

October 2024

Dear Vuzix Shareholders,

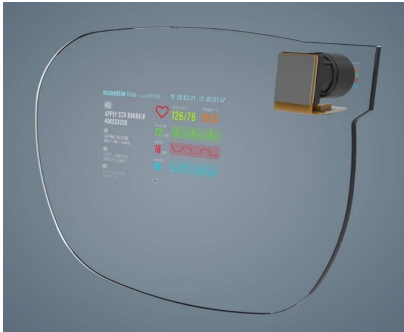
The culmination of over a decade of ongoing research and development has positioned Vuzix uniquely in the AI smart glasses market. We've established leadership in the design, technology, and manufacture of waveguides, a critical component for AI smart glasses, which we believe will soon become the next major market form factor for information delivery, ultimately overtaking smartphones and smartwatches. Our advancements in producing waveguides at scale will be a game changer for Vuzix.

Strategic Partnership with Quanta Computer

Recently, Quanta Computer, a \$32 billion ODM (original design manufacturer), committed to investing \$20 million in Vuzix to jointly develop new AI smart glasses and manufacture waveguides at scale for both Vuzix' and Quanta's customers. Quanta's investment follows extensive due diligence and confidence in Vuzix' waveguide technology and manufacturing processes. The investment will be done in three tranches and the first, for \$10 million, has already been completed at an above-market share price of \$1.30. Two follow-on tranches of \$5 million each will be subsequently done at the higher of \$1.30 per share or a 30-day VWAP (volume-weighted average price). Our partnership aims to reach millions of waveguides produced annually.



Waveguide Technology and Manufacturing: The Core of AI Smart Glasses



Waveguides are advanced lenses that direct light from a tiny projector to the wearer's eyes, enabling transparent, heads-up displays for AI smart glasses. Manufacturing them in the large volumes needed to meet the expected industry demand is a complex challenge. Vuzix' proprietary imprinting process allows us to make waveguides at a fraction of the cost and in volumes that are orders of magnitude greater than all current potential competitors. We believe the market opportunity to supply waveguides to support AI driven smart glasses will escalate quickly to tens of millions of units annually over the next few years

driven by some of the largest consumer brands and ecosystem software partners.

In the last 12 months, in just our waveguides technologies, we've made numerous key advancements including:

- September 2023: Began waveguide production at our state-of-the-art facility.
- November 2023: Introduced INCOGNITO™ technology to eliminate forward light leakage.
- January 2024: Established an Ophthalmic Advisory Board for prescription-enabled smart glasses.
- June 2024: Expanded into large-format waveguides for sectors like heads-up displays for windshields.
- August 2024: Developed a new micro-touch manufacturing technique to boost capacity.



You can learn more about Vuzix' manufacturing and design-for-manufacture support services on Vuzix' website at: <https://www.vuzix.com/pages/waveguides>

Expanding OEM/ODM Opportunities

Alongside Quanta, we've partnered with Garmin to deliver larger format custom waveguide and microLED projector systems, enhancing cost and space savings. We also have a steadily growing portfolio of OEM relationships across the enterprise, defense, commercial aviation, and consumer markets.



The largest opportunities for AI smart glasses lie in the consumer space, where we are working with companies to develop waveguides for their new compact full-color displays. By way of example, we've partnered with Avegant to supply waveguides for their LCoS display engines, a projector technology which will be key until full-color micro-LEDs arrive. In defense markets, where our "Made in the USA" capability is important, our goal remains qualification and selection of our OEM components into volume programs, where production runs can span many years and result in as much as six-figure plus unit volumes during a program's life. We presently anticipate that one or more of our current development projects that we have assisted in for the last several years will move from the R&D stage to scaled production shortly, with the potential for volume production run rates beginning in 2025.

Enterprise and AI-Driven Smart Glasses

The convergence of AI and smart glasses is driving new business opportunities across sectors like healthcare, defense, and e-commerce. Our Z100 smart glasses, introduced at CES 2024, are generating strong interest as an OEM platform and enterprise solution. We expect this AI smart glasses combination to accelerate the adoption of next-gen, lightweight AR glasses.

Business Focus, Financial Management and Financial Markets

To ensure operational efficiency, we've implemented several measures thus far in 2024:

- Shifted primary focus to OEM/ODM business, reducing headcount by over 40%.
- Launched a voluntary payroll reduction plan projected to save \$2.1 million over the next year.
- Significantly reduced capital expenditures from 2022 & 2023 levels for the remainder of 2024 and into 2025.
- Plan to aggressively monetize \$9 million in inventory.

As of mid-2024, we had \$10 million in cash, with an additional \$10 million from Quanta, plus \$10 million more expected to follow in 2025. Combined with top-line growth and cost-saving measures, we are confident in our operational runway through at least the end of 2025.

Despite our strong IP foundation and exciting business opportunities, we have over the last 12 months faced significant pressure from short sellers which has negatively impacted our enterprise value. We recognize the impact of this financial market volatility for our investors, but we remain focused on executing on our strategy. The fundamental opportunities of our business have never been stronger, and we are confident that those who invest alongside us for the long term will see this value realized.

Closing Remarks

We see no close competitors offering what Vuzix can deliver as waveguide optics supplier for AI smart glasses today or in the near future. With partnerships like Garmin, Quanta and others, we expect additional announcements soon around other new design partnerships and strategic investments. As the smart glasses industry matures, Vuzix is well-positioned to capitalize on our years of development and expertise.

The AI smart glasses industry is finally maturing, and we believe Vuzix is well positioned to capitalize on the opportunities ahead. We thank you for your continued support and look forward to proving that your continued confidence in Vuzix is well-founded.

Best regards,

Paul J. Travers
President and CEO
Vuzix Corporation

Forward-Looking Statements Disclaimer

Certain statements included in this document may be considered forward-looking. All statements in this document that are not historical facts are forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements, and therefore these statements should not be taken as guarantees of future performance or results. We may use words such as "expects," "anticipates," "intends," "plans," "believes," "could," "seeks," "estimates," and variations of such words and similar expressions in identifying forward-looking statements. The forward-looking statements include statements concerning our possible or assumed future results of operations; our business strategies; our ability to attract and retain customers; our ability to sell additional products and services to customers; our cash needs and financing plans; our competitive position; our industry environment; our potential growth opportunities; expected technological advances by us or by third parties and our ability to leverage them; the effects of future regulation; and the effects of competition. These statements are based on our management's beliefs and assumptions and on information currently available to our management. It is important to note that forward-looking statements are not guarantees of future performance, and that our actual results could differ materially from those set forth in any forward-looking statements. Due to risks and uncertainties, actual events may differ materially from current expectations. For a more in-depth discussion of these and other factors that could cause actual results to differ from those contemplated by forward-looking statements, see the discussions under the heading "Risk Factors" in the company's annual report on Form 10-K filed by Vuzix Corporation and other documents the company files from time to time with the SEC. Vuzix disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.