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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 2006 (Unaudited)	June 30 2005 (Unaudited)	December 31 2005 (Audited)	Convenience translation into US Dollars NIS 4.44=US\$1 June 30 2006 (Unaudited)
	New Israeli Shekels - in thousands			US\$ 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 2006 (Unaudited)	June 30 2005 (Unaudited)	December 31 2005 (Audited)	Convenience translation into US Dollars NIS 4.44=US\$1 June 30 2006 (Unaudited)
	New Israeli Shekels - in thousands			US\$ 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				
shareholders' equity	499,751	513,979	502,018	112,556

Internet Gold - Golden Lines Ltd.  
Consolidated Statements of Operations

	Six-month period ended		Three-month period		Year	Convenience	
	June 30		ended		ended	translation	
	2006	2005	2006	2005	December 31	into	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	US Dollars	
	NIS thousands (except per share data)						NIS 4.44=US\$1
							Six month
							period
							ended
							June 30
							2006
							(Unaudited)
							US\$
							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