

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

INTERNET GOLD GOLDEN LINES LTD

Form 6-K

November 10, 2004

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 2004

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 23% Revenue Growth, Commencing International Telephony Services dated November 10, 2004.

Press Release Source: Internet Gold

Internet Gold Reports 23% Revenue Growth, Commencing International Telephony Services

Wednesday November 10, 7:06 am ET

Core Business Strengthens; Momentum Building in Subsidiaries; Successful Launch of 015 International Telephony

PETACH TIKVA, Israel, November 10 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq: IGLD - News) today reported unaudited financial results for the third quarter and first nine months of 2004.

Highlights

- o Q3 revenues up 23% to \$12.1 million, compared with the third quarter of 2003
- o Broadband subscriber base continues to rise: up 43% since January 2004
- o Rapidly growing revenues from Value Added Services e-advertising and e-commerce
- o Successful launch of 015 International telephony, with ~28% mind share achieved in 2 months
- o Solid profitability despite initial heavy investment in 015 launch activities

Financial Results

Revenues for the third quarter were NIS 54.3 million (US\$ 12.1 million), an increase of 23% compared with NIS 44.3 million in the third quarter of 2003, and 2% compared with NIS 53.2 million in the second quarter of 2004. Gross margins for the quarter were 53.3%, above the Company's target of 50%. Net income for the period was NIS 1.5 million (US\$ 0.3 million), or NIS 0.08 (US\$ 0.02) per share, compared with NIS 6 million, or NIS 0.3 per share in the third quarter of 2003. The reduction in net income was attributed mainly to the company's investment of NIS 7.2 million (US\$ 1.6 million) in the set-up and initial marketing campaign for the launch of its new 015 service.

Cash flow from operations in the third quarter was NIS 9.4 million (US\$ 2.1 million) compared with NIS 8.9 million in the third quarter of 2003 and NIS 15.6 million in the second quarter of 2004.

"We are proud to report our 7th consecutive quarter of revenue growth, together with continued solid profitability," commented Eli Holtzman, Internet Gold's CEO. "The quarter was also a time of significant strategic development as we moved forward with plans to diversify our product offering, capitalize on

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

emerging opportunities and expand our presence in Israel's fast-moving telecom marketplace."

"We are pleased to have been able to maintain solid profitability despite the initial expenses associated with our new 015 International Telephony business, including \$1.3 million invested in a multimedia launch and advertising campaign. Our first-phase activities targeted the residential market, the largest and most profitable sector. In just two months, 015 succeeded in capturing nearly 28% mind share, an achievement that has validated our service concept and marketing strategies. Our revenues for the third quarter were not significantly enhanced by the new activity since much of the new traffic was generated at a low rate as part of the launch promotion. However, we expect to realize appreciable revenues in the fourth quarter of 2004, and to benefit from the full impact towards the second half of 2005. As we prepare to introduce 015's prepaid, post-paid, calling card and business-sector services, we are confident in our ability to reach a 10% share of this significant market by the end of 2005. Such an achievement will more than compensate for the service's short-term impact on our profitability."

Mr. Holtzman concluded, "Our continued revenue growth is being driven by the ongoing expansion of our broadband subscriber base, which has risen by 43% since the beginning of the year, and the increasing momentum of our VAS, e-advertising and e-commerce activities. As strong believers in these emerging markets, we are positioning ourselves for leadership, both via an increased focus on our subsidiaries and investee companies and through active consolidation of Israel's Internet portal and e-commerce field. We believe these business areas will be our primary growth engines in the future and the key to expanding the Group's long-term shareholder value."

The Company's revenues for the first nine months of 2004 were NIS 158.5 million (US\$ 35.4 million), an increase of 20% compared with NIS 132.2 million for the first nine months of 2003. Gross margins for the period were 56.1% compared to 46.6% in the same period of 2003. Net income for the first nine months of 2004 was NIS 13.1 million (US\$ 2.9 million), or NIS 0.71 (US\$ 0.16) per share, compared with NIS 9.2 million, or NIS 0.50 per share for the first nine months of 2003.

Cash flow from operations for the nine month period was NIS 36.5 million (US\$ 8.1 million) compared with NIS 17.7 million for the first nine months of 2003.

