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PPGI RELEASES FY 2009 FINANCIAL RESULTS

NORTHVALE, NJ, MARCH 31 – Photonic Products Group, Inc. (OTC Bulletin Board: PHPG) today reported its consolidated financial results for the year ended December 31, 2009.

Fourth quarter sales of $3.0 million declined by 30% from $4.3 million in the corresponding quarter of 2008. Sales for the year were $11.1 million, or approximately 32% below last year's all-time high of $16.3 million. All three of the Company's brands had a sales decline for the year.

Bookings for 2009 were $9.5 million, a decrease of 27% from $13.0 million a year earlier. Year-end backlog was $4.4 million versus $6.1 million at the end of 2008.

Net (loss) income applicable to common shareholders was $(26,000) for the fourth quarter of 2009, compared to $144,000, last year in the comparable period, which included a deferred tax benefit from income taxes of $87,000. Fourth quarter (loss) earnings per share was $0.00 basic and diluted in 2009 and $0.01 basic and diluted in 2008, respectively.

For the year ended December 31, 2009, the Company's net (loss) applicable to shareholders was $(2.8) million, including a non-cash goodwill impairment charge of $1.6 million against the full carrying value of goodwill in its Florida subsidiary. In 2008, the Company reported net income applicable to common shareholders of $1.1 million. For 2009, basic and diluted (loss) per share was $(0.25) compared to earnings per share of $0.10 basic and $0.08 diluted for 2008. The 2008 results include the positive impact of a deferred tax benefit of $408,000.

Despite lower sales in the fourth quarter compared to the fourth quarter of last year, gross profit margin as a percentage of sales ("GPM") increased, reflecting the positive impact of management's cost reductions implemented throughout 2009. Fourth quarter 2009 GPM was 25.3% of sales or $747,000, up from 23.8% of sales, or $1.03 million in 2008. For fiscal 2009, GPM of $2.15 million or 19.5% of sales decreased from $4.8 million or 29.5% of sales in the previous year.

EBITDA[1] for the year was a loss of $(1.6) million versus EBITDA of $2.1 million in 2008. Excluding the $1.6 million goodwill impairment charge which the Company recorded in the third quarter of 2009, adjusted EBITDA[2] for the year was $10,000.

During the year, the Company continued to reduce its debt obligations by paying the balance of $125,000 on a Promissory Note originally issued by the Company in 2004, as part of the purchase price of its Florida subsidiary.

Net cash flow from operating activities improved for the year to $815,000 compared to $548,000 in 2008. Cash flows were favorably impacted by reductions in accounts receivable and inventory balances, net of lower accounts payable and customer advances. Although the Company incurred losses in 2009, PPGI ended the year in a strong cash position, up $597,000 from the previous year balance including certificates of deposit.

Joe Rutherford, President and CEO of PPGI stated, "The severe economic recession affected most of the markets we served in 2009 and continues to impact our business in the first quarter of 2010. The company experienced an increase in business from the universities/national laboratories sector but this was not significant enough to offset the severe downturn in the semiconductor related marketplace that we serve. In addition, sales of products into the defense/aerospace marketplace declined due to program delays and/or cutbacks. We do, however, have reason to be optimistic that the economy and the markets we serve, are improving due to a significant increase in requests for quotes in the fourth quarter of 2009 and orders received in the first quarter of 2010. During the past year we increased our efforts to improve our international sales and are seeing encouraging interest and demand for our products in both Europe and the Far East. Our focus remains on improving our customer relationships, and decreasing our product cost while improving our product quality through process improvements."

"During 2009 the Company strengthened its cash position, made selective capital investments to improve our metrology, and prioritized our efforts in the development of new products to be released in 2010. In the first quarter of 2010, we are adding to our engineering and sales staff in order to better serve our customers and to respond to the improved business environment anticipated in 2010. We look forward to the future with cautious optimism."

[1, 2] Note Regarding Use of Certain Non-GAAP Financial Measures:

The Company defines EBITDA[1] as (loss) earnings before non-cash, stock-based compensation, net interest, income taxes, depreciation, and amortization. Adjusted EBITDA[2] is calculated by excluding the goodwill impairment charge from the EBITDA results. EBITDA and adjusted EBITDA are presented herein because we consider these numbers an important measure of the Company's ability to internally fund capital expenditures and service debt. EBITDA and adjusted EBITDA should not be considered an alternative to cash flow as an indicator of the Company's financial performance, or liquidity. The reader is referred to the Supplemental Financial Data set forth below for a reconciliation of net (loss) income to EBITDA.

The reconciliation follows:

Reconciliation of EBITDA and adjusted EBITDA to Net (Loss) Income	**At December 31, 2009**	**At December 31, 2008**
	(in thousands)	
Net (loss) income, as reported	$ (2,800)	$ 1,098
Net income tax provision (benefit)	—	(303)
Interest expense, net	131	170
Depreciation and amortization	1,008	1,060
Non-cash, stock-based compensation	113	88
EBITDA	$ (1,548)	$ 2,113
Goodwill impairment charge	1,558	—
Adjusted EBITDA	$ 10	$ 2,113

Founded in 1973, Photonic Products Group, Inc. develops, manufactures, and markets products and services for use in diverse Photonics industry sectors via its portfolio of distinctly branded businesses. INRAD specializes in crystal-based optical components and devices, laser accessories and instruments. Laser Optics specializes in precision custom optical components, assemblies, and optical coatings. MRC Optics' business specializes in precision diamond turned optics, metal optics, and opto-mechanical and electro-optical assemblies. PPGI's customers include leading corporations in the Defense and Aerospace, Laser Systems, and Process Control and Metrology sectors of the Photonics Industry, as well as the U.S. Government. Its products are also used by researchers at National Laboratories and Universities world-wide.

