

ROBOGROUP TEK LTD  
Form 6-K  
August 04, 2005

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**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 2005

**ROBOGROUP T.E.K. LTD.**

(Name of Registrant)

**Rehov Hamelacha 13, Afeq Industrial Estate, Rosh HaAyin 48091 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- \_\_\_\_\_

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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.

ROBOGROUP T.E.K. LTD.  
(Registrant)

By: /s/ Rafael Aravot

Rafael Aravot  
Chairman of the Board and CEO

Date: August 4, 2005

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**For Immediate Release**

**RoboGroup Announces Net Profit and 27% Increase in Revenues in Second-Quarter 2005**

**RoboGroup's Board Approved Voluntarily Deregistration and Delisting from the NASDAQ SmallCap Market**

ROSH HA AYIN, Israel, August 4, 2005 RoboGroup T.E.K. Ltd. (Nasdaq: ROBO) today reported second-quarter and first-half 2005 financial results. Revenues for the second quarter increased by 27% to NIS 16.9 million (US\$3.7 million) from NIS 13.3 million (US\$2.9 million) for the comparable quarter in 2004. Gross profit for the second quarter was NIS 8.1 million (US\$1.8 million) compared with NIS 5.9 million (US\$1.3 million) for the comparable period in 2004.

The company reported second-quarter net profit of NIS 0.4 million (US\$0.1 million) compared with a net loss of NIS 2.9 million (US\$0.6 million) in second-quarter of 2004. Backlog, as of June 30, 2005 increased significantly to NIS 13.5 million (US\$3 million) from NIS 7.9 million (US\$1.7) as of June 30, 2004.

Revenues for the six month period totaled NIS 27.8 million (US\$6.1 million) compared with NIS 27.7 million (US\$6.1 million) for the comparable period in 2004. The net loss for the six month period decreased significantly to NIS 2.2 million (US\$0.5 million) from NIS 5.8 million (US\$1.3 million) in the comparable period in 2004.

Rafael Aravot, chief executive officer of RoboGroup, commented: I am pleased with our second quarter results. In addition to generating higher revenues and increased backlog, we managed to keep our cost level low as a result of the efficiency improvement measures we have implemented during the last quarters, and we achieved net profit. Looking forward, we plan to focus on realizing the full potential of the market opportunities, while continuing to focus our attention on operating efficiency, thereby maximizing revenues while controlling costs .

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**Deregistration and delisting from the NASDAQ SmallCap Market**

The Company's board of directors today resolved to voluntarily deregister the Company's shares under the Securities Exchange Act of 1934 and upon deregistration, to delist from the NASDAQ SmallCap Market. To deregister its ordinary shares, the Company will file a Form 15 with the SEC thereby suspending its obligations for filing annual and other reports with the SEC. The Company intends to seek authorization from NASDAQ to maintain the listing of its shares on the NASDAQ SmallCap Market for the period of 90 days from the filing of the Form 15, or such shorter period until the deregistration of its shares becomes effective, and will undertake to continue file reports on a voluntary basis until delisting. In its decision, the Company's board resolved to authorize RoboGroup's management to determine the exact timing for filing the Form 15 and to take all measures and acts required for the implementation of the deregistration and delisting process. Subject to the SEC's review, the Company anticipates completing the process within 90-days.

The board's plan to deregister and delist its ordinary shares was made after careful consideration of the advantages and disadvantages of continuing the Company's share registration in the United States and the rising costs and demands on management time arising in connection with SEC and NASDAQ compliance requirements. The Company's board believes that the current burdens associated with being a reporting company under the 1934 Act, including the recent obligations arising under the provisions of the Sarbanes-Oxley Act of 2002 outweigh the advantages of being traded both in the US and in Israel. The board estimates that the deregistration and delisting will achieve a substantial reduction in the Company's annual expenses associated with being a reporting company in the US.

The Company's shares shall continue to trade on the Tel Aviv Stock Exchange and the Company will continue to issue periodic and other reports in accordance with the rules and regulations of the Israeli Securities Authority.

In the opinion of the Company's board, the delisting and deregistration will benefit the Company and all of its shareholders, including its US shareholders, who will be able to continue to trade the Company's shares on the Tel-Aviv Stock Exchange.

Mr. Aravot commented on the delisting decision: As part of our cost control efforts our Board approved the voluntarily delisting and deregistration of our shares from the Nasdaq SmallCap market. We believe that this step will significantly reduce reporting-related expenses, avoid potentially higher future expenses, enable our management to focus more of its time on operating the Company, and create greater value for our shareholders

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A complete Directors Report for the second quarter of 2005 is available on the Company's Website at <http://www.robo-group.com> or as a PDF file upon request. Please contact Ayelet Shiloni at Integrated IR, toll-free +1-866-447-8633.

### **RoboGroup**

**RoboGroup and its subsidiaries are engaged in two major fields of activity. The first is the field of education devoted to RoboGroup's training products and e-learning systems. RoboGroup is a world leader in engineering and manufacturing technology training systems. The Company is market driven, deriving its growth from technological leadership, strong partnerships and management expertise. The other field of activity is the development, manufacturing and marketing of motion control products for the industrial market, which is performed through the Company's subsidiary, Yaskawa Eshed Technologies (YET). For more information, visit <http://www.robo-group.com>.**

To the extent that this press release discusses expectations about market conditions or about market acceptance and future sales of the Company's products, or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause results to differ materially from the statements made. These factors include the rapidly changing technology and evolving standards in the industries in which the Company and its subsidiaries operate, risks associated with the acceptance of new products by individual customers and by the market place and other factors discussed in the business description and management discussion and analysis sections of the Company's Annual Report on Form 20-F.

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**RoboGroup T.E.K. Limited**

***Directors' Report for Six-Month Period Ended June 30, 2005***

We are pleased to present the Directors' Report on the financial condition of the Company for the six month period ended June 30, 2005.

**1. Main data out of the Company's business description**

The Company engages, by itself and through its subsidiaries (the Company and its subsidiaries, hereinafter: **The Group**), in two major fields of activity:

- 1.1 The first field of activity is the Company's traditional field of activity – the field of education, performed mainly abroad but also in Israel. The Company's activities in the field of education includes research and development, operation, marketing and sales of the Company's products, and the sale and to a much smaller degree the marketing of third party products to the training and education markets in Israel. Overseas, this activity is performed mainly through the Company and its U.S. subsidiary, Intelitek Inc. In Israel, the activity is performed through the Company and its subsidiary, Robotec Technologies Ltd.
- 1.2 The second field of activity is industrial motion control. The Group engages, through its subsidiary, Yaskawa Eshed Technology Ltd (**YET**), in the development, manufacturing and marketing of industrial motion controllers for motorized systems, marketed to the international and domestic industrial markets. The motion controllers are electronic systems with embedded software whose function is to supervise the process of regular, day to day operation of machines and motors of various kinds and sizes.

**Data and developments that have occurred in the six month period ended June 30, 2005**

For the three months ended June 30, 2005 the Company recorded net profits of approximately NIS 0.4 million and positive cash flows from operating activities in the amount of approximately NIS 1.1 million, compared to net losses of approximately NIS 2.9 million and negative cash flows from operating activities of approximately NIS 5.5 million for the three months ended June 30, 2004.

