be implemented from January 1, 2013. See Note 2B(1) to the HOT financial statements for the three months ended March 31, 2013 included elsewhere in this quarterly report. EBITDA for the three months ended March 31, 2012 was adjusted by NIS 1 million.

Cable-based services EBITDA (Telecom, Cable and ISP) was NIS 425 million for the three months ended March 31, 2013 compared to NIS 364 million for the three months ended March 31, 2012, representing an increase of 16.8% primarily due to impact of measures taken to increase the efficiency of our costs structure. Our cellular business generated negative EBITDA of NIS 26 million for the three months ended March 31, 2013 compared to a positive EBITDA of NIS 39 million for the three months ended March 31, 2012 primarily due to increased interconnection and cellular roaming costs relating to our UMTS-based service partially offset by the increase in the cellular revenues. Cable-based services EBITDA and EBITDA generated by our cellular business have been calculated before elimination of intercompany transactions.

Annualized EBITDA for the last two quarters ended March 31, 2013 (“Annualized EBITDA”) was NIS 1,496 million. Annualized EBITDA has been derived by adding HOT’s EBITDA for the quarters ended December 31, 2012 and March 31, 2013 and multiplying the sum by two.

Liquidity and Capital Resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in NIS. Our principal source of liquidity is our operating cash flows and, if required, borrowings under the Revolving Credit Facility, by way of the HOT Proceeds RCF Note. In the three months ended March 31, 2013, we did not draw under the HOT Proceeds RCF Note.

Our liquidity and the liquidity of our operating subsidiaries generally is used to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time, including (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to our parent companies. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Our most significant financial obligations are our debt obligations. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our subsidiaries and any available borrowings under the Revolving Credit Facility, by way of the HOT Proceeds RCF Note, will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. As of March 31, 2013 our cash and cash equivalents amounted to NIS 46 million.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase our EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and our affiliates’ various debt instruments. In this regard, if our EBITDA were to decline, we or our affiliates could be required to repay or limit borrowings under the HOT Proceeds RCF Note or the Revolving Credit Facility, as applicable, in order to maintain compliance with applicable covenants. No assurance can be given that we or our affiliates would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

Our parent company Cool Holding and its subsidiary own 100% of the share capital in HOT. Cool Holding is a holding company and its primary assets are cash and cash equivalents and investments in its consolidated subsidiaries, including HOT. Cool Holding has no operations of its own and is wholly dependent on distributions from HOT to service its debt obligations.

The Senior Secured Notes Issuer is a special purpose financing vehicle and its primary assets are cash and cash equivalents and its rights under the Pledged Proceeds Notes. The Senior Secured Notes Issuer will be dependent on the Pledged Proceeds Notes, borrowings under the Revolving Credit Facility, cash in its bank accounts and other payments from Cool Holding and their respective subsidiaries to service its debt obligations.

The Senior Notes Issuer is a special purpose financing vehicle and its primary assets are cash and cash equivalents, share capital in the Senior Secured Notes Issuer and its rights under the Senior Notes Proceeds Loan. The Senior Notes Issuer will be dependent on the Senior Notes Proceeds Loans and distributions from the Senior Secured Notes Issuer to service its debt obligations.

The following table sets forth the debt profile of the Group as of March 31, 2013:

	<u>As of the three months ended March 31,</u>
	<u>NIS in millions</u>
Existing HOT Unsecured Notes ⁽¹⁾	1,389
Senior Secured Notes ⁽²⁾	2,655
Senior Notes ⁽²⁾	1,547
Cash and Cash Equivalents	323
Net Annualized Leverage ⁽³⁾	3.5x

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

(2) Reflects \$460 million and €210 million Senior Secured Notes and \$425 million Senior Notes outstanding using an exchange rates as of March 31, 2013 of NIS1.00=\$0.274 and NIS1.00=€0.214

(3) Net Annualized Leverage is calculated by dividing the amount of the Group's net debt by the Annualized EBITDA

Consolidated Cash Flow Statements

	<u>For the three months ended</u>	
	<u>March 31,</u>	
	<u>2012</u>	<u>2013</u>
	<u>NIS in millions</u>	
Cash and cash equivalents at beginning of period.....	16	32
Net cash generated by current operations.....	287	281
Net cash provided by (used in) investment operations ⁽¹⁾	(305)	(129)
Net cash provided by (used in) financing operations ⁽¹⁾	16	(138)
Cash and cash equivalents at end of period	<u>14</u>	<u>46</u>

(1) In 2012, HOT reclassified certain line items in its cash flow financial statements comparable figures in order to adjust the current period presentation. For more information, see note 2C to HOT's financial statements for the three months ended March 31, 2013 included elsewhere in this quarterly report.

