

MATAV CABLE SYSTEMS MEDIA LTD

Form 6-K

May 26, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of May 2006

Matav Cable Systems Media Ltd.

(Translation of registrant's name into English)

42 Pinkas Street
North Industrial Park
P.O. Box 13600
Netanya 42134
Israel

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

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

Yes No

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Matav - Cable Systems Media Ltd.

(Registrant)

25 May 2006

BY: /S/ Meir Srebernik

Meir Srebernik
Chief Executive Officer

Print the name and title of the signing officer under his signature

Matav Reports Financial Results for the First Quarter of 2006

NETANYA, Israel, May 25, 2006 Matav-Cable Systems Media Ltd. (Nasdaq: MATV), a leading Israeli provider of digital cable television services, today reported financial results for the first quarter of 2006.

Revenues for the first-quarter reached NIS 139.1 million (US\$29.8 million) compared with NIS 135.3 million (US\$29 million) for the previous quarter and NIS 137.5 million (US\$29.5 million) for the first quarter of 2005. During first-quarter 2006, the company's ARPU (Average Revenue Per User) reached NIS 176.4 (monthly, not including value-added tax) compared to NIS 172.6 in the fourth quarter of 2005 and NIS 172.3 in the first quarter of 2005.

The continued increase in ARPU in the multi-channel TV segment in the first quarter is attributed to tariff increase to part of the customers and to increased demand for pay per-view and on-demand content. As of March 31, 2006, Matav had approximately 250.2 thousand subscribers, compared to 251.5 thousand subscribers as of December 31, 2005 and approximately 254.2 thousand as of March 31, 2005. Matav reported an increase in its Internet customer base along with a decrease in ARPU due to the intense competition in this market segment. As of March 31, 2006, the Company has approximately 116.8 thousand Internet subscribers.

Matav is not consolidating Hot Telecom (26.6%) in its financial results. Hot Telecom was established as a limited partnership between the three cable companies in order to offer communication services over the cable infrastructure in Israel. Hot Telecom's revenues for the first quarter of 2006 reached NIS 33.1 million (US\$7.1 million) compared with NIS 27.9 million (US\$6 million) in the previous quarter and NIS 6.5 million (US\$1.4 million) in the first quarter of 2005.

First-quarter operating expenses increased to NIS 126.3 million (US\$27.1 million) from NIS 124.4 million (US\$26.7 million) in the previous quarter and NIS 118.1 million (US\$25.3 million) in the first quarter of 2005. The increase in operating expenses compared to the previous quarter is due mainly to higher content expenses related to seasonality and higher expenses due to enhanced customer service platform. The increase in operating expenses compared to the first quarter of 2005 is due mostly to an enhanced customer service platform and to operating expenses related to the launch of new services (such as VoD).

First-quarter gross profit totaled NIS 12.8 million (9.2%) (US\$2.7 million) compared with NIS 10.9 million (8.1%) (US\$2.3 million) for the fourth quarter of 2005 and NIS 19.3 million (14.1%) (US\$4.1 million) for the first quarter of 2005.

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First-quarter selling and marketing expenses totaled NIS 11.7 million (US\$2.5 million), compared with NIS 12.6 million (US\$2.7 million) for the fourth quarter of 2005 and compared to NIS 14.6 million (US\$ 3.1 million) for the first quarter of 2005. The decrease in selling and marketing expenses compared to the year-ago quarter is due to a decrease in advertising expenses.

First-quarter G&A expenses reached NIS 10.2 million (US\$2.2 million) compared with NIS 11.6 million (US\$2.5 million) in the fourth quarter of 2005 and NIS 9.6 million (US\$ 2.1 million) for the first quarter of 2005.

First-quarter operating loss totaled NIS 9.1 million (US\$2 million), compared with an operating loss of NIS 13.3 million (US\$2.9 million) for the fourth quarter of 2005, and an operating loss of NIS 4.8 million (US\$1 million) for the first quarter of 2005.

