

LightPath Technologies Announces Financial Results for the Fiscal First Quarter 2009

ORLANDO, FL—Nov 10, 2008 -- LightPath Technologies, Inc. ([LPTH](#)), a manufacturer and integrator of families of precision molded aspheric optics, GRADIUM® glass products, and high-performance fiber-optic collimators and isolators, today announced financial results for the first quarter of fiscal 2009 ended September 30, 2008.

First Quarter Highlights:

- Gross Profit improves to \$631,000, an increase of \$392,000 or 164%, compared to the fiscal 2008 first quarter
- Gross margin improves to 27% compared to 10% for the same period in the previous fiscal year
- Our order backlog scheduled to ship in the next twelve months increased to \$3.2 million from \$3.0 million at June 30, 2008

Jim Gaynor, Chief Executive Officer of LightPath, commented, "During the first quarter of fiscal 2009 we were able to reduce our direct costs, increase gross margins, and narrow our net loss not only on a year over year basis, but from the fourth quarter of fiscal 2008 as well. These improvements were a direct result of the conversion to lower cost glass preforms, improved production yields in both Shanghai and Orlando and using in-house built holders, which are used to hold molded glass lenses for some applications. Our gross margin for the first quarter of fiscal 2009 improved from 10% to 27% compared to the first quarter of fiscal 2008, and from 24% to 27% compared to the fourth quarter of fiscal 2008. We anticipate continuing to improve margins in fiscal 2009 as increased sales allow us to leverage our overhead costs."

Mr. Gaynor, continued, "We are also pleased with our improved balance sheet as we were able to significantly reduce our current and total liabilities thus improving our current ratio. As is shown in the attached chart comparing our EBITDA for the past five quarters, the company has made significant improvement at similar revenue levels. There has been a 50% improvement from the first quarter of fiscal 2008 compared to the first quarter of fiscal 2009. Going forward we anticipate lower cash usage due to the effect of the cost reduction steps which have been implemented."

Financial Results for the 2009 Fiscal First Quarter Ended September 30, 2008

Revenue for the first quarter of fiscal 2009 ended September 30, 2008 totaled \$2.34 million compared to \$2.31 million for the first quarter of fiscal 2008 ended September 30, 2007, an increase of 1%. The increase year over year was primarily attributable to higher sales volumes of molded optics products and isolators, offset by lower sales volumes of gradium and collimators. Growth in sales going forward will come primarily from the precision molded optics driven by low cost lenses in Asia.

As of September 30, 2008 the Company's backlog of orders to be filled in less than one year, increased to \$3.2 million compared to \$3.0 million as of June 30, 2008.

Cost of sales for the first quarter of fiscal 2009 totaled \$1.7 million, a decrease of \$363,000 or 18%, compared to \$2.1 million for the same period one year earlier. Direct costs, which include material, labor and services, remained in control at 24% of sales in the first quarter of fiscal 2009. Gross profit for the first quarter of fiscal 2009 totaled \$631,000 compared to \$239,000 for the first quarter of fiscal 2008, an increase of \$392,000 or 164%. As a result, the gross margin improved for the fiscal first quarter of 2009 to 27% compared to 10% for the same period one year earlier.

During the first quarter of fiscal 2009 total operating costs and expenses decreased \$247,000 to \$1.5 million compared to \$1.8 million for the same period in fiscal 2008. Included in total operating costs and expenses were selling, general and administrative expenses which for the first quarter of fiscal 2009 decreased \$207,000 or 14% to \$1.2 million compared to \$1.4 million for the same period one year earlier. As a result, total operating loss for the first quarter of fiscal 2009 improved to \$0.9 million compared to \$1.5 million for the same period in 2008.

Net loss for the first quarter of fiscal 2009 ended September 30, 2008 totaled \$1.0 million or \$0.19 per basic and diluted share compared to a net loss of \$1.5 million or \$0.28 per basic and diluted share for the first quarter of fiscal 2008 ended September 30, 2007. This represents a \$479,000 decrease in net loss. The weighted average shares outstanding as of September 30, 2008 and 2007 were 5.4 million and 5.3 million, respectively.

