

-----  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549  
-----

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 3, 2006  
-----

MICROVISION, INC.  
(Exact Name of Registrant as Specified in Charter)

Delaware (State or Other Jurisdiction of Incorporation)	0-21221 (Commission File Number)	91-1600822 (IRS Employer Identification No.)
---	--	--

6222 185th Avenue NE  
Redmond, Washington 98052  
(Address of Principal Executive Office) (Zip Code)

Registrant's telephone number, including area code: (425) 415-6847

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 

Item 2.02. Results of Operations and Financial Condition.

The information in this Current Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

On August 3, 2006, Microvision, Inc. issued a press release announcing its preliminary financial results for the quarter ended June 30, 2006. A copy of the press release is attached as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits.

99.1 Microvision, Inc. Press Release Announcing Preliminary  
Financial Results for the Quarter Ended June 30, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MICROVISION, INC.

By: /s/ Thomas M. Walker  
-----

Thomas M. Walker  
Vice President, General Counsel & Secretary

Date: August 3, 2006

Microvision Announces Second Quarter 2006 Results;  
 Microvision Completes \$27 Million Financing and Hits Important  
 Organizational and Financial Milestones;  
 Continues its Progress on Turn-Around Initiatives

REDMOND, Wash.--(BUSINESS WIRE)--Aug. 3, 2006--Microvision, Inc. (NASDAQ:MVIS), a leader in light scanning technologies, today reported operating and financial results for the second quarter and first six months of 2006.

For the six months ended June 30, 2006, the company reported revenue of \$4.4 million compared to \$8.7 million for the same period in 2005, and \$1.9 million for the three months ended June 30, 2006, compared to \$4.7 million for the same period in 2005. The reduced year-to-date revenue versus last year was primarily due to the reductions in commercial contract revenue. Product revenue from the sale of Flic bar code scanners increased 41% and 55% for the three and six months respectively from the same periods last year. Microvision ended the quarter with \$22.1 million in cash, cash equivalents and investment securities.

"I am very encouraged by what we have accomplished over the first six months of the year," said Alexander Tokman, President and Chief Executive Officer. "Our operating report card for the first half of 2006 was solid. We had success in meeting several important objectives we articulated in February including:

- Defined and rolled-out our business strategy focused on a new embedded scanning engine called Integrated Photonics Module or IPM(TM)
- Allocated a large portion of engineering resources to accelerate the Company's head-up display (HUD) and embedded miniature projector (PicoP(TM)) programs that are at the center of our high volume products development and commercialization strategy. As a result, we have developed several novel IPM designs that could substantially reduce the form factor and power consumption that are critical to success;
- Entered into a development and funding agreement with a laser OEM to assert more active control in the development of an improved green solid-state laser light source optimized for use in all high volume scanning applications pursued by Microvision;
- Secured a \$915,000 Air Force contract and commenced the definition and design effort for a color eyewear application;
- Completed largest financing transaction in the Company's history by raising \$27 million despite a difficult capital market;
- Hit first half operating loss targets through rigorous management of expenses despite lower than planned first half revenue;
- Made significant progress on revitalizing the Flic product line;
  - Increased Flic revenue for the first half by 55% over the same period last year;
  - Added enhanced connectivity software tools to enable the important mobility segment for the second half revenue growth;
  - Reduced Flic quality related costs by 15% as a result of the improved product and transactional quality; and
  - Implemented operating mechanisms focused on Lean initiatives resulting in improved transactional quality; currently executing on projects that will cut Flic order-to-fulfillment cycle time from approximately 40 days to 8 days.
- Completed a detailed marketing assessment on the viability of the Nomad product line.
  - We have concluded that although there is a demand for see-through heads-up display applications in several market segments, the current product's ergonomics and cost structure are inhibiting its growth and acceptance in the commercial segments. As a result we have taken steps in

recent weeks to dramatically reduce our expenditures for Nomad as a product in its current configuration;

- From this market assessment we are establishing the requirements for the next generation IPM-enabled color eyewear product;
- Our existing installed base of Nomad customers will continue to receive timely support and service.
- Reconstituted Microvision Board of Directors.
  - Added three new Board members with extensive expertise in the areas of global supply chain and operations, technology development and commercialization and finance.
- Executed restructuring and reorganization of the company.
  - Realigned Marketing, Sales and R&D and Supply Chain organizations to reduce sales, marketing and administrative expenses by 25% in 2006 and cut executive team by 30%;
  - Hired a new vice president of research and product development to expedite a roll-out of the product development discipline inside Microvision. Overall in the first half we assembled a new executive team including new CEO, CFO, VP of Marketing & Sales, VP of Strategic Marketing, VP of R&D, President, Asia Sales & Marketing and head of HR;
  - Provided incentives to all employees by reallocating a large share of salary, bonus, and options pool to employees below VP levels and reset employee stock options;
  - Completed a new evaluation and goal setting process for employees focused on accountability and performance.
  - Moved to new location in Redmond with minimal disruption to operations.

