



PRECISION OPTICS CORPORATION

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**NEWS RELEASE**

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FOR IMMEDIATE RELEASE

**Tuesday, February 18, 2014**

**Precision Optics Corporation, Inc. Announces Operating Results for the Second Quarter and Six Months Ended December 31, 2013**

GARDNER, MA February 18, 2014— Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for the second quarter and six months ended December 31, 2013.

Highlights include:

- Quarter-over-quarter sequential sales increase of 11.1%
- Quarterly year-over-year sales increase of 102.1%
- Reduction of year-over-year quarterly and year-to-date operating loss
- Reduction of year-over-year cash used in operating activities

“The results of the quarter and six months ended December 31, 2013 continue to reflect significant and ongoing increases in our revenues. These revenue increases have been generated by an increase in the number and size of new projects that incorporate our Company’s unique technology and capabilities.” said Joseph Forkey, Precision Optics’ Chief Executive Officer. “We are not only receiving new business from additional work with our current and existing customers, but we have been engaged by new medical device customers who are now beginning to recognize the potential of our proprietary technologies. While our gross margin percentage decreased during the last two quarters due to start-up costs associated with our new product introductions, we expect improvement in our gross margins as manufacturing procedures for these new products become more mature.

We are particularly excited by recent progress on our next generation endoscope camera that utilizes a state-of-the art CMOS image sensor coupled with optics based on our Company’s proprietary Microprecision™ lens technology. This endoscope represents the first of a new class of endoscopes that are able to achieve low per unit costs while still providing high quality, medical grade imaging. Satisfying both of these requirements simultaneously opens the medical device market to applications for single-use endoscopes, removing the requirement for re-sterilization and virtually eliminating the risk of cross-contamination from patient to patient.”

The following table summarizes the second quarter and six months results for the periods ended December 31, 2013 and 2012 (unaudited):

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Revenues	\$ 1,007,717	\$ 498,667	\$ 1,915,143	\$ 1,062,065
Gross Profit	205,416	80,338	465,650	209,811
Operating Expenses	457,869	433,813	928,824	920,130
Operating Loss	(252,453)	(353,475)	(463,174)	(710,319)

Net Loss	(252,453)	(906,484)	(463,174)	(1,264,578)
Loss Per Share:				
Basic	\$ (0.06)	\$ (0.22)	\$ (0.10)	\$ (0.47)
Diluted	\$ (0.06)	\$ (0.22)	\$ (0.10)	\$ (0.47)
Weighted Average Common Shares Outstanding:				
Basic	4,455,134	4,035,656	4,455,134	2,688,788
Diluted	4,455,134	4,035,656	4,455,134	2,688,788

Revenues for the quarter ended December 31, 2013 were \$1,007,717, as compared to \$498,667 for the same period in the prior year, and represented an increase of 102.1%. Revenues for the quarter ended December 31, 2013 also represented a quarter-over-quarter sequential increase of 11.1% as compared to revenues of \$907,426 for the quarter ending September 30, 2013. Revenues for the six months ended December 31, 2013 were \$1,915,143, as compared to \$1,062,065 for the same period in the prior year, and represented an increase of 80.3%.

The increase in revenues for the quarter and six months ended December 31, 2013 resulted from increases in the Company's ongoing sales of previously developed products, as well as sales of newly designed products, most of which are used for medical applications.

Operating loss for the quarter ended December 31, 2013 was \$252,453, as compared to \$353,475 for the same period in the prior year, and represented an improvement of \$101,022. Operating loss for the six months ended December 31, 2013 was \$463,174, as compared to \$710,319 for the same period in the prior year, and represented an improvement of \$247,145.

The decrease in the operating loss for the quarter and six months ended December 31, 2013 as compared to the same periods in the prior year is primarily attributed to lower research and development expenses incurred by the Company, along with higher reported sales and gross profit, partially offset by higher selling, consulting, legal and stock-based compensation expenses incurred.

Net loss for the quarter ended December 31, 2013 was \$252,453, as compared to a net loss of \$906,484 for the quarter ended December 31, 2012, and represented an improvement of \$654,031.

Net loss for the six months ended December 31, 2013 was \$463,174, as compared to a net loss of \$1,264,578 for the six months ended December 31, 2012. Net loss in the quarter and six months ended December 31, 2012 included a non-cash expense for settlement of claims for liquidated damages of \$629,000 and a non-cash gain on settlement of accounts payable of \$76,149.

Cash and cash equivalents were \$577,588 at December 31, 2013, as compared to \$1,034,587 at June 30, 2013, and represented a decrease in cash of \$456,999. Working capital (current assets minus current liabilities) at December 31, 2013 was \$1,287,034, and represented a decrease of \$391,107 as compared to working capital at June 30, 2013.

### **About Precision Optics Corporation**

Precision Optics Corporation has been a leading developer and manufacturer of advanced optical instruments since 1982. Using proprietary optical technologies, the Company designs and produces next generation medical instruments, Microprecision<sup>TM</sup> micro-optics with characteristic

dimensions less than 1 millimeter, and other advanced optical systems for a broad range of customers including some of the largest world-wide medical device companies. The Company's innovative medical instrumentation line includes state-of-the-art endoscopes and endocouplers as well as custom illumination and imaging products for use in minimally invasive surgical procedures. The Company believes that current advances in its proprietary micro-optics and 3D imaging technologies present significant opportunities for expanding applications to numerous potential medical products and procedures. The Company's website is [www.poci.com](http://www.poci.com). Investors can find Real-Time Quotes and market information for the Company on [www.otcmarkets.com/stock/PEYE/quote](http://www.otcmarkets.com/stock/PEYE/quote).

### **About Forward-Looking Statements**

This press release contains forward-looking statements. Forward-looking statements include, but are not limited to, statements that express the Company's intentions, beliefs, expectations, strategies, predictions or any other statements related to the Company's future activities or future events or conditions. These statements are based on current expectations, estimates and projections about the Company's business based, in part, on assumptions made by management. These statements are not guarantees of future performances and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those risks discussed in the Company's annual report on Form 10-K and in other documents that it files from time to time with the SEC. Any forward-looking statements speak only as of the date on which they are made, and the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report, except as required by law.