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INTERNET GOLD GOLDEN LINES LTD

Form 6-K

February 22, 2005

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 February 2005

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

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

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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

Internet Gold-Golden Lines Ltd.

6-K Items

1. Press release re Internet Gold Reports Record Revenues and Strong Profitability for the Quarter and Year Ended December 31, 2004 dated February 22, 2005.

Press Release

Source: Internet Gold

Internet Gold Reports Record Revenues and Strong Profitability for the Quarter and Year Ended December 31, 2004

Tuesday February 22, 7:48 am ET

Company Expects Higher Rate of Growth in Revenues and EBIT in 2005  
PETACH TIKVA, Israel, February 22 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq: IGLD - News) today reported its financial results for the fourth quarter and fiscal year ended December 31, 2004.

#### Highlights of the Quarter

- Q4 revenues reach record \$14.2 million, up 29% year-over-year and 13% compared to Q3 2004
- The new 015 Telephony service reached breakeven after 6 months from launch
- Company continues to consolidate the market through acquisition of ISP AquaNet and remaining shares of GoldTrade and Start.net
- Continues to build position in e-advertising market through launch of Hebrew-language MSN-Search and cooperation with Netex, a leading Israeli search and index site.
- Shortly after the end of the quarter: Internet Gold's shares moved up to the Nasdaq National Market from the SmallCap Market, trading under the same symbol, IGLD. The Company also received approval to dual-list its shares on the Tel Aviv Stock Exchange (TASE).

#### Financial Results

Revenues for the fourth quarter were NIS 61.1 million (US\$ 14.2 million), an increase of 29% compared with NIS 47.5 million in the fourth quarter of 2003, and a 13% increase compared with NIS 54.3 million in the third quarter of 2004. The higher revenues include the contribution of Aquanet, which the Company acquired in November. Gross margins for the quarter were 55.4%, well above the Company's target of 50%.

Net income for the quarter was NIS 6.4 million (US\$ 1.5 million), or NIS 0.35 (US\$ 0.08) per share, compared with NIS 5.1 million, or NIS 0.27 per share in the fourth quarter of 2003. Net income included a one-time tax benefit of NIS 2.3 million related to Start.net, and a one-time NIS 2.8 million impairment charge relating to the discontinued telemarketing operations of GoldTrade.

"We are proud to report a strong end to an important transitional year during which we expanded our core business, launched our telephony services and continued building leadership in emerging e-Advertising and e-Commerce markets," commented Eli Holtzman, Internet Gold's CEO.

"During the quarter, we moved quickly, taking advantage of opportunities to consolidate the access market and to improve our positioning in new markets. We are pleased that our new telephony operations are already at breakeven, and continue to see rapid progress in our MSN-Israel, GoldMind and GoldTrade subsidiaries. Our acquisitions of Aquanet and Start.net have begun contributing to our results and are helping us gain market share in several of our target

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markets.

"Looking forward, we believe the growth rate of our revenues and operational profits will improve in 2005, driven primarily by the continued expansion of our telephony and e-Advertising businesses. In parallel, we will continue to build our leadership of Israel's emerging e-commerce market and to expand and consolidate the access and related markets. Taken as a whole, with a talented and effective team, a sound strategy and leading brands, we are confident in our ability to deliver even stronger performance in the year ahead."

The Company's revenues for fiscal 2004 were NIS 219.6 million (US\$ 51.0 million), an increase of 22% compared with NIS 179.6 million for 2003. Gross margins for the year were 55.9% compared to 48.3% for 2003. Net income for 2004 was NIS 19.5 million (US\$ 4.5 million), or NIS 1.06 (US\$ 0.25) per share, an increase of 37% compared with NIS 14.3 million, or NIS 0.78 per share for 2003.

Cash flow from operations for 2004 was NIS 38.2 million (US\$ 8.9 million) compared with NIS 29.2 million for 2003.

### Review of Operations of Major Subsidiaries

MSN Israel (50.1% owned, e-advertising via MSN, MSN Messenger, Hotmail Israel and MSN Search Israel): During the fourth quarter, the user base of MSN-Israel's Messenger service increased by 17%, reaching 852,000 active users compared to 730,000 at the end of the third quarter. Its annual revenues increased by 34% compared to 2003. After the end of the quarter, MSN-Israel launched MSN-Israel Search as part of Microsoft Corporation's worldwide launch of its new MSN-Search.

