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MAGAL SECURITY SYSTEMS LTD

Form 6-K

February 14, 2005

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 February 2005

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- \_\_\_\_\_

Magal Security Systems Ltd.

6-K Items

1. Press Release re Magal Security Systems Ltd. Announces 2004 Fourth Quarter

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and Full Year Results dated February 14, 2005.

ITEM 1

Press Release

Source: Magal Security Systems Ltd.

Magal Security Systems Ltd. Announces 2004 Fourth Quarter and Full Year Results

Monday February 14, 8:00 am ET

YAHUD, Israel, February 14 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (NASDAQ NM:MAGS ; TASE:MAGS) today announced its consolidated financial results for the three and twelve month periods ended December 31, 2004.

Revenues for the fourth quarter of 2004 reached US\$17.0 million, a decrease of 3.9 percent from US\$17.7 million reported for the fourth quarter of 2003 and a sequential increase of 11.3 percent over US\$15.3 million achieved for the third quarter of 2004.

Gross profit for the fourth quarter of 2004 reached US\$7.6 million (or 45.0 percent of revenues), compared with US\$7.9 million (or 44.5 percent of revenues) for the fourth quarter of 2003 and US\$6.8 million (or 44.7 percent of revenues) for the third quarter of 2004.

Operating income for the fourth quarter of 2004 reached US\$855,000 compared with \$1.1 million for the fourth quarter of 2003 and US\$1.2 million for the third quarter of 2004.

Net income for the fourth quarter of 2004 reached US\$442,000, compared with net income of US\$529,000 for the fourth quarter of 2003 and net income of US\$663,000 in the third quarter of 2004.

Diluted earnings per share for the fourth quarter was US\$0.05, compared with diluted earnings per share of US\$0.06 in the same period last year.

Total revenues for the year ended December 31, 2004 reached US\$61.0 million, an increase of 2.7 percent compared with US\$59.4 million reported for the year ended December 31, 2003.

Operating and net income for 2004, reached US\$2.9 million and US\$1.1 million, respectively, compared with US\$4.3 million and US\$2.4 million achieved for 2003, respectively. This represents a decrease of 32.5 percent and 56.2 percent, respectively, over 2003.

In 2004, the Company recorded an expense of US\$1.2 million relating to an award granted in the second quarter of 2004 by the Company's two principal shareholders out of their personal funds to all of the Company's employees. According to generally accepted accounting principles in the United States (US GAAP), such a grant was recorded as an expense in the second quarter, although it did not affect the Company's shareholders' equity nor its statement of

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cash-flows.

Diluted earnings per share for the year ended December 31, 2004 was US\$0.12, compared with US\$0.29 in year ended December 31, 2003.

Commenting on the results, Mr. Jacob Even-Ezra, Chairman of Magal, said: "Magal's revenues that were generated from markets outside of Israel increased as planned in 2004 and offset the decrease in income from the seamline project in Israel. The seamline project, which made a major contribution to the Company's revenues in 2003, was stalled due to litigation in Israel. Management is satisfied with the fact that the Company was once again able to show its strength in the different markets in the world and that the Company's revenues increased in 2004 despite the weakness in the Israeli market. We believe that in 2005, Magal will receive new orders for the seamline project."

"If we compare the Company's income before tax in 2004 with 2003, our income before tax increased slightly in 2004 if we exclude the expenses associated with the award to employees granted by our two principal shareholders out of their personal funds."

Mr. Even-Ezra concluded: "Based on our current backlog and forecasts, management believes that the Company's results in 2005 will show significant improvement over 2004."

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 fourth quarter and full year 2004 results. They will then be available to answer questions.

To participate, you may call one of the teleconferencing numbers that follows:

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

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.

For those unable to participate in the conference call, there will be a replay available from two hours after the call ends until Wednesday, February 16th, 11:00am EST. To listen to the replay please dial: +1-888-269-0005 (US) or +972-3-9255-939 (international).

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

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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.

### 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@gk-biz.com<br/>Kenny@gk-biz.com</p> |
|---|--|

### CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

|   | Year Ended Dec. 31, |        |             | Quarter Ended Dec. 31,<br>Unaudited |        |             |
|---|---------------------|--------|-------------|-------------------------------------|--------|-------------|
|   | 2004                | 2003   | %<br>growth | 2004                                | 2003   | %<br>growth |
| Revenues                                | 60,974              | 59,361 | 2.7         | 16,988                              | 17,686 | (3.9)       |
| Cost of revenues                        | 33,725              | 33,378 | 1.0         | 9,347                               | 9,815  | (4.8)       |
| Gross profit                            | 27,249              | 25,983 | 4.9         | 7,641                               | 7,871  | (2.9)       |
| Operating expenses:                     |                     |        |             |                                     |        |             |
| Research and development, net           | 4,683               | 4,773  | (1.9)       | 1,197                               | 1,303  | (8.1)       |
| Selling and marketing                   | 12,679              | 11,585 | 9.4         | 3,951                               | 4,223  | (6.4)       |
| General and administrative              | 5,771               | 5,305  | 8.8         | 1,638                               | 1,259  | 30.1        |
| Award granted by principal shareholders | 1,200               | -      |             | -                                   | -      |             |
| Total operating expenses                | 24,333              | 21,663 | 12.3        | 6,786                               | 6,785  | -           |

