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MAGAL SECURITY SYSTEMS LTD

Form 6-K

August 02, 2004

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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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 2004

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 Statement File No. 333-9050.

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Magal Security Systems Ltd.

6-K Items

1. Press Release re Magal Security Systems Ltd. Announces Second Quarter and Six Months Financial Results dated August 2, 2004.

Press Release

Source: Magal Security Systems Ltd.

Magal Security Systems Ltd. Announces Second Quarter  
and Six Months Financial Results

Monday August 2, 8:00 am ET

-Revenues Increases 7% Compared With the Second Quarter of 2003 and 9% for the First Six Months Ended June 30, 2004 Compared to the Same Period in 2003- YAHUD, Israel, August 2 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq NM:MAGS; TASE:MAGS) today announced its consolidated financial results for the second quarter and six-month period ended June 30, 2004.

Revenues for the second quarter of 2004 reached US\$14.5 million, an increase of 7.1 percent compared with the second quarter of 2003 and an increase of 2.0 percent over the first quarter of 2004.

Gross profit for the second quarter of 2004 reached US\$6.5 million (44.9% of revenues), an increase of 2.8% over the second quarter of 2003 and an increase of 3.8% compared with first quarter of 2004.

Operating and net income in the second quarter of 2004, excluding a US\$1.2 million award granted to employees by the Company's two principal shareholders out of their personal funds, reached US\$855,000 and US\$461,000, respectively, a decrease of 37.6 percent and 45.1 percent respectively compared with the second quarter of 2003. For financial reporting purposes, according to the generally accepted accounting principles in the United States, such a grant was recorded in Magal's second quarter statement of income as an expense, although it has not effected the total shareholders' equity nor the statement of cash- flows.

Operating and net loss in the second quarter of 2004, including the award, reached US\$(345,000) and US\$(739,000), respectively, compared with operating and net income of US\$1.4 million, and US\$840,000, respectively, for the second quarter of 2003.

The increase in operating expenses in the second quarter of 2004 is principally attributable to higher selling and marketing expenses, which increased by 25.8 percent compared with the second quarter of 2003 and by 17.4 percent compared with the first quarter of 2004. The increase in selling and marketing expenses reflects the company's considerable investment in the release of its two new products, DreamBox and PipeGuard. Revenues for these new products are not expected until the fourth quarter of 2004 and in 2005.

Diluted loss per share, including the award expenses, for the second quarter was US\$(0.09), compared with diluted earnings per share of US\$0.11 in the same period last year.

Revenues for the first six months of 2004 reached US\$28.7 million, an increase of 9.0 percent compared with the same period in 2003. Operating income and net

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income for the six-months period, excluding the US\$1.2 million award granted to employees by the Company's two principal shareholders out of their personal funds, reached US\$2.1 million and US\$1.1 million, respectively, a decrease of 15.0 percent and 16.3 percent, respectively compared with the first six months of 2003.

Operating income and net loss for the six-month period, including the award, reached US\$872,000 and US\$(52,000), respectively.

Diluted loss per share, including the award expenses, for the six-month period was US\$(0.01), compared with US\$0.17 in the same period of last year.

Commenting on the results, Mr. Jacob Even-Ezra, Chairman of Magal, said: "Even though there was a slow down in one of our major projects - the seam line project in Israel, the growth in the rest of our business more than compensated for this and we were still able to show a small increase in revenues."

Mr. Jacob Even-Ezra concluded, "Based on the traction and interest for both our existing and new products that we are seeing, we have every reason to believe that the second half of the year will be better than the first half on both the top and bottom lines."

The Company will be hosting its quarterly conference call at 11:00am EST. today. Mr. Jacob Even-Ezra, Chairman of the Board & CEO, and Ms. Raya Asher, V.P. Finance & CFO, will review and discuss the second quarter 2004 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](http://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:  
11:00am Eastern Time  
8:00am Pacific Time  
6:00pm 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

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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:

|   |  |
|---|--|
| <p>Company<br/>Magal Security Systems, Ltd<br/>Raya Asher, CFO<br/>Tel: +972-3-5391444<br/>Fax: +972-3-5366245<br/>E-mail: magalssl@trendline.co.il</p> | <p>Investor Relations<br/>Gelbart Kahana Investor Relations<br/>Ehud Helft/Kenny Green<br/>Tel: +1-866-704-6710<br/>E-mail: Ehud.Helft@galir.com<br/>Kenny.Green@galir.com</p> |
|---|--|

-FINANCIAL TABLES FOLLOW-

MAGAL SECURITY SYSTEMS LTD.  
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME  
(All numbers except EPS expressed in  
thousands of US\$)

|   | Six Months Ended |          |          | Quarter Ended June |          |          |
|---|------------------|----------|----------|--------------------|----------|----------|
|   | June 30          |          |          | 30                 |          |          |
|   | 2004             | % change | 2003     | 2004               | % change | 2003     |
| Revenues                                | \$28,715         | 9        | \$26,343 | \$14,500           | 7        | \$13,542 |
| Cost of revenues                        | 15,935           | 9        | 14,609   | 7,990              | 11       | 7,209    |
| Gross Profit                            | 12,780           | 9        | 11,734   | 6,510              | 3        | 6,333    |
| Operating Expenses:                     |                  |          |          |                    |          |          |
| Research and development, net           | 2,293            | 5        | 2,190    | 1,162              | 5        | 1,106    |
| Selling and marketing, net              | 5,697            | 30       | 4,375    | 3,076              | 26       | 2,445    |
| General and administrative              | 2,718            | (1)      | 2,731    | 1,417              | 0        | 1,411    |
| Award granted by principal shareholders | 1,200            | ---      | -        | 1,200              | ---      | -        |
| Total operating expenses                | 11,908           | 28       | 9,296    | 6,855              | 38       | 4,962    |
| Operating Income (LOSS)                 | 872              | (64)     | 2,438    | (345)              | (125)    | 1,371    |

