INTERNET GOLD GOLDEN LINES LTD
Form 6-K
April 11, 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 April 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 [X] 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 [X]
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. Form of Immediate Report filed with the Israel Securities Authority re Tender Offer Results dated April 7, 2005.

2. English translation of Prospectus used in Israel.

3. Press Release re Internet Gold Completes Oversubscribed Sale of Convertible Bonds and Warrants, Raising NIS 220M dated April 11, 2005.

ITEM 1

INTERNET GOLD - GOLDEN LINES LTD.

(the "Company")

April 7, 2005

To Israeli Securities Authority

To Tel-Aviv Stock Exchange Ltd

Pursuant to the Company's prospectus dated March 31, 2005 (hereinafter - the "**Prospectus**"), the Company offered to the public NIS 220,000,000 par value Debentures (Series A) along with 1,500,000 Share Purchase Warrants (Series 1), along with 2,500,000 Share Purchase Warrants (Series 2). All the aforementioned securities were offered to the public in 100,000 units (hereinafter -the "**Units**") by way of a tender on the interest rate for the Debentures (Series A) which shall not be lower than 4% and shall not exceed 5%.

101 institutional investors have undertaken to order 80,000 units of the all Units being offered to the public.

The list of subscriptions for the Units offered to the public was closed on April 7, 2005.

After processing of the data, the results were as follows:

In the tender, 4,710 offers for the purchase of 38,071,822 Units were received (including orders from Institutional Investors), in the total amount of approximately NIS 83,758 millions. The over-subscription in the offering was approximately 380 times the amounts offered.

The interest rate that was determined in the tender was 4% (hereinafter - "**the Determined Interest Rate**"), which was the minimal interest rate.

123 orders for the purchase of 13,362 Units stating an interest rate that is higher than the Determined Interest Rate were not accepted.

101 orders of Institutional Investors for the purchase of 80,000 Units, which stated an interest rate that was equal to the Determined Interest Rate were accepted in part, so that each Institutional Investor placing an order received 50% of its order (rounded down to the nearest Unit), and altogether 39,975 Units. This is due to the over-subscription in the offering that exceeded 5 times the amount offered, which requires according to the TASE directives, to allot to the Institutional Investors 50% of their orders.

2,671 orders from the public for the purchase of 37,742,460 Units stating an interest rate equal to the Determined Interest Rate were accepted in part, so that each applicant received 0.1578% of his order (rounded down to the nearest Unit).

1,815 orders for the purchase of 236,414 Units stating an interest rate equal to the Determined Interest Rate but were, each, for less than 317 Units, were not accepted due to the over-subscription and the low allotment rate that was determined in the tender.

INTERNET GOLD - GOLDEN LINES LTD

ITEM 2

English Translation

INTERNET GOLD - GOLDEN LINES LTD.

(the "Company")

PROSPECTUS

Offer to the public of

220,000,000 registered debentures (Series A) of NIS 1 par value each, repayable in eight equal annual installments on April 1 of each of the years 2008 to 2011, bearing interest at a rate to be determined in the tender and which shall not be lower than 4% and shall not exceed 5%, with principal and interest linked to the CPI for February 2005. The interest on the balance of the debentures (Series A) which has not been repaid shall be paid once every twelve months, on April first of each of the years 2006 to 2015. The debentures (Series A) may be converted into ordinary shares on any trading day beginning on the date they are registered for trade on the stock market and through March 31, 20015 (inclusive), with the exception of March 19 through April 1 of each of the years 2008 to 2014, such that by March 31, 2008 (inclusive) each NIS 40 par value debentures (Series A) which were not redeemed shall be convertible into one ordinary share of NIS 0.01 par value each. (Subject to the adjustments as stipulated in Section 9.14 below.) Debentures (Series A) which are not converted by March 18, 2015 shall not grant holders the right to convert them into Company shares.

and of

1,500,000 registered share purchase warrants (Series 1) that can be converted into ordinary shares in the Company on any trading day as of June 1 2005 and through August 15, 2005, such that each option warrant (Series 1) shall be convertible into one ordinary share of the Company of NIS 0.01 par value each against cash payment of exercise price of NIS 32 (subject to the adjustments stipulated in Section 10.11 of the Prospectus). An option warrant (Series 1) which has not been exercised by August 15, 2005 shall expire and be nullified, and shall not grant its holder any rights whatsoever in the Company.

and of

2,500,000 registered share purchase warrants (Series 2) that can be converted into ordinary shares in the Company on any trading day as of June 1 2005 and through 15 October 2007, with the exception of the 12th through the 16th of every month, such that each option warrant (Series 2) can be converted into an ordinary share of the Company of NIS 0.01 par value each against cash payment of the exercise price of NIS 40 linked to the CPI published for February 2005 (as subject to the adjustments stipulated in Section 10.11 of the Prospectus). An option warrant (Series 2) which has not been exercised by 15 October, 2007 shall expire and be nullified, and shall not grant its holder any rights whatsoever in the Company.

Public offering:

220,000,000 debentures (Series A) along with 1,500,000 share purchase warrants (Series 1), along with 2,500,000 share purchase warrants (Series 2) are offered to the public in 100,000 units by way of a tender on the interest rate for the debentures (Series A).The composition of each unit is as set forth below:

NIS 2,200 par value each debentures (Series A)	NIS 2,200
15 share purchase warrants (Series 1) without consideration	
25 share purchase warrants (Series 2) without consideration	
Total price per unit	NIS 2,200

The list of signatures for purchase of the units offered to the public shall be opened on April 7 2005 at 8:00 AM and shall be closed on the same day at 3:00 PM.

Prior commitments have been received by institutional investors according to which they shall submit applications for their purchase of units, constituting approximately 80% of the units offered to the public. For more information, see Section 5.10 of the Prospectus.

The debentures (Series A) are not secured by any collateral whatsoever. The debentures may only be redeemed immediately in the cases set forth in Section 9.17 of the Prospectus. The Company reserves the right to put pledges on its assets at any level whatsoever without having to receive the approval of the trustee or of the debenture holders.

This Prospectus has been drafted in accordance with an exemption from the Securities Regulations (Details, structure and form of a Prospectus), 5729-1969, granted to the Company by the Israel Securities Authority, by virtue of Section 35(XXIX) of the Securities Law, 5728-1968. With respect to the exemption received by the Company regarding this Prospectus, see page 1 of the Prospectus.

The Company's regular reports are in accordance with US law and are in English, in accordance with the dual listing guidelines stipulated in Chapter E3 of the Securities Law, 5728-1968 and the resulting regulations.

The offer to the public under this Prospectus is made in Israel, solely to residents of Israel and is not intended for US residents. Any person purchasing securities according to this prospectus shall be deemed to have declared that he was not in the US at the time of submitting his request for the securities. No person is entitled to make a solicitation for sale with respect to the securities offered under this Prospectus in the United States. The laws of the State of Israel alone shall apply to this Prospectus, the securities offered under it, the securities and the purchase of securities and anything that stems from or is related to the Prospectus, the offer of securities under it, the securities and their purchase. Sole and exclusive jurisdiction in all matters stemming from them and/or with respect to them is with the authorized courts in Israel and with them alone.

This Prospectus was not submitted to the US Securities and Exchange Commission. The securities offered under this Prospectus are not registered in accordance with the US Securities Act, and it is prohibited to offer and/or sell them in the United States or to US Persons, unless they are registered in accordance with the US Securities Act, or if there is an exemption to the listing requirements under the US Securities Act. With respect to the shares deriving from conversion of debentures (Series A) and the shares from exercise of share purchase warrants (Series 1) and share purchase warrants (Series 2) such an exemption exists, subject to the caveats stipulated in American law regarding interested parties and officers.

The following are the main risk factors which may impact on the Company: **Factors related to the Company:** (1) In the past, the Company had an operating loss, and it is possible that it may also incur a loss in the future. (2) The results of the Company's activity may fluctuate significantly, and thus lead to fluctuations in share prices. (3) Legislative and regulatory uncertainty may significantly and negatively impact on the Company's licenses and may also have a negative effect on other aspects of the Company's business. (4) The markets in which the Company operates are highly competitive, and it is possible that the Company may not compete successfully. (5) A failure by the Company in effective management of the growth of its business may hurt its business. (6) The Company's strategy may not be successful in the future. (7) If the Company is not successful in developing its brands, it may not attract a sufficient number of customers for its services or enough traffic to its portals to enable it them to be successful. (8) A failure in establishing and retaining strategic and marketing relationships, as well as other relationships with third parties may limit the Company's ability to attract and retain users. (9) There is no guarantee the Company's investments in partnership agreements will prove successful. (10) Should the Company lose key figures or not be able to recruit additional employees, its business may be hurt. (11) Limitations on the Company's network capacity may prevent it from delivering service to its customers and may force it to expand the capacity of its network and systems. (12) Failures in our systems may disrupt services to our customers and may cause them to leave. (13) The Company is dependent on third-party systems and services to provide services to its customers. (14) The Company's international telephony services are subject to numerous additional risks, including risks with respect to its communications network. (15) Should the Company require additional capital, it may not be able to raise it under good conditions or at all. (16) The industry in which the Company operates is marked by rapid changes in technology and frequent launches of new products and services; the Company may not be able to keep up with the rapid pace of technological advancement or other changes. (17) Our success in the future is dependent on continued growth in Internet use, international telephony services and other related services in Israel. (18) The Company may not be able to secure wide market distribution of its services due to concerns regarding the reliability and security of Internet-based communication. (19) The Company may be held responsible for information secured through its services or through products and services sold on its portals. (20) Insufficient protection of the Company's intellectual property may prevent it from protecting its intellectual property or enforcing its rights in this respect.

Factors related to the Company's relationships with the Eurocom Group (organizations related to the controlling shareholder in the Company): (21) Subject to the law, a controlling shareholder in the Company, by virtue of his/her holdings of shares, may significantly impact on its business, including in ways which may go against the best interest of public shareholders.

Factors related to the Company's shares: (22) The value of the Company's shares is subject to much fluctuation and may decline. (23) The price of a share in the Company may be significantly and negatively impacted from the sale or assumption that certain shareholders will demand that Company sells their shares. (24) Provisions against takeovers may negatively affect the Company's shareholders.

Factors related to debentures (Series A): (25) The Company may not be able to meet payments to its creditors in the future.

