

February 22, 2012



Optex Systems Releases Fiscal 2012 First Quarter Financial Results

RICHARDSON, Texas, Feb. 22, 2012 (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 January 1, 2012.

Revenues for the fiscal quarter ending January 1, 2012 were \$4.3 million as compared to revenues during the same period one year ago of \$5.0 million, representing a decrease of \$0.7 million or 14.0%. The decline in revenue is primarily due to completion of two of our Howitzer programs in FY2011 with no current follow-on contracts, combined with an overall downturn in government defense spending. Despite the decline in revenue, our gross margin improved to \$0.7 million or 16.3% of revenues as compared to a gross margin of \$0.7 million or 14.0% for the same period in the prior year. The increase in our gross margin percentage for the quarter as compared to the prior year was primarily due to a shift in product mix toward more profitable programs and completion of the Howitzer loss programs in 2011.

During the three months ended January 1, 2012, we recorded a net loss applicable to common shareholders of \$(0.16) million, as compared to \$(0.05) million for the three months ended January 2, 2011, representing an increased loss of \$(0.11) million. The increased loss is primarily due to a \$0.1 million increase in general and administrative costs in the current year over prior year levels, primarily related to product development. We expect the increased general and administrative costs to continue throughout fiscal year 2012 with an overall increase of approximately 20% over the prior year level. We believe these investments in product development have contributed significantly to the new orders booked in the first quarter of fiscal year 2012 and anticipate that they will continue to increase our overall footprint in the optical vision market for tactical vehicles moving forward.

Our backlog as of January 1, 2012 was \$19.5 million as compared to a backlog of \$16.6 million as of January 2, 2011, representing an increase of 17.5%. In the first fiscal quarter of 2012, Optex Systems Holdings received \$12.3 million in new orders consisting of a \$7.8 million M36 contract deliverable over 5 years from a major international defense contractor, a \$1.2 million other product line award from the Defense Logistics Agency for a Gunner's Head Assembly on the M1 Abrams Tank deliverable in fiscal year 2012, and \$3.3 million in additional orders from several customers primarily in support of our periscope and other product line which will be delivered in fiscal years 2012 and 2013.

The Company continues to aggressively pursue additional business, including potentially higher margin periscope business. Danny Schoening, COO of the Company, commented, "Given the current reduction in overall military spending by the US Government, we continue to focus our efforts on international opportunities while supporting our domestic customer base. Typically, our products offer tremendous performance vs. cost and we are pursuing opportunities within the US Defense spending channels where newer lower cost solutions

may now align with Government budget objectives. Evidence of success in this approach was validated by the \$7.8M international award and the \$1.15M Defense Logistics Agency award previously announced during our first fiscal quarter."

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)

January 1, 2012 (Unaudited)	October 2, 2011
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ASSETS

Current Assets

Cash	\$ 1,299	\$ 1,514
Accounts Receivable	2,010	2,392
Net Inventory	4,222	4,088
Prepaid Expenses	<u>46</u>	<u>17</u>
<i>Total Current Assets</i>	<i>\$ 7,577</i>	<i>\$ 8,011</i>
<i>Property and Equipment</i>		
Property Plant and Equipment	\$ 1,488	\$ 1,488
Accumulated Depreciation	<u>(1,340)</u>	<u>(1,227)</u>
<i>Total Property and Equipment</i>	<i>\$ 148</i>	<i>\$ 261</i>
<i>Other Assets</i>		
Deferred Tax Asset - Long Term	\$ 1,140	\$ 1,204
Security Deposits	<u>21</u>	<u>21</u>
<i>Total Other Assets</i>	<i>\$ 1,161</i>	<i>\$ 1,225</i>
<i>Total Assets</i>	<i>\$ 8,886</i>	<i>\$ 9,497</i>

LIABILITIES AND STOCKHOLDERS' EQUITY

<i>Current Liabilities</i>		
Accounts Payable	\$ 573	\$ 716
Accrued Expenses	419	547
Accrued Warranties	25	25
Credit Facility	<u>188</u>	<u>507</u>
<i>Total Current Liabilities</i>	<i>\$ 1,205</i>	<i>\$ 1,795</i>
<i>Total Liabilities</i>	<i>\$ 1,205</i>	<i>\$ 1,795</i>
<i>Stockholders' Equity</i>		
Optex Systems Holdings, Inc. – (par \$0.001, 2,000,000,000 authorized, 139,444,940 shares issued and outstanding)	\$ 139	\$ 139
Optex Systems Holdings, Inc. Preferred Stock (\$0.001 par 5,000 authorized, 1,027 series A preferred issued and outstanding)	--	--
Additional Paid-in-capital	17,797	17,662
Retained Earnings (Deficit)	<u>(10,255)</u>	<u>(10,099)</u>
<i>Total Stockholders' Equity</i>	<i>\$ 7,681</i>	<i>\$ 7,702</i>
<i>Total Liabilities and Stockholders' Equity</i>	<i>\$ 8,886</i>	<i>\$ 9,497</i>

Optex Systems Holdings, Inc.
Consolidated Statements of Operations

(Thousands)
Three months ended

	<u>January 1, 2012</u> <u>(Unaudited)</u>	<u>January 2, 2011</u>
<i>Revenues</i>	\$ 4,270	\$ 4,984
<i>Total Cost of Sales</i>	<u>3,568</u>	<u>4,321</u>
<i>Gross Margin</i>	\$ 702	\$ 663
<i>General and Administrative</i>	<u>676</u>	<u>560</u>
<i>Operating Income (Loss)</i>	\$ 26	\$ 103
<i>Other Expenses</i>		
<i>Interest (Income) Expense - Net</i>	<u>10</u>	<u>23</u>
<i>Total Other</i>	\$ 10	\$ 23
<i>Income (Loss) Before Taxes</i>	\$ 16	\$ 80
<i>Deferred Income Taxes (Benefit)</i>	<u>65</u>	<u>29</u>
<i>Net Income (Loss) After Taxes</i>	\$ (49)	\$ 51
<i>Less preferred stock dividend</i>	\$ (107)	\$ (101)
<i>Net income (loss) applicable to common shareholders</i>	\$ (156)	\$ (50)
<i>Basic and diluted income (loss) per share</i>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<i>Weighted Average Common Shares Outstanding</i>	139,444,940	139,444,940

CONTACT: Optex Systems Holdings, Inc.
Stanley A. Hirschman, President
(972) 644-0722
ir@optexsys.com
1420 Presidential Drive
Richardson, TX 75081

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