

LightPath Technologies Announces Financial Results for the Second Quarter and First Half of Fiscal 2009

ORLANDO, FL—February 12, 2009 -- 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 second quarter and first half of fiscal 2009 ended December 31, 2008.

Second Quarter Highlights:

- Disclosure backlog scheduled to ship within the next twelve months is \$3.0 million similar to the backlog level at September 30, 2008
- The second quarter revenue was \$1.91 million compared to \$2.02 million, a decrease of 6% from the same period last year, and was impacted by a \$400,000 order cancellation from a major customer whose end customer filed bankruptcy
- Second quarter fiscal 2009 gross margin improves to 25% compared to 0% for the same period in the previous fiscal year
- The second quarter EBITDA improved to a loss of \$700,000 compared to a loss of \$1.5 million in the same period last year
- Cash usage was reduced to \$631,000 in the second quarter of fiscal 2009 from a usage of \$1.4 million in the same quarter in the prior year
- The legal suit filed in October 2007 by Harborview has been dismissed in federal court

Mr. Jim Gaynor, Chief Executive Officer of LightPath, commented, "During the second quarter of fiscal 2009 we faced financial challenges along with many in the industries we do business with, as the worldwide economic instability continued to create turbulence in the market. I am pleased that we were able to continue to manage our costs and increase our gross margins year over year. This is a good indication of how efficiently the business we have been operating over the past few quarters has become despite the market challenges we are facing. Our gross margin for the second quarter of fiscal 2009 improved from 0% to 25% compared to the second quarter of fiscal 2008, and to 26% for the first half of fiscal 2009, compared to 6% the first half of fiscal 2008."

"We have improved our gross margins as a result of the cost reduction programs we have implemented. During the second quarter of fiscal year 2009, over 96% of our precision molded optics were produced at our Shanghai facility. Direct labor productivity has improved 71% in our Shanghai factory. This efficiency improvement combined with the high percentage of product now produced in this facility has significantly reduced our labor cost. Production yields for the first half of fiscal 2009 averaged 85% compared to an average of 67% for the fiscal year 2008. We are also continuing to convert to high temperature lower cost glass materials and this conversion combined with the 18 percentage point improvement in yield has lowered our material costs. We have also

implemented new programs to reduce our service costs aimed at tooling and our anti-reflective coating processes. As these programs come on line we expect to see continued improvement in our already low direct costs in future quarters.

In addition to these direct cost reductions we have implemented a series of overhead cost reductions. With the transfer of our manufacturing operations to Shanghai workforce in Orlando has been reduced by 38% since December 2007. And as a result of the productivity improvements in Shanghai we have reduced the workforce there by 20% in December 2008. In addition we implemented a 10% salary reduction for the majority of our US based personnel in January 2009.

The result of all of these changes has resulted in a reduction of our cash used in operations by 49% from the first fiscal quarter of 2009 to the second fiscal quarter of 2009. If the impacts of our implemented efficiencies had been in place for the full quarter our cash used in operations would have been below \$300,000, as compared to actual cash used in the quarter of \$771,000. As the full impact of these improvements are realized and our forecasted revenues are achieved we believe we will see continued reductions of cash used in operations at least 50% again over the next two quarters. This improvement is expected to continue for the remainder of fiscal 2009 providing significant organic growth opportunity,” further commented Mr. Gaynor.

Financial Results for Three Months Ended December 31, 2008

Revenue for the second quarter of fiscal 2009 ended December 31, 2008 totaled \$1.9 million compared to \$2.0 million for the second quarter of fiscal 2008, a decrease of 6%. The decrease from the second quarter of last year was primarily attributable to lower sales volumes of molded optics products, collimators and gradium products, offset by higher sales volumes of isolators. The reduction in molded optics sales volume was primarily attributed to an order cancellation related to a bankruptcy of an end user of our major customer and we do not expect this level of impact to occur again given the nature of our backlog. Growth in sales going forward is expected to be derived primarily from the precision molded optics product line driven by low cost lenses in Asia.

