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INTERNET GOLD GOLDEN LINES LTD

Form 6-K

May 13, 2008

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 May 2008

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 Q1 2008 Results dated May 13, 2008.

Press Release

Source: Internet Gold

Internet Gold Reports Q1 2008 Results

Tuesday May 13, 2:37 am ET

NIS 280 Million Revenues; NIS 60.3 Million Adjusted EBITDA; 33% Gross Margin; 22% Adjusted EBITDA Margin PETACH TIKVA, Israel, May 13 /PRNewswire-FirstCall/ -- Internet Gold Golden Lines Ltd., (NASDAQ NMS and TASE: IGLD) today reported its financial results for the first quarter ended March 31, 2008.

#### Highlights

- Strong gross profit and adjusted EBITDA despite the negative impact of the shekel-dollar exchange rate and the decline in hubbing revenues
- Improved cash flow from operations: operating cash flow for the quarter reached NIS 48 million (\$13.5 million)
- 012 Smile.Communications core operations growing in line with business plan: adjusted EBITDA up 7% year over year; on-track execution of VOB domestic telephony and mobile strategies
- Acceleration of share buy-back program; as of May 10, 2008, the Company had invested approximately \$16 million in this program
- Continued focus on search for accretive M&A candidates

#### Financial Results for the First Quarter

Revenues: Revenues for the first quarter of 2008 were NIS 280.0 million (\$78.8 million) compared to NIS 296.3 million in the first quarter of 2007. Revenues for the quarter were impacted significantly by the decline in the shekel-dollar exchange rate and 012 Smile.Communications' decision to reduce its hubbing business. The average shekel-dollar exchange rate as of the end of the first quarter declined by 14% compared year-over-year with the first quarter of 2007, thus reducing the shekel value of dollar-linked service contracts which represent approximately one third of the Company's revenues. In addition, 012 Smile.Communications' decision, during late 2007, to reduce emphasis on its low-margin hubbing (wholesale international traffic) business reduced its first quarter revenues by approximately NIS 18 million compared to the first quarter of 2007. Excluding these two factors, the Company's revenues increased by approximately 6% on a year-over-year basis.

Gross Margin: Despite the reduction in revenues, gross margin increased to 33% from 31% in the first quarter of 2007, reflecting the synergies of the merger carried out in 2007 and the reduction of hubbing revenues in 012 Smile.Communications' mix of sales.

Adjusted EBITDA: Adjusted EBITDA for the quarter was NIS 60.3 million (\$17.0 million) compared with NIS 62.8 million for the first quarter of 2007. However, the Company's adjusted EBITDA margin for the quarter strengthened slightly, reaching 22.0% compared with 21.0% in the first quarter of 2007, reflecting the

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improved gross margin.

For more information regarding the use of non-GAAP financial measurements, please see the closing notes in this press release.

**Merger-Related Expenses:** One-time expenses related to the merger of 012 Golden Lines and Smile.Communications were NIS 4.8 million (\$1.4 million) in the first quarter compared with NIS 0.5 million in the first quarter of 2007. The Company expects that final merger-related expenses of up to NIS 2 million (\$600,000) will be recorded in the second quarter of 2008.

**Financing Expenses:** Financing expenses for the first quarter were NIS 22.5 million (\$6.3 million) compared with NIS 11.0 million in the first quarter of 2007. This unusually high level of expenses was due primarily to this quarter's 8% decrease in the average shekel-dollar exchange rate (as compared with the rate at December 31, 2007), which decreased the shekel value of the Company's dollar-denominated deposits by approximately NIS 15 million. This was recorded as a non-cash expense that did not affect the Company's cash position.

**Net Results:** On a U.S. GAAP basis, giving full effect to the decrease in the shekel-dollar exchange rate on financing expenses and one-time merger-related expenses, net income for the first quarter was NIS 1.0 million (\$286,000), or NIS 0.04 (\$0.012) per share compared to NIS 18.3 million, or NIS 0.93 per share, in the first quarter of 2007. Excluding the decrease in the shekel-dollar exchange rate and one-time merger related expenses, non-GAAP earnings per share for the quarter were approximately NIS 0.61 (\$0.17).

