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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.

ITEM 1

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:

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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