Our gross margin percentage in the second quarter of fiscal 2009 compared to second quarter fiscal 2008 increased to 25% from 0%. Total manufacturing cost of \$1.4 million was \$0.6 million lower in the second quarter of fiscal 2009 compared to the same period of the prior fiscal year. Direct costs, which include material, labor and services, remain stable at 22% of revenue in the second quarter of fiscal 2009, as compared to 24% in the second quarter of fiscal 2008. Gross margins improved as a result of the cost reduction programs the Company has implemented. In addition, we incurred a one-time inventory valuation adjustment of approximately \$374,000 for the quarter ended December 31, 2007 that was not incurred during the quarter ended December 31, 2008.

During the second quarter of fiscal 2009 total costs and expenses decreased \$326,000 to \$1.3 million compared to \$1.7 million for the same period in fiscal 2008. Included in total costs and expenses for fiscal 2009 were \$1.1 million in selling, general and

administrative expenses which for the second quarter of fiscal 2009 decreased \$245,000 or 18% from \$1.4 million for the same period in the prior year. As a result, total operating loss for the second quarter of fiscal 2009 improved to \$0.9 million compared to a loss of \$1.7 million for the same period in fiscal 2008.

Net loss for the second quarter of fiscal 2009 ended December 31, 2008 was \$1.7 million or \$0.29 per basic and diluted share, compared with a net loss of \$1.6 million or \$0.31 basic and diluted per share for the same period in fiscal 2008. This compared to a net loss of \$1.0 million or \$0.19 per basic and diluted share for the first quarter of fiscal 2009 ended September 30, 2008. This represents an \$82,000 increase in net loss. The net loss for the quarter ended December 31, 2008 includes \$641,000 in charges related to fees, debt costs, and debt discount write-offs associated with the conversion of 25% of outstanding debentures into common stock. Weighted-average shares outstanding increased in the second quarter of fiscal 2009 compared to the second quarter in fiscal 2008 primarily due to the issuance of common shares related to the debenture conversion.

Financial Results for the Six Months *Ended December 31, 2008*

Revenue for the six months ended December 31, 2008 totaled \$4.2 million compared to \$4.3 million for the first six months of fiscal 2008, a decrease of 2%. The decrease from last year was primarily attributable to lower sales volumes of collimators and gradium, products, partially offset by higher sales volumes of isolators. Growth in sales going forward are expected to be derived primarily from the precision molded optics driven by low cost lenses in Asia.

Our gross margin percentage in the first half of fiscal 2009 compared to first half of fiscal 2008 increased to 26% from 6%. Total cost of sales was \$3.1 million which represents a \$941,000 decrease in the first half of fiscal 2009 compared to \$4.1 million in the same period of the prior fiscal year. Direct costs, which include material, labor and services, remain stable at 23% of revenue in the first half of fiscal 2009, as compared to 22% in the first half of fiscal 2008. Gross margins improved as a result of the cost reduction programs the Company has implemented. In addition, we incurred a one-time inventory valuation adjustment of approximately \$374,000 for the six months ended December 31, 2007 that was not incurred during the six months ended December 31, 2008.

During the first half of fiscal 2009 total costs and expenses decreased approximately \$573,000 to \$2.8 million compared to \$3.4 million for the same period in fiscal 2008. Included in total costs and expenses for the first half of fiscal 2009 were \$2.3 million in selling, general and administrative expenses which decreased \$452,000 to \$2.3 million compared to \$2.8 million for the same period in the prior fiscal year. As a result, total operating loss for the first half of fiscal 2009 improved to \$1.8 million compared to \$3.2 million for the same period in fiscal 2008.

