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INTERNET GOLD GOLDEN LINES LTD

Form 6-K

February 07, 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 February 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 Revenues and Cash Flow  
From Operations for 2005 dated February 7, 2006.

Press Release

Source: Internet Gold

Internet Gold Reports Record Revenues and Cash Flow From Operations for 2005

Tuesday February 7, 1:02 am ET

2005 Revenues Up 36% to \$64.7M; Q4 Revenues Up 33% to \$17.6M

PETACH TIKVA, Israel, February 7 /PRNewswire-FirstCall/ -- Internet Gold, (Nasdaq NMS: IGLD - News) today reported financial results for the fourth quarter and full year ended December 31, 2005.

Highlights of 2005:

- Record revenues: sales reach all-time high of \$64.7 million, up 36% compared to 2004, nearly reaching the NIS 300 million milestone
- Improving EBIT: operating income rose 14% year-over-year
- Primary growth drivers:
  - 015 International Telephony: aggressive market share targets achieved, resulting in significantly expanded revenues
  - Internet Advertising: 5 new portals added to the Group in 2005, positioning IGLD as one of Israel's strongest Internet Media Groups
  - Business services: expanded offering of advanced IT services began contributing strongly to revenues in 2005 and promise stronger contribution in 2006
  - Focus for 2006: continued growth in revenues and market share through expanded marketing activities and an increased advertising budget; improved profitability through efficiency measures

Financial Results

Revenues for the fourth quarter of 2005 reached a record NIS 81.1 million (US\$ 17.6 million), an increase of 33% compared with NIS 61.1 million in the fourth quarter of 2004 and 11% compared with the third quarter of 2005. Operating income for the quarter was NIS 7.1 million (US\$ 1.5 million), an increase of 1% compared to NIS 7.0 million in the fourth quarter of 2004 and 25% compared to NIS 5.7 million in the third quarter of 2005.

Net income for the quarter was NIS 5.4 million (US \$1.2 million), or NIS 0.29 (US\$ 0.06) per share, compared to NIS 6.4 million, or NIS 0.35 per share, for the fourth quarter of 2004, and NIS 1.6 million, or NIS 0.09 per share, for the third quarter of 2005.

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Revenues for the full year 2005 were a record NIS 297.7 million (US\$ 64.7 million), an increase of 36% compared to NIS 219.6 million in 2004. Operating income for the year was NIS 28.9 million (US\$ 6.3 million), an increase of 14% compared with NIS 25.3 million in 2004.

Net income for 2005 was NIS 18.3 million (US\$ 4 million), or NIS 0.99 (US\$ 0.22) per share, compared to NIS 19.5 million, or NIS 1.06 (US\$ 0.23) per share, recorded in 2004. This reflected unusually high financing expenses of NIS 9.4 million (US\$ 2 million) reflecting primarily the higher-than-expected CPI in the second and third quarters and its affect on the Group's outstanding bond offering.

Cash flow from operations in 2005 increased by 12% to a record NIS 42.8 million (US\$ 9.3 million) compared with NIS 38.2 million for 2004.

### Comments of Management

Commenting on the results, Eli Holtzman, Internet Gold's CEO, said, "We are pleased to report another record year for Internet Gold marked by a 36% increase in revenues, cash flow of nearly NIS 43 million, improving EBIT and across-the-board strategic progress. The increase in our revenues was driven by the success of our 015 International Telephony and Internet Advertising businesses combined with a significant increase in the scope of our Business Services. At the same time, our portal acquisitions, combined with the continued rapid development of Israel's Internet Advertising market, have significantly increased our revenues from this emerging sector."

Mr. Holtzman continued, "Our plan for 2006 includes a strengthened focus on marketing efforts to continue building the top line, including an increased advertising budget to continue building our market share in the 015 and broadband access arena. In addition, we intend to continue expanding our Internet Media and e-Commerce businesses through additional acquisitions, joint ventures and creative marketing efforts. At the same time, we expect that the efficiency measures taken during the second half of 2005, including the unification of our Access and International Telephony call centers and other cost-cutting activities, will improve our results significantly beginning in 2006."

Mr. Holtzman concluded, "Taken as a whole, we are satisfied with our performance during 2005 and are working to deliver additional top-line and bottom-line growth in the year ahead."

