

FOR IMMEDIATE RELEASE

**MAGAL SECURITY SYSTEMS REPORTS  
FOURTH QUARTER 2008 AND YEAR-END 2008 FINANCIAL RESULTS**

**YAHUD, ISRAEL, July 13, 2009 -- Magal Security Systems Ltd. (NASDAQ GMS: MAGS, TASE: MAGS)** today announced its consolidated financial results for the three and twelve months periods ended December 31, 2008. Management will hold an investors' conference call later today, at 10am ET Time, 5pm Israel time, to discuss the results.

**FOURTH QUARTER 2008 RESULTS**

Revenues for the fourth quarter of 2008 totaled US\$29.9 million, an increase of 29.1% over the fourth quarter of 2007.

Gross profit for the fourth quarter of 2008 decreased by 22.8% compared with the fourth quarter of 2007, reaching US\$6.4 million, or 21.5% of revenues. Gross margin for the quarter was negatively impacted by inventory write off of US\$ 2.0 million, compared with US\$646,000 in 2007 following the cancellation of a project in Latin America and the write off of certain products and equipment in the Company's North American R&D and manufacturing activities. Gross margin was also impacted by the relatively low gross margin generated by the Company's European system integration subsidiary, consolidated as of September 2007.

Operating loss for the fourth quarter of 2008 was US\$21.4 million, compared with operating income of US\$763,000 in the fourth quarter of 2007. The quarterly operating loss is attributable to the increase in cost of revenues, impairment of goodwill and other intangible assets amounting to US\$12.9 million as well as one-time post employment and termination benefits expenses of US\$2.1 million. The impairment charges were primarily attributable to the European system integration subsidiary (acquired in September 2007) and the reduction in the fair value of our U.S. subsidiary.

Net loss in the fourth quarter of 2008, was US\$24.0 million, compared with net income of US\$2.9 million in the fourth quarter of 2007. Loss per share for the fourth quarter of 2008 was US\$2.31, compared with diluted earnings per share of US\$0.28 in the same period last year.

**FULL YEAR 2008 RESULTS**

Revenues for the year ended December 31, 2008 was US\$70.4 million, a 2.8% decrease compared with the previous year. The decrease is primarily attributable to the lower revenues generated by our Latin American subsidiary and a reduction in revenues in the United States.

Gross profit for the year decreased by 26.7% to US\$21.2 million, or 30.1% of revenues, compared with US\$28.9 million, or 39.9% of revenues, in 2007. This decrease is mainly attributable to the

afore-mentioned inventory write offs of US\$2.0 million in 2008, the contribution of our European subsidiary as indicated above, the 12.8% appreciation of the Israeli Shekel ("NIS") during 2008 against the U.S. dollar which increased the U.S. dollar value of the Company's NIS denominated expenses as well as a loss provision attributable to two strategic projects.

Operating loss for 2008 was US\$28.6 million, compared with operating income of US\$2.7 million in 2007. The operating loss was primarily attributable to the one-time impairment of goodwill and other intangible asset charges of US\$12.9 million and one-time post employment and termination benefits expenses of US\$2.6 million, the majority of which were recorded in the fourth quarter of 2008.

Net loss for 2008 was US\$32.6 million compared with net income of US\$1.9 million in 2007. Net Loss per share for the year ended December 31, 2008 was US\$3.14, compared with diluted earnings per share of US\$0.18 in the year 2007.

Commenting on the results, Mr. Yaacov Perry, the Chairman of the Board of Directors of the Company, said: "Magal, a leading international provider of security, safety, site management and intelligence analysis, has undergone deep refocusing measures in recent months,. which were undertaken with a view to better equip the company to continue to grow and expand and meeting the evolving market demands through its premier portfolio. Looking ahead, Magal is now entering the next stage of its development, and I wish the incoming CEO, Eitan Livneh, the best of success in taking the company to the next echelon of growth and success."

#### **INVESTORS' CONFERENCE CALL INFORMATION:**

The Company will host a conference call on July 13, 2009 at 10:00am ET. On the call, management will review and discuss the results and will be available to answer investor questions.