On the balance sheet, cash and cash equivalents totaled \$1.2 million at September 30, 2008. Total current assets and total assets at September 30, 2008 were \$4.1 million and \$6.6 million compared to \$3.3 million and \$5.5 million at September 30, 2007, respectively. Total current liabilities and total liabilities at September 30, 2008 were \$1.9 million and \$3.8 million compared to \$3.0 million and \$3.3 million, respectively. As a result, the current ratio as of September 30, 2008 improved to 2.13 to 1 compared to 1.10 to 1 for the same period one year earlier. Total stockholders' equity as of September 30, 2008 totaled \$2.8 million. Cash used in operations for the first quarter of fiscal 2009 was \$1.6 million compared to \$1.3 million in the same period last year. This increase in the utilization of operating cash flow was primarily due to increasing payments to vendors to reduce the outstanding balances that accrued over the preceding six months. Going forward, management does not anticipate a similar impact to cash flow as the payables were reduced from \$1.83 million at June 30, 2008 to \$1.12 million at September 30, 2008.

Jim Gaynor stated, "We are also encouraged by the increase of our backlog of orders to be shipped within one year to \$3.2 million. We are beginning to see the results of our efforts to enter into high volume lower cost commercial markets. We have solidified orders for laser tools and increased quote activity for our Black Diamond and collimator product lines. Going forward we will continue our focus on the lower cost higher volume market opportunities and broaden our exposure in the Asian precision optic lens market."

Investor Conference Call and Webcast Details:

LightPath will host an audio conference call and webcast on Friday, November 14th at 11a.m. EST to discuss the company's financial and operational performance for the first quarter of fiscal 2009. Dial-in information for the session is 877-407-9210 or 201-689-8049 if dialing internationally. It is recommended that participants dial-in approximately 5 to 10 minutes prior to the start of the 11 a.m. call. The call is also being webcast and may be accessed at LightPath's website at www.lightpath.com. A transcript archive of the webcast will be available for viewing or download on the company web site shortly after the call is concluded.

About LightPath Technologies

LightPath manufactures optical products including precision molded aspheric optics, GRADIUM® glass products, proprietary collimator assemblies, laser components utilizing proprietary automation technology, higher-level assemblies and packing solutions. LightPath has a strong patent portfolio that has been granted or licensed to us in these fields. LightPath common stock trades on the NASDAQ Capital Market under the stock symbol LPTH. For more information visit www.lightpath.com

EBITDA is a non-GAAP financial measure used by management, lenders and certain investors as a supplemental measure in the evaluation of some aspects of a corporation's financial position and core operating performance. Investors sometimes use EBITDA as it allows for some level of comparability of profitability trends between those businesses differing as to capital structure and capital intensity by removing the impacts of depreciation and amortization. EBITDA also does not include changes in major working capital items such as receivables, inventory and payables, which can also indicate a significant need for, or source of, cash. Since decisions regarding capital investment and financing and changes in working capital components can have a significant impact on cash flow, EBITDA is not a good indicator of a business's cash flows. We use EBITDA for evaluating the relative underlying performance of the Company's core operations and for planning purposes. We calculate EBITDA by adjusting net loss to exclude net interest expense, income tax expense or benefit, depreciation and amortization, thus the term "Earnings Before Interest, Taxes, Depreciation and Amortization" and the acronym "EBITDA."

This news release includes statements that constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This information may involve risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, factors detailed by LightPath Technologies, Inc. in its public filings with the Securities and Exchange Commission. Except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission, we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Contacts:

LightPath Technologies, Inc.

