

May 13, 2013



Optex Systems Holdings, Inc. Releases Second Quarter 2013 Results

RICHARDSON, TX -- (Marketwired) -- 05/13/13 -- Optex Systems Holdings, Inc. (OTCBB: OPXS), a leading manufacturer of optical sighting systems and assemblies primarily for Department of Defense applications, reported operating results for the three and six months ended March 31, 2013.

Revenues for the three months ended March 31, 2013 were \$3.8 million as compared to revenues during the same period one year ago of \$3.9 million, a decrease of \$0.1 million or 2.6%. The decrease in revenue was primarily due to completion of the M137 Howitzer program in fiscal year 2012 of \$(0.7) million, offset by increases in Sighting Systems of \$0.2 million and other products of \$0.4 million in the current fiscal year period. Gross margin during the three months ended March 31, 2013 was \$0.66 million or 17.4% of revenues as compared to a gross margin of \$0.64 million, or 16.4% for the three months ended April 1, 2012. During the three months ended March 31, 2013, we recorded a net loss applicable to common shareholders of \$(0.11) million, as compared to an income of \$0.14 million for the three months ended April 1, 2012, a decrease of \$(0.25) million. The primary reason for the decreased income relates to increased general and administrative costs in the current year of \$(0.15) million and the waiver of dividends in arrears on preferred stock of \$0.2 million in the prior year.

Revenues for the six months ended March 31, 2013 were \$7.6 million as compared to revenues during the same period one year ago of \$8.1 million, a decrease of (\$0.5) million or (6.2%). The decline in revenue is primarily due to completion of the M137 Howitzer program in FY2012 of \$(1.7) million offset by increases in the Periscopes line of \$0.4 million, Sighting Systems of \$0.2 million and other products of \$0.6 million in the last six months over the prior year period. The gross margin during the six months ended March 31, 2013 was \$1.35 million or 17.8% of revenues as compared to a gross margin of \$1.34 million or 16.5% for the six months ended April 1, 2012. The increase in gross margin percentage was primarily due to a shift in product mix toward more profitable programs and completion of the M137 Howitzer program in 2012. During the six months ended April 1, 2012, we recorded a net loss applicable to common shareholders of \$(0.07) million, as compared to \$(0.01) million for the six months ended April 3, 2011, an increased loss of \$(0.06) million. The primary reason for the decreased loss relates to the increased general and administrative costs in the current period of \$(0.1) million partially offset by changes in deferred tax benefits of \$0.15 million and changes in accrued dividends on preferred stock of \$(0.11) million related to the waiver executed in February 2012.

Backlog as of March 31, 2013 was \$16.5 million as compared to a backlog of \$18.0 million as of April 1, 2012, a decrease of 1.5 million or 8.3%. In the first two fiscal quarters of 2013, Optex Systems Holdings received \$5.1 million in new orders consisting of a \$3.8 million of periscopes and \$1.3 million in other product lines. As of March 31, 2013, we had cash and cash equivalents of \$1.1 million. During the period from October 1, 2012 through March 31,

2013, we decreased cash and cash equivalents by \$(0.6) million primarily attributable to increased purchases and inventory and increased accounts receivable in support of new periscope orders and ramp up of the M36 DDAN contract production schedule. The increased inventory was partially offset by advances against the credit facility and receipts against customer deposits.

"During this period of reduced defense spending, the reliance on our core competencies of producing high quality, high performance sighting systems is a critical essential in winning contract awards," stated Optex CEO Danny Schoening. "We continue to aggressively pursue opportunities in foreign sales while maintaining strong relationships with the U.S. government purchasing agencies as well as Prime Contractors. The Company continues to invest in new technology and research into providing better solutions as defense organizations upgrade and modernize existing vehicles."

ABOUT OPTEX SYSTEMS

Optex, which was founded in 1987, is a Richardson, Texas based ISO 9001:2008 certified concern, which manufactures optical sighting systems and assemblies, primarily for Department of Defense (DOD) applications. Its products are installed on various types of U.S. military land vehicles, such as the Abrams and Bradley fighting vehicles, Light Armored and Armored Security Vehicles, and have been selected for installation on the Stryker family of vehicles. Optex also manufactures and delivers numerous periscope configurations, rifle and surveillance sights and night vision optical assemblies. Optex delivers its products both directly to the military services and to prime contractors. For additional information, please visit the Company's website at www.optexsys.com.

