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MAGAL SECURITY SYSTEMS LTD

Form 6-K

October 30, 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 October 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.

## Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

1. Press Release re Magal Security Systems Ltd. Announces Third Quarter and Nine Months Financial Results dated October 30, 2006.

ITEM 1

Press Release

Source: Magal Security Systems Ltd

Magal Security Systems Ltd. Announces Third Quarter and Nine Months Financial Results

Monday October 30, 7:00 am ET

Net Income More Than Doubled Compared With the Second Quarter of 2006  
YAHUD, Israel, October 30 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq NM:MAGS; TASE:MAGS) today announced its consolidated financial results for the three and nine-month periods ended September 30, 2006.

Revenues for the third quarter of 2006 reached US\$16.2 million, an increase of 2.5 percent compared with the third quarter of 2005 and an increase of 8.6 percent over the second quarter of 2006.

Gross profit for the third quarter of 2006 reached US\$6.9 million (42.6 percent of revenues), an increase of 15.8 percent over the third quarter of 2005 and an increase of 10.8 percent compared with the second quarter of 2006. Our cost of revenues for the third quarter of 2006 includes a reduction of a previously recorded provision of US\$0.7 million that we made in connection with the cancellation of a turnkey project in Eastern Europe. We reduced the provision based on a result of a recent favourable ruling by the District Court in Haifa, Israel and the opinion of our legal counsel.

Operating and net income in the third quarter of 2006, reached US\$1.2 million and US\$623,000, respectively, compared with an operating and net loss of US\$263,000 and US\$376,000, respectively, for the third quarter of 2005. Diluted earnings per share for the third quarter were US\$0.06, compared with diluted loss per share of US\$0.04 in the same period last year.

Revenues for the first nine months of 2006 reached US\$44.5 million, an increase of 4.2 percent compared with the same period in 2005.

Operating and net income for the nine-month period, reached US\$2.4 million and US\$1 million, respectively, compared with an operating and net loss of US\$972,000 and US\$1.7 million, respectively, for the first nine months of 2005. Diluted earnings per share for the nine-month period were US\$0.10, compared with diluted loss per share of US\$0.17 in the same period of last year.

Our 2005 financial information includes the reversal of revenues and a corresponding increase in expenses as a result of the cancellation of the Eastern European turnkey project subsequent to the 2005 year end.

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Commenting on the results, Mr. Izhar Dekel, CEO of Magal, said: "Based on our current backlog, including the previously announced major contract for the Northern border of Israel, and on new orders that we expect to receive during the fourth quarter, management believes that our year-end results will be better than those of last year."

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

To participate, 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.

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. 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 established in the U.S. in June 2001. 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 on the Nasdaq National Market since 1993 and 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.

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## Condensed Consolidated Statements of Income

(All numbers except EPS expressed in thousands of US\$)

|                                                                                              | Nine Months Ended Sep. 30, |          |          | Quarter Ended Sep. 30, |          |          |
|----------------------------------------------------------------------------------------------|----------------------------|----------|----------|------------------------|----------|----------|
|                                                                                              | 2006                       | 2005     | % change | 2006                   | 2005     | % change |
| Revenues                                                                                     | 44,506                     | 42,725   | 4.2      | 16,160                 | 15,761   | 2.5      |
| Cost of revenues                                                                             | 25,700                     | 26,141   | -1.7     | 9,276                  | 9,817    | -5.5     |
| Gross profit                                                                                 | 18,806                     | 16,584   | 13.4     | 6,884                  | 5,944    | 15.8     |
| Operating expenses:                                                                          |                            |          |          |                        |          |          |
| Research and development, net                                                                | 3,802                      | 3,769    | 0.9      | 1,152                  | 1,337    | -13.8    |
| Selling and marketing                                                                        | 8,115                      | 9,569    | -15.2    | 2,830                  | 3,503    | -19.2    |
| General and administrative                                                                   | 4,537                      | 4,218    | 7.6      | 1,674                  | 1,367    | 22.5     |
| Total Operating expenses                                                                     | 16,454                     | 17,556   | -6.3     | 5,656                  | 6,207    | -8.9     |
| Operating income                                                                             | 2,352                      | (972)    |          | 1,228                  | (263)    |          |
| Financial expense, net                                                                       | 640                        | 485      | 31.9     | 260                    | 119      | 118.4    |
| Income (loss) from continuing operations before income taxes                                 | 1,712                      | (1,457)  |          | 968                    | (382)    |          |
| Income tax (tax benefit)                                                                     | 616                        | 121      | 409.1    | 345                    | (27)     |          |
| Net Income (loss) from continuing operations                                                 | 1,096                      | (1,578)  |          | 623                    | (355)    |          |
| Loss on discontinued operations, net                                                         | 55                         | 76       | -27.6    | -                      | 21       |          |
| Net income (loss)                                                                            | 1,041                      | (1,654)  |          | 623                    | (376)    |          |
| Basic net earnings (losses) per share                                                        | \$ 0.10                    | (\$0.17) |          | \$ 0.06                | (\$0.04) |          |
| Weighted average number of shares outstanding used in computing basic net earnings per share | 10,382                     | 9,712    |          | 10,390                 | 10,372   |          |

