

INTERNET GOLD GOLDEN LINES LTD
Form 6-K
August 12, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 6-K

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

For the month of August 2004

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

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

Internet Gold-Golden Lines Ltd.

6-K Items

1. Press Release re Internet Gold Reports Record Operating Income of NIS 8.7
Million in the Second Quarter of 2004 dated August 12, 2004.

Press Release

Source: Internet Gold

Internet Gold Reports Record Operating Income of NIS 8.7 Million in the Second Quarter of 2004

Thursday August 12, 7:30 am ET

Revenues up by 21% compared with the same quarter in 2003

The new 015 International telephony service is up and running

PETACH TIKVA, Israel, Aug. 12 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq: IGLD - News) today reported its unaudited financial results for the second quarter of 2004.

Key Highlights:

- * International telephony service was launched successfully on August 7th, along with an aggressive advertising campaign.
- * Broadband customer base up by 31% during the first half of 2004.
- * Operating income increased to NIS 8.7 million (US\$1.9 million), a 69% increase compared with the same quarter in 2003 and a 14% increase compared with the previous quarter.
- * Revenues in the second quarter of 2004 increased to NIS 53.2 million (US\$11.8 million), a 21% increase compared with the same quarter of 2003 and a 4% increase compared with the previous quarter.
- * Gross profit rate in the second quarter of 2004 continued to rise to a record high of 59.4% up from 46.6% in the second quarter of 2003 and 55.7% in the previous quarter.
- * Gold Mind, Internet Gold's wholly owned subsidiary, reported a 140% revenue increase compared with the same quarter of 2003 and a 27% revenue increase compared with the previous quarter.
- * MSN Israel, Internet Gold's successful partnership with Microsoft, reported a 94.8% increase in net income compared with the previous quarter.
- * MSN Messenger reached 630,000 users, up 26% from the previous quarter.

Internet Gold's CEO, Eli Holtzman, commented, "We are very pleased to report another successful quarter during which we sustained good financial results while increasing our Broadband customer base. Our operating income, as well as our gross profit rate reached a new record high. Cash flow from operations in the second quarter totaled NIS 15.6 million (US\$3.5 million), a 36.8% increase compared with the previous quarter. Despite our competitive market we continued to increase our Broadband customer base by 10% during the second quarter and by 31% during the first half of 2004."

"Gold Mind Ltd., our wholly owned subsidiary specializing in development and sales of value added services and rich Internet content, successfully achieved a 140% increase in sales in the second quarter compared with the same quarter in 2003. The demand for our Value Added Services continued to grow and Gold Mind's revenues reached a new record high."

"Internet Gold International, Internet Gold's subsidiary specializing in international Internet and communication services that holds a 15.2% interest in

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Compulink, a Greek ISP, recorded an additional impairment charge of NIS 0.9 million (US\$0.2 million) this quarter due to Compulink's deteriorating financial situation. With this latest impairment charge Internet Gold International has written off its entire investment in Compulink and its operations can no longer adversely influence our results."

"MSN Israel, Internet Gold's partnership with Microsoft, continued its positive operating trend, reporting an increase of 94.8% in net income compared with the previous quarter and a 19% increase in operating income compared with the previous quarter. Its gross profit rate in the second quarter of 2004 continued to rise to a record high of 57.9% up from 43% in the previous quarter. We believe that the increase in the Israeli e-advertising and search engine markets will continue to grow."

"Another complimentary activity in our strategy is Gold Trade Ltd. in which we currently hold 48.3%. Gold Trade results are reported in our financials on an equity basis. Gold Trade provides a variety of online shopping and transactional opportunities directly to consumers through its well known P-1000 brand and also reach its existing client list with outgoing telemarketing. Gold Trade's new management is currently evaluating its activities and its revenues structure and is considering focusing on its online activity."

