

February 12, 2014



Optex Systems Holdings, Inc. Releases First Quarter 2014 Results

RICHARDSON, TX -- (Marketwired) -- 02/12/14 -- Optex Systems Holdings, Inc. (OTCQB: OPXS), a leading manufacturer of optical sighting systems and assemblies primarily for Department of Defense applications, reported operating results for the three months ended December 29, 2013.

Revenues for the three months ended December 29, 2013 were \$3.4 million as compared to revenues during the same period one year ago of \$3.9 million, a decrease \$0.5 million or 12.8%. The decreased revenue is primarily due to lower revenue in plastic and glass periscopes due to reduced spending by the U.S. Government compared to prior year levels. There continues to be uncertainty in future U.S. military spending over the next 10 years pending Congressional resolution of the sequestration cuts to defense spending which began in fiscal year 2013. The potential ramifications of the circumstances surrounding the 2012 Congressional budget sequestration have resulted in yet more uncertainty and potential cuts in spending by the U.S. military, and we have had to explore other avenues of revenue. We continue to explore opportunities for manufacturing outside of our traditional product lines for products which could be manufactured, using our current capabilities in order to expand our existing capacity. Given the sizable reduction in backlog entering fiscal year 2014, we do not anticipate being able to fully offset the reduced government spending with alternative business in the next nine months.

Backlog, as of December 29, 2013, was \$10.4 million as compared to a backlog of \$17.6 million as of December 30, 2012, representing a decrease of \$7.2 million or 40.9%. In the three months ending December 29, 2013, Optex Systems Holdings received \$1.6 million in new orders consisting of \$1.5 million in periscopes and \$0.1 million in other product lines.

Gross margin during the three months ended December 29, 2013 was \$0.6 million or 17.7% of revenues as compared to a gross margin of \$0.7 million or 17.9% for the three months ended December 30, 2012. The slight decrease in gross margin percentage for the quarter, as compared to the prior year quarter, is primarily due to changes in product mix between the two periods. During the three months ended December 29, 2013, we recorded a net loss applicable to common shareholders of \$(0.01) million as compared to net income applicable to common shareholders of \$0.04 million during the three months ended December 30, 2012. The decrease in net income of \$(0.05) million is primarily attributable to lower revenue and associated operating income of \$0.07 million, partially offset with changes in deferred tax benefits.

As of December 29, 2013, we had cash and cash equivalents of \$1.5 million. During the period from September 29, 2013 through December 29, 2013, we increased cash and cash equivalents by \$0.6 million primarily attributable to decreased purchases and inventory and collections on open accounts receivable, which was partially offset by payments against the credit facility. We believe our resources and liquidity are sufficient for the next twelve months

of operations.

Danny Schoening, Optex's CEO commented, "We believe that the first quarter performance is indicative of the remaining fiscal year due to the change in the U.S. defense spending purchasing pattern. During the quarter we announced the additional \$1 million award of our Digital Day and Night (DDAN) product and we remain encouraged that the improved performance of this upgrade is both value-added and provides better protection to the warfighter. We also continue to see the purchasing pattern of long term, large quantity solicitations being replaced with smaller quantities with shorter delivery requirements."

"While our primary efforts continue to be the production of high-quality, high-value periscopes and sighting systems, the Company continues to actively pursue acquisition opportunities both in the defense and commercial sectors that will take advantage of our manufacturing and technical strengths," stated Merrick Okamoto, Chairman.

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, except share data)

	December 29, 2013 (Unaudited)	September 29, 2013
ASSETS		
Current Assets		
Cash	\$ 1,455	\$ 882
Accounts Receivable	1,720	3,118
Net Inventory	7,062	7,579
Prepaid Expenses	64	36
Total Current Assets	10,301	11,615
Property and Equipment		
Property Plant and Equipment	1,704	1,704
Accumulated Depreciation	(1,479)	(1,460)
Total Property and Equipment	225	244
Other Assets		
Deferred Tax Asset - Long Term	1,082	1,077
Prepaid Royalties - Long Term	173	180
Security Deposits	21	21
Total Other Assets	1,276	1,278
Total Assets	\$ 11,802	\$ 13,137
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 775	\$ 989
Accrued Expenses	377	706
Accrued Warranties	25	25
Customer Advance Deposits - Short Term	720	769
Credit Facility	304	858
Total Current Liabilities	2,201	3,347
Other Liabilities		
Customer Advance Deposits - Long Term	1,741	1,935
Total Other Liabilities	1,741	1,935
Total Liabilities	3,942	5,282
Stockholders' Equity		
Optex Systems Holdings, Inc. Preferred Stock (\$0.001 par 5,000 authorized, 1,016 series A preferred issued and outstanding, respectively)	-	-
Optex Systems Holdings, Inc. - (par \$0.001, 2,000,000,000 authorized, 157,346,607 shares issued and outstanding, respectively)	157	157
Additional Paid-in-capital	17,940	17,922
Retained Earnings (Deficit)	(10,237)	(10,224)
Total Stockholders' Equity	7,860	7,855
Total Liabilities and Stockholders' Equity	\$ 11,802	\$ 13,137

The accompanying notes are an integral part of these financial statements

Optex Systems Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)

(Thousands, except common share data)
Three months ended

	<u>December 29, 2013</u>	<u>December 30, 2012</u>
Revenues	\$ 3,354	\$ 3,850
Total Cost of Sales	<u>2,736</u>	<u>3,152</u>
Gross Margin	\$ 618	\$ 698
General and Administrative	<u>629</u>	<u>635</u>
Operating Income (Loss)	\$ (11)	\$ 63
Other Expenses		
Interest Expense - Net	<u>7</u>	<u>-</u>
Total Other	\$ 7	\$ -
Income (Loss) Before Taxes	\$ (18)	\$ 63
Deferred Income Taxes (Benefit)	<u>(5)</u>	<u>22</u>
Net Income (Loss) After Taxes	\$ <u>(13)</u>	\$ <u>41</u>
Less preferred stock dividend (accrued) waived	\$ -	\$ -
Net income (loss) applicable to common shareholders	\$ (13)	\$ 41
Basic and diluted income (loss) per share	\$ <u>(0.0001)</u>	\$ <u>0.0003</u>
Weighted average common shares outstanding	157,346,607	152,346,607

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