

February 17, 2011



# Optex Systems Releases Fiscal 2011 First Quarter Financial Results

RICHARDSON, Texas, Feb. 17, 2011 (GLOBE NEWSWIRE) -- 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 its first fiscal quarter ended January 2, 2011.

Revenues for the quarter were \$5.0 million as compared to revenues during the same period one year ago of \$5.9 million, representing a decrease of 15%. The reduction in revenues was primarily attributable to decreased spending by the U.S government. During the three months ended January 2, 2011, the Company recorded net income of \$51 thousand, as compared to net income of \$81 thousand for the three months ended December 27, 2009. Despite reduced revenues during the period, net income was relatively consistent year-over-year. The revenue decrease in the current quarter was offset by an increase in gross margin and the implementation of cost reductions by the company, including the elimination of intangible amortization expense this quarter due to the write off of the remaining intangibles in the last fiscal quarter of 2010.

Our EBITDA declined by \$0.3 million from \$0.4 million for the quarter ended December 27, 2009 to \$0.1 million in the current quarter. The EBITDA reduction for the period was primarily attributable to a \$0.7 million reduction in revenues and lower product margins related to the mix of product lines shipped. The Company is also working to identify other potential cost efficiencies in its production and general and administrative areas.

The Company continues to aggressively pursue additional business, including potentially higher margin periscope business. New orders booked during the quarter ended January 2, 2011 were \$2.6 million, consisting primarily of \$2.3 million in foreign and domestic periscopes orders from several major defense contractors and \$0.3 million in foreign Howitzer orders. In addition to periscopes, Optex is currently pursuing several major proposals in our Howitzer and sighting system programs.

Danny Schoening, COO of the Company, commented, "During the three months ended January 2, 2011, we streamlined the company's operations in anticipation of lower sales volume as a result of broad-reductions in U.S. military spending. Approval of the 2011 Congressional budget for the fiscal year beginning on October 1, 2010 and ending September 30, 2011, has suffered ongoing delays in Congress and current U.S. government spending is continuing based on a congressional stop gap which only provides appropriations at 2010 levels. There is no indication if and when a 2011 Congressional budget will be ratified by Congress. Until the 2011 Congressional budget is approved, Optex and our major customers have limited visibility as to volume expectations for the next 12 months. We were able to mitigate some of the decrease in U.S. governmental spending with international orders and other new business. In addition, during fiscal 2010, we completed several existing contracts associated with legacy loss and low margin periscope orders. As a

result, in the current quarter, our average gross margin on the remaining periscope business has increased 45% over the average gross margin in the prior year period. We expect our average gross margin on these periscopes to continue to improve as new orders are booked and additional cost reduction initiatives are implemented."

## **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](http://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.*  
*Condensed Consolidated Balance Sheets*

(Thousands)

January 2, 2011   October 3, 2010

**ASSETS**

*Current Assets*

Cash	\$ 1,103	\$ 1,030
Accounts Receivable	2,038	2,375
Net Inventory	5,665	5,890
Prepaid Expenses	<u>270</u>	<u>245</u>

<i>Total Current Assets</i>	<i>\$ 9,076</i>	<i>\$ 9,540</i>
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*Property and Equipment*

Property Plant and Equipment	\$ 1,487	\$ 1,457
Accumulated Depreciation	<u>(1,179)</u>	<u>(1,161)</u>

<i>Total Property and Equipment</i>	<i>\$ 308</i>	<i>\$ 296</i>
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*Other Assets*

Deferred Tax Asset - Long Term	\$ 964	\$ 993
Security Deposits	21	21
Intangibles	0	0
Goodwill	<u>0</u>	<u>0</u>

<i>Total Other Assets</i>	<i>\$ 985</i>	<i>\$ 1,014</i>
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<i>Total Assets</i>	<i><u><u>\$ 10,369</u></u></i>	<i><u><u>\$ 10,850</u></u></i>
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*The accompanying notes are an integral part of these financial statements*