### Overview of Business Segments

smile.net - access and access-related value added services: During 2005, sales of the Group's Business Division grew by 30% compared to 2004, and revenues from value added services (anti-spam, anti-virus, specialized content and WiFi home networking) grew by 39%. The Group's smile.biz services grew by 60% during the year, reflecting the Group's successful launch of IT infrastructure deployment and integration services to complement its hosting, website development and other Professional Services. In addition, during the quarter the Group launched its new e-Safe Secured Internet Access service for residential users based on state-of-the-art technology developed by Aladdin Knowledge Systems (Nasdaq: ALDN - News). The service allows Internet user to "surf" freely while protecting their computers against viruses, spyware, Trojan Horses and other on-line

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threats.

Israel's broadband penetration is now among the highest in the world, with over 60% of households having Internet access, 91% of those with broadband Internet access, and 42% of surfers online at least 10 hours a week.

smile.media - e-Advertising/Content: Revenues from the Group's portal operations grew significantly compared to 2004. During 2005, the Group added five Internet portals through acquisitions and joint ventures, establishing it as Israel's leading and most diverse Internet Media Group. As a result, Internet Gold currently owns a controlling interest and/or exclusive marketing rights to each of the following Internet advertising properties, enabling it to offer advertisers an extremely cost-effective means for reaching specific target audiences:

- MSN-Israel (50.1% owned) - Hebrew language MSN Messenger, Hotmail Israel and MSN Search Israel; co-operations with top world's advertisers for content-branded channels

- MSNJobs: Hebrew-language job search site
- Start (100% owned) - Internet search engine and web directory site
- Zahav.ru (100% owned) - Russian language portal
- VGames (100% owned) - online games-for-fun
- Seret (51% owned) - cinema portal (acquired in January 2006)
- GetPrice (51% owned) - price comparison site
- TheMoney (50.1% owned) - lead-generation financial portal
- Hype/Tipso (50% owned) - children's portal
- Nirshamim (50% owned) - portal for academics and university students

- Net-Express (exclusive marketing rights) - Internet search engines and web directory site

- GOOP (exclusive marketing rights) - youth portal

smile.015 - International Telephony: during 2005, the Group built its share of Israel's International Telephony market to 8.5%, securing more than 300,000 residential customers, 5,000 commercial customers and a strong share of the country's Russian-speaking population. The Group has initiated trials of local telephony services and plans to launch these services commercially in early 2007.

smile.shops - e-Commerce: 2005 revenues of P-1000, the Group's primary e-Commerce business, rose by 25% compared to 2004 and became profitable, and remained profitable during the fourth quarter. Internet Gold also owns 50.1% of MSN-Shops, 50% of dbook.co.il, Israel's #1 interactive book site, and 51% of Getprice.co.il, Israel's #2 comparison price engine.

### About Internet Gold

Internet Gold is a group of communications companies that provide Internet access and related value-added services, international telephony, e-Advertising, content and e-Commerce services throughout Israel under the brand name "smile". The broad range and popularity of these services have established Internet Gold as one of Israel's leading Internet communications groups.

The Internet Gold Group includes four subsidiaries. MSN-Israel, its 50.1% owned joint-venture with Microsoft Corp. (49.9% owned), provides Microsoft-branded Search, Instant Messaging, Hotmail and a variety of portal services. Internet

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Gold International, a fully-owned subsidiary, provides international Internet and communication services. GoldMind, a fully-owned subsidiary, provides value-added services to Internet subscribers. GoldTrade, the Group's fully-owned e-Commerce subsidiary, operates e-Commerce sites.

For additional information about Internet Gold, please visit its Website 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 December 31, 2005 have been presented in U.S. Dollars, translated at the representative rate of exchange as of December 31, 2005 (NIS 4.603 = 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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Balance Sheets

Convenience  
translation  
into US  
Dollars  
NIS

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	Consolidated		4.603=US\$1 Consolidated
	As at	As at	As at
	December 31	December 31	December 31
	2005	2004	2005
	(Unaudited)	(Audited)	(Unaudited)
	NIS thousands		US\$ thousands
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	265,488	75,637	57,676
Short-term investment	804	-	175
Trade receivables, net	67,988	52,682	14,770
Other receivables	12,201	8,948	2,651
Deferred taxes	1,111	2,564	242
<b>Total current assets</b>	<b>347,592</b>	<b>139,831</b>	<b>75,514</b>
<b>Investments</b>			
Investments in investee companies	75	-	16
Deferred taxes	40	22	9
Other investments	200	-	43
	315	22	68
Property and equipment, net	36,222	40,583	7,869
Other assets and deferred charges	117,889	114,956	25,611
Assets allocated to discontinued operation	-	4,631	-
<b>Total assets</b>	<b>502,018</b>	<b>300,023</b>	<b>109,062</b>

Internet Gold - Golden Lines Ltd.