"In the first half of 2006 we focused heavily on developing a sustainable commercial contract revenue funnel consistent with our IPM strategy that was implemented earlier this year. These efforts are expected to yield development agreements during the second half of 2006 that will lead to commercialization of high volume HUD and PicoP applications. However, these agreements may not be signed in time to allow us to recognize as much revenue this year as we had originally planned.

"Achieving our goal of reducing the operating loss by 30% for the total year is largely dependent on achieving our revenue goal and maintaining aggressive cost management. We continue an aggressive cost management of sales, marketing and administrative expenses and expect to reduce these expenses for the full year by at least 25%.

"While our key goals for the year are both to reduce the burn rate and accelerate the IPM products roadmap, we will make trade-offs that provide the opportunity to accelerate our time to market. An example of this trade-off was the recently announced second half funding of a laser OEM to accelerate the development of solid state green laser for high volume products."

#### Additional Detail Regarding Financial Results.

For the six months ended June 30, 2006, the company reported revenue of \$4.4 million compared to \$8.7 million for the same period in 2005, and \$1.9 million for the three months ended June 30, 2006 compared to \$4.7 million for the same period in 2005. The reduced year-to-date revenue versus last year was primarily due to the reductions in commercial contract revenue. The Company earned \$4.5 million during the first six months of 2005 from work performed on a contract with Ethicon compared to \$663,000 during the first six months of 2006.

Product revenue from the sale of Flic bar code scanners increased 41% and 55% for the three and six months respectively from the same periods last year. Sales of the Nomad system to the US government in second quarter 2005 included a \$560,000 one-time sale not repeated in 2006. As of June 30, 2006, backlog totaled \$1.5 million compared to \$6.8 million at June 30, 2005.

The company reported an operating loss for the six months ended June 30, 2006, of \$14.4 million compared to \$11.4 million for the same period in 2005 and \$7.8 million for the three months ended June 30, 2006 compared to \$5.8 million in the same period in 2005. The operating loss for the three and six months ended June 30, 2006, includes \$154,000 and \$647,000, respectively, of severance costs and

\$565,000 and \$982,000, respectively, of non cash compensation costs associated with the adoption of FASB 123(R) that were not included in 2005.

The company reported a loss available for common shareholders for the six months ended June 30, 2006, of \$10.9 million compared to \$12.1 million for the same period in 2005 and \$11.2 million for the three months ended June 30, 2006, compared to \$5.0 million for the same period in 2005. The net loss available for common share holders for the three and six months ended June 30, 2006 includes a one time \$3.1 million charge associated with the conversion of the company's preferred stock in May 2006.

#### Conference Call

Microvision will host a conference call to discuss its second quarter of 2006 financial results at 4:30 p.m. ET today. Participants may join the conference call by dialing 866-770-7125 (for U.S. participants) ten minutes prior to the start of the conference. International participants can dial 617-213-8066. The conference pass-code number is 26772801. Additionally, the call will be broadcast over the Internet and can be accessed from the company's Web site at [www.microvision.com](http://www.microvision.com). A telephone replay of the call will be available through 11:59 p.m. ET August 10, 2006 and can be accessed by dialing 888-286-8010 (for U.S. participants) or 617-801-6888 (for international participants). The pass-code is 65391169. Also, a replay of the conference call will be available on the company's Web site.

About Microvision: [www.microvision.com](http://www.microvision.com)

Headquartered in Redmond, Wash., Microvision Inc. is the world leader in the development of high-resolution displays and imaging systems based on the company's proprietary silicon micro-mirror technology. The company's technology has applications in a broad range of military, medical, industrial, professional and consumer products.

#### Forward-Looking Statements Disclaimer

Certain statements contained in this release, including those relating to expected results, projections of future revenues, plans for product development and production volume, future development contracts and commercial arrangements, future cost reductions, growth in demand, future product benefits and future operations, as well as statements containing words like "believes," "estimate," "expects," "anticipates," "target," "plans," "will", "could" and other similar expressions, are forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially from those projected in the company's forward-looking statements include the following: our ability to raise additional capital when needed; risks related to Lumera's business and the market for its equity, market acceptance of our technologies and products; our financial and technical resources relative to those of our competitors; our ability to keep up with rapid technological change; our dependence on the defense industry and a limited number of government development contracts; government regulation of our technologies; our ability to enforce our intellectual property rights and protect our proprietary technologies; the ability to obtain additional contract awards; the timing of commercial product launches and delays in product development; the ability to achieve key technical milestones in key products; dependence on third parties to develop, manufacture, sell and market our products; potential product liability claims and other risk factors identified from time to time in the company's SEC reports, including the Company's Annual Report on Form 10-K filed with the SEC. Except as expressly required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changes in circumstances or any other reason.

