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BOS BETTER ONLINE SOLUTIONS LTD

Form 6-K

August 23, 2005

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a - 16 or 15d -16
of the Securities Exchange Act of 1934

For the Month of August 2005

B.O.S. BETTER ON-LINE SOLUTIONS, LTD.
(Translation of Registrant's Name into English)

100 BOS ROAD, TERADYON 20179, ISRAEL
(Address of Principal Corporate Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover 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 the registrant by furnishing the information contained in this form 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): N/A

THE INFORMATION IN PARAGRAPHS 1 THRU 9 OF THE REGISTRANT'S PRESS RELEASE ATTACHED TO THIS FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO THE REGISTRANT'S REGISTRATION STATEMENTS ON FORM F-3 (NO. 333-117529) AND FORM S-8 (NOS. 333-110696, 333-100971 AND 333-11650), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Attached hereto and incorporated by reference is the following Registrant's press release:

B.O.S. Better Online Solutions Ltd. Reports Results for the Second Quarter of

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2005; Dated August 23, 2005.

Signature

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.

B.O.S. Better On-Line Solutions, Ltd.
(Registrant)

By: /S/ Adiv Baruch

Adiv Baruch
President and CEO

Dated: August 23, 2005

B.O.S. BETTER ONLINE SOLUTIONS LTD. REPORTS RESULTS FOR THE SECOND QUARTER OF 2005

- REVENUES INCREASED 424%

TERADYON, Israel--(BUSINESS WIRE) - August 23, 2005--B.O.S. Better Online Solutions Ltd. (the "Company" or "BOS") (NASDAQ:BOSC - NEWS; TASE:BOSC) reported today its results for the quarter ended June 30, 2005.

Revenues for the second quarter of 2005 were \$7.3M, an increase of 424% as compared to \$1.4M for the second quarter of 2004. Our revenues increased mainly due to the consolidation of Odem Electronic Technologies 1992 Ltd. ("Odem") (related to the Electronic Component operating segment), acquired in November 2004, and Quasar Telecom (2004) Ltd. (related to the Communication operating segment), which began operating during late September 2004.

Loss from continuing operations for the second quarter of 2005 was \$940,000 (or -\$0.19 per share) compared to a loss of \$447,000 (or -\$0.11 per share), for the second quarter of 2004.

Operating loss for the second quarter of 2005 was \$431,000, compared to operating loss of \$380,000 for the second quarter of 2004.

Gross profit for the second quarter of 2005 increased 194% to \$2M, compared to \$680,000 for the second quarter of 2004.

In the second quarter of 2005, the Company recorded income from grants from the Office of the Israeli Chief Scientist in the amount of \$133,000. During the second quarter of 2005, the Office of the Israeli Chief Scientist confirmed its participation in the financing of the Company's annual development program of the Communication segment, in the total amount of \$350,000.

Financial expenses for the second quarter of 2005 were \$161,000, compared to financial expenses of \$7,000, for the second quarter of 2004. Financial expenses for the second quarter of 2005 include interest expenses in the amount of \$119,000 related to the convertible note, which was issued to Laurus Master Fund

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in June 2004. In July 2005, Laurus has given notice of conversion of approximately \$1.58M of the note principle amount and accrued interest into 540,293 ordinary shares of the Company. Thus, the balance of the note was converted.

Revenues for the six months ended June 30, 2005 amounted to \$14.6M, an increase of 464% as compared to \$2.6M for the six months ended June 30, 2004. Loss from continuing operations for such period amounted to \$1.9M (or -\$0.39 per share) compared to net loss of \$1M (or -\$0.28 per share) for the six months ended June 30, 2004.

As of June 30, 2005, the Company's balance sheet shows financial resources (cash, cash equivalents and marketable securities) of \$6.4M and loans (long and short term) of \$4.7M. On June 30, 2005 the Company completed a private placement in the total amount of \$2.2 million. \$1.45M were received by the Company before June 30, 2005, and an additional \$750,000 were received during July 2005.

On July 18, 2005, BOScom, Ltd., the Company's wholly-owned subsidiary, signed an asset purchase agreement with Consist Technologies Ltd. and Consist International Inc. (collectively, "Consist"), for the sale of its PrintBOS activities in consideration of \$500,000 plus a contingent payment in each of the next three years equal to 6-10% of the future revenues exceeding \$1M per year, that Consist generates from the PrintBOS activities. The closing of the transaction is subject to approval of the Office of the Israeli Chief Scientist. This agreement is a step in the implementation of BOS' strategy to sell non-core businesses in order to enhance its profitable activities.

ADIV BARUCH, BOS' CEO STATED: "BOS'S RESULTS AND ACTIVITIES ARE IMPROVING AND WE EXPECT A FURTHER IMPROVEMENT IN THE UPCOMING QUARTERS. WE ARE PLEASED WITH ODEM'S RESULTS AND IMPROVED MARGINS - THAT EXCEEDED OUR EXPECTATIONS. WE CONSIDER THE CONVERSION OF DEBT INTO SHARES, AFFECTED BY LAURUS IN JULY 2005, AN ACT OF SUPPORT AND CONFIDENCE IN BOS' FUTURE."

