



NAPCO Security Technologies, Inc.

NasdaqGS (Global Select): NSSC

Security.
Technology.
Opportunity.

Investor Presentation

December 2010

NSSC
NASDAQ
GLOBAL SELECT



Safe Harbor Statement

This presentation and may contain forward-looking statements that involve numerous risks and uncertainties. Actual results, performance or achievements could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the Company's filings with the Securities and Exchange Commission.



NAPCO is one of the world's most diversified manufacturers of security products, encompassing intrusion and fire alarms, building access control systems and electronic locking devices.



NAPCO Security Technologies

- Strong 30-year brand recognition in the Business-to-Business security industry
- Unique “pure play” security manufacturing company
- An increasing consumer need for security products
- Positioned for improved sales and profits
- Growing recurring revenue businesses
- Highly experienced management team
- Strong Business-to-Business network of more than 15,000 security dealers, integrators, locksmiths and contractors in 40+ countries
- ISO 9001:2008 Quality Certified Company



Market Snapshot

Common Stock Ticker:	NasdaqGS: NSSC
52 Week Range:	\$1.50 – 3.02
Shares Outstanding:	19.1

- Publicly traded since 1972
- No shareholder dilution since IPO
- 9 stock split/dividends paid out (4 in the last 4 years)
- 38.5% insider ownership

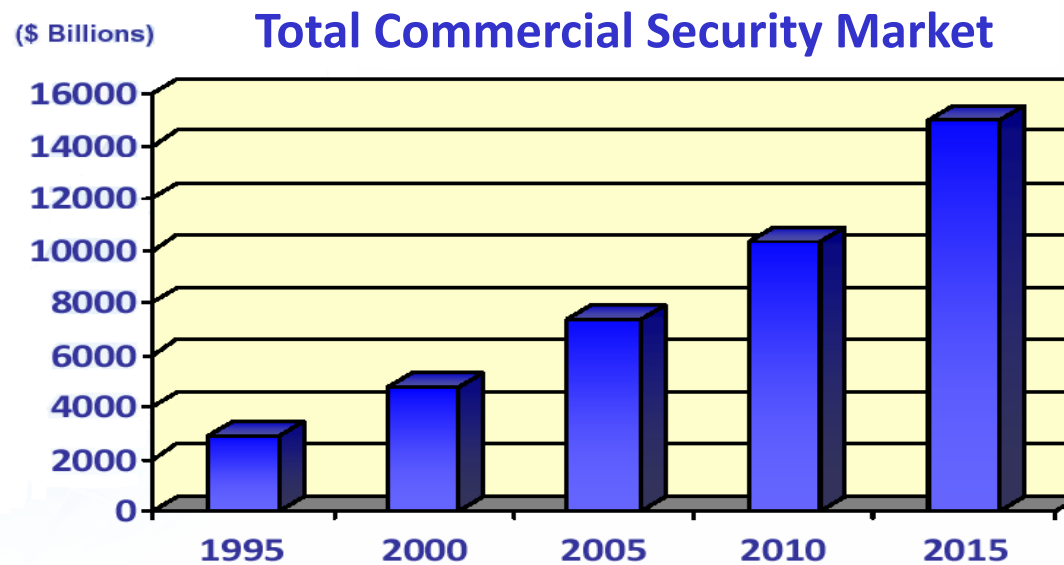


Security Concerns Creating Opportunities

- \$115 billion, 5 year budget by the Department of Homeland Security for security of aviation, ports, ground transport, bio-terrorism and law enforcement
 - *Department of Homeland Security*
- Sales of network cameras and video servers are soaring and are expected jump from \$800 million in 2007 to \$1.2 billion by 2010
 - *Frost & Sullivan, JP Freeman, IMS Research and IDC*
- Nationwide, burglaries increased 1.3% in 2008; Robberies rose 3.9% in towns with populations under 10,000 during 2008
 - *Preliminary Annual Uniform Crime Report for 2008, FBI/DOJ*