Review of Subsidiaries and Investee Companies

Gold Mind Ltd. (100% ownership, value-added services and rich Internet content): Gold Mind's revenues for the first nine months of 2004 increased by 142% compared to the first nine months of 2003. This strong performance reflects rising demand for its Anti-Virus and Anti-Spam services as well as customized on-line magazines/newsletters.

MSN Israel (50.1% ownership, e-advertising via MSN, MSN Messenger, Hotmail Israel and MSN Search Israel): As of the end of the third quarter, MSN-Israel's popular Messenger service had approximately 730,000 active users. Its revenues for the first nine months of 2004 increased by 38% compared to the first nine months of 2003.

Gold Trade (48.3% ownership, operates the P1000 e-commerce site) reached positive EBITDA (earnings before interest, taxes, depreciation and amortization)

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

during Q3, reflecting a 27% rise of its e-commerce revenues in the first nine months of 2004 as compared to the first nine months of 2003.

The Company's management will host an interactive teleconference to discuss the results today (November 10, 2004) at 10:00 a.m. EST. To participate, please call one of the following access numbers several minutes before the call begins: +1-866-276-1485 from within the U.S. or Canada, +1-800-917-4256 from within the U.K., or +972-3-925-5910 from international locations. The call will also be broadcast live through the company's Website, www.igld.com, and will be available there for replay during the next 30 days.

About Internet Gold

Internet Gold is a communications company 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.

Internet Gold's operations are carried out through four subsidiaries. Its fully-owned subsidiary Internet Gold International specializes in the provision of international Internet and communication services. Its fully-owned subsidiary Gold Mind focuses on the provision of Internet value-added services. Through MSN Israel, its joint-venture (50.1% ownership) with Microsoft Corp. (49.9% ownership), the Company operates Israel's leading Internet portal. Through Gold Trade, its e-Commerce joint venture (48.3% ownership), the Company has established itself as one of Israel's leading e-Commerce providers.

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 September 30, 2004: U.S. \$1.00 equals NIS 4.482. 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 and its other reports as filed from time to time with the Securities and Exchange Commission.

Internet Gold - Golden Lines Ltd.

Consolidated Balance Sheets

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

| | Convenience translation into U.S. dollars NIS 4.482=US\$1 | | | |
|--------------------------------------|--|---|---|---|
| | September 30 2004 (Unaudited) New Israeli | September 30 2003 (Unaudited) Shekels - in | December 31 2003 (Audited) thousands | September 30 2004 (Unaudited) US\$ in thousands |
| Current assets | | | | |
| Cash and cash equivalents | 85,674 | 81,879 | 81,891 | 19,115 |
| Trade receivables, net | 44,612 | 31,886 | 35,570 | 9,953 |
| Other receivables | 10,318 | 8,637 | 12,769 | 2,303 |
| Deferred taxes | 377 | 1,195 | 1,914 | 84 |
| Total current assets | 140,981 | 123,597 | 132,144 | 31,455 |
| Investments | | | | |
| Deferred taxes | 16 | 916 | 21 | 4 |
| Long-term investments | 1,331 | 1,550 | 1,550 | 297 |
| Long-term loans | - | 3,916 | - | - |
| | 1,347 | 6,382 | 1,571 | 301 |
| Property and | | | | |
| equipment, net | 36,419 | 28,234 | 29,160 | 8,126 |
| Other assets and deferred charges | 105,864 | 53,209 | 51,130 | 23,620 |
| Total assets | 284,611 | 211,422 | 214,005 | 63,502 |

Internet Gold - Golden Lines Ltd.

| | Convenience translation into U.S. dollars NIS 4.482=US\$1 | | | |
|--|--|---|---|---|
| | September 30 2004 (Unaudited) New Israeli | September 30 2003 (Unaudited) Shekels - in | December 31 2003 (Audited) thousands | September 30 2004 (Unaudited) US\$ in thousands |
| Current liabilities | | | | |
| Short-term bank loans | 5,253 | 7,784 | 5,259 | 1,172 |
| Accounts payable | 69,967 | *35,505 | *36,591 | 15,611 |
| Other payables | 16,319 | *11,281 | *14,037 | 3,641 |
| Total current liabilities | 91,539 | 54,570 | 55,887 | 20,424 |
| Long-term liabilities | | | | |
| Long-term obligations under lease agreement | 45,894 | 33,248 | 27,389 | 10,240 |
| Deferred revenues | 14 | 40 | 23 | 3 |
| Liability for termination | | | | |

