

July 31, 2007



Microvision Announces Second Quarter Operating and Financial Results

Company Raises \$34.1 Million; Signs Development Agreement With Motorola

REDMOND, Wash.--(BUSINESS WIRE)--

Microvision, Inc. (NASDAQ:MVIS), a global leader in light scanning technologies, today reported operating and financial results for the second quarter of 2007.

"We achieved significant business, operating and financial milestones in the second quarter that could have long-term impact for the Company," stated Alexander Tokman, Microvision President and CEO. "First, our business development efforts during the second quarter resulted in several new customer contracts including the joint development agreement with Motorola and new development contracts for aerospace and eyewear applications. Second, we developed and successfully unveiled at the Society of Information Display (SID) conference a new wide angle design PicoP display that better addresses consumer needs. Third, we made good progress in solidifying several key areas of our supply chain. Finally, we raised \$34.1 million from calling our publicly traded warrants."

Second Quarter 2007 Operating Results

- PicoP for Mobile Projection Applications. Announced subsequent to the end of the quarter an agreement with Motorola to develop pico projector display solutions for mobile applications using Microvision's PicoP display engine.
- PicoP for Eyewear Applications. Awarded a \$3.2 million contract from the U.S. Air Force to provide a lightweight, see-through, full-color eyewear display prototype.
- PicoP for Aerospace Applications. Signed a new commercial product development agreement with a leading transportation company to develop PicoP based display solution for an aerospace application.
- PicoP Development and Supply Chain Progress.
 - Unveiled the next generation PicoP display based on a newly developed wide-angle MEMS scanner at the May 2007 SID conference. The wide-angle PicoP, developed based on direct customer feedback, creates a full-color image with approximately four times the viewing area of the Company's previous display, while still maintaining its small and sleek form factor.
 - Completed and announced the successful integration of a green laser from OSRAM Opto Semiconductors into PicoP

prototype display. Previously, Microvision had announced PicoP compatibility with green lasers from Corning and Novalux.

- Formally introduced Oerlikon Optics as one of the high volume manufacturing partners for PicoP after originally announcing the joint development effort in December 2006. Microvision has been collaborating with this global leader in optical component solutions to optimize the design for manufacturing of Microvision's opto-mechanical engine targeted for high volume consumer and automotive applications.
- New Laser Bar Code Scanner. Unveiled ROV(TM), a new laser based bar code scanner incorporating Microvision's core MEMS scanning beam technology. The ROV Scanner was developed for use with mobile applications to provide simple and affordable "point of scan" capability.
- Funding. Exercised the company's right to call its publicly traded warrants -- raising \$34.1 million to fund Microvision's continuing operations without an increase to the company's fully diluted common shares outstanding.

Financial Results

For the six months ended June 30, 2007, the company reported revenue of \$4.9 million compared to \$4.4 million for the same period in 2006 and \$2.7 million for the three months ended June 30, 2007 compared to \$1.9 million for the same period in 2006. As of June 30, 2007, the backlog totaled \$7.7 million compared to \$1.5 million at June 30, 2006.

The company reported an operating loss for the six months ended June 30, 2007 of \$12.3 million compared to \$14.4 million for the same period in 2006 and \$6.3 million for the three months ended June 30, 2007 compared to \$7.8 million for the same period in 2006.

The company reported a net loss available to common shareholders of \$9.0 million for the six months ended June 30, 2007 compared to \$10.9 million for the same period in 2006 and \$2.2 million for the three months ended June 30, 2007 compared to \$11.2 million for the same period in 2006. The net loss per share was \$0.21 for the six months ended June 30, 2007 compared to \$0.40 for the same period in 2006 and \$0.05 for the three months ended June 30, 2007 compared to \$0.38 for the same period in 2006. The net loss available for common shareholders for both the six months ended June 30, 2007 and 2006 includes a gain on the sale of the company's investment in Lumera of \$6.0 million and \$7.3 million respectively. The three and six month periods ended June 30, 2007 include non cash expenses of \$1.9 million and \$2.6 million, respectively, compared to non cash gains of \$1.2 million and \$3.1 million for the same periods in 2006, respectively, associated with the change in value of warrants issued to former holders of the company's notes.

The company ended the quarter with \$17.2 million in cash, cash equivalents and investment securities, including \$6.0 million from the conversion of 2.3 million public warrants. Subsequent to the end of the quarter, the Company received an additional \$28.1 million from the conversion of an additional 10.6 million warrants.

"Our strong second quarter and first half business and operational results demonstrate continued rapid advancement of the PicoP roadmap focused on commercializing a variety of

high volume products in the consumer and automotive markets. We believe that the most recent development agreement with Motorola provides a significant validation point of our consumer go-to-market strategy and execution," concluded Tokman.

Conference Call

Microvision will host a conference call to discuss its second quarter 2007 financial and operating results at 4:30 p.m. ET on July 31, 2007. Participants may join the conference call by dialing (800) 688-0836 (for U.S. participants) or (617) 614-4072 (for International participants) ten minutes prior to the start of the conference. The conference pass-code number is 68851055. Additionally, the call will be broadcast over the Internet and can be accessed from the Company's web site at www.microvision.com. The web cast and information needed to access the telephone replay will be available through the same link following the conference call.

