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INTERNET GOLD GOLDEN LINES LTD

Form 6-K

May 09, 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 May 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 Continued Strong Revenue Growth
and Profitability For Q1 2005 dated May 9, 2005.

Press Release

Source: Internet Gold

Internet Gold Reports Continued Strong Revenue Growth and Profitability For Q1 2005

Monday May 9, 1:30 am

ET Record \$15.6M Revenues: Up 33% YOY and 11% Compared to Q4 '04

Strong \$1.5M Net income: Up 11% YOY and 3% Compared to Q4 '04

Strategies of Access/Content Consolidation and Expanded Telephony Services
Position IGLD as Major Israeli Communications Player

PETACH TIKVA, Israel, May 9 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq: IGLD - News) today reported its financial results for the first quarter ended March 31, 2005.

Highlights of the Quarter

- Record revenues of \$15.6 million, up 33% year-over-year and 11% compared to Q4 2004
- Strong net income of \$1.5 million, up 11% year-over-year and 3% compared to Q4 2004
- Continued ramp-up of 015 international telephony service - revenues up by 70% from previous quarter
- Continued growth in content and e-Advertising position Internet Gold as Israel's leading Internet Media Group
- Dual listing on the Tel Aviv Stock Exchange completed; Company included in TASE-100 Index
- NIS 220M raised through outstanding oversubscribed offering of bonds and warrants during April 2005.

Financial Results

Revenues for the first quarter were NIS 68 million (US\$ 15.6 million), an increase of 33% compared with NIS 51.0 million in the first quarter of 2004, and 11% compared with NIS 61.1 million in the fourth quarter of 2004.

Net income for the quarter was NIS 6.6 million (US\$ 1.5 million), or NIS 0.36 (US\$ 0.08) per share, compared with NIS 6.0 million, or NIS 0.33 per share in the first quarter of 2004. Net income for the fourth quarter of 2004 was NIS 6.4 million.

"We are pleased to report significant progress in all business segments, in line with our strategies for establishing Internet Gold as a major player in Israel's rapidly developing communications space," commented Eli Holtzman, Internet Gold's CEO. "Our record revenues and strong net income reflect the strong momentum of our e-Advertising/Content, 015 international telephony service and value-added services businesses, together with the increasing subscriber base

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that is being built via all our activities.

"Progress in our 015 telephony business was particularly noteworthy during the quarter. After launching our commercial services, and in light of 015's ahead-of-schedule growth and profitability, we moved quickly to the next phase of our telephony strategy, cooperating with international carriers to provide hubbing and incoming call services. Launched only in January, these high-volume services have already made a significant contribution to 015 traffic and revenues while helping us decrease telephony transport costs. As lower-margin activities, these services reduced the quarter's gross margin to 51%, slightly above our target. Nonetheless, we have maintained a strong 12% operating margin, emphasizing our focus on the profitability of the Group."

Mr. Holtzman concluded, "In April, we completed an extremely successful bond offering, demonstrating the confidence with which the investment community regards our management and prospects. Looking forward, we believe that our acquisition and consolidation activities together with the ongoing expansion of our telephony and e-Advertising businesses will continue to build our revenues and profits. With the right strategies, a great team and a careful approach, we are working to take full advantage of the exciting potential in Israel's communications market."

Overview of the Group's Business Segments

Access/value-added services: During the first quarter, the Group's Internet access business continued to contribute the largest share of its revenues, accounting for 56% of the group's revenues.

Sales of value added services through GoldMind, one of the Group's fully-owned subsidiaries, rose by 18% during the period compared with the previous quarter.

015 Telephony: 015 telephony operations ramped up significantly during the first quarter. Highlights of this activity for the quarter included:

- Launch of services targeting the business sector
- Ramp-up of hubbing and incoming traffic activities
- Continued increase in number of residential users

e-Advertising/Content: Through the expansion of existing portal activities, acquisition of additional portals and exclusive e-Advertising agreements, the Company is now positioned as Israel's leading Internet media group, and anticipates that this activity will become a major driver of the Company's future growth.

