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INTERNET GOLD GOLDEN LINES LTD

Form 6-K

November 06, 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 November 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 Another Record Quarter for Internet Gold: Q3 Revenues Above NIS 100 Million, Operating Income Doubles dated November 6, 2006.

Press Release

Source: Internet Gold

Another Record Quarter for Internet Gold: Q3 Revenues Above NIS 100 Million, Operating Income Doubles

Monday November 6, 12:00 am ET

Record Results for Q3: Revenues Up 44% (YOY) to NIS 105 Million, Operating Income Up 106% (YOY) to NIS 12 Million

012-Golden Lines Merger Is Pending Regulatory Approval and Continues on Track

PETACH TIKVA, Israel, November 6 /PRNewswire-FirstCall/-- Internet Gold, (Nasdaq and TASE: IGLD) today reported its financial results for the third quarter and nine months ended September 30, 2006.

#### Highlights

- Record revenues: Q3 sales crossed the NIS 100 million milestone
- Record operating income: more than doubled compared with Q3 2005
- Strong growth in Smile.Communications: broadband customer base grew by 16,500 new subscribers during the quarter; International Long Distance traffic reached a new high; continued strong demand for business services
- Smile.Media achieved slight growth despite difficult e-Advertising environment: rise in e-Commerce revenues compensated for temporarily reduced e-Advertising budgets during the war period
- Pending merger of 012-Golden Lines with Smile.Communications Ltd. continues to progress on track: the Company is working closely with regulators to finalize process as soon as possible.

#### Financial Results

Revenues for the third quarter of 2006 reached a new high of NIS 105.3 million (US\$ 24.5 million), an increase of 44% compared with NIS 73.3 million in the third quarter of 2005, and 8% compared with the second quarter of 2006.

Operating income for the quarter reached a record of NIS 11.8 million (US\$ 2.7 million), an increase of 106% compared to NIS 5.7 million in the third quarter of 2005 and 4% compared to the second quarter of 2006.

Net income for the quarter reached NIS 7.0 million (US \$1.6 million), or NIS 0.38 (US\$ 0.09) per share, an increase of 327% compared to NIS 1.6 million, or NIS 0.09 per share, for the third quarter of 2005, and 5% compared to the second quarter of 2006.

The Company's net results for the third quarter were significantly impacted by

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two one-time expenses:

- A provision of NIS 1.5 million (US \$0.35 million) taken in respect of a regulatory dispute (currently we plan to appeal) with Israel's Ministry of Communications.
- A one-time expense of NIS 1.3 million (US \$0.3 million) reflecting the legal and other costs associated with the Company's reorganization and spin-off of Smile.Media and Smile.Communications.

### Comments of Management

Commenting on the results, Eli Holtzman, Internet Gold's CEO, said, "We are extremely pleased to have delivered another quarter of record revenues and operating profits despite the summer's wartime environment, which we feared would negatively impact our business. Although it did reduce our e-Advertising revenues, the rise in revenues generated by our e-Commerce properties and International Telephony businesses more than compensated. In parallel, we continue to benefit from the emergence of the Internet during this challenging period as the most reliable source of up-to-date news and the most convenient 'place' to go for shopping and entertainment. In response, we focused on effective marketing, and were rewarded with one of our strongest-ever quarters of new-user subscriptions.

"The quarter was equally productive from a strategic point of view. We were pleased to have completed the spin-off of our two fully-owned pure-play subsidiaries, and later announced the 012-Golden Lines merger plan. These are the critical first steps of a plan that we believe will build the Company to the next level with a revenue base of more than a billion shekels per year and increasing profitability. As such, we believe we are on a road that will create significant value for our shareholders, customers and employees already in the year ahead and over the long term."

### Business Segment Overview

Smile.Communications Ltd.: During the third quarter, the continued growth of all Smile.Communications' activities delivered a 10% increase in revenues compared with the second quarter of 2006, and a 44% increase year-over-year compared with the third quarter of 2005.

- Smile.Net - ISP: The Company's customer base grew by approximately 16,500 (net) new broadband subscribers during the third quarter, a reflection of the success of its aggressive marketing efforts. Sales of Value-Added Services (Anti-Virus, Anti-Spam and Safety Net) during the nine month period increased by 38% compared with the first nine months of 2005.

- Smile.015 - International Telephony: Telephony revenues grew significantly during the quarter. This reflected both the wartime environment, which boosted telephone traffic, and the ongoing organic growth of Israel's International Long Distance (ILD) market. In fact, during the first half of 2006, Israel's overall ILD traffic increased by 12% compared to the comparable period in 2005.

- Smile.Biz - Business Services: The Group's business service revenues for the nine-month period were up 23% compared with the parallel period of 2005. This reflected the Company's success in capturing market share for its value-added IT infrastructure deployment and integration services, and the continued strong

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growth of its sales of corporate communication packages.

Smile.Media Ltd.: Despite the temporary slowdown of Israel's entire Media industry during the war in Lebanon, Smile.Media's third quarter revenues rose by approximately 1% compared with the second quarter of 2006. This reflected the strong growth in e-Commerce revenues, which more than compensated for the decline in e-Advertising revenues. For the nine-month period, Smile.Media's revenues rose by 33% compared with the parallel period in 2005.

- e-Advertising / Content: During the third quarter, revenues from the Group's 12 portal properties declined by less than 5% compared to the second quarter of 2006. This reflected the temporary slowdown in the e-Advertising market during the war period. On a year-over-year basis, the Group's e-Advertising revenues rose by 35%.

- Smile.Shops: Third quarter revenues from the Group's e-Commerce properties rose by 33% compared to the second quarter of 2006, reflecting an increase of all online activities during the war months. For the nine month period, e-Commerce sales were up by 21% compared to the first nine months of 2005.