Factors related to the Company's activity in Israel: (26) Management of the Company's business in Israel leads to a number of special risks. (27) The results of its activity may be negatively or positively impacted by the obligation its employees have to serve in the military. (28) The economic condition in Israel in recent years was not stable. (29) The Company's business may be affected by fluctuations in the exchange rate of the Israeli shekel. (30) The provisions of Israeli law may reject, prevent or make acquisition of the Company difficult, which may prevent a change in control of the Company and thus lead to a drop in the price of its stock. (31) The rights of the shareholders in the Company are regulated by the provisions of Israeli law, which in some respects is different from the rights and obligations on shareholders under US law.

For a full description of the risk factors affecting the Company, see Chapter 3 of the Prospectus.

The bylaws of the Company contain provisions with respect to Sections 50(A), 85, 87(A)(4) and 259 of the Companies Law, 5759-1999. See Chapter 10 of the Prospectus.

With respect to transactions between the Company and a company related to the controlling shareholder, see the Section regard Gold Trade (Electronics-Trade) Ltd. in the **About Us** section on page 6 of the Prospectus.

The offer of securities to the public under this Prospectus is underwritten (see Chapter 17 of the Prospectus). Total underwriting, management, distribution and other expenses related to this offer, including commissions to institutional investors are estimated at approximately 3.6% of the gross immediate consideration. With respect to obligation to indemnify the Company against the underwriters, see Section 17.4 of the Prospectus.

A court case has been filed against the trustee for the debentures (Series A). For detailed information, see Section 9.22.1 below.

Consortium managers and underwriters:

Poalim IBI Apax Underwriting Ltd.

Trustee for debentures (Series A): Investec Trust Company (Israel) Ltd.

Date of Prospectus: March 31, 2005

Permits

The Company has received all the permits, authorizations and licenses required by law governing the offer and issue of securities, and publication of this Prospectus.

A permit from the Securities Authority to publish this Prospectus does not constitute verification of its details or confirmation of their reliability or integrity, nor does it express an opinion as to the quality of the offered securities.

The Tel Aviv Stock Exchange Ltd. (hereinafter, the "Stock Exchange") has approved the listing of the debentures (Series A) under this Prospectus, and the shares derived from their conversion, the options (Series 1) and the shares derived from their exercise, the options (Series 2) and the shares derived from their exercise.

The approval from the Tel Aviv Stock Exchange does not constitute approval of the details contained in the Prospectus, or of their reliability or integrity, nor does it constitute an opinion of the Company or of the quality of the securities offered or of the price at which they are offered.

The listing of the securities offered under this Prospectus is contingent upon minimal distribution of the debentures (Series A), as set forth in Section 5.5.2.1 of the Prospectus.

The offer to the public under this Prospectus is made in Israel, solely to residents of Israel and is not intended for US residents. Any person purchasing securities according to this prospectus shall be deemed to have declared that he was not in the US at the time of submitting his request for the securities. No person is entitled to make any solicitation with respect to the securities offered under this Prospectus in the United States. The laws of the State of Israel alone shall apply to this Prospectus, the securities offered under it, the securities and the purchase of securities and anything that stems from or is related to the Prospectus, the offer of securities under it, the securities and their purchase. Sole and exclusive jurisdiction in all matters stemming from them and/or with respect to them is with the authorized courts in Israel and with them alone.

This Prospectus was not submitted to the US Securities and Exchange Commission. The securities offered under this Prospectus are not registered in accordance with the US Securities Act of 1933 ("US Securities Act") in the United States, and it is prohibited to offer and/or sell them in the United States or to US Persons, unless they are registered in accordance with the US Securities Act, or if there is an exemption to the listing requirements under the US Securities Act. With respect to the shares from conversion of debentures (Series A) and the shares deriving from exercise of share purchase warrants (Series 1) and share purchase warrants (Series 2) such an exemption exists, subject to the caveats stipulated in American law regarding interested parties and officers.

The decision to purchase the securities offered under this Prospectus should be made based solely on the information provided in it. The Company has not allowed any person and/or organization to provide information other than what is set forth in this Prospectus. The Prospectus is not an offer for securities in any country other than the State of Israel.

Exemption by the Israel Securities Authority

Section 35(XXIX) of the Securities Law, 5728-1968, (hereinafter, "Securities Law") stipulates, *inter alia*, that the Israel Securities Authority is entitled to issue exemptions to the provisions regarding information in the details, structure and form of a Prospectus, in whole or in part, to a corporation incorporated in Israel which is offering securities to the public if its securities are listed for trade on a foreign stock exchange.

The Israel Securities Authority exempted the Company from application of the Securities Provisions (Details, Structure and Form of a Prospectus), 5729-1969, with respect to this Prospectus (hereinafter, "Prospectus Details

Regulations" and "Authority Exemption", respectively). The Authority Exemption was conditioned upon the Company preparing the Prospectus in the same manner it would if it were issuing securities of the type offered to the public under this Prospectus in the US in accordance with the provisions of the US Securities Act of 1933.

In accordance with the Authority Exemption, the Company has prepared this Prospectus based on the requirements of the US Securities Act of 1933 and the regulations of the US Securities and Exchange Commission (SEC), on form F-2 (hereinafter, "Form F-2").

Accordingly, this Prospectus (including the documents it includes by way of reference), in all material respects, meets the requirements of Form F-2, with the exception of the following: Cover Page, Licenses, Public Offering chapter, Debenture Terms chapter, certain appendices and obligations that are not included in this Prospectus and which are not significant with respect to the public offer of securities to the Israeli public. It should be emphasized that this Prospectus was not submitted to the SEC and was not examined by it.

The following sections: "Permits", the Cover Page, "Public Offering" chapter, "Debenture Terms" chapter, "Share Purchase Warrants" chapter, "Underwriting" chapter, Legal Opinion in the Opinion Chapter and the prospectus signatures were prepared in Hebrew in accordance with the provisions of the Prospectus Details regulations.

The remaining prospectus chapters were prepared in the same manner the Company would have prepared it if it were issuing securities of the type offered here to the public in the US as aforementioned.

The Company's regular reports are in accordance with US law and in English, in accordance with the guidelines for dual listing defined in Chapter E3 of the Securities Law and the regulations enacted by virtue of it. Furthermore, under the Authority Exemption, the Company shall continue to report in accordance with said guidelines for dual listing as stated above.

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1. SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

The statements incorporated by reference or contained in this prospectus discuss our future expectations, contain projections of our results of operations or financial condition, include other forward-looking information and contains various "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and within the U.S. Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements (whether such statements actually declare themselves as such or not) reflect our current view with respect to future events and financial results. Forward-looking statements usually include the verbs "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "understands" and other verbs suggesting uncertainty. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry trends, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Various factors discussed in this prospectus, including, but not limited to, all the risks discussed in “Risk Factors” and in our other Securities Exchange Commission, or SEC and Israeli Securities Authority, or ISA filings may cause actual results or outcomes to differ materially from those expressed in forward-looking statements. You should read and interpret any forward-looking statements together with these documents.

Any forward-looking statement speaks only as of the date on which that statement is made. We will not update any forward-looking statement to reflect events or circumstances that occur after the date on which such statement is made.

You should carefully read this entire prospectus, including our prior filings with the SEC and the ISA, which accompany this prospectus. Unless otherwise indicated, all monetary amounts or financial figures in this prospectus are in New Israeli Shekels, or NIS.

2. PROSPECTUS SUMMARY

This section answers in summary form some questions you may have about us and the offerings under this Prospectus. Because it is a summary, it may not include all of the information that is important to you. You should read the entire prospectus carefully, especially the "Risk Factors" Chapter (Chapter 3) and the financial data contained elsewhere in this Prospectus or incorporated herein.

About Us

We were incorporated under the laws of the State of Israel in April 1992 under the name Euronet Golden Lines (1992) Ltd. In June 1999 we changed our name to Internet Gold - Golden Lines Ltd. We are a public limited liability company under the Israeli Companies Law 1999 and operate under this law and associated legislation. Our registered offices and principal place of business are located at 1 Alexander Yanai Street, Petach Tikva, Israel, and our telephone number is 972-3-939-9848. Our address on the Internet is www.zahav.net.il or www.zahav.msn.co.il. We also have an investor information site, at www.igld.com. The information on our websites is not incorporated by reference into this Prospectus.

We began our Internet access business in January 1996 under the brand name “Internet Gold.” We provide a wide array of Internet services tailored to meet the needs of our residential, small office and home office, or SOHO, and business subscribers, including Internet access and related value-added services, content and e-commerce activities through portals, as well as international telephony services. Our Internet access packages include basic access accounts, asymmetrical digital subscriber lines, or ADSL and cable services, virtual private networks, or VPN, ISDN dial-up accounts, leased and frame relay lines and dial-up networking. We also provide hosting, integration, technological services and value-added solutions.

In June 2004, the Israeli Ministry of Communications granted us a license to provide international telephony services with an international prefix code of 015, sometimes referred to as international telephony services, 015 international telephony services, or 015 Services. In August 2004, we launched the 015 international telephony services.

In November 2004, we received a license for the marketing experiment for the provision of internal telephony services. The license expires on November 30, 2005. Due to disagreements between the Ministry of Communications and Bezeq, we have not been able to act under the license.

The Internet Gold Group consists of us and several subsidiaries:

MSN Israel Ltd., or MSN Israel - our 50.1% owned joint venture with Microsoft Corporation (49.9% owned). MSN Israel manages the MSN Israel portal, offering Hebrew-reading Internet users MSN features such as personalized services, varied Internet content, e-commerce services (MSN Shops), four of Microsoft Internet leading platforms - “Hotmail,” “Messenger,” “Passport,” and "MSN Search" an Internet search engine as well as news. We agreed with Microsoft that we would invest in MSN Israel and be responsible for its operating losses and capital expenditures. We and Microsoft each has the right to terminate the agreement in case the cumulative losses of MSN Israel reach or exceed $10 million. In 2003, MSN Israel reached operating profitability as it developed new revenue channels such as Hosted Exchange, Hotmail's mail platform, and Messenger.In 2004 MSN Israel increased its revenues and profitability.

Gold Mind Ltd., or Gold Mind - a wholly owned subsidiary. Gold Mind is engaged in the marketing and sale of Internet contents and technologies, such as anti-virus and anti-spam services, value added services and virtual magazines and develop selected Internet content ventures. In addition, Gold Mind is the owner of one of Israel popular Internet interactive games website - Vgames (www.vgames.co.il) and of a leading Russian-language portal -

www.zahav.ru.

