

# Microvision Announces Third Quarter 2007 Results

## Company Progresses on Key Strategic Milestones, Reduces Quarterly Cash Burn by 17%

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

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

"Our operating results for the third quarter and first nine months of the year include reaching several important business, development and financial milestones that we believe will move us closer to commercialization of high volume consumer and automotive products based on Microvision's proprietary projection display PicoP(TM) technology," said Alexander Tokman, President and CEO of Microvision.

"The latest contract with a world leading Asian consumer electronics manufacturer is another example of progress on our strategy to bring PicoP enabled solutions to market. This agreement should allow us to leverage the extensive integration and manufacturing capabilities of one of the world's largest suppliers of mobile phones, digital cameras, and personal media players."

### Operating Results

- PicoP for Mobile Projection Applications. PicoP(TM) is an ultra miniature projection module being designed to produce full color, high-resolution images and be small and low power enough to be embedded directly into a mobile device.
- Announced an agreement with Motorola to develop pico projector display solutions for mobile applications using Microvision's PicoP display technology. The companies are initially working together to integrate the PicoP projector inside a functioning mobile device for demonstration purposes.
- Signed an agreement with an Asian Consumer Electronics Manufacturer to integrate Microvision's PicoP display engine into fully functional stand-alone projector prototypes. The prototypes are expected to be marketed to leading consumer electronics companies for private labeling and distribution for mobile applications.
- PicoP for Automotive Applications. Subsequent to the end of the quarter, delivered the first advanced PicoP based projection module for an Automotive Head-Up Display (HUD) to Visteon, a Tier 1 automotive supply partner of Microvision. Visteon plans to use the advanced HUD prototype samples to demonstrate the unique performance characteristics of

Microvision's platform technology in order to secure automotive OEM customers.

- PicoP for Eyewear Applications. Delivered a demonstrator unit of an innovative eyewear optical system to the U.S. Air Force under the contract awarded by the United States Air Force Research Laboratory in 2006. This initial eyewear optical system is expected to serve as the foundation for a new generation of see-through, full color eyewear display products from Microvision.
- ROV(TM) Laser Bar Code Scanner. Subsequent to the end of third quarter, began commercial shipments of the ROV scanner. ROV, with its rich feature set, wide array of accessories, and powerful software, has been designed for a variety of mobility applications to address both simple business environments, and more demanding mobility environments such as construction, field services, transportation, professional services, hospitality, government, retail, manufacturing, and healthcare.
- Funding. Completed the call of the company's publicly traded warrants -- raising \$34.1 million to fund operations without an increase in the fully diluted common shares outstanding.
- Industry Awards. Received 2007 North American Frost & Sullivan Award for Technology Innovation for business and design advancements of a bi-directional MEMS scanning mirror, a key component of the company's PicoP display engine.

"In addition to the accomplishments listed above, we continued to mature the PicoP technology and strengthen the supply chain for PicoP components while lowering the cash burn from operating activities by 17% to \$5.1 million for the quarter. We also added key business development and strategic sourcing resources to increase the capacity and depth of both functions. The entire Microvision team remains focused on achieving the milestones we have communicated to our customers, partners, and shareholders," concluded Tokman.

## Financial Results

For the nine months ended September 30, 2007, the company reported revenue of \$7.5 million compared to \$5.2 million for the same period in 2006 and \$2.6 million for the three months ended September 30, 2007 compared to \$823,000 for the same period in 2006. As of September 30, 2007, the backlog totaled \$5.7 million compared to \$6.9 million at September 30, 2006.

The company reported an operating loss for the nine months ended September 30, 2007 of \$18.8 million compared to \$21.1 million for the same period in 2006 and \$6.5 million for the three months ended September 30, 2007 compared to \$6.7 million for the same period in 2006.

The company reported a net loss available to common shareholders of \$13.8 million for the nine months ended September 30, 2007 compared to \$18.6 million for the same period in 2006 and \$4.7 million for the three months ended September 30, 2007 compared to \$7.7 million for the same period in 2006. The net loss per share was \$0.29 for the nine months ended September 30, 2007 compared to \$0.60 for the same period in 2006 and \$0.08 for the three months ended September 30, 2007 compared to \$0.20 for the same period in

2006.

