

August 14, 2013



## Optex Systems Holdings, Inc. Releases Third Quarter 2013 Results

RICHARDSON, TX -- (Marketwired) -- 08/14/13 -- 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 the three and nine months ended June 30, 2013.

Revenues for the three months ended June 30, 2013 were \$4.4 million as compared to revenues during the same period one year ago of \$3.5 million, an increase of \$0.9 million or 25.7%. The increase in revenue was primarily due shipments of gunner head assemblies for \$0.8 million to the U.S. Government and increased sighting systems of \$0.4 million primarily due to deliveries of production units against the five year M36 contract. These increases were partially offset by a decrease in revenues of \$(0.3) million in our periscope product line attributable to lower customer demand of the ICWS program. The gross margin during the three months ended June 30, 2013 was \$0.67 million or 15.2% of revenues as compared to a gross margin of \$0.67 million or 19.1% for the three months ended July 1, 2012. The decreased in gross margin percentage for the quarter as compared to the prior year is primarily due to a shift in product mix toward less profitable programs during the third fiscal quarter of 2013 as compared to the prior year period. During the three months ended June 30, 2013, we recorded a net loss applicable to common shareholders of \$(0.08) million as compared to net loss applicable to common shareholders of \$(0.14) million during the three months ended July 1, 2012. The decrease in net loss of \$(0.06) million is primarily attributable to increased operating income of \$0.02 million combined with favorable changes in deferred income taxes of \$0.04 million in the current year period as compared to the prior year.

Revenues for the nine months ended June 30, 2013 were \$12.0 million as compared to revenues during the same period one year ago of \$11.6 million, an increase \$0.4 million or 3.4%. The increase in revenue is primarily due to shipments of gunner head assemblies for \$1.1 million not in the prior year, increases in the periscope shipments of \$0.1 million, sighting systems increases of \$0.5 million primarily for production units shipped against the five year M36 contract, and other products of \$0.4 million. The increased revenue was offset by the completion of the M137 Howitzer program in FY2012 of \$(1.7) million. The gross margin during the nine months ended June 30, 2013 was \$2.0 million or 16.7% of revenues as compared to a gross margin of \$2.0 million or 17.2% for the nine months ended July 1, 2012. The decrease in gross margin percentage for the year as compared to the prior year is primarily due to a shift in product mix toward less profitable programs. We expect gross margins to improve in the last fiscal quarter of 2013, and the gross margin percentage for the year to be consistent or slightly above the prior year trend. During the nine months ended June 30, 2013, we recorded a net loss applicable to common shareholders of \$(0.15) million, as compared to \$(0.15) million for the nine months ended July 1, 2012, representing a net change of zero. The net loss was unchanged from the prior year period despite the increase

in operating loss primarily as a result of changes in deferred tax benefits of \$0.2 million which was partially offset by changes in the accrued dividends on preferred stock of \$(0.11) million due to the waiver in February 2012.

Backlog as of June 30, 2013, was \$15.0 million as compared to a backlog of \$16.9 million as of July 1, 2012, representing a decrease of \$1.9 million or 11.2%. In the nine months ending June 30, 2013, Optex Systems Holdings received \$8.0 million in new orders consisting of a \$6.5 million of periscopes and \$0.2 million in sighting systems and of \$1.3 million in other product lines. The Company anticipates that buying trends from the U.S. Government will continue to be more reactive with shorter production scheduling and delivery schedules, thus reducing traditional Backlog planning.

As of June 30, 2013, we had cash and cash equivalents of \$0.9 million. During the period from October 1, 2012 through June 30, 2013, we decreased cash and cash equivalents by \$(0.75) million primarily attributable to increased purchases and inventory in support of new periscope orders and the M36 production schedule, which was partially offset by advances against the credit facility and receipts against customer deposits.

"As the U.S. defense industry adapts to the reduced government spending, we continue to find opportunities, both domestically and worldwide, for our periscopes and sighting systems" stated Optex CEO Danny Schoening. "I am pleased that our investments in developing next generation sighting products are well received by potential purchasers; we continue to believe that when defense purchasing cycles improve, Optex will be ready with both legacy and new, technology-driven products for the modern military."

