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BOS BETTER ONLINE SOLUTIONS LTD

Form 6-K

May 26, 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 May 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 6 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333-100971 AND 333-11650), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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:

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B.O.S. Better Online Solutions Ltd. Reports First Quarter 2005 Results; Dated May 26, 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: May 26, 2005

B.O.S. BETTER ONLINE SOLUTIONS LTD. REPORTS FIRST QUARTER 2005 RESULTS

TERADYON, Israel - (BUSINESS WIRE) - May 26, 2005--B.O.S. Better Online Solutions Ltd. (the "Company" or "BOS") (NASDAQ:BOSC; TASE:BOSC) reported today its results for the quarter ended March 31, 2005.

Revenues for the first quarter of 2005 were \$7.3 million, compared to \$1.2 million for the first quarter of 2004. Our revenues increased mainly due to the consolidation of Odem Electronic Technologies 1992 ("Odem") (related to the Electronic Component operating segment), which was acquired in November 2004, as well as an increase of 60% in the sales of the Connectivity and Communication operating segments (including Quasar Telecom (2004) Ltd., which began operating in late September 2004). Net loss for the first quarter of 2005 was \$943,000 (or -\$0.20 per share), compared to a net loss of \$511,000 (or -\$0.12 per share), for the comparable period in 2004.

Gross profit for the first quarter of 2005 was \$1.96 million, or 27% of revenues, compared to \$670,000, or 56% of revenues, for the first quarter of 2004. The lower gross margin is due mainly to the consolidation of Odem's results since the gross margin of products sold by Odem is lower than the average gross margin of the Company's other products.

Operating loss for the first quarter of 2005 was \$533,000, compared to \$452,000 for the first quarter of 2004.

Financial expenses for the first quarter of 2005 were \$161,000, compared to financial income of \$15,000, for the first quarter of 2004. The financial expenses reflect the interest expenses related to the convertible note of a \$2 million principal amount issued in June 2004. During March 2005, \$308,000 of the principal amount of the note were converted into 100,000 shares.

As of March 31, 2005, the Company's balance sheet shows financial resources (cash, cash equivalents and marketable securities) of \$4.5 million and loans (long and short term) of \$3.5 million.

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Adiv Baruch, BOS' CEO stated:

"The first quarter was characterized by growth, and an increase in revenues alongside an increase in sales and marketing costs. This increase in costs was needed in order to strengthen the sales and marketing infrastructure in correlation with the Company's growth."

Edouard Cukierman, Chairman of BOS commented:

"I believe in the direction that the Company chose and its continuing implementation towards further growth. The Catalyst fund, of which I am the CEO, is participating as a lead investor in the new investment round in the Company."

ABOUT BOS

BOS (www.boscorporate.com) which is traded on the NASDAQ (NASDAQ: BOSC - News) and on Tel-Aviv stock exchange (TASE: BOSC), was established in 1990. Through its subsidiary BOScom Ltd. it develops and markets three types of products under the BOSaNOVA brand:

- o A communications products line (www.boscom.com) provides innovative VoIP solutions to companies and organizations;
- o A connectivity products line (www.bosweb.com) provides connectivity solutions for IBM computers, from intermediate computers to personal computers and LAN networks; and
- o Software utilities products line (www.printbos.com) provides solutions for the design, distribution and management documents for a range of operating systems, including mainframe and UNIX.

In addition BOS supplies cellular adapters based on products of Quasar Communication Systems Ltd., whose assets were acquired by BOS, and design components and services through the ODEM Division, based on Odem Electronic Technologies 1992 Ltd. in which a controlling stake was also recently acquired.

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.

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CONSOLIDATED STATEMENTS OF OPERATIONS

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

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	THREE MONTHS ENDED MARCH 31,	
	2005	2004
	-----	-----
Revenues	\$ 7,272	\$ 1,189
Cost of revenues	5,314	519
	-----	-----
Gross profit	1,958	670
	-----	-----
Operating costs and expenses:		
Research and development	736	423
Less - grants and participation	-	-
Sales and marketing	919	292
General and administrative	836	407
	-----	-----
Total operating costs and expenses	2,491	1,122
Operating loss	(533)	(452)
Financial income (expenses), net	(161)	15
	-----	-----
Loss before taxes on income	(694)	(437)
Taxes on income	(59)	-
Equity in losses of an affiliated company	(145)	(74)
Minority interest in earnings of a subsidiary	(45)	-
	-----	-----
Loss from continuing operations	(943)	(511)
Loss related to discontinued operations	-	-
	-----	-----
Net loss	\$ (943)	\$ (511)
	=====	=====
Basic and diluted net loss per share from continuing operations	\$ (0.20)	\$ (0.12)
	=====	=====
Basic and diluted net loss per share from discontinued operations	\$ -	\$ -
	=====	=====
Basic and diluted net loss of NIS 4.00 par value per share	\$ (0.20)	\$ (0.12)
	=====	=====

