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SECOND QUARTER AND SIX MONTHS 2010 FINANCIAL RESULTS **RELEASED BY PHOTONIC PRODUCTS GROUP, INC.**

NORTHVALE, NJ, August 13 – Photonic Products Group, Inc. (OTC Bulletin Board: PHPG) today reported its consolidated financial results for its second quarter and six months ended June 30, 2010.

Revenue for the second quarter was approximately \$2.16 million, down from \$2.62 million in the same period last year. For the six months ended June 30, 2010, revenue was \$4.97 million compared to \$5.43 million for the comparable 2009 period, down 8.5%.

Orders for the second quarter were \$1.54 million, bringing orders for the six months to \$4.24 million compared to \$4.80 million for the same six month period last year. Second quarter 2010 bookings were lower than anticipated as one customer order for approximately \$600,000 was pushed out until later in the year.

Gross profit for the quarter was \$256,000, or 11.8%, down from a gross profit of \$419,000, or 16.0% in the comparable quarter last year, reflecting the impact of lower sales leveraged by the Company's high percentage of fixed overhead costs.

The net loss for the quarter was \$649,000 and \$923,000 for the six months ended June 30, 2010. This compares with a net loss of \$337,000 and \$651,000, in the same periods last year. The three month and six month periods last year, reflect the positive impact of an income tax benefit of \$156,000 and \$392,000, respectively. The Company had a net loss per share of \$0.06, basic and diluted, in the current quarter and a net loss per share of \$0.08, basic and diluted, for the six months ended June 30, 2010. This compares with a net loss per share of \$0.03, basic and diluted, in the second quarter of 2009 and a net loss per share of \$0.06 for the six months ended June 30, 2009.

For the six months ended June 30, 2010, net cash provided by operating activities was \$455,000, down slightly from \$485,000, for the same period last year. After investing and financing activities, net cash increased by \$394,000 and the Company ended the quarter with cash and cash equivalents of \$4.46 million.

Joe Rutherford, President and CEO of PPGI commented, "We are obviously disappointed by our results this quarter and year-to-date. However, we had expected a difficult first half of 2010 with



improvements in business conditions beginning in the second half of the year. During the past several quarters, our results have reflected a significant decline in new orders from our commercial market customers. This was further exacerbated by a slowdown in military spending. We continue to focus on reducing all of our costs and the reductions we made last year continue to counter the effect of lower sales volumes. This should allow us to quickly return to profitability with an upturn in business. Although our bookings for the six months were lower than expected, we are encouraged by the addition of almost \$2 million in orders in July. Our outlook remains one of cautious optimism for the balance of the year and into 2011.”

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’ 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.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained in this press release that are not purely historical are forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. These statements may be identified by their use of forward-looking terminology such as "believes", "expects", "should", "will", "plan", "anticipate", "targeting" or similar words. Such forward-looking statements, such as our expectation for revenues, new orders, and income, involve risks and uncertainties that could cause actual results to differ materially from those projected. Risks and uncertainties that could cause actual results to differ materially from such forward looking statements are, but are not limited to, uncertainties in market demand for the company's products or the products of its customers, future actions by competitors, inability to deliver product on time, inability to implement process improvements in its operations, inability to retain key employees or hire new employees, and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission including the risk factors in our annual report on Form 10-K for the year ended December 31, 2009. The forward looking statements made in this news release are made as of the date hereof and Photonic Products Group, Inc. does not assume any obligation to update publicly any forward looking statement.

