

December 19, 2013



Optex Systems Holdings, Inc. Releases 2013 Results

RICHARDSON, TX -- (Marketwired) -- 12/19/13 -- 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 year ended September 29, 2013.

Revenues for the year ended September 29, 2013 were \$17.1 million as compared to revenues during the same period one year ago of \$14.3 million, an increase \$2.8 million or 19.6%. The increased revenue is primarily due to the production ramp up of the \$8 million M36 Digital Day Night sighting system program awarded in fiscal year 2012, increased plastic periscope business related to customer base expansion due to the closure of our primary periscope competitor, and deliveries against a new gunner head assembly program to the U.S. Government in 2013. These increases were partially offset by a decrease in Howitzer programs resulting from completion of the contract in fiscal year 2012. The gross margin during the year ended September 29, 2013 was \$3.2 million or 18.7% of revenues as compared to a gross margin of \$2.4 million or 16.8% for the year ended September 30, 2012. The increase in gross margin percentage for the year as compared to the prior year is primarily due the \$2.8 million increase in revenue, combined with a shift in product mix toward more profitable programs, primarily in the last fiscal quarter of 2013. During the period ended September 29, 2013, we recorded a net income of \$0.14 million, as compared to a net loss of (\$0.26) million for the period September 30, 2012. The change in net income of \$0.40 million is primarily attributable to higher operating profit of \$0.56 million offset by changes in the accrued dividends on preferred stock of \$(0.11) million due to the waiver in February 2012, increased deferred taxes of \$(0.03) million and increased interest expense of \$(0.02) million. Backlog as of September 29, 2013 was \$12.3 million as compared to a backlog of \$19.0 million as of September 30, 2012, representing decrease of 35.2%. During 2013, Optex Systems Holdings received orders totaling \$10.3 million consisting of \$8.8 million from several customers primarily in support of our periscope product line, \$0.8 million in Sighting Systems, and \$0.7 million in the other product group.

As of September 29, 2013, we had cash and cash equivalents of \$0.9 million as compared to \$1.7 million on September 30, 2012. We decreased cash and cash equivalents by \$(0.8) million primarily due to increased accounts receivable related to timing of collections of \$(1.3) million, and increased inventory in support of the M36 Day Night program of \$(0.6) million offset by borrowing against the outstanding line of credit of \$0.9 million and net income of \$0.1 million.

Danny Schoening, Company CEO, summarized: "As the year ending September 30, 2013 began, we received an increase in product orders, most with short delivery dates and for larger than expected quantities; an early indication of the uncertainty caused by the implementation of the Budget Control Act of 2011 known as 'sequestration.' This early rush of orders contributed to higher Company performance and increase in EBITDA however, as

the year progressed and the reduced spending limits were enacted, the Company began to experience fewer long-term solicitation requests as well as reduced product quantities. We believed that this would be an indication of the on-going impact of the Budget Control Act until earlier this week when Congress reached a budget compromise and reinstated \$45 billion in defense spending cuts back into the FY 2014 Federal Budget. The results of this change in defense spending are unknown but we are positioned to take advantage of every opportunity presented to the Company and expect to understand the full impact of the restored funding by mid-2014."

He continued: "I am also pleased with the development of our products designed for fleet modernization and upgrades; the recognition of our advances in this product line was recently recognized by the issuance on Optex's first patent by the U.S. Patent and Trademark Office."

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, except share data)

| | September 29, 2013 | September 30, 2012 |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 882 | \$ 1,653 |
| Accounts Receivable | 3,118 | 1,843 |
| Net Inventory | 7,579 | 7,094 |
| Prepaid Expenses | 36 | 28 |
| Total Current Assets | \$ 11,615 | \$ 10,618 |
| Property and Equipment | | |
| Property Plant and Equipment | \$ 1,704 | \$ 1,584 |
| Accumulated Depreciation | (1,460) | (1,392) |
| Total Property and Equipment | \$ 244 | \$ 192 |
| Other Assets | | |
| Deferred Tax Asset - Long Term | \$ 1,077 | \$ 1,157 |
| Prepaid Royalties - Long Term | 180 | 210 |
| Security Deposits | 21 | 21 |
| Total Other Assets | \$ 1,278 | \$ 1,388 |
| Total Assets | \$ 13,137 | \$ 12,198 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts Payable | \$ 989 | \$ 1,109 |
| Accrued Expenses | 706 | 754 |
| Accrued Warranties | 25 | 25 |
| Customer Advance Deposits - Short Term | 769 | 776 |
| Credit Facility | 858 | - |
| Total Current Liabilities | \$ 3,347 | \$ 2,664 |
| Other Liabilities | | |
| Customer Advance Deposits - Long Term | 1,935 | 1,944 |
| Total Other Liabilities | \$ 1,935 | \$ 1,944 |
| Total Liabilities | \$ 5,282 | \$ 4,608 |
| Stockholders' Equity | | |
| 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 | 17,922 | 17,799 |
| Retained Earnings (Deficit) | (10,224) | (10,361) |
| Total Stockholders' Equity | \$ 7,855 | \$ 7,590 |
| Total Liabilities and Stockholders' Equity | \$ 13,137 | \$ 12,198 |

The accompanying notes are an integral part of these financial statements

Optex Systems Holdings, Inc.
Consolidated Statements of Operations

(Thousands, except common share data)

| | Twelve months ended September 29, 2013 | September 30, 2012 |
|-------------------------------------------------------------------------|-------------------------------------------|--------------------|
| Revenues | \$ 17,070 | \$ 14,254 |
| Total Cost of Sales | 13,861 | 11,849 |
| Gross Margin | \$ 3,209 | \$ 2,405 |
| General and Administrative | 2,950 | 2,705 |
| Operating Income (Loss) | \$ 259 | \$ (300) |
| Other Expenses | | |
| Interest Expense - Net | 42 | 19 |
| Total Other | \$ 42 | \$ 19 |
| Income Before Taxes | \$ 217 | \$ (319) |
| Deferred Income Taxes (Benefit) | 80 | 48 |
| Net Income (Loss) After Taxes | \$ 137 | \$ (367) |
| Less preferred stock dividend (accrued) waived | \$ - | \$ 106 |
| Net income (loss) applicable to common shareholders | \$ 137 | \$ (261) |
| Basic income (loss) per share | \$ 0.0009 | \$ (0.0018) |
| Weighted average common shares outstanding - Basic | 154,997,706 | 143,496,377 |
| Potentially diluted income (loss) per share | \$ 0.0002 | \$ (0.0018) |
| Weighted average common shares outstanding - Potentially diluted | 904,749,343 | 143,496,377 |

The accompanying notes are an integral part of these financial statements

Optex Systems Holdings, Inc.
Stanley A. Hirschman
President
(972) 764-5700
ir@optexsys.com
1420 Presidential Drive
Richardson, TX 75081

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