Large and Growing Market

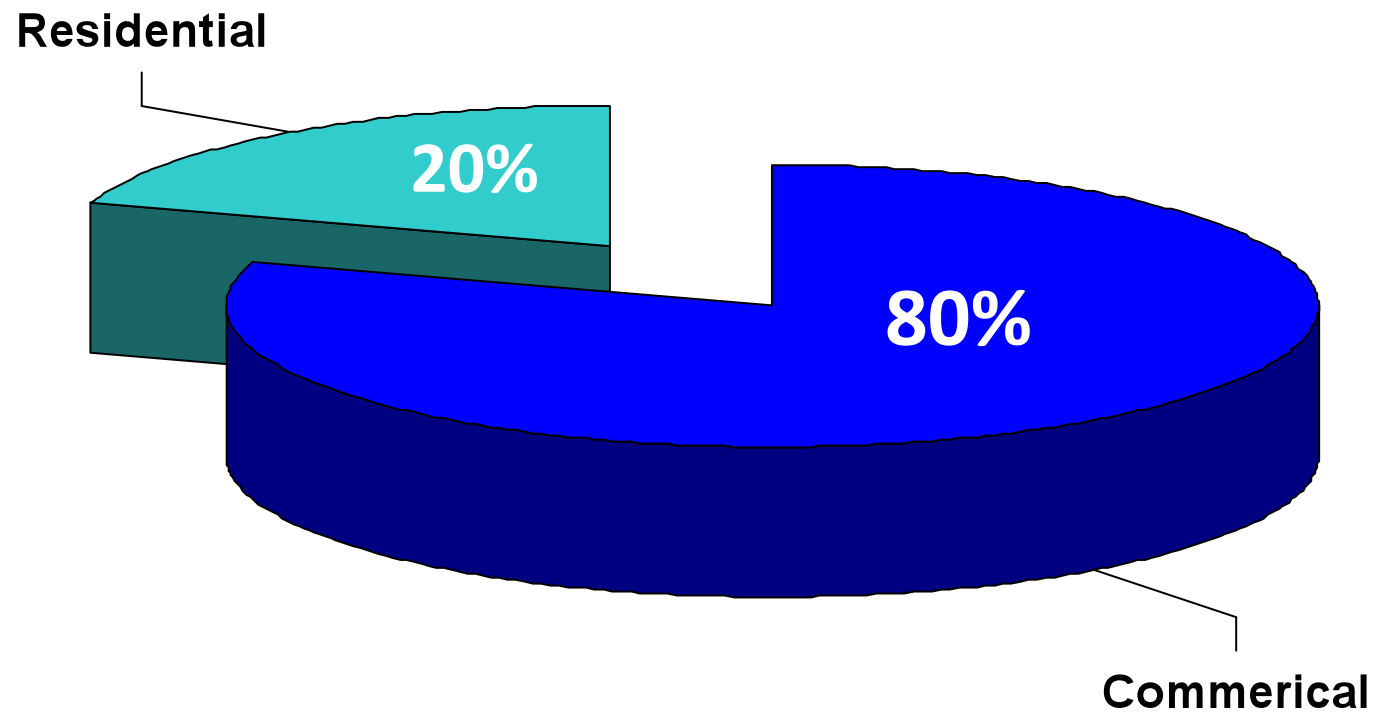


Source: Freedonia Group: Electronic Security Systems 2010 - 2015

- Heightened global level of security consciousness in Post 9/11 era
- Deteriorating economic climate traditionally causes a greater need and demand for security products
- Increasing need for total solutions providers
- Increasing demand for new IP applications and video technologies
- Gains in residential “after-market” security sales expected during hard financial times



