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Vuzix Releases Second Quarter 2012 Quarterly Operating Results

ROCHESTER, N.Y., Aug. 20, 2012 /PRNewswire/ -- Vuzix Corporation (TSX-V: VZX, OTC:BB: VUZI, FMB: V7X) ("Vuzix" or, the "Company") a leader in the design and manufacture of Video Eyewear products that provide users with portable high quality viewing experiences, today reported its Second Quarter results for the period ending June 30, 2012. Unless otherwise indicated, dollar amounts referred to herein are references to United States dollars. No regulatory authority has approved or disapproved the information contained in this news release.

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Financial Results

The following financial results for the three and six months ended June 30, 2012, compared to the same periods in 2011.

- Gross Sales were \$1,037,010 for the Second Quarter ending June 30, 2012 compared to \$2,328,649 for the same six month period last year, a decrease of 55%. Revenues for the first six months of 2012 were \$3,888,402 versus \$6,401,758 for the same period last year, a decrease of 39%.
- Operating Expenses were \$1,419,715 for the Second Quarter of 2012, compared to \$1,699,731 for the Second Quarter of 2011, a decrease of 16%. Operating Expenses were \$2,991,325 for the six months ended June 30, 2011 versus \$3,525,583 for the same six month period in 2011, a \$534,258 or 15% decrease.
- Included in operating results for the three and six months ending June 30, 2012 was a substantial Gain on Sale of Assets. On June 15, 2012 the Company entered into an Asset Purchase Agreement (the "Agreement") between the Company and TDG Acquisition Company, LLC, a Delaware limited liability company ("TDG"). Pursuant to the Agreement, the Company sold and licensed those of its assets (including equipment, tooling, certain patents and trademarks) that comprised its tactical defense group, which engaged in the business of selling and providing services to military, defense and security organizations. The purchase price paid to the Company by TDG consists of two components: \$8,374,000 net of adjustments, which was paid at closing, and up to an additional \$2.5 million, which will be received only if TDG achieves certain quarterly and annual revenue targets. The net reported Gain on Sale which excludes any of the earn-out proceeds amount was \$5,902,663.
- Net Income for the Second Quarter of 2012 was \$3,764,598 or \$0.0142 per share versus a Net (Loss) of \$(927,539), or \$(0.0035) per share in the same period in 2011. For the six-month period ending June 30, 2012 the Company reported Net Income of \$2,920,115 or \$0.0110 per share (basic) versus a Net Loss of \$(1,347,844) or

\$(0.0051) per share in the same period in 2011. The Net Income includes the Gain on Sale of Assets to TDG.

Paul Travers, the President of Vuzix commented "The cash proceeds from the sales of the TDG assets provided the Company with additional resources to satisfy certain of its debt obligations and should allow us to better execute on our new technology and product development plans. The Company can now better focus on its long held goal of delivering HD smart video glasses in a true sunglass format based on our new waveguide optics and HD displays."

"We are excited to make the transition from products that use conventional optics to our new waveguide based optics. These new optics will enable our first see through monocular AR HMD for the industrial market the M2000AR. The M2000AR will be launched this fall and will be our first monocular product that is equipped with built in cameras for industrial and other augmented reality applications. Additionally the September introduction of our STAR 1200XL with its conventional but improved see-through optics will offer a 40% increase in virtual screen size and offer an updated HD video camera which will make this new version even more attractive to Augmented Reality researchers and users."

Forward-Looking Statements Disclaimer

Certain statements contained in this release are "forward looking statements" within the meaning of the Securities Litigation Reform Act of 1995 and applicable Canadian securities laws. Forward looking statements contained in this release relate to, among other things, the Company's financial position, new opportunities, the Company's ability to capitalize on new opportunities, future order backlog and the Company's leadership in the Video Eyewear industry. in the Video Eyewear industry, and other statements that may project or imply future results, events, performance or achievements. They are generally identified by words such as "plans," "seeks," "believes," "may," "expects," "anticipates," "should" and similar expressions. Readers should not place undue reliance on such forward-looking statements, which are based upon the Company's beliefs and assumptions as of the date of this release. The Company's actual results could differ materially from those projected in the Company's forward-looking statements due to, among other things, our ability to raise necessary capital; government regulation of our technologies; our ability to enforce our intellectual property rights and protect our proprietary technologies; the timing of new product launches; delays in product development; and dependence on third parties for certain key components. These risk factors and others are described in more detail in the "Risk Factors" section of the Company's Annual Reports and MD&A filed with the United States Securities and Exchange Commission on Form 10-K and applicable Canadian securities regulators (copies of which may be obtained at www.sedar.com or www.sec.gov). Subsequent events and developments may cause these forward-looking statements to change. The Company specifically disclaims any obligation or intention to update or revise these forward-looking statements as a result of changed events or circumstances that occur after the date of this release, except as required by applicable law.

About Vuzix Corporation

Vuzix is a leading supplier of Video Eyewear products in the consumer, commercial and entertainment markets. The Company's products, personal display devices that offer users a portable high quality viewing experience, provide solutions for mobility, wearable displays

and virtual and augmented reality. Vuzix holds over 47 patents in the Video Eyewear field. The company has won 12 Consumer Electronics Show Innovation Awards and several wireless technology innovation awards, among others. Founded in 1997, Vuzix is a public company (TSX-V:VZX - News, OTC:BB: VUZI, FMB: V7X) with offices in Rochester, NY, Oxford, UK and Tokyo, Japan. For more information visit www.vuzix.com.

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