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

**US Dial-in Number: 1 888 668 9141**

**Israel Dial-in Number: 03 918 0610**

**UK Dial-in Number: 0 800 917 5108**

**International Dial-in Number: +972 3 918 0610**

**at: 10:00am Eastern Time; 3:00pm UK Time; 5:00pm Israel Time**

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



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

**About Magal Security Systems Ltd.:**

Magal S3i is a leading international solution provider, in the business of Security, Safety, Site Management and Intelligence analysis. Based on 35 years of experience and interaction with customers, the company has developed a unique set of solutions and products optimized for perimeter, outdoor and general security applications. Magal S3i's turnkey solutions are typically integrated and managed by single sophisticated modular command and control software, supported by expert systems for real-time decision support. Magal S3i's broad portfolio of critical infrastructure and site protection management technologies includes a variety of smart barriers and fences, fence mounted detectors, virtual gates, buried and concealed detection systems as well as a sophisticated protection package for sub-surface intrusion. A world innovator in the development of CCTV, IVA and motion detection technology for outdoor operation, Magal S3i has successfully installed customized solutions and products in more than 75 countries worldwide.

*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:**

Magal Security Systems Ltd.  
Zev Morgenstern, CFO  
Tel: +972 (3) 539-1444  
E-mail: zevm@magal-ssl.com  
Web: www.magal-ssl.com

GK Investor Relations  
Ehud Helft/Kenny Green  
Tel: (US) +1 646 201 9246  
Int'l dial: +972 3 607 4717  
E-mail: info@gkir.com

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Year Ended December 31,			Quarter Ended December 31,		
	<u>2008</u>	<u>2007</u>	<u>% change</u>	<u>2008</u>	<u>2007</u>	<u>% change</u>
Revenues	70,355	72,375	(2.8)	29,894	23,155	29.1
Cost of revenues	<u>49,205</u>	<u>43,510</u>	13.1	<u>23,476</u>	<u>14,837</u>	58.2
Gross profit	21,150	28,865	(26.7)	6,418	8,318	(22.8)
Operating expenses:						
Research and development, net	6,195	5,764	7.5	1,418	1,879	(24.5)
Selling and marketing	17,179	12,930	32.9	6,952	3,399	104.5
General and administrative	10,888	6,561	66.0	4,378	2,333	87.7
Impairment of goodwill and other intangible assets	12,887	-		12,887	-	
Post employment and termination benefits	<u>2,582</u>	<u>904</u>	185.6	<u>2,144</u>	<u>(56)</u>	
Total operating expenses	<u>49,731</u>	<u>26,159</u>	90.1	<u>27,779</u>	<u>7,555</u>	267.7
Operating income (loss)	(28,581)	2,706		(21,361)	763	
Financial expenses, net	<u>2,006</u>	<u>2,137</u>	(6.1)	<u>224</u>	<u>710</u>	(68.5)
Income (loss) from continuing operations before income taxes	(30,587)	569		(21,585)	53	
Income tax (tax benefit)	<u>1,618</u>	<u>373</u>	333.8	<u>2,395</u>	<u>(804)</u>	
Net Income from continuing operations	(32,205)	196		(23,980)	857	
Net Income (loss) from discontinued operations	<u>(397)</u>	<u>1,686</u>		<u>(46)</u>	<u>2,022</u>	
Net income (loss)	<u>(32,602)</u>	<u>1,882</u>		<u>(24,026)</u>	<u>2,879</u>	
Basic net earnings per share from continuing operations	<u>\$(3.11)</u>	<u>\$0.02</u>		<u>\$(2.31)</u>	<u>\$0.08</u>	
Basic net earnings (loss) per share from discontinued operations	<u>\$(0.03)</u>	<u>\$0.16</u>		<u>\$(0.00)</u>	<u>\$0.20</u>	
Basic net earnings (loss) per share	<u>\$(3.14)</u>	<u>\$0.18</u>		<u>\$(2.31)</u>	<u>\$0.28</u>	
Weighted average number of shares outstanding used in computing basic net earnings per share (in thousands)	<u>10,397</u>	<u>10,395</u>		<u>10,397</u>	<u>10,397</u>	
Diluted net earnings per share from continuing operations	<u>\$(3.11)</u>	<u>\$0.02</u>		<u>\$(2.31)</u>	<u>\$0.08</u>	
Diluted net loss per share from discontinued operations	<u>\$(0.03)</u>	<u>\$0.16</u>		<u>\$(0.00)</u>	<u>\$0.20</u>	
Diluted net earnings (loss) per share	<u>\$(3.14)</u>	<u>\$0.18</u>		<u>\$(2.31)</u>	<u>\$0.28</u>	
Weighted average number of shares outstanding used in computing diluted net earnings per share (in thousands)	<u>10,397</u>	<u>10,431</u>		<u>10,397</u>	<u>10,398</u>	

