

## Ossen Innovation Announces Second Quarter 2014 Financial Results

To Host Conference Call at 8:30 a m ET on September 29 , 2014

SHANGHAI, Sept. 26, 2014 /PRNewswire/ – Ossen Innovation Co., Ltd. ("Ossen" or the "Company") (Nasdaq: OSN), a China-based manufacturer of an array of plain surface, rare earth and zinc coated pre-stressed steel materials, today announced its financial results for the three months and six months ended June 30, 2014.

"I am pleased to report significant quarter over quarter revenue, gross profit and net income increases for the second quarter ended June 30th," said Dr. Liang Tang, Chairman of Ossen Innovation. "Ossen continues to experience an increase in demand for our higher strength and higher quality rare earth coated products. Although our gross margin was impacted due to price competition, we are encouraged by the continued rebound in demand for rare earth products during the first half of 2014. Ossen also added several new customers during the quarter that placed large orders quickly with us, which continues to reaffirm our products' superior quality, performance and durability characteristics," concluded Dr. Tang.

### Financial Summary

(in millions ex- EPS)	Q2 2014	Q2 2013	Chg.	YTD 2014	YTD 2013	Chg.
Revenue	\$35.9	\$24.2	+49%	\$64.0	\$38.8	+65%
Gross Profit	\$3.7	\$2.9	+28%	\$6.4	\$4.6	+38%
Net Income*	\$1.5	\$0.7	+111%	\$2.0	\$0.8	+153%
EPS	\$0.07	\$0.04	+75%	\$0.10	\$0.04	+150%
Shares Outstanding	19.9	19.9	0%	19.9	19.9	0%

\*Net income attributable to Ossen Innovation Co., Ltd.

### Second Quarter Ended June 30, 2014 Financial Results

Revenue for the three months ended June 30, 2014 was \$35.9 million, up 49% from the same period a year ago. Sales of coated pre-stressed steel materials, including rare earth and zinc coated products, were approximately \$29.7 million, up 39% compared to approximately \$21.3 million in the second quarter of 2013. Sales of plain surface PC strands were \$5.9 million for the three months ended June 30, 2014, an increase of \$3.4 million, or 136%, compared to the prior year. The overall increase in revenue was primarily due to increased demand for higher strength and higher quality rare earth and zinc coated products and the addition of several new customers.

Gross profit was \$3.7 million, up 28% compared to the same period a year ago. Gross margin was 10.4% in the second quarter of 2014, down from 12.1% in the second quarter of 2013. Gross margin was lower primarily due to lower unit pricing of coated products in order to attract new customers in the second quarter of 2014, partially offset by using lower grade raw materials to improve profitability, but without sacrificing product strength or quality.

Selling expenses were reduced by 30% to \$0.2 million due to lower transportation costs, partially offset by higher commission fees. General and administrative expenses increased 50% to \$1.4 million, primarily due to increased R&D expenses and a higher bad-debt provision. Operating income was approximately \$2.1 million, an increase of 23% from the same period a year ago.

Net income attributable to Ossen Innovation Co., Ltd. was \$1.5 million in the second quarter of 2014 compared to \$0.7 million in the year-ago period. Earnings per share were \$0.07 versus \$0.04 a year ago. The weighted average diluted shares outstanding were 19.9 million, unchanged from the year-ago period.

### Six Months Ended June 30, 2014 Financial Results

Revenue for the six months ended June 30, 2014 was \$64.0 million, up 65% from the same period a year ago. Sales of pre-stressed steel rare earth coated PC wires and PC strands were \$56.2 million, an increase of \$22.0 million, or 64% from the same period of 2013. Sales of plain surface PC strands and PC wires were \$7.4 million for the six months ended June 30, 2014, an increase of \$3.3 million, or 80%, compared to the prior year, primarily due to increased demand for higher strength and higher quality rare earth and zinc coated products and the addition of several new customers.

