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INTERNET GOLD GOLDEN LINES LTD

Form 6-K

August 15, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2006

INTERNET GOLD-GOLDEN LINES LTD.  
(Name of Registrant)

1 Alexander Yanai Street Petach-Tikva, Israel  
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will  
file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the  
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the  
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information  
contained in this Form, the registrant is also thereby furnishing the  
information to the Commission pursuant to Rule 12g3-2(b) under the Securities  
Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to  
the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

Internet Gold-Golden Lines Ltd.

6-K Items

1. Press Release re Internet Gold Reports Record Results for Q2 2006  
dated August 15, 2006.

Press Release

Source: Internet Gold

Internet Gold Reports Record Results for Q2 2006

Tuesday August 15, 2:54 am ET

Quarter's Revenues Near NIS 100M With 43% Rise in Operating Profit

012-Golden Lines Acquisition on Track, Application for Regulatory Approval Now in Process

PETACH TIKVA, Israel, August 15 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq: IGLD and TASE: IGLD) today reported its financial results for the second quarter and six months ended June 30, 2006.

#### Highlights

- Record revenues and profits: Q2 sales reach a record of NIS 97.2 million, up 29% year-over-year; operating income reaches a record of NIS 11.4 million, up 43% year-over-year
- Pending acquisition of 012-Golden Lines: after the quarter, the Company signed an agreement to buy a controlling interest in 012-Golden Lines, and is currently seeking the required regulatory approvals to merge it with its communications activity.
- Major events after the quarter: during the past two difficult months, Israel has been involved in a war which has significantly affected its economy. Demand for communications services in general have increased and the Company has realized higher revenues from its Internet access and international telephony activities. On the media side, advertising budgets for all media have been reduced. While Internet advertising has been impacted less than television and other channels, the Company expects its smile.media subsidiary may experience a decrease in revenues in the third quarter.

#### Financial Results

Revenues for the second quarter of 2006 reached a record of NIS 97.2 million (US\$ 21.9 million), an increase of 29% compared with NIS 75.3 million in the second quarter of 2005, and 3% compared with the first quarter of 2006.

Operating income for the quarter reached a record of NIS 11.4 million (US\$ 2.6 million), an increase of 43% compared to NIS 7.9 million in the second quarter of 2005 and 18% compared to the first quarter of 2006.

Net income for the quarter reached NIS 6.6 million (US \$1.5 million), or NIS 0.36 (US\$ 0.08) per share, an increase of 43% compared to NIS 4.7 million, or NIS 0.25 per share, for the second quarter of 2005. Net income for the first quarter of 2006 was NIS 6.6 million, or NIS 0.36 per share.

#### Comments of Management

Commenting on the results, Eli Holtzman, Internet Gold's CEO, said, "Our record

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results for the second quarter reflect rising revenues from all our business segments together with the significant contribution of our streamlined operating model. Our revenue growth is being driven primarily by smile.communications, whose telephony, business service and Internet access businesses all continue to extend their market share. In parallel, our smile.media business continues to grow in line with our expectations.

"We were very pleased to have recently announced an agreement to acquire 012-Golden Lines. When approved by the regulatory authorities, the acquisition will transform us next year into a company with more than 1.2 billion shekels in annual revenues. This will position us to face the challenges in the Israeli telecom markets and to successfully achieve our future expansion and growth plans. It will also give us an immediate entry into the high-potential data communications and domestic telephony markets, while improving our profitability through significant efficiencies of scale. After the regulatory process is completed, we will begin working out the details of the merger plan."

### Business Segment Overview

#### smile.communications Ltd.

- smile.net: successful marketing campaigns during the quarter expanded the Company's broadband subscriber base by an additional 6.5%, accompanied by continued strong sales of e-Safe Secured Internet Access and Wi-Fi-networking services. After the quarter, the Company continued to experience high demand for its Internet services.

- smile.015 - International Telephony: revenues from the Group's high-volume international telephony services and its traffic grew significantly during the period while maintaining their profitability.

- smile.biz: steadily increasing demand for IT infrastructure deployment and integration services.

#### smile.media Ltd.

- e-Advertising / Content: the Group's revenues from its 12 portal properties grew by 47% on a year-over-year basis, reflecting the Group's growing share of Israel's total Internet advertising market.

- smile.shops: revenues from the Group's e-Commerce properties rose by 27% on a year-over-year basis.

### About Internet Gold

Internet Gold is Israel's leading IP Group with a major presence across all Internet-related sectors. Its smile.communications segment offers a variety of Internet access and related value-added services, international telephony and enterprise/IT integration services. Its smile.media segment manages a growing portfolio of Internet portals and e-Commerce sites. Internet Gold has entered into an agreement to acquire 60% of the control and equity in 012 Golden Lines Ltd ("012") based on a valuation of US\$ 140 million. 012 is a major Internet Service Provider with revenues of \$ 138.8 million in 2005 and is also a leader in Israel's Voice Over Broadband domestic telephony.

