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Optex Systems Holdings Announces Quarterly Results

RICHARDSON, Texas, Aug. 17, 2012 (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 the three and nine months ended July 1, 2012.

Revenues for the three months ended July 1, 2012 were \$3.5 million as compared to revenues during the same period one year ago of \$3.2 million, representing an increase of \$0.3 million or 9.4%. The increase in revenues is primarily due to higher production quantities on our ICWS periscope line and additional revenue related to M36 Day/Night vision deliverables for prototypes and non recurring engineering development. The gross margin during the three months ended July 1, 2012 was \$0.67 million, or 19.1% of revenues, as compared to a gross margin of \$0.55 million, or 17.2% of revenues, for the three months ended July 3, 2011. The increase in gross margin percentage for the current quarter as compared to the prior year quarter is primarily due to a shift in product mix toward more profitable programs and the completion of the Howitzer loss programs in 2011. During the three months ended July 1, 2012 and July 3, 2011, we recorded a net loss applicable to common shareholders of (\$0.14) million during both periods. The net loss remained consistent despite the increased gross margin due to increased spending on general and administrative expenses.

Revenues for the nine months ended July 1, 2012 were \$11.6 million as compared to revenues during the same period one year ago of \$12.0 million, representing a decrease of (\$0.4) million or (3.3%). The decline in revenues is primarily attributable to the completion of two of our Howitzer programs in FY2011 and the completion of the one remaining Howitzer program in March 2012 with no current follow-on contracts. We do not expect any additional Howitzer revenues during the next three months as the contracts are complete. The gross margin during the nine months ended July 1, 2012 was \$2.0 million, or 17.2% of revenues, as compared to a gross margin of \$1.8 million, or 15.0% of revenues, for the nine months ended July 3, 2011. The increase in gross margin percentage is primarily due to a shift in product mix toward more profitable programs and completion of the Howitzer loss programs in 2011 and 2012. During the nine months ended July 1, 2012, we recorded a net loss applicable to common shareholders of \$(0.15) million, as compared to \$(0.31) million for the nine months ended July 3, 2011, representing a decreased loss of \$0.16 million. The primary reason for the decreased loss relates to increased gross margins and the waiver of dividends in arrears on preferred stock of \$0.21 million in February 2012, partially offset by increased spending on general and administrative expenses associated with marketing, management incentives, research and development, legal, and travel. We expect the increased general and administrative expenses to continue through the end of fiscal year 2012 with an overall increase of approximately 21% over the prior year level. We believe these investments in product development have contributed significantly to the new orders

booked in the first three quarters of fiscal year 2012 and expect these changes to increase our overall footprint in the optical vision market for tactical vehicles moving forward.

As of July 1, 2012, we had cash and cash equivalents of \$2.3 million. During the period from October 3, 2011 through July 1, 2012, cash and cash equivalents increased by \$0.8 million primarily as a result of collections of milestone payments associated with our M36 Day/Night vision contract during the nine months ending July 1, 2012 net of inventory purchased to support the program.

Backlog as of July 1, 2012 was \$16.9 million as compared to a backlog of \$13.5 million as of July 3, 2011, representing an increase of 25.2%. Optex Systems Holdings received \$17.0 million in new orders during the first three fiscal quarters of 2012, consisting of a \$8.0 million M36 contract deliverable over 5 years from a major international defense contractor, a \$1.2 million award from the Defense Logistics Agency for a Gunner's Head Assembly on the M1 Abrams Tank that is deliverable in fiscal year 2012, and \$7.8 million in additional orders from several customers that will be delivered in fiscal years 2012 through 2015.

The Company continues to aggressively pursue additional business, including potentially higher margin periscope and sighting system business. Danny Schoening, COO of the Company, commented, "We continue to work closely with our customers to correctly align ourselves with their cost/value targets and have been encouraged by their responsiveness to this approach. By upgrading existing product platforms with newer technology we are able to decrease the time to market while meeting the customer's demands for access to new technology, all without the need for retooling their vehicles. We are applying this methodology to both domestic and international markets."