### Balance Sheet

The Company's cash, cash equivalents and short term investments as of March 31, 2008 were NIS 800.3 million (\$225.2 million), an increase of 958% compared with NIS 75.6 million (\$ 21.3 million) as of March 31, 2007. In addition, Internet Gold's bank debt decreased by 62% from NIS 414 million (\$ 116.5 million) as of March 31, 2007 to NIS 159 million (\$44.8 million) as of the end of the first quarter of 2008.

As of March 31, 2008 the Company's primary balance sheet and operational ratios showed significant improvement as compared to March 31, 2007:

| As of March 31,   | 2008 | 2007 |
|---|------|------|
| Ratio of Shareholders' Equity to Total Assets                 | 21%  | 17%  |
| Ratio of Net Debt to EBITDA                                   | 1.4  | 3.1  |
| Adjusted EBITDA margin  | 22   | 21   |
| Current Ratio (Current Assets divided by Current Liabilities) | 2    | 0.6  |
| Gross Margin  | 33%  | 31%  |

### Comments of Management

Commenting on the results, Eli Holtzman, Internet Gold's CEO, said, "The first quarter was a period of both successes and challenges for Internet Gold. Our 012 Smile.Communications subsidiary made important progress during the quarter, delivering a record level of profitability from its core businesses while continuing its expansion into Israel's domestic telephony market and taking initial steps towards penetrating the domestic mobile market. In parallel,

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Smile.Media's performance did not meet our expectations again in the first quarter. We have recently initiated plans to boost revenues and cut costs, both aimed at bringing the subsidiary back to operating profitability, while we continue to evaluate longer term strategic alternatives.

"We continue to seek attractive M&A targets in both Israel and international markets. Suitable candidates have to be of significant size, have operational profitability, operate in a communications field that does not compete with our current businesses and available at a reasonable valuation. The search process is not simple and requires patience. However, we are confident that, just as we succeeded to identify the right M&A target in the 012 transaction two years ago, we will be successful in locating our next significant investment, thereby taking our group to the next level. We believe these efforts will generate significant returns and shareholders' value over the next two-to-three years. With a firm belief that the current price level of our share is far below the Company's value, we have accelerated our share buyback program, investing a total of approximately \$16.0 million in this effort, repurchasing 1,714,116 shares."

### Business Segments

012 Smile.Communications Ltd. (NASDAQ and TASE: SMLC): Revenues for the first quarter were NIS 263.4 million (\$74.1 million) compared with NIS 276 million for the first quarter of 2007. Revenues were impacted by the 14% year-over-year decline in the average shekel-dollar exchange rate, which reduced the shekel value of service contracts linked to the dollar, and Management's decision in late 2007 to de-emphasize the low-margin hubbing business. Excluding these two factors, 012 Smile.Communications' revenues from core activities increased by approximately 10% on a year-over-year basis.

012 Smile.Communications' profitability continues to improve due to the synergies realized from the merger and the reduction of the proportion in its revenues that is derived from hubbing activities. The subsidiary's adjusted EBITDAb for the first quarter increased by 7% to a record NIS 62 million (\$17.4 million) compared with NIS 58 million for the first quarter of 2007, and its adjusted EBITDA margin for the quarter reached a record 24.0% compared with 21.0% in the first quarter of 2007.

Smile.Media Ltd.: Revenues for the first quarter were NIS 16.9 million (US \$4.8 million), with slightly positive adjusted EBITDAb. The lower revenues and operating results reflect a weaker-than-expected market share of several of the subsidiary's e-Advertising business segments, partially offset by a gain in revenues from e-Commerce activities. Management has recently implemented a revenue-boosting strategy in parallel with a cost-cutting plan aimed at assuring Smile.Media's operating profitability, and is evaluating further strategic alternatives.

Other: In addition to the operations of 012 Smile.Communications and Smile.Media, during the quarter, Internet Gold incurred operating expenses of approximately NIS 1.7 million (US \$0.5 million), a substantial portion of which is related to the Company's Sarbanes Oxley compliance program which is nearly completed. Management believes that its Sarbanes Oxley-related expenses will be significantly lower during the remainder of 2008.