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The agreement is subject to the approval of both boards of directors and the relevant regulatory authorities. According to the agreement, following the acquisition, 012 will merge with IGLD's Communications activities.

Internet Gold is part of the Eurocom communications group. Its shares trade on the Nasdaq National Market and on the Tel Aviv Stock Exchange.

For additional information about Internet Gold, please visit its investors' site at [www.igld.com](http://www.igld.com).

### NOTE A: Convenience Translation to Dollars

For the convenience of the reader, the reported NIS figures of June 30, 2006 have been presented in thousands of U.S. dollars, translated at the representative rate of exchange as of June 30, 2006 (NIS 4.440 = U.S. Dollar 1.00). The U.S. Dollar (\$) amounts presented should not be construed as representing amounts receivable or payable in U.S. Dollars or convertible into U.S. Dollars, unless otherwise indicated.

Certain statements made herein that use the words "estimate," "project," "intend," "expect," "believe" and similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks and uncertainties which could cause the actual results, performance or achievements of the Company to be materially different from those which may be expressed or implied by such statements, including, among others, changes in general economic and business conditions and specifically, decline in demand for the Company's services, inability to timely develop and introduce new technologies, services and applications and loss of market share and pressure on prices resulting from competition. For additional information regarding these and other risks and uncertainties associated with the Company's business, reference is made to the Company's Annual Report filed with the Securities and Exchange Commission and its other reports as filed from time to time with the Securities and Exchange Commission.

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### Consolidated Balance Sheets

|  | June 30<br>2006<br>(Unaudited)        | June 30<br>2005<br>(Unaudited) | December 31<br>2005<br>(Audited) | Convenience<br>translation<br>into<br>US Dollars<br>NIS 4.44=US\$1<br>June 30<br>2006<br>(Unaudited) |
|--|---------------------------------------|--------------------------------|----------------------------------|--|
|  | New Israeli Shekels - in<br>thousands |                                |                                  | US\$<br>thousands  |
| Current assets                             |                                       |                                |                                  |  |
| Cash and cash equivalents                  | 257,512                               | 271,164                        | 265,488                          | 57,998   |
| Short-term investment                      | 1,264                                 | -                              | 804                              | 285  |
| Trade receivables, net                     | 77,719                                | 69,616                         | 67,988                           | 17,505   |
| Other receivables                          | 15,883                                | 10,047                         | 12,201                           | 3,577  |
| Deferred taxes                             | 742                                   | 2,037                          | 1,111                            | 167  |
| <b>Total current assets</b>                | <b>353,120</b>                        | <b>352,864</b>                 | <b>347,592</b>                   | <b>79,532</b>  |
| Investments                                |                                       |                                |                                  |  |
| Deferred taxes                             | 148                                   | 32                             | 40                               | 33   |
| Long-term investments                      | 200                                   | 275                            | 275                              | 45   |
|  | 348                                   | 307                            | 315                              | 78   |
| Property and equipment, net                | 35,962                                | 39,625                         | 36,222                           | 8,099  |
| Other assets and deferred charges          | 110,321                               | 120,297                        | 117,889                          | 24,847   |
| Assets allocated to discontinued operation | -                                     | 886                            | -                                | -  |
| <b>Total assets</b>                        | <b>499,751</b>                        | <b>513,979</b>                 | <b>502,018</b>                   | <b>112,556</b>   |

### Internet Gold - Golden Lines Ltd. Consolidated Balance Sheets

|                                  | June 30<br>2006<br>(Unaudited)        | June 30<br>2005<br>(Unaudited) | December 31<br>2005<br>(Audited) | Convenience<br>translation<br>into<br>US Dollars<br>NIS 4.44=US\$1<br>June 30<br>2006<br>(Unaudited) |
|----------------------------------|---------------------------------------|--------------------------------|----------------------------------|--|
|                                  | New Israeli Shekels - in<br>thousands |                                |                                  | US\$<br>thousands  |
| Current liabilities              |                                       |                                |                                  |  |
| Short-term bank loans            | 13,097                                | 9,621                          | 12,684                           | 2,950  |
| Accounts payable                 | 57,092                                | 72,008                         | 55,987                           | 12,858   |
| Other payables                   | 22,050                                | 17,507                         | 24,922                           | 4,966  |
| <b>Total current liabilities</b> | <b>92,239</b>                         | <b>99,136</b>                  | <b>93,593</b>                    | <b>20,774</b>  |