	Consolidated		Convenience translation into US Dollars NIS 4.603=US\$1 Consolidated
	As at	As at	As at
	December 31	December 31	December 31
	2005	2004	2005
	(Unaudited)	(Audited)	(Unaudited)
	NIS thousands		US\$ thousands
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term bank loans	12,684	10,950	2,756
Accounts payable	55,987	73,383	12,163

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Other payables	23,877	13,784	5,187
Accrued liabilities from marketable securities	1,045	-	227
<b>Total current liabilities</b>	<b>93,593</b>	<b>98,117</b>	<b>20,333</b>
Long-term liabilities			
Long-term loans and other long-term obligations	33,570	72,117	7,292
Deferred revenues	-	3	-
Liability for severance pay, net	7,506	6,240	1,631
Convertible debentures	218,676	-	47,507
<b>Total long-term liabilities</b>	<b>259,752</b>	<b>78,360</b>	<b>56,430</b>
Liabilities allocated to discontinued operation	-	1,653	-
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, 2005)	197	197	43
Proceeds from option warrants as at December 31, 2005	6,675	-	1,450
Additional paid in capital	216,864	215,040	47,114
Accumulated deficit	(75,063)	(93,344)	(16,308)
<b>Total shareholders' equity</b>	<b>148,673</b>	<b>121,893</b>	<b>32,299</b>
<b>Total liabilities and shareholders' equity</b>	<b>502,018</b>	<b>300,023</b>	<b>109,062</b>

Internet Gold - Golden Lines Ltd.  
Statements of Operations - Consolidated

	Consolidated Three months ended		Consolidated Year ended		Consolidated Year ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004	December 31 2003	December 31 2005
	(Unaudited) (Unaudited) (Unaudited) (Audited) (Audited) (Unaudited)					(Unaudited)
	NIS thousands (except for per share data)					US\$ thousands
Revenues	81,094	61,110	297,707	219,577	179,642	64,677
Costs and expenses:						
Cost of revenues	46,571	27,285	159,943	96,820	92,871	34,748

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Selling and marketing expenses	18,121	20,408	75,710	73,155	41,393	16,448
General and administrative expenses	9,264	6,375	33,156	24,258	21,908	7,203
Total costs and expenses	73,956	54,068	268,809	194,233	156,172	58,399
Income from operations	7,138	7,042	28,898	25,344	23,470	6,278
Financing income (expenses), net	(1,565)	(131)	(9,403)	122	(3,235)	(2,043)
Other (expenses) income, net	30	367	237	(1,077)	(2,592)	51
Income from continued operations before income taxes	5,603	7,278	19,732	24,389	17,643	4,286
Tax expenses (income)	230	(1,842)	1,451	(301)	(1,935)	315
Income after tax expenses	5,373	9,120	18,281	24,690	19,578	3,971
Company's share in net income (loss) of investees	-	107	-	(396)	(1,538)	-
Income from continued operations	5,373	9,227	18,281	24,294	18,040	3,971
Company's share in loss of a subsidiary from discontinued operations	-	(2,817)	-	(4,763)	(3,737)	-
Net income	5,373	6,410	18,281	19,531	14,303	3,971
Income (loss) per share, basic and diluted						
Net income per NIS 0.01 par value of shares (in NIS) from continuing operations	0.29	0.50	0.99	1.32	0.98	0.22
Net loss per NIS 0.01 par value of shares (in NIS) from discontinued operations	-	(0.15)	-	(0.26)	(0.20)	-
Net income per NIS 0.01						



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par value of shares (in NIS)	0.29	0.35	0.99	1.06	0.78	0.22
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.

INTERNET GOLD-GOLDEN LINES LTD.  
(Registrant)

By /s/Eli Holtzman  
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Eli Holtzman  
Chief Executive Officer

Date: February 7, 2006