PART I
FINANCIAL INFORMATION

Item 1 - Financial Statements

Balance Sheets at September 30, 1996 and December 31, 1995. 3

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September 30, 1996

Statements of Cash Flows for the nine months ended September 30, 5
1996 and 1995 and for the period from inception to 6
September 30, 1996

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and Results of Operations

<TABLE>
<CAPTION>
MICROVISION, INC.  
(a development stage company)  
BALANCE SHEETS  
ASSETS  

<table>
<thead>
<tr>
<th></th>
<th>September 30, 1996</th>
<th>December 31, 1995</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>(unaudited)</td>
<td>(Note)</td>
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<tr>
<td>Current Assets;</td>
<td></td>
<td></td>
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</table>
Cash and cash equivalents $16,447,000 $ 98,500
Accounts receivable 50,000 -
Receivables from former employees 2,800 69,400
Other current assets 5,300 -
Total current assets 16,505,100 167,900

Equipment, net 102,500 9,100
Other assets 101,300 2,000
Total assets $16,708,900 $179,000

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

Current Liabilities:
Accounts payable $ 920,500 $ 207,500
Accrued liabilities 472,400 336,400
7% Convertible Subordinated Notes due 1997 750,000 -
Total liabilities 2,142,900 543,900

Shareholders' Equity (Deficit):
Preferred stock - 2,038,900
Common stock 23,949,100 4,745,900
Deferred compensation (73,600) (42,800)
Accumulated deficit (9,309,500) (7,106,900)
Total shareholders' equity (deficit) 14,566,000 (364,900)
Total liabilities and equity (deficit) $16,708,900 $ 179,000

See accompanying notes to financial statements.

Note: The balance sheet at December 31, 1995 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.
See accompanying notes to financial statements.

MICROVISION, INC.
(a development stage company)
STATEMENT OF CASH FLOWS
(unaudited)

May 1993
(inception)
through

September 30, 1996                    1995
256,600
245,600
- stock, warrants and options 1,182,100
472,400
1,182,100
472,400
-----------              ----------              ---
-------
Net cash used in operating activities (1,374,700)             (1,485,400)
-----------              ----------              ---
-------
Net cash used in investing activities (103,300)                      -
-----------              ----------              ---
-------
Net cash provided by financing activities 17,826,500               3,541,300
23,186,800
Net increase in cash and cash equivalents 16,348,500 2,055,900
16,447,000
Cash and equivalents at the beginning
of the period
98,500 67,700
-
---------------
-
------------
Cash and equivalents at the end of
the period
$16,447,000 2,123,600
$16,447,000

See accompanying notes to financial statements.

MIMROVISION, INC.
(a development stage company)
Notes to Financial Statements
September 30, 1996

MANAGEMENT'S STATEMENT

The accompanying unaudited financial statements at September 30, 1996
and 1995 and for the periods then ended, including the period from
inception to date, have been prepared in accordance with generally accepted
accounting principles for interim financial information on a basis
consistent with the audited financial statements for the twelve month
period ended December 31, 1995. These statements include all adjustments
(consisting only of normal recurring accruals) that, in the opinion of the
Company's management, are necessary for a fair presentation of the results
for the interim and inception to date periods presented. The interim
results are not necessarily indicative of results that may be expected for
a full year and should be read in conjunction with the Company's audited
financial statements for the year ended December 31, 1995, which are
included in the Prospectus (Registration Number 333-5276-LA) dated August
27, 1996.

COMPUTATION OF EARNINGS (LOSS) PER SHARE

Net loss per share information is computed using the weighted average
number of shares of common stock outstanding during each period. Common
equivalent shares issuable upon the exercise of outstanding options and
warrants to purchase shares of the Company's common stock (using the
treasury stock method) are not included in the calculation of the net loss
per share for the three and nine month periods ended September 30, 1996 and
1995, because the effect of their inclusion is anti-dilutive. In accordance
with Securities and Exchange Commission Staff Accounting Bulletins (SABs),
common equivalent shares issued by the Company at prices below the public
offering price of $8.00 per unit during the period beginning one year prior
to the initial filing of the registration statement for the Company's
initial public offering have been included in the calculation as if they
were outstanding for all periods (using the treasury stock method and the
initial public offering price of $8.00 per unit).