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|                            |          |          |          |          |
|----------------------------|----------|----------|----------|----------|
| Long-term liabilities      |          |          |          |          |
| Long-term loans and other  |          |          |          |          |
| long-term obligations      | 22,235   | 52,756   | 33,570   | 5,008    |
| Liability for termination  |          |          |          |          |
| of employer- employee      |          |          |          |          |
| relations, net             | 7,234    | 6,794    | 7,506    | 1,629    |
| Company's share in excess  |          |          |          |          |
| of liabilities over assets |          |          |          |          |
| in investees               | 213      | -        | -        | 48       |
| Convertible debentures     | 206,969  | 213,358  | 218,676  | 46,615   |
|                            |          |          |          |          |
| Total long-term            |          |          |          |          |
| liabilities                | 236,651  | 272,908  | 259,752  | 53,300   |
|                            |          |          |          |          |
| Liabilities                |          |          |          |          |
| allocated to discontinued  |          |          |          |          |
| operation                  | -        | 265      | -        | -        |
|                            |          |          |          |          |
| Shareholders' equity       |          |          |          |          |
| Ordinary shares            | 197      | 197      | 197      | 44       |
| Additional paid in         |          |          |          |          |
| capital                    | 216,864  | 215,040  | 216,864  | 48,843   |
| Proceeds from options,     |          |          |          |          |
| Debentures and warrants    | 15,612   | 8,499    | 6,675    | 3,517    |
| Accumulated deficit        | (61,812) | (82,066) | (75,063) | (13,922) |
|                            |          |          |          |          |
| Total shareholders'        |          |          |          |          |
| equity                     | 170,861  | 141,670  | 148,673  | 38,482   |
|                            |          |          |          |          |
| Total liabilities and      | 499,751  | 513,979  | 502,018  | 112,556  |
| shareholders' equity       |          |          |          |          |

Internet Gold - Golden Lines Ltd.  
Consolidated Statements of Operations

|                     | Six-month period ended                |                                | Three-month period             |                                | Year<br>ended<br>December 31 | Six month<br>period<br>ended<br>June 30 | Convenience<br>translation<br>into<br>US Dollars<br>NIS 4.44=US\$1<br>Six month<br>period<br>ended<br>June 30 |
|---------------------|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------------|---|---|
|                     | June 30<br>2006<br>(Unaudited)        | June 30<br>2005<br>(Unaudited) | June 30<br>2006<br>(Unaudited) | June 30<br>2005<br>(Unaudited) |                              |   |   |
|                     | NIS thousands (except per share data) |                                |                                |                                |                              |   | US\$<br>thousands   |
| Revenues            | 192,071                               | 143,340                        | 97,211                         | 75,325                         | 297,707                      | 43,259                                  |   |
| Costs and expenses: |                                       |                                |                                |                                |                              |   |   |
| Cost of             |                                       |                                |                                |                                |                              |   |   |
| revenues            | 117,162                               | 74,213                         | 58,192                         | 40,673                         | 159,943                      | 26,388                                  |   |
| Selling and         |                                       |                                |                                |                                |                              |   |   |

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|  |         |         |        |        |         |        |
|--|---------|---------|--------|--------|---------|--------|
| marketing expenses   | 37,146  | 37,566  | 19,208 | 18,632 | 75,710  | 8,366  |
| General and administrative expenses                          | 16,738  | 15,532  | 8,444  | 8,090  | 33,156  | 3,770  |
| Total costs and expenses                                     | 171,046 | 127,311 | 85,844 | 67,395 | 268,809 | 38,524 |
| Income from Operations                                       | 21,025  | 16,029  | 11,367 | 7,930  | 28,898  | 4,735  |
| Financing expenses (income), net                             | 6,818   | 4,315   | 4,260  | 3,666  | 9,403   | 1,536  |
| Other expenses (income), net                                 | (33)    | (132)   | (10)   | (97)   | (237)   | (7)    |
| Net income after financing expenses                          | 14,240  | 11,846  | 7,117  | 4,361  | 19,732  | 3,206  |
| Tax expenses (income)  | 803     | 568     | 205    | (289)  | 1,451   | 181    |
| Income after tax   | 13,437  | 11,278  | 6,912  | 4,650  | 18,281  | 3,025  |
| Company's share in net loss of unconsolidated investee       | (213)   | -       | (213)  | -      | -       | (48)   |
| Minority interest In operations of consolidated subsidiaries | 27      | -       | (68)   | -      | -       | 6      |
| Net income   | 13,251  | 11,278  | 6,631  | 4,650  | 18,281  | 2,983  |
| Income per share, basic and diluted                          |         |         |        |        |         |        |
| Net income per share (in NIS)                                | 0.72    | 0.61    | 0.36   | 0.25   | 0.99    | 0.16   |
| Weighted average number of shares outstanding (in thousands) | 18,432  | 18,432  | 18,432 | 18,432 | 18,432  | 18,432 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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INTERNET GOLD-GOLDEN LINES LTD.  
(Registrant)

By /s/Eli Holtzman  
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Eli Holtzman  
Chief Executive Officer

Date: August 15, 2006