**CONDENSED CONSOLIDATED QUARTERLY STATEMENTS OF INCOME**
*(All numbers except EPS expressed in thousands of US\$)*

	2008			
	Mar. 31,	Jun. 30,	Sept. 30,	Dec. 31,
	(In thousands)			
Revenues	\$13,735	\$11,319	\$15,407	\$29,894
Cost of revenues	8,900	5,897	10,932	23,476
Gross profit	4,835	5,422	4,475	6,418
Operating expenses:				
Research and development, net	1,625	1,529	1,623	1,418
Selling and marketing, net	3,142	3,432	3,653	6,952
General and administrative	2,095	2,467	1,948	4,378
Impairment of goodwill and other intangible assets	-	-	-	12,887
Post employment and termination benefits	438	-	-	2,144
Total operating expenses	7,300	7,428	7,224	27,779
Operating income (loss)	(2,465)	(2,006)	(2,749)	(21,361)
Financial expenses, net	984	415	383	224
Income (loss) before income taxes	(3,449)	(2,421)	(3,132)	(21,585)
Income taxes (tax benefit)	(661)	(374)	258	2,395
Income (loss) from continuing operations	(2,788)	(2,047)	(3,390)	(23,980)
Loss from discontinued operations, net	(248)	(61)	(42)	(46)
Net income (loss)	(3,036)	(2,108)	(3,432)	(24,026)

Management decided to change the accounting method applied to certain projects to the completed-contracts method and to revise the results of operations previously reported for the first three quarters of 2008.

**CONDENSED CONSOLIDATED BALANCE SHEETS**
*(All numbers expressed in thousands of US\$)*

	December 31, 2008	December 31, 2007
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 16,835	\$ 9,205
Marketable securities	1,000	9,464
Short term bank deposits	1,228	11,220
Restricted deposit	3,223	-
Trade receivables	15,800	26,775
Unbilled accounts receivable	5,055	4,053
Other accounts receivable and prepaid expenses	5,214	5,753
Deferred income taxes	714	1,936
Inventories	12,728	23,785
Cost incurred on long term contracts	7,646	-
<b>Total current assets</b>	<b>69,443</b>	<b>92,191</b>
<b>LONG TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term trade receivables	1,839	2,019
Long-term loans	519	808
Long-term bank deposits	1,826	1,846
Escrow deposit	860	4,442
Severance pay fund	2,763	2,765
<b>Total long-term investments and receivables</b>	<b>7,807</b>	<b>11,880</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>8,441</b>	<b>8,429</b>
<b>OTHER ASSETS, NET</b>	<b>2,925</b>	<b>7,803</b>
<b>GOODWILL</b>	<b>1,874</b>	<b>5,610</b>
<b>ASSETS ATTRIBUTED TO DISCONTINUED OPERATION</b>	<b>47</b>	<b>244</b>
<b>TOTAL ASSETS</b>	<b>\$90,537</b>	<b>\$126,157</b>
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	\$ 23,182	\$ 16,434
Current maturities of long-term bank debt	813	4,303
Trade payables	13,145	7,344
Customer advances	1,735	11,703
Other accounts payable and accrued expenses	14,189	10,881
<b>Total current liabilities</b>	<b>53,064</b>	<b>50,665</b>
<b>LONG-TERM LIABILITIES:</b>		
Long-term bank debt	2,282	3,095
Deferred income taxes	482	2,097
Accrued severance pay	3,823	3,873
<b>Total long-term liabilities</b>	<b>6,587</b>	<b>9,065</b>
<b>LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATION</b>	<b>168</b>	<b>849</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>30,718</b>	<b>65,578</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$90,537</b>	<b>\$126,157</b>