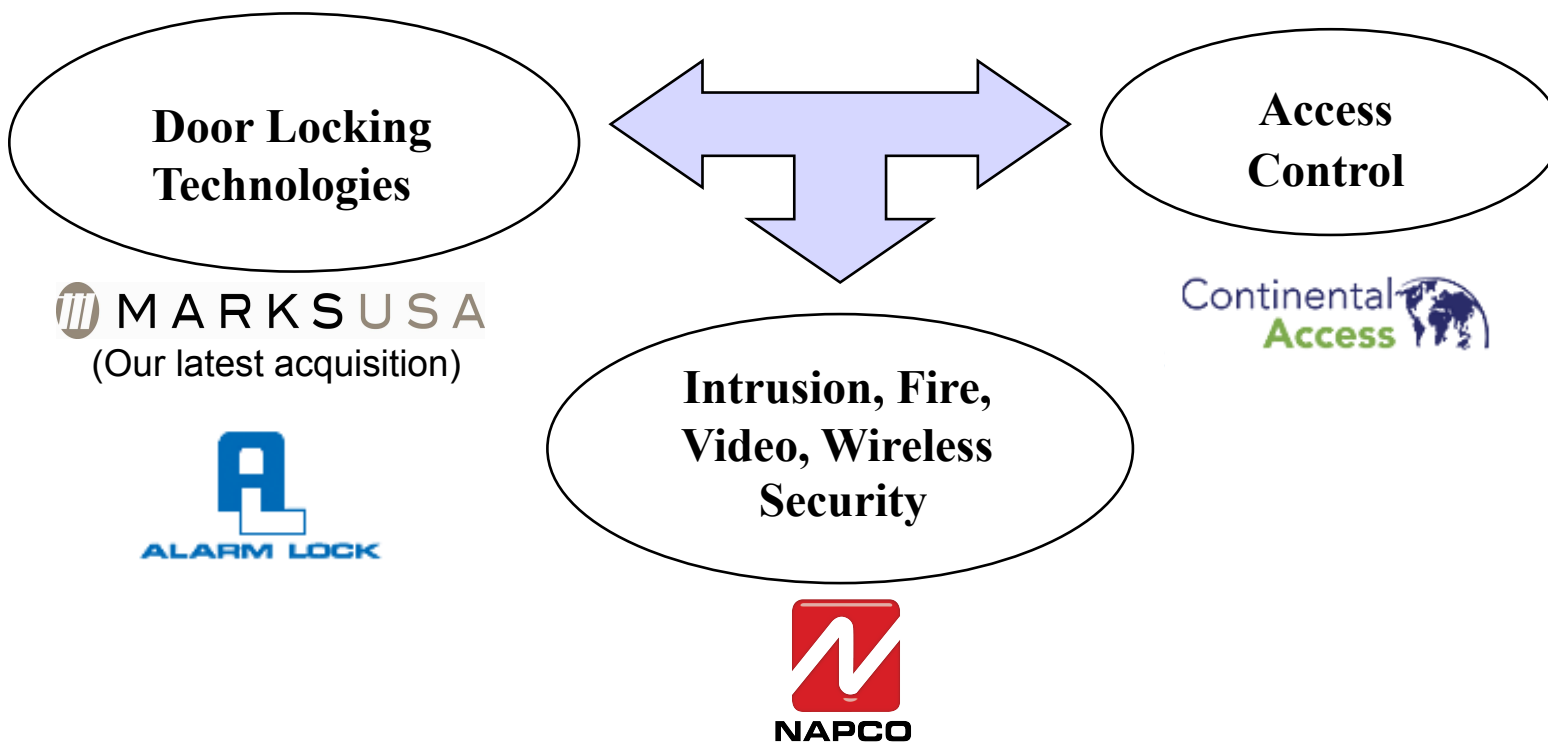
Business Sales Mix





Fully Integrated Security Solutions Manufacturer from the NAPCO Family of Companies

Complete One-Stop Shop for Security Equipment
to the Growing Business-to-Business Network of
Security Dealers





NAPCO Branded

Intrusion, Fire and Video Alarm Products

- Commercial and residential applications
- Government buildings and facilities
- Residential aftermarket installations
- Product sold through Company's authorized distribution network of over 200 B to B distributors
- Over 8,000 B to B dealers worldwide





DIVISION

Electronic Locking Products

- Comprehensive line of push button, ID card and fingerprint operated electronic locks, door exit alarms and door security hardware
- Applications
 - Schools
 - Municipal institutions
 - Military bases
 - Airports
 - Commercial buildings
 - Government facilities
- Products sold to 100+ professional locking distributors and over 6,000 locksmiths and contractors
- One of the Company's fastest growing divisions



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DIVISION

Access Control Systems

- **Advanced line of PC-driven Access Control systems for commercial buildings**
 - Featuring video monitoring stations for security personnel, and supporting an array of card and biometric readers, all operating on proprietary software
- **Product sold to over 700 professional security systems integrators to**
 - Fortune 1000 companies
 - Federal and State Government agencies
 - Office building management companies
 - Airports
- **High margin/growth business**



