



PRECISION OPTICS CORPORATION

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**NEWS RELEASE**

**POC19-0003**

FOR IMMEDIATE RELEASE

**Tuesday, February 12, 2019**

**Precision Optics Corporation, Inc. Announces Operating Results for the Second Quarter and Six Months of Fiscal Year 2019**

GARDNER, MA, February 12, 2019. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its fiscal year 2019 second quarter and six months ended December 31, 2018.

Financial highlights include:

- Revenues of \$1,478,000 in the quarter ended December 31, 2018 compared to \$813,000 in the same quarter of the prior year, representing 82% growth;
- Revenues of \$3,037,000 in the six months ended December 31, 2018 compared to \$1,842,000 in the same six month period of the prior year, representing 65% growth;
- 282% and 310% increase in production revenues in the quarter and six month periods ended December 31, 2018 as compared to the same periods of the prior year, driving company-wide growth;
- Non-cash stock-based compensation expense of \$353,000 contributing to net loss of \$425,000 in the six months ended December 31, 2018;
- 27% gross margin in the six months ended December 31, 2018 compared to 37% in the six months ended December 31, 2017.

Precision Optics’ CEO, Joseph Forkey, commented, “Our second quarter revenues remained strong with an increase of 82% compared to last year, and continuing at over \$1.4 million for the third consecutive quarter. This substantial year-over-year increase continues to be driven by revenues from three customer programs that transitioned into production in 2018. We expect that production for all three of these programs will continue, with receipt of follow-on orders expected during the next few months. Our margins were negatively impacted in the second quarter by issues associated with two customer projects – one in manufacturing and one in engineering. We are addressing these issues and expect both to be corrected in the near term, leading to improved bottom line results.

Dr. Forkey continued, “Despite design challenges with one particularly large engineering project, which impacted revenues and gross margins in the second quarter, our engineering pipeline remains strong. We continue to move through the design and prototype phases on a number of projects, and certain customers anticipate that their projects will enter commercialization and transition to long-term production over the next twelve months. We are seeing continued growth of the markets for our specialty technologies in the areas of Microprecision™ micro-optics and 3D endoscope-based products. We are executing on our strategy of investment and expansion in order to take advantage of these market opportunities. Forecasting the timing of growth can be difficult when they are based on large customer programs, but we have visibility to a greater level of quarterly revenue and believe we are well positioned for long-term growth.”

The following table summarizes the second quarter and six month results for the periods ended December 31, 2018 and 2017 (unaudited):

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues	\$ 1,477,851	\$ 812,773	\$ 3,037,309	\$ 1,841,519
Gross Profit	355,722	300,222	818,229	686,964
Operating Expenses	481,329	360,066	1,242,616	775,077
Operating Loss	(125,607)	(59,844)	(424,387)	(88,113)
Net Loss	(125,948)	(60,326)	(425,233)	(89,111)
Loss Per Share:				
Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.01)
Weighted Average Common Shares Outstanding:				
Basic and Diluted	11,618,878	9,979,197	10,940,074	9,543,810

### **Quarterly Conference Call Details**

The Company has scheduled a conference call to discuss the fiscal second quarter 2019 financial results for Tuesday, February 12, 2019 at 5:00 PM Eastern Time. To participate in the conference call, please dial 1-844-826-3042 toll free from the U.S., or 1-412-317-5187 for international callers, and ask to be connected to the Precision Optics Corporation conference call.

An audio replay of the conference call will be available approximately one hour after the conclusion of the call and will be made available until February 19, 2019. The audio replay can be accessed by dialing 1-877-344-7529 toll free from the U.S., or 1-412-317-0088 for international callers, and entering Replay Access Code 10128620.

### **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 global 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 the Company's 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 we file 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.

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Following are the Company's consolidated balance sheets as of December 31, 2018 and June 30, 2018, and statements of operations for the three and six months ended December 31, 2018 and 2017 and statements of cash flows for the six months ended December 31, 2018 and 2017 (unaudited):

