

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

INTERNET GOLD GOLDEN LINES LTD

Form 6-K

November 08, 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 November 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 Financial Results for Q3 2005
dated November 8, 2005.

Press Release

Source: Internet Gold

Internet Gold Reports Financial Results for Q3 2005

Tuesday November 8, 8:42 am ET

Revenue Growth of 35% YOY Reflecting Successful Expansion Into Internet Media and International Telephony Businesses Focus for Third Quarter: Consolidation & Efficiency PETACH TIKVA, Israel, November 8 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq: IGLD - News) today reported its financial results for the third quarter ended September 30, 2005.

Highlights of the Quarter

- \$15.9 million revenues, up 35% year-over-year
- Strongest growth drivers: Internet Advertising/Portal and International Telephony businesses
- 'smile' re-branding program successful: will improve marketing efficiency
- Bottom-line impacted by re-branding, consolidation and efficiency program and unusually high financing expenses
- Following completion of new VoIP activity implementation, company launched consolidation/efficiency program to optimize customer service operations and improve margins

Financial Results

Revenues for the third quarter were NIS 73.3 million (US\$ 15.9 million), an increase of 35% compared with NIS 54.3 million in the third quarter of 2004. Gross margin for the quarter was to 46.6% reflecting marketing strategies adopted to build market share in the competitive Internet Access and International Telephony markets.

Operating income for the quarter reached NIS 5.7 million (US\$ 1.2 million), an increase of 200% compared to the parallel quarter of 2004.

Net income for the quarter was NIS 1.6 million (US \$0.4 million), or NIS 0.09 (US\$ 0.02) per share, reflecting unusually high financing expenses of NIS 3.5 million (US\$ 0.8 million). The rise in financing expenses resulted from a 1.4% rise in Israel's Consumer Price Index (CPI) for the quarter. This raised the interest due on the Group's CPI-linked bonds, although the effect was mitigated somewhat by the Group's successful hedging activities. Net income for the third quarter of 2004 was NIS 1.5 million, or NIS 0.08 per share.

Comments of Management

"The growth of our business over the past twelve months reflects the successful launch and build-out of our International Telephony business, which took place

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

exactly one year ago, and the continuous ramp-up of our Internet Advertising/Portal and e-Commerce businesses, together with the ongoing development of our core Internet access business," commented Eli Holtzman, Internet Gold's CEO. "To build our leadership and market share in extremely competitive markets, we have utilized aggressive pricing and marketing strategies, and, during the last quarter, carried out a successful re-branding program."

"During recent quarters, our team continued building and optimizing our new VoIP operations. With all operating systems in place and functioning well, we have now combined the call centers of our access and international telephony businesses into a single facility with a unified support staff and consolidated the engineering teams of our various activities. Most of these costly activities were completed during the third quarter. We anticipate that this step will reduce our costs significantly in the coming quarters and open up new cross-sales opportunities within our existing customer base."

Mr. Holtzman continued, "On the Media side of the business, market trends continue to operate in our favor. Internet advertising budgets continue to grow dramatically, along with Internet usage and online purchases. Our acquisitions, partnerships and marketing efforts over the past year have established Internet Gold as a leading Internet Media Group, and we continue to expand our content franchise. We believe our Internet Media and e-Commerce businesses will become our strongest revenue and profit drivers over the long-term."

Overview of Business Segments

smile.net - access and access-related value added services: During the third quarter, sales of the Group's Business Division grew by 11% compared to the previous quarter, while revenues from the Group's WiFi based home networking services grew by more than 70%.

smile.media - e-Advertising/Content: In line with its goal of expanding its positioning as a primary Internet Media Group, during the third quarter, the Group closed additional acquisitions and partnerships, expanding the range of Internet media properties that it offers to potential advertisers:

- GetPrice: the Group's subsidiary, MSN-Israel, acquired a 51% interest in getprice.co.il, one of Israel's most popular price comparison sites. Working with GetPrice, MSN-Israel intends to establish a new price comparison site called MSN-Compare.

- Hype/Tipo: the Group's subsidiary GoldMind acquired a 50.1% interest in tipo.co.il, Israel's leading children's portal with approximately 30 million page views per month.

- MSNJobs: in partnership with Redmatch, one of the world's fastest-growing online job-search companies, MSN-Israel launched MSNJobs, a new Hebrew-language job search site, at the end of September.

- Net-Express: by the end of the third quarter, the Group extended its strategic partnership with Net-Express, the founder of netex.co.il, one of Israel's most popular Hebrew language Internet search engines and web directory sites.

- Nirshamim: Revenues from Nirshamim, an acquisition completed earlier in 2005, grew by 19% during the third quarter and the site achieved strong profitability.