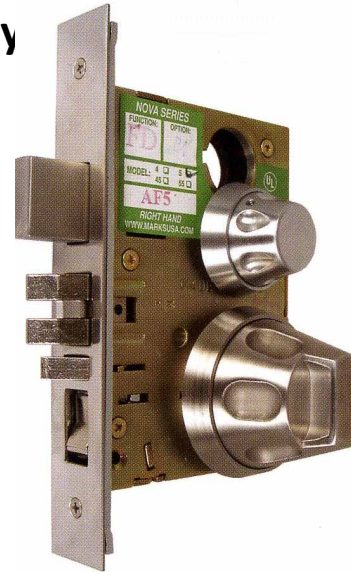


DIVISION

(Our latest acquisition)

Door Locking Technologies

- **Leading provider of Grade 1 high security industrial/ commercial door technology products**
 - Including mortise, cylindrical, electrified, tubular, electronic access and custom designed locksets, for industrial and commercial settings
- **High growth, higher margin business**
- **Products sold to a wide variety of worldwide projects**
 - White House
 - U.S. Senate Building
 - The Plaza Hotel (NYC)
 - The Visionaire (NYC)
 - Ritz Carleton Residences (MD)
 - The Trump Grande (FL)
 - The Mandalay Bay (NV)
 - Miami Int'l (FL), Reagan and Dulles airports (DC)
 - And thousands more



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Growth Strategy:

New Products/Recurring Revenues

- New products that are source of recurring revenues
- Higher profit margin products
- Upgrade sales source for security dealers
 - Commercial business concerned with security needs, e.g. retailers and shrinkage
 - Retrofits and upgrades for commercial and residential
- Products address high security applications
 - Assisted living facilities
 - Schools
 - Office suites
 - Hospital drug storage rooms
 - Mental health facilities
 - Security and behavior healthcare institutions



Growing Recurring Revenue Business



- iSee Video equipment approximately \$300.00 per installation
- Recurring monthly service revenue up to \$2.50 per month per account
- 25 million consumers in USA currently monitored by alarm companies



Growing Recurring Revenue Business



- \$200.00 alarm reporting radio for Residential and Commercial applications with a \$7.00 monthly recurring revenue component



Some New Product Growth Drivers From the NAPCO Family of Companies

**Bioreader™ Biometric
Fingerprint Reader**



**CardAccess®
3000**



Building access control system
w/ large scale capabilities
(30,000 doors) & integrated
video

GEMINI GEMC Combo Panel



CODED

CODE-FREE

Freedom™ 64

64 zone wireless / hardwire alarm system. Now offered in traditional coded and
break-through code-free technology. *Patented*

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Competitive Strengths

NAPCO's Worldwide Facilities

NAPCO Products Are Sold In 59 Countries Worldwide

Headquarters & Plant 1
Amityville, NY
100% owned by NAPCO



250,000 square
feet of space
with a \$200+
million
production
capacity

Plant 2
Dominican Republic, Caribbean
100% owned by NAPCO



European Sales Office
Warrington, U.K.





Senior Management Team

(75 Years of Combined Experience in the Security Industry)

Richard Soloway

Chairman and CEO

(Founder, 30+ years security, electronics experience)

Kevin Buchel

Senior Vice President of Operations and Finance

(20 years with NAPCO, previously Coopers & Lybrand, CPA)

Jorge Hevia

Senior Vice President of Corporate Sales and Marketing

(10 years with NAPCO, previously Colgate Palmolive, Unilever,
American Home Products)

Michael Carrieri

Senior Vice President of Engineering

(10 years with NAPCO, previously Hazeltine, NCR/AT&T, Boundless
Technologies, Chyron)



