

MAGAL SECURITY SYSTEMS LTD. REPORTS FOURTH QUARTER & FULL YEAR 2017 FINANCIAL RESULTS

YEHUD, ISRAEL, March 28, 2017 -- Magal Security Systems, Ltd. (NASDAQ: MAGS) today announced its financial results for the three months and full year period ended December 31, 2017. Management will hold an investors' conference call later today (at 11:30am Eastern Time) to discuss the results.

FOURTH QUARTER RESULTS SUMMARY

- **Revenue of \$23 million, up 68% sequentially and 14% year over year;**
- **net income of \$0.3 million, versus a net loss of \$0.2 million in the prior quarter**
- **EBITDA of \$2.3 million compared with breakeven EBITDA in the prior quarter and a 20% improvement year over year;**
- **Strong bookings in the fourth quarter (and beyond) leading to expectations of strong revenue and profitability growth in 2018.**

FOURTH QUARTER 2017 RESULTS

Revenues for the fourth quarter of 2017 were \$23.0 million, an increase of 14% compared with revenues of \$20.3 million in the fourth quarter of 2016.

Gross profit for the fourth quarter of 2017 was \$10.7 million, or 47% of revenues, an increase of 7% compared with gross profit of \$10.0 million or 50% of revenues, in the fourth quarter of 2016. The change in gross margin between quarters is a function of the revenue mix between projects executed and products and services sold.

Operating income for the fourth quarter of 2017 was \$1.8 million, an increase of 18% compared to operating income of \$1.5 million in the fourth quarter of 2016.

Finance and Tax expenses for the fourth quarter of 2017 were \$0.5 million and \$1 million, respectively, compared to \$0.5 million in finance income and \$0.9 million income tax benefit in the fourth quarter of 2016.

The finance expenses in 2017 are mostly related to non-cash, foreign currency valuation changes, primarily due to the increase in value of the Israeli shekel versus the US dollar, impacting Magal's US dollar denominated deposits, while in 2016 the reverse was true. The tax expense in 2017 includes a \$0.3 million adjustment of the Company's deferred tax asset in the United States which is a non-cash charge, as a result of the recent US tax reforms. In 2016, Magal recognized a net tax asset, contributing to the significant tax benefit recorded in the quarter.

Net income in the fourth quarter of 2017 was \$0.3 million, or \$0.01 per share, compared with net income of \$2.9 million, or \$0.13 per share in the fourth quarter of 2016.

EBITDA in the fourth quarter was \$2.3 million, an increase of 20% compared with EBITDA of \$1.9 million in the fourth quarter of 2016.

FULL YEAR 2017 RESULTS

Revenues for the year ended December 31, 2017 were \$64.3 million, a 5% decrease compared

with \$67.8 million in 2016.

Gross profit for 2017 was \$31.3 million, representing 49% of revenues, compared with \$33.3 million, representing 49% of revenues in 2016.

Operating loss for 2017 was \$1.2 million, compared with operating income of \$1.5 million in 2016.

Net loss for 2017 was \$6.9 million, or \$0.30 per share, compared with net income of \$1.0 million, or \$0.06 per share, in 2016.

Cash, short term deposits and restricted deposits, net of bank debt, as of December 31, 2017, were \$52.3 million, or \$2.27 per share, compared with cash and short term deposits, net of bank debt, of \$52.5 million, or \$2.29 per share, at December 31, 2016.

MANAGEMENT COMMENT

Commenting on the results, Mr. Saar Koursh, CEO of Magal, said, “We ended 2017 with a strong fourth quarter, despite 2017 being a challenging year with net losses in the first three quarters. In mid-2017 we took some important steps to improve our operating efficiencies, including the full amalgamation of our product and VMS operations. I am encouraged by the improvement in our business in the fourth quarter, as reflected by the strong growth and improvement in profitability and the strong order momentum in recent months as reported in early 2018.”

INVESTORS' CONFERENCE CALL INFORMATION:

The Company will host a conference call later today, March 28, 2018, at 11:30am Eastern Time and 6:30pm Israel time.

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

US: 1 866 860 9642; Israel: 03 918 0687; UK: 0 800 051 8913; Intl.: +972 3 918 0687

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 on the Company's website for three months from the day after the call. The link to the replay will be accessible at www.magalsecurity.com.

ABOUT MAGAL SECURITY SYSTEMS LTD.

Magal is a leading international provider of solutions and products for physical and video security solutions, as well as site management. Over the past 45 years, Magal has delivered its products as well as tailor-made security solutions and turnkey projects to hundreds of satisfied customers in over 80 countries - under some of the most challenging conditions.

Magal offers comprehensive integrated solutions for critical sites, managed by Fortis4G - our 4th generation, cutting-edge physical security information management system (PSIM). The solutions leverage our broad portfolio of home-grown PIDS (Perimeter Intrusion Detection Systems), Symphony - our advanced VMS (Video Management Software) with native IVA (Intelligent Video Analytics) security solutions.