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Preliminary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-QSB contains forward-looking statements
within the meaning of Section 27A of the Securities Act of 1933, as
amended, and Section 21E of the Securities Exchange Act of 1934, as
amended. Such statements may include, but are not limited to, projection of
revenue, income, or loss, capital expenditures, plans for product
development and cooperative arrangements, future operations, financing
needs or plans of the Company as well as assumptions relating to the
foregoing. The words "believe," "expect," "anticipate," "estimate,"
"project," and similar expressions identify forward-looking statements,
which speak only as of the date the statement was made. Such statements are
inherently subject to risks and uncertainties as further described herein
and in the "Risk Factors" section of the Rule 424(b)(4) Prospectus,
Registration Number 333-5276-LA, filed by the Company in August 1996. The
Company's actual results may differ materially from the results projected
in the forward-looking statements.

OVERVIEW

The Company commenced operations in May 1993 to develop and
commercialize technology for displaying images and information directly
onto the retina of the eye. In 1993 the Company acquired the exclusive license to the Virtual Retinal Display technology ("VRD") from the University of Washington and entered into a research agreement with the University of Washington to further develop the VRD technology. Since its formation, the Company has been in the development stage, with its principal activities consisting of assembling a qualified technical, business development and executive management team, working with the University of Washington in the continuing development of the VRD technology and prototype products, and raising capital. The Company has generated no significant revenues and has incurred substantial losses since its inception. The Company expects to continue to incur significant operating losses for the next several years.

The Company's objective is to be a leading provider of personal display products and imaging technology in a broad range of professional and consumer applications. The Company expects to achieve this objective and to generate revenues through a combination of the following activities: technology licensing to original equipment manufacturers ("OEMs") of consumer electronics products; provision of engineering services associated with cooperative development arrangements and research contracts; and the manufacture and sale of high-performance personal display products to professional users, directly, through OEM's or through joint ventures.

The Company is in discussions with systems and equipment manufacturers in the defense and wireless communications, computing, and commercial and consumer electronics industries. The Company expects to work with certain of these manufacturers to develop or co-develop specific products that the Company believes to be the most commercially viable.

The Company does not expect to have any significant revenues until late 1997 at the earliest. Revenues in late 1997, if any, are expected to be derived from cooperative development projects and government research grants. Revenues from sales of products may not occur until substantially later, if at all.

The Company currently has two prototype versions of the VRD. The Company expects to continue funding prototype and demonstration versions of products incorporating the VRD technology throughout 1996 and 1997. Future revenues, profits and cash flow, and the Company's ability to achieve its strategic objectives described herein, will depend upon a number of risks and uncertainties, including acceptance of the VRD technology by various industries and OEMs, market acceptance of products incorporating the VRD technology and the technical performance of such products. Additionally, the Company must be able to attract, retain and motivate qualified technical and management personnel and both anticipate and adapt to a rapidly changing, competitive market for information display technologies.

PLAN OF OPERATION

The Company intends to invest over the next year in ongoing innovation and improvements to the VRD technology, including the development of component technology and additional prototypes as well as the design of subsystems and products. The Company has commenced establishing and equipping its own laboratory and facilities in support of this work. The Company is adding to its technical and business staff in support of its technology development and marketing objectives and, in particular is adding to its engineering staff. The operating plan also provides for the completion of the research agreement with the University of Washington and the development of strategic relationships with systems and equipment manufacturers.

RESULTS OF OPERATIONS

The Company is in the development stage and has not generated significant revenues. As of September 30, 1996, the Company had an accumulated deficit since inception of $9.3 million. The Company expects continuing and increasing expenditures in research and development as it focuses its efforts on further development and refinement of the VRD technology and pursues commercialization of the VRD technology.

