

May 17, 2017



Optex Systems Holdings, Inc. Announces Second Quarter 2017 Financial Highlights

RICHARDSON, TX -- (Marketwired) -- 05/17/17 -- Optex Systems Holdings, Inc. (OTCQB: OPXS), a leading manufacturer of precision optical sighting systems for domestic and worldwide military and commercial applications, announced financial highlights from its 2017 second quarter financial results.

Backlog as of April 2, 2017, was \$16.9 million as compared to a backlog of \$12.0 million as of October 2, 2016, representing an increase of \$4.9 million or 40.8%. During the six months ending April 2, 2017, Optex Systems booked \$12.4 million in new orders, representing a 25.3% increase over the booked orders of \$9.9 million in the prior year period ending March 27, 2016. Optex Systems, Inc. has experienced an increase in US government demand for laser protected periscopes in support of ongoing maintenance of US combat vehicles in addition to increased orders for foreign markets. Our total periscope contract awards for the six months ending April 2, 2017 totaled \$6.1 million, a 41.9 % increase compared to the prior year period ending March 27, 2016. The Applied Optics Center booked new orders for the six month period of \$5.3 million, an increase of 47.2% over the prior year first half orders with significant new commercial orders booked against a multi-year strategic supplier agreement for optical assemblies.

Our consolidated revenue increased by \$1.1 million or 17.5% during the six months ending April 2, 2017, as compared to the six months ending March 27, 2016. Increased revenue was realized across each of the operating segments with growth in both military and commercial customers' demands.

The gross margin increased by \$0.6 million, and 5.1% points to 20.4% from 15.3% during the six months ending April 2, 2017 as compared to the six months ending March 27, 2016. We experienced gross margin improvements across both operating segments during the current year and attribute the gross margin growth to higher revenue combined with cost efficiency improvements and changes in product mix between the respective periods. We expect the gross margin for both segments to continue to improve through the second half of the fiscal year on higher revenue.

Danny Schoening, CEO of the Optex Systems Holdings, Inc. commented, "We are cautiously optimistic that recent proposed boosts in military spending by the government administration will have a favorable impact in the direction of funding and additional product needs for the U.S. military. We continue to pursue new military and commercial opportunities both domestically and abroad for each of our operating segments while maintaining our current footprint with U.S. military vehicle manufactures. Optex remains focused on providing high quality optical products and pursuing cost efficiency improvements to remain competitively priced, provide savings to our customers and increase our bottom line profitably."

Highlights of the unaudited Consolidated and Segment Results of Operations have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). These financial highlights are excerpts which do not include all information and disclosures set forth in the consolidated financial statements and footnotes and do not present a balanced or complete picture of the Company's financial status, and should be read in conjunction with the Form 10-Q for the quarterly period ended April 2, 2017 filed with the SEC on May 17, 2017.

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 contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the products and services described herein. You can identify these statements by the use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs and military spending, the timing of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in the U.S. Government's interpretation of federal procurement rules and regulations, changes in spending due to policy changes in any new federal presidential administration, market acceptance of the Company's products, shortages in components, production delays due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, changes to export regulations, increases in tax rates, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, changes in the market for microcap stocks regardless of growth and value and various other factors beyond our control.

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.

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