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Optex Systems Reports Fiscal Second Quarter Financial Results

RICHARDSON, TX--(MARKET WIRE)--May 13, 2009 -- Optex Systems Holdings, Inc. (Optex) (OTC BB:OPXS.OB - News), a leading manufacturer of optical sighting systems and assemblies primarily for Department of Defense applications, today announced financial results for the Company's fiscal second quarter ended March 29, 2009.

For the quarter ended March 29, 2009, the Company recorded increased revenues of \$6,708,286, as compared to revenues during the same period one year ago of \$5,628,115, an increase of approximately 19.6%. This increase in revenue was primarily due to improved order flow from its primary customers, including the U.S. Government.

During the quarter ended March 29, 2009, the Company recorded cost of goods sold of \$6,151,915 compared to \$5,026,005 during the quarter ended March 30, 2008, an increase of \$1.2 million or 24.0%. This increase in cost of goods sold was primarily due to increased revenue on its periscope lines in support of higher backlog and accelerated delivery schedules, in addition to increased intangible amortization associated with the acquisition of the assets of Optex Systems, Inc. (Texas) from Irvine Sensors Corp. on October 14, 2008. The gross margin during the quarter ended March 29, 2009 was 8.3% of revenues as compared to a gross margin of 10.7% during the quarter ended March 30, 2008. Product gross margins are substantially improved over the prior year quarter due to changes in revenue mix combined with significant labor cost efficiency improvements, however this margin increase is offset by higher non-cash intangible amortization attributable to costs of goods sold of approximately \$400,000 or 5.3% of revenues in the quarter resulting in the decrease. Excluding the non-cash intangible amortization, gross margins for the quarter ended March 29, 2009 would have increased to 13.6%.

The company recorded a loss before other expenses and taxes of \$(148,624) compared to a loss before other expenses and taxes of \$(628,526) during the year ago period, an improvement of 83%. This reduced loss before other expenses and taxes was primarily due to increased sales revenue in the quarter combined with reductions in general and administrative expenses driven by the elimination of Irvine Sensors corporate costs and associated overhead.

Net loss for the quarter was of \$(326,545) compared to \$(678,389) during the year ago period, an improvement of over 51%. This decrease in net loss was principally the result of a reduction in operating expenses related to the elimination of Irvine Sensors corporate costs and associated overhead in the three months ended March 30, 2008, combined with increased revenue during the quarter. Excluding the impact of the increased intangible expenses of \$400,000 the Company would have recorded net income of \$70,000 for the three months ended March 29, 2009. Loss before taxes was \$(239,881) against loss before taxes of \$(678,389) last year. Basic and diluted loss per share was \$0.00 against \$0.00 versus the same period last year. The company reported operational net cash flow of

\$447,572 as compared to \$328,458 during the year ago period, a 36% increase. As of March 29, 2009, the Company had cash and cash equivalents of \$1.2 million.

Danny Schoening, COO of Optex Systems, commented, "We are pleased to report record results for the first time as a publicly-traded company for our fiscal second quarter in 2009. Optex enjoys a solid business model built on consistent order flow from the U.S. Government and other key customers. During the quarter we were able to grow revenues nearly 20% year over year as a result of ramped up production and accelerated shipments to existing customers." Mr. Schoening continued, "It is also important to note we made significant strides in improving our productivity during the quarter. These efforts resulted in a 27% increase in product gross margins during the quarter, excluding the amortization of non-cash intangible items."

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. Optex Systems was previously a wholly-owned subsidiary of Irvine Sensors Corporation. On October 14, 2008, Optex Systems, Inc. (Delaware) acquired the assets of Optex Systems, Inc. (Texas) from Irvine Sensors Corporation, and subsequently became a wholly-owned subsidiary of Optex Systems Holdings, Inc. Its products are installed on a majority of types of U.S. military land vehicles, such as the Abrams and Bradley fighting vehicles, Light Armored and Advanced 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.