Gross profit increased from \$4.6 million to \$6.4 million, a 38% year-over-year increase. Gross margin was 10.0%, down from 11.9% in the same period of 2013. Gross margin was lower as a result of a decrease in the average unit selling price of coated products in order to attract new customers in 2014 compared to the prior year period.

Selling expenses were reduced by 3% to \$0.3 million due to a decrease in transportation costs, partially offset by higher commission and testing fees. General and administrative expenses were \$2.8 million, up 78% compared to \$1.6 million in the same period of 2013 due to increased R&D expenses, partially offset by lower audit fees. Operating income was approximately \$3.3 million, an increase of 20% from the same period a year ago.

Net income attributable to Ossen Innovation Co., Ltd. was \$2.0 million in the six months ended June 30, 2014 compared to \$0.8 million in the year-ago period. Earnings per share were \$0.10 versus \$0.04 a year ago. The weighted average diluted shares outstanding were 19.9 million, unchanged from the year-ago period.

### Balance Sheet and Cash Flows

Ossen had approximately \$15.4 million of cash and restricted cash as of June 30, 2014 compared to \$32.9 million at December 31, 2013. The decrease was due to an increase in inventories and repayment of bank loans. Total accounts receivable on June 30, 2014 decreased to \$44.0 million from \$48.2 million on December 31, 2013. The average accounts receivable days sales outstanding were 112 days for the second quarter of 2014 compared to 150 days for 2013. This decrease was primarily due to improved accounts receivable collection times and increased revenue in the second quarter. The balance of prepayments to suppliers of raw materials was \$47.1 million as of June 30, 2014, a decrease of \$3.5 million compared with December 31, 2013. The decrease was mainly due to an increased receipt of raw materials compared with prepayments during the second quarter. Inventories increased from \$18.8 million at December 31, 2013 to \$20.6 million at June 30, 2014, primarily due to anticipation of increased sales during the second half of 2014. Total working capital was \$89.1 million at June 30, 2014.

The Company generated positive cash flows from operations of \$9.8 million for the six months ended June 30, 2014 as compared to cash flows of \$12.4 million for the same period of 2013. The primary reasons for the decrease in cash generated in operations were an increase in notes receivable, partially offset by an increase in net income, a decrease in notes receivable from a related party, and a decrease in accounts receivable.

Cash flow used in financing activities was \$11.3 million for the six months ended June 30, 2014 as compared to cash flow used in financing activities of \$14.9 million for the same period of 2013. The primary reasons for the decrease in cash used by financing activities were a decrease in proceeds and repayments from short-term bank loans, a decrease of proceeds from bank acceptance notes, partially offset by a decrease in restricted cash and an increase in repayments of bank acceptance notes.

### Business Updates and Outlook

We note several positive developments in the second quarter of 2014. Specifically:

- In June 2014, Ossen (Jiujiang) Steel Wire & Cable Co., Ltd. was awarded the Major Scientific and Technological Innovation Title in Jiujiang City for the year 2014. This award was received in recognition of the Company's development of the 5mm series zinc-aluminum rare earth coated bridge cables. Ossen (Jiujiang) will receive a subsidy from the government.
- In August 2014, the Company was awarded the highest honor in product quality, the Jiujiang City Mayor Quality Award of 2014, in recognition of its superior product quality and advanced quality management systems. Furthermore, Ossen's 15.24 mm 1860MPa coated strand research project was been listed as a national key new product project for 2014 by the Chinese government.

## Conference Call

To attend the call, please use the information below for either dial-in access or webcast access. When prompted on dial-in, ask for "Ossen Innovation Second Quarter 2014 Conference Call" or be prepared to utilize the conference ID.

<b>Conference Call</b>	Ossen Innovation Second Quarter 2014 Conference Call
<b>Date:</b>	Monday, September 29, 2014
<b>Time:</b>	8:30 am Eastern Time, US
<b>Conference Line Dial-In (U.S.):</b>	+1-845-507-1610
<b>International Toll Free:</b>	United States: +1-800-742-9301 China, Domestic Mobile: 4001203170 China, Domestic: 8008700210
<b>Conference ID:</b>	7681271

Please dial in at least 10 minutes before the call to ensure timely participation. A playback will be available through October 6, 2014. To listen, please call +1-855-452-5696 within the United States or +1-646-254-3697 if calling internationally. Utilize the pass code 7681271 for the replay.

