

Edgar Filing: INTERNET GOLD GOLDEN LINES LTD - Form 6-K

INTERNET GOLD GOLDEN LINES LTD  
Form 6-K  
May 11, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of May 2006

INTERNET GOLD-GOLDEN LINES LTD.  
(Name of Registrant)

1 Alexander Yanai Street Petach-Tikva, Israel  
(Address of Principal Executive Office)

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

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the  
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the  
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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

Yes  No

If "Yes" is marked, indicate below the file number assigned to  
the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

Internet Gold-Golden Lines Ltd.

6-K Items

1. Press Release re Momentum Builds: Internet Gold Once Again Reports Record Quarter dated May 11, 2006.

Press Release

Source: Internet Gold

Momentum Builds: Internet Gold Once Again Reports Record Quarter

Thursday May 11, 1:03 am ET

Revenues Reach NIS 94.9M With Growing Operating Profit

Aggressive Marketing and Acquisitions Continue to Drive Strong Growth in Communications and Media Segments

PETACH TIKVA, Israel, May 11 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq NMS and TASE: IGLD) today reported financial results for the quarter ended March 31, 2006. Highlights

- Record revenues: quarterly sales reach an all-time high of \$20.3 million, up 40% year-over-year and 17% compared with Q4 2005

- Growing profits: operating and net income reach NIS 9.7 million and NIS 6.6 million, respectively

- Primary growth drivers:

- > smile.communications: renewed growth in broadband subscriber base; ongoing expansion of voice traffic hubbing revenues; ramp-up in number of large-scale IT integration projects

- > smile.media: continued expansion of portfolio of Internet media properties to address rising Internet advertising budgets

- Structural reorganization: as part of its ongoing efforts to streamline its operations and create value, the Group is reorganizing its business activities into two subsidiaries: smile.communications Ltd. and smile.media Ltd.

#### Financial Results

Revenues for the first quarter of 2006 reached a record of NIS 94.9 million (US\$ 20.3 million), an increase of 40% compared with NIS 68.0 million in the first quarter of 2005 and 17% compared with the fourth quarter of 2005.

Operating income for the quarter reached a record of NIS 9.7 million (US\$ 2.1 million), an increase of 19% compared to NIS 8.1 million in the first quarter of 2005 and 35% compared to the fourth quarter of 2005.

Net income for the quarter reached NIS 6.6 million (US \$1.4 million), or NIS 0.36 (US\$ 0.08) per share compared to NIS 6.6 million, or NIS 0.36 per share, for the first quarter of 2005, and NIS 5.4 million, or NIS 0.29 per share, for the fourth quarter of 2005.

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### Comments of Management

Commenting on the results, Eli Holtzman, Internet Gold's CEO, said, "Following 19 consecutive quarters of profits and positive cash flow, we are extremely pleased to report yet another quarter of record revenues, an achievement which demonstrates our expanding leadership in Israel's rapidly growing Internet space. The rise in our revenues and profitability derives from the growth of all our businesses as well as the success of the streamlining measures put into place during the second half of 2005."

Mr. Holtzman continued, "We are currently reorganizing our business activities into two focused subsidiaries: Smile.Communications Ltd. for our service businesses (Internet access and related value-added services, international telephony and business services), and Smile.Media Ltd. for our media and e-Commerce businesses. This is a strategic move designed to optimize the efforts of our specialized management, helping us further improve the Group's financial results, while creating significant shareholder value.

"During the first quarter, smile.communications benefited from a new wave of 2.5 Mbps Broadband Access subscribers, a development which we believe will result in increased revenues and average revenues per user later this year. International telephony, smile.communications's second major revenue stream, continues to benefit from ongoing market growth and is becoming an increasingly significant player in the high-volume hubbing services marketplace. smile.media is benefiting from a significant shift of Israeli advertising budgets towards the Internet, a trend that we believe will continue to build in the future. As a result of our consolidation activities and effective marketing, advertising on our portals now accounts for a significant portion of Israel's total e-Advertising market and we are continuing our efforts to expand our leadership position."