Three Months Ended March 31, 2013 compared to the Three Months Ended March 31, 2012

Net cash generated by current operations. Net cash generated by current operations decreased by 2.1% to NIS 281 million for the three months ended March 31, 2013 compared to NIS 287 million for the three months ended March 31, 2012. This decrease can be attributed to a NIS 43 million decrease in net income offset by a positive impact of NIS 27 million from changes to the working capital position and other operating assets and liabilities. The positive impact from changes in the working capital position was mainly driven by a decrease in trade receivables as a result of the discounting of credit card receivables in an amount of NIS 130 million which was partially offset by an increase of trade receivables in an amount of NIS 90 million in line with the growth of the number of subscribers for our UMTS-based cellular service as well as the completion of the transition to invoicing on a post-services basis as opposed to pre-services, which we were required by the Council for Cable and Satellite Broadcasting to complete by the end of 2012 and which resulted in an increase in trade receivables during the three months ended March 31, 2012. In addition working capital increased as a result of a decrease in trade payables due to decrease in fixed asset investments compared to the three months ended March 31, 2012.

Net cash provided by (used in) investment operations. Net cash used in investing operations was NIS 129 million for the three months ended March 31, 2013, down 57.7 % compared to the NIS 305 million we used for the three months ended March 31, 2012, mainly due to a decrease in the acquisition of fixed assets and intangible assets in the amount of NIS 123 million and by a decrease of NIS 54 million in restricted cash. See “—Capital Expenditures”.

Net cash provided by (used in) financing operations. Net cash used in financing operations amounted to NIS 138 million for the three months ended March 31, 2013, compared to net cash provided in financing operations of NIS 16 million for the three months ended March 31, 2012. The cash movement for the three months ended March 31, 2013 reflected the repayment of a portion of the Existing HOT Unsecured Notes in accordance with its amortization schedule in an amount of NIS 63 million, the repayment of a loan from a related party in an amount of NIS 55 million and the repayment of other long-term liabilities in an amount of NIS 20 million. The net cash provided by financing operations in the three months ended March 31, 2012 included the net receipt of banking credit in an amount of NIS 398 million, which was offset by the payment of a dividend of NIS 365 million.

Capital Expenditures

The table below summarizes our accrued capital expenditures for the different periods

	For the three months ended March 31	
	2012	2013
	NIS in millions	
Total HOT Capital Expenditures⁽¹⁾	300	122
HOT Mobile Related⁽²⁾	75	55
Adjustments Related to Intercompany Transactions ⁽³⁾	(1)	—
Total Capital Expenditures⁽⁴⁾	374	177

(1) Includes expenditures incurred (i) connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth; (ii) investment in improving or expanding our cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity; and (iii) investment in other fixed property and immaterial assets including computers, motor vehicles and other intangible assets. It does not include fixed assets acquired as part of business acquisitions.

(2) Includes investment in improving or expanding our cellular networks, investments in cellular platforms and investments in UMTS and network capacity and other intangible assets.

(3) Relates to eliminations of certain intercompany payments by HOT Mobile to HOT Telecom.

(4) 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 March 31, 2012 and 2013 we had cash used for capital expenditures of NIS 305 million and NIS 183 million respectively. We also had cash used to capitalize commissions which were reflected in our operating cash flow of NIS 15 million and NIS 26 million for the three months ended March 31, 2012 and 2013, respectively. We had total cash used for capital expenditures for the three months ended March 31, 2012 and 2013 of NIS 320 million and NIS 209 million respectively.

Three Months Ended March 31, 2013 compared to the Year Ended Three Months Ended March 31, 2012

Total capital expenditures were NIS 177 million for the three months ended March 31, 2013, representing 16.6% of revenue as compared to total capital expenditures of NIS 374 million for the three months ended March 31, 2012, representing 36.5% of revenues.

Total HOT Capital Expenditures. Total HOT capital expenditures were NIS 122 million for the three months ended March 31, 2013, representing 11.5% of revenue as compared to NIS 300 million for the three months ended March 31, 2012, representing 29.2% of revenues. This decrease was a due in large part to higher capital expenditures during the three months ended March 31, 2012 related mainly to a one time capital expenditure related to the purchase of a building which houses one of our call center operations, capital expenditure relating to purchase of our new set-top boxes (HOT Magic HD) and capital expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012.

HOT Mobile Related. HOT Mobile related capital expenditures were NIS 55 million for the three months ended March 31, 2013, representing 5.2% of revenue as compared to NIS 75 million for the three months ended March 31, 2012, representing 7.3% of revenues. This decrease was primarily due to higher expenditures relating to the expansion of our UMTS network in the three months ended March 31, 2012 immediately prior to the launch of UMTS-based cellular services in May 2012.

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources, other than as disclosed below.

Foreign Exchange Transactions

We have various foreign exchange transactions totaling \$77 million as of March 31, 2013.

Guarantees

In connection with our operations, we are required to provide a certain number of commitments in terms of performance guarantees for the completion of work, guarantees to municipalities, guarantees to suppliers and guarantees to the Israeli Ministry of Communications. As of March 31, 2013 these guarantees amounted to NIS 1,148 million.

Property Rental Agreements

We are party to contracts for rental of buildings and vehicles for various terms through 2022. The minimum future rent payments for lease rental agreements, as of December 31, 2012, not including any optional extension periods, are NIS 844 million.