Jim Gaynor

President & CEO

or

Dorothy Cipolla

CFO

+1 (407) 382-4003

dcipolla@lightpath.com

Alliance Advisors, LLC

Mark McPartland

Vice President

+1 (910) 686-0455

markmcp@allianceadvisors.net

LightPath Technologies
EBITDA Comparison

	<u>Actual</u> <u>Q1 2008</u>	<u>Actual</u> <u>Q2 2008</u>	<u>Actual</u> <u>Q3 2008</u>	<u>Actual</u> <u>Q4 2008</u>	<u>Actual</u> <u>Q1 2009</u>
Revenue	2,308,753	2,021,566	2,114,196	2,381,956	2,337,762
Cost of sales	2,070,042	2,016,257	1,694,679	1,814,420	1,706,758
Gross margin	238,711 10%	5,309 0%	419,517 20%	567,536 24%	631,004 27%
Total operating costs and expenses	1,753,554	1,669,438	1,602,495	1,665,083	1,505,922
Operating loss	(1,514,843)	(1,664,129)	(1,182,978)	(1,097,547)	(874,918)
Other income (expense)	11,795	20,978	(7,291)	(33,754)	(148,891)
Net Loss	(1,503,048)	(1,643,151)	(1,190,269)	(1,131,301)	(1,023,809)
Depreciation & Amortization	103,962	109,509	117,165	128,715	176,653
Interest expense	17,738	11,190	19,357	38,516	158,722
EBITDA	(1,381,348)	(1,522,452)	(1,053,747)	(964,070)	(688,434)

LIGHTPATH TECHNOLOGIES, INC.
Consolidated Balance Sheets

Assets	Unaudited September 30, 2008	June 30, 2008
	<u> </u>	<u> </u>
Current assets:		
Cash and cash equivalents	\$ 1,154,183	\$ 358,457
Trade accounts receivable, net of allowance of \$64,713 and \$44,862	1,566,025	1,334,856
Inventories, net	1,176,831	1,323,555
Prepaid expenses and other assets	156,231	277,359
Total current assets	<u>4,053,270</u>	<u>3,294,227</u>
Property and equipment - net	1,774,507	1,937,741
Intangible assets - net	191,520	199,737
Debt costs, net	526,870	-
Other assets	57,306	57,306
Total assets	<u><u>\$ 6,603,473</u></u>	<u><u>\$ 5,489,011</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,123,354	\$ 1,827,461
Accrued liabilities	154,194	196,125
Accrued severance	64,990	97,401
Accrued payroll and benefits	374,170	423,222
Secured note payable	-	260,828
Note payable, current portion	166,645	166,645
Capital lease obligation, current portion	19,232	18,603
Total current liabilities	<u>1,902,585</u>	<u>2,990,285</u>
Deferred rent	223,027	222,818
Capital lease obligation, excluding current portion	-	5,050
Note payable, excluding current portion	69,435	111,097
8% Debentures, net of debt discount	1,606,418	—
Total liabilities	<u>3,801,465</u>	<u>3,329,250</u>
Stockholders' equity:		
Preferred stock: Series D, \$.01 par value, voting; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock: Class A, \$.01 par value, voting; 40,000,000 shares authorized; 5,447,433 and 5,331,664 shares issued and outstanding	54,474	53,317
Additional paid-in capital	201,500,463	199,847,356
Foreign currency translation adjustment	33,161	21,369
Accumulated deficit	(198,786,090)	(197,762,281)
Total stockholders' equity	<u>2,802,008</u>	<u>2,159,761</u>
Total liabilities and stockholders' equity	<u><u>\$ 6,603,473</u></u>	<u><u>\$ 5,489,011</u></u>

LIGHTPATH TECHNOLOGIES, INC.
Consolidated Statements of Operations

	Unaudited	
	Three months ended	
	September 30,	
	2008	2007
	<u> </u>	<u> </u>
Product sales, net	\$ 2,337,762	\$ 2,308,753
Cost of sales	<u>1,706,758</u>	<u>2,070,042</u>
Gross margin	631,004	238,711
Operating expenses:		
Selling, general and administrative	1,229,519	1,436,857
New product development	274,693	308,480
Amortization of intangibles	8,217	8,217
Gain on sale of property & equipment	<u>(6,507)</u>	<u>-</u>
Total costs and expenses	<u>1,505,922</u>	<u>1,753,554</u>
Operating loss	(874,918)	(1,514,843)
Other income (expense)		
Interest expense	(158,722)	(17,738)
Investment and other income	<u>9,831</u>	<u>29,533</u>
Net loss	<u>\$ (1,023,809)</u>	<u>\$ (1,503,048)</u>
Foreign currency translation adjustment	<u>11,792</u>	<u>20,796</u>
Comprehensive loss	<u>\$ (1,012,017)</u>	<u>\$ (1,482,252)</u>
Loss per share (basic and diluted)	<u>\$ (0.19)</u>	<u>\$ (0.28)</u>
Number of shares used in per share calculation	<u>5,412,059</u>	<u>5,321,844</u>

LIGHTPATH TECHNOLOGIES, INC.

