Mace Security International, Inc.

Quarterly Report

March 31, 2017

Forward-Looking Statements

Certain statements and information included in this Quarterly Report constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. When used in this Quarterly Report, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "projected," "intend to" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that may cause our actual results, trends, performance or achievements, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. Those risks and uncertainties may include, but are not limited to, (i) general economic and business conditions; (ii) competition; (iii) potential changes in customer spending; (iv) acceptance of our product offerings and designs; (v) the variability of consumer spending resulting from changes in domestic economic activity; (vi) a highly promotional retail environment; (vii) any significant variations between actual amounts and the amounts estimated for those matters identified as our critical accounting estimates, as well as other significant accounting estimates made in the preparation of our financial statements; and (viii) the impact of current and potential hostilities in various parts of the world, as well as other geopolitical concerns. You are urged to consider all such factors. In light of the uncertainty inherent in such forward-looking statements, you should not consider their inclusion to be a representation that such forward-looking matters will be achieved. Mace Security International, Inc. assumes no obligation for updating any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Item 1 The exact name of the issuer and the address of its principal executive offices

Mace Security International, Inc. (the "Company")
4400 Carnegie Avenue
Cleveland, OH 44103
Phone: (440) 424-5321
Fax: (216) 361-9555
Website: www.mace.com

Investor Relations: John J. McCann
Phone: (440) 424-5322
Email: jmccann@mace.com
Address: Same as above

Item 2 Shares outstanding

Common Stock

(i)	Period end date:	March 31, 2017	December 31, 2016
(ii)	Number of shares authorized	100,000,000	100,000,000
(iii)	Number of shares outstanding	61,881,858	60,781,858
(iv)	Freely tradable (public float)	37,291,274	37,291,139
(v)	Total number of shareholders of record	82	82

The number of beneficial shareholders of Mace Security International, Inc. owning at least 100 shares exceeds 50.

Preferred Stock

(vi)	Period end date:	March 31, 2017	December 31, 2016
(vii)	Number of shares authorized	10,000,000	10,000,000
(viii)	Number of shares outstanding	-	-
(ix)	Freely tradable (public float)	-	-
(x)	Total number of shareholders of record	-	-

Item 3 Interim financial statements

The Company's unaudited interim condensed consolidated for the three months ended March 31, 2017 and 2016, including the unaudited interim Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Comprehensive Loss and Consolidated Statements of Cash Flows and Notes to the Consolidated Financial Statements, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report.

Item 4 Management's discussion and analysis or plan of operation

A. Plan of operation

This item is not applicable, as the Company has had revenues in each of the last two fiscal years.

B. Management's discussion and analysis of financial condition and results of operations (amounts in thousands, except share and per share amounts)

Mace Security International, Inc. currently operates in one business segment, the Security Segment, which manufactures and distributes consumer safety and personal defense products to retailers, distributors, and individual consumers. The Company also supplies less-lethal tactical munitions and weapons systems for law enforcement, correctional institutions and military markets.

In December 2015, the Company exited the electronic surveillance equipment market. In November 2016, the Company completed the sale of its electronic surveillance equipment business, consisting of inventory and a customer list. The financial results of the electronic surveillance business for the three years ended December 31, 2016, 2015 and 2014 were reported in discontinued operations and, accordingly, have been segregated from the revenues and expenses discussions below.

<u>Three months ended March 31, 2017 compared with three months ended March 31, 2016</u>

Net Revenue

On March 22, 2017, the Company completed the purchase of the business and substantially all related operating assets of Washington Laboratories, LLC, a private label producer of high quality defense spray products. The Company's results for the first quarter of fiscal year 2017 include the results of the acquired business from the date of its acquisition. Net revenue in the three months ended March 31, 2017 decreased by 17.7% to $1,710, compared with $2,079 in the three months ended March 31, 2016. Net revenue comparative information for the three months ended March 31, 2017 and 2016, respectively, is as follows:

Net Revenue by Distribution Channel	Three Months Ended March 31, 2017	2016	Increase (Decrease)
Sporting Goods	$ 685	$ 834	$ (149)
Consumer	652	700	(48)
Tactical	127	102	25
International	123	369	(246)
Other	123	74	49
Total	$ 1,710	$ 2,079	$ 369

The decrease in Sporting Goods distribution channel net revenue in the three months ended March 31, 2017, compared to the same period in 2016 is due primarily to decreased purchases from sporting goods distributors and the impact of recent sporting goods retailer bankruptcies/closures. The Company expects full year 2017 Sporting Goods distribution channel net revenues to exceed 2016 Sporting Goods distribution channel net revenues. International distribution channel did not see the same level of net revenue during the three months ended March 31, 2017 as was experienced during the corresponding period in 2016, due to reduced demand in Europe. Tactical distribution channel net revenue in the three months ended March 31, 2017 increased 24.5%, compared to the same period in 2016, due to new accounts and increased net revenue from existing customers. The recently acquired Washington Laboratories private label business net revenue is reported in the Other Distribution Channel and reflects net revenue from the acquisition on March 22, 2017.

Cost of goods sold

Cost of goods sold decreased in the three months ended March 31, 2017 by 17.9% to $1,036, or 60.6% of net revenue, compared with $1,262, or 60.7% of net revenue in the three months ended March 31, 2016, primarily due to the 17.7% decrease in net revenue.

