

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

INTERNET GOLD GOLDEN LINES LTD

Form 6-K

August 04, 2005

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----  
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 August 2005

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 Internet Gold Reports 9th Consecutive Quarter of Revenue Growth for Q2 2005 dated August 4, 2005.

Press Release

Source: Internet Gold

Internet Gold Reports 9th Consecutive Quarter of Revenue Growth for Q2 2005

Thursday August 4, 1:15 am ET

Record Revenues of \$16.5M for Q2 2005, Up 42% YOY and 11% Compared to Q1 '05

PETACH TIKVA, Israel, August 4 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq: IGLD - News) today reported its financial results for the second quarter ended June 30, 2005.

#### Highlights of the Quarter

- Record revenues of \$16.5 million: 9th consecutive quarter of revenue growth
- Cash flow from operating activities up by 164% compared to Q1, reaching approximately \$3 million.
- Significant rise in revenues from international telephony activities.
- Increased Internet advertising revenues with market share reaching approximately 25%
- Launch of 'smile' re-branding initiative to optimize marketing investments and increase awareness of Group's scope of activities

#### Financial Results

Revenues for the second quarter were NIS 75.3 million (US\$ 16.5 million), an increase of 42% compared with NIS 53.2 million in the second quarter of 2004, and an 11% increase compared with NIS 68.0 million in the first quarter of 2005.

Gross margin for the quarter declined to 46% from 50.7% in the first quarter of 2005, reflecting investment in successful efforts to build the market share and user base of the Group's 015 International Telephony. As a result, operating income for the quarter was NIS 7.9 million (US\$ 1.7 million), a decline of 2% compared to the first quarter of 2005.

Net income for the quarter was NIS 4.7 million (US\$ 1.0 million), or NIS 0.25 (US\$ 0.06) per share, reflecting financial expenses of NIS 3.7 million (US\$ 0.8 million). The rise in financial expenses resulted from the quarter's 1.1% rise in Israel's Consumer Price Index (CPI) and its affect on the interest rate of the Group's CPI-linked bonds. Management views the quarter's CPI rise as an unusual occurrence that is not likely to be repeated during the remainder of 2005. Net income for the second quarter of 2004 was NIS 5.7 million, or NIS 0.30 per share, compared to NIS 6.6 million, or NIS 0.36 per share, in the first quarter of 2005.

Cash flow for the quarter was NIS 14 million (US\$ 3 million), an increase of 164% compared to NIS 5.3 million in the first quarter of 2005.

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

### Comments of Management

"The second quarter marked a significant period of revenue expansion, growing cash flow and strategic progress for Internet Gold," commented Eli Holtzman, Internet Gold's CEO. "Our focus during the quarter was to strengthen our positioning as a major player in all our markets and as a leading Internet media group. Our primary investments were in two directions: building the market share and user base of our IP Telephony and IP media/portal businesses, and launching our 'smile' re-branding program.

"Our strategy for building market share included more aggressive pricing policies, an investment that has paid off in revenue, user and market share gains. Although the efforts reduced our gross margins and operating profit temporarily, they succeeded in establishing strong business platforms for these businesses that are necessary for the next stage of our business development."

Mr. Holtzman continued, "We are very excited about our 'smile' re-branding program. This is an evolutionary step for Internet Gold that will help us build awareness of the broad range of our services while allowing more effective utilization of our marketing dollars. The campaign is currently in full swing now and we are delighted with the reaction so far."

"Taken as a whole, we are pleased with our progress and working to take full advantage of opportunities in Israel's changing and growing communications marketplace."

### Overview of Business Segments

smile.net - access and value-added services: During the second quarter, the company succeeded to increase its customer base while focusing on the Russian sector. In addition, sales of the Business Division and Value Added Services rose by 5% compared with the previous quarter as a result of continued successful sales and marketing efforts.

smile.015 - International Telephony: Revenues from the Group's international telephony operations increased significantly during the second quarter, reflecting its rising market share and the ramp-up of hubbing and incoming traffic services.

smile.media - e-Advertising/Content: The Group continued to expand its e-Advertising and portal activities throughout the period.

- MSN Israel (50.1% owned) e-Advertising via MSN, MSN Messenger, Hotmail and MSN Search: As of the end of the quarter, MSN-Israel had a record of 873,000 active users of its Instant Messaging service and 600,000 users of its new MSN Search service. Recently, MSN-Israel announced joint ventures with Redmatch, with whom it will establish an online employment site, and with Israel's Entertainment Channel, with whom it will launch an entertainment portal.

- Acquisitions: the Group continues to pursue opportunities to consolidate the marketplace through synergistic acquisitions and joint ventures. Nirshamim, the academic portal acquired during the first quarter, began making a positive contribution to the Group's top and bottom line results during the quarter. Building on a strong base, management expects that Nirshamim's performance will improve in the future.

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

smile.shops - e-Commerce: Second quarter revenues of P-1000, the Group's e-Commerce business, rose by 8% compared to the first quarter, while operating income rose by 32% compared to the first quarter. With a firm belief in the future growth of the sector, the Group is currently evaluating acquisition and consolidation opportunities.

### About Internet Gold

Internet Gold is a group of communications companies that provide Internet access and related value-added services, international telephony, e-advertising, content and e-Commerce services throughout Israel under the brand name "smile". The broad range and popularity of these services have established Internet Gold as one of Israel's leading Internet Communications groups.

