

May 18, 2011



Optex Systems Releases Fiscal 2011 Second Quarter Financial Results

RICHARDSON, Texas, May 18, 2011 (GLOBE NEWSWIRE) -- 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 April 3, 2011.

Revenues for the quarter were \$3.8 million as compared to revenues during the same period one year ago of \$6.3 million, representing a decrease of 40%. Revenues for the six months ending April 3, 2011 were \$8.7 million as compared to \$12.2 million in the prior year period, representing a 29% decrease. The reduction in revenues was primarily attributable to decreased military spending by the U.S government. During the three and six months ended April 3, 2011, the Company recorded a net loss of \$119 thousand and \$170 thousand, as compared to a net loss of \$89 thousand and \$103 thousand for the three and six months ended March 28, 2010. Despite reduced revenues during the period, Optex was able to minimize the impact to net income year-over-year. The revenue decrease in the current quarter was offset by an increase in gross margin percentages over the prior year periods and the implementation of cost reductions by the Company, including the elimination of intangible amortization expense in the current year due to the write off of the remaining intangibles in the last fiscal quarter of 2010.

Our EBITDA declined by \$0.18 million from \$0.2 million for the quarter ended April 3, 2011 to \$0.02 million in the current quarter. EBITDA for the six months ending April 3, 2011 declined by \$0.46 million, from \$0.60 million to \$0.14 million from the prior year period. The EBITDA reduction was primarily attributable to the reductions in revenue in the current quarter and year as compared to the prior year. Optex was able to minimize the impact of lower revenues through cost improvements resulting in a 2.2% increase in the gross margin percentages and a 9.7% reduction in general and administrative spending in the six months ending April 3, 2011 as compared to 2010. We continue to pursue cost efficiencies in the production and general and administrative areas.

The Company continues to aggressively pursue additional business, including potentially higher margin periscope business. In April 2011, Optex Systems hired a Vice President-Business Development with an effective start date of May 16, 2011. Responsibilities of the position include the pursuit of new business opportunities through product development and customer growth within current and future defense programs. New orders booked in the six months ending April 3, 2011 are \$3.5 million consisting primarily of \$2.4 million in foreign and domestic periscope orders from several major defense contractors, combined with foreign Howitzer unit orders of \$0.3 million and other product group orders of \$0.8 million.

Danny Schoening, COO of the Company, commented, "During the six months ended April 3, 2011, we streamlined the Company's operations in anticipation of lower sales volume as a result of broad-range reductions in U.S. military spending. Although approval of the 2011

Congressional budget was finally passed in mid-April, the current U.S. government spending continues to be based upon appropriations at 2010 levels. The first presidential draft of the fiscal year 2012 budget was released in mid February and does not show any material increases proposed in defense spending. We continue to explore other opportunities for manufacturing outside of our traditional product lines for products which could be manufactured with current resources to fully utilize our existing capacity. We have been able to mitigate some of the decrease in U.S. governmental spending with international orders and other new business. In addition, during fiscal 2010, we completed several existing contracts associated with legacy loss and low margin periscope orders. As a result, the average gross margin during the quarter increased to 15.8% of revenues as compared to 11.2% for the three months ended March 28, 2010, providing positive operating cash flow despite a 40% decrease in Revenue."

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.

Condensed Consolidated Balance Sheets

(Thousands)

April 3, 2011 October 3, 2010

ASSETS

Current Assets

Cash	\$ 712	\$ 1,030
Accounts Receivable	2,004	2,375
Federal Income Tax Receivable	376	--
Deferred Tax Asset - Short Term		376
Net Inventory	5,913	5,890
Prepaid Expenses	<u>56</u>	<u>245</u>

<i>Total Current Assets</i>	<i>\$ 9,061</i>	<i>\$ 9,916</i>
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Property and Equipment

Property Plant and Equipment	\$ 1,479	\$ 1,457
Accumulated Depreciation	<u>(1,194)</u>	<u>(1,161)</u>

<i>Total Property and Equipment</i>	<i>\$ 285</i>	<i>\$ 296</i>
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Other Assets

Deferred Tax Asset - Long Term	\$ 597	\$ 617
Security Deposits	<u>21</u>	<u>21</u>

<i>Total Other Assets</i>	<i><u>\$ 618</u></i>	<i><u>\$ 638</u></i>
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<i>Total Assets</i>	<i><u><u>\$ 9,964</u></u></i>	<i><u><u>\$ 10,850</u></u></i>
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	\$ 912	\$ 763
Accrued Expenses	752	574
Accrued Warranties	25	25
Accrued Contract Losses	732	1,357
Credit Facility	<u>436</u>	<u>1,107</u>

<i>Total Current Liabilities</i>	<i><u>\$ 2,857</u></i>	<i><u>\$ 3,826</u></i>
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<i>Total Liabilities</i>	<i>\$ 2,857</i>	<i>\$ 3,826</i>
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Stockholders' Equity

Optex Systems Holdings, Inc. – (par \$0.001, 200,000,000 authorized, 139,444,940 shares issued and outstanding)	\$ 139	\$ 139
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Optex Systems Holdings, Inc. Preferred Stock (\$0.001 par
5,000 authorized, 1027 series A preferred issued and
outstanding)

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Additional Paid-in-capital	17,415	17,162
Retained Earnings (Deficit)	<u>(10,447)</u>	<u>(10,277)</u>
<i>Total Stockholders' Equity</i>	<u>\$ 7,107</u>	<u>\$ 7,024</u>
<i>Total Liabilities and Stockholders' Equity</i>	<u><u>\$ 9,964</u></u>	<u><u>\$ 10,850</u></u>

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

(Thousands)

	Three months ended		Six months ended	
	<u>April 3, 2011</u>	<u>March 28, 2010</u>	<u>April 3, 2011</u>	<u>March 28, 2010</u>
Revenues	\$ 3,756	\$ 6,318	\$ 8,740	\$ 12,233
Total Cost of Sales	<u>3,164</u>	<u>5,587</u>	<u>7,485</u>	<u>10,747</u>
Gross Margin	\$ 592	\$ 731	\$ 1,255	\$ 1,486
General and Administrative				
General Expenses	589	664	1,149	1,272
Amortization of Intangible Assets	<u>--</u>	<u>80</u>	<u>--</u>	<u>160</u>
Total General and Administrative	\$ 589	\$ 744	\$ 1,149	\$ 1,432
Operating Income (Loss)	\$ 3	\$ (13)	\$ 106	\$ 54
Other Expenses				
Interest (Income) Expense - Net	<u>30</u>	<u>35</u>	<u>53</u>	<u>39</u>
Total Other	\$ 30	\$ 35	\$ 53	\$ 39
Income (Loss) Before Taxes	\$ (27)	\$ (48)	\$ 53	\$ 15
Deferred Income Taxes (Benefit)	<u>(10)</u>	<u>(56)</u>	<u>20</u>	<u>(74)</u>
Net Income (Loss) After Taxes	<u>\$ (17)</u>	<u>\$ 8</u>	<u>\$ 33</u>	<u>\$ 89</u>
Less preferred stock dividend	\$ (102)	\$ (97)	\$ (203)	\$ (192)
Net loss applicable to common shareholders	\$ (119)	\$ (89)	\$ (170)	\$ (103)
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted Average Common Shares Outstanding	139,444,940	139,444,940	139,444,940	139,444,940

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