

May 16, 2012



Optex Systems Holdings Announces Quarterly Earnings Results

RICHARDSON, Texas, May 16, 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 the three and six months ended April 1, 2012.

Revenues for the three months ended April 1, 2012 were \$3.9 million as compared to revenues during the same period one year ago of \$3.8 million, representing an increase of \$0.1 million or 2.6%. The increase in revenue is primarily due to higher production quantities of our ICWS periscope. Gross margin during the three months ended April 1, 2012 was \$0.64 million or 16.4% of revenues as compared to a gross margin of \$0.59 million or 15.5% for the three months ended April 3, 2011. The increase in gross margin percentage for the quarter as compared to the prior year is 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 April 1, 2012, we recorded a net income applicable to common shareholders of \$0.11 million, as compared to a loss of (\$0.12) million for the three months ended April 3, 2011, representing a decreased loss of \$0.23 million. The primary reason for the decreased loss relates to the waiver of dividends in arrears on preferred stock of \$0.21 million in February 2012 combined with increased revenue and gross profit for the period.

Revenues for the six months ended April 1, 2012 were \$8.1 million as compared to revenues during the same period one year ago of \$8.7 million, representing a decrease of (\$0.6) million or (6.9%). The decline in revenue is primarily due to the completion of two of our Howitzer programs in FY2011 and the completion of the one remaining Howitzer program in March 2012, with no current follow-on contracts. We do not expect any additional Howitzer revenues during the next six months of 2012 as the contracts are complete. Gross margin during the six months ended April 1, 2012 was \$1.3 million or 16.1% of revenues as compared to a gross margin of \$1.3 million or 14.9% for the six months ended April 3, 2011. The increase in gross margin percentage is primarily due to a shift in product mix toward more profitable programs and the completion of the Howitzer loss programs in 2011 and 2012. During the six months ended April 1, 2012, we recorded a net loss applicable to common shareholders of (\$0.04) million, as compared to (\$0.17) million for the six months ended April 3, 2011, representing a decreased loss of \$0.13 million. The primary reason for the decreased loss relates to the aforementioned waiver of dividends in arrears on preferred stock of \$0.21 million in February 2012 partially offset by increased spending in general and administrative costs related to marketing, management incentives, research and development, and increased travel expenses. 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 expect our product development efforts will continue to increase our

overall footprint in the optical vision market for tactical vehicles moving forward.

As of April 1, 2012, we had cash and cash equivalents of \$3.4 million. During the period from October 3, 2011 through April 1, 2012, we increased cash and cash equivalents by \$1.8 million primarily attributable to collections of milestone payments made against M36 Day/Night vision contract during the three months ending April 1, 2012.

Backlog as of April 1, 2012 was \$18.0 million as compared to a backlog of \$13.8 million as of April 3, 2011, representing an increase of 30.4%. During the first two fiscal quarters of 2012, Optex Systems Holdings received \$14.7 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 award from the Defense Logistics Agency for a Gunner's Head Assembly on the M1 Abrams Tank deliverable in fiscal year 2012, and \$5.5 million in additional orders from several customers, primarily for our periscope and other product lines that will be delivered in fiscal years 2012 through 2015.

The Company continues to aggressively pursue additional business, including potentially higher margin periscope business. Danny Schoening, COO of the Company, commented, "The reduction in ground vehicle procurement by the US Government continues to affect our existing product sales and we are pursuing international opportunities to help offset this reduction in volume. Concurrently, we are seeing favorable response to our efforts to transform traditional periscope products with high definition cameras, night vision capabilities and digital displays, in response to vehicle upgrade programs. We believe these technology upgrades will increase the overall value that our product provides and, our customer base, as they are specifically designed for both the domestic and international markets. "

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)

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

Current Assets

Cash	\$ 3,351	\$ 1,514
Accounts Receivable	1,986	2,392
Net Inventory	4,146	4,088
Prepaid Expenses	47	17
<i>Total Current Assets</i>	<i>\$ 9,530</i>	<i>\$ 8,011</i>

Property and Equipment

Property Plant and Equipment	\$ 1,523	\$ 1,488
Accumulated Depreciation	(1,352)	(1,227)
<i>Total Property and Equipment</i>	<i>\$ 171</i>	<i>\$ 261</i>

Other Assets

Deferred Tax Asset - Long Term	\$ 1,087	\$ 1,204
Security Deposits	21	21
Intangibles	50	--
<i>Total Other Assets</i>	<i>\$ 1,158</i>	<i>\$ 1,225</i>

<i>Total Assets</i>	<i>\$ 10,859</i>	<i>\$ 9,497</i>
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	\$ 938	\$ 716
Accrued Expenses	546	547
Accrued Warranties	25	25
Customer Advance Deposits - Short Term	400	--
Credit Facility	<u>--</u>	<u>507</u>
<i>Total Current Liabilities</i>	<u>\$ 1,909</u>	<u>\$ 1,795</u>

