



NEWS RELEASE

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IRVINE SENSORS RELEASES FY09 RESULTS

FOR IMMEDIATE RELEASE

COSTA MESA, CALIFORNIA -- December 23, 2009 -- Irvine Sensors Corporation (NASDAQ: IRSN) today reported operating results for fiscal 2009, the 52 weeks ended September 27, 2009.

Total revenues for fiscal 2009 were \$11,536,200 compared to total revenues of \$16,677,000 for fiscal 2008, an approximate 31% decrease. Despite this decrease, income from continuing operations was \$856,400 in fiscal 2009 compared to a loss from continuing operations of \$12,800,000 in fiscal 2008, an over \$13.6 million improvement. This fiscal 2009 improvement was largely the result of an approximate \$8.6 million gain realized from sale of patent assets, the elimination of over \$2.5 million of consolidated debt as a result of the bankruptcy of Optex Systems, Inc, Irvine Sensors' subsidiary, and an approximate \$2.4 million gain from reduction in pension liability in the current fiscal year. Net income in fiscal 2009 was \$914,800 as compared to a net loss of \$21,558,900 in fiscal 2008, an approximate \$22.5 million improvement. The fiscal 2008 net results included nearly \$8.8 million in loss from discontinued operations, while fiscal 2009 exhibited income from discontinued operations of \$58,400.

Irvine Sensors Corporation (www.irvine-sensors.com), 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 sale of higher level systems incorporating such products. The company also performs funded 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

	Fiscal Years Ended	
	September 27, 2009	September 28, 2008
Revenues:		
Contract research and development revenue	\$ 10,003,500	\$ 14,157,900
Product sales	1,515,900	2,489,100
Other revenue	16,800	30,000
Total revenues	<u>11,536,200</u>	<u>16,677,000</u>
Cost and expenses:		
Cost of contract research and development revenue	8,467,800	11,339,000
Cost of product sales	1,494,400	1,885,600
General and administrative expense	9,561,700	8,932,400
Research and development expense	<u>2,266,700</u>	<u>1,512,500</u>
Total costs and expenses	21,790,600	23,669,500
Gain on sale or disposal of assets	<u>8,640,800</u>	<u>315,600</u>
Loss from operations	(1,613,600)	(6,676,900)
Interest expense	(1,635,500)	(6,100,200)
Provision for litigation judgment	(834,300)	-
Gain on elimination of consolidated debt	2,539,200	-
Gain from reduction in pension liability	2,442,900	-
Interest and other income	<u>31,200</u>	<u>2,400</u>
Income (loss) from continuing operations before minority interest and provision for income taxes	929,900	(12,774,700)
Minority interest in loss of subsidiaries	100	200
Provision for income taxes	<u>(73,600)</u>	<u>(25,500)</u>
Income (loss) from continuing operations	856,400	(12,800,000)
Discontinued operations:		
Income (loss) from operations of discontinued operations, net of tax	58,400	(1,158,900)
Loss on disposal of discontinued operations	<u>-</u>	<u>(7,600,000)</u>
Income (loss) from discontinued operations	<u>58,400</u>	<u>(8,758,900)</u>
Net income (loss)	<u>\$ 914,800</u>	<u>\$(21,558,900)</u>
Basic net income (loss) per common share information:		
From continuing operations	\$ 0.06	\$ (4.35)
From discontinued operations	<u>0.01</u>	<u>(2.94)</u>
Basic net income (loss) per common share	<u>\$ 0.07</u>	<u>\$ (7.29)</u>
Diluted net income (loss) per common share information:		
From continuing operations	\$ 0.05	\$ (4.35)
From discontinued operations	<u>0.00</u>	<u>(2.94)</u>
Diluted net income (loss) per common share	<u>\$ 0.05</u>	<u>\$ (7.29)</u>
Basic weighted average number of common shares outstanding	<u>6,730,500</u>	<u>2,980,100</u>
Diluted weighted average number of common shares	<u>16,735,900</u>	<u>2,980,100</u>

IRVINE SENSORS CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 27, 2009	September 28, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 125,700	\$ 638,600
Restricted cash	-	41,700
Accounts receivable, net of allowance for doubtful accounts of \$15,000 and \$15,000, respectively	1,396,300	662,400
Unbilled revenues on uncompleted contracts, net of allowance of \$0 and \$18,400, respectively	885,300	1,279,700
Inventory, net	441,100	1,126,900
Prepaid expenses and other current assets	53,200	64,800
Current assets of discontinued operations	-	7,494,700
Total current assets	2,901,600	11,308,800
Property and equipment, net	2,845,200	4,328,300
Intangible assets, net	67,300	1,005,500
Deferred costs	-	260,100
Deposits	37,500	101,000
Non-current assets of discontinued operations	-	5,880,300
Total assets	\$ 5,851,600	\$ 22,884,000
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 3,427,100	\$ 4,047,100
Accrued expenses	3,730,800	4,595,200
Accrued estimated loss on contracts	-	144,500
Advance billings on uncompleted contracts	249,600	21,900
Advances against accounts receivable	985,800	-
Deferred revenue	180,000	385,000
Income taxes payable	-	14,400
Restructured debt, net of discounts	188,400	11,788,800
Promissory note payable – related party	400,000	400,000
Subordinated term loan – related party	-	2,000,000
Capital lease obligations – current portion	11,200	29,100
Current liabilities of discontinued operations	-	4,009,600
Total current liabilities	9,172,900	27,435,600
Executive Salary Continuation Plan liability	1,057,600	3,484,800
Capital lease obligations, less current portion	-	11,200
Minority interest in consolidated subsidiaries	324,400	411,600
Total liabilities	10,554,900	31,343,200
Commitments and contingencies (Note 14)		
Stockholders' equity (deficit):		
Preferred stock, \$0.01 par value, 1,000,000 and 500,000 shares authorized, respectively; 124,900 and 126,000 shares issued and outstanding, respectively (1); liquidation preference of \$4,629,700 and \$3,956,800 respectively	1,200	1,300
Common stock, \$0.01 par value, 150,000,000 and 80,000,000 shares authorized, respectively; 9,694,500 and 3,557,200 shares issued and outstanding, respectively (1)	96,900	35,600
Deferred stock-based compensation	-	(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	162,497,700	159,901,000
Accumulated deficit	(167,299,100)	(168,213,900)
Total stockholders' (deficit) equity	(4,703,300)	(8,459,200)
	\$ 5,851,600	\$ 22,884,000

(1) The number of shares of preferred stock and common stock issued and outstanding have been rounded to nearest one hundred (100).