Gross Profit

Gross profit decreased $143, or 17.5%, to $674, or 39.4% of net revenue, during the three months ended March 31, 2017, compared with $817, or 39.3% of net revenue, during the three months ended March 31, 2016, primarily due to decreased revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $8 to $964, or 56.4% of net revenue, during the three months ended March 31, 2017, compared with $972, or 46.8% of net revenue in the three months ended March 31, 2016. Salaries and related employee benefits expenses increased $36 in the three months ended March 31, 2017, compared with the three months ended March 31, 2016, due to the hiring of additional revenue personnel. This increase was off-set by a $31 decrease in legal and other professional services expenses in the three months ended March 31, 2017, compared with the three months ended March 31, 2016. In addition, commission expense decreased $27 in the three months ended March 31, 2017 due to lower net revenue, compared with the three months ended March 31, 2016.

Depreciation

Depreciation expense in the three months ended March 31, 2017 increased $3 to $41, compared with $38 in the three months ended March 31, 2016, due primarily to depreciation related to plant automation that was implemented in 2016 and plastic injection tooling for redesigned products that was acquired in 2016.

Other income, net

Other income, net was $12 in the three months ended March 31, 2017, compared with $27 in the three months ended March 31, 2016, due primarily to lower interest income and a loss on sale of short-term investments due to the liquidation of the Company's short-term investments to purchase the Washington Laboratories business in March 2017.

Net loss

Net loss increased by $153 to a loss of $319 in the three months ended March 31, 2017, compared with a net loss of $161 in the three months ended March 31, 2016, due primarily to the factors noted above.

Liquidity and Capital Resources

Cash, cash equivalents and restricted cash decreased by $534 to $496 at March 31, 2017, compared with $1,030 at December 31, 2016. The Company's operating activities of continuing operations provided $340 of cash in the three months ended March 31, 2017, compared with using $20 in the three months ended March 31, 2016. In the three months ended March 31, 2016, operating activities of continuing operations less effect of depreciation, equity compensation and other non-cash charges generated $436. Working capital decreased $563 due primarily to factors resulting from normal business conditions of the Company, including (1) lower accounts receivable due to lower net revenue, (2) lower vendor deposits due to lower net revenue level, and (3) higher accounts payable due to vendor obligations assumed in connection with the acquisition in March 2017 of the Washington Laboratories LLC business, as more fully discussed in Note 4, Business Acquisition, to the unaudited consolidated financial statements. This decrease in working capital was partially offset by lower accrued expenses due to payment of accrued payroll at December 31, 2016.

The Company's capital expenditures in the three months ended March 31, 2017 were $34, compared with $188 in the three months ended March 31, 2016, when the Company was implementing some plant automation. The Company anticipates total fiscal 2017 capital expenditures will be less than $100,000 and will relate principally to manufacturing and production enhancements. The Company anticipates funding future capital expenditures from operating cash flow. There were no commitments for capital expenditures at March 31, 2017.

As discussed more fully in Note 4, Business Acquisition, to the unaudited consolidated financial statements, the Company acquired a business in March 2017 for approximately $3,418, subject to certain adjustments related principally to customer retention and a working capital adjustment. The acquisition was financed by using $2,028 of the Company's cash reserves, issuing 1,000,000 shares of common stock and a $1,000 note payable to the sellers of Washington Laboratories business that bears interest at 5% and is due March 22, 2022. The promissory note is collateralized by all of the Company's assets.

The Company has not declared or paid any cash dividends within the last two (2) fiscal years and does not anticipate paying any such dividends in the foreseeable future. The Company currently intends to retain all of its earnings for the operation and expansion of its business.

The Company believes that funds provided by operations and existing working capital should be sufficient to meet working capital needs for the next 12 months.

C. Off-balance sheet arrangements

In the ordinary course of business, the Company is party to certain arrangements that are not reflected in the Consolidated Balance Sheets. This includes operating leases as described in Note 13 to the Company's December 31, 2016 consolidated financial statements, which primarily relate to the Company's primary facility in Cleveland, Ohio. The Company does not have any obligations that meet the definition of an off-balance sheet arrangement that have had, or are reasonably likely to have, a material effect on the Company's financial condition or results of operations.

Item 5 Legal proceedings

None

Item 6 Defaults upon senior securities

None

Item 8 Exhibits

3.1	Unaudited interim condensed consolidated financial statements for the three months ended March 31, 2017 and 2016
18.1	Mace Security International, Inc. 1999 Stock Option Plan (incorporated herein by reference to Exhibit 10.98 to the June 30, 1999 Form 10-QSB dated August 13, 1999)
18.2	Mace Security International, Inc. 2012 Stock Incentive Plan (incorporated herein by reference to Form DEF 14A filed on May 18, 2012)
18.3	Asset Purchase Agreement between Mace Security International, Inc. and SecureCheck LLC dated September 28, 2016 (incorporated herein by reference to Annual Information and Disclosure Statement filed on March 30, 2017)
18.4	Employment Agreement dated as of November 21, 2012 by and between Mace Security International, Inc. and John J. McCann (incorporated herein by reference to Annual Information and Disclosure Statement filed on March 30, 2017)
18.5	Employment Agreement dated as of January 1, 2014 by and between Mace Security International, Inc. and Carl R. Smith (incorporated herein by reference to Annual Information and Disclosure Statement filed on March 30, 2017)
18.6	Asset Purchase Agreement by and among Washington Laboratories LLC, Larry W. Harris and Mace Security International, Inc. dated March 22, 2017

Item 9 Issuer's Certifications

I, John J. McCann, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report of Mace Securities International, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make this statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: May 15, 2017

/s/ John J. McCann
President and Chief Executive Officer

I, Carl R. Smith, Senior Vice President Corporate Finance, certify that:

4. I have reviewed this quarterly report of Mace Securities International, Inc.;

5. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make this statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

6. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: May 15, 2017

/s/ Carl R. Smith
Senior Vice President Corporate Finance