

FOR IMMEDIATE RELEASE

## MAGAL SECURITY SYSTEMS REPORTS

### SECOND QUARTER 2013 FINANCIAL RESULTS

**YAHUD, ISRAEL, August 29, 2013 -- Magal S3 Ltd. (NASDAQ GMS: MAGS)** today announced its financial results for the three and six month period ended June 30, 2013. Management will hold an investors' conference call later today, at 10 a.m. Eastern Time and 5 p.m. Israel time, to discuss the results.

#### SECOND QUARTER 2013 RESULTS SUMMARY

**Revenues** for the second quarter of 2013 decreased to \$12.2 million. This is compared with \$16.4 million in revenues for the second quarter of 2012.

**Gross profit** in the quarter was \$4.9 million, or 39.8% of revenues, compared to gross profit of \$7.2 million, or 44.1% of revenues in the second quarter of 2012. The variance in the gross margin between the quarters reflects changes in the revenue mix.

**Operating loss** in the quarter was \$1.1 million, compared to an operating profit of \$0.5 million in the second quarter of 2012.

**Financial income, net** in the quarter amounted to \$411 thousand compared to financial income of \$662 thousand in the second quarter of 2012.

**Net loss** in the quarter was \$716 thousand or \$0.04 per share, compared with net income of \$938 thousand, or \$0.06 per share, in the second quarter of 2012.

**Cash and short term deposits net of current bank debt**, as of June 30, 2013, were \$34.2 million, or \$2.12 per share, compared with cash and short term deposits net of current bank debt of \$41.0 million, or \$2.55 per share, on December 31, 2012. In the first half of 2013, Magal used \$2.4 million in cash to acquire WebSilicon, a Cyber security company, and \$0.7 million in capital investments.

#### MANAGEMENT COMMENT

**Commenting on the results, Mr. Eitan Livneh, President and CEO of Magal**, said, "While we executed on some very large turnkey projects in 2011 and 2012, in 2013 our projects were of a smaller scale and less profitable. Global economic conditions continue to be challenging, however, we expect to see an improvement in our profitability in the second half of the year. We also see 2013 as a year of investment in Magal's future. We continued to invest in CyberSeal, our new name for WebSilicon, in developing our PIDS portfolio, and in expanding our presence in key territories for our projects business."

**Continued Mr. Livneh**, "We are taking advantage of our strong level of cash to bolster our presence in a number of emerging markets where site security is becoming ever more important. In particular, we are currently looking to strengthen our presence in Brazil and Africa and we have already started to reap the rewards from our increased presence in India. I remain excited about our future potential."

## INVESTORS' CONFERENCE CALL INFORMATION

The Company will host a conference call later today, August 29, 2013, at 10 a.m. Eastern Time and 5 p.m. Israel time.

To participate, please call one of the following teleconferencing numbers:

**US: 1 888 668 9141; Israel: 03 918 0609 ; UK: 0 800 917 5108 ; Intl.: +972 3 918 0609**

Please begin placing your calls at least 10 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

A replay of the call will be available from the day after the call for three months. The link to the replay will be accessible from Magal's website at: [www.magal-s3.com](http://www.magal-s3.com).

## ABOUT MAGAL S<sup>3</sup>

Magal S3 is a leading international provider of solutions and products for physical and cyber security, safety and site management. Over the past 42 years, Magal S3 has delivered tailor-made solutions and turnkey projects to hundreds of satisfied customers in over 80 countries in some of the world's most demanding locations.

Magal S3 offers holistic and integrated solutions for critical sites, managed by **Fortis<sup>4G</sup>** – our 4<sup>th</sup> generation cutting edge **Physical Security Information Management** system (PSIM). The solutions leverage our broadest portfolio of unique homegrown **Perimeter Intrusion Detection Systems (PIDS)**, advanced outdoors **CCTV / IVA** technology and holistic **Cyber Security** solutions.

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.

## FOR MORE INFORMATION:

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**\*\* Financial Tables to Follow \*\***

**MAGAL S3 LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(All numbers except EPS expressed in thousands of US\$)*