The Company's return to profit in the second quarter of 2005, resulted from an increase in sales compared to the corresponding period of 2004 and from a reduction in expenses compared to the corresponding period of 2004..

For the six months ended June 30, 2005 the Company incurred net losses of approximately NIS 2.2 million and had positive cash flows from operating activities in the amount of approximately NIS 0.1 million compared to net losses of approximately NIS 5.8 million and negative cash flows from operating activities in the amount of approximately NIS 7.9 million for the six months ended June 30, 2004.

In the years ended December 31, 2004 and 2003, the Company incurred net losses of approximately NIS 8 million and NIS 18 million, respectively. In addition, during those two years the Company's negative cash flows from operating activities were approximately NIS 6 million and NIS 9 million, respectively.

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**RoboGroup T.E.K. Limited**

***Directors' Report for Six-Month Period Ended June 30, 2005***

As part of the Company's efforts to reduce expenses, the Company's management took steps to consolidate activities, reduce manpower, reduce salary costs of senior executives and cut general expenses.

As a result of the foregoing, the Company's losses in 2004 and in the first quarter of 2005 were reduced, compared with the corresponding periods in the previous years, and it turned to profit in the second quarter of 2005.

**Events after balance sheet date decision regarding deregistration and delisting from the NASDAQ SmallCap Market**

On August 3, 2005, the Company's board of directors resolved to voluntarily deregister the Company's shares under the Securities Exchange Act of 1934 and to delist from the NASDAQ Small Cap Market. To deregister its ordinary shares, the Company will file a Form 15 with the SEC thereby suspending its obligations for filing annual and other reports with the SEC. The Company intends to seek authorization from NASDAQ to maintain the listing of its shares on the NASDAQ SmallCap Market for the period of 90 days from the filing of the Form 15, or such shorter period until the deregistration of its shares becomes effective, and will undertake to continue file reports on a voluntary basis until delisting.

In its decision, the Company's board resolved to authorize RoboGroup's management to determine the exact timing for filing the Form 15 and to take all measures and acts required for the implementation of the deregistration and delisting process. Subject to the SEC's review, the Company anticipates completing the process within 90-days. The Company's shares shall continue to trade on the Tel Aviv Stock Exchange and the Company will continue to issue periodic and other reports in accordance with the rules and regulations of the Israeli Securities Authority.

For additional details regarding this issue, see immediate disclosure filed by the Company on August 4, 2005.

**Backlog of Orders**

The Company's backlog of orders as of June 30, 2005 was approximately NIS 13.5 million, compared to approximately NIS 7.9 million at June 30, 2004.

**Previous names of the Company**

The Company's name at the time of incorporation was Robotec (GAL) Industrial Robot Technologies Ltd. In 1983, the Company changed its name to Eshed Robotec (1982) Ltd., and in 2000, the Company changed its name to RoboGroup T.E.K. Ltd.

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**RoboGroup T.E.K. Limited**

*Directors' Report for Six-Month Period Ended June 30, 2005*

**2. Financial Results**

Sales

The Company's revenues for the second quarter of 2005 totaled approximately NIS 16.9 million, compared with NIS 13.3 million for the corresponding period of 2004.

The Company's revenues for the six months ended June 30, 2005 amounted to approximately NIS 27.8 million, as compared to approximately NIS 27.7 million for the corresponding period of 2004.

The increase in revenues in the second quarter of 2005, stemmed from an increase in sales of the Company's products in the education activity field, in the sum of approximately NIS 3 million and from an increase of approximately NIS 0.5 million in the Company's revenues in the industrial motion control field.

Gross profit

The Company's gross profit for the second quarter of 2005 totaled approximately NIS 8.1 million (approximately 48% of sales), compared with approximately NIS 5.9 million (approximately 44% of sales) for the corresponding period of 2004.

The Company's gross profit for the six months ended June 30, 2005 was approximately NIS 12.3 million (44% of the total revenues), compared to approximately NIS 12 million (44% of the total revenues) for the corresponding period of 2004.

Research and development expenses, net

Research and development expenses, net, for the second quarter of 2005 totaled approximately NIS 1.6 million, compared with approximately NIS 2 million for the corresponding period of 2004.

Research and development expenses, net, for the six months ended June 30, 2005 were approximately NIS 3.3 million as compared to approximately NIS 4.3 million for the corresponding period of 2004.

The decrease in research and development expenses stemmed mainly from a reduction in the Company's development expenses of the education activity field.

Sales and marketing expenses

Sales and marketing expenses for the second quarter of 2005 totaled approximately NIS 3.3 million, compared with approximately NIS 3.3 million for the corresponding period of 2004.

Sales and marketing expenses for the six months ended June 30, 2005 were approximately NIS 6.3 million as compared to approximately NIS 7.1 million for the corresponding period of 2004. The decrease in sales and marketing expenses in the six months ended June 30, 2005 is attributed mainly to the reduction in the Company's marketing expenses in the education activity field, which was offset partially by an increase in its sales and marketing expenses in the industrial motion control field.

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**RoboGroup T.E.K. Limited**

***Directors' Report for Six-Month Period Ended June 30, 2005***

General and administrative expenses

General and administrative expenses for the second quarter of 2005 totaled approximately NIS 2 million, compared with approximately NIS 2.5 million for the corresponding period of 2004.

General and administrative expenses for the six months ended June 30, 2005 were approximately NIS 3.9 million as compared to approximately NIS 5 million for the corresponding period of 2004.

The reduction in administrative expenses stemmed mainly from a reduction in general and administrative expenses in the education activity field.

Operating income (loss)

The operating income for the second quarter of 2005 totaled approximately NIS 1.2 million, compared with an operating loss of approximately NIS 1.9 million for the corresponding period of 2004.

The Company's operating loss for the six months ended June 30, 2005 was approximately NIS 1.3 million as compared to approximately NIS 4.3 million for the corresponding period of 2004.

Financial income (expenses), net

Financial expenses, net, for the second quarter of 2005 totaled approximately NIS 0.3 million, representing no change from the corresponding period of 2004.

The financial expenses, net, for the six months ended June 30, 2005 were approximately NIS 0.4 million as compared to approximately NIS 1.1 million for the corresponding period of 2004.

The decrease in financial expenses was mainly due to a reduction in exchange rate differences.

Other income (expenses), net

Other expenses, net, for the second quarter of 2005 totaled approximately NIS 0.3 million, compared with other income, net, of approximately NIS 0.5 million for the corresponding period of 2004.

The decrease is attributed mainly to a write-off of prepaid issuance expenses of approximately NIS 0.6 million in the second quarter of 2005, and to a reduction in income net of expenses from renting space in the Company's building in Rosh Ha Ayin.

Income (loss) before tax

The income before tax for the second quarter of 2005 totaled approximately NIS 0.5 million, compared with a loss before tax of approximately NIS 2 million for the corresponding period of 2004.

The loss before tax for the six months ended June 30, 2005 was approximately NIS 2 million as compared to approximately NIS 4.9 million for the corresponding period of 2004.

