



## Vuzix Releases Second Quarter 2010 Quarterly Operating Results

ROCHESTER, NEW YORK-- (August 16, 2010) - Vuzix Corporation (TSX-V:VZX, OTC:BB: VUZI) (“Vuzix” or, the “Company”) a leader in the design and manufacture of Video Eyewear products that provide users with portable high quality viewing experiences, today reported its second quarter results for the period ending June 30, 2010. Unless otherwise indicated, dollar amounts referred to herein are references to United States dollars. No regulatory authority has approved or disapproved the information contained in this news release.

Vuzix reported a second quarter net loss of \$1,385,908 or \$0.0053 per share versus a loss of \$1,038,976, or \$0.0048 per share in the same period in 2009. Revenues were \$1,915,359 for the second quarter of 2010 compared to \$2,063,733 for the same period last year. For the six-month period ending June 30, 2010 the Company reported a loss of \$2,894,083 or \$0.011 per share versus a loss of \$1,487,565 or \$0.007 per share in the same period in 2009. Revenues for the first six months of 2010 were \$3,977,318 versus \$5,082,087 for the same period last year, a decrease of 21.7%.

Paul Travers, President and Chief Executive Officer, commented, “As we remarked in our first quarter, our financial results for the first half of 2010 are difficult to compare to 2009 because we had such strong shipments for our defense division’s night vision electronics modules in the 2009 comparable period. We had very positive performance in all of our other product lines in the first and second quarter. For instance, our Tac-Eye video eyewear and our new night vision display model product sales increased 277% for the first six months and despite some supply chain constraints, Consumer Video Eyewear product sales grew over 18% in the first six months accounting for 55.6% of sales.”

Travers continued, “We continued to increase our market share and we ended the June quarter with a strong order backlog of \$5.9 million, significantly higher than our orders at the end of the first quarter.”

### Key Highlights

- Just after the close of our second quarter of 2010, our common shares commenced trading on the U.S. Over-the-Counter Bulletin Board under the symbol VUZI.
- We ended the June 30, 2010 quarter with an order backlog of \$5.9 million, a significant increase over the first quarter. The majority of this is for deliveries of defense products, including \$3.2 million in night vision display electronics modules. The balance of these orders are mainly for our defense Tac-Eye products and \$1.0 million in new engineering programs. As we begin to enter the critical holiday season, we expect to see our backlog build for our consumer products.
- Consumer Video Eyewear product sales increased to \$988,040, or 51.6% of revenues for the quarter, an increase of 29.2% from last year when sales were \$764,629 in that category.
- Sales of our Tac-Eye video eyewear products increased to \$716,018 for the three-month period, an increase of 176% from \$259,836 in the 2009 period.

- Sales of our night vision electronics modules were \$152,625 in the quarter ending June 30<sup>th</sup>, 2010 versus \$919,310 in the same period in 2009. In early June 2010, we received a \$3.4 million order for these modules, which we expect to deliver in the third and fourth quarter.
- Sales from our defense-related engineering programs for the second quarter of 2010, decreased to \$44,542 or 2.3% of total sales compared to \$116,864 or 5.7% of total sales in same period of 2009. We had only one active engineering program during the second quarter of 2010. During the second quarter of 2009 we had multiple active engineering programs that resulted in greater revenues.
- Gross margin decreased to \$392,625 for the three months ending June 30, 2010 from \$672,194 for the same period in 2009 due to a higher mix of Consumer Video Eyewear sales and the negative impact of foreign exchange gains for our Consumer product sales in Europe.
- Total operating expenses increased to \$1,678,163 for the three-month period ending June 30<sup>th</sup>, 2010, versus \$1,650,645 in the 2009 period. The increase was primarily the result of higher sales and marketing expenses and increased general and administrative costs associated with legal and accounting and new shareholder reporting and filing costs to support reporting, audit and regulatory requirements as a public company on both the TSX Venture Exchange and in the U.S. on the Over-the-Counter Bulletin Board.

### **Forward-Looking Statements Disclaimer**

Certain statements contained in this 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, among other things, future order backlog, the Company's financial position, new opportunities, the Company's ability to capitalize on new opportunities and the Company's leadership in the Video Eyewear industry. They are generally identified by words such as "plans," "seeks," "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 from those projected in the Company's forward-looking statements due to, among other things, our ability to raise necessary capital; government regulation of our technologies; our ability to enforce our intellectual property rights and protect our proprietary technologies; the timing of new product launches; delays in product development; and dependence on third parties for certain key components. These risk factors and others are 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](http://www.sedar.com) or [www.sec.gov](http://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.

### **About Vuzix Corporation**

Vuzix is a leading manufacturer of Video Eyewear; personal display devices that provide users with portable high quality viewing experiences. Vuzix started in the defense sector with a focus on R&D of next generation display solutions for the US DoD and the Special Operations community. Today it is a leading supplier of display products for thermal sighting systems, tactical wearable displays and consumer products. Vuzix has 51 patents in the Video Eyewear field and provides solutions for mobile computing, tactical information display, video, virtual and augmented reality, and 3D entertainment. The Company addresses the defense, industrial,

consumer and medical markets and has shipped well over 200,000 display solutions since its inception. Vuzix has won multiple CES Innovations Awards, the RetailVision Best New Product award, several wireless technology innovation awards, among others. Founded in 1997, Vuzix became a public company in December 2009 and is listed on the TSX Venture Exchange (TSX-V: [VZX](#) - [News](#)) and the U.S. OTC Bulletin Board (OTCBB: [VUZI](#)) with offices in Rochester, NY, London, UK and Tokyo, Japan.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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