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|   |           |       |          |           |       |         |
|---|-----------|-------|----------|-----------|-------|---------|
| Financial expenses, net   | 351       | (45)  | 641      | 258       | (17)  | 310     |
| Income (LOSS) before taxes on income  | 521       | (71)  | 1,797    | (603)     | (157) | 1,061   |
| Taxes on income   | 573       | 35    | 425      | 136       | (38)  | 221     |
| Net income (loss)   | \$ (52)   | (104) | \$ 1,372 | \$ (739)  | (188) | \$ 840  |
| BASIC net Earnings (loss) per share   | \$ (0.01) |       | \$ 0.17  | \$ (0.09) |       | \$ 0.11 |
| SHARES USED IN COMPUTING BASIC net earnings (loss) PER SHARE (IN THOUSANDS)   | 8,132     |       | 7,911    | 8,199     |       | 7,927   |
| DILUTED net EARNINGS (loss) PER SHARE   | \$ (0.01) |       | \$ 0.17  | \$ (0.09) |       | \$ 0.11 |
| SHARES USED IN COMPUTING DILUTED net EARNINGS (loss) PER SHARE (IN THOUSANDS) | 8,244     |       | 7,987    | 8,301     |       | 7,989   |

FINANCIAL RATIOS

|  | Six months Ended<br>June 30, |        | Quarter Ended<br>June 30, |        |
|--|------------------------------|--------|---------------------------|--------|
|  | 2004                         | 2003   | 2004                      | 2003   |
| Gross Margin                           | 44.5%                        | 44.5%  | 44.9%                     | 46.8%  |
| R&D as a % of Revenues                 | 8.0%                         | 8.3%   | 8.0%                      | 8.2%   |
| Selling & Marketing as a % of Revenues | 19.8%                        | 16.6%  | 21.2%                     | 18.1%  |
| G&A Expenses as a % of Revenues        | 9.5%                         | 10.4%  | 9.8%                      | 10.4%  |
| Operating Margin                       | 3.0%                         | 9.3%   | Loss                      | 10.1%  |
| Net Income Margin                      | Loss                         | 5.2%   | Loss                      | 6.2%   |
| Total Debt to Total Capitalization     | *0.50                        | **0.42 | *0.50                     | **0.42 |
| Current Ratio                          | *1.79                        | **1.78 | *1.79                     | **1.78 |

\* As of June 30, 2004

\*\* As of December 31, 2003

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### CONDENSED CONSOLIDATED BALANCE SHEETS (All numbers expressed in thousands of US\$)

|   | June 30,<br>2004<br>Unaudited | December 31,<br>2003 |
|---|-------------------------------|----------------------|
| <b>CURRENT ASSETS:</b>                              |                               |                      |
| Cash and cash equivalents                           | 5,304                         | 4,389                |
| Short-term bank deposits                            | 6,107                         | 9,000                |
| Trade receivables                                   | 12,951                        | 14,885               |
| Unbilled accounts receivable                        | 6,483                         | 5,072                |
| Other accounts receivable                           | 3,448                         | 3,332                |
| Deferred income taxes                               | 986                           | 979                  |
| Inventories   | 11,639                        | 11,777               |
| Total current assets                                | 46,918                        | 49,434               |
| <br>Long term investments and trade receivables:    |                               |                      |
| Long-term trade receivables                         | 50                            | 300                  |
| Long-term bank deposits                             | 5,984                         | 3,051                |
| Severance pay fund                                  | 1,845                         | 1,960                |
| Total long term investments and trade receivables   | 7,879                         | 5,311                |
| <br>PROPERTY AND EQUIPMENT, NET                     | <br>13,409                    | <br>11,505           |
| <br>OTHER ASSETS, NET                               | <br>5,344                     | <br>5,193            |
| <br>Total assets                                    | <br>73,550                    | <br>71,443           |
| <br><b>CURRENT LIABILITIES:</b>                     |                               |                      |
| Short-term bank credit                              | 15,020                        | 12,597               |
| Current maturities of long-term bank loans          | 1,098                         | 3,841                |
| Trade payables                                      | 4,128                         | 5,077                |
| Other accounts payable and accrued expenses         | 5,942                         | 6,518                |
| Total current liabilities                           | 26,188                        | 28,033               |
| <br><b>LONG-TERM LIABILITIES:</b>                   |                               |                      |
| Long-term bank loans                                | 4,317                         | 1,873                |
| Accrued severance pay                               | 1,969                         | 1,992                |
| Long-term liability in respect of forward contracts | 298                           | 561                  |
| Total long terms liabilities                        | 6,584                         | 4,426                |
| <br><b>SHAREHOLDERS' EQUITY:</b>                    |                               |                      |
| Share capital                                       | 2,721                         | 2,683                |
| Additional paid-in capital                          | 26,108                        | 24,098               |
| Accumulated other comprehensive income              | 277                           | 497                  |
| Retained earnings                                   | 11,672                        | 11,724               |
| Total shareholders' equity                          | 40,778                        | 38,984               |
| <br>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY      | <br>73,550                    | <br>71,443           |

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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 and  
Chief Executive Officer

Date: July 30, 2004