

August 14, 2014



Vuzix Announces Second Quarter 2014 Financial Results

Company Reports 19% Year-Over-Year Growth in Product Sales with Continued Growth in Sales from its Award Winning M100 Smart Glasses

ROCHESTER, N.Y., Aug. 14, 2014 /PRNewswire/ -- Vuzix® Corporation (OTC:QB: VUZI) ("Vuzix" or, the "Company"), a leading supplier of video eyewear and smart glasses products in the consumer, commercial and entertainment markets, today reported financial results for the second quarter of 2014 ended June 30, 2014.



Second Quarter 2014 Financial Highlights:

- Revenues increased to \$723,258 for the second quarter ended June 30, 2014 from \$700,195 for the same period in 2013, due to new product introductions primarily the M100 Smart Glasses.
- Loss from Operations for the second quarter of 2014 was \$925,300 compared to loss of \$1,107,871 in the same period 2013, reflecting expense reductions in R&D and General and Administrative expenses for 2014 as compared to 2013.
- The Company reported a \$1,248,556 gain on the mark-to-market revaluation of derivative liability related to outstanding warrants and convertible debt as compared to a revaluation loss of \$280,261 for the same period in 2013.
- Total other income and expense, which includes the mark-to-market revaluations net of interest and debt discount amortization expenses was an income of \$1,164,410 for the second quarter of 2014 as compared to a net expense of \$548,865 in the same period in 2013.
- Net income of \$239,110 or \$0.02 per share for the quarter ended June 30, 2014 as compared to a net loss of \$1,656,736, or \$0.47 per share for the same period in 2013.

- Cash and cash equivalents were \$1,971,311 as of June 30, 2014, an increase of \$1,661,171 from \$310,140 as of December 31, 2013.

Operational Highlights:

- Signed and announced an exclusive strategic sales and marketing partnership with Lenovo, the world's largest PC manufacturer, to co-brand and launch the Vuzix M100 Smart Glasses "Powered by Lenovo NBD" throughout China.
- Completed a \$3 million private placement with institutional investors for 5% senior secured convertible notes; proceeds will be used to ramp up production and marketing of M100 Smart Glasses and facilitate new waveguide manufacturing process equipment for Vuzix' next generation smart glasses products.
- Showcased M100 Smart Glasses at a series of AT&T Developer conferences in the US and at NTT docomo events in Japan to foster developer relations and raise the visibility of Vuzix products.

"As we continue the shift from low resolution products to Smart Glasses and HD wearable display products we are encouraged by the growing adoption of our new products by leading companies. This shift in product strategy is proving to be successful as we report an eventful second quarter with modest but growing product sales and year-over-year revenue growth," says Vuzix CEO and President Paul J. Travers. "We have added to our sales channels with Value Added Resellers and leading partner relationships in many of the markets we sell our products into; with 'game changing' solutions expected to be released from these partners into their prospective markets. Our proven leadership in the wearable device space for both product design and technological advancement began with the introduction of the M100, the world's first commercially available Smart Glasses, and was followed by the M2000AR waveguide based HMD, also a world's first.

"On the marketing side, we have been able to direct more eyeballs to our products by hosting Vuzix Developer Conferences and co-sponsoring a series of AT&T and NTT docomo Developer conferences to world-class developers who are able to integrate our product with the latest tools and technologies creating cutting edge innovative solutions. The last 6 months have been transitional for us as we are building momentum in our business and seeing traction from some exciting and newsworthy events. We are pleased that most recently, we announced a strategic partnership with Lenovo, the world's largest PC manufacturer, to bring our M100 Smart Glasses into China. Co-branded with Lenovo, Vuzix M100 Smart Glasses 'Powered by Lenovo NBD' should see immediate revenue generation for Vuzix and at the same time we expect to grow Vuzix brand recognition and a developing eco system around our products in China."

Six Months ended June 30, 2014

- For the six months ended June 30, 2014, Vuzix reported revenues of \$1,521,676, a 6% increase compared to \$1,439,378 to the same period in 2013. The increase was attributable to growing sales of the Company's M100 Smart Glass products.
- For the six months ended June 30, 2014 we incurred a Loss from Operations of \$1,918,449 versus \$1,813,547 for the same period in 2013.
- For the six month period ended June 30, 2014 we reported a mark-to-market derivative liability revaluation gain of \$3,823,818 versus a revaluation loss of \$294,548 for the same period in 2013.

- Total other income and expense for the six months ended June 30, 2014, which includes the mark-to-market revaluations net of interest and debt discount amortization expenses was an income of \$3,669,465 as compared to a net expense of \$779,487 in the same period in 2013.
- Net income for the first six months of 2014 was \$1,751,016 or \$0.17 per share versus a net loss of \$2,593,034 or \$0.73 loss per share for the same period in 2013.

About Vuzix Corporation

Vuzix is a leading supplier of Video Eyewear and Smart Glasses products in the consumer, commercial and entertainment markets.

The Company's products include personal display and wearable computing devices that offer users a portable high quality viewing experience, provide solutions for mobility, wearable displays and virtual and augmented reality. Vuzix holds 39 patents and 10 additional patents pending and numerous IP licenses in the Video Eyewear field. The Company has won Consumer Electronics Show (or CES) awards for innovation for the years 2005 to 2014 and several wireless technology innovation awards, among others. Founded in 1997, Vuzix is a public company (VUZI.QB) with offices in Rochester, NY, Oxford, UK and Tokyo, Japan.

Forward-Looking Statements Disclaimer

Certain statements contained in this news 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 potential outcome of product sales around the M100 Smart Glasses, waveguide development and new products utilizing the technology, success of development partner programs, the impact and success of the Lenovo agreement and the new features and capabilities of the M100 for the Chinese marketplace, the impact of the convertible debt private placement financing, future business, and the value of the IP portfolio, among other things, and the Company's leadership in the Video Eyewear and AR display industry. They are generally identified by words such as "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 due to risk factors and other items 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 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.

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