

Viscount Systems Inc., (“Viscount”) (OTCQB:VSYS), a manufacturer of physical access control systems (“PACS” or “Freedom PACS”) and telephone entry products, which protect buildings from unauthorized access, announced its fourth quarter and full year 2015 financial results for the period ending December 31, 2015.

Fourth Quarter & Full Year 2015 Highlights:

Sales for the years ended December 31, 2015 and 2014 were \$6,137,488 and \$4,769,298, respectively, reflecting an increase of \$1,368,190 or 29%. Freedom sales increased by \$1,054,390 or 64% from \$1,650,645 to \$2,705,035 for the years ended December 31, 2014 and 2015, respectively, primarily due to a contract with the United States Government. Enterphone (including MESH) sales for the years ended December 31, 2015 and 2014 of \$2,371,798 and \$1,981,132, respectively, reflecting an increase of \$390,666 or 20%.

During the year ended December 31, 2015, our high-end MESH touch screen product continued to grow. MESH is a convergent technology developed by Viscount that increases security at a reduced cost of hardware, cabling and installation, and with simplified database management.

On the new product lines, our Freedom IT platform can turn any card reader into an IP device by connecting the Freedom IP device with built-in input/output to a POE switch and then every card usage is processed on a redundant Freedom server either in the building or any remote site. The software component of Freedom is a web browser security operating platform. Unlike control panels, the user database and the door control software is processed in IT language located on a server(s), thereby future-proofing systems from the traditional issue of proprietary hardware version obsolescence and improving scalability by eliminating the need for additional costly hardware every time a reader is added to the system.

Customer service contracts and new equipment sales revenues decreased by \$76,866 or 7%, from \$1,137,521 to \$1,060,655 from the years ended December 31, 2014 to 2015, respectively. The intangible assets held by the Company are comprised primarily of service contracts for our Enterphone 2000 product line. The number of service agreements held by the Company was 1,134 at December 31, 2015, as compared to 1,186 at December 31, 2014. Typical customers include strata management and building owners as well as various residential, business and industrial users of Enterphone access control and security systems.

Gross profit

Gross profit for the years ended December 31, 2015 and 2014 were \$3,690,084 and \$2,307,921, respectively, reflecting an increase of \$1,382,163 or 60%. For the years ended December 31,

2015 and 2014, the cost of sales and services were \$2,447,404 and \$2,461,377 or 40% and 52% of sales, respectively. Cost of sales includes inventory provision cost. During the year ended December 31, 2015 and 2014, total inventory provision cost accrued was \$316,677 and \$125,000, respectively.

Gross margin for the years ended December 31, 2015 and 2014 were 60% and 48%, respectively. The higher gross margin in 2015 is mainly due to a U.S. Citizenship and Immigration Services (“USCIS”) sale which occurred in May 2015, totaling \$726,000, with lower cost of sales. Also, in 2015, management has continued to focus on controlling the input costs by using multiple suppliers to ensure that the best and most cost effective raw materials are used in all of our products. The cost of labor and travel incurred to generate our service division sales has also been reduced. Increased software sales with zero to minimal cost of sales also increased our gross margin.

The gross margin percentage for the year ended December 31, 2015 of our product categories of Mesh/Enterphone, Freedom, and Service Division were 35%, 79% and 66% respectively. The gross margin percentage for the year ended December 31, 2014 of product categories of MESH, Freedom, Enterphone, and Service Division were 34%, 64%, 14% and 63%, respectively.

About Viscount

The Company has been designing, manufacturing and servicing access control and security products, including telephone entry, intercom and physical access control systems and emergency communications systems since 1969. The business consists of three segments.

The newest and fastest growing segment, started in 2011, is our Freedom PACS solution (“Freedom”). This enterprise-wide access control system secures and controls ingress and egress points including doors, elevators, turnstiles, mantraps, vehicle barriers, gates and garage doors throughout an end user’s building, facility or campus and prevents the entry of persons unknown or staff attempting to gain access to ingress/egress points at the wrong time or day. This product segment has experienced significant growth since inception with the highest gross margin of all the Company’s segments. It is the focus of the largest percentage of the Company’s spending and efforts.

The legacy business, existing since 1969, focusing on products and services for high rise residential and office buildings, generally described as telephone entry, such as Enterphone. Enterphone is used to provide intercom and access control functions in buildings. These products allow visitors to contact tenants or offices via a lobby telephone entry device to request and be granted entry. The Company has various premier brands in this marketplace, the high end product is called MESH and enables a touchscreen user interface experience as well as lower cost products that are sold through dealers and distributors throughout Canada and the United States. The telephone entry business received some reinvestment in 2015 to develop new

products helping to regain market share. The most recent addition to the family of telephone entry products was “Enterphone iQ” launched in mid-year 2015.

