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INTERNET GOLD GOLDEN LINES LTD

Form 6-K

August 04, 2005

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 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.

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### 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.

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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)

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Consolidated Balance Sheets  
Reported amounts

|  | June 30                  | June 30        | December       | Convenience<br>translation<br>into<br>US Dollars<br>NIS<br>4.574=US\$1<br>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<br>translation<br>into<br>US Dollars<br>NIS<br>4.574=US\$1<br>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  |

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|   |          |          |          |          |
|---|----------|----------|----------|----------|
| 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         |                                       |         |                                       |        |                |  |

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|  |         |        |        |        |         |        |
|--|---------|--------|--------|--------|---------|--------|
| 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  
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Eli Holtzman  
Chief Executive Officer

Date: August 4, 2005