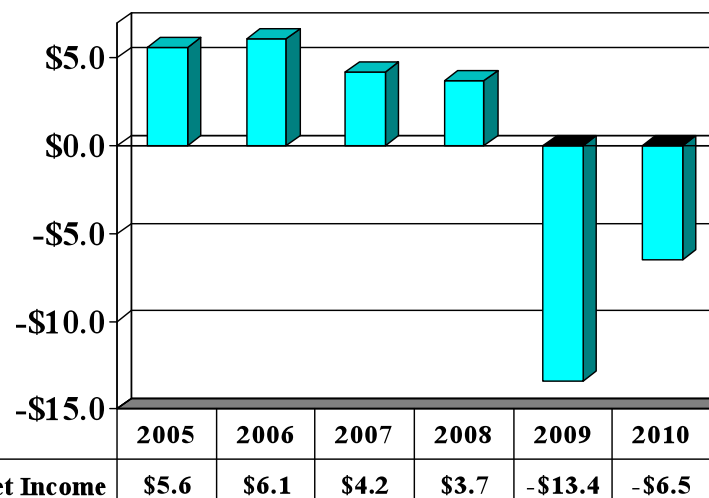
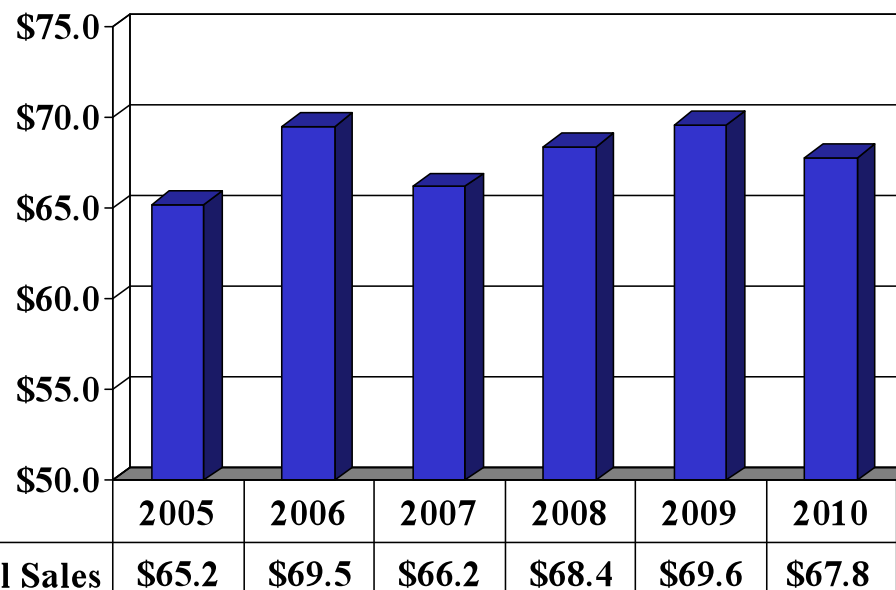
Financial Results and Overview

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Historical Financial Data

(FY June 30 – Millions of Dollars)





FY:10 Financial Highlights

(Ended June 30, 2010)

- Net sales of \$67.8 million
- Cash generated from operations was \$5.3 million
- Ended year with \$5.5 million in cash
- Debt, net of cash, was reduced by approximately \$11.6 million to \$24.3 million from \$35.9 million (since acquiring Marks USA in August 2008)
- Inventory reduction program remaining in place, lowered by approximately \$4.8 million in fiscal 2010
- Accounts receivable decreased by \$2.2 million to \$17.8 million at June 20, 2010, an 11% decrease from the June 30, 2009 level of \$20.0 million, even though sales for the fourth quarter were 9% higher



Restructuring and Marks Integration Program

(Implemented Q3:09)

- Initiated program due to unprecedented protracted economic downturn
- Will enable Company to be profitable at reduced sales levels
 - Able to promptly ramp up capacity when sales levels improve
- Specific measures include:
 - Downsizing direct/indirect labor in factories
 - Consolidated worldwide warehouses into U.S. facility
 - Reduced/Eliminated discretionary spending
 - Across-the-board payroll reduction program
- Moved all of Marks subsidiary into NAPCO facilities in Amityville, NY and Dominican Republic
- Move completed August 2009 and full integration to be completed by end of 2010
- Expected savings of several million dollars