Taxes on income

The tax expenses for the second quarter of 2005 totaled approximately NIS 0.2 million, compared to approximately NIS 0.9 million for the corresponding period of 2004.

Tax expenses for the six months ended June 30, 2005 were approximately NIS 0.3 million as compared to approximately NIS 0.9 million for the corresponding period of 2004.

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**RoboGroup T.E.K. Limited**

***Directors' Report for Six-Month Period Ended June 30, 2005***

Tax expenses for the six months ended June 30, 2005 stemmed mainly from the industrial motion control field.

Net income (loss)

The Company's net income for the second quarter of 2005 totaled approximately NIS 0.4 million, compared with a net loss of approximately NIS 2.9 million for the corresponding period of 2004.

The Company's net loss for the six months ended June 30, 2005 was approximately NIS 2.2 million as compared to approximately NIS 5.8 million for the corresponding period of 2004.

**3. The Financial Position of the Company**

- a) The Company's assets as of June 30, 2005 totaled approximately NIS 72.2 million, compared to approximately NIS 72 million at December 31, 2004.
- b) The Company's equity was approximately NIS 21 million at June 30, 2005, compared with approximately NIS 23.1 million as at December 31, 2004. The decrease in equity was mainly due to the Company's net loss of approximately NIS 2.2 million for the six months ended June 30, 2005.

**4. Liquidity**

- a) The Company's cash and cash equivalents at June 30, 2005 were approximately NIS 7 million as compared to approximately NIS 7 million at December 31, 2004.

b) Cash flows from operating activities:

In the six months ended June 30, 2005 the Company had a surplus from operating activities of approximately NIS 0.1 million as compared to a deficit from operating activities of approximately NIS 7.9 million in the corresponding period of 2004.

c) Cash flows used in investing activities:

In the six months ended June 30, 2005 the Company invested approximately NIS 0.1 million in fixed assets as compared to approximately NIS 0.6 million in the corresponding period of 2004.

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**RoboGroup T.E.K. Limited**

***Directors' Report for Six-Month Period Ended June 30, 2005***

d) Cash flows from financing activities:

In the six months ended June 30, 2005 the Company had a deficit from financing activities of approximately NIS 0.4 million as compared to a surplus of approximately NIS 0.7 million in the corresponding period of 2004.

**5. Sources of Financing**

- a) The Company's current ratio was 1.02 at June 30, 2005, compared with 1.08 at the end of 2004. The Company's quick ratio was 0.68 at June 30, 2005 compared with 0.78 at December 31, 2004.
- b) The Company's shareholders' equity of approximately NIS 21 million at June 30, 2005, accounted for approximately 29% of its total balance sheet, in comparison to shareholders' equity of approximately NIS 23.1 million that accounted for approximately 32% of the company's balance sheet at December 31, 2004.
- c) The average amount of credit provided to the Company's customers in the six months ended June 30, 2005 was approximately NIS 14.6 million and the average credit the Company obtained from its suppliers and service providers was approximately NIS 6.5 million, as compared with approximately NIS 14.2 million and approximately NIS 5.6 million, respectively, in 2004.
- d) The average amount of short-term credit from banks in the six months ended June 30, 2005 was approximately NIS 15.7 million as compared with approximately NIS 15.6 million in 2004.
- e) The average amount of long-term bank credit in the six months ended June 30, 2005 was approximately NIS 16.6 million as compared with approximately NIS 17.3 million in 2004.

**6. Exposure to and Management of Market Risks**

No significant changes occurred during the period covered by this report in the Company's exposure to market risks and their management relative to the Company's report on this issue in the Director's report on the period ending December 31, 2004.

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## RoboGroup T.E.K. Limited

*Directors' Report for Six-Month Period Ended June 30, 2005*

## Linked Balances:

| June 30, 2005  |                           |                   |                                 |                              |                         |                 |   |               |
|--|---------------------------|-------------------|---------------------------------|------------------------------|-------------------------|-----------------|---|---------------|
|  | Linked<br>to US<br>dollar | Linked<br>to Euro | Linked<br>to<br>Japanese<br>Yen | Linked<br>to Swiss<br>Franks | Linked<br>to the<br>CPI | Unlinked        | Autonomous<br>Unit &<br>Non-monetary<br>items | Total         |
|  | NIS (K)                   | NIS (K)           | NIS (K)                         | NIS (K)                      | NIS (K)                 | NIS (K)         | NIS (K)                                       | NIS (K)       |
| <b>Assets</b>  |                           |                   |                                 |                              |                         |                 |   |               |
| Cash and cash equivalents  | 5,540                     | 717               | 13                              | -                            | -                       | 675             | 31  | 6,976         |
| Short-term investments   | 61                        | -                 | -                               | -                            | -                       | -               | -   | 61            |
| Trade receivables  | 2,119                     | 635               | -                               | -                            | -                       | 3,171           | 8,033   | 14,008        |
| Other receivables and debit<br>balances                                | 19                        | 8                 | -                               | -                            | -                       | 2,467           | 195   | 2,689         |
| Inventories  | -                         | -                 | -                               | -                            | -                       | -               | 11,683  | 11,683        |
| Funds in respect of employee<br>rights upon retirement, net            | -                         | -                 | -                               | -                            | -                       | 836             | -   | 836           |
| Fixed assets, net  | -                         | -                 | -                               | -                            | -                       | -               | 35,527  | 35,527        |
| Other assets and deferred<br>expenses                                  | -                         | -                 | -                               | -                            | -                       | -               | 404   | 404           |
|  | <u>7,739</u>              | <u>1,360</u>      | <u>13</u>                       | <u>-</u>                     | <u>-</u>                | <u>7,149</u>    | <u>55,923</u>                                 | <u>72,184</u> |
| <b>Liabilities</b>   |                           |                   |                                 |                              |                         |                 |   |               |
| Short-term bank credits  | 736                       | -                 | 645                             | 2,496                        | 1,158                   | 8,171           | 2,994   | 16,200        |
| Trade payables   | 298                       | 56                | 641                             | -                            | -                       | 3,344           | 2,741   | 7,080         |
| Other payables and credit<br>balances                                  | 4,162                     | -                 | -                               | -                            | -                       | 6,397           | 957   | 11,516        |
| Long-term loans  | 5,707                     | -                 | 4,996                           | -                            | 5,376                   | -               | -   | 16,079        |
| Deferred taxes   | -                         | -                 | -                               | -                            | -                       | 134             | -   | 134           |
| Liability for termination of<br>employee/employer relationship,<br>net | -                         | -                 | -                               | -                            | -                       | 184             | -   | 184           |
|  | <u>10,903</u>             | <u>56</u>         | <u>6,282</u>                    | <u>2,496</u>                 | <u>6,534</u>            | <u>18,230</u>   | <u>6,692</u>                                  | <u>51,193</u> |
| <b>Excess of assets (liabilities)</b>                                  | <u>(3,164)</u>            | <u>1,304</u>      | <u>(6,269)</u>                  | <u>(2,496)</u>               | <u>(6,534)</u>          | <u>(11,081)</u> | <u>49,231</u>                                 | <u>20,991</u> |