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2010	December 31, 2009
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,463,112	\$ 4,069,310
Accounts receivable (net of allowance for doubtful accounts of \$15,000 in 2010 and 2009)	1,338,065	1,927,672
Inventories, net	2,129,564	2,265,973
Other current assets	168,964	164,081
Total current assets	8,099,705	8,427,036
Plant and equipment:		
Plant and equipment, at cost	14,666,997	14,604,728
Less: Accumulated depreciation and amortization	(12,444,850)	(12,016,247)
Total plant and equipment	2,222,147	2,588,481
Precious Metals	157,443	157,443
Deferred Income Taxes	408,000	408,000
Goodwill	311,572	311,572
Intangible Assets, net	633,734	673,016
Other Assets	48,284	45,192
Total Assets	\$ 11,880,885	\$ 12,610,740
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of other long term notes	\$ 9,000	\$ 9,000
Accounts payable and accrued liabilities	1,815,561	1,632,650
Customer advances	118,953	346,429
Related party convertible notes payable due within one year	2,500,000	—
Total current liabilities	4,443,514	1,988,079
Related Party Convertible Notes Payable	—	2,500,000
Other Long Term Notes, net of current portion	340,436	344,946
Total liabilities	4,783,950	4,833,025
Commitments		
Shareholders' Equity:		
Common stock: \$.01 par value; 60,000,000 authorized shares; 11,561,329 shares issued at June 30, 2010 and 11,443,347 issued at December 31, 2009	115,613	114,433
Capital in excess of par value	17,315,278	17,073,871
Accumulated deficit	(10,319,006)	(9,395,639)
	7,111,885	7,792,665
Less - Common stock in treasury, at cost (4,600 shares)	(14,950)	(14,950)
Total shareholders' equity	7,096,935	7,777,715
Total Liabilities and Shareholders' Equity	\$ 11,880,885	\$ 12,610,740

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Total revenue	\$ 2,164,491	2,620,437	\$ 4,972,537	\$ 5,435,534
Cost and expenses:				
Cost of goods sold	1,908,779	2,201,339	4,176,330	4,634,749
Selling, general and administrative expenses	869,695	879,852	1,649,690	1,786,931
	<u>2,778,474</u>	<u>3,081,191</u>	<u>5,826,020</u>	<u>6,421,680</u>
(Loss) from operations	(613,983)	(460,754)	(853,483)	(986,146)
Other expense:				
Interest expense—net	(34,915)	(32,244)	(69,884)	(64,632)
Gain on sale of precious metals	—	—	—	7,371
	<u>(34,915)</u>	<u>(32,244)</u>	<u>(69,884)</u>	<u>(57,261)</u>
Net (loss) before income taxes	(648,898)	(492,998)	(923,367)	(1,043,407)
Income tax benefit	—	156,000	—	392,000
Net (loss)	<u>\$ (648,898)</u>	<u>\$ (336,998)</u>	<u>\$ (923,367)</u>	<u>\$ (651,407)</u>
Net (loss) per common share— basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>
Weighted average shares outstanding— basic and diluted	<u>11,556,729</u>	<u>11,333,477</u>	<u>11,494,929</u>	<u>11,286,263</u>

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net (loss)	\$ (923,367)	\$ (651,407)
Adjustments to reconcile net (loss) to cash provided by operating activities:		
Depreciation and amortization	470,281	504,694
401K common stock contribution	154,535	179,068
Gain on sale of precious metals	—	(7,371)
Deferred income taxes	—	(392,000)
Stock based compensation	80,085	62,586
Changes in operating assets and liabilities:		
Accounts receivable	589,607	1,321,710
Inventories, net	136,409	279,117
Other current assets	(4,883)	(52,435)
Other assets	(3,092)	34,106
Accounts payable and accrued liabilities	182,911	(457,733)
Customer advances	(227,476)	(335,181)
Total adjustments and changes	<u>1,378,377</u>	<u>1,136,561</u>
Net cash provided by operating activities	455,010	485,154
Cash flows from investing activities:		
Capital expenditures	(64,665)	(48,450)
Purchase of precious metals	—	(53,538)
Proceeds from redemption of certificates of deposit	—	800,000
Proceeds from sale of precious metals	—	16,317
Net cash (used in) provided by investing activities	(64,665)	714,329
Cash flows from financing activities:		
Redemption of restricted stock units	(533)	(986)
Proceeds from exercise of stock options	8,500	66,825
Proceeds from exercise of warrants	—	50,625
Principal payments of notes payable-other	(4,510)	(132,227)
Net cash provided by (used in) financing activities	3,457	(15,763)
Net increase in cash and cash equivalents	393,802	1,183,720
Cash and cash equivalents at beginning of period	4,069,310	2,672,087
Cash and cash equivalents at end of period	<u>\$ 4,463,112</u>	<u>\$ 3,855,807</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 7,000	\$ 11,441
Income taxes (refund) paid	\$ (75,000)	\$ 25,000