



PRECISION OPTICS CORPORATION

22 EAST BROADWAY
GARDNER, MASSACHUSETTS 01440-3338
Telephone 978 / 630-1800
Telefax 978 / 630-1487

NEWS RELEASE

POC18-0087

FOR IMMEDIATE RELEASE

Thursday, September 27, 2018

Precision Optics Corporation, Inc. Announces Operating Results for the Fourth Quarter and Fiscal Year Ended June 30, 2018

GARDNER, MA September 27, 2018. Precision Optics Corporation, Inc. (OTCQB: PEYE) (the “Company”) today announced operating results on an unaudited basis for its fourth quarter and fiscal year ended June 30, 2018.

Fourth quarter 2018 highlights include:

- Fourth quarter revenues of \$1,460,932 compared to \$720,223 in the fourth quarter of fiscal 2017;
- 38% gross margin compared to 25% in the fourth quarter of fiscal 2017;
- Net income of \$16,992, or \$130,742 before a non-recurring charge for an uncollectible receivable from one customer.

Fiscal year 2018 highlights include:

- Fiscal year revenues of \$4,038,048, compared to \$3,154,547 in fiscal 2017, representing a 28% year-over-year increase;
- 37% gross margin compared to 25% in fiscal year 2017;
- Level operating expenses in fiscal 2018 on higher revenues contributed to a significantly reduced operating loss compared to fiscal 2017;
- Efficient conversion of development projects into production.

Precision Optics’ CEO, Joseph Forkey, commented, “We are very pleased to report increased revenues, strong margins, and stable operating costs resulting in a significantly reduced operating loss for fiscal year 2018, and an operating profit for the fourth quarter. This represents our strongest overall results in many years, and the realization of a successful business model that we have been pursuing for some time. During the last few years, we have balanced use of our resources on both engineering and production projects, anticipating that overall revenue increases would result from maintenance of existing, ongoing, production orders combined with new projects moving from engineering development to production. As anticipated, revenues in the fourth quarter of fiscal 2018 of \$1,460,932 were bolstered by a 129% increase in production revenues as compared to production revenues in the third quarter of fiscal 2018 and a 174% increase compared to production revenues in the fourth quarter of fiscal 2017. This was due in large part to the conversion of three engineering projects into production. Despite a \$113,750 expense charge in the fourth quarter for an uncollectible receivable from a single customer, we generated net income of \$16,992, or \$130,742 before the non-recurring expense item. Overall, we are encouraged with the financial performance in fiscal 2018, and particularly in the fourth quarter.”

Dr. Forkey continued, “Looking forward, engineering projects continue to be our pipeline to long-term increases in production and overall revenues. Although engineering revenues were down by 6.7% in fiscal 2018 compared to fiscal 2017, we consider this to be a normal fluctuation due to timing of various phases of development work. More importantly, the number and quality of our engineering projects remain strong with a robust pipeline of products in development that we believe will help to fuel future revenue increases. Overall, we see an ongoing increase in demand for optical components and devices incorporating our proprietary technologies for designing and producing 3D endoscopes as well as micro-optics and micro imaging and illumination systems. In particular, demand continues to increase for devices that combine our Microprecision™ technology with advanced CMOS technology to achieve very small endoscopic devices, and for devices that use our 3D endoscope technology in combination with robotic surgery applications. We believe that our established capability to efficiently support multiple engineering and production projects simultaneously, and importantly, our ability to successfully convert

engineering projects into production products, will enable us to increase revenues and further enhance financial performance in the future.”

The following table summarizes the fourth quarter and year results for the periods ended June 30, 2018 and 2017 (unaudited):

	Three Months Ended June 30,		Year Ended June 30,	
	2018	2017	2018	2017
Revenues	\$ 1,460,932	\$ 720,223	\$ 4,038,048	\$ 3,154,547
Gross Profit	558,801	180,142	1,481,918	773,724
Operating Expenses	540,484	415,530	1,830,537	1,776,125
Operating Income (Loss)	18,317	(235,388)	(348,619)	(1,002,401)
Net Income (Loss)	16,992	(237,601)	(351,390)	(1,006,457)
Income (Loss) Per Share:				
Basic	\$ 0.00	\$ (0.03)	\$ (0.04)	\$ (0.12)
Diluted	\$ 0.00	\$ (0.03)	\$ (0.04)	\$ (0.12)
Weighted Average Common Shares Outstanding:				
Basic and Diluted	10,131,007	8,872,916	9,826,151	8,343,235

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the fiscal year end and fourth quarter 2018 financial results for Thursday, September 27, 2018 at 5:00 p.m. EDT. To participate in the conference call, please dial 1-844-826-3042 toll free from the U.S., or 1-412-317-5187 from outside the U.S., and ask to be connected to the Precision Optics, Corp. 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 October 05, 2018. The audio replay can be accessed toll free by dialing 1-877-344-7529 from the U.S., or 1-412-317-0088 from outside the U.S., or 1-855-669-9658 from Canada using Access Code 10124294.

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™ 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. Investors can find Real-Time Quotes and market information for the Company on www.otcm Markets.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.