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<u>December 31,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,744,644	\$ 402,738
Accounts Receivable, net	728,636	796,923
Inventories, net	1,095,525	1,144,068
Prepaid Expenses	136,517	70,991
Total Current Assets	<u>3,705,322</u>	<u>2,414,720</u>
<b>PROPERTY AND EQUIPMENT</b>		
Machinery and Equipment	2,574,579	2,511,638
Leasehold Improvements	566,839	553,596
Furniture and Fixtures	148,303	148,303
	<u>3,289,721</u>	<u>3,213,537</u>
Less: Accumulated Depreciation and Amortization	(3,178,645)	(3,164,051)
Net Fixed Assets	<u>111,076</u>	<u>49,486</u>
Patents, net	<u>46,007</u>	<u>47,275</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,862,405</u></u>	<u><u>\$ 2,511,481</u></u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Capital Lease Obligation	\$ 9,262	\$ 8,962
Accounts Payable	752,020	703,538
Customer Advances	294,650	857,842
Accrued Employee Compensation	228,314	238,590
Accrued Professional Services	74,250	98,000
Accrued Warranty Expense	25,000	25,000
Other Accrued Liabilities	-	912
Total Current Liabilities	<u>1,383,496</u>	<u>1,932,844</u>
Capital Lease Obligation, net of current portion	<u>9,894</u>	<u>14,601</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$0.01 par value - Authorized - 50,000,000 shares; Issued and Outstanding – 11,897,139 shares at December 31, 2018 and 10,197,139 shares at June 30, 2018	118,972	101,972
Additional Paid-in Capital	47,797,398	45,484,186
Accumulated Deficit	<u>(45,447,355)</u>	<u>(45,022,122)</u>
Total Stockholders' Equity	<u>2,469,015</u>	<u>564,036</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 3,862,405</u></u>	<u><u>\$ 2,511,481</u></u>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**DECEMBER 31, 2018 AND 2017**  
**(UNAUDITED)**

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues	\$ 1,477,851	\$ 812,773	\$ 3,037,309	\$ 1,841,519
Cost of Goods Sold	<u>1,122,129</u>	<u>512,551</u>	<u>2,219,080</u>	<u>1,154,555</u>
Gross Profit	<u>355,722</u>	<u>300,222</u>	<u>818,229</u>	<u>686,964</u>
Research and Development Expenses, net	125,413	90,031	226,211	208,458
Selling, General and Administrative Expenses	355,916	270,035	1,016,405	566,619
Total Operating Expenses	<u>481,329</u>	<u>360,066</u>	<u>1,242,616</u>	<u>775,077</u>
Operating Loss	(125,607)	(59,844)	(424,387)	(88,113)
Interest Expense	<u>(341)</u>	<u>(482)</u>	<u>(846)</u>	<u>(998)</u>
Net Loss	<u>\$ (125,948)</u>	<u>\$ (60,326)</u>	<u>\$ (425,233)</u>	<u>\$ (89,111)</u>
Loss Per Share:				
Basic	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Weighted Average Common Shares Outstanding:				
Basic	<u>11,618,878</u>	<u>9,979,197</u>	<u>10,940,074</u>	<u>9,543,810</u>
Diluted	<u>11,618,878</u>	<u>9,979,197</u>	<u>10,940,074</u>	<u>9,543,810</u>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED**  
**DECEMBER 31, 2018 AND 2017**  
**(UNAUDITED)**

	<b>Six Months</b>	
	<b>Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (425,233)	\$ (89,111)
Adjustments to Reconcile Net Loss to Net Cash Provided From (Used In)		
Operating Activities -		
Depreciation and Amortization	15,862	15,804
Stock-based Compensation Expense	353,212	33,028
Non-cash Consulting Expense	-	(3,387)
Changes in Operating Assets and Liabilities -		
Accounts Receivable, net	68,287	(284,604)
Inventories, net	48,543	67,656
Prepaid Expenses	(65,526)	(22,447)
Accounts Payable	48,482	41,586
Customer Advances	(563,192)	283,152
Accrued Liabilities	(57,938)	26,318
Net Cash Provided From (Used In) Operating Activities	<u>(577,503)</u>	<u>67,995</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additional Patent Costs	-	(17,189)
Purchases of Property and Equipment	(76,184)	-
Net Cash Used In Investing Activities	<u>(76,184)</u>	<u>(17,189)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of Capital Lease Obligation	(4,407)	(4,127)
Gross Proceeds from Private Placement of Common Stock	2,000,000	210,001
Gross Proceeds from Exercise of Stock Purchase Warrants	-	6,667
Net Cash Provided From Financing Activities	<u>1,995,593</u>	<u>212,541</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,341,906	263,347
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>402,738</u>	<u>118,405</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,744,644</u>	<u>\$ 381,752</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>		
Issuance of Common Stock in Settlement of Accounts Payable	\$ -	\$ 40,000
Offering Costs Included in Current Liabilities	<u>\$ 23,000</u>	<u>\$ 2,963</u>