- **MSN Israel (50.1% owned, e-Advertising via MSN, MSN Messenger, Hotmail Israel and MSN Search Israel):** At the end of the first quarter, the user base of MSN-Israel's Messenger service reached 854,000 active users.
- **Acquisitions and agreements:** During the first quarter, the Group acquired 50% of Nirshamim, a leading Israeli academic portal, and acquired exclusive marketing rights to the e-Advertising properties of GOOP, a leading Israeli youth portal. The Company intends to continue

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consolidating its position in Israel's portal market.

e-Commerce: P1000, the e-Commerce site fully-owned by Internet Gold's Gold Mind subsidiary, posted its first-ever operating profit during the first quarter. The Company is currently engaged in cross-selling campaigns in which P1000 customers are granted "bonuses" of free 015 calling minutes.

About Internet Gold

Internet Gold is a communications group that provides Internet access and related value-added services, international telephony, e-Advertising, content and e-Commerce services throughout Israel to both residential and business customers.

The group's operations are carried out through four main companies. Internet Gold, the traded parent company serves as HQ to the group and also is the ISP which provides access and telephony services. Through MSN Israel, its joint-venture (50.1% owned) with Microsoft Corp., (49.9% owned), the Company operates Israel's leading Internet portal. Its fully-owned subsidiary, GoldMind, focuses on the provision of Internet value-added services and is the owner of 100% of the Start portal. Through GoldTrade, its fully-owned e-Commerce subsidiary, the Company has established itself as one of Israel's leading e-Commerce providers, P1000. .In addition, its fully-owned subsidiary Internet Gold International specializes in the provision of international Internet and communication services.

For additional information about Internet Gold, please visit our Website at www.igld.com.

NOTE A: Convenience Translation to Dollars

The convenience translation of the Adjusted New Israeli Shekel (NIS) into U.S. dollars was made at the rate of exchange prevailing at March 31, 2005: U.S. \$1.00 equals NIS 4.361. The translation was made solely for the convenience of the reader.

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.

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

Consolidated Balance Sheets

Reported amounts

| | | | | Convenience translation into US Dollars NIS 4.361=US\$1 |
|---------------------------|---------------------------------------|----------------------|------------------------|--|
| | March 31 2005 | March 31 *2004 | December 31 2004 | March 31 2005 |
| | (Unaudited) | (Unaudited) | (Audited) | (Unaudited) |
| | New Israeli Shekels - in thousands | | | US\$ thousands |
| <hr/> | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 64,173 | 89,904 | 75,637 | 14,715 |
| Trade receivables, net | 59,922 | 37,135 | 52,682 | 13,741 |
| Other receivables | 9,989 | 10,028 | 8,948 | 2,292 |
| Deferred taxes | 2,081 | 1,403 | 2,564 | 477 |
| | <hr/> | | | |
| Total current assets | 136,165 | 138,470 | 139,831 | 31,225 |
| | <hr/> | | | |
| Investments | | | | |
| Deferred taxes | 35 | 12 | 22 | 8 |
| Long-term investments | 75 | 900 | - | 17 |
| | <hr/> | | | |

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| | 110 | 912 | 22 | 25 |
|--|---------|---------|---------|--------|
| Property and equipment, net | 40,274 | 28,495 | 40,583 | 9,235 |
| Other assets and deferred charges | 114,400 | 80,494 | 114,956 | 26,233 |
| Assets allocated to discontinued operation | 2,152 | - | 4,631 | 493 |
| Total assets | 293,101 | 248,371 | 300,023 | 67,211 |

* Restated

Consolidated Balance Sheets

Reported amounts

| | March 31 2005 | March 31 *2004 | December 31 2004 | Convenience translation into US Dollars NIS 4.361=US\$1 March 31 2005 |
|---|------------------------------------|----------------|------------------|--|
| | (Unaudited) | (Unaudited) | (Audited) | (Unaudited) |
| | New Israeli Shekels - in thousands | | | US\$ thousands |
| Current liabilities | | | | |
| Short-term bank loans | 11,426 | 4,811 | 10,950 | 2,620 |
| Accounts payable | 70,593 | 48,434 | 73,383 | 16,187 |
| Other payables | 14,233 | 13,796 | 13,784 | 3,264 |
| Total current liabilities | 96,252 | 67,041 | 98,117 | 22,071 |
| Long-term liabilities | | | | |
| Long-term loans and other long-term obligations | 61,306 | 43,176 | 72,117 | 14,058 |
| Deferred revenues | - | 14 | 3 | - |
| Liability for termination of employer-employee relations, | | | | |

