



**Press Release**

**11 September 2008**

**SPI Lasers plc**

(“SPI” or “the Group”)

**Interim Results**

SPI Lasers plc (AIM:SPIL), a leader in the design, development, engineering, and manufacture of optical fibre-based lasers, today releases its Interim Results for the six months to 30 June 2008.

**Highlights**

- Turnover of £6.1 million (H2 2007: £5.9 million, H1 2007: £7.2 million)
- Gross loss of £0.4 million (H2 2007: £1.2 million, H1 2007: £0.7million)
- Loss after taxation £4.6 million (H2 2007: £7.0 million, H1 2007: £5.3million).
- Cash on hand at the half year £5.7 million (H2: 2007: £11.2 million, H1 2007: £6.8million)
- Introduction in the period of new platforms for MICRO, MARKING and MEDICAL becoming established and shipping to customers in volume
- New platforms yielding anticipated improvements in gross margin

On 9 September 2008, TRUMPF International Beteiligungs-GmbH, a 100% subsidiary of TRUMPF GmbH + Co. KG (“TRUMPF”), announced a recommended offer to acquire 100% of the issued and to be issued share capital of SPI. Under the terms of the acquisition, SPI shareholders will receive 40 pence in cash for each SPI share (the “Offer”). For further details please refer to the announcement made on 9 September 2008.

David Parker, Chief Executive of SPI, said: “We are proud of our achievements to date, and in particular during 2008. However, there is no doubt that with the support of the TRUMPF organisation we can take the business to a higher level and be a major player in this exciting sector. We see many opportunities to leverage our world class technology position into new products and markets and look forward to working within the TRUMPF group to achieve this.”

- Ends -

**For further information:**

**SPI Lasers plc**

David Parker, Chief Executive Officer

Tel: +44 (0) 1489 779 696

[david.parker@spilasers.com](mailto:david.parker@spilasers.com)

David Holloway, Chief Financial Officer

[david.holloway@spilasers.com](mailto:david.holloway@spilasers.com)

[www.spilasers.com](http://www.spilasers.com)

**Panmure Gordon**

Dominic Morley

Tel: +44 (0) 20 7459 3600

[dominic.morley@panmure.com](mailto:dominic.morley@panmure.com)

[www.panmure.com](http://www.panmure.com)

**Media enquiries:**

**Abchurch**

Henry Harrison-Topham / Joanne Shears

Tel: +44 (0) 20 7398 7709

[henry.ht@abchurch-group.com](mailto:henry.ht@abchurch-group.com)

[www.abchurch-group.com](http://www.abchurch-group.com)

## **Chairman's Statement**

At first glance, the interim results for the half year ending 30 June 2008 may not fully reflect the accomplishments which have been made in driving SPI towards profitability from operations. However, the two new platforms introduced at the start of the year are making SPI more competitive in the MICRO and MARKING/MEDICAL markets on both price and product quality. Our confidence in these new platforms has been confirmed by customer acceptance of our products following testing and field trials, and by a growing order book.

We have also significantly lowered the manufacturing cost for these new products, despite the need to utilise legacy stock purchased at higher prices during the first few months of 2008. This trend, combined with management action to curb overheads and improve stock turns is consistent with achieving the Board's goal of operating profitability in one or more months of the final quarter of 2008.

The Board and management continue to believe the fibre laser sector is an exciting growth area. Our belief seems to be shared by our competitors, many of whom have now announced significant fibre laser development programmes and notable acquisitions. Many of these competitors have greater financial resources, larger sales and customer support operations and a substantial installed base of customers. Against this shifting strategic background, the Board decided to explore ways in which the Group could protect the interests of shareholders, customers, employees and our other constituencies.

On 9 September 2008, TRUMPF International Beteiligungs-GmbH, a 100% subsidiary of TRUMPF GmbH + Co. KG ("TRUMPF"), announced an Offer to acquire 100% of the issued and to be issued share capital of SPI at an offer price of 40 pence per share (the "Offer"). TRUMPF is one of the world's leading companies in production technology offering high-quality laser-based products and solutions for materials processing applications, and generated revenues of more than €2 billion in the year to 30 June 2008. The Board of SPI intends unanimously to recommend, that SPI shareholders accept the Offer as the Board believes the Offer delivers attractive value and certainty to SPI shareholders. Moreover, the Group will be in a stronger position to develop its business within the TRUMPF organisation.

