March 30, 2016

Vuzix Reports Full Year 2015 Financial Results

ROCHESTER, N.Y., March 30, 2016 /PRNewswire/ -- Vuzix® Corporation (NASDAQ: VUZI) ("Vuzix" or, the "Company"), a leading supplier of video eyewear and smart glasses products in the consumer, commercial and entertainment markets, today reported its full year 2015 financial results for the period ended December 31, 2015.

Vuzix reported $2,749,984 in revenues for the twelve months ended December 31, 2015, a decrease from $3,032,076 for the same period in 2014. For the full year 2015, loss from operations was $11,341,456 compared to $5,032,332 for the same period in 2014. Total Other Expense (Income) for the 2015 period was $2,086,022, a reduction from $2,836,526 in 2014. The Net Loss for the year ended December 31, 2015 was $13,427,478 or $0.97 per share versus a net loss of $7,868,858 or $0.75 per share for the same period in 2014.

The following table compares the Company's statement of operations data for the twelve months ended December 31, 2015 and 2014.

	Years Ended December 31,			
	2015	2014	Dollar Change	% Increase (Decrease)
Sales of Products	$ 2,544,153	$ 2,474,559	$ 69,594	3%
Sales of Engineering Services	205,831	557,517	(351,686)	(63%)
Total Sales	2,749,984	3,032,076	(282,092)	(9%)
Cost of Sales — Products	2,101,466	1,884,678	216,788	12%
Cost of Sales — Engineering Services	82,332	217,233	(134,901)	(62%)

Total Cost of Sales	2,183,798	2,101,911	81,887	4%
Gross Profit	566,186	930,165	(363,979)	(39%)
Gross Margin %	21%	31%		(10%)
Operating Expenses:				
Research and Development	3,595,437	1,752,560	1,842,877	105%
Selling and Marketing	1,798,041	1,232,520	565,521	46%
General and Administrative	6,120,101	2,593,384	3,526,717	136%
Depreciation and Amortization	380,841	279,317	101,524	36%
Impairment of Patents and Trademarks	13,222	104,716	(91,494)	(87%)
Loss from Operations	(11,341,456)	(5,032,332)	(6,309,124)	125%
Other Income (Expense)				
Other Taxes	(54,432)	(83,419)	28,987	(35%)
Foreign Exchange Loss	(277)	(2,713)	2,436	(89%)
Interest Income and Gain on Debt Conversions and Extinguishment	20,790	29,262	(8,472)	(29%)

Loss on Derivative Valuation	(1,098,465)	(2,194,001)	1,095,536	(50%)
Amortization of Senior Term Debt Discount	(798,415)	(393,525)	(404,890)	103%
Interest Expense	(155,223)	(192,130)	36,907	(19%)
Total Other Income (Expense)	(2,086,022)	(2,836,526)	750,504	26%
Loss from Before Provision for Income Taxes	(13,427,478)	(7,868,858)	(5,558,620)	(71%)
Provision for Income Taxes	—	—	—	—
Net Loss	$ (13,427,478)	$ (7,868,858)	$ (5,558,620)	(71%)
Loss per Share	$ (0.97)	$ (0.75)		

2015 Operational Financial Commentary:

- Overall product revenues were up 3% in 2015, despite the phase-out of the Company's Wrap Video Eyewear products in Q1-2015, thanks to a 13% increases in smart glasses revenues.
- Sales from engineering services for the year ended December 31, 2015 were $205,831 compared to $557,517 in 2014. The decrease is primarily the result of the completion of US military engineering services program in early 2015. In 2014, approximately 56% of engineering services revenues was to the US military. The Company has no follow on military engineering programs.
- Gross Margins for 2015 decreased to 21% as compared to 31% for the year ended December 31, 2014. Average 2015 product gross margins actually increased but were negatively affected by a total of 12% due to the impact of a full year's amortization of software development included in cost of sales for the 2015 year as compared to just one quarter in 2014, and higher minimum software royalties versus 2014 due to