Mr. Holtzman concluded: "I am proud to note that the above strong financial results were achieved along with the completion of our preparations to provide international telephony services. A few days ago, we successfully launched our international telephony service which we believe will start contributing to the company's financial results in the fourth quarter of this year. We are currently executing an aggressive penetration advertising campaign which will increase our marketing expense in the third quarter and anticipate that we will achieve a substantial market share in the international telephony market in Israel."

Financial Results

Internet Gold's revenues totaled NIS 53.2 million (US\$11.8 million) in the second quarter of 2004, compared with NIS 51 million (US\$11.3 million) in the previous quarter and NIS 44 million (US\$9.8 million) in the comparable quarter of 2003.

Gross profit for the second quarter increased to NIS 31.6 million (US\$7.0 million) from NIS 28.4 million (US\$6.3 million) in the previous quarter and NIS 20.5 million (US\$4.6 million) in the comparable quarter of 2003.

Cash flow from operations in the second quarter totaled NIS 15.6 million (US\$3.5 million) compared with NIS 11.4 million (US\$2.5 million) in the previous quarter and NIS 3.3 million (US\$0.7 million) in the comparable quarter of 2003.

Second quarter sales and marketing expenses totaled NIS 17.4 million (US\$3.9 million) versus NIS 14.9 million (US\$3.3 million) in the previous quarter and NIS 9.9 million (US\$2.2 million) in the comparable quarter of 2003. The increase is due to Internet Gold's advertising campaigns over TV, radio and the Internet to counter the sharp competition in Israel's broadband Internet market.

Operating income for the second quarter totaled NIS 8.7 million (US\$1.9 million), compared with NIS 7.7 million (US\$1.7 million) for the previous quarter (restated) and NIS 5.2 million (US\$1.2 million) for the comparable quarter of 2003. Operating income for the first half of 2004 totaled NIS 16.4

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million (US\$3.6 million), compared with NIS 10.0 million (US\$2.2 million) for the comparable period of 2003.

Second quarter net income was NIS 5.7 million (US\$1.3 million), or NIS 0.31 (US\$ 0.07) per share, compared with NIS 6 million (US\$1.3 million) (restated), or NIS 0.32 (US\$0.07) per share (restated), in the previous quarter. The net income for the first half of 2004 was NIS 11.6 million (US\$2.6 million), or NIS 0.63 (US\$ 0.14) per share, compared with NIS 3.2 million (US\$0.7 million), or NIS 0.17 (US\$0.04) per share, in the comparable period of 2003.

About Internet Gold

Internet Gold is a leading Internet service provider in Israel. The Company provides a wide array of Internet services tailored to the needs of residential and business subscribers, including Internet access and related value-added services, as well as content through its portals. The Company provides the full variety of Internet access services including Broadband access via DSL lines and cables, dial-up and private lines. Internet Gold is also an International Telephony operator providing its services to all Israeli consumers under the prefix of 015.

Internet Gold operates the leading portal in Israel through its MSN Israel subsidiary (50.1%) with Microsoft Corp. and is a leading e-Commerce provider in Israel through its e-Commerce joint venture, Gold Trade (48.3%). In addition, Internet Gold has two wholly owned subsidiaries, Gold Mind, focusing on Internet value added services, and Internet Gold International, specializing in international internet and communication services.

For additional information about Internet Gold, please visit our Website at <http://www.igld.com>.

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

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

Consolidated Balance Sheets

			Convenience translation into U.S. dollars NIS 4.497=US\$ 1
June 30	June 30	December 31	June 30

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	2004 (Unaudited)	2003 (Unaudited)	2003 (Audited)	2004 (Unaudited)
	New Israeli Shekels - in thousands			US\$ in thousands
Current assets				
Cash and cash equivalents	94,918	79,950	81,891	21,107
Trade receivables, net	40,241	31,135	35,569	8,948
Other receivables	9,143	12,139	12,769	2,033
Deferred taxes	620	986	1,914	138
Total current assets	144,922	124,210	132,143	32,226
Investments				
Deferred taxes	14	1,479	21	3
Long-term investments	-	4,159	1,550	-
Long-term loans	-	4,014	-	-
	14	9,652	1,571	3
Property and equipment, net	33,402	29,018	29,160	7,428
Other assets and deferred charges	88,937	1,606	51,130	19,777
Total assets	267,275	164,486	214,004	59,434

Internet Gold - Golden Lines Ltd.