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

smile.015 - International Telephony: Company has maintained its market share in the residential segment while putting special emphasis on its business customers. In conjunction with its ongoing marketing activity, the company focused its marketing efforts on Israel's Russian-speaking populations, resulting in a significant rise in costumers from this high-potential niche market. During the third quarter, the Company expanded its base of international carriers to allow for future growth.

smile.shops - e-Commerce: Q3 revenues of P-1000, the Group's e-Commerce business, rose by 8% during the quarter compared to Q2, while operating income rose by 12%. The Group continues to evaluate acquisition and consolidation opportunities in the sector.

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, provides 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.

NOTE A: Convenience Translation to Dollars

For the convenience of the reader, the reported NIS figures of September 30, 2005 have been presented in U.S. Dollars thousands, translated at the representative rate of exchange as of September 30, 2005 (NIS 4.598 = 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, 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

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

Securities and Exchange Commission.

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

Consolidated Balance Sheets

				Convenience translation into U.S. dollars NIS 4.598=US\$1
	September 30	September 30	December 31	September 30
	2005	2004	2004	2005
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
	New Israeli Shekels - in thousands			US\$ in thousands
Current assets				
Cash and cash equivalents	260,124	85,674	75,637	56,573
Short term investments	1,156	-	-	251
Trade receivables, net	67,160	44,612	52,682	14,608
Other receivables	13,421	10,318	8,948	2,919
Deferred taxes	1,359	377	2,564	296
Total current assets	343,220	140,981	139,831	74,647
Investments				
Deferred taxes	40	16	22	9
Long-term investments	200	1,331	-	43
Long-term loans	75	-	-	16
	315	1,347	22	68
Property and equipment, net	38,340	36,419	40,583	8,338
Other assets and deferred charges	119,508	105,864	114,956	25,991
Assets allocated to discontinued operation	150	-	4,631	33
Total assets	501,533	284,611	300,023	109,077

Convenience

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

	translation into U.S. dollars NIS 4.598=US\$1			
	September 30	September 30	December 31	September 30
	2005	2004	2004	2005
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
	New Israeli Shekels - in			US\$ in
	thousands			thousands
Current liabilities				
Short-term bank loans	7,080	5,253	10,950	1,540
Accounts payable	65,784	69,967	73,383	14,307
Other payables	19,662	16,319	13,784	4,276
Accrued liabilities from marketable securities	398	-	-	87
Total current liabilities	92,924	91,539	98,117	20,210
Long-term liabilities				
Long-term obligations under lease agreement	41,148	45,894	72,117	8,949
Deferred revenues	-	14	3	-
Liability for termination of employer-employee relations, net	7,124	5,816	6,240	1,549
Company's share in excess of liabilities over assets in investees	-	10,156	-	-
Long term term obligation under forward contract	140	-	-	30
Convertible debentures	216,632	-	-	47,114
Total long-term liabilities	265,044	61,880	78,360	57,642
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	48,617
Accumulated deficit	(80,436)	(84,045)	(93,344)	(17,493)
Total shareholders' equity	143,300	131,192	121,893	31,167
Total liabilities and shareholders' equity	501,533	284,611	300,023	109,077

Consolidated Statements of Operations

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

	Nine month period ended September 30		Three month period ended September 30		Year ended December 31 2004	Convenience translation into U.S. dollars NIS 4.598=US\$1 Nine month period September 30 2005 (Unaudited) US\$ in thousands
	2005	2004	2005	2004	2004	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
	New Israeli Shekels - in thousands					US\$ in thousands
Revenues	216,613	158,467	73,273	54,292	219,577	47,110
Costs and expenses:						
Cost of revenues	113,372	69,535	39,159	25,344	96,820	24,657
Selling and marketing expenses	57,589	52,747	20,023	20,462	73,155	12,525
General and administrative expenses	23,892	17,883	8,360	6,572	24,258	5,196
Total costs and expenses	194,853	140,165	67,542	52,378	194,233	42,378
Income from operations	21,760	18,302	5,731	1,914	25,344	4,732
Financing expenses (income), net	7,838	(253)	3,523	(342)	(122)	1,705
Other expenses, net	(207)	1,444	(75)	(54)	1,077	(45)
Net income after financing expenses	14,129	17,111	2,283	2,310	24,389	3,072
Tax expenses (income)	1,221	1,541	653	240	(301)	266
Income after tax	12,908	15,570	1,630	2,070	24,690	2,806
Company's share in net loss of investees	-	503	-	(104)	396	-
Net income from continuing operations	12,908	15,067	1,630	2,174	24,294	2,806

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

Company share in loss of investee from discontinued operation	-	1,946	-	694	4,763	-
Net income	12,908	13,121	1,630	1,480	19,531	2,806
Income per share, basic and diluted Net income per NIS 0.01 par value of shares (in NIS) from continuing operations	0.70	0.82	0.09	0.12	1.32	0.15
Net loss per NIS 0.01 par value of shares (in NIS) from discontinued operations	-	(0.11)	-	(0.04)	(0.26)	-
Net income per NIS 0.01 par value of shares (in NIS)	0.70	0.71	0.09	0.08	1.06	0.15
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,

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

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: November 8, 2005