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MAGAL SECURITY SYSTEMS LTD

Form 6-K

July 31, 2006

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 July 2006

MAGAL SECURITY SYSTEMS LTD.
(Name of Registrant)

P.O. Box 70, Industrial Zone, Yahud 56100 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- _____

This Report on Form 6-K is incorporated by reference into the Registrant's Form F-3 Registration Statements File Nos. 333-9050 and 333-123265 and Form S-8 Registration Statement File No. 333-06246.

Magal Security Systems Ltd.

6-K Items

1. Press Release re Magal Security Systems Ltd. Announces Second Quarter 2006 Results dated July 31, 2006.

Press Release

Source: Magal Security Systems Ltd

Magal Security Systems Ltd. Announces Second Quarter 2006 Results

Monday July 31, 6:59 am ET

Revenues for the Second Quarter Increased 12.4% YOY

YAHUD, Israel, July 31 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (NasdaqGM:MAGS ; TASE:MAGS) today announced its consolidated financial results for the second quarter and six-month period ended June 30, 2006.

Revenues for the second quarter of 2006 reached US\$14.9 million, an increase of 12.4 percent compared with the second quarter of 2005 and an increase of 10.4 percent over the first quarter of 2006.

Gross profit for the second quarter of 2006 reached US\$6.2 million (41.8 percent of revenues), an increase of 42.1 percent over the second quarter of 2005 and an increase of 8.8 percent compared with first quarter of 2006.

Operating and net income in the second quarter of 2006, reached US\$645,000 and US\$269,000, respectively, compared with an operating and net loss of US\$1.7 million and US\$1.6 million, respectively, for the second quarter of 2005.

Diluted earnings per share for the second quarter were US\$0.03, compared with diluted loss per share of US\$0.15 in the same period last year.

Revenues for the first six months of 2006 reached US\$28.3 million, an increase of 5.1 percent compared with the same period in 2005. Operating and net income for the six-month period, reached US\$1.1 million and US\$418,000, respectively, compared with an operating and net loss of US\$709,000 and US\$1.3 million, respectively, for the first six months of 2005.

Diluted earnings per share for the six-month period were US\$0.04, compared with a diluted loss per share of US\$0.13 in the same period of last year.

Commenting on the results, Mr. Jacob Even-Ezra, Chairman of Magal and CEO, said: " Our 2005 quarterly financial information includes the reversal of revenues and a corresponding increase in expenses as a result of a subsequent to 2005 year end cancellation of a turnkey project by a customer in Eastern Europe. We decided to reconsider the revenue recognition of this project in our financial results for 2005 and believe that it is appropriate not to record the revenues from this project in 2005 and to reduce income accordingly."

Mr. Even-Ezra concluded: " Management believes that the second half of the year will be better than the first half, both in revenues, as well as in operating and net income."

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The Company will be hosting its quarterly conference call at 10:00am EST today. On the call, Mr. Jacob Even-Ezra, Chairman of the Board & CEO, and Ms. Raya Asher, V.P. Finance & CFO, will review and discuss the second quarter 2006 results. They will then be available to answer questions.

To participate, you may listen to the webcast by accessing the link from Magal's web-site at: www.magal-ssl.com. Alternatively, you may call one of the teleconferencing numbers that follows.

Please place your calls 5-10 minutes before the conference call commences. If you are unable to connect using one of the toll-free numbers, please try the international dial-in number or the webcast.

US Dial-in Number: 1-866-860-9642
Canada Dial-in Number: 1-866-485-2399
ISRAEL Dial-in Number: 03-918-0610
INTERNATIONAL Dial-in Number: +972-3-918-0610

At:
10:00am Eastern Time
7:00am Pacific Time
5:00pm Israel Time

About Magal Security Systems, Ltd.:

Magal Security Systems Ltd. (Magal) is engaged in the development, manufacturing and marketing of computerized security systems, which automatically detect, locate and identify the nature of unauthorized intrusions. Magal also supplies video monitoring services through Smart Interactive Systems, Inc., a subsidiary in the U.S. The Company's products are currently used in more than 70 countries worldwide to protect national borders, airports, correctional facilities, nuclear power stations and other sensitive facilities from terrorism, theft and other threats. Israeli-based Magal has subsidiaries in the U.S., Canada, the U.K., Germany, Romania, Mexico and an office in China.

Magal trades under the symbol MAGS in the U.S. on the Nasdaq National Market since 1993 and in Israel on the Tel-Aviv Stock Exchange (TASE) since July 2001.

This press release contains forward-looking statements, which are subject to risks and uncertainties. Such statements are based on assumptions and expectations which may not be realized and are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, financial and otherwise, may differ from the results discussed in the forward-looking statements. A number of these risks and other factors that might cause differences, some of which could be material, along with additional discussion of forward-looking statements, are set forth in the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

