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

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 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.

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 |
| Total current assets | 355,572 | 136,165 | 347,592 | 76,221 |
| 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 |
|---|--------|--------|--------|--------|

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: May 11, 2006