GoldMind (100% owned, value-added services and rich Internet content): GoldMind's revenues for 2004 increased by 114% compared to 2003 reflecting continued rising demand for anti-virus and anti-spam services, customized on-line magazines and newsletters.

GoldTrade (100% owned, operates the P1000 e-commerce site) during the fourth quarter, Internet Gold acquired the remaining shares of GoldTrade, making it a fully-owned subsidiary. Having terminated its telemarketing and other offline activities during the fourth quarter, GoldTrade reached positive EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter from its continuing operations. Losses from discontinued activities have been reported on an equity basis in a separate line in Internet Gold's income statement.

### About Internet Gold

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

Internet Gold's operations are carried out through four subsidiaries. Through MSN Israel, its joint-venture (50.1% ownership) with Microsoft Corp., (49.9% ownership), the Company operates Israel's leading Internet portal. Its

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fully-owned subsidiary Internet Gold International specializes in the provision of international Internet and communication services. Its fully-owned subsidiary GoldMind focuses on the provision of Internet value-added services. Through GoldTrade, its fully-owned e-Commerce subsidiary, the Company has established itself as one of Israel's leading e-Commerce providers.

For additional information about Internet Gold, please visit our Website at [www.igld.com](http://www.igld.com).

### NOTE A: Convenience Translation to Dollars

The convenience translation of the Adjusted New Israeli Shekel (NIS) into U.S. dollars was made at the rate of exchange prevailing at December 31, 2004: U.S. \$1.00 equals NIS 4.308. The translation was made solely for the convenience of the reader.

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

For further information, please contact:  
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### Balance Sheets - Consolidated

|  |   |   | Convenience<br>translation<br>into US<br>Dollars<br>NIS<br>4.308=US\$1 |
|--|---|---|--|
|  | Consolidated                                | Consolidated                              |  |
|  | As at<br>December 31<br>2004<br>(Unaudited) | As at<br>December 31<br>2003<br>(Audited) | As at<br>December 31<br>2004<br>(Unaudited)                            |

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|  | NIS thousands |         | US\$ thousands |
|--|---------------|---------|----------------|
| Assets                                     |               |         |                |
| Current assets                             |               |         |                |
| Cash and cash equivalents                  | 75,637        | 81,891  | 17,557         |
| Trade receivables, net                     | 52,682        | 35,569  | 12,231         |
| Other receivables                          | 8,948         | 12,769  | 2,077          |
| Deferred taxes                             | 2,564         | 1,914   | 595            |
| Total current assets                       | 139,831       | 132,143 | 32,460         |
| Investments                                |               |         |                |
| Investments in investee companies          | -             | 1,550   | -              |
| Deferred taxes                             | 22            | 21      | 5              |
|  | 22            | 1,571   | 5              |
| Property and equipment, net                | 40,583        | 29,160  | 9,420          |
| Other assets and deferred charges          | 114,956       | 51,130  | 26,684         |
| Assets allocated to discontinued operation | 4,631         | -       | 1,075          |
| Total assets                               | 300,023       | 214,004 | 69,644         |

Internet Gold - Golden Lines Ltd.

|                       | Consolidated                                   |  | Consolidated                                   |
|-----------------------|--|--|--|
|                       | As at<br>December<br>31<br>2004<br>(Unaudited) | As at<br>December<br>31<br>2003<br>(Audited) | As at<br>December<br>31<br>2004<br>(Unaudited) |
|                       | NIS thousands                                  |  | US\$ thousands                                 |
| Liabilities           |  |  |  |
| Current liabilities   |  |  |  |
| Short-term bank loans | 10,950   | 5,259  | 2,542  |
| Accounts payable      | 73,383   | *36,591                                      | 17,034   |
| Other payables        | 13,784   | *14,037                                      | 3,200  |