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Start Net Ltd., or Start - In November 2004, Gold Mind acquired 50% of the shares in Start from Ze'evi Computers & Technology Ltd., under a dissolution process. In December 2004 Gold Mind acquired the remaining 50% of Start's shares from MSN Israel. As per an agreement between Start and MSN Israel, MSN Israel manages the Start portal for Start. In March 2005, Start entered into an exclusive agreement with GOOP, one of Israel's most popular youth-oriented portals. Under this agreement, Start purchased all of GOOP's advertising properties until February 2007 (a period which will be automatically extended, unless otherwise notified by either party to the other), with an option for Start to discontinue the agreement after six months.

Nirshamim Lalimudim Ltd., or Nirshamim - In March 2005, Gold Mind acquired 50% of the shares of the Nirshamim, a company operating the Israeli portal "Nirshamim" (www.nirshamim.co.il). The remainder of the shares will continue to be held by Nirshamim's founders. Nirshamim is a leading academic portal in Israel, servicing the university and post-university sector. Nirshamim's revenues derive from advertising educational institutions.

Internet Gold International Ltd., or IGI - IGI engages in the promotion and advancement of cooperation activities with international corporations. Within the framework of such activities, IGI provides UUNET with Internet infrastructure segments for the benefit of UUNET's customers in Israel.

Gold Trade (Electronic Commerce) Ltd., or Gold Trade - In December 2004, we purchased all the outstanding shares in Gold-Trade from the founders of Gold Trade, including from Eurocom Marketing (an affiliated company). Gold Trade provides e-commerce services on its "P1000" mega-mall. In November 2004, Gold Trade's board of directors resolved to cease all its operations except for its e-commerce activity on the P-1000 website. Gold Trade also holds 50% of the rights in one of Israel most popular interactive book shop sites - www.dbook.co.il.

Our Strategy

In the fourth quarter of 2002, we adopted a more aggressive marketing policy in order to attract a greater number of broadband customers and have continued to implement this policy while continuing to keep tight control on our expenses. This strategy yielded a 54% increase in the number of broadband customers in 2004 as compared to 2003. We decided to continue this policy during 2005. In order to penetrate the international telephony market and retain customers, during the second half of 2004 we adopted an aggressive approach which included launching an advertising campaign in all media while offering customers fair prices, which were lower than the prices offered by the then current providers.

Ratio of Earnings to Fixed Charges

Under IS-GAAP

	Year ended December 31				
	2000	**2001**	**2002**	**2003**	**2004**
			(in thousands)		
Pre-tax earnings (loss) from continuing operations	**(71,840)**	**(13,019)**	**28,568**	**17,643**	**24,389**
Fixed charges	13,797	10,857	1,535	878	1,580
Company's share in net loss of investees			(1,530)	(1,538)	(396)
Minority interest in loss of a subsidiary	1	963			
Adjusted pre-tax earnings (loss) from continuing operations	(58,042)	(1,199)	28,573	16,983	25,573
Fixed charges					
Interest charges (1)	**13,274**	**10,129**	**719**	**(350)**	**38**
Rental interest factor (2)	**523**	**728**	**808**	**1,053**	**1,447**
Interest expense for equity companies whose debt is guaranteed	**-**	**-**	**8**	**175**	**95**
Total	13,797	10,857	1,535	878	1,580
Ratio of earning to fixed charges (3)	**-**	**-**	**18.61**	**19.34**	**16.19**

(1) Interest expenses and adjustment of long-term loan and leases - in 2003 we recorded earnings from long-term loans, which were adjusted to the US$/NIS exchange rate.

(2) Rental interest factor is calculated as one third of the total rent expenses.

(3) Earnings were insufficient to cover fixed charges requirements for the years ended December 31, 2000, 2001, by NIS 71.84 million and NIS 12.06 million, respectively.

Under US-GAAP

	Year ended December 31				
	2000	**2001**	**2002**	**2003**	**2004**
			(in thousands)		
Pre-tax earnings (loss) from continuing operations	**(77,391)**	**(11,879)**	**24,633**	**14,735**	**23,550**
Fixed charges	13,797	10,857	1,545	1,081	1,681
Company's share in net loss of investees					
Minority interest in loss of a subsidiary	6,482	5,647	2,418	2,204	3,312
Adjusted pre-tax earnings (loss) from continuing operations	(57,112)	4,625	28,596	18,020	28,543
Fixed charges					
Interest charges (1)	**13,274**	**10,129**	**737**	**28**	**234**
Rental interest factor (2)	**523**	**728**	**808**	**1,053**	**1,447**
Interest expense for equity companies whose debt is guaranteed	**-**	**-**			
Total	13,797	10,857	1,545	1,081	1,681
Ratio of earnings to fixed charges (3)	**-**	**-**	**18.51**	**16.67**	**16.98**

(1) Interest expenses and adjustment of long-term loan and leases - in 2003 we recorded earnings from long-term loans, which were adjusted to the US$/NIS exchange rate.

(2) Rental interest factor is calculated as one third of the total rent expenses.

(3) Earnings were insufficient to cover fixed charges requirements for the years ended December 31, 2000, 2001, by NIS 70.9 million and NIS 6.2 million, respectively.

Summary of the Terms of the Offering

The following is not intended to be complete. For a detailed description of the offering, please see Chapter 5 of the prospectus.

The securities we are offering under this Prospectus are as follows:

220,000,000 Debentures (Series A) of NIS 1 par value, repayable (principal) in 8 equal annual installments on April 1 of each of the years 2008 to 2015 (inclusive), bearing interest per year as shall be determined in the tender for the Debentures' interest and linked (principal and interest) to the Israeli consumer price index published on March 15, 2005 for February 2005. The interest will be paid every twelve months, on April 1 of each of the years 2006 to 2015 (inclusive). The Debentures are convertible to our ordinary shares on each trade day, as of the day they are registered until March 16, 2015 (inclusive, except for March 17 to April 1 of each of the years 2008 to 2014. The conversion price will be NIS 40 of Debentures per one of our ordinary shares until March 31, 2008, and NIS 50 of Debentures per one of our ordinary shares since April 1, 2008 until March 31, 2015 (all subject to adjustments as specified in section 9.14). Debentures (Series A) which will not be converted into ordinary shares until March 16, 2015 (inclusive) will not grant their holder a right to conversion.

1,500,000 Stock Purchase Warrants (Series 1), registered in the name of their owner, exercised into our ordinary shares of NIS 0.01 par value each, on each trade day as of June 1, 2005 until August 15, 2005 (inclusive). The exercise price will be NIS 32 per one of our ordinary shares, subject to adjustments as specified in section 10.11. Stock Purchase Warrants (Series 1) which will not be exercised into ordinary shares until August 15, 2005 (inclusive) will expire and become void and will not grant their holder any rights.

2,500,000 Stock Purchase Warrants (Series 2), registered in the name of their owner, exercised into our ordinary shares of NIS 0.01 par value each, on each trade day as of June 1, 2005 until October 15, 2007 (inclusive), except for the 12^{th} to the 16^{th} day of each month. The exercise price will be NIS 40 per one of our ordinary shares, linked to the consumer price index, and subject to adjustments as specified in section 10.11. Stock Purchase Warrants (Series 2) which will not be exercised into ordinary shares until October 15, 2007 (inclusive) will expire and become void and will not grant their holder any rights.

The Offering consists of 220,000,000 Debentures (Series A) together with 1,500,000 Stock Purchase Warrants (Series 1) together with 2,500,000 Stock Purchase Warrants (Series 2) offered to the public in 100,000 units (the "**Units**") by way of tender over the percentage of the Debentures' interest. The interest for the Debentures will not be higher than 5% (the "**Maximal Interest** ") and will not be lower than 4% (the "**Minimal Interest**")

The composition of every Unit is as follows:

2,200 Debentures (Series A)	NIS 2,200
15 Share Purchase Warrants (Series 1)	at no cost
25 Share Purchase Warrants (Series 2)	at no cost
Total Price Per Unit	NIS 2,200

THIS OFFERING IS BEING MADE EXCLUSIVELY IN ISRAEL TO RESIDENTS OF ISRAEL. NO PERSON IS AUTHORIZED TO MAKE ANY SELLING EFFORTS IN CONNECTION WITH THIS OFFERING IN THE UNITED STATES.

Use of Proceeds

The net proceeds that we will receive from this offering are estimated to be NIS 212.2 million (US $ 48.6 million) after deduction of the underwriters' fees and commissions and the estimated expenses of the offering.

We intend to use the net proceeds from the offering for general corporate purposes, as shall be from time to time determined by our board of directors.

We have explored and will continue to explore business opportunities and potential investments in the communication field. We believe that the proceeds from the offering will enable us to take advantage of structural changes in Israel's communications marketplace, giving rise to opportunities for us to increase our share in the markets in which we are currently active and to enter new markets. However, we cannot be sure whether any of these opportunities will become actual.

3. RISK FACTORS

An investment in our securities is speculative and involves a high degree of risk and uncertainty. Therefore, you should not invest in our securities unless you are able to bear a loss of your entire investment. You should carefully consider the following factors as well as the other information contained in this prospectus before deciding to invest in our securities. Factors that could cause actual results to differ from our expectations, statements or projections include the risks and uncertainties relating to our business described below. This Prospectus and statements that we may make from time to time may contain forward-looking information. There can be no assurance that actual results will not differ materially from our expectations, statements or projections. The information in this prospectus is complete and accurate as of this date, but the information may change after the date of this Prospectus.

Risks Relating to Internet Gold

We have experienced operating losses in the past and may incur losses in the future.

Although we have operated profitably since the third quarter of 2001, we cannot assure you that we will continue to be profitable. Most of our revenues have been derived from Internet access fees. As contemplated by our business plan, we intend to increase revenues derived from our various activities, and specifically, access fees for broadband services, provision of international telephony services, advertising on our portals and from e-commerce activities. These activities are expected to involve substantial sales and marketing expenses, and other costs.

We may be required to make additional investments in order to maintain or to improve the level of our services, which will impair our profitability and no assurance can be given that the services or any of them will be profitable.

We cannot assure you that we will be able to continue to successfully implement our business plan in the future.

Our operating results are likely to fluctuate significantly and may cause our share price to be volatile.