First-quarter EBITDA reached NIS 23.7 million (17.3%) (US\$5.1 million) compared with NIS 20.7 million (15.5%) (US\$4.4 million) in the fourth quarter of 2005 and NIS 27.9 million(20.6%) (US\$6 million) in the first quarter of 2005.

First-quarter financing expenses totaled NIS 12.1 million (US\$2.6 million) compared with NIS 12.5 million (US\$2.7 million) in the fourth quarter of 2005 and NIS 11.8 million (US\$2.6 million) in the first quarter of 2005. The Company's financing expenses are influenced by the exchange rate between US dollar and Israeli shekel, the Israeli CPI ,and Prime interest rate.

Matav's share in affiliated companies' losses for the first quarter was NIS 3.1 million (US\$0.7 million). These losses are the result of Matav's investment in Hot Telecom. In the fourth quarter of 2005, Matav reported equity losses of NIS 4.3 million (US\$ 0.9 million), which were mainly due to Matav's share in Hot Telecom losses. In the first quarter of 2005, Matav reported equity profits due to its investment in Partner Communications, in the amount of NIS 5 million (US\$ 1.1 million), which was off-set by equity losses of NIS 1.7 million (US\$0.4 million) due to Hot Telecom.

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Matav reported first-quarter net loss of NIS 24.4 million (US\$5.2 million), or NIS 0.81 (US\$0.2) per ordinary share, compared with a net loss of NIS 40.7 million (US\$8.7 million), or 1.34 (US\$0.3) per ordinary share, for the fourth quarter of 2005 and NIS 13.3 million (US\$2.9 million) or NIS 0.44 (US\$0.1) per ordinary share, for the first quarter of 2005. The fourth quarter results were influenced among other things by an allocation of approximately NIS 10 million related to a revaluation of certain real-estate assets.

On May 8, 2006, Matav announced that it signed together with the other Israeli Cable Operators, namely the group led by Golden Channels G.P., and the group led by Tevel International Telecommunications Ltd. an agreement for the purchase by Matav, directly or indirectly, of all of the outstanding shares, partners' rights, or assets and liabilities of each of the entities constituting the groups.

In consideration for the above acquisition, Matav will assume, directly or indirectly, the financial liabilities of the entities constituting the groups as of December 31, 2005 in an aggregate amount of approximately NIS 3 billion, and will issue approximately 45,600,000 shares to the groups' direct or indirect owners, constituting approximately 60% of Matav's outstanding shares following the completion of the transaction. Accordingly if the transaction is completed the holdings of Matav's existing shareholders will be diluted. If completed, the acquisition will be effected retroactively as of January 1, 2006, such that the business operating results of the merged activity commencing as of that date will be attributed to the company.

The completion of the transaction is subject to various conditions precedent, including the completion of due diligence, the execution of a definitive agreement regarding the financing of Matav following the acquisition and the receipt of certain third party and regulatory approvals. The completion of the transaction is also subject to the approval of the Company's shareholders and their approval of certain amendments to the Company's Articles of Association, including with respect to the structure of the Company's board. The transaction is also subject to the completion of certain actions by the parties so that either the Fishman Group or Yedioth Communications Ltd. will be the Company's largest shareholder immediately following the closing of the transaction.

There is no assurance that these conditions will be satisfied or that the proposed transaction, or a similar transaction, will be consummated on these or any other terms.

Matav is one of Israel's three cable television providers, serving roughly 25 percent of the Israeli cable subscriber market. Matav's current investments include 1.2% of Partner Communications Ltd., a GSM mobile phone company and 18.5% of Barak I.T.C. (1995) Ltd., one of the three international telephony providers in Israel.

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(This press release contains forward-looking statements with respect to the Company's business, financial condition and results of operations. These forward-looking statements are based on the current expectations of the management of Matav Cable only, and are subject to risk and uncertainties, including but not limited to changes in technology and market requirements, decline in demand for the Company's products, inability to timely develop and introduce new technologies, products and applications, loss of market share and pressure on pricing resulting from competition, which could cause the actual results or performance of the Company to differ materially from those contemplated in such forward-looking statements. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For a more detailed description of the risk and uncertainties affecting the Company, reference is made to the Company's reports filed from time to time with the Securities and Exchange Commission.)