The management and employees of SPI have, since 2000, made tremendous progress in the development of leading fibre laser technology and overcome

substantial technical challenges to produce industrial-quality fibre-lasers. The Board wishes to extend its thanks for the immense effort and dedication shown by the worldwide team and looks forward to further successes for the team within the TRUMPF organisation.

**Graham Meek**

Chairman

11 September 2008

## **Chief Executive's Review**

### **Introduction**

SPI's business performance in the first half of 2008 has improved over the second half of 2007, as reflected in the loss for the period from continuing operations reducing from £7 million to £4.6 million respectively. At the time of our October 2007 share placing we discussed the need for, and progress towards, two major new product platforms: a new system laser, the "R4" targeted at our MICRO business, and a new OEM module, the "G3", focused on MARKING and MEDICAL applications. These new platforms were intended to significantly reduce both variable and fixed costs and improve product quality.

I am pleased to report significant progress with both platforms. The impact on our financial performance is already clear with our first half operating loss reduced by some £2.3 million compared to the second half of 2007 on similar revenue levels.

### **Markets, Customers and Channel**

Revenue in the first half of the year had only modest growth compared to the second half of 2007. This metric, however, belies the progress made in securing design wins and customer acquisitions that will lead to revenue growth in the second half of the year, albeit at a lower rate than we had hoped for. This is particularly true with our pulsed laser where we have secured a number of large contracts and established more than 30 new trading relationships in the MARKING sector. Whilst we had to overcome many technical challenges in bringing this product to market, we are now seeing the impact of our product performance on customer perception. Further to this we believe the "G3" is an ideal platform to address new and exciting markets including the energy-related SOLAR sector.

Progress in MICRO has been slower. Demand from manufacturers of medical products, and from the US market in general, has been subdued in the first half. We are now pursuing major initiatives to broaden the product offering and application space for these products in the second half of the year.

Finally, our MEDICAL business has reached a comparative plateau during the period to date, which is understandable, given the strong growth in 2007. We are aware of new application trials utilising SPI's laser platform for 2009 introduction which may offer further scope for SPI business.

## **Operational**

The impact of the new platforms on direct costs has moved the Group to a position where at the end of the first half we generated positive gross margin. Further cost reductions, which are well underway, combine with the projected increased volumes will move us towards achieving profitability from operations. We are also confident in our ability to further improve product quality with the ambition to move SPI into a “best in class” position in the foreseeable future.

## **Outlook and Key Events**

Whilst cost and quality remain the major focus areas, we are now able to return to deploying resources to enhance the product portfolio. We have two major new product introductions planned for the second half of the year: a higher power OEM module targeted at new application in electronics; and a higher power system product which will be key if we are to move into the welding arena.

In summary, the task for the second half of the year is to build upon the momentum we have generated across the business as we strive for our key objective of becoming profitable in one or more months of Q4 2008, notwithstanding the current economic climate and on revenues lower than previously expected, and this objective remains in place irrespective of our ownership.

## **David Parker**

Chief Executive Officer  
11 September 2008

## **Financial Review**

### **Sales**

Total sales for the first half of 2008 were £6.1 million compared with £7.2 million in the same period last year, the reduction was largely accounted for by a major one-off order in the Medical sector last year. Contract sales, which relate to SPI's USA and UK defence and aerospace development contracts, were 67% of equivalent revenues in the same period in 2007 due to contract phasing and resources being re-deployed to support the investment in product development.

Asia remains SPI's biggest market with 45% of total sales and 49% of product sales in the first half of 2008, down from 48% and 54% respectively in the first half of 2007. Total sales in the UK grew to 14% of total sales, up from 10% for the first half of 2007 due to an increase in both product and contract sales.

### **Operational Performance**

Gross losses reduced by £0.3 million from £0.7 million in the first half of 2007 to £0.4 million in the first half of 2008 as a result of improved product design and performance. New product platforms established from the start of the year offer significant cost reduction from our previous product designs.

The reduction in gross losses was complemented by an increase in other income (£0.2 million) due to DTI funding for several R&D Projects. The net result was a decrease in the loss before taxation of £0.7 million to £4.8 million from £5.5 million in 2007.

Group funded product research and development was £1.4 million while the Group spent £0.3 million on customer funded R&D which was charged to cost of sales. The total incurred investment in R&D was therefore £1.7 million, a decrease of 19% over the £2.1 million equivalent spend in 2007. These values are shown after the capitalisation of £0.1 million for the period, which is in addition to £0.3 million capitalised during 2007.