Our revenues and operating results may vary significantly from quarter to quarter. As a result, you should not rely on quarter-to-quarter comparisons of our revenues and operating results as an indication of our future performance. In addition, due to the volatility in our market we cannot predict our future revenues or results of operations accurately. It is possible that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. If this happens, the trading price of our securities is likely to fall.

We expect to be heavily dependent on revenues from subscribers using our Internet access services for the foreseeable future. As a result, our revenues will be affected by our ability to retain current subscribers and attract new profitable subscribers. Our residential subscribers have the option of discontinuing their subscriptions for any reason at any given month and our leased line subscribers have the option of discontinuing their subscriptions for any reason upon 30-days’ written notice. As a result, revenues can fluctuate from month to month without much advance notice. Some of our expense levels, such as selling and marketing expenses, are based, in part, on our expectations as to future revenues. To the extent our actual revenues are below expected revenues, we may be unable to adjust spending quickly enough to offset the shortfall in revenue, which may cause our business and financial results to suffer.

Regulatory and legal uncertainties could adversely affect the terms of our licenses and could harm other aspects of our business.

There have been various regulations and lawsuits, mainly in the United States, relating to the liability of Internet service providers for information carried on or through their services. The law in this area is unsettled and there may be new legislation and court decisions that expose companies such as ours to liabilities or affect their services. Additional laws and regulations may be adopted with respect to the Internet, covering issues such as content, user privacy, pricing, commerce, export and other controls. Regulatory developments could harm our business. Our Internet access business is subject to a license granted by the Israeli Ministry of Communications, which was renewed in January 2002 for an additional period of five years. The license grants us the right to provide Internet and related services, subject to several conditions mentioned in the license. The tendency of the Ministry of Communications not to limit the number of Internet service licenses is likely to increase competition, and may lead to a reduction in fees charged to subscribers. In April 2002 the Ministry of Communications granted the cable television network providers licenses permitting them to supply infrastructure for the provision of Internet access through the current ISPs, but does not allow them to become ISPs themselves. However, we cannot predict whether the cable television network providers will be allowed to become ISPs in the future or if their licenses may be amended in any way, and how this will affect us. In addition, we cannot assure you that unfavorable regulations would not adversely affect our business.

In June 2004, we received a license to provide international telephony services for a period of twenty years, commencing on the date of receipt of the license, which may be extended by the Ministry of Communications for additional 10-year periods. The license grants us the right to provide international telecommunication voice services and other related services, subject to several conditions mentioned in the license. We cannot be sure how the launch of the new international telephony services by Netvision Ltd. and Xfone Communication Ltd. or how the grant of additional licenses by the Ministry of Communications will affect us. In addition, we cannot assure you that unfavorable regulations would not adversely affect our business.

We may be exposed to substantial liabilities arising out of our business, especially those liabilities that are related to Internet activities. Currently, we have a professional liability insurance policy which may not cover all such exposure. In the event that we are found to be responsible for any such liability and/or required to pay for any damages resulting from any such responsibility, our business may be adversely affected.

The markets in which we operate are highly competitive and we may be unable to compete successfully.

ISP market. We operate in the Internet access services markets, which by their nature have low barriers to entry and are extremely competitive. We expect intense competition in our markets to continue in the future. Increased competition could require us to lower our prices, grant incentives to subscribers and increase our selling and marketing expenses and related subscriber acquisition costs, and could also result in increased subscriber cancellations, loss of visitors to our portals and lower advertising revenues. We may not be able to offset the effect of these increased costs through an increase in the number of our subscribers, subscriber revenues or revenues from other sources.

The ISP market in Israel is characterized by many participants. We also expect to face competition from telephone and cellular phone companies, cable television and DBS providers, wireless voice and data service providers and others. These companies could exploit their current established network infrastructure, high rate of penetration of households, and their ability to provide Internet access at significantly faster speeds and potentially include Internet access in their basic bundle of services or offer access for a nominal additional charge. In April 2002, the Ministry of Communications granted the cable television network providers licenses permitting supply of infrastructure for the provision of Internet access through the current ISPs, in addition to Bezeq's license. However, we cannot predict whether the cable television network providers or Bezeq will become ISPs and consequently our competitors in the future or how these licenses may be amended in the future and how this will affect us. Additional international ISPs may also enter the Israeli market.

Portal advertising. In order to attract advertisers, we need to continue to increase the amount of user traffic on our portals. Currently, there are other popular portals in Israel and many Israeli Internet users also use international portals, such as Yahoo! and MSN.com. We compete with these other portals, as well as other media, such as television, radio and print, for advertisers.

E-commerce. In 2004 there was extensive activity in the e-commerce market in Israel. The market is principally comprised of large retailers, importers of commercial products and manufacturers offering their own products and services over the Internet through their websites. There currently are very few companies that engage solely in e-commerce. Competition in e-commerce is intense and is likely to grow significantly as the e-commerce market evolves. We cannot guarantee that Gold Trade or MSN Israel will be successful, or that we will be able to compete effectively and succeed in this market.

International Telephony. The international telephony activity is highly competitive. The intense competition and the fact that the customers are generally sophisticated customers with little loyalty, require us to lower the prices for our international telephony services in order to remain competitive. We cannot be sure if this will enable us to remain profitable or how the intense competition will affect us.

Currently, the cellular telephony providers are restricted from providing international telephony services. The Ministry of Communications may grant them or other providers with additional licenses for the operation of international telephony services. We do not know how this will influence the competition in this market or how it will affect our ability to compete.

In addition, as per our license, we have to pay royalties to the Ministry of Communications for our use of frequencies, for operation and registration. The requirement to make royalties payments make it more difficult for us to offer competitive prices to our customers in comparison to unlicensed VOIP operators.

We expect the financial scope of the VoIP market in Israel will decrease in the coming years, as a result of the entrance of new competitors to the market, the cheap prices for the use of VoIP technology in comparison to the analog technology used in the past and because of various Internet software which allow free international communication on the Internet. We cannot evaluate the impact of these expected market changes and their affect on our ability to compete successfully.

Our failure to manage growth effectively could impair our business.

Our growth has placed, and is likely to continue to place, a significant strain on our operational, administrative and financial resources, including our system of internal controls that we have modified or are in the process of modifying to accommodate the expansion of our business. The demand on our network infrastructure, technical and customer support staff and other resources has grown with our expanding subscriber base and is expected to continue to grow as we expand our Internet, international telephony, our portals and our e-commerce business.

We cannot guarantee that our infrastructure, technical and customer support staff, operational and billing systems and other resources will adequately accommodate or facilitate the growth of our business. While we believe we have made adequate allowances for the costs and risks associated with our growth and activities, there is no guarantee that these allowances will be adequate, that our systems, procedures or controls will be sufficient to support our operations or that our management will be able to successfully offer and expand our services in Israel or internationally.

Our strategy may not succeed in the future.

Since the fourth quarter of 2002, the significant increase in demand for broadband was coupled with intense competition between all of the ISPs in Israel, which resulted in price reductions for services offered by all ISPs. Due to this market environment, we adopted a more aggressive marketing policy in order to attract a greater number of broadband customers while continuing to keep tight control on our expenses. This strategy yielded a 54% increase in the number of broadband customers in 2004 as compared to 2003. In order to penetrate the international telephony market and retain customers, we adopted an aggressive approach which included advertising in all media while offering the customers fair prices, which were lower than the prices offered by the then current providers. Although this strategy has been successful to date, we cannot assure you that this strategy will be successful in the future. Due to the price reductions, caused by the aggressive competition as well as the expenses associated with our marketing efforts to attract customers, our profitability may be negatively impacted.

If we do not successfully develop our brands we may be unable to attract enough customers to our services or sufficient traffic to our portals to become successful.

We must establish and strengthen awareness our brands and those of our subsidiaries. If we fail to create and maintain brand awareness, we are unlikely to attract enough customers to our Internet, international telephony and value added services or attract sufficient traffic to our portals to become attractive to advertisers and suppliers of products and services. Brand recognition may become even more important in the future with the growing number of Internet sites and Internet-based communications providers.

We intend to continue to pursue a brand-enhancement strategy, which may include joint marketing programs and mass market and multimedia advertising, promotional programs and public relations activities. These initiatives will involve significant expenses. If our brand enhancement strategy is unsuccessful, our sales and marketing expenses may never be recovered and we may be unable to increase future revenues. Successful positioning of our brand and the other brands associated with each of our services will largely depend on:

· the success of our joint marketing programs, advertising and promotional efforts; and

· our ability to design and maintain attractive, user-friendly portals.

Failure to establish and maintain strategic, marketing and other third-party relationships could limit our ability to attract and retain users.

We have focused on and expect to continue to focus on the establishment of relationships with technology providers, importers of commercial products, retailers and other suppliers of products and services that we may sell. Because our agreements with third parties are generally short-term and non-exclusive, our competitors may seek to use the same partners that we do or attempt to adversely impact our relationships with our partners. In addition, some of our joint marketing agreements are based on oral understandings and not written agreements and so may be terminated at any time. We may not be able to maintain our third-party relationships or replace them on favorable terms. If our relationship partners fail to perform their obligations, reduce their business with us, choose to compete with us or provide their services to a competitor, we may have more difficulty building our subscriber base and attracting and maintaining visitors to our portals, and as a result our business and financial results may suffer. Also, our efforts to establish new relationships in the future may not be successful, which could affect the growth of our business.

There can be no assurance that our investments in cooperation agreements will be successful.

A key element of our strategy is to enter into cooperation agreements. To date, we have entered into various cooperation agreements, including our establishment of MSN Israel with Microsoft Corporation. Our future success depends in part on the ultimate success of these cooperation agreements. The failure of one or more of our key joint venture investments could have a material adverse effect on our business, financial condition and results of operation.

Although we view our joint venture investments as key factors in our overall business strategy, there can be no assurance that the other parties to these agreements view their relationships with us as significant to their ongoing business or that they will not reassess their commitment to us at any time in the future. Our results of operations could be materially adversely affected by changes in the financial condition of a key joint venture participant.

If we lose our key personnel or cannot recruit additional personnel, our business may suffer.

Our success depends, to a significant extent, upon the continuing performance and services of our executive officers and other key employees. Specifically, Eli Holtzman, our chief executive officer, has been with us since our inception and has considerable experience in managing our business. Since we launched our Internet business in 1996, we (excluding our subsidiaries) have expanded from 99 employees as of December 31, 1996 to 835 full-time and part-time employees as of December 31, 2004, including a number of key managerial, marketing, planning, financial, technical and operations personnel. Most of these individuals have not previously worked together and need to be integrated as management and technology teams. As a result, our senior managers and technical personnel may not work together effectively as a team to successfully manage our growth. Our performance is substantially dependent on our ability to retain, motivate and successfully integrate our senior management and other key employees. We do not have “key person” life insurance policies on any of our key personnel.