## 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.**  
**Consolidated Balance Sheets**

	(Thousands)	
	June 30, 2013 (Unaudited)	September 30, 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 901	\$ 1,653
Accounts Receivable	1,543	1,843
Net Inventory	8,191	7,094
Prepaid Expenses	133	28
<b>Total Current Assets</b>	<b>\$ 10,768</b>	<b>\$ 10,618</b>
<b>Property and Equipment</b>		
Property Plant and Equipment	\$ 1,624	\$ 1,584
Accumulated Depreciation	(1,444)	(1,392)
<b>Total Property and Equipment</b>	<b>\$ 180</b>	<b>\$ 192</b>
<b>Other Assets</b>		
Deferred Tax Asset - Long Term	\$ 1,225	\$ 1,157
Prepaid Royalties - Long Term	188	210
Security Deposits	21	21
<b>Total Other Assets</b>	<b>\$ 1,434</b>	<b>\$ 1,388</b>
<b>Total Assets</b>	<b>\$ 12,382</b>	<b>\$ 12,198</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 951	\$ 1,109
Accrued Expenses	557	754
Accrued Warranties	25	25
Customer Advance Deposits - Short Term	1,134	776
Credit Facility	323	-
<b>Total Current Liabilities</b>	<b>\$ 2,990</b>	<b>\$ 2,664</b>
<b>Other Liabilities</b>		
Customer Advance Deposits - Long Term	1,828	1,944
<b>Total Other Liabilities</b>	<b>\$ 1,828</b>	<b>\$ 1,944</b>
<b>Total Liabilities</b>	<b>\$ 4,818</b>	<b>\$ 4,608</b>
<b>Stockholders' Equity</b>		
Optex Systems Holdings, Inc. - (par \$0.001, 2,000,000,000 authorized, 157,346,607 and 152,346,607 shares issued and outstanding, respectively)	\$ 157	\$ 152
Optex Systems Holdings, Inc. Preferred Stock (\$0.001 par 5,000 authorized, 1,016 and 1,027 series A preferred issued and outstanding, respectively)	-	-
Additional Paid-in-capital	17,913	17,799
Retained Earnings (Deficit)	(10,506)	(10,361)
<b>Total Stockholders' Equity</b>	<b>\$ 7,564</b>	<b>\$ 7,590</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 12,382</b>	<b>\$ 12,198</b>

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

**Optex Systems Holdings, Inc.**  
**Consolidated Statements of Operations**

	(Thousands)			
	Three months ended		Nine months ended	
	June 30, 2013 (Unaudited)	July 1, 2012 (Unaudited)	June 30, 2013 (Unaudited)	July 1, 2012 (Unaudited)
<b>Revenues</b>	\$ 4,358	\$ 3,476	\$ 11,978	\$ 11,608
<b>Total Cost of Sales</b>	3,688	2,807	9,955	9,602
<b>Gross Margin</b>	\$ 670	\$ 669	\$ 2,023	\$ 2,006
<b>General and Administrative</b>	766	787	2,208	2,108
<b>Operating Income (Loss)</b>	\$ (96)	\$ (118)	\$ (185)	\$ (102)
<b>Other Expenses</b>				
Interest Expense - Net	22	2	28	19
<b>Total Other</b>	\$ 22	\$ 2	\$ 28	\$ 19
<b>Income Before Taxes</b>	\$ (118)	\$ (120)	\$ (213)	\$ (121)
Deferred Income Taxes (Benefit)	(39)	17	(68)	135
<b>Net Income (Loss) After Taxes</b>	<u>\$ (79)</u>	<u>\$ (137)</u>	<u>\$ (145)</u>	<u>\$ (256)</u>
<b>Less preferred stock dividend (accrued) waived</b>	\$ -	\$ -	\$ -	\$ 106
<b>Net income (loss) applicable to common shareholders</b>	\$ (79)	\$ (137)	\$ (145)	\$ (150)
<b>Basic and diluted income (loss) per share</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted Average Common Shares Outstanding</b>	157,346,607	144,444,939	154,216,977	141,697,686

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