### **Taxation**

SPI has an unrecognised deferred tax asset of £16.1 million, which has primarily arisen from the losses incurred to date. In the first half of 2008, an R&D Tax Credit of £0.2 million (£0.2 million in 2007) was recognised; the associated cash receipt

from HM Revenues and Customs is expected to be received in the first half of 2009 (the 2007 related tax credit is expected to be received in the second half of 2008).

### **Loss after Taxation**

The loss after taxation for the first half of 2008 was £4.6 million, a decrease of £0.7 million over the first half of 2007 of £5.3 million. This is primarily due to the issues referred to above in operational performance.

### **Dividend**

The directors do not propose to pay an interim dividend (2007: nil).

### **Headcount**

Average heads increased from 167 in the first half of 2007 to 172 in the first half of 2008 due to investment in manufacturing, logistics, engineering and sales. Annualised sales decreased from £86,000 per head in the first half of 2007 to £70,000 per head in the first half of 2008, as explained above due to the exceptional nature of 2007 medical sales. The annualised loss after tax for 2007 and 2008 reduced from £64,000 per head to £54,000 per head respectively.

### **Fixed Assets**

Gross fixed assets grew by £0.1 million during the first half of 2008, an increase of 1% on the balance as at 31 December 2007. This expenditure mainly related to the expansion of manufacturing capacity. The Group's investment in fixed assets is now mostly related to further increases in capacity rather than the underlying capability.

Depreciation for the first half of 2008 was £0.4 million (2007: £0.3 million). Accumulated depreciation at 30 June 2008 stands at 84% of the gross cost of the assets.

### **Working Capital**

Net current assets, excluding cash, loans and short term investments (working capital), increased from £2.4 million at 31 December 2007 to £2.6 million at 30 June 2008. Stock decreased by £0.5 million and the receivable debt relating to the R&D tax credit reduced by £0.2 million following payment received in the first quarter from HM Revenues & Customs. These decreases in working capital were more than offset by an increase in trade debtors of £0.4 million and a reduction in trade creditors of

£0.6 million, the latter related to the stock reduction as improvements in working capital were being sought. Cash at 30 June 2008 was £5.7 million a reduction of £5.5 million since December 2007. Outstanding loans and convertible loan notes both current and non-current, at 30 June 2008 were £1.0 million and £0.6 million respectively, having being reduced by repayments since December 2007 by £0.5 million and £0.4 million respectively.

**David Holloway**

Chief Financial Officer  
11 September 2008

## Condensed Consolidated Income statements

### Six months ended 30 June 2008

#### Continuing operations

		<b>6 months to 30 June 2008</b>	6 months to 30 June 2007	Year ended 31 December 2007
		<b>(unaudited) £000</b>	(unaudited) £000	(audited) £000
	Notes			
<b>Revenue</b>	3	<b>6,079</b>	7,159	13,047
Cost of sales		<b>(6,469)</b>	(7,907)	(14,954)
<b>Gross loss</b>		<b>(390)</b>	(748)	(1,907)
Other operating income		<b>200</b>	107	209
Other operating expenses		<b>-</b>	(71)	(207)
Administrative expenses		<b>(4,687)</b>	(4,757)	(10,695)
<b>Operating loss</b>		<b>(4,877)</b>	(5,469)	(12,600)
Investment revenues		<b>192</b>	138	281
Finance costs		<b>(139)</b>	(192)	(371)
<b>Loss before tax</b>		<b>(4,824)</b>	(5,523)	(12,690)
Tax credit	6	<b>182</b>	200	390
<b>Loss for the period from continuing operations</b>	7	<b>(4,642)</b>	(5,323)	(12,300)
<b>Basic and diluted loss per share</b>	9	<b>(6.9p)</b>	(21.6p)	(37.9p)

## Condensed Consolidated Statement Of Recognised Income And Expense

#### Continuing Operations

	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007	Year ended 31 December 2007
	<b>(unaudited) £000</b>	(unaudited) £000	(audited) £000
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	<b>3</b>	(19)	(21)
Loss for the period	<b>(4,642)</b>	(5,323)	(12,300)
<b>Total recognised income and expense for the period</b>	<b>(4,639)</b>	(5,342)	(12,321)