Q1 Financial Highlights

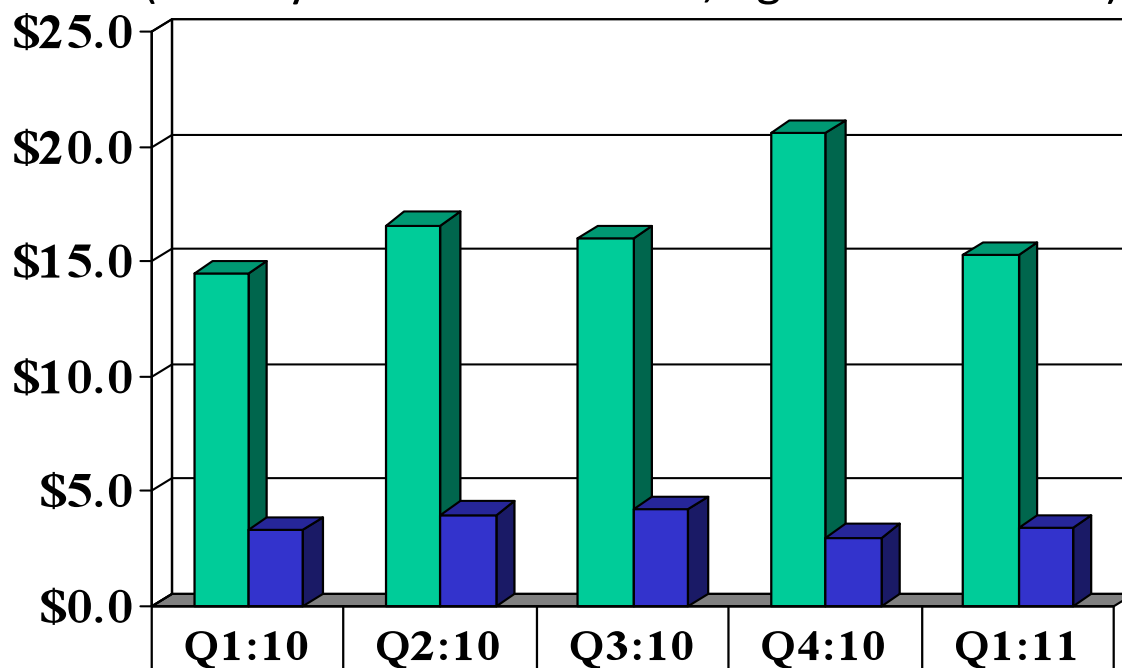
(Ended September 30, 2010)

- Net sales of \$15.3 million, a 6% increase year-over-year from \$14.5 million.
- SG&A expenses decreased by \$552,000, or 12%, to \$4.1 million.
- Adjusted EBITDA of \$118,000 reported in Q1:11 and \$(337,000) in Q1:09.
- Cash at the end of the quarter amounted to \$4.7 million.
- Account receivables at September 30, 2010 decreased approximately \$3.1 million to \$14.7 million as compared to \$17.7 million at June 30, 2010.
- Subsequent to quarter end, restructured debt agreement, which should lower interest expense by more than \$500,000 over the next 12-months.



Seasonality* Reflected Quarterly Analysis

(Fiscal year ended June 30, figures in millions)



Net Sales	\$14.5	\$16.6	\$16.0	\$20.6	\$15.3
Gross Profit	\$3.3	\$4.0	\$4.2	\$3.0	\$3.4