The Internet Gold Group includes four subsidiaries. MSN-Israel, its (50.1% owned) joint-venture with Microsoft Corp. (49.9% owned), provides Microsoft-branded Search, Instant Messaging, Hotmail and a variety of portal services. Internet Gold International, a fully-owned subsidiary, provide international Internet and communication services. GoldMind, a fully-owned subsidiary, provides value-added services to Internet subscribers. GoldTrade, the Group's fully-owned e-Commerce subsidiary, operates e-Commerce sites.

For additional information about Internet Gold, please visit its Website 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 June 30, 2005 have been presented in U.S. Dollars thousands, translated at the representative rate of exchange as of June 30, 2005 (NIS 4.574 = U.S. Dollar 1.00). The U.S. Dollar (hereinafter - \$) 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 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.

For further information, please contact:  
Ms. Idit Azulay, Internet Gold  
+972 3 939-9848  
[idita@co.zahav.net.il](mailto:idita@co.zahav.net.il)

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

Consolidated Balance Sheets  
Reported amounts

	June 30	June 30	December	Convenience translation into US Dollars NIS 4.574=US\$1 June 30
	2005	2004	31	2005
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
	New Israeli Shekels - in			US\$
	thousands			thousands
<b>Current assets</b>				
Cash and cash equivalents	271,164	94,918	75,637	59,284
Trade receivables, net	69,616	40,241	52,682	15,221
Other receivables	10,047	9,143	8,948	2,197
Deferred taxes	2,037	620	2,564	445
<b>Total current assets</b>	<b>352,864</b>	<b>144,922</b>	<b>139,831</b>	<b>77,147</b>
<b>Investments</b>				
Deferred taxes	32	14	22	7
Long-term investments	275	-	-	60
	307	14	22	67
Property and equipment, net	39,625	33,402	40,583	8,663
Other assets and deferred charges	120,297	88,937	114,956	26,300
Assets allocated to discontinued operation	886	-	4,631	194
<b>Total assets</b>	<b>513,979</b>	<b>267,275</b>	<b>300,023</b>	<b>112,371</b>

Consolidated Balance Sheets  
Reported amounts

	June 30	June 30	December	Convenience translation into US Dollars NIS 4.574=US\$1 June 30
	2005	2004	31	2005
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
	New Israeli Shekels - in			US\$
	thousands			thousands
<b>Current liabilities</b>				
Short-term bank loans	9,621	6,620	10,950	2,103
Accounts payable	72,008	*59,635	73,383	15,743

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

Other payables	17,507	*14,441	13,784	3,828
Total current liabilities	99,136	80,696	98,117	21,674
Long-term liabilities				
Long-term loans and other long-term obligations				
	52,756	41,840	72,117	11,534
Deferred revenues	-	14	3	-
Liability for termination of employer-employee relations, net				
	6,794	5,447	6,240	1,485
Company's share in excess of liabilities over assets in investees				
	-	9,566	-	-
Convertible debentures	213,358	-	-	46,646
Total long-term liabilities	272,908	56,867	78,360	59,665
Liabilities allocated to discontinued operation				
	265	-	1,653	58
Shareholders' equity				
Ordinary shares	197	197	197	43
Additional paid in capital	223,539	215,040	215,040	48,872
Accumulated deficit	(82,066)	(85,525)	(93,344)	(17,941)
Total shareholders' equity	141,670	129,712	121,893	30,974
Total liabilities and shareholders' equity	513,979	267,275	300,023	112,371

\* Reclassified

### Consolidated Statements of Operations Reported amounts

	Six-month period ended		Three-month period ended		Year ended	Convenience translation into US Dollars NIS 4.574=US\$1 Six month period ended
	June 30		June 30		December 31	June 30
	2005	2004	2005	2004	2004	2005
	(Unaudited) (Unaudited)		(Unaudited) (Unaudited)		(Audited)	(Unaudited)
	NIS thousands (except per share data)		NIS thousands (except per share data)		US\$ thousands	
Revenues	143,340	104,175	75,325	53,199	219,577	31,338
Costs and expenses:						
Cost of revenues	74,213	44,191	40,673	21,625	96,820	16,225
Selling and						

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

marketing expenses	37,566	32,285	18,632	17,370	73,155	8,213
General and administrative expenses	15,532	11,311	8,090	5,481	24,258	3,396
Total costs and expenses	127,311	87,787	67,395	44,476	194,233	27,834
Income from operations	16,029	16,388	7,930	8,723	25,344	3,504
Financing expenses (income), net	4,315	89	3,666	549	(122)	943
Other expenses (income), net	(132)	1,498	(97)	856	1,077	(29)
Net income after financing expenses	11,846	14,801	4,361	7,318	24,389	2,590
Tax expenses (income)	568	1,301	(289)	782	(301)	124
Income after tax	11,278	13,500	4,650	6,536	24,690	2,466
Company's share in net loss of investee	-	607	-	211	396	-
Income from continuing operations	11,278	12,893	4,650	6,325	24,294	2,466
Company's share in loss of investee from discontinued operations	-	1,252	-	675	4,763	-
Net income	11,278	11,641	4,650	5,650	19,531	2,466

Income per share, basic and diluted						
Net income per NIS 0.01 par value of shares (in NIS) from continuing operations	0.61	0.70	0.25	0.34	1.32	0.13
Net loss per NIS 0.01 par value of shares (in NIS) from discontinued operations	-	(0.07)	-	(0.04)	(0.26)	-
Net income per NIS 0.01 par value of shares (in NIS)	0.61	0.63	0.25	0.30	1.06	0.13
Weighted average number of Shares outstanding (in thousands)	18,432	18,432	18,432	18,432	18,432	18,432

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  
-----  
Eli Holtzman  
Chief Executive Officer

Date: August 4, 2005