## RoboGroup T.E.K. Limited

*Directors' Report for Six-Month Period Ended June 30, 2005*

## Linked Balances (cont. )

| December 31, 2004  |                |                        |                        |                   |                |                                      |               |               |
|--|----------------|------------------------|------------------------|-------------------|----------------|--------------------------------------|---------------|---------------|
| Linked to US dollar  | Linked to Euro | Linked to Japanese Yen | Linked to Swiss Franks | Linked to the CPI | Unlinked       | Autonomous Unit & Non-monetary items | Total         |               |
| NIS (K)  | NIS (K)        | NIS (K)                | NIS (K)                | NIS (K)           | NIS (K)        | NIS (K)                              | NIS (K)       |               |
| <b>Assets</b>  |                |                        |                        |                   |                |                                      |               |               |
| Cash and cash equivalents  | 4,842          | 990                    | -                      | -                 | -              | 870                                  | 255           | 6,957         |
| Short-term investments   | 99             | -                      | -                      | -                 | -              | -                                    | -             | 99            |
| Trade receivables  | 5,893          | 1,493                  | -                      | -                 | -              | 2,205                                | 5,691         | 15,282        |
| Other receivables and debit balances                             | 40             | -                      | -                      | -                 | -              | 1,811                                | 242           | 2,093         |
| Inventories  | -              | -                      | -                      | -                 | -              | -                                    | 9,372         | 9,372         |
| Funds in respect of employee rights upon retirement, net         | -              | -                      | -                      | -                 | -              | 563                                  | -             | 563           |
| Fixed assets, net  | -              | -                      | -                      | -                 | -              | -                                    | 36,548        | 36,548        |
| Other assets and deferred expenses                               | -              | -                      | -                      | -                 | -              | 564                                  | 472           | 1,036         |
|  | <u>10,874</u>  | <u>2,483</u>           | <u>-</u>               | <u>-</u>          | <u>-</u>       | <u>6,013</u>                         | <u>52,580</u> | <u>71,950</u> |
| <b>Liabilities</b>   |                |                        |                        |                   |                |                                      |               |               |
| Short-term bank credits  | 694            | -                      | 656                    | 2,664             | 1,087          | 7,854                                | 2,273         | 15,228        |
| Trade payables   | 173            | 105                    | 599                    | -                 | -              | 3,176                                | 1,800         | 5,853         |
| Other payables and credit balances                               | 3,408          | -                      | -                      | -                 | -              | 6,279                                | 646           | 10,333        |
| Long-term loans  | 5,722          | -                      | 5,409                  | -                 | 5,969          | -                                    | -             | 17,100        |
| Deferred taxes   | -              | -                      | -                      | -                 | -              | 163                                  | -             | 163           |
| Liability for termination of employee/employer relationship, net | -              | -                      | -                      | -                 | -              | 139                                  | -             | 139           |
|  | <u>9,997</u>   | <u>105</u>             | <u>6,664</u>           | <u>2,664</u>      | <u>7,056</u>   | <u>17,611</u>                        | <u>4,719</u>  | <u>48,816</u> |
| <b>Excess of assets (liabilities)</b>                            | <u>877</u>     | <u>2,378</u>           | <u>(6,664)</u>         | <u>(2,664)</u>    | <u>(7,056)</u> | <u>(11,598)</u>                      | <u>47,861</u> | <u>23,134</u> |

**RoboGroup T.E.K. Limited**

***Directors' Report for Six-Month Period Ended June 30, 2005***

**7. Disclosure regarding approval to peer review**

The Company has given its approval to transmitting the relevant documentations for the purpose of a sample connected to peer review in Israel.

**Rafael Aravot**  
**Chairman of the Board and CEO**

**Noam Kra-Oz**  
**Director and Joint General Manager**

Date: August 3, 2005

*Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995: This report contains forward-looking statements, which express the beliefs and expectations of management. Such statements are based on current plans, estimates and expectations and involve a number of known and unknown risks and uncertainties that could cause the Company's future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to fluctuations in currency, exchange and interest rates, operating results, and other factors that are discussed in the Company's Annual Report on Form 20-F and the Company's other filings with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.*

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**RoboGroup T.E.K. Ltd.**

**Interim Consolidated Financial Statements**

**At June 30, 2005**

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**Financial statements:**

|   |      |
|---|------|
| <u>Balance Sheets</u>                               | 2-3  |
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RoboGroup T.E.K. Ltd.

Balance Sheets

*NIS in Thousands*

|  | June, 30                              |                  | December, 31     |               |
|--|---------------------------------------|------------------|------------------|---------------|
|  | 2005                                  | 2005             | 2004             | 2004          |
|  | US\$ (K)                              | NIS (K)          | NIS (K)          | NIS (K)       |
|  | Unaudited                             | Unaudited        | Unaudited        | Audited       |
|  | Convenience translation to US dollars | Reported amounts | Reported amounts |               |
| <b>ASSETS</b>  |                                       |                  |                  |               |
| <b>Current assets</b>                                    |                                       |                  |                  |               |
| Cash and cash equivalents                                | 1,525                                 | 6,976            | 7,656            | 6,957         |
| Short-term investments                                   | 13                                    | 61               | -                | 99            |
| Trade receivables  | 3,063                                 | 14,008           | 14,735           | 15,282        |
| Other receivables and debit balances                     | 588                                   | 2,689            | 2,959            | 2,093         |
| Inventories  | 2,554                                 | 11,683           | 12,823           | 9,372         |
|  | <u>7,743</u>                          | <u>35,417</u>    | <u>38,173</u>    | <u>33,803</u> |
| <b>Long-term investments</b>                             |                                       |                  |                  |               |
| Investments in investee and other companies              | -                                     | -                | 15               | -             |
| Funds in respect of employee rights upon retirement, net | 183                                   | 836              | 276              | 563           |
|  | <u>183</u>                            | <u>836</u>       | <u>291</u>       | <u>563</u>    |
| <b>Fixed assets</b>                                      | <u>7,767</u>                          | <u>35,527</u>    | <u>37,322</u>    | <u>36,548</u> |
| <b>Other assets and deferred expenses</b>                | <u>88</u>                             | <u>404</u>       | <u>740</u>       | <u>1,036</u>  |
|  | <u>15,781</u>                         | <u>72,184</u>    | <u>76,526</u>    | <u>71,950</u> |

*The accompanying notes are an integral part of the financial statements.*

RoboGroup T.E.K. Ltd.