* - Q1 is always the lowest

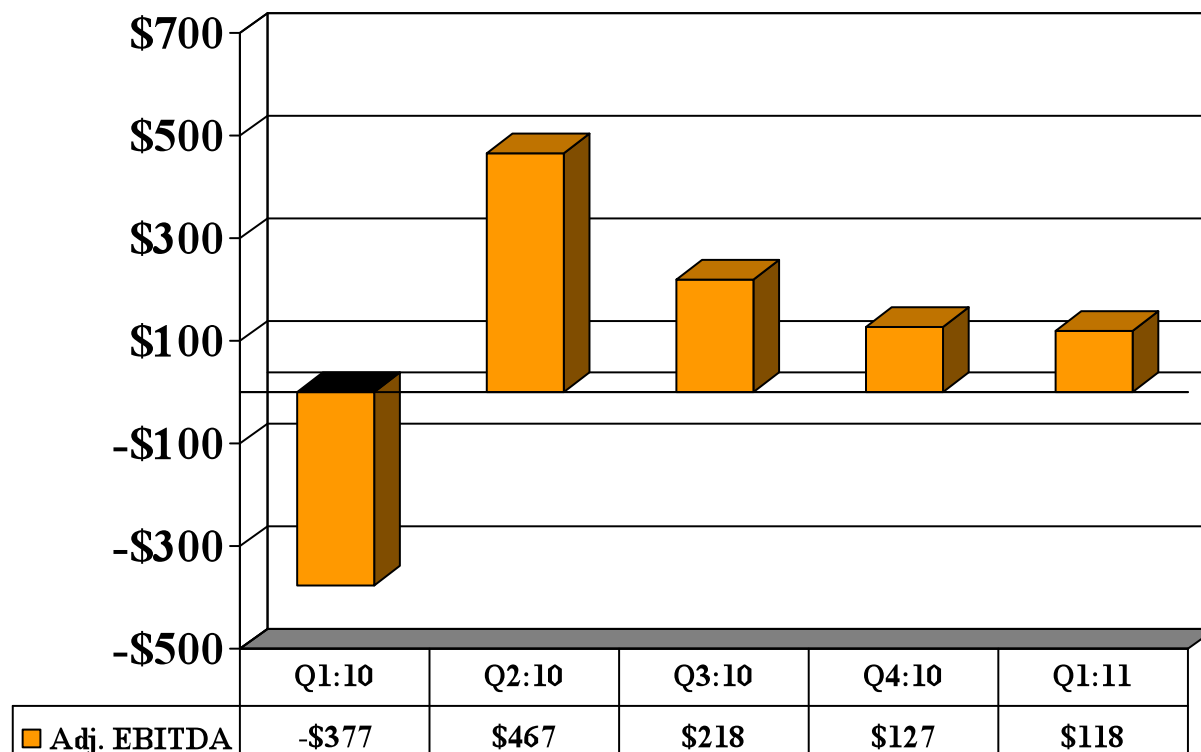
- Q2 & Q3 is higher and about the same

- Q4 is always the highest quarter



Adjusted EBITDA*

(Fiscal year ended June 30, figures in thousands)



* Non-GAAP Information

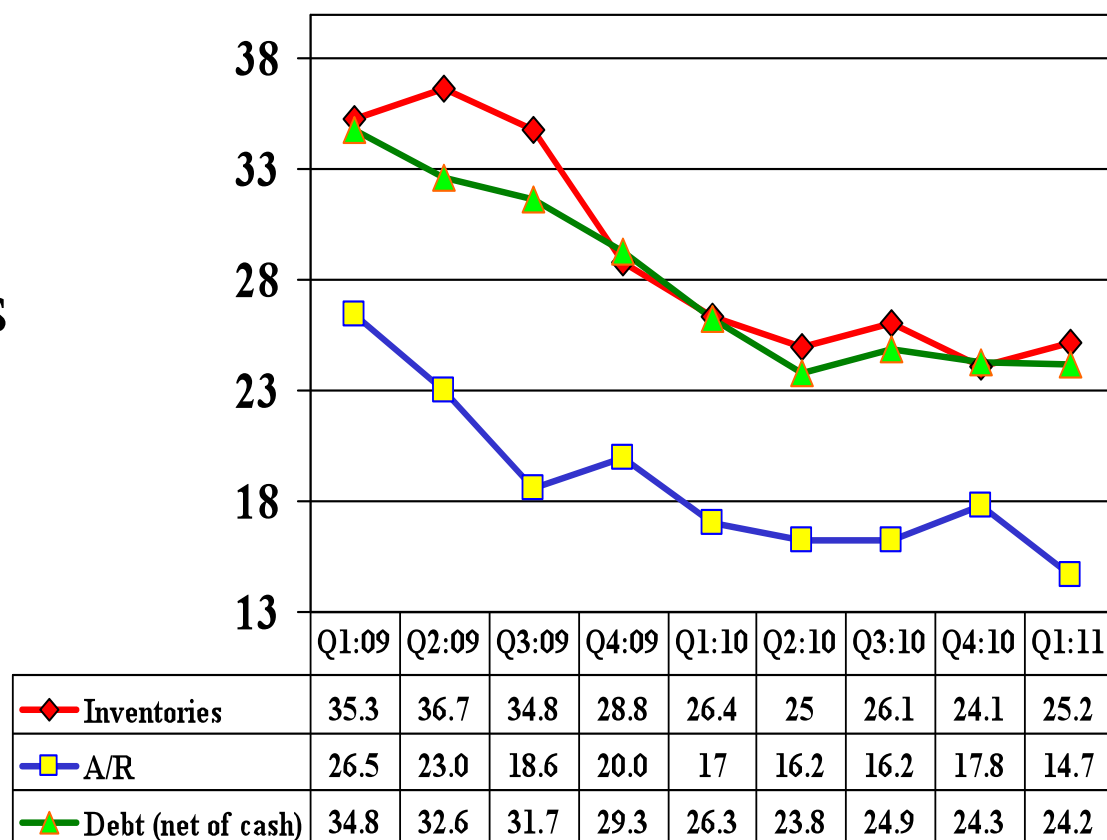
Certain non-GAAP measures are included in this press release, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income (loss) plus income tax expense (benefit), net interest expense and depreciation and amortization expense. Non-GAAP operating income does not include impairment of goodwill, amortization of intangibles, restructuring charges, stock-based compensation expense and other infrequent or unusual charges. These non-GAAP measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges our non-GAAP results provide information to management and investors that is useful in assessing NAPCO's core operating performance and in comparing our results of operations on a consistent basis from period to period. The presentation of this information is not meant to be a substitute for the corresponding financial measures prepared in accordance with generally accepted accounting principles. Investors are encouraged to review the reconciliation of GAAP to non-GAAP financial measures included in the above.