	<b>Six Months Ended June 30,</b>			<b>Three Months Ended June 30,</b>		
	<u>2013</u>	<u>2012</u>	<u>% change</u>	<u>2013</u>	<u>2012</u>	<u>% change</u>
<b>Revenue</b>	<b>\$25,685</b>	\$31,980	(19.7)	<b>\$12,231</b>	\$16,427	(25.5)
<b>Cost of revenue</b>	<b>15,862</b>	18,288	(13.3)	<b>7,360</b>	9,188	(19.9)
<b>Gross profit</b>	<b>9,823</b>	13,692	(28.3)	<b>4,871</b>	7,239	(32.7)
<b>Operating expenses:</b>						
Research and development, net	<b>1,931</b>	2,070	(6.7)	<b>962</b>	1,038	(7.3)
Selling and marketing	<b>6,305</b>	7,994	(21.1)	<b>3,092</b>	4,211	(26.6)
General and administrative	<b>3,553</b>	3,019	17.7	<b>1,893</b>	1,516	24.9
<b>Total operating expenses</b>	<b>11,789</b>	13,083	(9.9)	<b>5,947</b>	6,765	(12.1)
<b>Operating income (loss)</b>	<b>(1,966)</b>	609		<b>(1,076)</b>	474	
Financial expense income, net	<b>(258)</b>	(442)		<b>(411)</b>	(662)	
<b>Income (loss) before income taxes</b>	<b>(1,708)</b>	1,051		<b>(665)</b>	1,136	
Income tax expense	<b>84</b>	67		<b>51</b>	198	
<b>Net income (loss)</b>	<b>(1,792)</b>	984		<b>(716)</b>	938	
<b>Basic net earnings (loss) per share</b>	<b>(\$0.11)</b>	\$0.06		<b>(\$0.04)</b>	\$0.06	
<b>Diluted net earnings (loss) per share</b>	<b>(\$0.11)</b>	\$0.06		<b>(\$0.04)</b>	\$0.06	
<b>Weighted average number of shares used in computing basic net earnings per share</b>	<b>16,130,366</b>	15,934,322		<b>16,147,522</b>	16,045,939	
<b>Weighted average number of shares used in computing basic net earnings per share</b>	<b>16,130,366</b>	15,994,292		<b>16,147,522</b>	16,112,245	

	<b>Six Months ended June 30,</b>		<b>Three Months ended June 30,</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Gross margin	<b>38.2</b>	42.8	<b>39.8</b>	44.1
Research and development, net as a % of revenues	<b>7.5</b>	6.5	<b>7.9</b>	6.3
Selling and marketing as a % of revenues	<b>24.5</b>	25.0	<b>25.3</b>	25.6
General and administrative as a % of revenues	<b>13.8</b>	9.4	<b>15.5</b>	9.2
Operating margin	<b>(7.7)</b>	1.9	<b>(8.8)</b>	2.9
Net margin	<b>(7.0)</b>	3.1	<b>(5.9)</b>	5.7

**MAGAL S3 LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

*(All numbers expressed in thousands of US\$)*

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$18,676	\$39,463
Short-term bank deposit	20,722	4,468
Restricted deposit	314	2,460
Trade receivables, net	16,489	17,920
Unbilled accounts receivable	1,562	2,394
Other accounts receivable and prepaid expenses	2,244	2,671
Inventories	7,798	8,535
Deferred income taxes	825	502
<b>Total current assets</b>	<u>68,630</u>	<u>78,413</u>
 <b>LONG TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term trade receivables	874	1,048
Long-term deposits and restricted bank deposits	37	48
Severance pay fund	2,418	2,220
<b>Total long-term investments and receivables</b>	<u>3,329</u>	<u>3,316</u>
 <b>PROPERTY AND EQUIPMENT, NET</b>	<u>7,271</u>	<u>7,122</u>
 <b>GOODWILL AND OTHER INTANGIBLE ASSETS, NET</b>	<u>6,310</u>	<u>2,185</u>
 <b>TOTAL ASSETS</b>	<u><u>\$85,540</u></u>	<u><u>\$91,036</u></u>
 <b>CURRENT LIABILITIES:</b>		
Short-term bank credit	\$5,531	\$5,358
Current maturities of long-term bank debt	23	33
Trade payables	4,212	6,725
Customer advances	4,387	6,895
Other accounts payable and accrued expenses	8,760	10,200
<b>Total current liabilities</b>	<u>22,913</u>	<u>29,211</u>
 <b>LONG-TERM LIABILITIES:</b>		
Long-term bank debt	-	6
Deferred income taxes	346	210
Accrued severance pay	3,679	3,283
<b>Total long-term liabilities</b>	<u>4,025</u>	<u>3,499</u>
 <b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares of NIS 1 par value - Authorized: 39,748,000 shares at June 30, 2013 and December 31, 2012;		
Issued and outstanding: 16,147,522 shares at June 30, 2013 and 16,098,022 shares at December 31, 2012	4,901	4,887
Additional paid-in capital	68,091	66,183
Accumulated other comprehensive income	3,900	4,749
Foreign currency translation adjustments (Company's stand alone financial statements)	3,219	2,224
Accumulated deficit	(21,509)	(19,717)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>58,602</u>	<u>58,326</u>
 <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$85,540</u></u>	<u><u>\$91,036</u></u>