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|                                                                                                |         |          |         |          |
|------------------------------------------------------------------------------------------------|---------|----------|---------|----------|
| Diluted net earnings (losses) per share                                                        | \$ 0.10 | (\$0.17) | \$ 0.06 | (\$0.04) |
| Weighted average number of shares outstanding used in computing diluted net earnings per share | 10,447  | 9,811    | 10,435  | 10,383   |

## Financial Ratios

|                                                  | Nine Months Ended Sep. 30, |        | Quarter Ended Sep. 30, |        |
|--------------------------------------------------|----------------------------|--------|------------------------|--------|
|                                                  | 2006                       | 2005   | 2006                   | 2005   |
| Gross margin                                     | 42.3                       | 38.8   | 42.6                   | 37.7   |
| Research and development, net as a % of revenues | 8.5                        | 8.8    | 7.1                    | 8.5    |
| Selling and Marketing as a % of revenues         | 18.2                       | 22.4   | 17.5                   | 22.2   |
| General and administrative as a % of revenues    | 10.2                       | 9.9    | 10.4                   | 8.7    |
| Operating margin                                 | 5.3                        | (2.3)  | 7.6                    | (1.7)  |
| Net income margin (after discontinued operation) | 2.3                        | (3.9)  | 3.9                    | (2.4)  |
| Total bank debt to total capitalization          | *0.45                      | **0.41 | *0.45                  | **0.41 |
| Current ratio                                    | *2.33                      | **1.86 | *2.33                  | **1.86 |

\* As of September 30, 2006

\*\* As of December 31, 2005

## Condensed Consolidated Statements of Income (All numbers except EPS expressed in thousands of US\$)

|                                           | Three months ended<br>Sep. 30, 2005 |                |
|-------------------------------------------|-------------------------------------|----------------|
|                                           | As<br>previously<br>reported        | As<br>adjusted |
| Consolidated Statement of<br>Income Data: |                                     |                |

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|                                          |          |          |
|------------------------------------------|----------|----------|
| Revenues                                 | \$17,721 | \$15,761 |
| Cost of revenues                         | 10,239   | 9,817    |
| Gross profit                             | 7,482    | 5,944    |
| Operating expenses:                      |          |          |
| Research and development, net            | 1,337    | 1,337    |
| Selling and marketing, net               | 3,775    | 3,503    |
| General and administrative               | 1,367    | 1,367    |
| Total operating expenses                 | 6,479    | 6,207    |
| Operating income (loss)                  | 1,003    | (263)    |
| Financial expenses, net                  | 119      | 119      |
| Income (loss) before income taxes        | 884      | (382)    |
| Income taxes (tax benefit)               | 260      | (27)     |
| Income (loss) from continuing operations | 624      | (355)    |
| Loss from discontinued operations, net   | 21       | 21       |
| Net income                               | 603      | (376)    |

## Magal Security Systems Ltd. Condensed Consolidated Balance Sheets (All numbers expressed in thousands of US\$)

|                                                                | September 30,<br>2006 | December 31,<br>2005 |
|----------------------------------------------------------------|-----------------------|----------------------|
| Current assets:                                                |                       |                      |
| Cash and cash equivalents                                      | 4,643                 | 10,099               |
| Short term bank deposits                                       | 16,753                | 17,053               |
| Trade receivables                                              | 22,058                | 24,012               |
| Unbilled accounts receivable                                   | 9,027                 | 8,596                |
| Other accounts receivable and prepaid expenses                 | 3,993                 | 4,455                |
| Deferred income taxes                                          | 1,237                 | 1,187                |
| Inventories                                                    | 13,729                | 11,110               |
| Total current assets                                           | 71,440                | 76,512               |
| Long term investments and receivables:                         |                       |                      |
| Long-term trade receivables                                    | 265                   | 290                  |
| Long-term bank deposits                                        | 4,800                 | 1,800                |
| Severance pay fund                                             | 2,323                 | 2,070                |
| Total long term investments and receivables                    | 7,388                 | 4,160                |
| Property and Equipment, Net                                    | 15,517                | 15,587               |
| Other Assets, Net                                              | 5,871                 | 5,583                |
| Total assets                                                   | 100,216               | 101,842              |
| Current liabilities:                                           |                       |                      |
| Short-term bank credit                                         | 17,958                | 18,068               |
| Current maturities of long-term bank debt                      | 147                   | 3,647                |
| Trade payables                                                 | 5,012                 | 6,360                |
| Other accounts payable, accrued expenses and customer advances | 7,483                 | 12,983               |
| Total current liabilities                                      | 30,600                | 41,058               |
| Long-term liabilities:                                         |                       |                      |

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|                                                     |         |         |
|-----------------------------------------------------|---------|---------|
| Long-term bank debt                                 | 8,244   | 1,653   |
| Accrued severance pay                               | 2,444   | 2,131   |
| Long-term liability in respect of forward contracts | -       | 50      |
| Total long-term liabilities                         | 10,688  | 3,834   |
| Shareholders' Equity                                | 58,928  | 56,950  |
| Total Liabilities and Shareholders' Equity          | 100,216 | 101,842 |

### Contacts:

#### Company

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#### Investor Relations

Gelbart Kahana Investor Relations

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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.

MAGAL SECURITY SYSTEMS LTD.  
(Registrant)

By: /s/Jacob Even-Ezra

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Jacob Even-Ezra  
Chairman of the Board

Date: October 30, 2006