Network capacity constraints may impede our service to subscribers and require us to expand our network and systems.

Capacity constraints within our network and those of our suppliers have occurred in the past and will likely occur in the future. Such constraints may prevent subscribers from gaining access to our system and system-wide services such as e-mail and news group services and cause subscriber cancellations and adverse publicity.

As the number of our subscribers using broadband services and the amount and type of information they wish to transmit over the Internet increases, we will need to significantly expand and upgrade our technology, processing systems and network infrastructure, which could be expensive and involve substantial management time. We do not know whether we will be able to accurately project the rate or timing of any such increases, or expand and upgrade our systems and infrastructure on time. The operation of broadband services through ADSL and cable technology is affecting our international bandwidth needs. As of March 15, 2005 our international bandwidth infrastructure had grown by 400% from the time we started to provide broadband services. In order to preserve the current service level to an increasing number of broadband customers, we may be required to extend our bandwidth by additional 30% by the end of 2005.

A system failure could interrupt service to our subscribers and may result in subscriber cancellations.

Our business depends on the efficient and uninterrupted operation of our computer and hardware and software systems. In addition, sophisticated information systems are vital to our growth and our ability to monitor costs, bill and receive payments from customers, reduce credit exposure and achieve operating efficiencies. Any system failure that causes an interruption in service or decreases the responsiveness of our network, could impair our reputation, damage our brand name, lead to subscriber dissatisfaction and cancellations and reduce our revenues. Our systems and equipment are subject to hardware defects, software bugs and network failures that may be beyond our control. At times, for example, our systems and equipment have experienced failures, which temporarily prevented customers from using our services or accessing the Internet. We are currently in the process of replacing our billing and CRM systems and may incur problems in the transition period.

Our operations depend on our ability to successfully expand our network and integrate new technologies and equipment into our network. Accordingly, we face an increased risk of system failure and difficulty in making new features available.

We use network components located both in Israel and abroad, which must interact successfully without delay or interruption to provide service to subscribers. Our systems and operations are vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunications failures, break-ins, sabotage, computer viruses, intentional acts of web vandalism and similar events. Any of these events could expose us to a material risk of loss or litigation. In addition, if a computer virus, sabotage or other failure affecting our system is highly publicized, our reputation could be damaged and subscriber growth and portal visits could decrease. While we currently have partially redundant systems, we do not have full redundancy, a formal disaster recovery plan or alternative providers of hosting services. In addition, we do not carry sufficient natural disaster or business interruption insurance to compensate for losses that could occur.

We depend on third-party systems and service providers for our network to provide our customers with our services.

We rely on certain third-party computer systems, networks and third-party service providers, including local and long distance telecommunications companies such as Bezeq, Bezeq International, Barak, MCI, PCCW-BTN and Med1 for leased lines. All Internet access by our customers is, and will continue to be, connected through leased lines from local and long distance telecommunications carriers.

Internet access by our customers is dependent on the telecommunications infrastructure owned and maintained by Bezeq and the local cable companies. Bezeq has suffered work stoppages on several occasions in recent years as a result of conflicts with its unionized employees. These work stoppages resulted in several days of interruption to the services we provide. In addition, at times Bezeq and the local cable companies have suffered technical network failures. If our subscribers' access to Israel's fixed-line telecommunications infrastructure was disrupted, it would significantly impact the services that we provide to our subscribers and could result in a substantial reduction in Internet access volume and revenue. An increase in our cost of access to Israel's fixed-line telecommunications infrastructure could also adversely impact our results of operations. We also depend on third parties for physical repair and maintenance of leased lines. If an interruption or deterioration in performance in these third-party services occurs, our services may be disrupted or become less profitable.

Many of our relationships with third party providers are terminable upon short notice. In addition, many of our third party suppliers and telecommunications carriers sell or lease products and services to our competitors and may be, or in the future may become, competitors themselves. Subject to various government regulations, our third party suppliers and telecommunications carriers could enter into exclusive arrangements with our competitors or stop selling products and services to us. If any of our arrangements with third parties is terminated, we may not be able to replace them, on commercially reasonable terms, or at all.

Our international telephony services are subject to numerous additional risks, including risks relating to our network.

Our soft switch system is a highly complex computer system. Although it has been built with redundancy in mind, it is built to handle only one fault at a time. Two faults occurring at the same time may severely affect our service.

Also, as the world of voice over IP continues to evolve, we are faced with the risks associated with the use of new software.

Our international telephony service is based upon the operation of our soft switch system. This system is developed and supported by Veraz Networks. Although our engineering staff is highly trained to support the system, there are numerous functions that they are unable to perform by themselves. If the level of service we get from Veraz will decrease, it might adversely impact our ability to properly maintain our system and therefore have direct affect on our service.

We do not have a direct connection to all the destinations around the world, we depend on business partners to connect calls generated from our services by our customers to their final destination worldwide. Our level of service is totally dependent on the level of service we get from our international partners, both from the call completion perspective as well as from call quality perspective. Although we make extensive efforts in order to assure the quality of the calls as well as the world spread of our services, we cannot be sure that our partners will provide adequate level of service, that in such case we will be able to successfully replace the partner or that we will be able to maintain and increase the world spread of our services.

We are neither a local telephone service provider nor a cellular provider, and are dependent on those providers in order to enable our customers to access our service. Therefore we are exposed to any change in their services and in the service level we get from those providers.

If we require additional capital, we may be unable to raise it on favorable terms or at all.

In the future, we may need to raise additional funds in order to fund expansion, develop new or enhanced services, or respond to competitive pressures. The availability of funds for future expansion and the development of new or enhanced services will depend upon a number of factors including our operating performance, investor interest and marketing conditions. If we raise additional funds by issuing equity or convertible debt securities, the holdings of our shareholders will be diluted and their ownership percentage will be reduced. Furthermore, any new securities could have rights, preferences and privileges senior to those of the ordinary shares.

In addition, we may require additional substantial funding in the future to develop and expand the business of MSN Israel. We agreed to invest in MSN Israel and be responsible for its operating losses and capital expenditures. We and Microsoft each has the right to terminate the agreement in case the cumulative losses of MSN Israel reach or exceed $10 million. Although MSN Israel is currently profitable, we cannot predict what these cost could be. We cannot be certain that additional financing will be available when and to the extent required or that, if available, it will be on acceptable terms. If we do not invest additional funds, if and when required, we shall be in breach of our agreement with Microsoft Corp.

The industry in which we operate is characterized by rapid technological changes and frequent new product and service introductions; we may not be able to keep up with these rapid technological and other changes.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, frequent new product and service announcements, introductions and enhancements and changing consumer demands. These new products, services and technologies may be superior to the services and technologies that we use, and may render our services and technologies obsolete or require us to incur substantial expenditures to modify or adapt our products, services or technologies. Our future success will depend on our ability to continually improve the performance, features and reliability of our Internet, international telephony and other services in response to competitive service and product offerings and the evolving demands of the marketplace.

Our future success depends on the continued growth in the use of the Internet, international telephony services and other related services in Israel.

We rely on revenues generated from the sale of Internet-access, international telephony, portal advertising and related services, and, to a limited extent, e-commerce. If acceptance and growth of Internet use and services do not occur or Internet use declines, our business and financial results will suffer. Alternatively, if Internet usage grows, the Internet infrastructure may not be able to support the demands placed on it by such growth or its performance or reliability may decline.

We may not achieve broad market acceptance of our services due to concerns about the reliability and security of Internet communications.

The secure transmission of confidential information, such as credit card numbers, over the Internet is essential in maintaining users' confidence in our services. We rely on licensed encryption and authentication technology to securely transmit confidential information, including credit card numbers. It is possible that advances in computer capabilities, new discoveries or other developments could result in a compromise or breach of the technology used by us to protect user transaction data. We incur substantial expenses to protect against and remedy security breaches and their consequences. A party that is able to bypass our security systems could steal proprietary information or cause interruptions in our operations. Security breaches also could damage our reputation and expose us to a risk of loss or litigation and possible liability. Our insurance policies have coverage limits, which may not be adequate to reimburse us for losses caused by security breaches. We cannot guarantee that our security measures will prevent security breaches.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Users generally are concerned with security and privacy on the Internet and any publicized security problems could inhibit the growth of the Internet and therefore our services, as a means of conducting commercial business transactions.

We face potential liability for information accessed and products and services sold through our portals.

We could become liable for false or misleading information accessed through our portals and for defective products and services sold as part of our business. The potential liability of ISPs and portals such as ours for information accessed through their portals is uncertain. It is possible that claims may be filed against us based on defamation, obscenity, negligence, copyright or trademark infringement or other theories. These types of claims have been brought, sometimes successfully, against providers of Internet services in the past.

Gold Trade and MSN Israel are involved in the sale of products and services by third parties over the Internet (e-commerce). If these products or services were defective or were manufactured or supplied in breach of others' intellectual property rights, Gold Trade and MSN Israel could be liable to customers who purchase these products or services or to the owners of the intellectual property.

Although we attempt to reduce our liability through contractual indemnification from our suppliers and disclaimers, there is no guarantee that we would be successful in protecting ourselves against this type of liability. Even if we ultimately succeeded, legal action against us would divert management time and resources, could be costly and is likely to generate negative publicity for our portals and our business generally. We may also be forced to implement expensive measures to alter the way our services are provided to avoid any further liability.

Inadequate intellectual property protection could prevent us from enforcing or defending our intellectual property.

We have various trademark applications, trade secrets and copyrightable materials, as well as domain names and licenses to use third party software. If we are not successful in protecting our intellectual property, our business and financial results could suffer.

Trademarks. In order to refresh our image, as well as part of our preparations for the provision of international telephony services, we changed our logos and applied for their registration as trademarks in Israel. There is no guarantee that these trademarks will be registered or that we will obtain registration of other trademarks for which we may seek protection in the future.

