

**Second Quarter 2008 Results -
Net Income on a Non-GAAP Basis for the Second Quarter Increases 108% Year-Over-Year to \$0.9 Million**

Yahud, Israel, July 30, 2008 - Magal Security Systems Ltd. (Nasdaq GM: MAGS; TASE: MAGS) today announced its consolidated financial results for the three and six month periods ended June 30, 2008.

Second Quarter 2008 Results

Revenues for the second quarter of 2008 increased 77.6% reaching US\$25.0 million, compared to US\$14.1 million in the second quarter of 2007. Effective September 1, 2007, Magal's financial statements consolidate the results of a European integration company acquired in August 2007. Following the sale in December 2007 of Magal's U.S. based video monitoring business operated by Smart Interactive Systems Inc., the results of this business were reclassified as discontinued operations.

Gross profit for the second quarter of 2008 increased by 47.6%, reaching US\$9.5 million (38.0% of revenues) compared with \$6.4 million (45.7% of revenues) in the second quarter of 2007. Gross margin for the quarter was adversely affected by the ongoing weakening of the US dollar against the Israeli Shekel as well as the shift in revenue mix towards larger scale integration projects.

Operating expenses on a GAAP basis in the second quarter of 2008 were US\$8.7 million or 34.7% of sales, compared to US\$5.6 million or 39.6% of revenues on a non-GAAP and GAAP basis in the second quarter 2007. Operating expenses on a non-GAAP basis, for the second quarter of 2008, totalled US\$7.6 million or 30.2% of revenues.

The operating expenses for the quarter, on a GAAP basis, included a US\$1.1 million amortization of intangible assets relating to a recently acquired European subsidiary. Operating expenses for the quarter were also adversely affected by the devaluation of the US dollar against the Israeli Shekel and the Canadian Dollar, increasing operating expenses by approximately US\$0.7 million for the quarter compared with the second quarter of 2007.

Operating income on a GAAP basis for the second quarter of 2008 decreased 4.4% reaching US\$0.8 million (3.3% of revenues) compared to US\$0.9 million (6.1% of revenues) in the second quarter of 2007 on a GAAP and non-GAAP basis. Operating income on a non-GAAP basis for the second quarter of 2008 increased 125.4% reaching US\$1.9 million (7.7% of revenues).

Net income on a GAAP basis for the second quarter of 2008 reached US\$0.1 million compared with net income of \$0.3 million in the second quarter 2007. Diluted earnings per share on a GAAP basis in the second quarter of 2008 was \$0.01 compared to \$0.03 in the second quarter of 2007.

Net income on a non-GAAP basis, totalled US\$0.9 million, compared with non-GAAP net income of US\$0.4 million in the second quarter of 2007. Diluted non-GAAP earnings per share for the second quarter totalled US\$0.09 compared to non-GAAP diluted earnings per share of US\$0.04 in the same quarter of last year.

"We are particularly encouraged by our strong revenue growth over last year and our improved non-GAAP operating profitability this quarter," commented **Izhar Dekel, CEO of Magal**. "This year is shaping up as an exceptionally strong year in terms of revenue growth, which increases our confidence in realizing our target of doubling revenues within the next four to five years. We are also encouraged by our operating margin improvement which represents the initial fruits of our efforts to focus on increasing profitability. At the same time, we are successfully executing on our strategy of becoming a more project focused company, winning a number of high profile projects."

Continued Mr. Dekel, "Over the past year, we have won a number of orders for municipal security systems based on our Fortis system, which is becoming a growth engine and strong revenue generator for Magal. While the majority of our project wins have to date been for municipalities in Israel and there still remains significant potential within Israel, we see far greater prospects for this system outside of Israel. We have already won some international orders based on our local success and we are competing in a number of other international tenders at magnitudes greater than what we have seen so far."

Use of Non-GAAP Financial Information

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), this release of operating results also contains non-GAAP financial measures, which the Company believes are the principal indicators of the operating and financial performance of its business. The non-GAAP financial measures exclude the effects of stock-based compensation charges recorded in accordance with SFAS 123R as well as amortization of customer related intangible assets and a loss associated with a discontinued operation. Management believes the non-GAAP financial measures provided are useful to investors' understanding and assessment of the Company's on-going core operations and prospects for the future, as the charges eliminated



are not part of the day-to-day business or reflective of the core operational activities of the Company. Management uses these non-GAAP financial measures as a basis for strategic decisions, forecasting future results and evaluating the Company's current performance. However, such measures should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Reconciliation of the non-GAAP measures to the most comparable GAAP measures are provided in the schedules attached to this release.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Six Months Ended June 30,			Three months Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>% change</u>	<u>2008</u>	<u>2007</u>	<u>% change</u>
Revenues	51,311	28,204	81.9	25,021	14,091	77.6
Cost of revenues	32,122	15,382	108.8	15,514	7,650	102.8
Gross profit	19,189	12,822	49.7	9,507	6,441	47.6
Operating expenses:						
Research and development, net	3,154	2,602	21.2	1,529	1,148	33.0
Selling and marketing	8,927	5,737	55.6	4,691	3,028	54.9
General and administrative	4,562	2,723	67.5	2,467	1,407	75.3
Special Post employment benefit	438					
Total operating expenses	17,081	11,062	54.4	8,687	5,583	55.6
Operating income	2,108	1,760	19.8	820	858	(4.4)
Financial expense, net	1,399	444	215.1	415	140	196.4
Income from continuing operations before income taxes	709	1,316	(46.1)	405	718	(43.6)
Income tax	571	428		279	280	
Net Income from continuing operations	138	888	(84.5)	126	438	(71.2)
Loss on discontinued operations, net	309	248		61	96	
Net income (loss)	(171)	640		65	342	(81.0)
Basic and diluted net earnings per share from continuing operations	0.01	0.08		0.01	0.04	
Basic and diluted loss per share from discontinued operations, net	(0.03)	(0.02)		(0.005)	(0.01)	
Basic and diluted net earnings (loss) per share	(0.02)	0.06		0.005	0.03	