Company Contact:

Precision Optics Corporation, Inc.
22 East Broadway
Gardner, Massachusetts 01440-3338
Telephone: 978-630-1800

Investor Contact:

Mr. Kirin M. Smith, Chief Operating Officer
PCG Advisory Group
Telephone: 646-863-6519
Email: Ksmith@PCGAdvisory.com
www.pcgadvisory.com

Following are the Company's Consolidated Balance Sheets at June 30, 2018 and June 30, 2017, and Statements of Operations for the years ended June 30, 2018 and 2017 and Statements of Cash Flows for the years ended June 30, 2018 and 2017:

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT JUNE 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 402,738	\$ 118,405
Accounts receivable (net of allowance for doubtful accounts of \$232,500 at June 30, 2018 and \$5,000 at June 30, 2017)	796,923	468,548
Inventories	1,144,068	1,055,447
Prepaid expenses	70,991	55,985
Total current assets	<u>2,414,720</u>	<u>1,698,385</u>
Fixed Assets:		
Machinery and equipment	2,511,638	2,507,190
Leasehold improvements	553,596	553,596
Furniture and fixtures	148,303	148,303
	<u>3,213,537</u>	<u>3,209,089</u>
Less—Accumulated depreciation and amortization	3,164,051	3,136,835
Net fixed assets	<u>49,486</u>	<u>72,254</u>
Patents, net	47,275	30,086
	<u>\$ 2,511,481</u>	<u>\$ 1,800,725</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of capital lease obligation	\$ 8,962	\$ 8,391
Accounts payable	703,538	694,958
Customer advances	857,842	180,137
Accrued employee compensation	238,590	189,783
Accrued professional services	98,000	71,000
Accrued warranty expense	25,000	25,000
Other accrued liabilities	912	49,512
Total current liabilities	<u>1,932,844</u>	<u>1,218,781</u>
Capital lease obligation, net of current portion	14,601	23,564
Commitments (Note 2)	—	—
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding – 10,197,139 shares at June 30, 2018 and 8,872,916 shares at June 30, 2017	101,972	88,729
Additional paid-in capital	45,484,186	45,140,383
Accumulated deficit	<u>(45,022,122)</u>	<u>(44,670,732)</u>
Total stockholders' equity	<u>564,036</u>	<u>558,380</u>
	<u>\$ 2,511,481</u>	<u>\$ 1,800,725</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
Revenues	\$ 4,038,048	\$ 3,154,547
Cost of goods sold	<u>2,556,130</u>	<u>2,380,823</u>
Gross profit	1,481,918	773,724
Research and development expenses, net	456,377	464,162
Selling, general and administrative expenses	1,374,160	1,313,478
Gain on sale of assets	—	(1,515)
Total operating expenses	<u>1,830,537</u>	<u>1,776,125</u>
Operating loss	(348,619)	(1,002,401)
Interest expense	<u>(1,859)</u>	<u>(3,144)</u>
Loss before provision for income taxes	(350,478)	(1,005,545)
Provision for income taxes	<u>912</u>	<u>912</u>
Net loss	<u>\$ (351,390)</u>	<u>\$ (1,006,457)</u>
Loss per share:		
Basic and fully diluted	<u>\$ (0.04)</u>	<u>\$ (0.12)</u>
Weighted average common shares outstanding:		
Basic and fully diluted	<u>9,826,151</u>	<u>8,343,235</u>

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Net loss	\$ (351,390)	\$ (1,006,457)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	27,216	33,660
Provision for doubtful accounts receivable	227,500	(18,377)
Gain on sale of assets	-	(1,515)
Stock-based compensation expense	52,341	201,612
Non-cash consulting expense	2,400	33,900
Changes in operating assets and liabilities-		
Accounts receivable	(555,875)	300,209
Inventories	(88,621)	78,004
Prepaid expenses	(15,006)	32,144
Accounts payable	48,580	(457,603)
Customer advances	677,705	180,137
Accrued expenses	75,807	(43,148)
Net cash provided by (used in) operating activities	<u>100,657</u>	<u>(667,434)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of assets	-	1,515
Additional patent costs	(17,189)	(7,212)
Purchases of fixed assets	(4,448)	(27,719)
Net cash used in investing activities	<u>(21,637)</u>	<u>(33,416)</u>
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(8,392)	(7,857)
Gross proceeds from private placements of common stock	210,001	780,000
Gross proceeds from exercise of stock purchase warrants	6,667	-
Private placement expenses paid	(2,963)	(2,947)
Net cash provided by financing activities	<u>205,313</u>	<u>769,196</u>
Net increase in cash and cash equivalents	284,333	68,346
Cash and cash equivalents, beginning of year	<u>118,405</u>	<u>50,059</u>
Cash and cash equivalents, end of year	<u>\$ 402,738</u>	<u>\$ 118,405</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 912</u>	<u>\$ 912</u>
Supplemental disclosure of non-cash financing activities:		
Issuance of common stock to consultant	<u>\$ 51,000</u>	<u>\$ -</u>
Private placement expenses incurred but not yet paid	<u>\$ -</u>	<u>\$ 21,000</u>
Issuance of common stock in settlement of accounts payable	<u>\$ 40,000</u>	<u>\$ 20,000</u>