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 4,069,310	$ 2,672,087
Certificates of deposit	—	800,000
Accounts receivable (after allowance for doubtful accounts of $15,000 in 2009 and 2008)	1,927,672	2,810,602
Inventories, net	2,265,973	2,732,336
Other current assets	164,081	188,084
Total Current Assets	8,427,036	9,203,109
Plant and equipment:		
Plant and equipment at cost	14,604,728	14,445,027
Less: Accumulated depreciation and amortization	(12,016,247)	(11,139,771)
Total plant and equipment	2,588,481	3,305,256
Precious Metals	157,443	112,851
Deferred Income Taxes	408,000	408,000
Goodwill	311,572	1,869,646
Intangible Assets, net of accumulated amortization	673,016	751,580
Other Assets	45,192	81,707
Total Assets	$ 12,610,740	$ 15,732,149
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of notes payable -other	$ 9,000	$ 136,892
Accounts payable and accrued liabilities	1,632,650	2,160,665
Customer advances	346,429	456,754
Total Current Liabilities	1,988,079	2,754,311
Related Party Convertible Notes Payable	2,500,000	2,500,000
Notes Payable – Other, net of current portion	344,946	353,663
Total Liabilities	4,833,025	5,607,974
Commitments		
Shareholders' equity:		
Common stock: $.01 par value; 60,000,000 authorized shares 11,443,347 issued at December 31, 2009 and 11,230,678 issued at December 31, 2008	114,433	112,306
Capital in excess of par value	17,073,871	16,622,466
Accumulated deficit	(9,395,639)	(6,595,647)
	7,792,665	10,139,125
Less - Common stock in treasury, at cost (4,600 shares)	(14,950)	(14,950)
Total Shareholders' Equity	7,777,715	10,124,175
Total Liabilities and Shareholders' Equity	$ 12,610,740	$ 15,732,149

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2009	2008	2007
Revenues			
Net sales	$ 11,051,127	$ 16,301,209	$ 15,099,878
Cost and expenses			
Cost of goods sold	8,896,539	11,486,620	9,141,049
Selling, general and administrative expense	3,278,161	3,857,805	3,561,570
Goodwill Impairment Charge	1,558,074	—	—
	13,732,774	15,344,425	12,702,619
Operating (loss) income	(2,681,647)	956,784	2,397,259
Other income (expense)			
Interest expense, net	(130,387)	(170,476)	(261,327)
Gain on sale of plant and equipment	4,671	9,113	—
Gain (loss) on sale of precious metals	7,371	—	(5,851)
	(118,345)	(161,363)	(267,178)
(Loss) income before income taxes and preferred stock dividends	(2,799,992)	795,421	2,130,081
Income tax benefit (provision)	—	303,000	(250,000)
Net (loss) income	(2,799,992)	1,098,421	1,880,081
Preferred stock dividends	—	—	(238,167)
Net (loss) income applicable to common shareholders	$ (2,799,992)	$ 1,098,421	$ 1,641,914
Net (loss) income per share - basic	$ (0.25)	$ 0.10	$ 0.19
Net (loss) income per share - diluted	$ (0.25)	$ 0.08	$ 0.13
Weighted average shares outstanding - basic	11,331,258	10,902,061	8,609,822
Weighted average shares outstanding – diluted	11,331,258	15,619,304	13,777,114

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2009	2008	2007
Cash flows from operating activities:			
Net (loss) income	$ (2,799,992)	$ 1,098,421	$ 1,880,081
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	1,008,310	1,059,741	1,119,887
Goodwill impairment charge	1,558,074	—	—
401K common stock contribution	179,068	160,180	166,694
Deferred income taxes	—	(408,000)	—
Gain on sale of plant and equipment	(4,671)	(9,113)	—
(Gain) loss on sale of precious metal	(7,371)	—	5,851
Stock-based compensation expense	112,950	88,417	34,074
Change in inventory reserve	94,628	302,511	163,391
Changes in operating assets and liabilities:			
Accounts receivable	882,930	(628,743)	214,627
Inventories	371,735	(103,767)	(758,438)
Other current assets	24,003	(24,019)	12,522
Other assets	34,107	7,865	32,854
Accounts payable and accrued liabilities	(528,015)	(581,301)	246,568
Customer advances	(110,325)	(413,796)	(117,413)
Total adjustments	3,615,423	(550,025)	1,120,617
Net cash provided by operating activities	815,431	548,396	3,000,698
Cash flows from investing activities:			
Proceeds (purchase) of certificates of deposit	800,000	(800,000)	—
Purchase of plant and equipment	(210,563)	(784,534)	(246,518)
Purchase of precious metals	(53,538)	—	—
Proceeds from sale of plant and equipment	4,671	10,000	—
Proceeds from sale of precious metals	16,317	—	12,030
Net cash provided by (used in) investing activities	556,887	(1,574,534)	(234,488)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	161,514	1,064,357	445,247
Redemption of Series B Preferred shares	—	—	(50,000)
Principal payments of notes payable-other	(136,609)	(14,989)	(647,215)
Principal payments of convertible promissory notes	—	(1,700,000)	(1,000,000)
Principal payments of capital lease obligations	—	(47,088)	(196,349)
Net cash provided by (used in) financing activities	24,905	(697,720)	(1,448,317)
Net increase (decrease) in cash and cash equivalents	1,397,223	(1,723,859)	1,317,893
Cash and cash equivalents at beginning of the year	2,672,087	4,395,945	3,078,052
Cash and cash equivalents at end of the year	$ 4,069,310	$ 2,672,087	$ 4,395,945
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 19,000	$ 508,000	$ 298,000
Income taxes (refund) paid	$ (8,000)	$ 408,000	$ 69,000