Net cash used in operating activities was \$5.1 million for the three months ended September 30, 2007 compared to \$6.1 million for the same period in 2006. The company ended the quarter with \$40.4 million in cash, cash equivalents and investment securities.

#### Conference Call

Microvision will host a conference call to discuss its third quarter 2007 financial and operating results at 4:30 p.m. ET on November 1, 2007. Participants may join the conference call by dialing 866-203-3206 (for U.S. participants) or 617-213-8848 (for International participants) ten minutes prior to the start of the conference. The conference pass-code number is 68375632. Additionally, the call will be broadcast over the Internet and can be accessed from the Company's web site at [www.microvision.com](http://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](http://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," "should," "believe," "expects" 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)

September 30,      December 31,  
2007                      2006

Assets		
Current Assets		
Cash and cash equivalents	\$ 18,484	\$ 14,552
Investment securities, available-for-sale	21,940	-
Accounts receivable, net of allowances	842	1,166
Costs and estimated earnings in excess of billings on uncompleted contracts	1,261	565
Inventory	1,024	1,043
Current restricted investments in Lumera	-	10,693
Other current assets	1,362	1,986
Total current assets	44,913	30,005
Property and equipment, net	4,124	4,011
Restricted investments	1,329	1,268
Other assets	49	41
Total assets	\$ 50,415	\$ 35,325

#### Liabilities and Shareholders' Equity

Current Liabilities		
Accounts payable	\$ 1,914	\$ 1,785
Accrued liabilities	3,063	3,698
Billings in excess of costs and estimated earnings on uncompleted contracts	309	200
Liability associated with common stock warrants	4,065	2,572
Liability associated with embedded derivative feature	-	68
Current portion of notes payable	-	2,418
Current portion of capital lease obligations	45	45
Current portion of long-term debt	63	59
Total current liabilities	9,459	10,845
Capital lease obligations, net of current portion	98	132
Long-term debt, net of current portion	409	457
Deferred rent, net of current portion	1,799	2,027
Total liabilities	11,765	13,461

#### Commitments and contingencies

#### Shareholders' Equity

Common stock at par value	57	43
Additional paid-in capital	291,713	253,086
Receivables from related parties, net	-	(250)
Accumulated other comprehensive income	279	8,619
Accumulated deficit	(253,399)	(239,634)
Total shareholders' equity	38,650	21,864

Total liabilities and shareholders' equity	\$ 50,415	\$ 35,325
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Microvision, Inc.

Statement of Operations  
(In thousands, except earnings per share data)  
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
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Contract revenue	\$ 2,301	\$ 541	\$ 6,422	\$ 3,657
Product revenue	298	282	1,074	1,544
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Total revenue	2,599	823	7,496	5,201
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Cost of contract revenue	1,349	343	3,576	2,493
Cost of product revenue	404	675	1,134	3,650
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Total cost of revenue	1,753	1,018	4,710	6,143
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Gross margin	846	(195)	2,786	(942)
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Research and development expense	3,694	2,855	10,247	7,316
Sales, marketing, general and administrative expense	3,691	3,652	11,328	13,066
Gain on disposal of fixed assets	-	-	-	(198)
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Total operating expenses	7,385	6,507	21,575	20,184
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Loss from operations	(6,539)	(6,702)	(18,789)	(21,126)
Interest income	526	236	860	484
Interest expense	(14)	(1,346)	(499)	(4,804)
Gain (loss) on derivative instruments, net	883	125	(1,709)	3,179
Other expense	(8)	(5)	(25)	(16)
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Net loss before Lumera transactions	(5,152)	(7,692)	(20,162)	(22,283)
Equity in losses of Lumera	-	-	-	(290)
Gain on sale of investment in Lumera	434	-	6,397	7,270
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Net loss	(4,718)	(7,692)	(13,765)	(15,303)
Stated dividend on mandatorily redeemable convertible				

preferred stock	-	-	-	(59)
Accretion to par value of preferred stock	-	-	-	(138)
Inducement for conversion of preferred stock	-	-	-	(3,076)
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Net loss available for common shareholders	\$ (4,718)	\$ (7,692)	\$ (13,765)	\$ (18,576)
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Net loss per share - basic and diluted	\$ (0.08)	\$ (0.20)	\$ (0.29)	\$ (0.60)
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Weighted-average shares outstanding - basic and diluted	56,236	38,437	47,683	30,997
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Source: Microvision, Inc.