

TOP IMAGE SYSTEMS LTD  
Form 6-K  
May 11, 2006

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UNITED STATES  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 6-K**

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**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

**For the month of May, 2006**

**Commission File Number 001-14552**

**Top Image Systems Ltd.**

(Translation of registrant's name into English)

**2 Habarzel Street, Ramat Hahayal, Israel 69710**

(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 whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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**CONTENTS**

Attached hereto is a copy of the Registrant's press release dated May 10, 2006, reporting results for the three months ended March 31, 2006.

**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.

Top Image Systems Ltd.

Date: May 11, 2006

BY: /S/ Ido Schechter

Ido Schechter  
Chief Executive Officer

FOR IMMEDIATE RELEASE

EARNINGS RELEASE

Top Image Systems Reports Fourth Consecutive Quarter of Growing Profitability

First Quarter 2006 Revenues up 15% year-over-year

Tel Aviv, Israel May 10, 2006 Top Image Systems, Ltd. (NASDAQ: TISA), the leading innovator of data capture solutions, today announced its financial results for the first quarter of 2006.

Revenues for the first quarter of 2006 were \$4.54 million, an increase of 15% from the \$3.96 million revenues recorded for the first quarter of 2005, and a 4% decrease from the \$4.71 million revenues for the fourth quarter of 2005. The first quarter is seasonally the weakest quarter of the year in TIS market. 43% of first quarter revenues were generated from services and 57% from products. 55% of the quarterly revenues were generated from existing customers and 45% from new customers.

Net income for the first quarter was \$181 thousand, compared with a net loss of \$771 thousand in the first quarter of 2005, and net income of \$152 thousand in the fourth quarter of 2005. Net income per share in this quarter was \$0.021 compared with net loss per share of \$0.888 in the first quarter of 2005, and net income per share of \$0.017 in the fourth quarter of 2005.

First quarter highlights:

First quarter revenues increased 15% year-over-year.

Operating profit in the first quarter was \$101 thousand, compared with an operating loss of \$692 thousand in the first quarter of 2005.

Company generated positive operating cash flow.

Success in Japan and the UK, generated 20% and 27% of company's quarterly revenues respectively.

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Levels of activity in the USA and Latin America showed growth. A new project for The World's Foremost Bank broke new ground for *eFLOW Ability* in the USA.

A number of sales activities in Europe are expected to mature in the second quarter of 2006.

Increased awareness, mainly in the UK, of TIS' compelling solution for Oracle enterprise resource planning (ERP) was achieved.

We are delighted to announce strong first-quarter 2006 results. Revenues, operating profits and net income are all up with strong organic year-over-year growth, commented Dr. Ido Schechter, Chief Executive Officer of Top Image Systems. Although our first quarter is seasonally the weakest, there has only been a slight sequential revenue decline. The significant revenue increase over the first quarter of 2005 is a good sign for the rest of the year.

Dr. Schechter continued, "This was the last quarter of the Japanese fiscal year and we have witnessed growing levels of activity in this market. With the recently reported acquisition of the Nagase Healthcare business, we have gained direct access to many of the Japanese healthcare companies, resulting in introductions of *eFLOW* to a growing number of potential customers. Furthermore, the current regulatory changes in the healthcare business in Japan significantly increase the potential of our offering to the market.

Dr. Schechter concluded, "In the past few months, we have seen strong and growing market interest, particularly in Europe, for *eFLOW Ability*, our SAP-based solution. We have already announced a number of projects and are implementing over half a dozen new projects. This and our general performance over the last few months, makes us increasingly confident in our ability to maintain our growth and improve our profitability throughout 2006.

### Conference Call

TIS management will host a conference call today, May 10, 2006, at 10:00am EST (7:00 am. PST, 3:00pm UK Time, 5:00pm Israel Time) to review the first quarter of 2006 financial results and other corporate events. Dr. Ido Schechter, CEO, and Arie Rand, CFO, will be on-line to discuss these results and take part in a question and answer session.

The call can be accessed by dialing:

US Dial-in Number: 1 866 744 5399

UK Dial-in Number: 0 800 917 5108

ISRAEL Dial-in Number: 03 918 0600

INTERNATIONAL Dial-in Number: +972 3 918 0600

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Participants are asked to call the number approximately 10 minutes before the conference call begins.

For those unable to listen to the live call, a replay of the call will be available for three months from the day after the call in the investor relations section of Top Image Systems' website, at: [www.topimagesystems.com](http://www.topimagesystems.com)

### About Top Image Systems

Top Image Systems is a leading innovator of enterprise solutions for managing and validating content entering organizations from various sources. Whether originating from mobile, electronic, paper or other sources, TIS solutions deliver the content to applications that drive the organization. TIS' *eFLOW Unified Content Platform* is a common platform for the company's solutions. TIS markets its platform in more than 30 countries through a multi-tier network of distributors, system integrators, value added resellers as well as strategic partners. Visit the company's website [www.TopImageSystems.com](http://www.TopImageSystems.com) for more information.