This call is being webcast and can be accessed by clicking on this link: <http://www.media-server.com/m/p/ego49pva>

## About Ossen Innovation Co., Ltd.

Ossen Innovation Co., Ltd. manufactures and sells a wide variety of plain surface pre-stressed steel materials and rare earth coated and zinc coated pre-stressed steel materials. The Company's products are mainly used in the construction of bridges, as well as in highways and other infrastructure projects. Ossen has two manufacturing facilities located in Maanshan, Anhui Province, and Jiujiang, Jiangxi Province.

## Safe Harbor Statements

This press release may contain 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, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks outlined in the Company's public filings with the Securities and Exchange Commission, including the Company's annual report on Form 20-F, as amended. All information provided in this press release is as of the date hereof. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## For more information, please contact:

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## OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	June 30, 2014	December 31, 2013
	(Unaudited)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 731,773	\$ 1,139,450
Restricted cash	14,630,000	31,783,670
Notes receivable - bank acceptance notes	17,055,145	2,421,581
Accounts receivable, net of allowance for doubtful accounts of \$1,385,583 and \$1,336,177 at June 30, 2014 and December 31, 2013, respectively	43,986,144	48,200,076
Inventories	20,623,329	18,750,770
Advance to suppliers	47,083,163	50,614,815
Other current assets	928,147	3,447,886
Notes receivable from related party - bank acceptance notes	-	12,915,099
<b>Total Current Assets</b>	<b>145,037,701</b>	<b>169,273,347</b>
Property, plant and equipment, net	7,790,184	8,458,121
Land use rights, net	4,277,315	4,297,849
<b>TOTAL ASSETS</b>	<b>\$ 157,105,200</b>	<b>\$ 182,029,317</b>

## OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	June 30, 2014	December 31, 2013
	(Unaudited)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable - bank acceptance notes	\$ 25,988,792	\$ 50,990,427
Short-term bank loans	24,364,493	27,283,147
Accounts payable	382,170	503,944
Customer deposits	3,747,256	2,908,271
Income tax payable	430,240	232,541
Other payables and accrued expenses	829,444	1,549,748
Due to related party	76,245	16,911
Due to shareholder	100,000	50,000
<b>Total Current Liabilities</b>	<b>55,918,640</b>	<b>83,534,989</b>
<b>TOTAL LIABILITIES</b>	<b>55,918,640</b>	<b>83,534,989</b>

# **EQUITY**

## **Shareholders' Equity**

Ordinary shares, \$0.01 par value: 100,000,000 shares authorized, 20,000,000 shares issued; 19,901,959 shares outstanding as of June 30, 2014 and December 31, 2013, respectively

	200,000	200,000
Additional paid-in capital	33,971,455	33,971,455
Statutory reserve	4,823,680	4,615,699
Retained earnings	43,279,766	41,518,259
Treasury stock, at cost: 98,041 shares as of June 30, 2014 and December 31, 2013, respectively	(96,608)	(96,608)
Accumulated other comprehensive income	8,250,231	7,646,562
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>90,428,524</b>	<b>87,855,367</b>
Non-controlling interest	10,758,036	10,638,961
<b>TOTAL EQUITY</b>	<b>101,186,560</b>	<b>98,494,328</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 157,105,200</b>	<b>\$ 182,029,317</b>