## Balance Sheets

*NIS in Thousands*

|  | June, 30                              |                  | December, 31     |               |
|--|---------------------------------------|------------------|------------------|---------------|
|  | 2005                                  | 2005             | 2004             | 2004          |
|  | US\$ (K)                              | NIS (K)          | NIS (K)          | NIS (K)       |
|  | Unaudited                             | Unaudited        | Unaudited        | Audited       |
|  | Convenience translation to US dollars | Reported amounts | Reported amounts |               |
| <b>LIABILITIES</b>   |                                       |                  |                  |               |
| <b>Current liabilities</b>                                       |                                       |                  |                  |               |
| Credit from banks  | 3,542                                 | 16,200           | 16,036           | 15,228        |
| Trade payables   | 1,548                                 | 7,080            | 6,066            | 5,853         |
| Other payables and credit balances                               | 2,518                                 | 11,516           | 10,878           | 10,333        |
|  | <u>7,608</u>                          | <u>34,796</u>    | <u>32,980</u>    | <u>31,414</u> |
| <b>Long-term liabilities</b>                                     |                                       |                  |                  |               |
| Loans from banks   | 3,515                                 | 16,079           | 18,494           | 17,100        |
| Provision for deferred taxes                                     | 29                                    | 134              | -                | 163           |
| Liability for termination of employee/employer relationship, net | 40                                    | 184              | 249              | 139           |
|  | <u>3,584</u>                          | <u>16,397</u>    | <u>18,743</u>    | <u>17,402</u> |
| <b>Shareholders' equity</b>                                      |                                       |                  |                  |               |
| Share capital  | 2,492                                 | 11,400           | 11,400           | 11,400        |
| Capital reserves and premium on shares                           | 9,677                                 | 44,262           | 44,178           | 44,179        |
| Accumulated deficit  | (7,408)                               | (33,882)         | (29,772)         | (31,656)      |
| Treasury stock   | (172)                                 | (789)            | (1,003)          | (789)         |
|  | <u>4,589</u>                          | <u>20,991</u>    | <u>24,803</u>    | <u>23,134</u> |
|  | <u>15,781</u>                         | <u>72,184</u>    | <u>76,526</u>    | <u>71,950</u> |

**Rafael Aravot**  
Chairman of the Board and CEO

**Noam Kra-Oz**  
Director and Joint General Manager

**Hanan Eibushitz**  
Chief Financial Officer

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Date of approval of the financial statements: August 3, 2005

*The accompanying notes are an integral part of the financial statements.*

RoboGroup T.E.K. Ltd.

## Statement of Operations

*NIS in Thousands*

|  | For the six months ended              |                |                | For the three months ended |                | Year ended     |
|--|---------------------------------------|----------------|----------------|----------------------------|----------------|----------------|
|  | June 30                               |                |                | June 30                    |                | December, 31   |
|  | 2005                                  | 2005           | 2004           | 2005                       | 2004           | 2004           |
|  | US\$ (K)                              | NIS (K)        | NIS (K)        | NIS (K)                    | NIS (K)        | NIS (K)        |
|  | Unaudited                             | Unaudited      | Unaudited      | Unaudited                  | Unaudited      | Audited        |
|  | Convenience translation to US dollars |                |                | Reported amounts           |                |                |
| Revenues   | 6,069                                 | 27,762         | 27,681         | 16,947                     | 13,316         | 61,734         |
| Cost of revenues   | 3,389                                 | 15,503         | 15,632         | 8,855                      | 7,401          | 35,843         |
| <b>Gross profit</b>  | <b>2,680</b>                          | <b>12,259</b>  | <b>12,049</b>  | <b>8,092</b>               | <b>5,915</b>   | <b>25,891</b>  |
| <b>Operating expenses</b>  |                                       |                |                |                            |                |                |
| Research and development expenses, net   | 721                                   | 3,300          | 4,287          | 1,610                      | 1,985          | 7,619          |
| Marketing and selling expenses   | 1,375                                 | 6,290          | 7,067          | 3,349                      | 3,312          | 13,204         |
| Administrative and general expenses  | 860                                   | 3,933          | 5,020          | 1,995                      | 2,498          | 10,042         |
|  | 2,956                                 | 13,523         | 16,374         | 6,954                      | 7,795          | 30,865         |
| <b>Operating profit (loss)</b>   | <b>(276)</b>                          | <b>(1,264)</b> | <b>(4,325)</b> | <b>1,138</b>               | <b>(1,880)</b> | <b>(4,974)</b> |
| Financial expenses, net  | (86)                                  | (392)          | (1,075)        | (276)                      | (310)          | (2,111)        |
| Other income (expenses), net   | (65)                                  | (298)          | 498            | (329)                      | 216            | 809            |
| <b>Profit (loss) before taxes on income</b>  | <b>(427)</b>                          | <b>(1,954)</b> | <b>(4,902)</b> | <b>533</b>                 | <b>(1,974)</b> | <b>(6,276)</b> |
| Income tax expenses  | 60                                    | 272            | 901            | 160                        | 901            | 1,411          |
| <b>Net profit (loss)</b>   | <b>(487)</b>                          | <b>(2,226)</b> | <b>(5,803)</b> | <b>373</b>                 | <b>(2,875)</b> | <b>(7,687)</b> |
| <b>Profit (loss) per share ("EPS")</b>   | <b>(0.04)</b>                         | <b>(0.21)</b>  | <b>(0.54)</b>  | <b>0.03</b>                | <b>(0.27)</b>  | <b>(0.71)</b>  |
| <b>Weighted average number of shares used in computation of EPS (in thousands)</b> | <b>10,851</b>                         | <b>10,851</b>  | <b>10,746</b>  | <b>10,851</b>              | <b>10,746</b>  | <b>10,757</b>  |

*The accompanying notes are an integral part of the financial statements.*



RoboGroup T.E.K. Ltd.

## Statement of Changes in Shareholders' Equity

*NIS in Thousands*

|   | Number of<br>shares | Share<br>capital | Premium<br>on shares | Capital<br>reserves | Adjustments<br>on<br>translation<br>of<br>financial<br>statement<br>of an<br>autonomous<br>consolidated<br>company | Shares<br>purchase<br>cost &<br>assigned<br>loans<br>guaranteed<br>by<br>company's<br>shares | Accumulated<br>earnings<br>(deficit) | Total         |
|---|---------------------|------------------|----------------------|---------------------|--|--|--------------------------------------|---------------|
|   | NIS                 | NIS              | NIS                  | NIS                 | NIS  | NIS  | NIS                                  | NIS           |
| Reported amounts  |                     |                  |                      |                     |  |  |                                      |               |
| <b>For the six months ended June 30, 2005 (Unaudited)</b>                               |                     |                  |                      |                     |  |  |                                      |               |
| Balance as of January 1, 2005   | 10,851,027          | 11,400           | 42,452               | 2,260               | (533)  | (789)  | (31,656)                             | 23,134        |
| Adjustments on translation of financial statement of an autonomous consolidated company | -                   | -                | -                    | -                   | 83   | -  | -                                    | 83            |
| Net loss  | -                   | -                | -                    | -                   | -  | -  | (2,226)                              | (2,226)       |
| <b>Balance at June 30, 2005</b>   | <b>10,851,027</b>   | <b>11,400</b>    | <b>42,452</b>        | <b>2,260</b>        | <b>(450)</b>   | <b>(789)</b>   | <b>(33,882)</b>                      | <b>20,991</b> |
| <b>For the six months ended June 30, 2004 (Unaudited)</b>                               |                     |                  |                      |                     |  |  |                                      |               |
| Balance as of January 1, 2004   | 10,744,031          | 11,399           | 42,214               | 2,260               | (453)  | (1,003)  | (23,969)                             | 30,448        |
| Exercise of options   | 1,600               | 1                | 3                    | -                   | -  | -  | -                                    | 4             |
| Adjustments on translation of financial statement of an autonomous consolidated company | -                   | -                | -                    | -                   | 154  | -  | -                                    | 154           |
| Net loss  | -                   | -                | -                    | -                   | -  | -  | (5,803)                              | (5,803)       |
| <b>Balance at June 30, 2004</b>   | <b>10,745,631</b>   | <b>11,400</b>    | <b>42,217</b>        | <b>2,260</b>        | <b>(299)</b>   | <b>(1,003)</b>   | <b>(29,772)</b>                      | <b>24,803</b> |

*The accompanying notes are an integral part of the financial statements.*

RoboGroup T.E.K. Ltd.