Contacts:

Tal Peres, CFO
Matav Cable Systems
Telephone: +972-9-860-2221

Ayelet Shaked Shiloni
Integrated IR
Telephone US: +1-866-447-8633 / Israel: +972-3-635-6790
E-Mail: ayelet@integratedir.com

MATAV CABLE SYSTEMS MEDIA LTD.**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

| | December 31, | | March 31, | | Convenience translation |
|---|-------------------------------|------------------|------------------|--------------|----------------------------|
| | 2005 | 2005 | 2006 | 2006 | March 31, 2006 |
| | AUDITED | UNAUDITED | | UNAUDITED | |
| | Reported NIS In thousands (1) | | | U.S. dollars | |
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | 13,184 | 1,157 | 605 | | 130 |
| Short-term deposit | 27,196 | 50 | 21,637 | | 4,638 |
| Trade receivables | 74,699 | 78,807 | 83,222 | | 17,840 |
| Other accounts receivable | 20,381 | 21,767 | 16,472 | | 3,531 |
| | <u>135,460</u> | <u>101,781</u> | <u>121,936</u> | | <u>26,139</u> |
| LONG-TERM INVESTMENTS AND RECEIVABLES: | | | | | |
| Investments in affiliates | 79,040 | 117,992 | 57,673 | | 12,363 |
| Investment in other companies | 19,278 | - | 46,934 | | 10,060 |
| Investment in limited partnerships | 669 | 1,629 | 669 | | 143 |
| Rights to broadcast films and programs | 23,918 | 34,887 | 22,576 | | 4,839 |
| Other receivables | 317 | 597 | 318 | | 68 |
| | <u>123,222</u> | <u>155,105</u> | <u>128,170</u> | | <u>27,473</u> |
| FIXED ASSETS, NET | | | | | |
| Cost | 2,265,503 | 2,153,126 | 2,292,024 | | 491,323 |
| Less - accumulated depreciation | 1,451,095 | 1,328,036 | 1,480,060 | | 317,269 |
| | <u>814,408</u> | <u>825,090</u> | <u>811,964</u> | | <u>174,054</u> |
| OTHER ASSETS, NET | | | | | |
| | <u>2,525</u> | <u>2,933</u> | <u>2,425</u> | | <u>520</u> |
| | <u>1,075,615</u> | <u>1,084,909</u> | <u>1,064,495</u> | | <u>228,186</u> |

(1) Nominal financial reporting beginning January 1, 2004.

MATAV CABLE SYSTEMS MEDIA LTD.**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

| | December 31, | March 31, | | Convenience translation |
|--|-------------------------------|--------------|-----------|----------------------------|
| | 2005 | 2005 | 2006 | March 31, 2006 |
| | AUDITED | UNAUDITED | | UNAUDITED |
| | Reported NIS In thousands (1) | U.S. dollars | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | | | |
| CURRENT LIABILITIES: | | | | |
| Credit from banks and others | 551,742 | 469,564 | 561,256 | 120,312 |
| Current maturities of debentures | 34,596 | 33,904 | 34,751 | 7,449 |
| Trade payables | 105,187 | 112,516 | 93,943 | 20,138 |
| Jointly controlled entity - current account | 15,648 | 18,265 | 23,210 | 4,975 |
| Other accounts payable | 101,525 | 210,009 | 108,438 | 23,245 |
| Total current liabilities | 808,698 | 844,258 | 821,598 | 176,119 |
| LONG-TERM LIABILITIES: | | | | |
| Loans from banks and others | 75,464 | 100,940 | 76,036 | 16,299 |
| Debentures | - | 33,220 | - | - |
| Customers' deposits for converters, net | 16,074 | 19,251 | 15,436 | 3,309 |
| Accrued severance pay, net | 3,327 | 2,716 | 3,591 | 770 |
| Deferred taxes | 4,695 | - | 4,695 | 1,006 |
| Total long-term liabilities | 99,560 | 156,127 | 99,758 | 21,384 |
| Total liabilities | 908,258 | 1,000,385 | 921,356 | 197,503 |
| SHAREHOLDERS' EQUITY: | | | | |
| Share capital | 48,901 | 48,899 | 48,901 | 10,483 |
| Additional paid-in capital | 375,538 | 375,538 | 375,538 | 80,501 |
| Deferred compensation | 354 | - | 506 | 108 |
| Accumulated deficit | (257,436) | (339,913) | (281,806) | (60,409) |
| Total shareholders' equity | 167,357 | 84,524 | 143,139 | 30,683 |
| | 1,075,615 | 1,084,909 | 1,064,495 | 228,186 |