Microvision, Inc.  
Consolidated Balance Sheet  
(In thousands)  
(Unaudited)

	June 30, 2006	Dec. 31, 2005
	-----	-----
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 21,137	\$ 6,860
Investment securities, available-for-sale	927	-
Accounts receivable, net of allowances	812	1,380
Costs and estimated earnings in excess of billings on uncompleted contracts	559	1,204
Inventory	721	759
Current restricted investments	5,040	1,856

Other current assets	2,230	1,512
Total current assets	31,426	13,571
Investment in Lumera	-	3,582
Property and equipment, net	4,061	2,902
Restricted investments	1,268	1,000
Restricted investment in Lumera	-	2,184
Other assets	58	124
Total assets	\$ 36,813	\$ 23,363

Liabilities, Mandatorily Redeemable Convertible

Preferred Stock and Shareholders' Equity (Deficit)		
Current liabilities		
Accounts payable	\$ 1,118	\$ 2,328
Accrued liabilities	3,870	4,513
Billings in excess of costs and estimated earnings on uncompleted contracts	50	51
Liability associated with common stock warrants	1,134	3,452
Current portion of notes payable	6,706	7,896
Current portion of capital lease obligations	32	32
Current portion of long-term debt	57	22
Total current liabilities	12,967	18,294

Notes payable, net of current portion	-	1,447
Liability associated with embedded derivative feature	782	1,368
Capital lease obligations, net of current portion	90	105
Long-term debt, net of current portion	488	-
Deferred rent, net of current portion	1,702	1,492
Total liabilities	16,029	22,706

Commitments and contingencies

Mandatorily redeemable convertible preferred stock	-	4,166
---	---	-------

Shareholders' equity (deficit)		
Common stock at par value	37	25
Additional paid-in capital	241,288	212,993
Deferred compensation	-	(85)
Receivables from related parties, net	(792)	(792)
Accumulated other comprehensive income	3,512	-
Accumulated deficit	(223,261)	(215,650)
Total shareholders' equity (deficit)	20,784	(3,509)

Total liabilities, mandatorily redeemable convertible preferred stock and shareholders' equity (deficit)	\$ 36,813	\$ 23,363
--	-----------	-----------

Microvision, Inc.

Consolidated Statement of Operations  
(In thousands, except earnings per share data)  
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Contract revenue	\$ 1,335	\$ 3,682	\$ 3,116	\$ 7,064
Product revenue	571	1,043	1,262	1,643
Total revenue	1,906	4,725	4,378	8,707
Cost of contract revenue	999	1,668	2,150	3,496
Cost of product revenue	1,681	2,217	2,975	3,367
Total cost of revenue	2,680	3,885	5,125	6,863
Gross margin	(774)	840	(747)	1,844

Research and development expense	2,307	2,037	4,461	3,921
Sales, marketing, general and administrative expense	4,675	4,641	9,414	9,307
Gain on disposal of fixed assets	-	-	(198)	-
Total operating expenses	6,982	6,678	13,677	13,228
Loss from operations	(7,756)	(5,838)	(14,424)	(11,384)
Interest income	119	68	248	125
Interest expense	(1,636)	(879)	(3,458)	(1,070)
Gain on derivative instruments	1,187	1,343	3,054	1,058
Other expense	-	(12)	(11)	(3)
Net loss before equity subsidiary transactions	(8,086)	(5,318)	(14,591)	(11,274)
Loss on investment in equity subsidiary	-	(934)	(290)	(1,878)
Gain on sale of securities of equity subsidiary	-	1,570	7,270	1,570
Net loss	(8,086)	(4,682)	(7,611)	(11,582)
Less: Stated dividend on mandatorily redeemable convertible preferred stock	(16)	(88)	(59)	(174)
Accretion to par value of preferred stock	(37)	(198)	(138)	(391)
Inducement for conversion of preferred stock	(3,076)	-	(3,076)	-
Net loss available for common shareholders	\$ (11,215)	\$ (4,968)	\$ (10,884)	\$ (12,147)
Net loss per share - basic and diluted	\$ (0.38)	\$ (0.23)	\$ (0.40)	\$ (0.57)
Weighted-average shares outstanding - basic and diluted	29,192	21,481	27,216	21,488

CONTACT: Microvision, Inc.  
Jeff Wilson (investors) 425-882-6625  
Matt Nichols (media) 425-882-6657