## Statement of Changes in Shareholders' Equity

NIS in Thousands

|   | Number of<br>shares | Share<br>capital | Premium<br>on shares | Capital<br>reserves | Adjustments<br>on<br>translation<br>of<br>financial<br>statement<br>of an<br>autonomous<br>consolidated<br>company | Shares<br>purchase<br>cost &<br>assigned<br>loans<br>guaranteed<br>by<br>company's<br>shares | Accumulated<br>earnings<br>(deficit) | Total         |
|---|---------------------|------------------|----------------------|---------------------|--|--|--------------------------------------|---------------|
|   | NIS                 | NIS              | NIS                  | NIS                 | NIS  | NIS  | NIS                                  | NIS           |
|   | Reported amounts    |                  |                      |                     |  |  |                                      |               |
| <b>For the three months ended June 30, 2005 (Unaudited)</b>                             |                     |                  |                      |                     |  |  |                                      |               |
| Balance as of April 1, 2005   | 10,851,027          | 11,400           | 42,452               | 2,260               | (493)  | (789)  | (34,255)                             | 20,575        |
| Adjustments on translation of financial statement of an autonomous consolidated company | -                   | -                | -                    | -                   | 43   | -  | -                                    | 43            |
| Net profit  | -                   | -                | -                    | -                   | -  | -  | 373                                  | 373           |
| <b>Balance at June 30, 2005</b>   | <b>10,851,027</b>   | <b>11,400</b>    | <b>42,452</b>        | <b>2,260</b>        | <b>(450)</b>   | <b>(789)</b>   | <b>(33,882)</b>                      | <b>20,991</b> |
| <b>For the three months ended June 30, 2004 (Unaudited)</b>                             |                     |                  |                      |                     |  |  |                                      |               |
| Balance as of April 1, 2004   | 10,744,031          | 11,399           | 42,214               | 2,260               | (267)  | (1,003)  | (26,897)                             | 27,706        |
| Exercise of options   | 1,600               | 1                | 3                    | -                   | -  | -  | -                                    | 4             |
| Adjustments on translation of financial statement of an autonomous consolidated company | -                   | -                | -                    | -                   | (32)   | -  | -                                    | (32)          |
| Net loss  | -                   | -                | -                    | -                   | -  | -  | (2,875)                              | (2,875)       |
| <b>Balance at June 30, 2004</b>   | <b>10,745,631</b>   | <b>11,400</b>    | <b>42,217</b>        | <b>2,260</b>        | <b>(299)</b>   | <b>(1,003)</b>   | <b>(29,772)</b>                      | <b>24,803</b> |
| <b>For the year ended December 31, 2004 (audited)</b>                                   |                     |                  |                      |                     |  |  |                                      |               |
| Balance at January 1, 2004  | 10,744,031          | 11,399           | 42,214               | 2,260               | (453)  | (1,003)  | (23,969)                             | 30,448        |
| Exercise of options   | 1,600               | 1                | 3                    | -                   | -  | -  | -                                    | 4             |
| Granting of treasury stock  | 105,396             | -                | 235                  | -                   | -  | 214  | -                                    | 449           |
| Adjustments on translation of financial statement of an                                 |                     |                  |                      |                     |  |  |                                      |               |

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|                                     | Number of<br>shares | Share<br>capital | Premium<br>on shares | Capital<br>reserves | Adjustments<br>on<br>translation<br>of<br>financial<br>statement<br>of an<br>autonomous<br>consolidated<br>company | Shares<br>purchase<br>cost &<br>assigned<br>loans<br>guaranteed<br>by<br>company's<br>shares | Accumulated<br>earnings<br>(deficit) | Total         |
|-------------------------------------|---------------------|------------------|----------------------|---------------------|--|--|--------------------------------------|---------------|
| company                             | -                   | -                | -                    | -                   | (80)   | -  | -                                    | (80)          |
| Autonomous consolidated             | -                   | -                | -                    | -                   | -  | -  | (7,687)                              | (7,687)       |
| <b>Balance at December 31, 2004</b> | <b>10,851,027</b>   | <b>11,400</b>    | <b>42,452</b>        | <b>2,260</b>        | <b>(533)</b>   | <b>(789)</b>   | <b>(31,656)</b>                      | <b>23,134</b> |

*The accompanying notes are an integral part of the financial statements.*

RoboGroup T.E.K. Ltd.

## Statement of Cash Flows

*NIS in Thousands*

|   | For the six months ended              |              |                | For the three months ended |                | Year ended     |
|---|---------------------------------------|--------------|----------------|----------------------------|----------------|----------------|
|   | June 30                               |              |                | June 30                    |                | December, 31   |
|   | 2005                                  | 2005         | 2004           | 2005                       | 2004           | 2004           |
|   | US\$ (K)                              | NIS (K)      | NIS (K)        | NIS (K)                    | NIS (K)        | NIS (K)        |
|   | Unaudited                             | Unaudited    | Unaudited      | Unaudited                  | Unaudited      | Audited        |
|   | Convenience translation to US dollars |              |                | Reported amounts           |                |                |
| <b>Cash flows from operating activities:</b>  |                                       |              |                |                            |                |                |
| Net profit (loss)   | (487)                                 | (2,226)      | (5,803)        | 373                        | (2,875)        | (7,687)        |
| Adjustments to reconcile net profit (loss) to net cash provided by operating activities (Appendix A): | 504                                   | 2,304        | (2,095)        | 707                        | (2,588)        | 1,667          |
| <b>Net cash provided by (used in) operating activities</b>  | <b>17</b>                             | <b>78</b>    | <b>(7,898)</b> | <b>1,080</b>               | <b>(5,463)</b> | <b>(6,020)</b> |
| <b>Cash flows from investing activities:</b>  |                                       |              |                |                            |                |                |
| Acquisition of fixed assets   | (24)                                  | (110)        | (598)          | (45)                       | (189)          | (700)          |
| Proceeds from sales of fixed assets   | 86                                    | 395          | 538            | 303                        | 419            | 117            |
| <b>Net cash provided by (used in) investing activities</b>  | <b>62</b>                             | <b>285</b>   | <b>(60)</b>    | <b>258</b>                 | <b>230</b>     | <b>(583)</b>   |
| <b>Cash flows from financing activities:</b>  |                                       |              |                |                            |                |                |
| Increase in short term credit from banks, net   | 190                                   | 869          | 1,398          | 196                        | 1,106          | 614            |
| Long-term loans received  | -                                     | -            | 21,414         | -                          | 7,506          | 21,414         |
| Repayment of long -term loans   | (268)                                 | (1,226)      | (22,087)       | (612)                      | (7,814)        | (23,315)       |
| Exercise of options by employees  | -                                     | -            | 4              | -                          | 4              | 4              |
| <b>Net cash provided by (used in) financing activities</b>  | <b>(78)</b>                           | <b>(357)</b> | <b>729</b>     | <b>(416)</b>               | <b>802</b>     | <b>(1,283)</b> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                   | <b>3</b>                              | <b>13</b>    | <b>7</b>       | <b>10</b>                  | <b>(4)</b>     | <b>(35)</b>    |
| <b>Increase (decrease) in cash and cash equivalents</b>   | <b>4</b>                              | <b>19</b>    | <b>(7,222)</b> | <b>932</b>                 | <b>(4,435)</b> | <b>(7,921)</b> |