Mr. Holtzman concluded, "Our plan for 2006 includes the continued development of our communication and media franchises with the goal of capitalizing fully on promising new opportunities in our markets. In parallel, we have begun actively evaluating a number of avenues for potential international expansion. With a clear focus, favorable markets and strong momentum, we are optimistic regarding our future prospects."

### Business Segment Overview

As part of the Group's ongoing efforts to streamline its operations and optimize its marketing investments, the Group has recently reorganized its business activities into smile.communications and smile.media.

smile.communications Ltd. : includes the Group's Internet access, value-added services, telephony and business services activities.

- smile.net: the Group carried out an extensive marketing campaign during the first quarter, resulting in a 5% increase in its broadband subscriber base together with strong sales of e-Safe Secured Internet Access and Wi-Fi-upgrade services.

- smile.015 - International Telephony: revenues from the Group's high-volume hubbing services grew dramatically during the first quarter, due primarily to the Group's success in generating high telephony traffic from Israel to specific international destinations.

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- smile.biz: continuously increasing demand for IT infrastructure deployment and integration services resulted in a 12% increase in revenues as compared with the fourth quarter of 2005.

smile.media Ltd.: includes the group's e-Advertising / e-Content, and e-Commerce businesses.

- e-Advertising / Content: the Group's portal revenues grew by 47% on a year-over-year basis and 39% compared with the fourth quarter of 2005, reflecting a growing share of Israel's total Internet advertising market. As part of its ongoing consolidation efforts, the Group made three acquisitions since January:

> Seret cinema portal: in January, the Group acquired a 51% interest in Seret Ltd., a leading Israeli cinema portal.

> Yahala Arab-language portal: in March, the Group acquired a 51% interest in Yahala Ltd., one of Israel's largest Arab-language portals.

> GPG advertising network: in April, the Group acquired a 75% interest in GPG, an e-advertising network which generates e-advertising revenues through various portals. As of April 2006 the GPG Network portals reached about 57 million page views.

- smile.shops: revenues from the Group's e-Commerce properties rose by 15% on a year-over-year basis.

### About Internet Gold

Internet Gold is Israel's leading IP Group with a major presence across all Internet-related sectors. Its smile.communications segment offers a variety of Internet access and related value-added services, international telephony and enterprise/IT integration services. Its smile.media segment manages a growing portfolio of Internet portals and e-Commerce sites.

Internet Gold is part of the Eurocom Communications Group. Its shares trade under the symbol IGLD on the Nasdaq National Market and the Tel Aviv Stock Exchange.

For additional information about Internet Gold, please visit its investors' site at [www.igld.com](http://www.igld.com).

### NOTE A: Convenience Translation to Dollars

For the convenience of the reader, the reported NIS figures of March 31, 2006 have been presented in thousands of U.S. dollars, translated at the representative rate of exchange as of March 31, 2006 (NIS 4.665 = U.S. Dollar 1.00). The U.S. Dollar ( \$ ) amounts presented should not be construed as representing amounts receivable or payable in U.S. Dollars or convertible into U.S. Dollars, unless otherwise indicated.

Certain statements made herein that use the words "estimate," "project," "intend," "expect," "believe" and similar expressions are intended to identify

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forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks and uncertainties which could cause the actual results, performance or achievements of the Company to be materially different from those which may be expressed or implied by such statements, including, among others, changes in general economic and business conditions and specifically, decline in demand for the Company's services, inability to timely develop and introduce new technologies, services and applications and loss of market share and pressure on prices resulting from competition. For additional information regarding these and other risks and uncertainties associated with the Company's business, reference is made to the Company's Annual Report filed with the Securities and Exchange Commission and its other reports as filed from time to time with the Securities and Exchange Commission.

