



17 Altalef St. PO Box 70, Yahud  
Industrial Zone 56100, Israel

## **Magal Security Systems Reports 17% Sequential Revenue Growth in the Second Quarter of 2010 Over the First Quarter of 2010**

**YAHUD, ISRAEL, September 1, 2010 -- Magal Security Systems Ltd. (NASDAQ GMS: MAGS, TASE: MAGS)** today announced that revenues for the three month period ended June 30, 2010 grew 17% as compared to the first quarter of 2010.

Revenues for the second quarter of 2010 totaled US\$11.4 million as compared with \$9.8 million for the first quarter of 2010. The net loss for the second quarter of 2010 totaled \$1.5 million, or \$0.15 per share, a decline of 35.0% from US\$2.4 million, or \$0.23 per share, in the first quarter.

Gross margins for the quarter were 31.7%, down from 37.4% in the first quarter. The decline in gross margins is due primarily to changes in the mixture between product and project sales.

Commenting on the results, Mr. Eitan Livneh, President and CEO of Magal, said, "We were pleased with the revenue growth and reduction in the net loss for the quarter. We recently announced the receipt \$5.5 million in new orders which included \$4.3 million of orders in Israel, indicating that our strategic plan is starting to show early success. We also recently announced our second win to provide security solutions for airports in China, solidifying our position as the leader in this important market. In addition, we are seeing positive signs from the important markets in Western Europe and the UK. We believe that based on these positive signs, Magal expects to continue revenue growth for the balance of 2010.

"With the new cash infusion which was approved at the recent extraordinary shareholders meeting, I believe that Magal is now well-positioned to expand its sales efforts as well as seek acquisitions which will solidify our leadership in the perimeter security market," concluded Mr. Livneh.

Revenues for the six months ended June 30, 2010 were US\$21.2 million, a 3.0% decrease compared with the comparable period last year. Net loss for the six months period ended June 30, 2010 was US\$3.9 million, or \$0.38 per share, compared with a net loss of US\$2.1 million, or \$0.20 per share, in the same period last year.

The Company will host a conference call today at 10:00 am ET, 5:00 pm Israel time. On the call, management will review and discuss the results and will be available to answer investor questions.

To access the conference call, please dial one of the following numbers:  
US: 1-888-668-9141



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International: +972-3-9180609

Israel: 03-9180609

A replay of the conference call will be available from the day after the call. The replay can be accessed on the Magal website at: <http://www.magal-s3.com>.

### **About Magal S<sup>3</sup>**

Magal S<sup>3</sup> is a leading international provider of security, safety and site management solutions and products (NASDAQ: MAGS).

Over the past 40 years, Magal S<sup>3</sup> has delivered tailor-made solutions to hundreds of satisfied customers in over 80 countries.

Magal S<sup>3</sup> offers a broad portfolio of unique products used to protect sensitive installations in some of the world's most demanding locations and harshest climates. This portfolio covers the following three categories:

- **Perimeter Intrusion Detection Systems (PIDS)** - a variety of smart barriers and fences, fence mounted detectors, virtual gates, buried and concealed detection systems
- **Close Circuit TV (CCTV)** – a comprehensive management platform with a leading Intelligent Video Analysis (IVA) and Video Motion Detection (VMD) engine
- **Physical Security Information Management (PSIM)** - a proprietary site management system that enhances command, control and decision making during both routine operations and crisis situations

*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.*



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

	<u>Three months ended</u> <u>June 30, 2010</u>
<b>Revenues</b>	11,430
<b>Cost of revenues</b>	7,802
<b>Gross profit</b>	3,628
<b>Operating expenses:</b>	
Research and development, net	1,059
Selling and marketing	2,156
General and administrative	2,105
<b>Total operating expenses</b>	5,320
<b>Operating loss</b>	(1,692)
Financial expenses (income), net	(110)
<b>Loss before income taxes</b>	(1,582)
Income tax	20
<b>Net loss</b>	(1,562)
Net income (loss) attributable to non-controlling interest	(15)
<b>Net income (loss) attributable to Magal Ltd. shareholders</b>	(1,547)
<b>Basic net loss per share</b>	\$(0.15)

