

December 20, 2012



Optex Systems Releases Fiscal 2012 Results

RICHARDSON, TX -- (MARKETWIRE) -- 12/20/12 -- 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 fiscal year ended September 30, 2012.

Revenues for the year ended September 30, 2012 were \$14.3 million as compared to revenues during the prior year period of \$16.2 million, representing a decrease of \$1.9 million or 11.7%. The decline in revenue is primarily due to 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. The lower Howitzer revenue of \$2.5 million was partially offset by increased revenue on our Sighting Systems due to development revenue earned on the M36 Digital Day and Night Program. The gross margin during the year ended September 30, 2012 was \$2.4 million or 16.8% of revenues as compared to a gross margin of \$2.5 million or 15.4% for the year ended October 2, 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 combined with efficiency improvements and other cost reductions in 2012. During the twelve months ended September 30, 2012, we recorded a net loss applicable to common shareholders of \$(0.26) million, as compared to a net income of \$0.18 million for the twelve months ending October 1, 2011, representing a decrease to net income of \$0.44 million. The primary reason for the decreased income relates to lower sales revenue and higher general and administrative expenses in marketing, legal, and travel expenses. The additional general and administrative costs were necessary to facilitate new product and customer growth into day and night thermal vision M36 markets. We expect the current general and administrative spending level to continue into 2013 at the same pace. We believe our investments in product development have contributed significantly to the \$21.8 million of new orders booked in fiscal year 2012 and expect these changes to increase our overall footprint in the optical vision market for tactical vehicles moving forward.

As of September 30, 2012, we had cash and cash equivalents of \$1.7 million. During the period from October 1, 2011 through September 30, 2012, cash and cash equivalents increased by \$0.2 million and paid off our line of credit for \$0.5 million. The improved working capital is primarily attributable to collections of milestone payments made against the M36 Day/Night vision contract during the year, net of inventory purchased to support the program.

Backlog as of September 30, 2012 was \$19.0 million as compared to a backlog of \$11.5 million as of October 2, 2011, representing an increase of 65.2%. During 2012, Optex Systems Holdings received \$21.8 million in new orders, consisting of an \$8.0 million M36 contract deliverable over 5 years from a major international defense contractor, a \$1.2 million other product line award from the Defense Logistics Agency for a Gunner's Head

Assembly on the M1 Abrams Tank deliverable in fiscal year 2013, and \$12.6 million in additional orders from several customers primarily in support of our periscope and other product line which will be delivered in fiscal years 2013 and 2014.

The Company continues to pursue opportunities both domestically and internationally. Danny Schoening, COO of the Company, commented, "While the overall military spending by the US Government is being reduced, we continue to see fair to steady demand as vehicles are returning from overseas duty. These vehicles are going through a reset or retrofit process, where in many cases our products are replaced due to field wear or damage. We will continue to pursue new installations while supplying existing products to existing customers for these mission critical solutions. Additionally, we continue to invest in the advancement of technology and its integration into modernized armored fleets worldwide."

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)	
	September 30, 2012	October 2, 2011
ASSETS		
Current Assets		
Cash	\$ 1,653	\$ 1,514
Accounts Receivable	1,843	2,392
Net Inventory	7,094	4,088
Prepaid Expenses	28	17
Total Current Assets	\$ 10,618	\$ 8,011
Property and Equipment		
Property Plant and Equipment	\$ 1,584	\$ 1,488
Accumulated Depreciation	(1,392)	(1,227)
Total Property and Equipment	\$ 192	\$ 261
Other Assets		
Deferred Tax Asset - Long Term	\$ 1,157	\$ 1,204
Prepaid Royalties - Long Term	210	-
Security Deposits	21	21
Total Other Assets	\$ 1,388	\$ 1,225
Total Assets	\$ 12,198	\$ 9,497
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 1,109	\$ 716
Accrued Expenses	754	547
Accrued Warranties	25	25
Customer Advance Deposits - Short Term	776	-
Credit Facility	-	507
Total Current Liabilities	\$ 2,664	\$ 1,795
Other Liabilities		
Customer Advance Deposits - Long Term	1,944	-
Total Other Liabilities	\$ 1,944	\$ -
Total Liabilities	\$ 4,608	\$ 1,795
Stockholders' Equity		
Optex Systems Holdings, Inc. - (par \$0.001, 2,000,000,000 authorized, 152,346,607 and 139,444,940 shares issued and outstanding, respectively)	\$ 152	\$ 139
Optex Systems Holdings, Inc. Preferred Stock (\$0.001 par 5,000 authorized, 1,023 and 1,027 series A preferred issued and outstanding, respectively)	-	-
Additional Paid-in-capital	17,799	17,662
Retained Earnings (Deficit)	(10,361)	(10,099)
Total Stockholders' Equity	\$ 7,590	\$ 7,702
Total Liabilities and Stockholders' Equity	\$ 12,198	\$ 9,497

The accompanying notes are an integral part of these financial statements

Optex Systems Holdings, Inc.
Consolidated Statements of Operations

	(Thousands)	
	Twelve months ended	
	September 30, 2012	October 2, 2011
Revenues	\$ 14,254	\$ 16,227
Total Cost of Sales	<u>11,849</u>	<u>13,741</u>
Gross Margin	\$ 2,405	\$ 2,486
General and Administrative	<u>2,706</u>	<u>2,408</u>
Operating Income (Loss)	\$ (301)	\$ 78
Other Expenses		
Interest (Income) Expense - Net	19	74
Total Other	<u>\$ 19</u>	<u>\$ 74</u>
Income (Loss) Before Taxes	\$ (320)	\$ 4
Deferred Income Taxes (Benefit)	<u>48</u>	<u>(587)</u>
Net Income (Loss) After Taxes	<u>\$ (368)</u>	<u>\$ 591</u>
Less preferred stock dividend (accrued) waived	\$ 106	\$ (413)
Net income (loss) applicable to common shareholders	\$ (262)	\$ 178
Basic and diluted income (loss) per share	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Weighted Average Common Shares Outstanding	143,496,377	139,444,940

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