(1) Nominal financial reporting beginning January 1, 2004.

Contacts:

MATAV CABLE SYSTEMS MEDIA LTD.CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and per ADS data)

| | Year ended | Three months ended | | Convenience |
|--|--------------------|--------------------|-----------|--------------|
| | December 31 | March 31, | | translation |
| | AUDITED | UNAUDITED | UNAUDITED | UNAUDITED |
| | 2005 | 2005 | 2006 | 2006 |
| | Reported (1) | | | U.S. dollars |
| | (NIS In thousands) | | | |
| Revenues | 542,968 | 137,464 | 139,131 | 29,824 |
| Operating expenses | 481,560 | 118,120 | 126,281 | 27,070 |
| Gross profit | 61,408 | 19,344 | 12,850 | 2,754 |
| Selling, marketing, general and administrative expenses: | | | | |
| Selling and marketing expenses | 53,318 | 14,618 | 11,717 | 2,512 |
| General and administrative expenses | *42,487 | 9,566 | 10,194 | 2,185 |
| | *95,805 | 24,184 | 21,911 | 4,697 |
| Operating loss | *(34,397) | (4,840) | (9,061) | (1,943) |
| Financial expenses, net | (50,645) | (11,796) | (12,146) | (2,604) |
| Other income, net | 153,526 | 143 | 17 | 4 |
| Income (loss) before taxes on income | *68,484 | (16,493) | (21,190) | (4,543) |
| Taxes on income | (6,736) | 46 | 36 | 8 |
| Income (loss) after taxes on income | *75,220 | (16,539) | (21,226) | (4,551) |
| Equity in earnings (losses) of investees, net | (6,000) | 3,282 | (3,144) | (674) |
| Net income (loss) | *69,220 | (13,257) | (24,370) | (5,225) |
| Income (loss) per ordinary share | *2.29 | *(0.44) | (0.81) | (0.17) |
| Income (loss) per ADS | *4.58 | *(0.88) | (1.62) | (0.34) |

Weighted average number of shares outstanding

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| | Year ended December 31 | Three months ended March 31, | | Convenience translation Three months ended March 31 |
|---|---------------------------|---------------------------------|---------|---|
| in thousands | 30,222 | 30,221 | 30,223 | 30,223 |
| Weighted average number of ADSs outstanding in thousands | 15,111 | 15,111 | 15,111 | 15,111 |
| Operating income (loss) | *)(34,397) | (4,840) | (9,061) | (1,943) |
| Net of the effect of proportional consolidation | (4,130) | (1,029) | (1,037) | (222) |
| Depreciation and amortization (including income from amortization of deposits for converters) | 136,672 | 33,796 | 33,778 | 7,241 |
| Memo EBITDA(**) - not including proportional consolidation | *)98,145 | 27,927 | 23,680 | 5,076 |

(1) Nominal financial reporting beginning January 1, 2004.

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(*) Restated.

(**) EBITDA is presented because it is a measure commonly used in the telecommunications industry and is presented solely in order to improve the understanding of the Company's operating results and to provide further a perspective regarding these results. EBITDA, however, should not be considered as an alternative to operating income or income for the year as an indicator of the operating performance of the Company. Similarly, EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA is not a measure of financial performance under generally accepted accounting principles and may not be comparable to other similarly titled measures for other companies.

EBITDA may not be indicative of the historic operating results of the Company. Nor is meant to be predictive of potential future results.

Reconciliation between the operating profit in the financial statements and EBITDA is presented in the attached summary financial statements.