## Condensed consolidated balance sheet

Six months ended 30 June 2008

		<b>30 June 2008</b>	30 June 2007	31 December 2007
		<b>(unaudited)</b>	(unaudited)	(audited)
	Notes	<b>£000</b>	£000	£000
<b>Non-current assets</b>				
Intangible assets		<b>267</b>	-	208
Property, plant and equipment		<b>2,216</b>	2,702	2,475
		<b>2,483</b>	2,702	2,683
<b>Current assets</b>				
Inventories		<b>2,442</b>	2,186	2,916
Trade and other receivables		<b>4,061</b>	3,823	3,583
Cash and cash equivalents		<b>5,679</b>	6,819	11,225
R&D tax assets		<b>547</b>	552	742
		<b>12,729</b>	13,380	18,466
<b>Total assets</b>		<b>15,212</b>	16,082	21,149
<b>Current liabilities</b>				
Trade and other payables		<b>(3,863)</b>	(3,180)	(4,450)
Loans and convertible loan notes	4	<b>(955)</b>	(1,248)	(1,460)
Provisions		<b>(350)</b>	-	(440)
		<b>(5,168)</b>	(4,428)	(6,350)
<b>Net current assets</b>		<b>7,561</b>	8,952	12,116
<b>Non-current liabilities</b>				
Loans and convertible loan notes	4	<b>(642)</b>	(1,596)	(1,035)
Long-term provisions		<b>(255)</b>	(213)	(100)
<b>Total liabilities</b>		<b>(6,065)</b>	(6,237)	(7,485)
<b>Net assets</b>		<b>9,147</b>	9,845	13,664
<b>Equity</b>				
Share capital	5,7	<b>1,567</b>	656	1,566
Share premium account	7	<b>34,863</b>	25,270	34,861
Merger reserve	7	<b>50,389</b>	50,389	50,389
Equity reserve	7	<b>845</b>	429	726
Translation reserve	7	<b>(144)</b>	(145)	(147)
Retained earnings	7	<b>(78,373)</b>	(66,754)	(73,731)
<b>Total equity</b>		<b>9,147</b>	9,845	13,664

## Condensed consolidated cash flow statement

Six months ended 30 June 2008

		<b>6 months to 30 June 2008 (unaudited) £000</b>	6 months to 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (audited) £000
	Notes			
<b>Net cash outflow from operating activities</b>	8	<b>(4,626)</b>	(5,147)	(10,621)
<b>Cash flows from investing activities</b>				
Interest received		<b>192</b>	138	281
Purchases of property, plant and equipment		<b>(97)</b>	(403)	(507)
Expenditure on product development		(120)	-	(250)
<b>Net cash from/(used) in investing activities</b>		<b>(25)</b>	(265)	(476)
<b>Cash flows from financing activities</b>				
Proceeds on issue of share capital		<b>3</b>	10,507	21,391
Payments of expenses on issue of equity shares		-	(433)	(825)
Repayment of borrowings		<b>(898)</b>	-	(349)
<b>Net cash (used in)/from financing activities</b>		<b>(920)</b>	10,074	20,217
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,546)</b>	4,662	9,120
<b>Cash and cash equivalents at start of period</b>		<b>11,225</b>	2,113	2,113
Effect of foreign exchange rate changes		-	44	(8)
<b>Cash and cash equivalents at end of period</b>		<b>5,679</b>	6,819	11,225

## Notes to the Condensed set of Financial Statements

Six months ended 30 June 2008

### 1. General Information

The information for the year ended 31 December 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

### 2. Accounting policies

The annual financial statements of SPI Lasers plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting', as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

### 3. Revenue and geographical analysis

In the opinion of the directors, the Group has only one class of business and revenue as follows:

An additional voluntary analysis of the Group's revenue within this class of business and by geographical market is as follows:

Class of Business	<b>6 months to 30 June 2008 (unaudited) £000</b>	6 months to 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (audited) £000
<b>Revenue:</b>			
Products	<b>5,556</b>	6,377	11,761
Contract development	<b>523</b>	782	1,286
	<b>6,079</b>	7,159	13,047

Geographical Market	<b>6 months to 30 June 2008 (unaudited) £000</b>	6 months to 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (audited) £000
Asia/Australasia	<b>2,718</b>	3,442	6,241
North America	<b>1,275</b>	1,543	2,500
Rest of Europe	<b>1,222</b>	1,457	2,807
United Kingdom	<b>864</b>	717	1,499
	<b>6,079</b>	7,159	13,047

SPI Lasers plc Group do not operate on a seasonal basis

#### 4. Bank overdrafts and loans

Repayments of other bank loans amounting to £0.9 million were made during the period, in line with previously disclosed repayment terms.