REVENUES AND GROSS PROFIT (LOSS) FOR OPERATING SEGMENTS FOR THE FIRST QUARTER OF 2005 COMPARED TO THE FIRST QUARTER OF 2004

Connectivity		Communication		Electronic Components	
-----		-----		-----	
Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
-----		-----		-----	
2005	2004	2005	2004	2005	2004

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	-----	-----	-----	-----	-----	-----
Revenues	\$1,504	\$1,063	\$ 919	\$ 126	\$4,849	\$ -
	=====	=====	=====	=====	=====	=====
Gross profit (loss)	\$ 852	\$ 680	\$ 267	\$ (10)	\$ 839	\$ -
	=====	=====	=====	=====	=====	=====

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CONSOLIDATED BALANCE SHEETS

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

	MARCH 31, 2005	DECEMBER 31, 2004
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,189	\$ 2,578
Marketable securities	1,580	2,324
Trade receivables	5,576	4,557
Other accounts receivable and prepaid expenses	885	722
Inventories	2,955	3,086
	-----	-----
Total current assets	13,185	13,267
	-----	-----
LONG-TERM ASSETS:		
Marketable securities	751	757
Severance pay fund	1,106	1,143
Investment in affiliated company	2,327	2,472
Property, plant and equipment, net	982	1,019
Goodwill	1,573	1,569
Customer list, net	1,362	1,389
Other intangible assets, net	449	471
Other assets	356	398
	-----	-----
Total long-term assets	8,906	9,218
	=====	=====
	\$22,091	\$22,485
	=====	=====

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CONSOLIDATED BALANCE SHEETS

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

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	MARCH 31, 2005 -----	DECEMBER 31, 2004 -----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term loans from banks	\$ 1,982	\$
Current maturities of long-term bank loans and convertible note	590	
Trade payables	3,787	
Employees and payroll accruals	679	
Deferred revenues	442	
Accrued expenses and other liabilities	1,041	
	-----	-----
Total current liabilities	8,521	-----
	-----	-----
LONG-TERM LIABILITIES:		
Bank loans (net of current maturities)	41	
Convertible note (net of current maturities)	900	
Put option issued to minority shareholders in a subsidiary	359	
Deferred taxes	330	
Accrued severance pay	1,435	
	-----	-----
TOTAL long-term liabilities	3,065	-----
	-----	-----
MINORITY INTEREST IN A SUBSIDIARY	843	-----
	=====	=====
	-----	-----
LIABILITIES RELATED TO DISCONTINUED OPERATIONS	237	-----
	=====	=====
	-----	-----
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital	4,915	
Additional paid-in capital	44,650	4
Deferred stock-based compensation	(157)	
Accumulated other comprehensive income	18	
Accumulated deficit	(40,001)	(3)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	9,425	1
	-----	-----
TOTAL liabilities and shareholder's equity	\$ 22,091	\$ 2
	=====	=====

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. DOLLARS IN THOUSANDS

THREE MONTHS ENDED M

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	2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (943)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Loss (income) from discontinued operations	-
Depreciation and amortization of intangible assets	58
Depreciation of property, plant and equipment	86
Amortization of marketable securities premium	13
Accrued severance pay, net	4
Equity in losses of an affiliated company	145
Minority interest in earnings in a subsidiary	45
Capital loss from sale of property and equipment	-
Stock based compensation related to warrants issued to service providers	58
Stock based compensation related to options issued to employee	15
Amortization of financial expenses related to issuance of convertible note	35
Decrease (increase) in trade receivables	(1,055)
Decrease in deferred taxes	(21)
Decrease in other accounts receivable and prepaid expenses	(168)
Decrease (increase) in inventories	111
Increase (decrease) in trade payables	111
Increase (decrease) in employees and payroll accruals, deferred revenues, accrued expenses and other liabilities	20

Net cash provided by (used in) operating activities from continuing operations	(1,486)
Net cash provided by (used in) operating activities from discontinued operations	-

Net cash provided by (used in) operating activities	(1,486)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(54)
Proceeds from sale of property and equipment	-
Investment in long-term marketable securities	-
Acquisitions, net of cash acquired	(139)
Proceeds from redemption of marketable securities	731

Net cash provided by (used in) investing activities from continuing operations	538
Net cash used in investing activities from discontinued operations	-

Net cash provided by (used in) investing activities	538

CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds (repayment) of short term and long term bank loans	632
Proceeds from long term convertible note and warrants, net of issuance expenses	(21)
Payment of long term convertible note	(40)

Net cash provided by (used in) financing activities from continuing operations	571
Net cash used in financing activities from discontinued operations	-

Net cash provided by (used in) financing activities	571

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Decrease in cash and cash equivalents	(377)	
Decrease in cash and cash equivalents from discontinued operations	1	
Effect of exchange rate changes on cash and cash equivalents	(13)	
Cash and cash equivalents at the beginning of the year	2,578	

Cash and cash equivalents at the end of the year	\$ 2,189	\$
	=====	