## **OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(Unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2014	2013	2014	2013
<b>REVENUES</b>	<b>\$ 35,920,752</b>	<b>\$ 24,186,992</b>	<b>\$ 63,957,660</b>	<b>\$ 38,779,745</b>
<b>COST OF GOODS SOLD</b>	<b>32,195,742</b>	<b>21,267,149</b>	<b>57,588,658</b>	<b>34,167,886</b>
<b>GROSS PROFIT</b>	<b>3,725,010</b>	<b>2,919,843</b>	<b>6,369,002</b>	<b>4,611,859</b>
<b>Operating Expenses:</b>				
Selling and distribution expenses	164,358	236,033	272,796	280,108
General and administrative expenses	1,430,221	956,048	2,769,752	1,558,755
<b>Total Operating Expenses</b>	<b>1,594,579</b>	<b>1,192,081</b>	<b>3,042,548</b>	<b>1,838,863</b>
<b>INCOME FROM OPERATIONS</b>	<b>2,130,431</b>	<b>1,727,762</b>	<b>3,326,454</b>	<b>2,772,996</b>
<b>Other Income (Expenses):</b>				
Financial expenses, net	(423,723)	(826,713)	(1,124,458)	(1,730,886)
Other income, net	59,156	51,520	227,421	95,911
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,765,864</b>	<b>952,569</b>	<b>2,429,417</b>	<b>1,138,021</b>
<b>INCOME TAXES</b>	<b>(205,582)</b>	<b>(158,780)</b>	<b>(340,854)</b>	<b>(244,050)</b>
<b>NET INCOME</b>	<b>1,560,282</b>	<b>793,789</b>	<b>2,088,563</b>	<b>893,971</b>
<b>LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<b>73,246</b>	<b>89,410</b>	<b>119,075</b>	<b>115,553</b>
<b>NET INCOME ATTRIBUTABLE TO OSSEN INNOVATION CO.,LTD</b>				
<b>AND SUBSIDIARIES</b>	<b>1,487,036</b>	<b>704,379</b>	<b>1,969,488</b>	<b>778,418</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation gain, net of tax	108,349	1,422,536	603,669	1,932,983
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>108,349</b>	<b>1,422,536</b>	<b>603,669</b>	<b>1,932,983</b>
<b>COMPREHENSIVE INCOME</b>	<b>1,595,385</b>	<b>2,216,915</b>	<b>2,573,157</b>	<b>2,711,401</b>
<b>EARNINGS PER ORDINARY SHARE</b>				
Basic and diluted	<b>\$ 0.07</b>	<b>\$ 0.04</b>	<b>\$ 0.10</b>	<b>\$ 0.04</b>
<b>WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING</b>				
Basic and diluted	<b>\$ 19,901,959</b>	<b>\$ 19,901,959</b>	<b>\$ 19,901,959</b>	<b>\$ 19,901,959</b>

## **OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**

(Unaudited)

	Total Ossen Innovation Co., Ltd. Shareholders' Equity						
	Ordinary Shares \$0.01 Par Value		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Statutory Reserve
	Shares	Amount	Shares	Amount			
<b>Balance at December 31, 2013</b>	<b>20,000,000</b>	<b>200,000</b>	<b>(98,041)</b>	<b>(96,608)</b>	<b>33,971,455</b>	<b>7,646,562</b>	<b>4,615,699</b>
Net income	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	207,981
Foreign currency translation adjustment	-	-	-	-	-	603,669	-
<b>Balance at June 30, 2014</b>	<b>20,000,000</b>	<b>\$ 200,000</b>	<b>(98,041)</b>	<b>\$ (96,608)</b>	<b>\$ 33,971,455</b>	<b>\$ 8,250,231</b>	<b>\$ 4,823,680</b>

## **OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Six Months Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net income</b>	<b>\$ 2,088,563</b>	<b>\$ 893,971</b>
Adjustments to reconcile net income to net cash provided by/ (used in) operating activities:		
Depreciation and amortization	771,122	769,649
<b>Changes in operating assets and liabilities:</b>		
<b>(Increase) Decrease In:</b>		
Accounts receivable	4,213,932	(4,069,215)
Inventories	(1,872,559)	(5,422,010)