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.
Condensed Consolidated Balance Sheets

(Thousands)
July 1,
2012 October
(Unaudited) 2, 2011

ASSETS

Current Assets

Cash	\$ 2,302	\$ 1,514
Accounts Receivable	2,067	2,392
Net Inventory	5,024	4,088
Prepaid Expenses	<u>37</u>	<u>17</u>
<i>Total Current Assets</i>	<u>\$ 9,430</u>	<u>\$ 8,011</u>

Property and Equipment

Property Plant and Equipment	\$ 1,573	\$ 1,488
Accumulated Depreciation	<u>(1,372)</u>	<u>(1,227)</u>
<i>Total Property and Equipment</i>	<u>\$ 201</u>	<u>\$ 261</u>

Other Assets

Deferred Tax Asset - Long Term	\$ 1,069	\$ 1,204
Prepaid Royalties - Long Term	208	--
Security Deposits	<u>21</u>	<u>21</u>
<i>Total Other Assets</i>	<u>\$ 1,298</u>	<u>\$ 1,225</u>

Total Assets

\$ 10,929 \$ 9,497

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	\$ 882	\$ 716
Accrued Expenses	644	547
Accrued Warranties	25	25
Customer Advance Deposits - Short Term	600	--
Credit Facility	<u>--</u>	<u>507</u>

<i>Total Current Liabilities</i>	<u>\$ 2,151</u>	<u>\$ 1,795</u>
<i>Other Liabilities</i>		
Customer Advance Deposits - Long Term	<u>1,172</u>	<u>--</u>
<i>Total Other Liabilities</i>	<u>\$ 1,172</u>	<u>\$ --</u>
<i>Total Liabilities</i>	<u>\$ 3,323</u>	<u>\$ 1,795</u>
<i>Stockholders' Equity</i>		
Optex Systems Holdings, Inc. – (par \$0.001, 2,000,000,000 authorized, 144,444,940 and 139,444,940 shares issued and outstanding, respectively)	\$ 144	\$ 139
Optex Systems Holdings, Inc. Preferred Stock (\$0.001 par 5,000 authorized, 1,027 series A preferred issued and outstanding)	--	--
Additional Paid-in-capital	17,711	17,662
Retained Earnings (Deficit)	<u>(10,249)</u>	<u>(10,099)</u>
<i>Total Stockholders' Equity</i>	<u>\$ 7,606</u>	<u>\$ 7,702</u>
<i>Total Liabilities and Stockholders' Equity</i>	<u><u>\$ 10,929</u></u>	<u><u>\$ 9,497</u></u>

The accompanying notes are an integral part of these financial statements

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

	(Thousands)			
	Three months ended		Nine months ended	
	<u>July 1, 2012</u> <u>(Unaudited)</u>	<u>July 3, 2011</u> <u>(Unaudited)</u>	<u>July 1, 2012</u> <u>(Unaudited)</u>	<u>July 3, 2011</u> <u>(Unaudited)</u>
Revenues	\$ 3,476	\$ 3,231	\$ 11,608	\$ 11,971
Total Cost of Sales	<u>2,807</u>	<u>2,681</u>	<u>9,602</u>	<u>10,166</u>
Gross Margin	\$ 669	\$ 550	\$ 2,006	\$ 1,805
General and Administrative	<u>787</u>	<u>592</u>	<u>2,108</u>	<u>1,741</u>
Operating Income (Loss)	\$ (118)	\$ (42)	\$ (102)	\$ 64
Other Expenses				
Interest (Income) Expense - Net	<u>2</u>	<u>10</u>	<u>19</u>	<u>64</u>
Total Other	\$ 2	\$ 10	\$ 19	\$ 64
Income (Loss) Before Taxes	\$ (120)	\$ (52)	\$ (121)	\$ --
Deferred Income Taxes (Benefit)	<u>17</u>	<u>(17)</u>	<u>135</u>	<u>2</u>
Net Income (Loss) After Taxes	<u>\$ (137)</u>	<u>\$ (35)</u>	<u>\$ (256)</u>	<u>\$ (2)</u>
Less preferred stock dividend (accrued) waived	\$ --	\$ (104)	\$ 106	\$ (307)
Net income (loss) applicable to common shareholders	<u>\$ (137)</u>	<u>\$ (139)</u>	<u>\$ (150)</u>	<u>\$ (309)</u>
Basic and diluted income (loss) per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted Average Common Shares Outstanding	144,444,939	139,444,940	141,697,686	139,444,940

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CONTACT: Optex Systems Holdings, Inc.
Stanley A. Hirschman, President
(972) 764-5677
ir@optexsys.com
1420 Presidential Drive
Richardson, TX 75081

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