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|   |       |              |       |              |
|---|-------|--------------|-------|--------------|
| Operating income  | 2,916 | 4,320 (32.5) | 855   | 1,086 (21.3) |
| Financial expenses, net   | 762   | 1,003 (24.0) | 188   | 281 (33.1)   |
| Income before taxes   | 2,154 | 3,317 (35.1) | 667   | 805 (17.1)   |
| Taxes on income   | 1,101 | 913 20.6     | 225   | 276 (18.5)   |
| Net income  | 1,053 | 2,404 (56.2) | 442   | 529 (16.4)   |
| Basic net earnings per share  | 0.12  | 0.29         | 0.05  | 0.06         |
| Weighted average number of shares   |       |              |       |              |
| Outstanding used in Computing basic net earnings per share (in thousands)                                     | 8,581 | 8,345        | 8,636 | 8,404        |
| Diluted net earnings per share  | 0.12  | 0.29         | 0.05  | 0.06         |
| Weighted average number of shares Outstanding used in Computing Diluted net earnings per share (in thousands) | 8,636 | 8,431        | 8,659 | 8,483        |

FINANCIAL RATIOS

|  | Year Ended<br>December 31, |       | Quarter Ended<br>December 31, |       |
|--|----------------------------|-------|-------------------------------|-------|
|  | 2004                       | 2003  | 2004                          | 2003  |
| Gross Margin                                     | 44.7%                      | 43.8% | 45.0%                         | 44.5% |
| Research and development, net as a % of Revenues | 7.7%                       | 8.0%  | 7.0%                          | 7.4%  |
| Selling and Marketing as a % of Revenues         | 20.8%                      | 19.5% | 23.3%                         | 23.9% |
| General and administrative as a % of Revenues    | 9.5%                       | 8.9%  | 9.6%                          | 7.1%  |
| Operating Margin                                 | 4.8%                       | 7.3%  | 5.0%                          | 6.1%  |
| Net income Margin                                | 1.7%                       | 4.1%  | 2.6%                          | 3.0%  |
| Total Bank Debt to Total Capitalization          | 0.48                       | 0.47  | 0.48                          | 0.47  |
| Current Ratio                                    | 1.77                       | 1.76  | 1.77                          | 1.76  |

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

December 31,  
2004

December 31,  
2003

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|  |        |          |
|--|--------|----------|
| CURRENT ASSETS:  |        |          |
| Cash and cash equivalents                              | 5,824  | 4,389    |
| Short-term bank deposits                               | 6,140  | 9,000    |
| Trade receivables                                      | 13,232 | 14,885   |
| Unbilled accounts receivable                           | 7,465  | 5,072    |
| Other accounts receivable                              | 3,858  | (*3,857) |
| Deferred income taxes                                  | 488    | (*454)   |
| Inventories  | 12,702 | 11,777   |
| Total current assets                                   | 49,709 | 49,434   |
| Long term investments and trade receivables:           |        |          |
| Long-term trade receivables                            | 344    | 300      |
| Long-term bank deposits                                | 5,994  | 3,051    |
| Severance pay fund                                     | 2,142  | 1,960    |
| Total long term investments and trad<br>receivables    | 8,480  | 5,311    |
| PROPERTY AND EQUIPMENT, NET                            | 14,659 | 11,505   |
| OTHER ASSETS, NET                                      | 5,128  | 5,193    |
| Total assets   | 77,976 | 71,443   |
| CURRENT LIABILITIES:                                   |        |          |
| Short-term bank credit                                 | 15,618 | 12,597   |
| Current maturities of long-term bank loans             | 1,849  | 3,841    |
| Trade payables   | 3,189  | 5,077    |
| Other accounts payable and accrued expenses            | 7,450  | 6,518    |
| Total current liabilities                              | 28,106 | 28,033   |
| LONG-TERM LIABILITIES:                                 |        |          |
| Long-term bank loans                                   | 3,500  | 1,873    |
| Accrued severance pay                                  | 2,172  | 1,992    |
| Long-term liability in respect of forward<br>contracts | 650    | 561      |
| Total long terms liabilities                           | 6,322  | 4,426    |
| SHAREHOLDERS' EQUITY:                                  |        |          |
| Share capital  | 2,825  | 2,683    |
| Additional paid-in capital                             | 31,865 | 24,098   |
| Accumulated other comprehensive income                 | 1,823  | 479      |
| Retained earnings                                      | 7,035  | 11,724   |
| Total shareholders' equity                             | 43,548 | 38,984   |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY             | 77,976 | 71,443   |

(\* Reclassified)

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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: February 14, 2005