Domain Names. We currently hold numerous Internet domain names, including the following: “zahav.net.il,” “inter.net.il,” “internet-zahav.net.il,” “zahav.msn.co.il,” “igld.com,” “gold.net.il,” “access.net.il,” “smile.net.il,” “Vgames.co.il” “hicareer.co. various other related names. MSN Israel holds the Internet domain names: “msn.co.il,” “start.msn.co.il,” “start.co.il,” “smsn.co.il,” “mediacenter.co.il,” “igold.net.il,” “msn.net.il”, “msnone.net.il,” “msnnews2.co.il,” “msnmobile.co.il,” “hero.co.i “ilovemessenger.co.il” and “zahav.ru” and has the right to use the domain name “hotmail.co.il.” Goldtrade holds the Internet domain names: “p1000.co.il,” and "p2000.co.il" and Start holds the Internet Domain name of "msnshops.co.il." Domain names generally are regulated by Internet regulatory bodies. The regulation of domain names in Israel and other countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. *Licenses.* We have obtained licenses to bundle various third party software products in our front-end configuration software product. We cannot guarantee that renewals of these licenses or any licenses of additional software, which may be required, will be available as needed. While third party licensors have represented to us that they have the right to license such software and in some cases agreed to indemnify us, we cannot guarantee that our use of third party software does not infringe the rights of others. Any infringement claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Risks Relating to Our Relationship with the Eurocom Group

Our principal shareholder owns a controlling interest in our company and is able to exercise significant influence over our business, including ways which may be adverse to our public shareholders.

Our controlling shareholder, Euronet Communications Ltd., holds 68.81% of our ordinary shares. Euronet Communications is a wholly owned subsidiary of Eurocom Communications Ltd., which is a 50.33% owned subsidiary of Eurocom Holdings Ltd. (an additional 0.67% interest is owned by Mr. Shaul Elovitch, our chairman, and the chairman of the board of directors of Eurocom Holdings Ltd.). As a result, Eurocom Communications and Eurocom Holdings will continue to be able to exercise considerable influence over our operations and business strategy and control the outcome of all matters involving shareholder approval, although their holding in us may be diluted following this Offering, including:

- the composition of our board of directors including the appointment and removal of officers;
- mergers or other business combinations involving us;
- acquisitions or dispositions of our assets;

- future issuances of our ordinary shares or other securities;
- our incurrence of debt;
- various agreements, amendments, waivers and modifications to the agreements between us and Eurocom Communications, Eurocom Holdings and their affiliates; and
- payments of dividends on our ordinary shares.

There may be conflicts of interest between our controlling shareholder and us.

Our relationship with Eurocom Communications may eliminate or reduce some opportunities for revenue growth and reducing costs. Eurocom Communications, which indirectly controls us, or its affiliates could prevent us from entering into commercial relationships with third parties, such as its competitors, additionally its competitors may choose not to enter into commercial relationships with us because of our close relationship with Eurocom Communications and its affiliates.

Some of our directors are also directors, officers or employees of Eurocom Communications and own its equity securities. Accordingly, conflicts of interest may arise from time to time between their interests in Eurocom Communications and us particularly with respect to our contractual relationships and the pursuit of overlapping corporate opportunities. We have not adopted any formal plan or arrangement to address such potential conflicts of interest and intend to review related-party transactions with Eurocom Communications or any of its affiliates in accordance with the provisions of the law, on a case-by-case basis.

Because we have interlocking directors with Eurocom Communications, there also may be inherent conflicts of interest when such directors make decisions related to transactions between Eurocom Communications or its affiliates and us. We could lose valuable management input from such conflicted directors and officers.

Risk Related to Our Ordinary Shares

Our share price has been very volatile, and may decline.

The market price of our ordinary shares is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

- quarterly variations in our operating results;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- changes in market valuations of other Internet or online service companies;
- announcements of technological innovations or new services by us or our competitors;

· announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

· changes in the status of our intellectual property rights;

· announcements by third parties of significant claims or proceedings against us;

· additions or departures of key personnel;

· future sales of our ordinary shares; and

· stock market price and volume fluctuations.

Domestic and international stock markets often experience extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate or currency rate fluctuations or political events or hostilities in or surrounding Israel, could adversely affect the market price of our ordinary shares.

Our share price could be adversely affected by the sale or the perception that certain shareholders could require us to sell their shares.

Prior to our IPO we granted Euronet Communications and other shareholders, who together hold 69.7% of our ordinary shares, registration rights under the U.S. Securities Act with respect to their shares, giving them rights to:

· include their shares in any registration statement filed by us following our 1999 initial public offering excluding any registration of employees' shares on Form S-8 or a similar form; and

· demand registration of their shares at any time after February 2000, in each case subject to certain conditions.

Following such registration, these shares will be available for sale in the open market. We cannot predict if future sales of our ordinary shares, or the availability of our ordinary shares for sale, will adversely affect the market price of our ordinary shares or our ability to raise capital by offering equity securities.

Anti-takeover provisions could negatively impact our shareholders.

Provisions of Israeli law, our articles of association and the terms of our licenses may have the effect of delaying, preventing or making more difficult a merger or other acquisition of us, even if doing so would be beneficial to our shareholders. Specifically, under the terms of our licenses, any change of control requires the consent of the Israeli Ministry of Communications. In addition, the approval of the General Director of the Israeli Antitrust Authority may be required.

Under our articles of association, directors elected at the annual general meeting of our shareholders are classified into three classes. At each annual general meeting of shareholders, only directors for the class whose term is expiring will be up for election, and upon election such directors will serve a three-year term. The outside directors are not classified into the three classes stated above, and their term of appointment expires as provided by the Israeli Companies Law.

Israeli law regulates mergers, votes required to approve a merger, acquisition of shares through tender offers and transactions involving significant shareholders. Anti-takeover provisions could negatively impact our shareholders. Some of the provisions of Israeli law could:

- discourage potential acquisition proposals;
- delay or prevent a change in control over us; and
- limit the price that investors might be willing to pay in the future for our ordinary shares.

Generally, under Israeli corporate law, a merger must be approved by the board of directors and the shareholders of each of the merging companies. If the share capital of the non-surviving company consists of more than one class of shares, the approval of each class is also required. Further, if the company was incorporated before February 1, 2000, as we were, the approval of the merger requires a majority of 75% of the shareholders present and voting at a meeting, unless such company amends its bylaws to require a different voting requirement. In certain cases, court approval is also required. Under the Companies Law, a merger may be completed only after 70 days have elapsed from the date all the necessary approvals and the merger proposals have been submitted to the Israeli Companies Registrar. The Companies Law also provides that an acquisition of shares of a public company must be made by means of a tender offer if, as a result of such acquisition, the purchaser would become a 25% or more shareholder of the company. This rule does not apply if there is already another 25% shareholder of the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of tender offer if, as a result of the acquisition, the purchaser would become a 45% shareholder of the company, unless someone else already holds a majority of the voting power of the company. The purchase of shares leading to a 90% holding or more requires a full tender offer. These rules do not apply if the acquisition is made by way of a merger. Regulations promulgated under the Companies Law provide that, generally, these provisions do not apply to companies whose shares are listed for trading outside of Israel in certain stock exchanges. The requirements of Israeli corporate law generally make these forms of acquisition significantly more difficult than under United States corporate laws. Other potential means of acquiring a public Israeli company might involve significant obstacles, such as a requirement for court approval for the acquisition. In addition, a body of case law has not yet developed with respect to the Companies Law. Until this happens, uncertainties will exist regarding its interpretation.

Finally, Israeli tax law treats some acquisitions, particularly stock-for-stock swaps between an Israeli company and a foreign company, less favorably than United States tax law. Israeli tax law may, for instance, subject a shareholder who exchanges his or her shares in us for shares in a foreign corporation to immediate taxation.

These provisions of Israeli corporate and tax law and the uncertainties surrounding such law may have the effect of delaying, preventing or making more difficult a merger or acquisition involving our company. This could prevent a change of control in our company and depress the market price of our ordinary shares that might otherwise rise as a result of such change of control.

Risks Related to Our Debentures (Series A)

We may not be able to make our debt payments in the future.

Our ability to meet our debt obligations will depend on whether we can successfully implement our strategy, as well as on financial, competitive, legal, regulatory and technical factors, including some factors that are beyond our control.

In addition, if we are unable to generate sufficient cash flow from operations to meet principal and interest payments on our debt, we may have to refinance all or part of our indebtedness. Furthermore, cash flows from our operations may be insufficient to repay in full at maturity the Debentures (Series A). Our ability to refinance our indebtedness, including the Notes, will depend on, among other things:

§ Our financial condition at the time,

§ Restrictions in agreements governing our debt and

§ Other factors, including market conditions.

We cannot ensure you that any such refinancing would be possible on terms that we could accept or that we could obtain additional financing. If refinancing will not be possible or if additional financing will not be available, we may have to sell our assets under circumstances that might not yield the highest prices, or default on our debt obligations, including the Debentures (Series A), which would permit the holders of our Debentures (Series A) to accelerate their maturity dates.

Risks Related to Our Operation in Israel

Conducting business in Israel entails special risks.

We are incorporated and based in, and currently derive all our revenues from markets within the State of Israel. Accordingly, we are directly influenced by the political, economic and military conditions affecting Israel. Specifically, we could be adversely affected by any major hostilities involving Israel, a full or partial mobilization of the reserve forces of the Israeli army, the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel.

Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, and a state of hostility, varying from time to time in intensity and degree, has led to security and economic problems for Israel. Since September 2000, there has been a marked increase in violence, civil unrest and hostility, including armed clashes, between the State of Israel and the Palestinians, and acts of terror have been committed inside Israel and against Israeli targets in the West Bank and Gaza. There is no indication as to how long the current hostilities will last or whether there will be any further escalation. Any further escalation in these hostilities or any future armed conflict, political instability or violence in the region may have a negative effect on our business condition, harm our results of operations and adversely affect our share price. Furthermore, there are a number of countries that restrict business with Israel or Israeli companies. Restrictive laws or policies of those countries directed towards Israel or Israeli businesses may have an adverse impact on our operations, our financial results or the expansion of our business.

Our results of operations may be negatively affected by the obligation of our personnel to perform military service.

Many of our executive officers and employees in Israel are obligated to perform up to 36 days, depending on rank and position, of military reserve duty annually and are subject to being called for active duty under emergency circumstances. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. Our operations could be disrupted by the absence for a significant period of one or more of our executive officers or key employees or a significant number of other employees due to military service. Any disruption in our operations could adversely affect our business.