### 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 has entered into an agreement to acquire 60% of the control and equity in 012 Golden Lines Ltd ("012") based on a valuation of US\$ 140 million. 012 is a major Internet Service Provider with revenues of \$ 138.8 million in 2005 and is also a leader in Israel's Voice Over Broadband domestic telephony. The agreement is subject to the approval of both boards of directors and the relevant regulatory authorities. According to the agreement, following the acquisition, 012 will merge with IGLD's Smile.Communications activities.

Internet Gold is part of the Eurocom communications group. Its shares trade on the Nasdaq Global Market and on 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 September 30, 2006 have been presented in thousands of U.S. dollars, translated at the representative rate of exchange as of September 30, 2006 (NIS 4.302 = 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 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,

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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

	September 30 2006 (Unaudited)	September 30 2005 (Unaudited)	December 31 2005 (Audited)	Convenience translation into U.S. dollars September 30 2006 (Unaudited) US\$ in thousands
	New Israeli Shekels - in thousands			
Current assets				
Cash and cash equivalents	261,322	260,124	265,488	60,744
Short-term investments	883	1,156	804	205
Trade receivables, net	78,380	67,160	67,988	18,219
Other receivables	19,955	13,421	12,201	4,639
Deferred taxes	732	1,359	1,111	170
<b>Total current assets</b>	<b>361,272</b>	<b>343,220</b>	<b>347,592</b>	<b>83,977</b>
Investments				
Deferred taxes	139	40	40	32
Other investments	200	275	275	46
	339	315	315	78
<b>Property and equipment, net</b>	<b>37,509</b>	<b>38,340</b>	<b>36,222</b>	<b>8,719</b>
Other assets and deferred				

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charges	114,506	119,508	117,889	26,617
Assets allocated to discontinued operations	-	150	-	-
Total assets	513,626	501,533	502,018	119,391

### Internet Gold - Golden Lines Ltd.

	September 30 2006 (Unaudited) New Israeli	September 30 2005 (Unaudited) Shekels -	December 31 2005 (Audited) in thousands	September 30 2006 (Unaudited) US\$ in thousands
Convenience translation into U.S. dollars				
Current liabilities				
Short-term bank loans	16,188	7,080	12,684	3,763
Accounts payable	57,731	65,784	55,987	13,419
Other payables	24,431	19,662	23,877	5,679
Accrued liabilities from marketable securities	-	398	1,045	-
Total current liabilities	98,350	92,924	93,593	22,861
Long-term liabilities				
Long-term obligations under lease agreement	22,035	41,148	33,570	5,122
Liability for termination of employer-employee relations, net	7,276	7,124	7,506	1,691
Long term obligation under forward contract	-	140	-	-
Convertible debentures	208,148	216,632	218,676	48,384
Total long-term liabilities	237,459	265,044	259,752	55,197
Liabilities allocated to discontinued operations	-	265	-	-
Shareholders' equity				
Ordinary shares	197	197	197	45
Additional paid-in capital	216,864	215,040	216,864	50,410
Proceeds from option debentures and warrants	15,612	8,499	6,675	3,629
Accumulated deficit	(54,856)	(80,436)	(75,063)	(12,751)
Total shareholders' equity	177,817	143,300	148,673	41,333
Total liabilities and shareholders' equity	513,626	501,533	502,018	119,391

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Internet Gold - Golden Lines Ltd.

Consolidated Statements of Operations

	Nine month period ended		Three month period ended	
	September 30		September 30	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	New Israeli Shekels - in thousands			
Revenues	297,346	216,613	105,275	73,273
Costs and expenses:				
Cost of revenues	182,274	113,372	65,112	39,159
Selling and marketing expenses	56,679	57,589	19,533	20,023
General and administrative expenses	25,581	23,892	8,843	8,360
Total costs and expenses	264,534	194,853	93,488	67,542
Income from operations	32,812	21,760	11,787	5,731
Financing expenses, net	8,627	7,838	1,809	3,523
Other (income) expenses, net	2,792	(207)	2,825	(75)
Income after financing expenses	21,393	14,129	7,153	2,283
Company's share in net loss of unconsolidated investee	240	-	27	-
Minority interest in operations of consolidated subsidiaries	(121)	-	(94)	-
Tax expenses	1,067	1,221	264	653
Net income	20,207	12,908	6,956	1,630
Income per share, basic and diluted				
Net income per share (in NIS)	1.10	0.70	0.38	0.09
Weighted average number of shares outstanding				

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(in thousands)                      18,432                      18,432                      18,432                      18,432

Consolidated Statements of Operations (continued...)

		Convenience translation into U.S. dollars
	Year ended December 31 2005 (Audited) New Israeli Shekels - in thousands	Nine month period ended September 30 2006 (Unaudited) US\$ in thousands
Revenues	297,707	69,118
Costs and expenses:		
Cost of revenues	159,943	42,370
Selling and marketing expenses	75,710	13,175
General and administrative expenses	33,156	5,946
Total costs and expenses	268,809	61,491
Income from operations	28,898	7,627
Financing expenses, net	9,403	2,005
Other (income) expenses, net	(237)	649
Income after financing expenses	19,732	4,973
Company's share in net loss of unconsolidated investee	-	56
Minority interest in operations of consolidated subsidiaries	-	(28)
Tax expenses	1,451	248
Net income	18,281	4,697
Income per share, basic and diluted		
Net income per share (in NIS)	0.99	0.25
Weighted average number of shares outstanding		



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(in thousands)

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  
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Eli Holtzman  
Chief Executive Officer

Date: November 6, 2006