

February 11, 2013



Optex Systems Releases First Quarter 2013 Results

RICHARDSON, TX -- (MARKETWIRE) -- 02/11/13 -- 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 fiscal quarter ended December 30, 2012.

Revenues for the quarter were \$3.9 million as compared to revenues during the same period one year ago of \$4.3 million, representing a decrease of 9.3%. The reduction in revenues was primarily attributable to completion of the M137 Howitzer program in March 2012. The revenue decrease in the current quarter was offset by an increase in gross margin percentages over the prior year quarter due to a shift to more profitable programs, thus the gross margin during the three months ending December 30, 2012 and January 1, 2012 was \$0.07 million for both periods. During the three months ended December 30, 2012, we recorded a net income applicable to common shareholders of \$.04 million as compared to a net loss applicable to common shareholders of (\$0.16) million during the three months ended January 1, 2012. The increase in net income of \$0.2 million is primarily attributable to decreased deferred income taxes of \$0.04 million, decreased preferred stock dividends of \$0.11 million, decreased interest expense of \$0.01 million and increased operating profit of \$0.04 associated with lower general and administrative spending.

Danny Schoening, CEO of the Company, commented, "In our first fiscal quarter we've seen steady demand from both domestic and international customers as we continue to monitor the automatic spending cuts (sequestration) planned for March 1, 2013 by the United States Government. It is unknown as to when or if these requirements will change given the proposed reductions in military spending. To offset this potential reduction in spending, we are continuing our effort to invest in product development as we look for new applications in corollary products for new 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.
Consolidated Balance Sheets

(Thousands)

	<u>December 30, 2012</u> <u>(Unaudited)</u>	<u>September 30, 2012</u>
ASSETS		
Current Assets		
Cash	\$ 1,413	\$ 1,653
Accounts Receivable	1,939	1,843
Net Inventory	7,773	7,094
Prepaid Expenses	76	28
Total Current Assets	\$ 11,201	\$ 10,618
Property and Equipment		
Property Plant and Equipment	\$ 1,613	\$ 1,584
Accumulated Depreciation	(1,410)	(1,392)
Total Property and Equipment	\$ 203	\$ 192
Other Assets		
Deferred Tax Asset - Long Term	\$ 1,134	\$ 1,157
Prepaid Royalties - Long Term	203	210
Security Deposits	21	21
Total Other Assets	\$ 1,358	\$ 1,388
Total Assets	\$ 12,762	\$ 12,198
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 1,027	\$ 1,109
Accrued Expenses	935	754
Accrued Warranties	25	25
Customer Advance Deposits - Short Term	1,092	776
Total Current Liabilities	\$ 3,079	\$ 2,664
Other Liabilities		
Customer Advance Deposits - Long Term	2,025	1,944
Total Other Liabilities	\$ 2,025	\$ 1,944
Total Liabilities	\$ 5,104	\$ 4,608
Stockholders' Equity		
Optex Systems Holdings, Inc. - (par \$0.001, 2,000,000,000 authorized, 152,346,607 and 152,346,607 shares issued and outstanding, respectively)	\$ 152	\$ 152
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	17,826	17,799
Retained Earnings (Deficit)	(10,320)	(10,361)
Total Stockholders' Equity	\$ 7,658	\$ 7,590
Total Liabilities and Stockholders' Equity	\$ 12,762	\$ 12,198

The accompanying notes are an integral part of these financial statements

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

(Thousands)
Three months ended

	<u>December 30, 2012</u>	<u>January 1, 2012</u>
Revenues	\$ 3,850	\$ 4,270
Total Cost of Sales	<u>3,152</u>	<u>3,568</u>
Gross Margin	\$ 698	\$ 702
General and Administrative	<u>635</u>	<u>676</u>
Operating Income (Loss)	\$ 63	\$ 26
Other Expenses		
Interest Expense - Net	<u>-</u>	<u>10</u>
Total Other	\$ -	\$ 10
Income Before Taxes	\$ 63	\$ 16
Deferred Income Taxes (Benefit)	<u>22</u>	<u>65</u>
Net Income (Loss) After Taxes	<u>\$ 41</u>	<u>\$ (49)</u>
Less preferred stock dividend (accrued) waived	\$ -	\$ (107)
Net income (loss) applicable to common shareholders	\$ 41	\$ (156)
Basic and diluted income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted Average Common Shares Outstanding	152,346,607	139,444,940

The accompanying notes are an integral part of these financial statements

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

(Thousands)

Three months ended

	<u>December 30, 2012</u>	<u>January 1, 2012</u>
Cash flows from operating activities:		
Net income (loss)	\$ 41	\$ (49)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18	113
Noncash interest expense (income)	-	5
Stock option compensation expense	27	28
(Increase) decrease in accounts receivable	(96)	382
(Increase) decrease in inventory (net of progress billed)	(679)	(134)
(Increase) decrease in prepaid expenses	(48)	(29)
(Increase) decrease in deferred tax asset (net of valuation allowance)	23	65
Increase (decrease) in accounts payable and accrued expenses	101	(277)
Increase (decrease) in customer advance deposits	397	-
Increase (decrease) in accrued estimated loss on contracts	(2)	-
Total adjustments	\$ (259)	\$ 153
Net cash (used)/provided by operating activities	\$ (218)	\$ 104
Cash flows from investing activities:		
(Increase) decrease in prepaid royalties - long term	7	-
Purchased of property and equipment	(29)	-
Net cash (used in) provided by investing activities	\$ (22)	\$ -
Cash flows from financing activities:		
Proceeds (to) from credit facility (net)	-	(319)
Net cash (used In) provided by financing activities	\$ -	\$ (319)
Net increase (decrease) in cash and cash equivalents	\$ (240)	\$ (215)
Cash and cash equivalents at beginning of period	1,653	1,514
Cash and cash equivalents at end of period	\$ 1,413	\$ 1,299
Supplemental cash flow information:		
Cash paid for interest	\$ -	5

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