The third segment of the Viscount business is a service division that provides coverage to the Province of British Columbia (the “Service Division”). The primary revenue source for the Service Division is derived from 1,134 maintenance agreements supporting Enterphone, EPX and other systems. These maintenance customers are billed on a monthly basis, as well as Time and Material (“T&M”) billings for additional services and installation projects.

For more information please visit: www.viscount.com

Safe Harbor Statement

Forward looking statements: This press release and other statements by Viscount Systems Inc. may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to the outlook for earnings and revenues, other future financial or business performance, strategies and expectations. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "estimate," "position," "assume," "potential," "outlook," "continue," "remain," "maintain," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," or similar expressions.

VISCOUNT SYSTEMS, INC.

Consolidated Statements of Operations

(Expressed in Canadian Dollars)

For the years ended December 31, 2015 and 2014

	2015	2014
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Sales	\$ 6,137,488	\$ 4,769,298
Cost of sales	2,447,404	2,461,377
Gross profit	<hr/> 3,690,084	<hr/> 2,307,921
Operating expenses:		
Selling, general and administrative	4,009,925	5,674,610

Research and development	885,592	703,288
Total operating expenses	4,895,517	6,377,898
Operating loss	(1,205,433)	(4,069,977)
Other income (expense):		
Interest income	33	3,786
Interest expense	(488,064)	-
Foreign currency loss on revaluation of notes liability	(178,787)	-
Loss on settlement of convertible note and preferred stock	(476,918)	-
Amortization of debt discount	(2,251,497)	-
Change in fair value of derivative liabilities	1,003,401	3,160,272
	(2,391,832)	3,164,058
Net loss	\$ (3,597,265)	\$ (905,919)
Preferred stock:		
Series A convertible - contractual dividends	(28,796)	(84,762)
Series A convertible - deemed dividends	(2,713,707)	-
Net loss attributable to common stockholders	\$ (6,339,768)	\$ (990,681)
Per share data:		
Net loss attributable to common stockholders - basic and diluted	\$ (0.05)	\$ (0.01)
Weighted average number of shares of common stock outstanding:		
Basic and diluted	126,042,491	119,454,239

VISCOUNT SYSTEMS, INC.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

As at December 31, 2015 and 2014

	2015	2014
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Assets		
Current Assets		
Cash	\$ 250,270	\$ 135,308
Short term investments	55,000	55,000
Trade accounts receivable, net	565,581	661,629
Inventory	569,796	533,217
Prepaid expenses	31,791	-
Total Current Assets	<u>1,472,438</u>	<u>1,385,154</u>
Equipment	180,483	206,004
Deposits	8,391	1,391
Intangible assets, net	-	5,224
Total Assets	<u><u>\$ 1,661,312</u></u>	<u><u>\$ 1,597,773</u></u>
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	\$ 900,211	\$ 362,595
Accrued liabilities	532,003	564,466
Accrued interest payable	373,841	-
Capital lease obligation - current portion	16,348	10,285
Deferred revenue	47,780	37,318
Due to related parties	91,683	5,003
Loans payable	114,536	114,536
Convertible notes payable	3,491,802	-
Derivative liabilities	4,383,668	2,858,618
Series A Convertible redeemable preferred stock	269,880	-
Total Current Liabilities	<u>10,221,752</u>	<u>3,952,821</u>

Capital lease obligation - non-current	9,647	17,182
Total Liabilities	10,231,399	3,970,003

Commitments and contingencies

Convertible redeemable preferred stock - US\$0.001 par value;
20,000,000 shares authorized:

Series A convertible redeemable preferred stock, stated value \$1,000,130 and 1,072 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively; aggregate liquidation preference of \$130,000 and \$1,072,000 as of December 31, 2015 and December 31, 2014, respectively	-	1
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Stockholders' Deficit:

Series B Preferred Stock, Par Value \$0.001 Per Share. 50 shares issued and outstanding at December 31, 2015 and 0 shares issued and outstanding at December 31, 2014	1	-
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Common stock, par value US\$0.001 per share, 300,000,000 shares authorized: 130,297,236 shares issued, 126,047,236 shares outstanding at December 31, 2015, and 126,009,581 shares issued and outstanding at December 31, 2014	130,297	126,009
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Additional paid-in capital	7,558,416	10,163,296
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Accumulated deficit	(16,258,801)	(12,661,536)
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Total Stockholders' Deficit	(8,570,087)	(2,372,231)
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Total Liabilities and Stockholders' Deficit	\$ 1,661,312	\$ 1,597,773
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