### Share and Convertible Bond Buyback Programs

During the first quarter, the Company's Board of Directors has accelerated its

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ordinary share and convertible bond buyback programs in view of current market prices, which, it believes, are far below the Company's true value and growth prospects.

Share Buyback Program: on November 29, 2007, the Board of Directors authorized the repurchase of up to NIS 70 million (approximately \$19.7 million) of the Company's ordinary shares in both the Nasdaq Global Market and Tel Aviv Stock Exchange. Management has been executing the repurchase plan successfully, repurchasing 1,334,245 shares as of the end of the first quarter of 2008, bringing the total number of outstanding shares as of that date to 22,184,161. To date, the company has repurchased 1,714,116 shares, bringing the number of the total outstanding shares to 21,804,290.

Convertible Bond Buyback Program: On January 28, 2008, the Company's Board of Directors authorized the repurchase of up to NIS 112 million (approximately \$31.5 million) of the Company's convertible bonds. The Company has repurchased bonds valued at NIS 8,781,790 through the end of May 10, 2008, thus decreasing the Company's current bond-related debt to NIS 94.1 million (\$26.5 million).

### Conference Call Information

Management will host an interactive teleconference to discuss the results today, May 13, 2008, at 10:00 a.m. EDT. To participate, please call one of the following access numbers several minutes before the call begins: 1-866-860-9642 from within the U.S. or 1-888-604-5839 from within Canada, 0-800-051-8913 from within the U.K., or +972-3-918-0692 from other international locations. The call will also be broadcast live through the company's Website, <http://www.igld.com>, and will be available there for replay during the next 30 days.

### NOTE A: Convenience Translation to Dollars

For the convenience of the reader, the reported NIS figures of March 31, 2008 have been presented in thousands of U.S. dollars, translated at the representative rate of exchange as of March 31, 2008 (NIS 3.5530 = 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.

### NOTE B: Non-GAAP Financial Measurements

EBITDA is a non-GAAP financial measure generally defined as earnings before interest, taxes, depreciation and amortization. We define adjusted EBITDA as net income before financial income (expenses), net, impairment and other charges, income tax expenses, depreciation and amortization. On a pro forma basis, we define adjusted EBITDA as net income before financial income (expenses), net, impairment and other charges, income tax expenses, depreciation and amortization and income from discontinued operations.

We present adjusted EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structure (most particularly affecting our interest expense given our recently incurred significant debt), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses or, most recently, our provision for tax expenses) and the age of, and depreciation expenses associated with, fixed assets (affecting relative depreciation expense). Adjusted EBITDA should not be considered in isolation or

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as a substitute for net income or other statement of operations or cash flow data prepared in accordance with GAAP as a measure of our profitability or liquidity. Adjusted EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, adjusted EBITDA, as presented in this prospectus, may not be comparable to similarly titled measures reported by other companies due to differences in the way that these measures are calculated. Our use of adjusted EBITDA is detailed more fully in "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Non-GAAP Financial Measures" and reflects our belief that the non-GAAP financial information is important for the understanding of our operations.

We define non-GAAP adjusted EBIT (earnings before interest and taxes) as net income before interest and taxes net amortization with regard to the intangible assets acquired as part of the acquisition of 012 Golden Lines and non-recurring expenses relating to charges incurred in connection with the merger of Smile.Communications and 012 Golden Lines.

### Note C: Reconciliation Between Results on a GAAP and Non-GAAP Basis

Reconciliation between the Company's results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statement of Operations (Non-GAAP Basis). Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude amortization of acquired intangible assets, as well as certain business combination accounting entries. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. We believe these non-GAAP financial measures provide consistent and comparable measures to help investors understand our current and future operating cash flow performance. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies. Reconciliation between results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statement of Operations.

### About Internet Gold

Internet Gold is one of Israel's leading communications groups with a major presence across all Internet-related sectors. Its 72.4% owned subsidiary, 012 Smile.Communications Ltd., is one of Israel's major Internet and international telephony service providers, and one of the largest providers of enterprise/IT integration services. Its 100% owned subsidiary, Smile.Media Ltd., manages a growing portfolio of Internet portals and e-Commerce sites.