Convenience  
translation  
into US  
Dollars  
NIS  
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|  |          |          |          |
|--|----------|----------|----------|
| Total current liabilities  | 98,117   | 55,887   | 22,776   |
| Long-term liabilities  |          |          |          |
| Excess of liabilities over assets in investees   | -        | 7,706    | -        |
| Long-term loans and other long-term obligations  | 72,117   | 27,389   | 16,740   |
| Deferred revenues  | 3        | 23       | 1        |
| Liability for severance pay, net   | 6,240    | 4,928    | 1,448    |
| Total long-term liabilities  | 78,360   | 40,046   | 18,189   |
| Liabilities allocated to discontinued operation  | 1,653    | -        | 384      |
| 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      | 197      | 46       |
| Additional paid in capital   | 215,040  | 215,040  | 49,916   |
| Accumulated deficit  | (93,344) | (97,166) | (21,667) |
| Total shareholders' equity   | 121,893  | 118,071  | 28,295   |
| Total liabilities and shareholders' equity   | 300,023  | 214,004  | 69,644   |

\* Reclassified

Internet Gold - Golden Lines Ltd.

Statements of Operations - Consolidated

|                     | Consolidated       |             | Consolidated                |             | Consolidated |             |
|---------------------|--------------------|-------------|-----------------------------|-------------|--------------|-------------|
|                     | Three months ended |             | Year ended                  |             | Year ended   |             |
|                     | December 31        | December 31 | December 31                 | December 31 | December 31  | December 31 |
|                     | 2004               | 2003        | 2004                        | 2003        | 2003         | 2002        |
|                     | (Unaudited)        | (Unaudited) | (Unaudited)                 | (Audited)   | (Audited)    | (Audited)   |
|                     | NIS thousands      |             | (except for per share data) |             | US           |             |
| Revenues            | 61,110             | 47,450      | 219,577                     | 179,642     | 179,642      | 184,318     |
| Costs and expenses: |                    |             |                             |             |              |             |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Cost of revenues  | 27,285  | 22,339  | 96,820  | 92,871  | 99,564  |
| Selling and marketing expenses  | 20,408  | 12,009  | 73,155  | 41,393  | 37,125  |
| General and administrative expenses   | 6,375   | 5,879   | 24,258  | 21,908  | 21,209  |
| Total costs and expenses  | 54,068  | 40,227  | 194,233 | 156,172 | 157,898 |
| Income from operations  | 7,042   | 7,223   | 25,344  | 23,470  | 26,420  |
| Financing income (expenses), net  | (131)   | (151)   | 122     | (3,235) | 2,151   |
| Other (expenses) income, net  | 367     | 11      | (1,077) | (2,592) | (3)     |
| Income from continued operations before income taxes                            | 7,278   | 7,083   | 24,389  | 17,643  | 28,568  |
| Income tax benefit  | 1,842   | (176)   | 301     | 1,935   | -       |
| Income after income tax   | 9,120   | 6,907   | 24,690  | 19,578  | 28,568  |
| Company's share in net income (loss) of investees                               | 107     | (753)   | (396)   | (1,538) | (1,530) |
| Income from continued operations  | 9,227   | 6,154   | 24,294  | 18,040  | 27,038  |
| Company's share in loss of a subsidiary from operations discontinued            | (2,817) | (1,060) | (4,763) | (3,737) | (7,080) |
| Net income  | 6,410   | 5,094   | 19,531  | 14,303  | 19,958  |
| Income (loss) per share, basic and diluted                                      |         |         |         |         |         |
| Net income per NIS 0.01 par value of shares (in NIS) from continuing operations | 0.50    | 0.33    | 1.32    | 0.98    | 1.47    |
| Net loss per NIS 0.01 par value of shares (in NIS) from discontinued operations | (0.15)  | (0.06)  | (0.26)  | (0.20)  | (0.39)  |
| Net income per  |         |         |         |         |         |

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|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| NIS  |        |        |        |        |        |
| 0.01   |        |        |        |        |        |
| par value of<br>shares (in NIS)  | 0.35   | 0.27   | 1.06   | 0.78   | 1.08   |
| Weighted average<br>number<br>of shares<br>outstanding (in<br>thousands) | 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.

INTERNET GOLD-GOLDEN LINES LTD.  
(Registrant)

By /s/Eli Holtzman  
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Eli Holtzman  
Chief Executive Officer

Date: February 22, 2005