	June 30 2004 (Unaudited)	June 30 2003 (Unaudited)	December 31 2003 (Audited)	Convenience translation into U.S. dollars NIS 4.497=US\$ 1 June 30 2004 (Unaudited)
	New Israeli Shekels - in thousands			US\$ in thousands
Current liabilities				
Short-term bank loans	6,620	4,123	5,259	1,472
Accounts payable	60,535	*21,148	*37,091	13,461
Other payables	13,541	*11,647	*13,537	3,011
Total current liabilities	80,696	36,918	55,887	17,944
Long-term liabilities				
Long-term obligations under lease agreement	41,840	711	27,389	9,304
Deferred revenues	14	69	23	3
Liability for termination of employer- employee relations, net	5,447	4,161	4,928	1,211
Company's share in excess of liabilities over assets in investees	9,566	15,694	7,706	2,127

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Total long-term liabilities	56,867	20,635	40,046	12,645
Shareholders' equity				
Ordinary shares	197	197	197	44
Additional paid in capital	215,040	215,040	215,040	47,819
Accumulated deficit	(85,525)	(108,304)	(97,166)	(19,018)
Total shareholders' equity	129,712	106,933	118,071	28,845
Total liabilities and shareholders' equity	267,275	164,486	214,004	59,434
* Reclassified				

Internet Gold - Golden Lines Ltd.

Consolidated Statements of Operations

	Six month period ended June 30		Three month period ended June 30	
	2004 (Unaudited)	2003 (Unaudited)	2004 (Unaudited)	2003 (Unaudited)
	New Israeli Shekels - in thousands			
Revenues	104,175	87,860	53,199	43,955
Costs and expenses:				
Cost of revenues	44,191	47,735	21,625	23,468
Selling and marketing expenses	32,285	19,541	17,370	9,917
General and administrative expenses	11,311	10,552	5,481	5,408
Total costs and expenses	87,787	77,828	44,476	38,793
Income from operations	16,388	10,032	8,723	5,162
Financing expenses, net	89	6,780	549	5,722
Other expenses, net	1,498	16	856	12
Net income (loss) after financing expenses	14,801	3,236	7,318	(572)
Income tax	1,301	(2,465)	782	(2,465)
Net income after income tax	13,500	5,701	6,536	1,893
Company's share in net loss of investees	1,859	2,536	885	1,844
Net income	11,641	3,165	5,651	49
Income per share				

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Net income per NIS 0.01 par value of shares (in NIS)	0.63	0.17	0.31	0.003
Weighted average number of shares outstanding (in thousands)	18,432	18,432	18,432	18,432

	Year ended December 31 2003 (Audited)	Convenience translation into U.S. dollars NIS 4.497=US\$ 1 Six month period ended June 30 2004 (Unaudited) US\$ in thousands
	New Israeli Shekels - in thousands	
Revenues	179,642	23,165
Costs and expenses:		
Cost of revenues	92,871	9,827
Selling and marketing expenses	41,393	7,179
General and administrative expenses	21,908	2,515
Total costs and expenses	156,172	19,521
Income from operations	23,470	3,644
Financing expenses, net	3,235	20
Other expenses, net	2,592	333
Net income (loss) after financing expenses	17,643	3,291
Income tax	(1,935)	289
Net income after income tax	19,578	3,002
Company's share in net loss of investees	5,275	413
Net income	14,303	2,589
Income per share		
Net income per NIS 0.01 par value of shares (in NIS)	0.78	0.14
Weighted average number of shares outstanding		

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(in thousands)

18,432

18,432

SIGNATURES

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

INTERNET GOLD-GOLDEN LINES LTD.
(Registrant)

By /s/Eli Holtzman

Eli Holtzman
Chief Executive Officer

Date: August 12, 2004