



IRVINE SENSORS
CORPORATION

CONTACT: Investor Relations
Irvine Sensors Corporation
714-444-8718
investorrelations@irvine-sensors.com

IRVINE SENSORS RELEASES FISCAL 2005 RESULTS

Record Revenues Increase 68% to \$23 Million

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- December 15, 2005 -- Irvine Sensors Corporation (NASDAQ: IRSN, Boston Stock Exchange: ISC) today reported operating results for its fourth fiscal quarter and fiscal 2005, the 13 weeks and 52 weeks ended October 2, 2005.

Total revenues for fiscal 2005 were \$23,049,000, up 68% from \$13,686,700 fiscal 2004, which ended October 3, 2004, setting a record for the Company. Total revenues in the 13-week fourth fiscal quarter ended October 2, 2005 were \$6,646,400, an increase of 50% from \$4,419,300 for the fourth quarter of fiscal 2004.

Net loss for fiscal 2005 was \$1,796,500, a 57% decrease from the \$4,166,900 net loss of fiscal 2004. Net loss for the fourth fiscal quarter was \$427,600, inclusive of non-recurring expenses associated with litigation settlement and discontinuation of operations of the Company's Novalog subsidiary. This compared to a net loss of \$937,500 in the fourth quarter of fiscal 2004, a period which incurred no comparable non-recurring expenses. Cash and working capital at October 2, 2005 were approximately \$1.3 million and \$2.7 million, respectively.

As previously announced, Irvine Sensors' CEO John Carson and CFO John Stuart will host a web cast conference call to discuss these results today, Thursday, December 15, 2005 at 1:15 PM Pacific Daylight Time.

Irvine Sensors Corporation, headquartered in Costa Mesa, California, is primarily engaged in the sale of stacked chip assemblies and infrared cameras and research and development related to high density electronics, miniaturized sensors and cameras, optical interconnection technology, high speed routers, image processing and low-power analog and mixed-signal integrated circuits for diverse systems applications.

IRVINE SENSORS CORPORATION
CONSOLIDATED BALANCE SHEETS

	October 2, 2005	October 3, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,309,600	\$ 2,064,100
Restricted cash	41,200	43,500
Accounts receivable, net of allowance for doubtful accounts of \$70,000 and \$85,000, respectively	1,190,000	1,327,000
Unbilled revenues on uncompleted contracts	1,968,800	930,600
Inventory, net	1,164,300	980,100
Other current assets	82,500	133,500
Total current assets	5,756,400	5,478,800
Property and equipment, net	5,052,700	4,926,500
Patents and trademarks, net	753,000	748,300
Deposits and other assets	91,100	89,400
Total assets	\$ 11,653,200	\$ 11,243,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,746,000	\$ 1,320,000
Accrued expenses	1,049,700	824,500
Accrued loss on contracts	26,200	34,600
Advance billings on uncompleted contracts	97,700	33,800
Capital lease obligations – current portion	148,500	118,300
Total current liabilities	3,068,100	2,331,200
Capital lease obligations, less current portion	81,000	156,700
Minority interest in consolidated subsidiaries	409,900	419,000
Total liabilities	3,559,000	2,906,900
Stockholders' equity:		
Common stock, \$0.01 par value, 80,000,000 shares authorized; 18,669,700 and 17,806,300 shares issued and outstanding, respectively	186,700	178,100
Common stock warrants, 1,233,900 and 1,508,100 warrants outstanding, respectively	-	-
Common stock held by Rabbi Trust	(702,000)	(482,000)
Deferred compensation liability	702,000	482,000
Paid-in capital	119,831,100	118,285,100
Accumulated deficit	(111,923,600)	(110,127,100)
Total stockholders' equity	8,094,200	8,336,100
	\$ 11,653,200	\$ 11,243,000

IRVINE SENSORS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended		
	October 2, 2005	October 3, 2004	September 28, 2003
Revenues:			
Contract research and development revenue	\$ 20,664,300	\$ 11,879,700	\$ 10,367,900
Product sales	2,287,700	1,724,300	1,237,000
Other revenue	97,000	82,700	60,400
Total revenues	<u>23,049,000</u>	<u>13,686,700</u>	<u>11,665,300</u>
Cost and expenses:			
Cost of contract research and development revenue	15,310,100	7,785,900	7,790,200
Cost of product sales	1,944,100	1,744,000	1,627,100
General and administrative expense	6,447,000	5,989,600	5,298,800
Research and development expense	829,500	2,069,300	2,594,500
Total costs and expenses	<u>24,530,700</u>	<u>17,588,800</u>	<u>17,310,600</u>
Loss from operations	(1,481,700)	(3,902,100)	(5,645,300)
Interest expense	(43,000)	(82,800)	(154,600)
Other expense	(94,800)	-	-
Interest and other income	13,100	3,900	500
Loss on disposal and impairment of assets	(5,800)	(29,700)	(369,400)
Loss from continuing operations before minority interest and provision for income taxes	(1,612,200)	(4,010,700)	(6,168,800)
Minority interest in loss of subsidiaries	9,100	12,500	7,900
Provision for income taxes	(16,100)	(19,100)	(15,000)
Loss from continuing operations	(1,619,200)	(4,017,300)	(6,175,900)
Discontinued operations:			
Loss from operations of discontinued subsidiary	(55,400)	(149,600)	(169,200)
Loss on abandonment of assets	(121,900)	-	-
Loss from discontinued operations	<u>(177,300)</u>	<u>(149,600)</u>	<u>(169,200)</u>
Net loss	<u>\$ (1,796,500)</u>	<u>\$ (4,166,900)</u>	<u>\$ (6,345,100)</u>
Imputed dividend on Series E stock issued	-	-	(1,013,100)
Net loss applicable to common shares	\$ (1,796,500)	\$ (4,166,900)	\$ (7,358,200)
Basic and diluted net loss per share information:			
From continuing operations	\$ (0.09)	\$ (0.25)	\$ (0.80)
From discontinued operations	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
Basic and diluted net loss per common share	<u>\$ (0.10)</u>	<u>\$ (0.26)</u>	<u>\$ (0.82)</u>
Weighted average number of shares outstanding	<u>18,392,500</u>	<u>15,799,200</u>	<u>8,958,200</u>