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|   | For the six months ended |       |        | For the three months ended |        | Year ended |
|---|--------------------------|-------|--------|----------------------------|--------|------------|
| <b>Cash and cash equivalents at the beginning of the period</b> | 1,521                    | 6,957 | 14,878 | 6,044                      | 12,091 | 14,878     |
| <b>Cash and cash equivalents at the end of the period</b>       | 1,525                    | 6,976 | 7,656  | 6,976                      | 7,656  | 6,957      |

*The accompanying notes are an integral part of the financial statements.*

RoboGroup T.E.K. Ltd.

## Statement of Cash Flows

*NIS in Thousands*

| For the six months ended              |           |           | For the three months ended |           | Year ended   |
|---------------------------------------|-----------|-----------|----------------------------|-----------|--------------|
| June 30                               |           |           | June 30                    |           | December, 31 |
| 2005                                  | 2005      | 2004      | 2005                       | 2004      | 2004         |
| US\$ (K)                              | NIS (K)   | NIS (K)   | NIS (K)                    | NIS (K)   | NIS (K)      |
| Unaudited                             | Unaudited | Unaudited | Unaudited                  | Unaudited | Audited      |
| Convenience translation to US dollars |           |           | Reported amounts           |           |              |

**Appendix A: Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:****Income and expenses not involving cash flows:**

|  |            |              |              |              |            |              |
|--|------------|--------------|--------------|--------------|------------|--------------|
| Depreciation and amortization  | 184        | 840          | 1,145        | 363          | 602        | 2,589        |
| Increase (decrease) in liability for termination of employee/employer relationship | (50)       | (228)        | (146)        | (109)        | 5          | (543)        |
| Write-down of loans  | 67         | 308          | 348          | 424          | (297)      | 158          |
| Decrease (increase) in value of marketable securities                              | 8          | 38           | -            | (33)         | -          | (84)         |
| Decrease (increase) in deferred taxes  | (10)       | (48)         | 683          | 40           | 653        | 1,054        |
| Other  | 136        | 623          | -            | 623          | -          | (136)        |
|  | <u>335</u> | <u>1,533</u> | <u>2,030</u> | <u>1,308</u> | <u>963</u> | <u>3,038</u> |

**Changes in assets and liabilities:**

|   |            |              |                |              |                |                |
|---|------------|--------------|----------------|--------------|----------------|----------------|
| Decrease (increase) in trade receivables                    | 326        | 1,491        | (1,395)        | (2,362)      | (4,279)        | (2,163)        |
| Decrease (increase) in other receivables and debit balances | (50)       | (229)        | (659)          | (311)        | 661            | 201            |
| Decrease (increase) in inventories                          | (502)      | (2,298)      | 1,000          | (727)        | 424            | 4,111          |
| Increase (decrease) in trade payables                       | 268        | 1,227        | 672            | 1,804        | (232)          | 459            |
| Increase (decrease) in other payables and credit balances   | 127        | 580          | (3,743)        | 995          | (125)          | (3,979)        |
|   | <u>169</u> | <u>771</u>   | <u>(4,125)</u> | <u>(601)</u> | <u>(3,551)</u> | <u>(1,371)</u> |
|   | <u>504</u> | <u>2,304</u> | <u>(2,095)</u> | <u>707</u>   | <u>(2,588)</u> | <u>1,667</u>   |

**Appendix B: Non-monetary events:**

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|                             | For the six months ended |   |   | For the three months ended |   | Year ended |
|-----------------------------|--------------------------|---|---|----------------------------|---|------------|
| Granting of treasury stocks | -                        | - | - | -                          | - | 449        |

*The accompanying notes are an integral part of the financial statements.*

*NIS in Thousands***NOTE 1 GENERAL**

- (a) These financial statements have been prepared in a condensed format as of June 30, 2005, and for the six and three months then ended ( interim financial statements ). The above mentioned financial statements have been prepared in conformity with chapter 4 of the Securities Regulations (Interim and Immediate Statements), 1970. These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of December 31, 2004 and for the year then ended.
- (b) These financial statements have been reviewed by the Company's certified public accountants. The review was conducted in accordance with the procedures established by the Institute of Certified Public Accountants in Israel regarding interim periods. The review was limited in scope and did not constitute an audit in accordance with generally accepted auditing standards and therefore no opinion was expressed by the Company's certified public accountants.
- (c) In management's opinion all necessary adjustments were made in order to present correctly these interim financial statements.
- (d) In the years ended December 31, 2004 and 2003, the Company incurred net losses of approximately NIS 8 million and NIS 18 million, respectively. In addition, the Company had negative cash flows from operating activities in the amount of approximately NIS 6 million and NIS 9 million, respectively.

The Company's management took steps to strengthen and improve the Company's financial state and its profitability. Those steps included consolidating activities, reducing manpower, reducing salary costs of senior executives and cutting general expenses. Those steps were implemented mainly during the year 2004.

For the three months ended June 30, 2005 the Company had net profit of approximately NIS 0.4 million and positive cash flows from operating activities in the amount of approximately NIS 1.1 million, compared to net losses of approximately NIS 2.9 million and negative cash flows from operating activities of approximately NIS 5.5 million for the three months ended June 30, 2004.

For the six months ended June 30, 2005 the Company incurred net losses of approximately NIS 2.2 million and had positive cash flows from operating activities in the amount of approximately NIS 0.1 million compared to net losses of approximately NIS 5.8 million and negative cash flows from operating activities in the amount of approximately NIS 7.9 million for the six months ended June 30, 2004.

In addition, on March 2005, a proportionally consolidated company distributed a dividend as detailed in Note 3 (1). Another possible distribution of dividend in the same amount was approved for August 2005.

- (e) On August 3, 2005 the Company's board of directors has resolved to voluntarily terminate the registration of the the Company's shares under the Securities Exchange Act of 1934 and upon deregistration, to delist from the NASDAQ SmallCap Market. In order to terminate the registration of its ordinary shares, the Company will file a Form 15 with the SEC thereby suspending its obligations for filing annual and other reports with the SEC. The Company will seek authorization from NASDAQ to maintain the listing of its shares on the NASDAQ SmallCap Market for the period of 90 days from the filing of the Form 15, or such shorter period until the deregistration of its shares becomes effective, and will undertake to continue file reports on a voluntary basis until delisting.