### Forward-Looking Statements

This press release contains forward-looking statements that are subject to risks and uncertainties. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, general business conditions in the industry, changes in the regulatory and legal compliance environments, the failure to manage growth and other risks detailed from time to time in Company's filings with the Securities Exchange Commission. These documents contain and identify other important factors that could cause

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actual results to differ materially from those contained in our projections or forward-looking statements. Stockholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statement.

Internet Gold - Golden Lines Ltd.

### Consolidated Balance Sheets

|  | March 31<br>2008<br>(Unaudited)<br>NIS thousands | March 31<br>2007<br>(Unaudited)<br>NIS thousands | Convenience<br>translation<br>into<br>U.S. dollars<br>\$1 = NIS<br>3.553<br>March 31<br>2008<br>(Unaudited)<br>\$ thousands |
|--|--|--|---|
| Current assets                                 |  |  |   |
| Cash and cash equivalents                      | 518,332  | 73,358   | 145,885   |
| Short-term investments                         | 282,013  | 2,245  | 79,373  |
| Trade receivables, net                         | 231,705  | 246,125  | 65,214  |
| Other receivables                              | 34,582   | 51,314   | 9,733   |
| Deferred taxes                                 | 9,620  | 6,685  | 2,708   |
| <b>Total current assets</b>                    | <b>1,076,252</b>                                 | <b>379,727</b>                                   | <b>302,913</b>  |
| Investments                                    |  |  |   |
| Long-term trade receivables                    | 3,150  | 2,065  | 887   |
| Deferred taxes                                 | 18,804   | 178  | 5,292   |
| Assets held for employee<br>severance benefits | 21,347   | 19,861   | 6,008   |
| Investments in investee companies              | 200  | 200  | 56  |
|  | 43,501   | 22,304   | 12,243  |
| Property and equipment, net                    | 169,577  | 155,417  | 47,728  |
| Goodwill and other assets net,                 | 925,164  | 910,243  | 260,390   |
| <b>Total assets</b>                            | <b>2,214,494</b>                                 | <b>1,467,691</b>                                 | <b>623,274</b>  |

Internet Gold - Golden Lines Ltd.

### Consolidated Balance Sheets (cont'd)

Convenience  
translation  
into

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|   | March 31      | March 31      | U.S. dollars |
|---|---------------|---------------|--------------|
|   | 2008          | 2007          | \$1 = NIS    |
|   | (Unaudited)   | (Unaudited)   | 3.553        |
|   | NIS thousands | NIS thousands | March 31     |
|   |               |               | (Unaudited)  |
|   |               |               | \$ thousands |
| Current liabilities                             |               |               |              |
| Short-term bank credit                          | 109,922       | 358,904       | 30,938       |
| Current maturities of long-term obligations     | 7,176         | 7,176         | 2,020        |
| Accounts payable                                | 203,597       | 209,397       | 57,302       |
| Current maturities of debentures                | 94,878        | -             | 26,704       |
| Other current liabilities                       | 112,090       | 59,035        | 31,549       |
| Total current liabilities                       | 527,663       | 634,512       | 148,513      |
| Long term liabilities                           |               |               |              |
| Long-term loans and other long-term obligations | 43,675        | 53,995        | 12,292       |
| Liability for employee severance benefits       | 34,974        | 34,084        | 9,843        |
| Deferred taxes                                  | 70,419        | 38,972        | 19,820       |
| Debentures                                      | 792,893       | 271,721       | 223,161      |
| Convertible debentures                          | 99,432        | 177,110       | 27,985       |
| Total long term liabilities                     | 1,041,393     | 575,882       | 293,101      |
| Total liabilities                               | 1,569,056     | 1,210,394     | 441,614      |
| Minority interest                               | 183,923       | 1,565         | 51,766       |
| Shareholders' equity                            | 461,515       | 255,732       | 129,894      |
| Total liabilities and shareholders' equity      | 2,214,494     | 1,467,691     | 623,274      |

Internet Gold - Golden Lines Ltd.