Other Liabilities

Customer Advance Deposits - Long Term	<u>1,247</u>	<u>--</u>
<i>Total Other Liabilities</i>	<u>\$ 1,247</u>	<u>\$ --</u>

<i>Total Liabilities</i>	<u>\$ 3,156</u>	<u>\$ 1,795</u>
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Stockholders' Equity

Optex Systems Holdings, Inc. – (par \$0.001, 2,000,000,000 authorized, 144,444,940 and 139,444,940 shares issued and outstanding, respectively)	\$ 144	\$ 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	17,670	17,662
Retained Earnings (Deficit)	<u>(10,111)</u>	<u>(10,099)</u>

<i>Total Stockholders' Equity</i>	<u>\$ 7,703</u>	<u>\$ 7,702</u>
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<i>Total Liabilities and Stockholders' Equity</i>	<u><u>\$ 10,859</u></u>	<u><u>\$ 9,497</u></u>
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The accompanying notes are an integral part of these financial statements

Optex Systems Holdings, Inc.
Consolidated Statements of Operations

	(Thousands)			
	Three months ended		Six months ended	
	April 1, 2012 (Unaudited)	April 3, 2011 (Unaudited)	April 1, 2012 (Unaudited)	April 3, 2011 (Unaudited)
Revenues	\$ 3,863	\$ 3,756	\$ 8,133	\$ 7,855
Total Cost of Sales	<u>3,227</u>	<u>3,164</u>	<u>6,795</u>	<u>6,700</u>
Gross Margin	\$ 636	\$ 592	\$ 1,338	\$ 1,155
General and Administrative	<u>645</u>	<u>589</u>	<u>1,321</u>	<u>1,250</u>
Operating Income (Loss)	\$ (9)	\$ 3	\$ 17	\$ 105
Other Expenses				
Interest (Income) Expense - Net	<u>7</u>	<u>30</u>	<u>17</u>	<u>17</u>
Total Other	\$ 7	\$ 30	\$ 17	\$ 17
Income (Loss) Before Taxes	\$ (16)	\$ (27)	\$ --	\$ 122
Deferred Income Taxes (Benefit)	<u>53</u>	<u>(10)</u>	<u>118</u>	<u>118</u>
Net Income (Loss) After Taxes	<u>\$ (69)</u>	<u>\$ (17)</u>	<u>\$ (118)</u>	<u>\$ 240</u>
Less preferred stock dividend (accrued) waived	\$ 213	\$ (102)	\$ 106	\$ 106
Net income (loss) applicable to common shareholders	\$ 144	\$ (119)	\$ (12)	\$ 346
Basic and diluted income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Weighted Average Common Shares Outstanding	141,203,181	139,444,940	140,324,060	139,444,940

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Optex Systems Holdings, Inc.

Consolidated Statements of Cash Flows

(Thousands)

Six months ended

	April 1, 2012 (Unaudited)	April 3, (Unaudited)
<i>Cash flows from operating activities:</i>		
Net income (loss)	\$ (118)	
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	125	
(Increase) decrease of intangible assets	(50)	
Provision for allowance for inventory valuation	--	
Noncash interest expense (income)	(1)	
Stock option compensation expense	69	
(Increase) decrease in accounts receivable	406	
(Increase) decrease in federal income tax receivable	--	
(Increase) decrease in inventory (net of progress billed)	(58)	
(Increase) decrease in prepaid expenses	(30)	
(Increase) decrease in deferred tax asset (net of valuation allowance)	118	
Increase (decrease) in accounts payable and accrued expenses	221	
Increase (decrease) in customer advance deposits	1,647	
Increase (decrease) in accrued estimated loss on contracts	--	
<i>Total adjustments</i>	<u>\$ 2,447</u>	
<i>Net cash (used)/provided by operating activities</i>	<u>\$ 2,329</u>	
<i>Cash flows from investing activities:</i>		
Purchased of property and equipment	(35)	
<i>Net cash (used in) provided by investing activities</i>	<u>\$ (35)</u>	
<i>Cash flows from financing activities:</i>		
Proceeds (to) from credit facility (net)	(507)	
Proceeds from issuance of common stock	50	
<i>Net cash (used in) provided by financing activities</i>	<u>\$ (457)</u>	
Net increase (decrease) in cash and cash equivalents	\$ 1,837	
Cash and cash equivalents at beginning of period	1,514	
<i>Cash and cash equivalents at end of period</i>	<u>\$ 3,351</u>	

Supplemental cash flow information:

Cash paid for interest	\$ 19
Cash paid (refund received) for taxes	\$ --

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Source: Optex Systems Holdings, Inc.