THREE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1995

Revenue increased $20,700 or 71% to $50,000 in the three months ended September 30, 1996 from $29,300 for the comparable period in 1995. The revenue in the period September 30, 1996 resulted from a purchase order with Lockheed Martin Corp.'s Information Systems Division for a prototype display model of the VRD for a military trade show which is being recognized on the percentage completion method. The revenue for the period ended September 30, 1995 was derived from a contract with Fujitsu Research Institute, which called for defining possible applications for the VRD technology.

Research and development expenses for the three months ended September 30,
1996 were at a comparable level with expenditures in the same period of the previous year. In both periods, the research and development expenses were primarily the payments made under the Company's research agreement with the University of Washington. The Company expects its research and development expenses to increase over amounts in prior periods as it builds its technical staff and expands its internal research and development activities.

Marketing, general and administrative expenses increased $100,600 or 18% to $661,100 in the three months ended September 30, 1996 from $560,500 for the comparable period in 1995. The increase reflected increases in compensation and associated employee costs for both existing employees and employees hired during the period as well as increases in contract labor and supplies attributable in part for the fulfillment of the Company's purchase order from Lockheed Martin Corp. as noted above. The Company expects marketing, general and administrative expenses to increase over amounts in prior periods in support of the expected increases in research and development as well as in marketing activities.

Net interest income in the three months ended September 30, 1996 was $64,100 as compared to net interest expense of $2,600 in the comparable period of 1995. This increase reflected higher cash balances resulting principally from approximately $15.5 million of net proceeds received from the Company's initial public offering in August 1996.

NINE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1995

Revenue increased by $47,900 or 163% to $77,200 in the nine months ended September 30, 1996 from $29,300 in the comparable period in 1995. The increase resulted from the revenue recognized in the three months ended September 30, 1996 as described above and a second Fujitsu Research Institute contract recognized in the first quarter of 1996.

Research and development expenses for the nine months ended September 30, 1996 did not change significantly from the level for the same period in the prior year. In both periods, substantially all of the research and development expenditures were the payments made under the Company's research contract with the University of Washington.

Marketing, general and administrative expenses increased $362,700 or 37% to $1,331,100 in the nine months ended September 30, 1996 from $968,400 in the comparable period in 1995. The increase resulted largely from expenditures for compensation and other employee related costs for both existing employees and employees hired during the period as well as increases in various operating costs resulting from the increased staffing. In addition, contract labor and supplies used in part in the fulfillment of the Company's purchase order with Lockheed Martin Corp. contributed to the increase. Travel related expenditures also increased as the Company placed greater emphasis on marketing and business development activities during the nine month period ended September 30, 1996.

Net interest income increased by $60,300 to $66,700 for the nine months ended September 30, 1996 over the $6,400 in the comparable period in 1995. The increase reflected higher cash balances resulting principally from the proceeds of the Company's initial public offering.

LIQUIDITY AND CAPITAL RESOURCES

From inception through July, 1996, the Company financed its operations primarily through private equity sales and a private placement of convertible subordinated notes. In August 1996, the Company completed its initial public offering of 2,250,000 units, each unit consisting of one share of common stock and one five-year redeemable warrant to purchase one share of common stock at $12.00 per share. The Company received net proceeds from the offering of approximately $15.5 million after deducting underwriting discounts and offering expenses.

The Company believes that its current cash balances will satisfy its budgeted cash requirements for the foreseeable future, based on the Company's current operating plan. Budgeted operating and capital requirements include provision for approximately $1,300,000 in remaining payments under the research contract with the University of Washington and up to $750,000 in principal amount for the redemption or repayment of the Company's 7% Convertible Subordinated Notes, which are due in July 1997 but which may be redeemed at the option of the holder at par from November 25, 1996 to March 15, 1997. Actual expenses, however, may exceed the amounts budgeted, and will depend, in part, upon the opportunities that arise for commercialization of the VRD technology. The Company may require additional capital earlier to develop products, to respond to competitive pressures, or to meet unanticipated development difficulties.