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| | | | | |
|---|----------|----------|----------|----------|
| net | 6,588 | 5,398 | 6,240 | 1,511 |
| Company's share in excess of liabilities over assets in investees | - | 8,680 | - | - |
| Total long-term liabilities | 67,894 | 57,268 | 78,360 | 15,569 |
| Liabilities allocated to discontinued operation | 434 | - | 1,653 | 100 |
| Shareholders' equity | | | | |
| Ordinary shares | 197 | 197 | 197 | 45 |
| Additional paid in capital | 215,040 | 215,040 | 215,040 | 49,310 |
| Accumulated deficit | (86,716) | (91,175) | (93,344) | (19,884) |
| Total shareholders' equity | 128,521 | 124,062 | 121,893 | 29,471 |
| Total liabilities and shareholders' equity | 293,101 | 248,371 | 300,023 | 67,211 |

* Restated

Consolidated Statements of Operations

Reported amounts

| | Three-month period ended March 31 | Year ended December 31 | Three month period ended March 31 | Convenience translation into US Dollars NIS 4.361=US\$1 |
|---------------------|------------------------------------|------------------------|-----------------------------------|---|
| | (Unaudited) | (Unaudited) | (Unaudited) | |
| | New Israeli Shekels - in thousands | | | US\$ thousands |
| Revenues | 68,015 | 50,976 | 219,577 | 15,596 |
| Costs and expenses: | | | | |
| Cost of revenues | 33,540 | 22,566 | 96,820 | 7,691 |

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| | | | | |
|--|--------|--------|---------|--------|
| Selling and marketing expenses | 18,934 | 14,915 | 73,155 | 4,342 |
| General and administrative expenses | 7,442 | 5,830 | 24,258 | 1,706 |
| | ----- | ----- | ----- | ----- |
| Total costs and expenses | 59,916 | 43,311 | 194,233 | 13,739 |
| | ----- | ----- | ----- | ----- |
| Income from operations | 8,099 | 7,665 | 25,344 | 1,857 |
| Financing expenses (income), net | 649 | (460) | (122) | 149 |
| Other expenses (income), net | (35) | 642 | 1,077 | (8) |
| | ----- | ----- | ----- | ----- |
| Net income after financing expenses | 7,485 | 7,483 | 24,389 | 1,716 |
| Tax expenses (income) | 857 | 519 | (301) | 197 |
| | ----- | ----- | ----- | ----- |
| Income after tax | 6,628 | 6,964 | 24,690 | 1,519 |
| Company's share in net loss of investee | - | 396 | 396 | - |
| | ----- | ----- | ----- | ----- |
| Income from continuing operations | 6,628 | 6,568 | 24,294 | 1,519 |
| | ----- | ----- | ----- | ----- |
| Company's share in loss of investee from discontinued operations | - | 577 | 4,763 | - |
| | ----- | ----- | ----- | ----- |
| Net income | 6,628 | 5,991 | 19,531 | 1,519 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|---|-------|-------|-------|-------|
| Income per share, basic and diluted | | | | |
| Net income per NIS 0.01 par value of shares (in NIS) from continuing operations | 0.36 | 0.36 | 1.32 | 0.08 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|---|-------|--------|--------|-------|
| Net loss per NIS 0.01 par value of shares (in NIS) from discontinued operations | - | (0.03) | (0.26) | - |
| | ===== | ===== | ===== | ===== |

| | | | | |
|--|-------|-------|-------|-------|
| Net income per NIS 0.01 par value of shares (in NIS) | 0.36 | 0.33 | 1.06 | 0.08 |
| | ===== | ===== | ===== | ===== |

Weighted average number of

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| | | | | |
|--------------------------------------|--------|--------|--------|--------|
| shares outstanding (in thousands) | 18,432 | 18,432 | 18,432 | 18,432 |
| | ===== | ===== | ===== | ===== |

* Restated

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 9, 2005