The economic conditions in Israel have not been stable in recent years.
In recent years Israel has gone through a period of recession in economic activity, resulting in low growth rates and growing unemployment. Our operations could be adversely affected if the economic conditions in Israel continue to deteriorate. In addition, due to significant economic measures proposed by the Israeli Government, there have been several general strikes and work stoppages in 2004, affecting all banks, airports and ports. These strikes have had an adverse effect on the Israeli economy and on business, including our ability to deliver products to our customers. Following the passage by the Israeli Parliament of laws to implement the economic measures, the Israeli trade unions have threatened further strikes or work-stoppages, and these may have a material adverse effect on the Israeli economy and on us.

Our business may be impacted by NIS exchange rate fluctuations.

Most of our communications and advertising costs are quoted in U.S. dollars. As of June 13, 2002 we are required by law to state our prices in NIS to our residential and SOHO customers. Furthermore, if we expand our business into other countries, we may earn additional revenue and incur additional expenses in other currencies. We also have U.S. dollar denominated liabilities (rights of use leasing obligations for our international lines). In future periods, our dollar assets (deposits) and our dollar denominated liabilities might commercially serve as partial economic hedge against future exchange rate fluctuations. Because all foreign currencies do not fluctuate in the same manner, we cannot quantify the effect of exchange rate fluctuations on our future financial condition or results of operations.

A substantial devaluation of the NIS in relation to the dollar would substantially increase the cost of our services to Israelis, who pay us in NIS, and is likely to result in subscriber cancellations and a reduction in Internet use and e-commerce in Israel.

Provisions of Israeli law may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and therefore depress the price of our shares.

Provisions of Israeli corporate and tax law may have the effect of delaying, preventing or making more difficult a merger with, or other acquisition of, us. This could cause our ordinary shares to trade at prices below the price for which third parties might be willing to pay to gain control of us. Third parties who are otherwise willing to pay a premium over prevailing market prices to gain control of us may be unable or unwilling to do so because of these provisions of Israeli law.

Your rights and responsibilities as a shareholder will be governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our memorandum of association, our articles of association and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters.

4. RATIO OF EARNINGS TO FIXED CHARGES

Under IS-GAAP

	Year ended December 31				
	2000	**2001**	**2002**	**2003**	**2004**
			(in thousands)		
Pre-tax earnings (loss) from continuing operations	**(71,840)**	**(13,019)**	**28,568**	**17,643**	**24,389**
Fixed charges	13,797	10,857	1,535	878	1,580
Company's share in net loss of investees			(1,530)	(1,538)	(396)
Minority interest in loss of a subsidiary	1	963			
Adjusted pre-tax earnings (loss) from continuing operations	(58,042)	(1,199)	28,573	16,983	25,573
Fixed charges					
Interest charges (1)	**13,274**	**10,129**	**719**	**(350)**	**38**
Rental interest factor (2)	**523**	**728**	**808**	**1,053**	**1,447**
Interest expense for equity companies whose debt is guaranteed	**-**	**-**	**8**	**175**	**95**
Total	13,797	10,857	1,535	878	1,580
Ratio of earnings to fixed charges (3)	**-**	**-**	**18.61**	**19.34**	**16.19**

(1) Interest expenses and adjustment of long-term loan and leases - in 2003 we recorded earnings from long-term loans, which were adjusted to the US$/NIS exchange rate.

(2) Rental interest factor is calculated as one third of the total rent expenses.

(3) Earnings were insufficient to cover fixed charges requirements for the years ended December 31, 2000, 2001, by NIS 71.84 million and NIS 12.06 million, respectively.

Under US-GAAP

	Year ended December 31				
	2000	**2001**	**2002**	**2003**	**2004**
			(in thousands)		
Pre-tax earnings (loss) from continuing operations	**(77,391)**	**(11,879)**	**24,633**	**14,735**	**23,550**
Fixed charges	13,797	10,857	1,545	1,081	1,681
Company's share in net loss of investees					
Minority interest in loss of a subsidiary	6,482	5,647	2,418	2,204	3,312
Adjusted pre-tax earnings (loss) from continuing operations	(57,112)	4,625	28,596	18,020	28,543
Fixed charges					
Interest charges (1)	**13,274**	**10,129**	**737**	**28**	**234**
Rental interest factor (2)	**523**	**728**	**808**	**1,053**	**1,447**
Interest expense for equity companies whose debt is guaranteed	**-**	**-**			
Total	13,797	10,857	1,545	1,081	1,681
Ratio of earning to fixed charges (3)	**-**	**-**	**18.51**	**16.67**	**16.98**

(1) Interest expenses and adjustment of long-term loan and leases - in 2003 we recorded earnings from long-term loans, which were adjusted to the US$/NIS exchange rate.

(2) Rental interest factor is calculated as one third of the total rent expenses.

(3) Earnings were insufficient to cover fixed charges requirements for the years ended December 31, 2000, 2001, by NIS 70.9 million and NIS 6.2 million, respectively.

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5. INFORMATION ABOUT THE OFFERING

The securities we are offering under this Prospectus are as follows:

1. 220,000,000 Debentures (Series A) of NIS 1 par value, repayable (principal) in 8 equal annual installments on April 1 of each of the years 2008 to 2015 (inclusive), bearing interest per year as shall be determined in the tender for the Debentures' interest and linked (principal and interest) to the Israeli consumer price index published on March 15, 2005 for February 2005. The interest will be paid every twelve months, on April 1 of each of the years 2006 to 2015 (inclusive). The Debentures are convertible to our ordinary shares on each trade day, as of the day they are registered until March 16, 2015 (inclusive, except for March 17 to April 1 of each of the years 2008 to 2014. The conversion price will be NIS 40 of Debentures per one of our ordinary shares until March 31, 2008, and NIS 50 of Debentures per one of our ordinary shares since April 1, 2008 until March 31, 2015 (all subject to adjustments as specified in section 9.14). Debentures (Series A) which will not be converted into ordinary shares until March 16, 2015 (inclusive) will not grant their holder a right to conversion.

2. 1,500,000 Stock Purchase Warrants (Series 1), registered in the name of their owner, exercised into our ordinary shares of NIS 0.01 par value each, on each trade day as of June 1, 2005 until August 15, 2005 (inclusive). The exercise price will be NIS 32 per one of our ordinary shares, subject to adjustments as specified in section 10.11. Stock Purchase Warrants (Series 1) which will not be exercised into ordinary shares until August 15, 2005 (inclusive) will expire and become void and will not grant their holder any rights.

3. 2,500,000 Stock Purchase Warrants (Series 2), registered in the name of their owner, exercised into our ordinary shares of NIS 0.01 par value each, on each trade day as of June 1, 2005 until October 15, 2007 (inclusive), except for the 12^{th} to the 16^{th} day of each month. The exercise price will be NIS 40 per one of our ordinary shares, linked to the consumer price index, and subject to adjustments as specified in section 10.11. Stock Purchase Warrants (Series 2) which will not be exercised into ordinary shares until October 15, 2007 (inclusive) will expire and become void and will not grant their holder any rights.

The Offering consists of 220,000,000 Debentures (Series A) together with 1,500,000 Stock Purchase Warrants (Series 1) together with 2,500,000 Stock Purchase Warrants (Series 2) offered to the public in 100,000 units (the “**Units**”) by way of tender over the percentage of the Debentures' interest. The interest for the Debentures will not be higher than 5% (the “**Maximal Interest** ”) and will not be lower than 4% (the “**Minimal Interest**”)

The composition of every Unit is as follows:

2,200 Debentures (Series A)	NIS 2,200
15 Share Purchase Warrants (Series 1)	at no cost
25 Share Purchase Warrants (Series 2)	at no cost
Total Price Per Unit	NIS 2,200

THIS OFFERING IS BEING MADE EXCLUSIVELY IN ISRAEL TO RESIDENTS OF ISRAEL. NO PERSON IS AUTHORIZED TO MAKE ANY SELLING EFFORTS IN CONNECTION WITH THIS OFFERING IN THE UNITED STATES.

The complete details of the offering appear in pages 33 to 54.

CAPITALIZATION AND INDEBTNESS

The following table sets forth our consolidated capitalization and indebtness as of December 31, 2004. You should read this table together with our audited consolidated financial statements and related notes incorporated by reference in this Prospectus. There has been no material change in our shareholders' equity and total capitalization since December 31, 2004.

	As of December 31 2004	Convenience translation into US Dollars
	Consolidated (in thousands)	
Shareholders' equity		
Ordinary shares, NIS 0.01 par value (501,000,000 shares authorized; 18,431,500 shares issued and fully paid as at December 31, 2004)	**197**	**46**
Additional paid in capital	**215,040**	**49,916**
Accumulated deficit*	**(93,344)**	**(21,667)**
Total shareholders' equity	**121,893**	**28,295**

* includes capital reserve of NIS 15.7 million (US$ 3.6 million) from the purchase of investee company from a related party.

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USE OF PROCEEDS

The net proceeds that we will receive from this offering are estimated to be NIS 212.2 million (US $ 48.6 million) after deduction of the underwriters' fees and commissions and the estimated expenses of the offering.

We intend to use the net proceeds from the offering for general corporate purposes, as shall be from time to time determined by our board of directors.

We have explored and will continue to explore business opportunities and potential investments in the communication field. We believe that, the proceeds from the offering will enable us to take advantage of structural changes in Israel's communications marketplace, giving rise to opportunities for us to increase our share in the markets in which we are currently active and to enter new markets. However, we cannot be sure whether any of these opportunities will become actual.

THE OFFER AND LISTING

Offer and Listing Details

The following table sets forth, for each of the periods indicated, the range of high and low closing prices of our ordinary shares on the Nasdaq SmallCap Market, and since February 2005 - on the Nasdaq National Market:

Year		**High**		**Low**
2004	$	6.44	$	3.78
2003		6.96		1.19
2002		1.80		0.87
2001		2.94		0.54
2000		30.00		1.28
2004				
First Quarter	$	5.23	$	3.78
Second Quarter		6.06		4.56
Third Quarter.		4.91		4.07
Fourth Quarter		6.44		4.10
2003				
First Quarter	$	4.06	$	1.19
Second Quarter		6.05		2.84
Third Quarter		6.96		3.85
Fourth Quarter		4.48		3.34
2002				
First Quarter.	$	1.80	$	0.96
Second Quarter		1.25		1.01
Third Quarter		1.09		0.95
Fourth Quarter		1.29		0.87
Each Month Since May 2004				
2005				
February 2005	$	7.79	$	5.27
January 2005		5.71		4.96

Year 2004		**High**		**Low**
December 2004	$	6.44	$	4.98
November 2004		6.43		4.10
October 2004		4.77		4.20
September 2004		4.81		4.30
August 2004		4.45		4.07
July 2004		4.91		4.18
June 2004		5.28		4.56

Plan of Distribution

This offering is being underwritten by the following leading underwriters:

Name of Underwriter	**Address**
Poalim I.B.I - Managing & Underwriting Ltd.	Shalom Tower, 9 Ehad Ha'Am Street, Tel-Aviv 65251
Apex Underwriting Ltd.	2 Kaufman Street, Tel Aviv 68012

In addition to the leading underwriters, there are additional 27 underwriters who are participating as members of the underwriters group. For details see Chapter 17.