The Company's board resolved to authorize RoboGroup's management to determine the exact timing for filing the Form 15 and to take all measures and acts required for the implementation of the deregistration and delisting process. Subject to SEC review, the Company anticipates completing the process within 90-days of the filing.

The Company's shares shall continue to trade on the Tel Aviv Stock Exchange and the Company will continue to issue periodic and other reports in accordance with the rules and regulations of the Israeli Securities Authority.

The Company wrote-off deferred issuance expenses in the amount of approximately NIS 0.6 million in the second quarter of 2005, which had been accounted in connection with the Equity Line agreement with Cornell.



NIS in Thousands

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES****A. General**

The interim financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in Accounting Standard No. 14 of the Israel Accounting Standards Board.

**B. Impact of recently issued Accounting Standards**

On July 2004, the Israeli Accounting Standards Board published Accounting Standard No. 19, Taxes on Income. The Standard provides that a liability for deferred taxes is to be recorded for all temporary differences subject to tax, except for a limited number of exceptions. In addition, a deferred tax asset is to be recorded for all temporary differences that may be deducted, losses for tax purposes and tax benefits not yet utilized, if it is anticipated that there will be taxable income against which they can be offset, except for a limited number of exceptions. The new Standard applies to financial statements for periods beginning on January 1, 2005. The Standard provides that it is to be implemented by means of a cumulative effect of a change in accounting method. Applying the new Standard had no material effect on the company's financial statements.

**C. Following are data regarding the Israeli CPI and the exchange rate of the U.S. dollar:**

| As of                           | Israeli CPI | Exchange rate of<br>one U.S. dollar |
|---------------------------------|-------------|-------------------------------------|
|                                 | Points (*)  | NIS                                 |
| June 30, 2005                   | 114.9       | 4.574                               |
| June 30, 2004                   | 100.8       | 4.497                               |
| December 31, 2004               | 114.3       | 4.308                               |
| <b>Change during the period</b> | <b>%</b>    | <b>%</b>                            |
| June 2005 (six months)          | 0.5         | 6.2                                 |
| June 2004 (six months)          | 1.4         | 2.7                                 |
| June 2005 (three months)        | 1.1         | 4.9                                 |
| June 2004 (three months)        | 1.5         | (0.7)                               |
| December 2004 (12 months)       | 1.2         | (1.6)                               |

(\*) The index on an average basis of 1998 = 100.

- D.** The financial statements at June 30, 2005 and for the six months then ended have been translated into US dollars solely for the convenience of the American reader. This translation was made at the US Dollar/New Israeli Shekel exchange rate in effect on the said date, i.e. US\$ 1 = NIS 4.574.

**NOTE 3 TRANSACTION WITH INTERESTED RELATED PARTIES**

- The Board of Directors of a proportionally consolidated company approved on March 10, 2005, a distribution of dividend to its shareholders in the amount of NIS 1,725 thousand. The net dividend received by the Company amounted to NIS 733 thousand.
- In July 2004 the Company entered into a contract with Yaskawa Electric Corporation ( YEC ) for the supply of an e-learning system in consideration of approximately NIS 3.3 million. The system is being supplied gradually during several quarters.

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For the period of six months that ended June 30, 2005, the revenues from this contract were included in the amount of approximately NIS 650 thousand. The remaining differed revenues from this contract amount to approximately NIS 350 thousand.

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RoboGroup T.E.K. Ltd.

Notes to the Financial Statements

*NIS in Thousands***NOTE 4 FINANCIAL INFORMATION IN REGARD TO BUSINESS SEGMENTS**

For the six months ended June 30, 2005

|                         | Education segment | Motion control for industry | Adjustment | Total   |
|-------------------------|-------------------|-----------------------------|------------|---------|
|                         | NIS (K)           | NIS (K)                     | NIS (K)    | NIS (K) |
| <b>Reported amounts</b> |                   |                             |            |         |
| Revenues from customers | 21,656            | 6,106                       | -          | 27,762  |
| Segment operations      | (791)             | 169                         | 689        | 67      |
| Non allocated expenses  |                   |                             |            | (1,331) |
| Operating loss          |                   |                             |            | (1,264) |

For the six months ended June 30, 2005

|                         | Education segment | Motion control for industry | Adjustment | Total  |
|-------------------------|-------------------|-----------------------------|------------|--------|
|                         | \$ (K)            | \$ (K)                      | \$ (K)     | \$ (K) |
| Revenues from customers | 4,734             | 1,335                       | -          | 6,069  |
| Segment operations      | (173)             | 37                          | 151        | 15     |
| Non allocated expenses  |                   |                             |            | (291)  |
| Operating loss          |                   |                             |            | (276)  |

For the six months ended June 30, 2004

|                             | Segment A | Segment B | Segment C | Adjustments | Total   |
|-----------------------------|-----------|-----------|-----------|-------------|---------|
|                             | NIS (K)   | NIS (K)   | NIS (K)   | NIS (K)     | NIS (K) |
| <b>Reported amounts (*)</b> |           |           |           |             |         |
| Revenues from customers     | 22,994    | 4,687     | -         | -           | 27,681  |
| Inter segment revenues      | -         | 74        | -         | (74)        | -       |
|                             | 22,994    | 4,761     | -         | (74)        | 27,681  |

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For the six months ended June 30, 2004

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|              |         |       |       |   |         |
|--------------|---------|-------|-------|---|---------|
| Segment loss | (4,674) | (702) | (427) | - | (5,803) |
|--------------|---------|-------|-------|---|---------|

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RoboGroup T.E.K. Ltd.

Notes to the Financial Statements

*NIS in Thousands***NOTE 4 FINANCIAL INFORMATION IN REGARD TO BUSINESS SEGMENTS (cont.)**

For the three months ended June 30, 2005

|                                | Education<br>segment | Motion control<br>for industry | Adjustment | Total   |
|--------------------------------|----------------------|--------------------------------|------------|---------|
|                                | NIS (K)              | NIS (K)                        | NIS (K)    | NIS (K) |
| <b>Reported amounts</b>        |                      |                                |            |         |
| <b>Revenues from customers</b> | 13,928               | 3,019                          | -          | 16,947  |
| <b>Segment operations</b>      | 1,533                | (53)                           | 361        | 1,841   |
| Non allocated expenses         |                      |                                |            | (703)   |
| Operating profit               |                      |                                |            | 1,138   |

For the three months ended June 30, 2004

|                             | Segment A | Segment B | Segment C | Adjustments | Total   |
|-----------------------------|-----------|-----------|-----------|-------------|---------|
|                             | NIS (K)   | NIS (K)   | NIS (K)   | NIS (K)     | NIS (K) |
| <b>Reported amounts (*)</b> |           |           |           |             |         |
| Revenues from customers     | 10,732    | 2,584     | -         | -           | 13,316  |
| Inter segment revenues      | -         | 9         | -         | (9)         | -       |
|                             | 10,732    | 2,593     | -         | (9)         | 13,316  |
| Segment loss                | (2,281)   | (498)     | (96)      | -           | (2,875) |