

FOR IMMEDIATE RELEASE

## **MAGAL SECURITY SYSTEMS REPORTS FIRST QUARTER 2011 FINANCIAL RESULTS**

**YAHUD, ISRAEL, May 31, 2011 -- Magal S3 Ltd. (NASDAQ GMS: MAGS, TASE: MAGS)** today announced its financial results for the three month period ended March 31, 2011. Management will hold an investors' conference call later today, at 10:30am Eastern Time and 5:30pm Israel time, to discuss the results.

### **FIRST QUARTER 2011 RESULTS SUMMARY**

**Revenues** for the first quarter of 2011 totaled \$11.5 million, an increase of 18% compared to the \$9.8 million reported in the first quarter of 2010.

**Gross profit** for the first quarter of 2011 was \$4.6 million, or 39.9% of revenues. This is an increase of 26% compared to a gross profit of \$3.7 million, or 37.4% of revenues as reported for the first quarter of 2010.

**Operating loss** for the first quarter of 2011 was reduced to \$1.2 million compared with an operating loss of \$1.6 million as reported in the first quarter of 2010.

**Financing expenses** in the quarter amounted to \$155,000 compared to \$769,000 in the first quarter of 2010. Financing expenses in the quarter were influenced by the changes in the exchange rates of the Israel shekel, Mexican peso and Canadian dollar against the US dollar.

**Taxes on income** in the quarter were \$200,000 compared with no tax expense in the first quarter of 2010. The relatively high tax expense in the quarter compared with the prior quarter was due the fact that some of the Company's subsidiaries were profitable in the quarter.

**Net loss** for the first quarter of 2011 was \$1.6 million, compared with a net loss of US\$2.4 million in the first quarter of 2010.

**Net loss per share** in the first quarter of 2011 was \$0.15, compared with a net loss per share of \$0.23 in the same period last year.

## **MANAGEMENT COMMENT**

**Commenting on the results, Mr. Eitan Livneh, President and CEO of Magal, said,** “The first quarter of the year is seasonally the weakest for our company, but we are pleased in the improvement over last year’s results and it is a good base on which to start 2011. In the past few months we have won a number of key tenders for contracts in some important emerging regions. As we begin to execute on these projects, we expect to see their contribution to our revenues and operating results in the upcoming quarters. Having proven our capabilities, we will continue to compete in future tenders and we look forward to winning additional business in the coming quarters.”

## **INVESTORS’ CONFERENCE CALL INFORMATION:**

The Company will host a conference call later today, May 31, 2011, at 10:30am Eastern Time.

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: 1 866 229 7198 ; Israel: 03 918 0687 ; UK: 0 800 404 8418 ; Intl.: +972 3 918 0687

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 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)** - an open 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.

**For more information:**

**Magal S3 Ltd.**

**Eitan Livneh, CEO**

Tel: +972 3 539 1421

Assistant: Ms. Elisheva Almog

E-mail: [elishevaa@magal-s3.com](mailto:elishevaa@magal-s3.com)

Web: [www.magal-s3.com](http://www.magal-s3.com)

**CCG Investor Relations**

**Ehud Helft/Kenny Green**

Tel: (US) +1 646 201 9246

Int'l dial: +972 3 607 4717

E-mail: [magal@ccgisrael.com](mailto:magal@ccgisrael.com)

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

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

	Three months Ended March 31,		<u>% change</u>
	<u>2011</u>	<u>2010</u>	
Revenue	\$11,540	\$9,774	18.1
Cost of revenue	<u>6,932</u>	<u>6,114</u>	13.4
Gross profit	4,608	3,660	25.9
<b>Operating expenses:</b>			
Research and development, net	1,017	1,096	(7.2)
Selling and marketing	3,226	2,233	44.5
General and administrative	1,594	1,926	(17.3)
<b>Total operating expenses</b>	<u>5,837</u>	<u>5,255</u>	11.1
<b>Operating loss</b>	<u>(1,229)</u>	<u>(1,595)</u>	
Financial expense, net	(155)	(769)	(79.8)
<b>Loss from continuing operations before income taxes</b>	<u>(1,384)</u>	<u>(2,364)</u>	
Income taxes	(200)	-	
<b>Net loss</b>	<u>\$ (1,584)</u>	<u>\$ (2,364)</u>	
Less: net income ( attributable to non- controlling interest	-	16	
<b>Loss attributable to Magal shareholders</b>	<u>(1,584)</u>	<u>(2,380)</u>	
<b>Basic and diluted loss per share from continuing operations</b>	<u>\$ (0.15)</u>	<u>\$ (0.23)</u>	

	Three months Ended Dec. 31,	
	<u>2011</u>	<u>2010</u>
	<u>%</u>	<u>%</u>
Gross margin	39.9	37.4
Research and development, net as a % of revenues	8.8	11.2
Selling and marketing as a % of revenues	28.0	22.8
General and administrative as a % of revenues	13.8	19.7
Operating margin	(10.6)	(16.3)
Net margin	(13.7)	(24.4)

**MAGAL S3 LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(All numbers expressed in thousands of US\$)*

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 15,080	\$ 16,596
Restricted deposit	2,800	2,692
Trade receivables	13,260	15,106
Unbilled accounts receivable	3,220	2,927
Other accounts receivable and prepaid expenses	3,266	2,417
Deferred income taxes	559	474
Inventories	10,778	10,340
<b>Total current assets</b>	<b>48,963</b>	<b>50,552</b>
<b>LONG TERM INVESTMENTS AND RECEIVABLES:</b>		
Long-term trade receivables	1,789	1,568
Long-term bank deposits	4,337	2,196
Severance pay fund	2,192	2,148
<b>Total long-term investments and receivables</b>	<b>8,318</b>	<b>5,912</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>7,060</b>	<b>6,794</b>
<b>OTHER INTANGIBLE ASSETS, NET</b>	<b>215</b>	<b>213</b>
<b>GOODWILL</b>	<b>2,121</b>	<b>2,026</b>
<b>TOTAL ASSETS</b>	<b>\$66,677</b>	<b>\$65,497</b>
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	\$7,758	\$9,327
Current maturities of long-term bank debt	355	503
Trade payables	3,596	3,937
Customer advanced	4,494	2,428
Other accounts payable, accrued expenses and customer advances	9,233	7,745
Major shareholder loan	10,070	-
<b>Total current liabilities</b>	<b>35,506</b>	<b>23,940</b>
<b>LONG-TERM LIABILITIES:</b>		
Long-term bank debt	68	50
Major shareholder loan	-	9,907
Deferred income tax	199	190
Accrued severance pay	3,473	3,394
<b>Total long-term liabilities</b>	<b>3,740</b>	<b>13,541</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>27,431</b>	<b>28,016</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$66,677</b>	<b>\$65,497</b>
Total bank debt to total capitalization	0.30	0.35
Current ratio	1.38	2.11