Consolidated Statements of Operations

|                    | March 31      | March 31      | Convenience  |
|--------------------|---------------|---------------|--------------|
|                    | 2008          | 2007          | translation  |
|                    | (Unaudited)   | (Unaudited)   | into         |
|                    | NIS thousands | NIS thousands | U.S. dollars |
|                    |               |               | \$1 = NIS    |
|                    |               |               | 3.553        |
|                    |               |               | March 31     |
|                    |               |               | (Unaudited)  |
|                    |               |               | \$ thousands |
| Revenues           | 279,632       | 296,304       | 78,703       |
| Costs and expenses |               |               |              |
| Cost of revenues   | 188,322       | 204,420       | 53,004       |



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|   |         |         |        |
|---|---------|---------|--------|
| Selling and marketing expenses                                      | 42,077  | 42,685  | 11,843 |
| General and administrative expenses                                 | 17,308  | 15,921  | 4,871  |
| Impairment and other charges  | 4,860   | 460     | 1,368  |
| Total costs and expenses  | 252,567 | 263,486 | 71,086 |
| Income from operations  | 27,065  | 32,818  | 7,617  |
| Financial expenses, net   | 22,467  | 10,911  | 6,323  |
| Income before tax expenses  | 4,598   | 21,907  | 1,294  |
| Tax expenses  | 2,030   | 3,620   | 571    |
| Income after tax expenses   | 2,568   | 18,287  | 723    |
| Minority interest (loss) in operations of consolidated subsidiaries | 1,551   | (55)    | 437    |
| Net income  | 1,017   | 18,342  | 286    |
| Income per share, basic   |         |         |        |
| Net income per share (in NIS)                                       | 0.04    | 0.93    | 0.01   |
| Weighted average number of shares outstanding (in thousands)        | 22,935  | 19,658  | 22,935 |
| Income per share, diluted   |         |         |        |
| Net income per share (in NIS)                                       | 0.04    | 0.74    | 0.01   |
| Weighted average number of shares outstanding (in thousands)        | 22,935  | 24,928  | 22,935 |

Internet Gold - Golden Lines Ltd.

Reconciliation Table of Non-GAAP Measures (NIS in thousands)

|                       | Three months period<br>ended March 31 |                                      | Convenience<br>translation<br>into<br>dollars<br>\$1 = NIS<br>3.553<br>Three-month<br>period<br>ended<br>March 31 |
|-----------------------|---------------------------------------|--------------------------------------|---|
|                       | 2008<br>(Unaudited)<br>NIS thousands  | 2007<br>(Unaudited)<br>NIS thousands | 2008<br>(Unaudited)<br>\$ thousands   |
| GAAP operating income | 27,065                                | 32,818                               | 7,617   |

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|   |        |        |        |
|---|--------|--------|--------|
| Adjustments   |        |        |        |
| Amortization of acquired intangible assets                          | 6,820  | 5,705  | 1,920  |
| Impairment and other charges  | 4,860  | 460    | 1,368  |
|   | 38,745 | 38,983 | 10,905 |
| Non-GAAP adjusted operating income                                  |        |        |        |
| GAAP tax expenses, net  | 2,030  | 3,620  | 571    |
| Adjustments   |        |        |        |
| Amortization of acquired intangible assets                          |        |        |        |
| Included in tax expenses, net                                       | 1,841  | 1,655  | 518    |
| Non-GAAP tax expenses, net  | 3,871  | 5,275  | 1,089  |
| Net income as reported  | 1,017  | 18,342 | 286    |
| Minority interest (loss) in operations of consolidated subsidiaries | 1,551  | (55)   | 437    |
| Taxes on income   | 2,030  | 3,620  | 571    |
| Impairment and other charges  | 4,860  | 460    | 1,368  |
| Financial expenses, net   | 22,467 | 10,911 | 6,323  |
| Depreciation and amortization                                       | 28,352 | 29,532 | 7,980  |
| Adjusted EBITDA   | 60,277 | 62,810 | 16,965 |

For further information, please contact:  
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 idita@co.smile.net.il / Tel: +972-72-200-3848

### 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

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Date: May 13, 2008