Advance to suppliers	3,531,652	5,150,793
Other current assets	2,519,739	(6,525)
Notes receivable - bank acceptance notes	(14,633,564)	394,079
Notes receivable from related party - bank acceptance notes	12,915,099	1,830,208
<b>Increase (Decrease) In:</b>		
Accounts payable	(121,774)	6,530,842
Customer deposits	838,985	4,814,106
Income tax payable	197,698	(234,954)
Other payables and accrued expenses	(720,304)	118,677
Due to related party	59,333	1,588,938
Due to shareholder	50,000	-
<b>Net cash provided by operating activities</b>	<b>9,837,922</b>	<b>12,358,559</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of plant and equipment	(2,509)	(14,313)
<b>Net cash used in investing activities</b>	<b>(2,509)</b>	<b>(14,313)</b>

**OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six Months Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Increase)/Decrease in restricted cash	17,153,670	(5,312,862)
Proceeds from short-term bank loans	11,397,125	14,550,667
Repayments of short-term bank loans	(14,490,630)	(32,627,081)
Proceeds from notes payable-bank acceptance notes	29,306,892	45,806,173
Repayment of notes payable-bank acceptance notes	(54,681,776)	(37,317,616)
<b>Net cash used in financing activities</b>	<b>(11,314,719)</b>	<b>(14,900,719)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,479,306)</b>	<b>(2,556,473)</b>
Effect of exchange rate changes on cash	1,071,629	3,293,409
Cash and cash equivalents at beginning of period	1,139,450	1,996,764
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 731,773</b>	<b>\$ 2,733,700</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
<b>Cash paid during the periods:</b>		
Income taxes paid	\$ 446,210	\$ 482,301
Interest paid	\$ 1,205,954	\$ 1,799,554
<b>Non-cash transactions:</b>		
Appropriation to statutory reserve	\$ 207,981	\$ 126,740

**OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net income</b>	<b>\$ 1,560,282</b>	<b>\$ 793,789</b>
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:		
Depreciation and amortization	382,909	385,159
<b>Changes in operating assets and liabilities:</b>		
<b>(Increase) Decrease In:</b>		
Accounts receivable	222,604	(11,668,005)
Inventories	13,239,905	924,775
Advance to suppliers	7,343,190	89,361
Other current assets	1,705,006	(46,193)
Notes receivable - bank acceptance notes	(12,187,544)	-
Account receivable from related party	-	2,625,082
<b>Increase (Decrease) In:</b>		
Accounts payable	34,282	6,505,020
Customer deposits	(1,223,003)	1,554,806
Income tax payable	21,042	102,953
Other payables and accrued expenses	(107,860)	415,697
Due to related party	(19,389)	1,588,938
<b>Net cash provided by operating activities</b>	<b>10,971,424</b>	<b>3,271,382</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of plant and equipment	(1,359)	(1,642)
<b>Net cash used in investing activities</b>	<b>(1,359)</b>	<b>(1,642)</b>

**OSSEN INNOVATION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Increase)/Decrease in restricted cash	11,053,669	(11,874,205)
Proceeds from short-term bank loans	3,060,659	8,501,060
Repayments of short-term bank loans	(7,788,765)	(20,449,255)

Proceeds from notes payable-bank acceptance notes	13,941,640	31,318,956
Repayment of notes payable-bank acceptance notes	<u>(31,470,438)</u>	<u>(14,551,991)</u>
<b>Net cash used in financing activities</b>	<b><u>(11,203,235)</u></b>	<b><u>(7,055,435)</u></b>
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	 <b>(233,170)</b>	 <b>(3,785,695)</b>
Effect of exchange rate changes on cash	202,701	2,413,868
Cash and cash equivalents at beginning of period	<u>762,242</u>	<u>4,105,527</u>
<b><u>CASH AND CASH EQUIVALENTS AT END OF PERIOD</u></b>	<b><u>\$ 731,773</u></b>	<b><u>\$ 2,733,700</u></b>
 <b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
<b>Cash paid during the periods:</b>		
Income taxes paid	<u>\$ 204,531</u>	<u>\$ 93,121</u>
Interest paid	<u>\$ 633,327</u>	<u>\$ 899,581</u>
<b>Non-cash transactions:</b>		
Appropriation to statutory reserve	<u>\$ 143,579</u>	<u>\$ 81,034</u>