The Company's future expenditures and capital requirements will depend on numerous factors, including the progress of its research and development
program, the progress in commercialization activities, the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments and the ability of the Company to establish cooperative development, joint venture and licensing arrangements. If the Company is successful in establishing co-development and joint venture arrangements, it is expected that the Company's partners would fund certain non-recurring engineering costs for product development. Nevertheless, the Company expects its cash requirements to increase significantly each year as it expands its activities and operations.

Pending use of its cash and cash equivalents, the Company invests in short-term, interest bearing investment grade securities.

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PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the discussion under the heading "Legal Proceedings" in the Registrant's Prospectus (Registration Number 333-5276-LA) dated August 27, 1996.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

   11. Computation of Pro Forma Loss Per Share

27. Financial Data Schedule

b. Reports on Form 8-K

During the quarterly period ended September 30, 1996, the Company filed no Current Reports on Form 8-K with the Commission.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MICROVISION, INC.

Date: November 26, 1996

RICHARD F. RUTKOWSKI

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Richard F. Rutkowski
President, Chief Executive Officer
(Principal Executive Officer)

RICHARD A. RAISIG

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Richard A. Raisig
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit Number Description
- ------
11 Computation of Pro Forma Loss Per Share
### MICROVISION, INC.

**COMPUTATION OF PRO FORMA LOSS PER SHARE**

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
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<th>Nine Months ended</th>
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<td>September 30,</td>
<td>September 30,</td>
<td>September 30,</td>
<td>September 30,</td>
</tr>
<tr>
<td>Net loss</td>
<td>($870,300)</td>
<td>($861,800)</td>
<td>($2,202,600)</td>
<td>($1,960,700)</td>
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<tr>
<td>Shares utilized in</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>pro forma loss per</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average</td>
<td>4,230,446</td>
<td>3,675,729</td>
<td>3,719,450</td>
<td>3,556,253</td>
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<tr>
<td>shares outstanding</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>1,328,297</td>
<td>1,055,829</td>
<td>1,328,297</td>
<td>1,055,829</td>
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<tr>
<td>equivalent shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>outstanding during</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the period</td>
<td></td>
<td></td>
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<tr>
<td>7% Convertible</td>
<td>42,188</td>
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<td>42,188</td>
<td>42,188</td>
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<td>Subordinated Notes</td>
<td>5,600,931</td>
<td>4,773,746</td>
<td>5,089,935</td>
<td>4,654,270</td>
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<td>due 1997</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pro forma net loss</td>
<td>($0.16)</td>
<td>($0.18)</td>
<td>($0.43)</td>
<td>($0.42)</td>
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<tr>
<td>per share</td>
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 Shares utilized in computing pro forma loss per share:

- Weighted average shares outstanding: 4,230,446, 3,675,729, 3,719,450, 3,556,253
- Common stock equivalent shares outstanding during the period: 1,328,297, 1,055,829, 1,328,297, 1,055,829
- 7% Convertible Subordinated Notes due 1997: 42,188, 42,188, 42,188, 42,188
- Pro forma net loss per share: ($0.16), ($0.18), ($0.43), ($0.42)
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED FINANCIAL STATEMENTS OF MICROVISION, INC., FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<th>PERIOD-TYPE</th>
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<td>FISCAL-YEAR-END</td>
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<td>PERIOD-END</td>
<td>SEP-30-1996</td>
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<td>CASH</td>
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<td>SECURITIES</td>
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<td>DEPRECIATION</td>
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<td>TOTAL-ASSETS</td>
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<td>TOTAL-LIABILITY-AND-EQUITY</td>
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<td>INCOME-CONTINUING</td>
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<tr>
<td>NET-INCOME</td>
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<td>EPS-PRIMARY</td>
<td>(.43)</td>
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<td>EPS-DILUTED</td>
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