#### 5. Share capital

During the period, the Group's issued share capital increased to £1.57million due to share options vesting. The number of shares in issue as at 30 June 2008 were 62,695,279

#### 6. Tax

In the first half of 2008, an R&D Tax Credit of £0.2 million (£0.2 million in 2007) was recognised. The associated cash receipt from HM Revenues and Customs is expected to be received in the first half of 2009

#### 7. Consolidated statement of changes in equity

	Share capital	Share premium	Merger reserve	Equity reserve	Translatio n reserve	Profit & loss	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2008	1,566	34,861	50,389	726	(147)	(73,731)	13,664
Arising on share issues	1	2	-	-	-	-	3
IFRS 2 charge	-	-	-	119	-	-	119
Retained loss for the period	-	-	-	-	-	(4,642)	(4,642)
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	-	-	3	-	3
<b>At 30 June 2008</b>	<b>1,567</b>	<b>34,863</b>	<b>50,389</b>	<b>845</b>	<b>(144)</b>	<b>(78,373)</b>	<b>9,147</b>

## 8. Notes to the cash flow statement

### a) Reconciliation of operating loss to net cash outflow from operating activities

	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007	Year ended 31 December 2007
	<b>(unaudited) £000</b>	(unaudited) £000	(audited) £000
Operating loss	<b>(4,877)</b>	(5,469)	(12,600)
Adjustments for:			
Depreciation on property, plant and equipment	<b>356</b>	297	662
Amortisation of intangibles	<b>62</b>	-	42
Share based payment expense	<b>119</b>	267	564
	<b>537</b>	564	1268
Operating cash flows before movements in working capital	<b>(4,340)</b>	(4,905)	(11,332)
Decrease/(increase) in inventories	<b>474</b>	(195)	(925)
(Increase)/decrease in receivables	<b>(478)</b>	(291)	436
(Decrease)/increase in payables	<b>(586)</b>	(97)	1,148
Increase in provisions	<b>65</b>	109	436
Exchange difference	<b>-</b>	(63)	(13)
Cash generated by operations	<b>(4,865)</b>	(5,442)	(10,250)
R&D tax credit received	<b>378</b>	487	-
Interest paid	<b>(139)</b>	(192)	(371)
Net cash from operating activities	<b>(4,626)</b>	(5,147)	(10,621)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

### b) Analysis of net debt

	At 1 January 2008 £000	Cash flow £000	Non-cash movements £000	<b>30 June 2008 £000</b>
Cash at bank and in hand	11,225	(5,546)	-	<b>5,679</b>
Loans – short term	(1,460)	898	(393)	<b>(955)</b>
Loans – long term	(1,035)	-	393	<b>(642)</b>
	8,730	(4,648)	-	<b>4,082</b>

## 9. Loss per share

### From continuing operations

Basic and diluted loss per share for the six months ended 30 June 2008 of 6.9p (2007:21.6p) per ordinary share is calculated using 67,454,667 shares (2007: 24,643,519), being the weighted average number of shares to June 2008.

	<b>6 months to 30 June 2008</b>	6 months to 30 June 2007	Year ended 31 December 2007
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loss for year	<b>£4,642,000</b>	£5,323,000	£12,300,000
Weighted average number of shares	<b>67,454,667</b>	24,643,519	32,430,311
Basic and diluted loss per share	<b>6.9p</b>	21.6p	37.9p

## 10. Related Party Transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### Trading Transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	<b>Sales of Goods</b>	<b>Purchase of goods</b>	<b>Royalties</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>
<b>Six months ended 30 June 2008</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
University of Southampton	90	3	2	-	229
OFS Fitel	-	177	-	-	41
	<b>90</b>	<b>180</b>	<b>2</b>	<b>-</b>	<b>270</b>
<b>Six months ended 30 June 2007</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
University of Southampton	90	225	4	59	154
	<b>90</b>	<b>225</b>	<b>4</b>	<b>59</b>	<b>154</b>
<b>Year ended 31 December 2007</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
University of Southampton	180	467	10	59	271
OFS Fitel	-	293	-	-	49
	<b>180</b>	<b>760</b>	<b>10</b>	<b>59</b>	<b>320</b>

University of Southampton is a related party of the Group because David Payne, a director of SPI Lasers plc, is an employee of the university.

OFS Fitel is a related party of the group because they are a wholly owned subsidiary of Furukawa Electric Company who has a significant shareholding in SPI Lasers plc. As at 8/8/2008 Furukawa held 6,666,667 shares in SPI Lasers plc which is 10.7% of the shares in issue.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**- Ends -**