Optex Systems Holdings, Inc.  
Condensed Consolidated Balance Sheets - Continued

	(Thousands)	
	January 2, 2011	October 3, 2010
<i>LIABILITIES AND STOCKHOLDERS' EQUITY</i>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 605	\$ 763
Accrued Expenses	820	574
Accrued Warranties	25	25
Accrued Contract Losses	1,102	1,357
Credit Facility	<u>\$ 717</u>	<u>\$ 1,107</u>
<i>Total Current Liabilities</i>	<u>\$ 3,269</u>	<u>\$ 3,826</u>
<i>Other Liabilities</i>		
Note Payable	\$ -	\$ -
Accrued Interest on Note	-	-
Due to Parent	<u>-</u>	<u>-</u>
<i>Total Other Liabilities</i>	<u>\$ -</u>	<u>\$ -</u>
<i>Total Liabilities</i>	<u>\$ 3,269</u>	<u>\$ 3,826</u>
<i>Stockholders' Equity</i>		
Optex Systems Holdings, Inc. – (par \$0.001, 200,000,000 authorized, 139,444,940 shares issued and outstanding)	\$ 139	\$ 139
Optex Systems Holdings, Inc. Preferred Stock (.001 par 5,000 authorized, 1027 series A preferred issued and outstanding)	-	-
Additional Paid-in-capital	\$ 17,289	\$ 17,162
Retained Earnings (Deficit)	<u>\$ (10,327)</u>	<u>\$ (10,277)</u>
<i>Total Stockholders' Equity</i>	<u>\$ 7,100</u>	<u>\$ 7,024</u>
<i>Total Liabilities and Stockholders' Equity</i>	<u><u>\$ 10,369</u></u>	<u><u>\$ 10,850</u></u>

*The accompanying notes are an integral part of these financial statements*

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

	<i>(Thousands)</i>	
	<i>Three months ended January 2, 2011</i>	<i>Three months ended December 27, 2009</i>
<i>Revenues</i>	\$ 4,984	\$ 5,915
<i>Total Cost of Sales</i>	<u>4,321</u>	<u>5,160</u>
<i>Gross Margin</i>	\$ 663	\$ 755
<i>General and Administrative</i>		
General Expenses	560	609
Amortization of Intangible Assets	<u>-</u>	<u>80</u>
<i>Total General and Administrative</i>	\$ 560	\$ 689
<i>Operating Income (Loss)</i>	\$ 103	\$ 66
<i>Other Expenses</i>		
Interest (Income) Expense - Net	<u>23</u>	<u>3</u>
<i>Total Other</i>	\$ 23	\$ 3
<i>Income (Loss) Before Taxes</i>	\$ 80	\$ 63
Deferred Income Taxes (Benefit)	<u>29</u>	<u>(18)</u>
<i>Net Income (Loss) After Taxes</i>	<u><u>\$ 51</u></u>	<u><u>\$ 81</u></u>
<i>Less preferred stock dividend</i>	\$ (101)	\$ (95)
<i>Net loss applicable to common shareholders</i>	\$ (50)	\$ (14)
<i>Basic and diluted loss per share</i>	<u><u>\$ (0.00)</u></u>	<u><u>\$ (0.00)</u></u>
<i>Weighted Average Common Shares Outstanding</i>	139,444,940	139,444,940

*The accompanying notes are an integral part of these financial statements*

	<i>Three months ending January 2, 2011</i>	<i>Three months ending December 27, 2009</i>
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Net Loss Applicable to Common Shareholders - GAAP	\$ (0.05)	\$ -
<i>Add:</i>		
Interest Expense	0.02	-
Preferred Stock Dividend	0.10	0.10
Federal Income Taxes (Benefit)	0.03	-
Depreciation & Amortization	<u>0.02</u>	<u>0.30</u>
EBITDA - Non GAAP	<u><u>\$ 0.12</u></u>	<u><u>\$ 0.40</u></u>

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Source: Optex Systems Holdings, Inc.