	<u>Three months ended</u> <u>June 30, 2010</u> %
Gross margin	31.7
Research and development, net as a % of revenues	9.3
Selling and marketing as a % of revenues	18.9
General and administrative as a % of revenues	18.4
Operating margin	(14.8)
Net margin before tax	(13.8)
Net margin	(13.5)



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	Six Months Ended		%
	June 30,		
	<u>2010</u>	<u>2009</u>	<b>change</b>
<b>Revenue</b>	21,204	21,870	(3.0)
<b>Cost of revenue</b>	<u>13,916</u>	<u>13,231</u>	5.2
<b>Gross profit</b>	7,288	8,639	(15.6)
<b>Operating expenses:</b>			
Research and development, net	2,155	2,305	(6.5)
Selling and marketing	4,545	4,801	(5.3)
General and administrative	3,875	3,840	0.9
<i>Total operating expenses</i>	<u>10,575</u>	<u>10,946</u>	(3.4)
<b>Operating loss</b>	(3,287)	(2,307)	
Financial expense, net	<u>659</u>	<u>226</u>	
<b>Loss from continuing operations before income taxes</b>	(3,946)	(2,533)	
Income tax	<u>20</u>	<u>344</u>	
Net loss from continuing operations	(3,926)	(2,189)	
Discontinued operations, net	-	63	
<b>Net loss</b>	<u>(3,926)</u>	<u>(2,126)</u>	
<b>Basic and diluted net loss per share</b>	<u>(0.38)\$</u>	<u>(0.20)\$</u>	

	Six Months Ended June. 30,	
	<u>2010</u>	<u>2009</u>
	%	%
Gross margin	34.4	39.5
Research and development, net as a % of revenues	10.2	10.5
Selling and marketing as a % of revenues	21.4	22.0
General and administrative as a % of revenues	18.3	17.6
Operating margin	(15.5)	(10.5)
Net margin after discontinued operation	(18.5)	(9.7)

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

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,768	\$ 11,869
Short term bank deposits	-	1,807
Restricted deposit	2,965	
Trade receivables	12,608	12,328
Unbilled accounts receivable	4,795	5,892
Other accounts receivable and prepaid expenses	4,079	1,573
Deferred income taxes	307	272
Inventories	10,175	10,912
<b>Total current assets</b>	<u>39,697</u>	<u>44,653</u>
Long term investments and receivables:		
Long-term trade receivables	1,565	1,753
Long-term loans	200	200
Long-term deposits	50	40
Severance pay fund	2,105	2,476
<b>Total long-term investments and receivables</b>	<u>3,920</u>	<u>4,469</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>8,747</u>	<u>9,178</u>
<b>OTHER ASSETS, NET</b>	<u>279</u>	<u>269</u>
<b>GOODWILL</b>	<u>1,895</u>	<u>2,053</u>
<b>ASSETS ATTRIBUTED TO DISCONTINUED OPERATION</b>	<u>-</u>	<u>28</u>
Total assets	<u>\$54,538</u>	<u>\$60,650</u>
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	\$ 7,534	\$ 8,234
Current maturities of long-term bank debt	661	1,824
Trade payables	2,490	4,018
Other accounts payable and accrued expenses	12,111	10,110
<b>Total current liabilities</b>	<u>22,796</u>	<u>24,186</u>
LONG-TERM LIABILITIES:		
Long-term bank debt	216	548
Accrued severance pay	3,171	3,562
<b>Total long-term liabilities</b>	<u>3,387</u>	<u>4,110</u>
<b>LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATION</b>	<u>-</u>	<u>45</u>
<b>SHAREHOLDERS' EQUITY</b>	<u>28,355</u>	<u>32,309</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$54,538</u>	<u>\$60,650</u>
Total bank debt to total capitalization	0.30	0.33
Current ratio	1.74	1.85