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### Consolidated Balance Sheets

	March 31 2006 (Unaudited) NIS (in thousands)	March 31 2005 (Unaudited) NIS (in thousands)	December 31 2005 (Audited) NIS (in thousands)	Convenience translation into US Dollars NIS 4.665=US\$1 March 31 (Unaudited) US\$ thousands
Current assets				
Cash and cash equivalents	264,095	64,173	265,488	56,612
Short-term investment	1,213	-	804	260
Trade receivables, net	75,395	59,922	67,988	16,161
Other receivables	14,372	9,989	12,201	3,081
Deferred taxes	497	2,081	1,111	107
<b>Total current assets</b>	<b>355,572</b>	<b>136,165</b>	<b>347,592</b>	<b>76,221</b>
Investments				
Deferred taxes	107	35	40	23
Long-term investments	75	75	75	16
Minority's share in				

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surplus of liabilities over assets in consolidated subsidiary	95	-	-	20
Other investments	200	-	200	43
	477	110	315	102
Property and equipment, net	35,594	40,274	36,222	7,630
Other assets and deferred charges	110,292	114,400	117,889	23,642
Assets allocated to discontinued operation	-	2,152	-	-
Total assets	501,935	293,101	502,018	107,595

### Consolidated Balance Sheets

	March 31 2006 (Unaudited) NIS	March 31 2005 (Unaudited) (in thousands)	December 31 2005 (Audited)	Convenience translation into US Dollars NIS 4.665=US\$1 March 31 2006 (Unaudited) US\$ thousands
Current liabilities				
Short-term bank loans	8,063	11,426	12,684	1,728
Accounts payable	63,118	70,593	55,987	13,530
Other payables	28,293	14,233	24,922	6,065
Total current liabilities	99,474	96,252	93,593	21,323
Long-term liabilities				
Long-term loans and other long-term obligations	27,204	61,306	33,570	5,831
Liability for termination of employer-employee relations, net	7,324	6,588	7,506	1,570
Convertible debentures	203,703	-	218,676	43,666
Total long-term liabilities	238,231	67,894	259,752	51,067
Liabilities allocated to discontinued operation	-	434	-	-
Shareholders' equity				
Ordinary shares	197	197	197	42

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Additional paid in capital	216,864	215,040	216,864	46,487
Proceeds from options, debentures and warrants	15,612	-	6,675	3,347
Accumulated deficit	(68,443)	(86,716)	(75,063)	(14,671)
Total shareholders' equity	164,230	128,521	148,673	35,205
Total liabilities and shareholders' equity	501,935	293,101	502,018	107,595

### Consolidated Statements of Operations

			Convenience translation into US Dollars NIS 4.665=US\$1	
	Three-month period ended		Year ended	Three month period ended
	March 31	December 31	March 31	March 31
	2006	2005	2005	2006
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
	NIS thousands			US\$ thousands
	(except per share data)			
Revenues	94,860	68,015	297,707	20,334
Costs and expenses:				
Cost of revenues	58,970	33,540	159,943	12,641
Selling and marketing expenses	17,938	18,934	75,710	3,845
General and administrative expenses	8,294	7,442	33,156	1,778
Total costs and expenses	85,202	59,916	268,809	18,264
Income from operations	9,658	8,099	28,898	2,070
Financing expenses, net	2,558	649	9,403	548
Other income, net	(23)	(35)	(237)	(5)
Net income after financing expenses	7,123	7,485	19,732	1,527
Tax expenses	598	857	1,451	128
Minority's share in consolidated subsidiary	(95)	-	-	(20)
Net income	6,620	6,628	18,281	1,419
Income per share, basic and diluted				
Net income per NIS 0.01 par value of shares (in NIS)	0.36	0.36	0.99	0.08

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Weighted average number of shares outstanding (in thousands)	18,432	18,432	18,432	18,432
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SIGNATURES

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

INTERNET GOLD-GOLDEN LINES LTD.  
(Registrant)

By /s/Eli Holtzman  
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Eli Holtzman  
Chief Executive Officer

Date: May 11, 2006