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

| | | | | |
|---|-------------|-------------|-------------|------------|
| of employer- employee relations, net | 5,816 | 4,695 | 4,928 | 1,298 |
| Company's share in excess of liabilities over assets in investees | 10,156 | 5,892 | 7,707 | 2,266 |
| Total long-term liabilities | 61,880 | 43,875 | 40,047 | 13,807 |
| Shareholders' equity | | | | |
| Ordinary shares | 197 | 197 | 197 | 44 |
| Additional paid in capital | 215,040 | 215,040 | 215,040 | 47,979 |
| Accumulated deficit | (84,045) | (102,260) | (97,166) | (18,752) |
| Total shareholders' equity | 131,192 | 112,977 | 118,071 | 29,271 |
| Total liabilities and shareholders' equity | 284,611 | 211,422 | 214,005 | 63,502 |

* Reclassified

Internet Gold - Golden Lines Ltd. Consolidated Statements of Operations

| | Nine month period ended September 30 | | Three month period ended September 30 | |
|---|--|---------------------|---|---------------------|
| | 2004 (Unaudited) | 2003 (Unaudited) | 2004 (Unaudited) | 2003 (Unaudited) |
| | New Israeli Shekels - in thousands | | | |
| Revenues | 158,467 | 132,192 | 54,292 | 44,332 |
| Costs and expenses: | | | | |
| Cost of revenues | 69,535 | 70,532 | 25,344 | 22,797 |
| Selling and marketing expenses | 52,747 | 29,384 | 20,462 | 9,843 |
| General and administrative expenses | 17,883 | 16,029 | 6,572 | 5,477 |
| Total costs and expenses | 140,165 | 115,945 | 52,378 | 38,117 |
| Income from operations | 18,302 | 16,247 | 1,914 | 6,215 |
| Financing expenses (income), net | (253) | 3,084 | (342) | (3,696) |
| Other (income) expenses, net | 1,444 | 2,603 | (54) | 2,587 |
| Net income after financing expenses | 17,111 | 10,560 | 2,310 | 7,324 |
| Income tax (benefit) | 1,541 | (2,111) | 240 | 354 |
| Net income after | | | | |

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

| | | | | |
|--|--------|--------|--------|--------|
| income tax | 15,570 | 12,671 | 2,070 | 6,970 |
| Company's share in net loss of investees | 2,449 | 3,462 | 590 | 926 |
| Net income | 13,121 | 9,209 | 1,480 | 6,044 |
| Income per share | | | | |
| Net income per NIS 0.01 par value of shares (in NIS) | 0.71 | 0.50 | 0.08 | 0.33 |
| Weighted average number of shares outstanding | 18,432 | 18,432 | 18,432 | 18,432 |

| | Year Ended December 31 2003 (Audited) | Convenience translation into U.S. dollars NIS 4.482=US\$1 September 30 2004 (Unaudited) |
|-------------------------------------|--|---|
| | New Israeli Shekels - in thousands | US\$ in thousands |
| Revenues | 179,642 | 35,356 |
| Costs and expenses: | | |
| Cost of revenues | 92,871 | 15,514 |
| Selling and marketing expenses | 41,393 | 11,769 |
| General and administrative expenses | 21,908 | 3,990 |
| Total costs and expenses | 156,172 | 31,273 |
| Income from operations | 23,470 | 4,083 |
| Financing expenses (income), net | 3,235 | (56) |
| Other (income) expenses, net | 2,592 | 322 |
| Net income after financing expenses | 17,643 | 3,817 |
| Income tax (benefit) | (1,935) | 344 |
| Net income after Income tax | 19,578 | 3,473 |
| Company's share in net | | |

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

| | | |
|--------------------------|--------|--------|
| loss of investees | 5,275 | 546 |
| Net income | 14,303 | 2,927 |
| Income per share | | |
| Net income per NIS | | |
| 0.01 par value of shares | | |
| (in NIS) | 0.78 | 0.16 |
| Weighted average | | |
| number of shares | | |
| outstanding | 18,432 | 18,432 |

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

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: November 10, 2004