EDOUARD CUKIERMAN, CHAIRMAN OF BOS COMMENTED: "BOS IS TAKING SOME STRATEGIC STEPS IN ORDER TO ENHANCE ITS ACTIVITIES AND FINANCIAL RESULTS. WE ARE IN THE PROCESS OF SELLING NON-CORE ACTIVITIES AND CONTINUE TO FOCUS OUR ATTENTION ON GROWING PROMISING DIVISIONS. WE HAVE FULL CONFIDENCE THESE STEPS WILL YIELD TO THE BENEFIT OF ALL SHARE HOLDERS. "

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About BOS

B.O.S. Better Online Solutions Ltd. (the "Company" or "BOS") (NASDAQ:BOSC; TASE:BOSC) was established in 1990. BOS develops and markets innovative products that improve enterprise communications and operations. Its activities are focused on three domains:

- o Communications products- providing easy to install and affordable VoIP and cellular gateways solutions for businesses. BOS communications products leverage existing infrastructure, radically reduce costs and facilitate operations.
- o Connectivity products marketed under the BOSaNOVA brand name. These products deliver instant and transparent connectivity from IBM iSeries computers to personal computers, thin clients and browsers.
- o Software utilities solutions for the design, distribution and management of documents for a range of operating systems, including mainframe, iSeries, Linux, UNIX, and for various enterprise

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applications - ERP, CRM, financial and healthcare applications.

In addition BOS supplies electronic and RFID components and technology design services through the ODEM Division, based on Odem Electronic Technologies 1992 Ltd., in which a controlling stake was recently acquired. BOS, www.boscoperate.com is traded on NASDAQ (NASDAQ: BOSC - NEWS) and on the Tel-Aviv stock exchange (TASE: BOSC).

The forward-looking statements contained herein reflect management's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties that could cause the actual results to differ materially from those in the forward-looking statements, all of which are difficult to predict and many of which are beyond the control of BOS, including, but not limited to, those risks and uncertainties detailed in BOS' periodic reports and registration statements filed with the U.S. Securities Exchange Commission. BOS undertakes no obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

CONTACT:

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CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA

	SIX MONTHS ENDED JUNE 30,		THREE MONTHS JUNE 30,
	2005	2004	2005
Revenues	\$ 14,593	\$ 2,586	\$ 7,321
Cost of revenues	10,598	1,236	5,284
	3,995	1,350	2,037
Operating expenses:			
Research and development	1,457	941	721
Less - grants and participation	(133)	(211)	(133)
Selling and marketing	1,918	637	999
General and administrative	1,717	815	881
	4,959	2,182	2,468
Operating loss	(964)	(832)	(431)
Financial income (expenses), net	(322)	8	(161)

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Other income (expenses), net	27	-	27
	-----	-----	-----
Loss before taxes on income	(1,259)	(824)	(565)
Taxes on income	(234)		(175)
Equity in losses of an affiliated company	(240)	(135)	(95)
Minority interest in earning of a subsidiary	(150)		(105)
	-----	-----	-----
Loss from continuing operations	(1,883)	(959)	(940)
Loss related to discontinuing segment	-	(18)	-
	-----	-----	-----
Net loss	\$ (1,883)	\$ (977)	\$ (940)
Basic and diluted net loss per share from continuing segment	\$ (0.39)	\$ (0.28)	\$ (0.19)
	=====	=====	=====
Basic and diluted net earning per share from discontinuing segment	\$ -	\$ -	\$ -
	=====	=====	=====
Basic and diluted net loss per share	\$ (0.39)	\$ (0.28)	\$ (0.19)
	=====	=====	=====

REVENUES AND GROSS PROFIT FOR OPERATING SEGMENTS FOR THE SECOND QUARTER OF 2005 AND 2004

	CONNECTIVITY		COMMUNICATION		ELECTRONIC COMPONENTS		
	THREE MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,		TH
	2005	2004	2005	2004	2005	2004	20
	-----	-----	-----	-----	-----	-----	-----
Revenues	\$1,055	\$1,248	\$ 872	\$ 149	\$5,450	\$ -	\$7,
	=====	=====	=====	=====	=====	=====	=====
Gross profit	\$ 600	\$ 669	\$ 267	\$ 11	\$1,170	\$ -	\$2,
	=====	=====	=====	=====	=====	=====	=====

CONSOLIDATED BALANCE SHEETS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA

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	JUNE 30, 2005 -----	DECEMBER 31, 2004 -----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,246	\$ 2,578
Marketable securities	1,675	2,324
Trade receivables	5,277	4,557
Other accounts receivable and prepaid expenses	1,621	722
Inventories	3,511	3,086
	-----	-----
Total current assets	16,330	13,267
	-----	-----
LONG-TERM ASSETS:		
Marketable securities	460	757
Severance pay fund	1,096	1,143
Investment in affiliated company	2,232	2,472
Property, plant and equipment, net	985	1,019
Goodwill	1,573	1,569
Customer list, net	1,327	1,389
Other intangible assets, net	426	471
Other assets	342	398
	-----	-----
Total long-term assets	8,441	9,218
	\$24,771	\$22,485
	=====	=====

	JUNE 30, 2005 -----	DECEMBER 31, 2004 -----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term loans from banks	\$ 3,162	\$ 1,354
Current maturities of long-term bank loans and convertible note	809	643
Trade payables	3,575	3,845
Employees and payroll accruals	724	664
Deferred revenues	492	364
Accrued expenses and other liabilities	1,395	1,141
	-----	-----
Total current liabilities	10,157	8,011
	-----	-----
LONG-TERM LIABILITIES:		
Bank loans (net of current maturities)	28	54
Convertible note (net of current maturities)	694	1,151
Put option issued to minority shareholders in a subsidiary	359	359
Deferred taxes	332	348

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Accrued severance pay	1,318	1,468
	-----	-----
TOTAL long-term liabilities	2,731	3,380
MINORITY INTEREST IN A SUBSIDIARY	948	809
	=====	=====
LIABILITIES RELATED TO DISCONTINUED OPERATIONS	237	237
	=====	=====
SHAREHOLDERS' EQUITY	10,698	10,048
	=====	=====
TOTAL liabilities and shareholder's equity	\$24,771	\$22,485
	=====	=====