Net loss for the six months ended December 31, 2008 totaled \$2.8 million or \$0.49 per basic and diluted share, compared with a net loss of \$3.1 million or \$0.59 basic and diluted per share for the same period in fiscal 2008. This represents a \$397,000 decrease in net loss. The net loss for the first half includes \$641,000 in charges related to fees, debt

costs, and debt discount write-offs associated with the conversion of 25% of the outstanding debentures. Weighted-average shares outstanding increased in the first half of fiscal 2009 compared to the first half of fiscal 2008 primarily due to the issuance of common shares related to the conversion of the debentures.

On the balance sheet, cash and cash equivalents totaled \$523,509 at December 31, 2008. Total current assets and total assets at December 31, 2008 were \$3.6 million and \$5.9 million compared to \$3.3 million and \$5.5 million at June 30, 2008, respectively. Total current liabilities and total liabilities at December 31, 2008 were \$1.8 million and \$3.3 million compared to \$3.0 million and \$3.3 million, respectively, for June 30, 2008. As a result, the current ratio as of December 31, 2008 improved to 2.0 to 1 compared to 1.10 to 1 for the year end June 30, 2008. Total stockholders' equity at December 31, 2008 totaled \$2.61 million compared to \$2.2 million at June 30, 2008.

As of December 31, 2008 the Company's backlog of orders to be filled in less than one year, was to \$3.0 million compared to \$3.2 million as of September 30, 2008.

Jim Gaynor concluded, "On January 30, 2009 the district court in New York dismissed all claims of the lawsuit by Harborview. We are pleased with the court's decision and to have this lawsuit completed.

Our results for the first half of this year are a positive reflection of much hard work and effort by the team at LightPath, to control cost and mitigate expenses. Despite a marginal decrease in our revenues we managed to dramatically enhance our gross margins and decrease our loss over the previous year. We expect the full effect of the efficiencies we have implemented will bring cash usage going forward lower than the current second quarter of fiscal 2009. Our cash balance at December 31, 2008 was \$523,000. We remain confident that the changes we have made over the past year will reap positive rewards as we generate more sales and build our pipeline of business. We remain encouraged by our disclosure backlog at \$3.0 million, and the number of new product proposals we have undertaken in the past six months. Our efforts to penetrate high volume lower cost commercial markets in Asia show tremendous promise for the second half of our fiscal year. 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 Thursday February 12th at 4:15 p.m. EST to discuss the Company's financial and operational performance for the second quarter and first half of fiscal 2009.

Conference Call Details

Date: Thursday, February 12, 2009

Time: 4:15 p.m. (EST)

Dial-in Number: 1-800-762-8908

International Dial-in Number: 1-480-248-5085

It is recommended that participants dial-in approximately 5 to 10 minutes prior to the start of the 4:15 p.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.

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EBITDA Comparison

	<u>Actual Q1 2008</u>	<u>Actual Q2 2008</u>	<u>Actual Q3 2008</u>	<u>Actual Q4 2008</u>	<u>Actual Q1 2009</u>	<u>Actual Q2 2009</u>
Revenue	2,308,753	2,021,566	2,114,196	2,381,956	2,337,762	1,905,202
Cost of sales	2,070,042	2,016,257	1,694,679	1,814,420	1,706,758	1,438,234
Gross margin	238,711 10%	5,309 0%	419,517 20%	567,536 24%	631,004 27%	466,968 25%
Total operating costs and expenses	<u>1,753,554</u>	<u>1,669,438</u>	<u>1,602,495</u>	<u>1,665,083</u>	<u>1,505,922</u>	<u>1,343,723</u>
Operating loss	<u>(1,514,843)</u>	<u>(1,664,129)</u>	<u>(1,182,978)</u>	<u>(1,097,547)</u>	<u>(874,918)</u>	<u>(876,755)</u>
Other income (expense)	11,795	20,978	(7,291)	(33,754)	(148,891)	(848,753)
Net Loss	<u>(1,503,048)</u>	<u>(1,643,151)</u>	<u>(1,190,269)</u>	<u>(1,131,301)</u>	<u>(1,023,809)</u>	<u>(1,725,508)</u>
EBITDA	<u>(1,381,348)</u>	<u>(1,522,452)</u>	<u>(1,053,747)</u>	<u>(964,070)</u>	<u>(669,936)</u>	<u>(704,371)</u>