Safe Harbor Statement

This press release and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. You can identify these forward-looking statements by their use of words such as "expects," "plans," "will," "estimates," "forecasts," "projects" and other words of similar meaning. You can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address the Company's growth strategy, financial results and product and development programs. You must carefully consider any such statement and should understand that many factors could cause actual results to differ from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

The Company does not assume the obligation to update any forward-looking statement. You should carefully evaluate such statements in light of factors described in the Company's filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. In various filings the Company has identified important factors that could cause actual results to differ from expected or historic results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete list of all potential risks or uncertainties.

Optex Systems Holdings, Inc.
Consolidated Balance Sheets

	(Thousands)	
	March 31, 2013 (Unaudited)	September 30, 2012
ASSETS		
Current Assets		
Cash	\$ 1,099	\$ 1,653
Accounts Receivable	2,141	1,843
Net Inventory	8,578	7,094
Prepaid Expenses	71	28
Total Current Assets	\$ 11,889	\$ 10,618
Property and Equipment		
Property Plant and Equipment	\$ 1,613	\$ 1,584
Accumulated Depreciation	(1,426)	(1,392)
Total Property and Equipment	\$ 187	\$ 192
Other Assets		
Deferred Tax Asset - Long Term	\$ 1,186	\$ 1,157
Prepaid Royalties - Long Term	196	210
Security Deposits	21	21
Total Other Assets	\$ 1,403	\$ 1,388
Total Assets	\$ 13,479	\$ 12,198
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 1,386	\$ 1,109
Accrued Expenses	572	754
Accrued Warranties	25	25
Customer Advance Deposits - Short Term	1,191	776
Credit Facility	711	-
Total Current Liabilities	\$ 3,885	\$ 2,664
Other Liabilities		
Customer Advance Deposits - Long Term	1,983	1,944
Total Other Liabilities	\$ 1,983	\$ 1,944
Total Liabilities	\$ 5,868	\$ 4,608
Stockholders' Equity		
Optex Systems Holdings, Inc. - (par \$0.001, 2,000,000,000 authorized, 157,346,607 and 152,346,607 shares issued and outstanding, respectively)	\$ 157	\$ 152
Optex Systems Holdings, Inc. Preferred Stock (\$0.001 par 5,000 authorized, 1,016 and 1,027 series A preferred issued and outstanding, respectively)	-	-
Additional Paid-in-capital	17,881	17,799
Retained Earnings (Deficit)	(10,427)	(10,361)
Total Stockholders' Equity	\$ 7,611	\$ 7,590
Total Liabilities and Stockholders' Equity	\$ 13,479	\$ 12,198

The accompanying notes are an integral part of these financial statements

Optex Systems Holdings, Inc.
Consolidated Statements of Operations

	<i>(Thousands)</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>March 31, 2013 (Unaudited)</i>	<i>April 1, 2012 (Unaudited)</i>	<i>March 31, 2013 (Unaudited)</i>	<i>April 1, 2012 (Unaudited)</i>
Revenues	\$ 3,770	\$ 3,863	\$ 7,620	\$ 8,133
Total Cost of Sales	<u>3,115</u>	<u>3,227</u>	<u>6,268</u>	<u>6,795</u>
Gross Margin	\$ 655	\$ 636	\$ 1,352	\$ 1,338
General and Administrative	<u>807</u>	<u>645</u>	<u>1,441</u>	<u>1,321</u>
Operating Income (Loss)	\$ (152)	\$ (9)	\$ (89)	\$ 17
Other Expenses				
Interest Expense - Net	<u>6</u>	<u>7</u>	<u>6</u>	<u>17</u>
Total Other	\$ 6	\$ 7	\$ 6	\$ 17
Income Before Taxes	\$ (158)	\$ (16)	\$ (95)	\$ -
Deferred Income Taxes (Benefit)	<u>(52)</u>	<u>53</u>	<u>(29)</u>	<u>118</u>
Net Income (Loss) After Taxes	<u><u>\$ (106)</u></u>	<u><u>\$ (69)</u></u>	<u><u>\$ (66)</u></u>	<u><u>\$ (118)</u></u>
Less preferred stock dividend (accrued) waived	\$ -	\$ 213	\$ -	\$ 106
Net income (loss) applicable to common shareholders	\$ (106)	\$ 144	\$ (66)	\$ (12)
Basic and diluted income (loss) per share	<u><u>\$ (0.00)</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ (0.00)</u></u>	<u><u>\$ (0.00)</u></u>
Weighted Average Common Shares Outstanding	152,957,718	141,203,181	152,652,163	140,324,060

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