### **Caution Concerning Forward-Looking Statements**

Certain matters discussed in this news release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as anticipate, project, expect, plan, intend, may, should, will and similar words or expressions identify some of these statements. These statements are based on management's current expectations or beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially including, but not limited to, risks in product development plans and schedules, rapid technological change, changes and delays in product approval and introduction, customer acceptance of new products, the impact of competitive products and pricing, market acceptance, the lengthy sales cycle, proprietary rights of the Company and its competitors, risk of operations in Israel, government regulation, dependence on third parties to manufacture products, quarterly fluctuations in sales of products in the Data Capture market (where in general the fourth quarter is the strongest and the first quarter is the weakest), the Company's ability to successfully integrate TIS Japan, litigation (including litigation over intellectual property rights), general economic conditions and other risk factors detailed in the Company's most recent annual report on Form 20-F and other subsequent filings with the United States Securities and Exchange Commission. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

### **Contacts:**

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## FINANCIAL TABLES FOLLOW

**Top Image Systems Ltd.**  
**Consolidated Statements of Operations for the**

	Three months ended	Three months ended	Year ended
	March 31,	March 31,	December 31,
	2006	2005	2005
In thousands US\$, except per share data			
<b>Revenues</b>			
Product sales	2,607	2,089	9,888
Service revenues	1,933	1,868	6,932
	<hr/>	<hr/>	<hr/>
Total revenues	4,540	3,957	16,820
	<hr/>	<hr/>	<hr/>
<b>Cost of revenues (*)</b>			
Product costs	563	527	2,225
Service costs	1,203	1,179	4,538
	<hr/>	<hr/>	<hr/>
Total cost of revenues	1,766	1,706	6,763
	<hr/>	<hr/>	<hr/>
Gross profit	2,774	2,251	10,057
	<hr/>	<hr/>	<hr/>
Research and development costs	421	327	1,312
Selling and marketing	1,435	1,569	5,396
General and administrative	817	883	3,470
Liquidated damages related to September PIPE	-	164	164
	<hr/>	<hr/>	<hr/>
	2,673	2,943	10,342
	<hr/>	<hr/>	<hr/>
Operating profit (loss)	101	(692)	(285)
	<hr/>	<hr/>	<hr/>
Financing income (expenses), net	71	(79)	(146)
	<hr/>	<hr/>	<hr/>
Income (loss) before taxes on income	172	(771)	(431)
	<hr/>	<hr/>	<hr/>
Taxes on Income	9	-	(30)
	<hr/>	<hr/>	<hr/>
Net income (loss) for the period	181	(771)	(461)
	<hr/>	<hr/>	<hr/>
Basic net income (loss) per share	0.021	(0.888)	(0.053)
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	<u>Three months ended</u>	<u>Three months ended</u>	<u>Year ended</u>
Weighted average number of shares used to compute basic income (loss) per share	8,794,866	8,753,991	8,764,222
Diluted net income (loss) per share	0.020	(0.888)	(0.052)
Weighted average number of shares used to compute diluted net income (loss) per share	8,963,435	8,753,991	8,891,921

(\*) Certain costs have been reclassified for prior periods

**Top Image Systems Ltd.**  
**Consolidated Balance Sheet as of**

	December 31,	March 31,
	2005	2006
	In thousands US\$	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	8,200	8,407
Marketable securities	1,805	1,805
Trade receivables, net	6,802	6,432
Other current assets	620	899
	<u>17,427</u>	<u>17,543</u>
<b>Total current assets</b>	<b>17,427</b>	<b>17,543</b>
<b>Severance funds pay</b>	<b>654</b>	<b>662</b>
	<u>654</u>	<u>662</u>
<b>Property and equipment</b>		
Cost	2,358	2,429
Less / accumulated depreciation	(1,781)	(1,844)
	<u>577</u>	<u>585</u>
<b>Net property and equipment</b>	<b>577</b>	<b>585</b>
<b>Goodwill</b>	<b>465</b>	<b>465</b>
<b>Net intangible assets</b>	<b>1,100</b>	<b>1,025</b>
<b>Other long-term assets, net</b>	<b>135</b>	<b>72</b>
	<u>135</u>	<u>72</u>
<b>Total assets</b>	<b>20,358</b>	<b>20,352</b>
	<u>20,358</u>	<u>20,352</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Short-term bank loans	2,179	1,893
Trade payables	900	544
Accrued liabilities and other payables	2,213	2,555
	<u>5,292</u>	<u>4,992</u>
<b>Total current liabilities</b>	<b>5,292</b>	<b>4,992</b>
	<u>5,292</u>	<u>4,992</u>
<b>Long-term liabilities:</b>		
Liability for severance pay, net	850	914
	<u>850</u>	<u>914</u>



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	<u>December 31,</u>	<u>March 31,</u>
Total long-term liabilities	850	914
Total liabilities	6,142	5,906
<b>Shareholders' equity</b>		
Share capital - Ordinary share of NIS 0.04 par value	97	97
Surplus capital	29,561	29,609
Comprehensive income		
Accumulated deficit	(15,442)	(15,260)
Total shareholders' equity	14,216	14,446
<b>Total liabilities and shareholders' equity</b>	<b>20,358</b>	<b>20,352</b>