Forward Looking Statements

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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** Tables to follow **

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

	Three Months Ended December 31,			Full Year Ended December 31,		
	<u>2016</u>	<u>2017</u>	<u>% change</u>	<u>2016</u>	<u>2017</u>	<u>% change</u>
Revenue	20,252	23,017	14	67,825	64,292	(5)
Cost of revenue	<u>10,216</u>	<u>12,289</u>		<u>34,570</u>	<u>32,967</u>	
Gross profit	10,036	10,728	7	33,255	31,325	(6)
Operating expenses:						
Research and development, net	1,735	1,619	(7)	6,779	6,558	(3)
Selling and marketing	5,050	5,125	1	17,536	18,158	4
General and administrative	1,728	2,181	26	7,445	7,853	5
Total operating expenses	<u>8,513</u>	<u>8,925</u>	5	<u>31,760</u>	<u>32,569</u>	3
Operating income (loss)	1,523	1,803		1,495	(1,244)	
Financial income (expenses), net	456	(483)		(591)	(3,961)	
Income (loss) before income taxes	1,979	1,320		904	(5,205)	
Taxes on income (tax benefit)	(874)	1,029		(122)	1,695	
Net income (loss)	<u>2,853</u>	<u>291</u>		<u>1,026</u>	<u>(6,900)</u>	
Income (loss) attributable to non-controlling interests	(17)	-		(3)	14	
Net income (loss) attributable to Magal shareholders'	<u>2,870</u>	<u>291</u>		<u>1,029</u>	<u>(6,914)</u>	
Basic and diluted net income (loss) per share	<u>\$0.13</u>	<u>\$0.01</u>		<u>\$0.06</u>	<u>\$(0.30)</u>	
Weighted average number of shares used in computing basic net income (loss) per share	<u>22,723,656</u>	<u>23,025,222</u>		<u>17,999,779</u>	<u>22,989,009</u>	
Weighted average number of shares used in computing diluted net income (loss) per share	<u>22,741,110</u>	<u>23,122,323</u>		<u>18,031,433</u>	<u>22,989,009</u>	
	Three Months Ended December 31			Full Year Ended December 31,		
	<u>2016</u>	<u>2017</u>		<u>2016</u>	<u>2017</u>	
	<u>%</u>	<u>%</u>		<u>%</u>	<u>%</u>	
Gross margin	49.6	46.6		49.0	48.7	
Research and development, net as a % of revenues	8.6	7.0		10.0	10.2	
Selling and marketing as a % of revenues	24.9	22.3		25.9	28.2	
General and administrative as a % of revenues	8.5	9.5		11.0	12.2	
Operating margin	7.5	7.8		2.2	-	
Net margin	14.2	1.3		1.5	-	

MAGAL SECURITY SYSTEMS LTD.
RECONCILLATION OF EBITDA TO NET LOSS
(All numbers expressed in thousands of US\$)

	Three Months		Full Year	
	Ended December 31,		Ended December 31,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
GAAP Net income (loss)	2,853	291	1,026	(6,900)
Less:				
Financial income (expenses), net	456	(483)	(591)	(3,961)
Taxes on income (tax benefit)	(874)	1,029	(122)	1,695
Depreciation and amortization	(374)	(479)	(1,704)	(1,876)
EBITDA	<u>1,897</u>	<u>2,282</u>	<u>3,199</u>	<u>632</u>

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

	December 31, 2016	December 31, 2017
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CURRENT ASSETS:		
Cash and cash equivalents	\$19,692	\$22,463
Short-term bank deposits	31,036	27,025
Restricted deposits	1,809	2,842
Trade receivables, net	13,702	14,489
Unbilled accounts receivable	4,232	6,309
Other accounts receivable and prepaid expenses	2,751	2,850
Inventories	6,818	9,596
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Total current assets	80,040	85,574
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LONG TERM INVESTMENTS AND RECEIVABLES:		
Long-term trade receivables	308	-
Long-term deposits and restricted bank deposits	126	155
Severance pay fund	1,321	1,524
Deferred income taxes	2,114	2,579
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Total long-term investments and receivables	3,869	4,258
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PROPERTY AND EQUIPMENT, NET	5,301	5,718
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INTANGIBLE ASSETS, NET	4,933	4,303
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GOODWILL	11,850	12,692
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TOTAL ASSETS	\$105,993	\$112,545
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MAGAL SECURITY SYSTEMS LTD.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(All numbers expressed in thousands of US\$)

	December 31, 2016	December 31, 2017
CURRENT LIABILITIES:		
Trade payables	\$4,040	\$5,198
Customer advances	5,602	7,191
Other accounts payable and accrued expenses	11,646	13,784
Total current liabilities	21,288	26,173
LONG-TERM LIABILITIES:		
Deferred revenues	472	891
Deferred income taxes	167	190
Accrued severance pay	2,089	2,328
Other long-term liabilities	59	14
Total long-term liabilities	2,787	3,423
SHAREHOLDERS' EQUITY		
Share Capital: Ordinary shares of NIS 1 par value - Authorized: 39,748,000 shares at December 31, 2016 and December 31, 2017; Issued and outstanding: 22,894,348 shares at December 31, 2016 and 23,032,448 shares at December 31, 2017	6,679	6,716
Additional paid-in capital	93,441	93,975
Accumulated other comprehensive loss	(1,923)	(87)
Foreign currency translation adjustments (stand alone financial statements)	412	5,859
Accumulated deficit	(16,600)	(23,514)
Total shareholders' equity	82,009	82,949
Non-controlling interest	(91)	-
TOTAL SHAREHOLDERS' EQUITY	81,918	82,949
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$105,993	\$112,545