To the extent known to us, major shareholders, directors or members of our management do not intend to subscribe in the offering at all or for more than 5% of the Offering. Our "Interested Parties" (as such term is defined in the Israeli Companies Law) undertook not to purchase any of the Units offered to the public in this Prospectus.

Institutional Investors undertook to purchase 80% of the Units offered in this Prospectus. For further information please see section 5.10.

The terms of the Underwriting Agreement are specified in Chapter 17. Each of the leading underwriters undertakes to guarantee the purchase of Units, severally, as follows:

Name of Underwriter	No. of Units
Poalim I.B.I - Managing & Underwriting Ltd.	5,000
Apex Underwriting Ltd.	5,000

The other underwriters also undertake to guarantee the purchase of Units, severally - for details see chapter 17.

The underwriters are committed to take and pay for any securities not purchased by the public under the Offering, except for securities that the institutional investors undertook to purchase.

Markets
Our ordinary shares trade on the Nasdaq National Market under the symbol IGLD and, since March 1, 2005, also on the Tel Aviv Stock Exchange, or TASE, under the symbol "   "

Dilution

The following table set forth the direct holdings of our shares by our 5% or more shareholders and of our directors, as of the date of the offering:

Name of Holder	Holdings prior to the offering		Holdings following the offering			
	No. of shares	Percentage	Following exercise of Share Purchase Warrants (Series 1)	Following exercise of Share Purchase Warrants (Series 2)	Following conversion of the Debentures (Series A)[1]	On a fully diluted basis[2]
Euronet Communications Ltd.[3]	12,683,135	68.81%	63.63%	60.59%	53%	45.41%
Eli Holtzman	172,118	0.93%	0.86%	0.82%	0.72%	0.62%

Expense of the Offering

The amount of all the underwriting, management and distribution commissions as well as other expenses related to the offering, including commissions to institutional investors, are estimated to be approximately 3.6% of the immediate gross proceeds of the offering. (approximately NIS 0.036 per Debenture (Series A)).

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[1] Assuming that all the Debentures (Series A) are converted into shares at the price of NIS_40 per share.
[2] Assuming that the offered Stock Purchase Warrants are exercised and that all the Debentures (Series A) are converted into shares at the price of NIS 40 per share.
[3] Messrs. Shaul Elovitch, chairman of our board of directors, and his brother, Yossef Elovitch, a director of our company, own 100% of Eurocom Holdings Ltd., an Israeli holding company that holds a controlling interest 50.33% in Eurocom Communications Ltd. (Mr. Shaul Elovitch holds an additional 0.67% interest in Eurocom Communications). Eurocom Communications, an Israeli company, owns a 100% interest in Euronet Communication Ltd., an Israeli company that directly owns 12,683,135 of our ordinary shares. Due to their ownership of Eurocom Holdings and their positions as directors of Eurocom Holdings and Eurocom Communications, they may be deemed to beneficially own the ordinary shares directly held by Euronet Communications. Messrs. Shaul Elovitch and Yossef Elovitch disclaim beneficial ownership of such ordinary shares.

CHAPTER 5: THE PUBLIC OFFERING

5.1. The securities to be offered

5.1.1. 220,000,000 registered debentures (series A) of NIS 1 par value each, repayable in 8 equal annual installments on April 1st of each of the years 2208 to 2015, bearing annual interest at a rate to be determined in the Tender, which shall not exceed 5% and not be less than 4%. Principal and interest shall be linked to the consumer price index published in respect of February 2005. Interest on the debentures (series A) will be paid in annual installments on April 1st of each of the years 2006 to 2015.

The debentures (series A) are convertible into ordinary shares on any trading day commencing on the date of their registration on the TASE, until March 16, 2005 (inclusive), with the exception of March 17th to April 1st of each of the years 2008 to 2014, so that by March 31st 2008, every NIS 40 par value of debentures (series A) not repaid can be converted to one ordinary share of NIS 0.01 par value of the Company, and from April 1st 2008 every NIS 50 par value of debentures (series A) not repaid can be converted to one ordinary share of NIS 0.01 par value of the Company (subject to adjustments as set out in Section 9.14 below). For debentures (series A) not converted by March 16th 2015, no right will be granted to their holders to convert them to shares of the Company.

5.1.2. 1,500,000 registered warrants (series 1) exercisable into ordinary shares of the Company on any trading day commencing June 1st 2005 until August 15th 2005. Each warrant (series 1) can be converted into one ordinary share of NIS 1 par value of the Company against payment in cash of an exercise price of NIS 32 (subject to adjustments as set out in Section 10.11 of the Prospectus). A warrant (series 1) that has not been exercised by August 15th 2005 will expire and be void, and shall not grant its holder any right in respect to the Company.

5.1.3. 2,500,000 registered warrants (series 2) exercisable into ordinary shares of the Company on any trading day commencing June 1st 2005 until August 15th 2007, except from the 12th to the 16th of each month. Each warrant (series 2) can be converted into one ordinary share of NIS 0.01 par value of the Company against payment in cash of an exercise price of NIS 40 linked to the consumer price index published in respect of February 2005 (subject to adjustments as set out in Section 10.11 of the Prospectus). A warrant (series 2) that has not been exercised by August 15th 2007 will expire and will be void, and shall not grant its holder any right in respect to the Company.

5.2. The principal rights conferred by the securities offered to the public

The terms of the debentures (series A) payable and convertible into ordinary shares of NIS 0.01 par value of the Company are described in Chapter 9 hereinafter.

The terms of the warrants (series 1) and the warrants (series 2) are described in Chapter 10 hereinafter.

Concerning the rights associated with the shares of the Company, see Chapter 12 hereinafter.

5.3. Details of the public offering

220,000,000 debentures (series A) together with 1,500,000 warrants (series 1) and 2,500,000 warrants (series 2) are being offered to the public in 100,000 units (hereinafter "the Units") by way of a Tender on the interest rate in respect of the debentures (series A). The interest in respect of the debentures (series A) shall not exceed 5% (hereinafter - "the Maximum Interest Rate") and shall not be less than 4% (hereinafter - "the Minimum Interest Rate").

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The composition of a Unit is as follows:

2,200 debentures (series A)	NIS 2,200
15 warrants (series 1)	Free of charge
25 warrants (series 2)	Free of charge
Total Unit price	NIS 2,200

The Tender will be held on April 7, 2005.

5.3.1. Provisions relating to the Tender

5.3.1.1. List of subscriptions

The list of subscriptions for the Units offered to the public will open on April 7, 2005 at 08:30 (hereinafter - "the Date of the Tender ") and will close on the same day at 15:00 (hereinafter: "the Subscription List Closing Time").

5.3.1.2. Applying to purchase Units

Applications to purchase the Units offered to the public in the Tender shall be submitted to the Company on forms that can be obtained from members of the TASE through the Offering Coordinator, Poalim I.B.I. Underwriting & Issuances Ltd. (hereinafter - "the Offering Coordinator") or from any bank branch or other members of the TASE (hereinafter - "the Official Application recipients"), no later than at 15:00 on the Date of the Tender. The Company will not accept any application reaching the Official Application Recipients after 15:00 on the Date of the Tender: it will be considered not to have been submitted.

Applications shall be submitted in closed envelopes to the Offering Coordinator by the Official Application Recipients no later than at 16:30 on the Date of the Tender. The Offering Coordinator shall put them (including applications submitted through the Offering Coordinator) in a closed box by 16:30 as aforesaid. The Company will not accept any application arriving to the Offering Coordinator after 16:30 on the Date of the Tender. It will be considered not to have been submitted.

The applications will be submitted on the following terms:

(1) In the application the applicant will state the number of Units he wishes to purchase and the interest rate he proposes, which shall not exceed the Maximum Interest Rate and shall not be less than the Minimum Interest Rate. An application in which the proposed interest rate is higher than the Maximum Interest rate will not be accepted. An application in which the proposed interest rate is less than the Minimum Interest Rate will be deemed to have been submitted at the Minimum Interest Rate.

(2) Applications will be for whole Units only, and cannot be for less than one Unit. Any application which is not a whole Unit shall be rounded down to the nearest whole Unit, and the fraction of a Unit will be included in the application will be deemed not included therein from the outset. Any application stating a number of Units that is less than one shall not be accepted.

(3) Each applicant may submit up to three applications in the Tender at different interest rates.

(4) The interest rates proposed in the Tender shall be stated at intervals of 0.1% or multiples of that rate, hence the first rate at which Units can be ordered above the Minimum Interest Rate is 4.1%. Thereafter Units can be ordered at 4.2%, 4.3%, 4.4% and so on up to 5% interest, which is the Maximum Interest Rate. A proposal not cited in intervals of 0.1% shall be rounded down to the nearest interval.

(5) No single applicant may order more than 25% of the total number of Units offered, i.e. 25,000 Units, in all the applications submitted - up to three as aforesaid. If an applicant applies for more than 25% of the total Units offered, the total applications shall be deemed as being for 25,000 Units only (hereinafter - "the Maximum Number of Units"), as follows:

(a) First the Units stated in the application at the lowest interest rate per Unit shall be taken into account, up to the Maximum Number of Units (hereinafter - "the First Application");

(b) If the number of Units stated in the First Application is less than the maximum Number of Units, additional Units from the application stating the lowest interest rate per Unit from among the remaining applications will be taken into account (hereinafter - "the Second Application"), up to 25,000 Units, cumulative.

(c) If the number of Units stated in the First Application and the Second Application is less than the Maximum Number of Units, additional Units from the third, remaining, application will be taken into account, up to the Maximum Number of Units, cumulative.

(6)