Balance Sheet Analysis

For Last Nine Quarters with most recent Ending
September 30, 2010

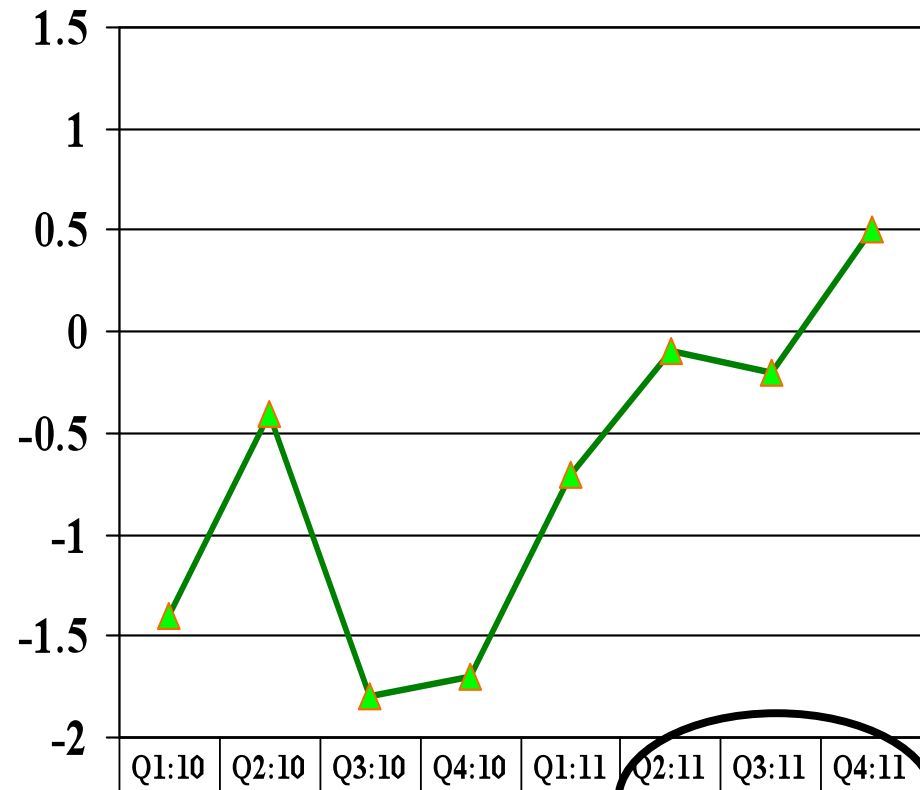
Millions \$





Operating Income

Millions \$



Projections based upon research report from Rodman & Renshaw dated November 17, 2010.



Building Shareholder Value

- Global need for security products
- Broad product array addressing multi-billion dollar security marketplace
- New state of the art products with recurring revenue streams
- Strategic accretive acquisitions
- Opportunities for growth, margin expansion and enhanced profitability
- We believe the timing is right for strong growth