Consolidated Statements of Cash Flows

	Unaudited	
	Three Months Ended	
	September 30,	
	2008	2007
Cash flows from operating activities		
Net loss	\$ (1,023,809)	\$ (1,503,048)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	176,653	103,962
Foreign exchange translation adjustment	11,792	20,796
Amortization of debt issuance costs and debt discount	96,323	-
Gain on sale of property and equipment	(6,507)	-
Stock based compensation	18,498	58,746
Provision for doubtful accounts receivable	19,851	63,050
Changes in operating assets and liabilities:		
Trade accounts receivables	(251,020)	(7,195)
Inventories	146,724	94,441
Prepaid expenses and other assets	(3,420)	73,835
Deferred rent	209	-
Accounts payable and accrued liabilities	(827,501)	(155,420)
Net cash used in operating activities	(1,642,207)	(1,250,833)
Cash flows from investing activities		
Purchase of property and equipment	(14,421)	(119,470)
Proceeds from sale of equipment	36,591	-
Net cash (used in) provided by investing activities	22,170	(119,470)
Cash flows from financing activities		
Proceeds from sale of common stock, net of costs	-	2,979,500
Common stock issued for interest on debt	39,053	-
Proceeds from sale of common stock from employee stock purchase plan	11,191	27,632
Borrowings on 8% convertible debenture	2,929,000	-
Issuance costs associated with convertible debentures	(256,570)	-
Payments on secured note payable	(260,828)	-
Payments on capital lease obligation	(4,421)	(3,871)
Payments on note payable	(41,662)	(41,661)
Net cash provided by financing activities	2,415,763	2,961,600
Increase in cash and cash equivalents	795,726	1,591,297
Cash and cash equivalents, beginning of period	358,457	1,291,364
Cash and cash equivalents, end of period	\$ 1,154,183	\$ 2,882,661
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ 22,277	\$ 7,787
Supplemental disclosure of non-cash investing activity:		
Interest paid in common stock	\$ 39,053	\$ -
Fair value of warrants issued to broker of debt financing	\$ 194,057	\$ -
Fair value of warrants & incentive shares issued to debenture holders	\$ 790,830	\$ -
Fair value of beneficial conversion feature underlying convertible debentures	\$ 600,635	\$ -

LIGHTPATH TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Quarter ended September 30, 2008

	<u>Class A</u>		Additional Paid-in <u>Capital</u>	Accumulated <u>Deficit</u>	Foreign Currency Translation <u>Adjustment</u>	Total Stockholders' <u>Equity</u>
	<u>Common Stock</u>					
	<u>Shares</u>	<u>Amount</u>				
Balances at June 30, 2008	5,331,664	\$ 53,317	\$ 199,847,356	\$ (197,762,281)	\$ 21,369	\$ 2,159,761
Issuance of common stock for interest on convertible debentures	27,893	278	38,775			39,053
Issuance of common stock under debenture agreement recorded as debt discount	73,228	732	74,399			75,131
Issuance of warrants under debenture agreement recorded as debt costs	-	-	194,057			194,057
Issuance of common stock under the Employee Stock Purchase Plan	9,648	96	11,095			11,192
Issuance of restricted stock awards, net conversion feature under debenture agreement recorded as debt discount	5,000	50	(50)			-
Stock based compensation			1,316,333			1,316,333
Foreign currency adjustment			18,498		11,792	18,498
Net Loss				(1,023,809)		(1,023,809)
Balances at September 30, 2008	5,447,433	\$ 54,474	\$ 201,500,463	\$ (198,786,090)	\$ 33,161	\$ 2,802,008