



## NEWS RELEASE

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### **IRVINE SENSORS RELEASES 1st QUARTER RESULTS**

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- February 17, 2009 -- Irvine Sensors Corporation (NASDAQ: IRSN) today reported operating results for its first quarter of fiscal 2009, the 13 weeks ended December 28, 2008.

Total revenues for the fiscal 2009 first quarter were \$2,743,500, down from \$3,558,500 in the first quarter of fiscal 2008. Despite the lower revenue, the current period net loss also decreased, from \$3,713,500 in the 13-week period ended December 30, 2007 to \$2,114,100 in the current 13-week period ended December 28, 2008. The reduction in net loss reflected a substantial decline in current period interest expense resulting from the extinguishment of \$15 million of debt in conjunction with the October 2008 public UCC sale of the assets of Optex Systems, Inc. the Company's wholly-owned subsidiary that has now discontinued operations.

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

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**IRVINE SENSORS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	13 Weeks Ended	
	December 28, 2008	December 30, 2007
<b>Revenues:</b>		
Contract research and development revenue	\$ 2,443,200	\$ 2,711,700
Product sales	290,800	837,300
Other revenue	9,500	9,500
Total revenues	<u>2,743,500</u>	<u>3,558,500</u>
<b>Cost and expenses:</b>		
Cost of contract research and development revenue	1,937,400	2,323,300
Cost of product sales	378,000	676,600
General and administrative expense	1,860,800	2,054,800
Research and development expense	350,400	344,600
Total costs and expenses	<u>4,526,600</u>	<u>5,399,300</u>
<b>Loss from operations</b>	(1,783,100)	(1,840,800)
Interest expense	(409,100)	(1,610,000)
Gain on disposal of assets	-	2,400
Interest and other income	31,600	400
Loss from continuing operations before minority interest and provision for income taxes	(2,160,600)	(3,448,000)
Minority interest in loss of subsidiaries	100	100
Provision for income taxes	(18,900)	(5,900)
Loss from continuing operations	(2,179,400)	(3,453,800)
Discontinued operations:		
Income (loss) from operations of discontinued operations	65,300	(259,700)
<b>Net loss</b>	<u>\$ (2,114,100)</u>	<u>\$ (3,713,500)</u>
Basic and diluted net income (loss) per common share information		
From continuing operations	\$ (0.43)	\$ (1.26)
From discontinued operations	0.01	(0.09)
Basic and diluted net loss per common share	<u>\$ (0.42)</u>	<u>\$ (1.35)</u>
Weighted average number of common shares outstanding	<u>5,298,900</u>	<u>2,747,700</u>

**IRVINE SENSORS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	December 28, 2008	September 28, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 210,300	\$ 638,600
Restricted cash	43,800	41,700
Accounts receivable, net of allowance for doubtful accounts of \$15,000 and \$15,000, respectively	753,000	662,400
Unbilled revenues on uncompleted contracts, net of allowance of \$0 and \$18,400, respectively	683,900	1,279,700
Inventory, net	1,171,100	1,126,900
Prepaid expenses and other current assets	157,100	64,800
Current assets of discontinued operations	-	7,494,700
Total current assets	3,019,200	11,308,800
Property and equipment, net	3,944,100	4,328,300
Intangible assets, net	893,800	1,005,500
Deferred costs	206,400	260,100
Deposits	37,500	101,000
Non-current assets of discontinued operations	-	5,880,300
Total assets	\$ 8,101,000	\$ 22,884,000
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 4,021,900	\$ 4,047,100
Accrued expenses	3,430,100	4,595,200
Accrued estimated loss on contracts	-	144,500
Advance billings on uncompleted contracts	70,600	21,900
Deferred revenue	395,300	385,000
Income taxes payable	22,800	14,400
Restructured debt, net of discounts	3,582,100	11,788,800
Promissory note payable	400,000	400,000
Subordinated term loan	2,000,000	2,000,000
Capital lease obligations – current portion	25,300	29,100
Current liabilities of discontinued operations	-	4,009,600
Total current liabilities	13,948,100	27,435,600
Senior promissory notes, net of discounts	480,000	-
Deferred interest	9,700	-
Executive Salary Continuation Plan liability	3,453,700	3,484,800
Capital lease obligations, less current portion	5,300	11,200
Minority interest in consolidated subsidiaries	324,400	411,600
Total liabilities	18,221,200	31,343,200
Commitments and contingencies (Note 12)		
Stockholders' deficit:		
Preferred stock, \$0.01 par value, 1,000,000 and 500,000 shares authorized, respectively; 126,000 and 126,000 shares issued and outstanding, respectively	1,300	1,300
Common stock, \$0.01 par value, 150,000,000 and 80,000,000 shares authorized, respectively; 5,641,900 and 3,557,200 shares issued and outstanding, respectively	56,400	35,600
Common stock warrants; 1,076,800 and 717,900 warrants outstanding, respectively	-	-
Prepaid stock-based compensation	(502,000)	-
Deferred stock-based compensation	(142,900)	(183,200)
Common stock held by Rabbi Trust	(1,169,600)	(1,214,100)
Deferred compensation liability	1,169,600	1,214,100
Paid-in capital	160,795,000	159,901,000
Accumulated deficit	(170,328,000)	(168,213,900)
Total stockholders' deficit	(10,120,200)	(8,459,200)
	\$ 8,101,000	\$ 22,884,000