Contacts:

| | |
|--|--|
| Company | Investor Relations |
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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(All numbers except EPS expressed in
thousands of US\$)

| | Six Months Ended June 30, | | | Quarter Ended June 30, | | |
|--|---------------------------|---------|--------|------------------------|---------|--------|
| | 2006 | 2005 | change | 2006 | 2005 | change |
| | | | % | | | % |
| Revenues | 28,346 | 26,964 | 5.1 | 14,874 | 13,238 | 12.4 |
| Cost of revenues | 16,424 | 16,324 | 0.6 | 8,661 | 8,865 | (2.3) |
| Gross profit | 11,922 | 10,640 | 12.0 | 6,213 | 4,373 | 42.1 |
| Operating expenses: | | | | | | |
| Research and development, net | 2,650 | 2,432 | 9.0 | 1,450 | 1,276 | 13.6 |
| Selling and marketing | 5,285 | 6,066 | (12.9) | 2,702 | 3,340 | (19.1) |
| General and administrative | 2,863 | 2,851 | 0.4 | 1,416 | 1,438 | (1.5) |
| Total operating expenses | 10,798 | 11,349 | (4.9) | 5,568 | 6,054 | (8.0) |
| Operating income (loss) | 1,124 | (709) | | 645 | (1,681) | |
| Financial expense, net | 380 | 366 | 3.8 | 226 | 37 | 510.8 |
| Income (loss) from continuing operations before income taxes | 744 | (1,075) | | 419 | (1,718) | |
| Income tax (tax benefit) | 271 | 148 | 83.1 | 118 | (170) | |
| Net Income (loss) from continuing operations | 473 | (1,223) | | 301 | (1,548) | |
| Loss on discontinued operations, net | 55 | 55 | - | 32 | 24 | 33.3 |
| Net income (loss) | 418 | (1,278) | | 269 | (1,572) | |
| Basic net earnings (losses) per share | 0.04 | (0.14) | | 0.03 | (0.16) | |

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| | | | | |
|---|--------|--------|--------|--------|
| Weighted average number of shares outstanding used in computing | | | | |
| basic net earnings per share | 10,377 | 9,382 | 10,379 | 10,092 |
| Diluted net earnings (losses) per share | | | | |
| | 0.04 | (0.13) | 0.03 | (0.15) |
| Weighted average number of shares outstanding used in computing | | | | |
| diluted net earnings per share | 10,453 | 9,525 | 10,443 | 10,374 |

FINANCIAL RATIOS

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|--|---------------------------|--------|------------------------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Gross margin | 42.1 | 39.5 | 41.8 | 33.0 |
| Research and development, net as a % of revenues | 9.3 | 9.0 | 9.7 | 9.6 |
| Selling and Marketing as a % of revenues | 18.6 | 22.5 | 18.2 | 25.2 |
| General and administrative as a % of revenues | 10.1 | 10.6 | 9.5 | 10.9 |
| Operating margin | 4.0 | (2.6) | 4.3 | (12.7) |
| Net income margin (after discontinued operation) | 1.5 | (4.7) | 1.8 | (11.9) |
| Total bank debt to total capitalization | *0.46 | **0.41 | *0.46 | **0.41 |
| Current ratio | *1.96 | **1.86 | *1.96 | **1.86 |

* As of June 30, 2006

** As of December 31, 2005

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(All numbers except EPS expressed in
thousands of US\$)

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| | Three months ended | |
|---|--------------------|----------|
| | Jun. 30, 2005 | |
| | As | As |
| | previously | adjusted |
| | reported | |
| Consolidated Statement of | | |
| Income Data: | | |
| Revenues | \$17,138 | \$13,238 |
| Cost of revenues | 9,705 | 8,865 |
| Gross profit | 7,433 | 4,373 |
| Operating expenses: | | |
| Research and development, net | 1,276 | 1,276 |
| Selling and marketing, net | 3,882 | 3,340 |
| General and administrative | 1,438 | 1,438 |
| Total operating expenses | 6,596 | 6,054 |
| Operating income (loss) | 837 | (1,681) |
| Financial expenses, net | 37 | 37 |
| Income (loss) before income taxes | 800 | (1,718) |
| Income taxes (tax benefit) | 294 | (170) |
| Income (loss) from continuing operations | 506 | (1,548) |
| Loss from discontinued operations, net | 24 | 24 |
| Net income (loss) | 482 | (1,572) |

MAGAL SECURITY SYSTEMS LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(All numbers expressed in thousands of US\$)

| | June 30, 2006 | December 31, 2005 |
|--|------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 5,390 | 10,099 |
| Short term bank deposits | 19,808 | 17,053 |
| Trade receivables | 13,511 | 24,012 |
| Unbilled accounts receivable | 15,446 | 8,596 |
| Other accounts receivable | 4,799 | 4,455 |
| Deferred income taxes | 1,300 | 1,187 |
| Inventories | 13,326 | 11,110 |
| Total current assets | 73,580 | 76,512 |
| Long term investments and trade receivables: | | |
| Long-term trade receivables | 290 | 290 |
| Long-term bank deposits and structure notes | 1,800 | 1,800 |
| Severance pay fund | 2,200 | 2,070 |
| Total long term investments and trade receivables | 4,290 | 4,160 |
| PROPERTY AND EQUIPMENT, NET | 15,931 | 15,587 |
| OTHER ASSETS, NET | 5,850 | 5,583 |

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| | | |
|---|--------|---------|
| Total assets | 99,651 | 101,842 |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 21,413 | 18,068 |
| Current maturities of long-term bank loans | 3,647 | 3,647 |
| Trade payables | 3,728 | 6,360 |
| Other accounts payable and accrued expenses | 8,840 | 12,983 |
| Total current liabilities | 37,628 | 41,058 |
| LONG-TERM LIABILITIES: | | |
| Long-term bank loans | 1,581 | 1,653 |
| Accrued severance pay | 2,318 | 2,131 |
| Long-term liability in respect of forward contracts | - | 50 |
| Total long terms liabilities | 3,899 | 3,834 |
| SHAREHOLDERS' EQUITY | 58,124 | 56,950 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 99,651 | 101,842 |

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.

MAGAL SECURITY SYSTEMS LTD.
(Registrant)

By: /s/Jacob Even-Ezra

Jacob Even-Ezra
Chairman of the Board and
Chief Executive Officer

Date: July 31, 2006