software included with the M100 Smart Glasses.
- Sales and marketing costs increased to $1,798,041 in 2015 versus $1,232,520 in 2014 due to higher personnel salary, trade show and PR costs.
- Overall research and development costs expensed for 2015 were up 105% over 2014 to $3,595,437, primarily the result of staff additions and related increased salary costs and spending on new product development for the iWear Video Headphones, our next generation smart glasses and Waveguide research.
- General and administrative expenses increased to $6,120,101 from $2,593,384 primarily due to higher stock compensation costs, external director fees, and increased investor relations activities in 2015 as compared to 2014. Of the overall increase in 2015 over 2014, a total of approximately 80% of these cost increases, or $2,804,522, was non-cash share and warrant compensation expenses.
- Total Other Expense (Income) was $2,086,022 for the year ended December 31, 2015 compared to $2,836,526 in 2014. The largest expense for the 2015 period was the loss of $1,098,465 on the derivative liability valuation mark-to-market revaluation versus a loss of $2,194,001. The next largest expense was related to the amortization of term debt discounts in 2015, which represented a full year's charge as compared to 2014, when the related term debt was only issued half way through 2014.
- Total non-cash expenses for the year ending December 31, 2015 were $5,752,978 versus $3,696,681 in 2014.

2015 and Recent Corporate Highlights:

- Began trading on NASDAQ on January 28, 2015.
- Improved balance sheet with increased cash, stockholder's equity and assets through a $24.8 million investment from Intel; decreased derivative liabilities through related transactions.
- Made first volume deployment of M100s to Lee Company in fall of 2015 with XOEye Technologies, with initial shipments of 500 Vuzix M100 Smart Glasses bundled with XOEye's custom applications.
- Introduced M300 Smart Glasses pre-order program, with product scheduled to start shipping commercially in Summer 2016.
- Deployed M100 Smart Glasses with Bechtle, Germany's largest B2B IT service provider, in world's first use of mobile SAP AR warehouse picker app in a live environment.
- Vuzix common shares were selected for inclusion in the Russell Microcap® Growth Index when the Russell indices were reconstituted in June of 2015.
- Awarded eight CES 2016 Innovation Awards, including "Best of" in Gaming and Virtual Reality for iWear® Wireless Video Headphones.
- Made Vuzix M100 Smart Glasses available in prescription safety format at national retail optical chain.
- Commenced shipments of iWear Video Headphones to developers and consumers, with growing online library of over 120 software titles available.
- Grew our intellectual property with the filing of 14 patent applications, the purchase of two patents and the receipt of two new patents.
- Delivered working enterprise smart glasses solution to DHL for warehouse picking, resulting in greater than a 25% increase in worker productivity.
- Launched Future Proof offer with APX Labs, allowing customers to begin deployments with APX's Skylight and Vuzix M100 Smart Glasses and upgrade to the next

generation Vuzix M300 seamlessly when they begin shipping to customers in Summer 2016.
- Moved into new corporate offices and manufacturing areas, as well as completed upgrade to Rochester facilities, accelerating development and manufacturing of Waveguide technology and equipment for new generation Smart Glasses products.

2015 Year End Financial Summary

"We are excited about the growing traction we are seeing for our Smart Glasses," said Paul Travers, President and Chief Executive Officer of Vuzix. "For example, our recent shipment with XOEye Technologies to Lee Company to facilitate remote support, training, workflow enhancement and much more is the largest order to-date that we have received. The momentum has already started to build in 2016, which we expect to be a much improved year for Vuzix financially over 2015, as more enterprise customers should be converting successful pilot programs to actual commercial deployments."

Mr. Travers continued, "We expect our next generation M300 Smart Glasses to begin shipping in Summer of 2016 and recently launched a pre-order program for this innovative product, which we believe will further differentiate us from other technology in the wearable space. The Vuzix design team over the last two years has gained valuable insight into what worked and what did not in ours and other smart glasses hardware. With significantly improved ergonomics and faster processing power, all in a new ruggedized form designed specifically for enterprise, industrial and medical use, the M300 represents the most innovative technology available in the smart glasses arena."

Conference call information:

Date: Wednesday, March 30, 2016
Time: 4:30 P.M. Eastern Time (ET)
Dial in Number for U.S. & Canadian Callers: 1-877-709-8150
Dial in Number for International Callers (Outside of the U.S. & Canada): 1-201-689-8354

Participating on the call will be Vuzix' Chief Executive Officer and President Paul Travers, and Chief Financial Officer Grant Russell, who will discuss operational and financial highlights for the full year 2015.

To join the live conference call, please dial into the above referenced telephone numbers five to ten minutes prior to the scheduled conference call time.

A replay will be available for 30 days starting on March 30, 2016 at approximately 6:30 PM (ET). To access the replay, please dial 877-660-6853 in the U.S. and 201-612-7415 for international callers. The conference ID# is 13633303.

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 40 patents and 23

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 2016 and several wireless technology innovation awards among others. Founded in 1997, Vuzix is a public company (NASDAQ: VUZI) 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 earnings, financial results, business directions, new planned product introductions, 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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