LIGHTPATH TECHNOLOGIES, INC.
Condensed Consolidated Balance Sheets

Assets	Unaudited December 31, 2008	June 30, 2008
	2008	2008
Current assets:		
Cash and cash equivalents	\$ 523,509	\$ 358,457
Trade accounts receivable, net of allowance of \$57,813 and \$44,862	1,307,213	1,334,856
Inventories, net	1,154,400	1,323,555
Prepaid expenses and other assets	568,772	277,359
Total current assets	3,553,894	3,294,227
Property and equipment - net	1,760,784	1,937,741
Intangible assets - net	183,303	199,737
Debt costs, net	363,764	-
Other assets	57,306	57,306
Total assets	\$ 5,919,051	\$ 5,489,011
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,092,076	\$ 1,827,461
Accrued liabilities	88,495	196,125
Accrued severance	4,229	97,401
Accrued payroll and benefits	409,531	423,222
Secured note payable	-	260,828
Note payable, current portion	166,645	166,645
Capital lease obligation, current portion	14,661	18,603
Total current liabilities	1,775,637	2,990,285
Deferred rent	222,391	222,818
Capital lease obligation, excluding current portion	-	5,050
Note payable, excluding current portion	27,774	111,097
8% convertible debentures to related parties, net of debt discount	146,025	—
8% convertible debentures, net of debt discount	1,137,580	—
Total liabilities	3,309,407	3,329,250
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; 6,653,621 and 5,331,664 shares issued and outstanding, respectively	66,536	53,317
Additional paid-in capital	203,032,955	199,847,356
Foreign currency translation adjustment	21,751	21,369
Accumulated deficit	(200,511,598)	(197,762,281)
Total stockholders' equity	2,609,644	2,159,761
Total liabilities and stockholders' equity	\$ 5,919,051	\$ 5,489,011

LIGHTPATH TECHNOLOGIES, INC.
Condensed Consolidated Statements of Operations

	Unaudited		Unaudited	
	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Product sales, net	\$ 1,905,202	\$ 2,021,566	\$ 4,242,964	\$ 4,330,319
Cost of sales	1,438,234	2,016,257	3,144,992	4,086,299
Gross margin	466,968	5,309	1,097,972	244,020
Operating expenses:				
Selling, general and administrative	1,108,931	1,353,954	2,338,450	2,790,811
New product development	227,775	307,267	502,468	615,747
Amortization of intangibles	8,217	8,217	16,434	16,434
Gain on sale of property & equipment	(1,200)	-	(7,707)	-
Total costs and expenses	1,343,723	1,669,438	2,849,645	3,422,992
Operating loss	(876,755)	(1,664,129)	(1,751,673)	(3,178,972)
Other income (expense):				
Interest expense	(853,526)	(11,190)	(1,012,248)	(28,928)
Investment and other income	4,773	32,168	14,604	61,701
Net loss	\$ (1,725,508)	\$ (1,643,151)	\$ (2,749,317)	\$ (3,146,199)
Foreign currency translation adjustment	(11,410)	20,614	382	41,410
Comprehensive loss	\$ (1,736,918)	\$ (1,622,537)	\$ (2,748,935)	\$ (3,104,789)
Loss per share (basic and diluted)	\$ (0.29)	\$ (0.31)	\$ (0.49)	\$ (0.59)
Number of shares used in per share calculation	5,892,829	5,323,511	5,652,444	5,322,678

