

IRVINE SENSORS CORPORATION NEWS RELEASE

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FOR IMMEDIATE RELEASE

IRVINE SENSORS RELEASES FISCAL 2004 RESULTS

COSTA MESA, CALIFORNIA -- December 10, 2004 -- Irvine Sensors Corporation (NASDAQ: IRSN, Boston Stock Exchange: ISC) today released its results for its 2004 fiscal year ended October 3, 2004. Fiscal 2004 total revenues were \$13,919,800, up \$1,277,500, or approximately 10%, from fiscal 2003 total revenues of \$12,642,300. Approximately \$11.9 million of the fiscal 2004 total revenues was derived from contract research and development, setting an annual record for such revenues for Irvine Sensors. Largely as a result of the increase in contract research and development revenue, net loss for fiscal 2004 decreased approximately 35% to \$4,121,100 in fiscal 2004, as compared to the \$6,345,100 net loss of fiscal 2003. The Company's working capital at October 3, 2004 was \$3,197,600, an approximate \$3.5 million improvement over the prior year-end.

As previously announced, Irvine Sensors' CEO Robert G. Richards and CFO John Stuart will host a web cast conference call to discuss the fiscal 2004 results on Tuesday, December 14, 2004 at 1:15 PM Pacific Time.

Irvine Sensors Corporation, headquartered in Costa Mesa, California, is primarily engaged in the sale of stacked chip assemblies 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.

Consolidated Statements of Operations

	Fiscal Year Ended	
	October 3, 2004	September 28, 2003
Revenues:		
Contract research and development revenue	\$ 11,879,700	\$ 10,367,900
Product sales	1,957,400	2,212,700
Other revenue	82,700	61,700
Total revenues	<u>13,919,800</u>	<u>12,642,300</u>
Cost and expenses:		
Cost of contract research and development revenue	7,792,000	7,790,200
Cost of product sales	2,014,500	2,375,600
General and administrative expense	6,017,200	5,598,800
Research and development expense	2,080,600	2,668,200
	<u>17,904,300</u>	<u>18,432,800</u>
Loss from operations	(3,984,500)	(5,790,500)
Interest expense	(86,700)	(182,400)
Interest and other income	3,900	5,100
Loss on disposal and impairment of assets	(46,400)	(369,400)
Loss before minority interest and provision for income taxes	(4,113,700)	(6,337,200)
Minority interest in loss of subsidiaries	12,500	7,900
Provision for income taxes	(19,900)	(15,800)
Net loss	<u>(4,121,100)</u>	<u>(6,345,100)</u>
Imputed dividend on Series E stock issued	-	(1,013,100)
Net loss applicable to common stockholders	\$ (4,121,100)	\$ (7,358,200)
Basic and diluted net loss per common share	<u>\$ (0.26)</u>	<u>\$ (0.82)</u>
Weighted average number of shares outstanding	<u>15,799,200</u>	<u>8,958,200</u>

Consolidated Balance Sheets

	October 3, 2004	September 28, 2003
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,064,100	\$ 1,166,800
Restricted cash	43,500	54,200
Accounts receivable, net of allowance for doubtful accounts of \$35,000 and \$57,700, respectively	1,377,000	443,500
Unbilled revenues on uncompleted contracts	930,600	598,100
Inventory, net	980,100	932,100
Other current assets	133,500	48,500
Total current assets	<u>5,528,800</u>	<u>3,243,200</u>
Equipment, furniture and fixtures, net	4,926,500	4,417,600
Patents and trademarks, net	748,300	707,400
Deposits	89,400	87,400
Total assets	<u><u>\$ 11,293,000</u></u>	<u><u>\$ 8,455,600</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,320,100	\$ 1,620,600
Accrued expenses	824,500	806,100
Accrued loss on contracts	34,600	358,500
Advance billings on uncompleted contracts	33,800	437,000
Deferred revenue	-	251,700
Capital lease obligations – current portion	118,200	30,700
Total current liabilities	<u>2,331,200</u>	<u>3,504,600</u>
Capital lease obligations, less current portion	156,700	34,700
Minority interest in consolidated subsidiaries	419,000	431,500
Total liabilities	<u>2,906,900</u>	<u>3,970,800</u>
Commitments and contingencies (Note 12)	-	-
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 500,000 shares authorized; Series E convertible preferred stock, 0 and 2,083 shares outstanding	-	-
Common stock, \$0.01 par value, 80,000,000 shares authorized; 17,806,300 and 12,947,700 shares issued and outstanding	178,100	129,500
Common stock warrants; 1,508,100 and 2,065,600 warrants outstanding	-	-
Common stock held by Rabbi Trust	(482,000)	(250,000)
Deferred compensation liability	482,000	250,000
Paid-in capital	118,285,100	110,315,500
Accumulated deficit	(110,077,100)	(105,960,200)
Total stockholders' equity	<u>8,386,100</u>	<u>4,484,800</u>
	<u><u>\$ 11,293,000</u></u>	<u><u>\$ 8,455,600</u></u>