About Microvision: www.microvision.com

Microvision provides a display technology platform designed to enable next generation display and imaging products for pico projectors, vehicles displays, and wearable displays that interface to mobile devices. The company also manufactures and sells its bar code scanner product line which features the company's proprietary MEMS technology.

Forward-Looking Statements Disclaimer

Certain statements contained in this release, including those relating to commercialization and future products, future product form factor, product applications, as well as statements containing words like "could," "believe," and other similar expressions, are forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially from those projected in the Company's forward-looking statements include the following: our ability to raise additional capital when needed; our financial and technical resources relative to those of our competitors; our ability to keep up with rapid technological change; our dependence on the defense industry and a limited number of government development contracts; government regulation of our technologies; our ability to enforce our intellectual property rights and protect our proprietary technologies; the ability to obtain additional contract awards; the timing of commercial product launches and delays in product development; the ability to achieve key technical milestones in key products; dependence on third parties to develop, manufacture, sell and market our products; potential product liability claims and other risk factors identified from time to time in the Company's SEC reports, including the Company's Annual Report on Form 10-K filed with the SEC. Except as expressly required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changes in circumstances or any other reason.

Microvision, Inc.

Balance Sheet
(In thousands)
(Unaudited)

June 30, December 31,
2007 2006

Assets

Current Assets

Cash and cash equivalents	\$ 16,176	\$ 14,552
Investment securities, available-for-sale	1,059	-
Accounts receivable, net of allowances	1,253	1,166
Costs and estimated earnings in excess of billings on uncompleted contracts	694	565
Inventory	886	1,043
Current restricted investments in Lumera	-	10,693
Other current assets	1,533	1,986
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Total current assets	21,601	30,005

Property and equipment, net	4,158	4,011
Restricted investments	1,268	1,268
Other assets	52	41
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Total assets	\$ 27,079	\$ 35,325
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Liabilities and Shareholders' Equity

Current Liabilities

Accounts payable	\$ 1,686	\$ 1,785
Accrued liabilities	3,047	3,698
Billings in excess of costs and estimated earnings on uncompleted contracts	296	200
Liability associated with common stock warrants	4,992	2,572
Liability associated with embedded derivative feature	-	68
Current portion of notes payable	-	2,418
Current portion of capital lease obligations	43	45
Current portion of long-term debt	62	59
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Total current liabilities	10,126	10,845

Capital lease obligations, net of current portion	110	132
Long-term debt, net of current portion	426	457
Deferred rent, net of current portion	1,876	2,027
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Total liabilities	12,538	13,461
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Commitments and contingencies	-	-
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Shareholders' Equity

Common stock at par value	46	43
Additional paid-in capital	262,398	253,086
Receivables from related parties, net	-	(250)
Accumulated other comprehensive income	778	8,619
Accumulated deficit	(248,681)	(239,634)
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Total shareholders' equity	14,541	21,864
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Total liabilities and shareholders' equity	\$ 27,079	\$ 35,325
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Statement of Operations
(In thousands, except earnings per share data)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Contract revenue	\$ 2,219	\$ 1,335	\$ 4,121	\$ 3,116
Product revenue	443	571	776	1,262
Total revenue	2,662	1,906	4,897	4,378
Cost of contract revenue	1,217	999	2,227	2,150
Cost of product revenue	446	1,681	730	2,975
Total cost of revenue	1,663	2,680	2,957	5,125
Gross margin	999	(774)	1,940	(747)
Research and development expense	3,208	2,307	6,553	4,461
Sales, marketing, general and administrative expense	4,087	4,675	7,637	9,414
Gain on disposal of fixed assets	-	-	-	(198)
Total operating expenses	7,295	6,982	14,190	13,677
Loss from operations	(6,296)	(7,756)	(12,250)	(14,424)
Interest income	152	119	334	248
Interest expense	(17)	(1,636)	(485)	(3,458)
Gain (loss) on derivative instruments, net	(1,940)	1,187	(2,592)	3,054
Other expense	(17)	-	(17)	(11)
Net loss before Lumera transactions	(8,118)	(8,086)	(15,010)	(14,591)
Equity in losses of Lumera	-	-	-	(290)
Gain on sale of investment in Lumera	5,963	-	5,963	7,270
Net loss	(2,155)	(8,086)	(9,047)	(7,611)
Stated dividend on mandatorily redeemable convertible preferred stock	-	(16)	-	(59)
Accretion to par value of preferred stock	-	(37)	-	(138)
Inducement for conversion of				

preferred stock	-	(3,076)	-	(3,076)
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Net loss available for common shareholders	\$ (2,155)	\$ (11,215)	\$ (9,047)	\$ (10,884)
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Net loss per share - basic and diluted	\$ (0.05)	\$ (0.38)	\$ (0.21)	\$ (0.40)
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Weighted-average shares outstanding - basic and diluted	43,572	29,192	43,336	27,216
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Source: Microvision, Inc.