LIGHTPATH TECHNOLOGIES, INC.
Condensed Consolidated Statements of Cash Flows

Unaudited
Six Months Ended
December 31,

	2008	2007
Cash flows from operating activities		
Net loss	\$ (2,749,317)	\$ (3,146,199)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	320,918	213,471
Foreign exchange translation adjustment	382	41,410
Interest from amortization of debt discount	478,320	-
Fair value of warrants issued to induce debenture conversion	215,975	-
Amortization of debt costs	190,546	-
Issuance of common stock for interest on convertible debentures	97,633	-
Gain on sale of property and equipment	(7,707)	-
Stock based compensation	52,452	187,624
Provision for doubtful accounts receivable	12,952	22,538
Deferred rent	(427)	-
Common stock issued for payment of consulting services	49,800	-
Changes in operating assets and liabilities:		
Trade accounts receivables	14,691	128,929
Inventories	169,155	310,593
Prepaid expenses and other assets	17,301	126,142
Accounts payable and accrued liabilities	(949,878)	(227,336)
Net cash used in operating activities	<u>(2,087,204)</u>	<u>(2,342,828)</u>
Cash flows from investing activities		
Purchase of property and equipment	(116,013)	(349,736)
Proceeds from sale of equipment	37,791	-
Net cash used in investing activities	<u>(78,222)</u>	<u>(349,736)</u>
Cash flows from financing activities		
Proceeds from sale of common stock, net of costs	-	2,978,544
Proceeds from sale of common stock from employee stock purchase plan	11,191	27,632
Borrowings on 8% convertible debenture, net of issuance costs	2,672,430	-
Payments on secured note payable	(260,828)	-
Payments on capital lease obligation	(8,992)	(7,872)
Payments on note payable	(83,323)	(83,322)
Net cash provided by financing activities	<u>2,330,478</u>	<u>2,914,982</u>
Increase in cash and cash equivalents	165,052	222,418
Cash and cash equivalents, beginning of period	358,457	1,291,364
Cash and cash equivalents, end of period	<u>\$ 523,509</u>	<u>\$ 1,513,782</u>
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ 27,639	\$ 13,945
Supplemental disclosure of non-cash investing & financing activities:		
Landlord credits for leasehold improvements	\$ -	\$ 74,899
Convertible debentures exchanged into common stock	\$ 732,250	\$ -
Fair value of warrants issued to broker of debt financing	\$ 194,057	\$ -
Fair value of warrants & incentive shares issued to debenture holders	\$ 790,830	\$ -
Intrinsic value of beneficial conversion feature underlying convertible debentures	\$ 600,635	\$ -

LIGHTPATH TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Six months ended December 31, 2008
Unaudited

	Class A		Additional	Foreign		Total
	Common Stock		Paid-in	Currency	Accumulated	Stockholders'
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Translation</u>	<u>Deficit</u>	<u>Equity</u>
				<u>Adjustment</u>		
Balances at June 30, 2008	5,331,664	\$ 53,317	\$199,847,356	\$ 21,369	\$(197,762,281)	\$ 2,159,761
Issuance of common stock for:						
Current interest on convertible debentures	103,971	1,040	96,593			97,633
Incentive to participate in convertible debenture placement, recorded as debt discount	73,228	732	74,399			75,131
Prepayment of interest on convertible debentures	589,614	5,896	448,099			453,995
Conversion of 25% of debentures	475,496	4,755	727,495			732,250
Payment on consulting service arrangements	60,000	600	49,200			49,800
Vested restricted stock units	10,000	100	(100)			-
Employee Stock Purchase Plan	9,648	96	11,095			11,191
Issuance of warrants to private placement agent recorded as debt costs	-	-	194,057			194,057
Debt discount and beneficial conversion feature on convertible debentures			1,316,334			1,316,334
Issuance of warrants as inducement to convert debentures	-	-	215,975			215,975
Stock based compensation on stock options and restricted stock units			52,452			52,452
Foreign currency adjustment				382		382
Net loss					(2,749,317)	(2,749,317)
Balances at December 31, 2008	6,653,621	\$ 66,536	\$203,032,955	\$ 21,751	\$(200,511,598)	\$ 2,609,644