FINANCIAL RATIOS

	Six Months Ended June 30,		Three months Ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Gross margin	37.4	45.5	38.0	45.7
Research and development, net as a % of revenues	6.1	9.2	6.1	8.1
Selling and marketing as a % of revenues	17.4	20.3	18.7	21.5
General and administrative as a % of revenues	8.9	9.7	9.9	10
Special post employment benefit	0.9	-	-	-
Operating margin	4.1	6.2	3.3	6.1
Net income margin (after discontinued operation)	(0.3)	2.3	0.3	2.4

MAGAL SECURITY SYSTEMS LTD.
Reconciliation of GAAP to Non-GAAP Measures
(All numbers expressed in thousands of US\$)

	Six Months Ended June 30,		Three months Ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
GAAP operating income	2,108	1,760	820	858
Amortization of customer related intangible assets	2,101	-	1,056	-
Special post employment benefit	438	-	-	-
Amortization of deferred stock based compensation	114	-	57	-
Non-GAAP operating income	<u>4,761</u>	<u>1,760</u>	<u>1,933</u>	<u>858</u>
GAAP operating income as a percentage of revenues	4.1%	6.2%	3.3%	6.1%
Non-GAAP operating income as a percentage of revenues	9.3%	6.2%	7.7%	6.1%

	Six Months Ended June 30,		Three months Ended June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
GAAP net income (loss)	(171)	640	65	342
Amortization of customer related intangible assets	2,101	-	1,056	-
Special post employment benefit	438	-	-	-
Loss on discontinued operation, net	309	248	61	96
Amortization of deferred stock based compensation	114	-	57	-
Income taxes with respect to the above items	(768)	-	(332)	-
Non-GAAP net income	<u>2,023</u>	<u>888</u>	<u>907</u>	<u>438</u>
GAAP net income (loss) as a percentage of revenues	(0.3)	2.3	0.3	2.4
Non GAAP net income as a percentage of revenues	3.9	3.1	3.6	3.1
GAAP basic and diluted net earnings (loss) per share	(0.02)	0.06	0.005	0.03
Non-GAAP basic and diluted net earnings per share	0.19	0.08	0.09	0.04

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

	June 30, 2008	December 31, 2007
	<hr/>	<hr/>
CURRENT ASSETS:		
Cash and cash equivalents	12,220	9,205
Marketable securities	9,732	9,464
Short term bank deposits	4,496	11,220
Trade receivables	24,282	26,775
Unbilled accounts receivable	5,204	4,053
Other accounts receivable and prepaid expenses	6,935	5,753
Deferred income taxes	2,479	1,936
Inventories	16,884	23,785
Total current assets	<hr/> 82,232 <hr/>	<hr/> 92,191 <hr/>
 LONG TERM INVESTMENTS AND RECEIVABLES:		
Long-term trade receivables	2,076	2,019
Long-term loans	919	808
Long-term bank deposits	1,834	1,846
Escrow deposit	992	4,442
Severance pay fund	2,853	2,765
Total long-term investments and receivables	<hr/> 8,674 <hr/>	<hr/> 11,880 <hr/>
 PROPERTY AND EQUIPMENT, NET	<hr/> 8,987 <hr/>	<hr/> 8,429 <hr/>
 DEFERRED INCOME TAXES	<hr/> 2,220 <hr/>	<hr/> 763 <hr/>
 OTHER INTANGIABLE ASSETS, NET	<hr/> 5,277 <hr/>	<hr/> 7,040 <hr/>
 GOODWILL	<hr/> 12,847 <hr/>	<hr/> 5,610 <hr/>
 ASSETS ATRIBUTED TO DISCONTINUED OPERATION	<hr/> 60 <hr/>	<hr/> 244 <hr/>
 TOTAL ASSETS	<hr/> 120,297 <hr/>	<hr/> 126,157 <hr/>
 CURRENT LIABILITIES:		
Short-term bank credit	15,183	16,434
Current maturities of long-term bank debt	4,303	4,303
Trade payables	4,192	7,344
Other accounts payable, accrued expenses and customer advances	16,966	22,584
Total current liabilities	<hr/> 40,644 <hr/>	<hr/> 50,665 <hr/>
 LONG-TERM LIABILITIES:		
Long-term bank debt	2,695	3,095
Deferred income taxes	4,029	2,097
Accrued severance pay	4,135	3,873
Total long-term liabilities	<hr/> 10,859 <hr/>	<hr/> 9,065 <hr/>
 LIABILITIES ATRIBUTED TO DISCONTINUED OPERATION	<hr/> 246 <hr/>	<hr/> 849 <hr/>
 SHAREHOLDERS' EQUITY	<hr/> 68,548 <hr/>	<hr/> 65,578 <hr/>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<hr/> 120,297 <hr/>	<hr/> 126,157 <hr/>
Total bank debt to total capitalization	0.32	0.36
Current ratio	2.02	1.82