

December 20, 2017



Optex Systems Holdings, Inc. Announces Year ending October 1, 2017 Financial Highlights

RICHARDSON, TX -- (Marketwired) -- 12/20/17 -- 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 fiscal 2017 annual financial results and dividend dates for first quarter of fiscal year 2018.

2018 First Quarter Dividends:

The fiscal year 2018 first quarter dividend payment date for shareholders and warrant holders will be January 19, 2018 with the date of record as January 12, 2018.

Fiscal year 2017 Financial Highlights:

Backlog as of October 1, 2017, was \$15.7 million as compared to a backlog of \$12.0 million as of October 2, 2016, representing an increase of \$3.7 million or 30.8%. During the twelve months ending October 1, 2017, Optex Systems booked \$22.3 million, a 26.7% increase, as compared to new orders of \$17.6 million booked during the prior year. Backlog for our periscope product line has increased 44.1% or \$1.5 million to \$4.9 million, from our ending 2016 fiscal year level of \$3.4 million. Our total periscope contract awards for fiscal 2017 totaled \$8.6 million as compared to \$7.8 million in the fiscal year 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 from major defense contractors in support of foreign markets. Sighting Systems backlog increased by \$0.9 million or 28.1% in the last twelve months. We received a substantial contract award in September 2017 from a major defense contractor of \$1.35 million to provide LAV 6.0 optimized weapon system support for Optex's Commander Sighting System. The Applied Optics Center backlog increased by \$3.0 million, or 98.6%, for the year ending 2017 from \$3.0 million in 2016 to \$6.1 million in 2017 with significant new commercial orders booked against a multi-year strategic supplier agreement for optical assemblies as well as domestic military orders for night vision goggle laser interference filter assemblies and night vision assemblies.

Our consolidated revenue for the twelve month period ending October 1, 2017 was \$18.5 million as compared to the prior year nine months period ending October 2, 2016 revenue of \$17.3. The revenue increased by \$1.2 million, primarily due to higher commercial optical assemblies in our Applied Optics Center, \$1.4 million, combined with increased revenues at our Optex Richardson site for military collimator assemblies, \$1.8 million, which was offset by decreases in other product groups of \$2.0 million. We are anticipating a strong fourth quarter of fiscal 2017 based on increasing customer demand for military plastic periscopes and commercial optical assemblies. As we are entering fiscal year 2018 with a strong backlog,

we anticipate our first quarter 2018 revenue to exceed the prior year first quarter period.

The gross margin increased by \$0.3 million to \$3.4 million in 2017 as compared to \$3.1 million in 2016. The gross margin during the period ending October 1, 2017 was 18.4% of revenue as compared to a gross margin of 17.7% of revenue for the period ending October 2, 2016. We attribute the improvement in gross margin to higher revenue combined with cost efficiency improvements at the Applied Optics Center combined with changes in product mix between the respective years. We expect the gross margin for both segments to continue to improve into the 2018 fiscal year on higher revenue, improved pricing on our sighting system products and continued improvements across our Applied Optics optical assemblies.

During the period ending October 1, 2017, we recorded operating income of \$0.2 million as compared to an operating loss of (\$0.9) million during the period ending October 2, 2016. The \$1.1 million increase in operating income in the current year over the prior year is primarily due to the increased gross margin of \$0.3 million on higher revenue and reduced general and administrative costs of (\$0.8) million in 2017 as compared to 2016. The prior year general and administrative costs included (\$0.7) million in non-recurring warrant expenses associated with the public offering in August 2016.

During the year ended October 1, 2017, we recorded a net loss applicable to common shareholders of (\$0.3) million as compared to net loss applicable to common shareholders of (\$1.4) million during the year ended October 2, 2016. The decreased loss of \$1.1 million is primarily attributable to a decrease in operating losses of \$1.1 million. The 2017 net loss was primarily driven by non-cash losses on the change in fair value of warrants of (\$0.5) million which was driven by the impact of the increase in stock price during the year, combined with the declaration of quarterly cash dividends on our outstanding shares and warrants.

Danny Schoening, CEO of the Optex Systems Holdings, Inc. commented, "We are excited about the recent increases in orders and revenues that the Company's operating segments have experienced during the year across both our military and commercial product lines and we are 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 do not include all information and disclosures required in the consolidated financial statements and footnotes, and should be read in conjunction with the Form 10-K for the quarterly period ended October 1, 2017 filed with the SEC on December 20, 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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