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FOR IMMEDIATE RELEASE

Friday, November 15, 2011

Source: Photonic Products Group, Inc.

PHOTONIC PRODUCTS GROUP, INC. ANNOUNCES FINANCIAL RESULTS FOR THIRD QUARTER AND NINE MONTHS 2011

NORTHVALE, NJ, November 15 – Photonic Products Group, Inc. (OTC Bulletin Board: PPHG) has reported its consolidated financial results for its third quarter and nine months ended September 30, 2011.

Revenue for the third quarter increased to \$3.3 million from \$2.5 million in the same period last year. For the nine months ended September 30, 2011, revenue was \$9.8 million or 31% higher than last year's \$7.5 million for the comparable period.

Orders for the nine months ended September 30, 2011, orders totaled \$10.2 million, up approximately 15% from orders of \$8.9 million in 2010.

For the Company's third quarter ended September 30, 2011, gross profit rose to \$908,000, or 27% of sales, from \$495,000 or 20% of sales in the comparable quarter last year. Gross profit of \$2.6 million or 26% of sales for the nine months ended September 30, 2011 compared favorably to \$1.3 million and 17% of sales last year. Increased sales revenue and the impact of the leverage of higher production volumes on a relatively fixed level of overhead costs were major contributors to the improved gross profit and margins in the most recent third quarter and nine month period.

Net income was \$84,000 and \$23,000 for the three and nine months ended September 30, 2011, respectively. This compares with a net loss of \$(282,000) and \$(1,205,000) in the same periods last year. The Company had net income per share of \$0.01, basic and diluted, in the current quarter and \$0.00 for the nine months ended September 30, 2011. This compares with a net loss per share of \$(0.02) and \$(0.10), basic and diluted, for the three and nine months ended September 30, 2010.

Net cash used by operating activities was \$47,000 for the nine months ended September 30, 2011 compared to net cash provided by operating activities of \$298,000 in the comparable period last year. The decrease primarily reflects the payment of approximately \$1.0 million of accrued and current interest on convertible notes this year and increased inventory required to support the higher level of business activity in the current period. Overall, net cash used in investing activities totaled \$542,000 in the nine months ended September 30, 2011 compared with



\$124,000, last year. Net cash decreased by \$578,000 compared to an increase of \$174,000 last year. The Company ended the quarter with cash and cash equivalents of \$3.8 million.

President and CEO, Joe Rutherford commented, “Our third quarter and year-to-date results show a marked improvement from the previous year.. Increased sales and profit improvement in the third quarter and year-to-date show an encouraging trend versus last year. This is no small accomplishment and can be attributed to our constant focus on daily operations to improve efficiencies, customer service and ultimately our profitability. I am pleased with the level of new orders from our customers which has increased sequentially this year, by quarter, and for the year is up almost 15% from 2010 levels. We have used our strong cash position to invest selectively in new equipment and people and will continue to look for opportunities to strengthen our operating capabilities and grow our business. Despite the challenges of a sluggish economy in the markets we serve, which has caused some order delays, we are cautiously optimistic that we are positioned to improve future sales and profitability.”

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, 2010. 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

	September 30,	December 31,
	2011	2010
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,787,329	\$ 4,365,045
Accounts receivable (net of allowance for doubtful accounts of \$15,000 in 2011 and 2010)	2,020,658	2,224,592
Inventories, net	2,881,196	2,390,876
Other current assets	195,274	119,243
Total current assets	8,884,457	9,099,756
Plant and equipment:		
Plant and equipment, at cost	15,105,883	14,879,508
Less: Accumulated depreciation and amortization	(13,465,700)	(12,876,163)
Total plant and equipment	1,640,183	2,003,345
Precious Metals	474,935	157,443
Deferred Income Taxes	408,000	408,000
Goodwill	311,572	311,572
Intangible Assets, net	535,529	594,452
Other Assets	44,499	47,235
Total Assets	\$ 12,299,175	\$ 12,621,803
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of other long term notes	\$ 9,000	\$ 9,000
Accounts payable and accrued liabilities	1,071,475	836,190
Customer advances	500,791	441,987
Total current liabilities	1,581,266	1,287,177
Related Party Convertible Notes Payable	2,500,000	2,500,000
Accrued Interest on Related Party Convertible Notes Payable	225,000	1,125,000
Other Long Term Notes, net of current portion	328,875	335,874
Total liabilities	4,635,141	5,248,051
Commitments		
Shareholders' Equity:		
Common stock: \$.01 par value; 60,000,000 authorized shares; 11,713,564 shares issued at September 30, 2011 and 11,562,656 issued at December 31, 2010	117,137	115,626
Capital in excess of par value	17,668,589	17,402,528
Accumulated deficit	(10,106,742)	(10,129,452)
	7,678,984	7,388,702
Less - Common stock in treasury, at cost (4,600 shares)	(14,950)	(14,950)
Total shareholders' equity	7,664,034	7,373,752
Total Liabilities and Shareholders' Equity	\$ 12,299,175	\$ 12,621,803

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Total revenue	\$ 3,328,761	\$ 2,478,581	\$ 9,791,429	\$ 7,451,118
Cost and expenses:				
Cost of goods sold	2,420,856	1,983,903	7,226,927	6,160,234
Selling, general and administrative expenses	792,132	741,657	2,449,161	2,390,403
	<u>3,212,988</u>	<u>2,725,560</u>	<u>9,676,088</u>	<u>8,550,637</u>
Income (loss) from operations	115,773	(246,979)	115,341	(1,099,519)
Other income (expense):				
Interest expense—net	(32,042)	(34,776)	(96,257)	(104,660)
Gain (loss) on sale of plant and equipment	—	—	3,626	(944)
	<u>(32,042)</u>	<u>(34,776)</u>	<u>(92,631)</u>	<u>(105,604)</u>
Net income (loss) before income taxes	83,731	(281,755)	22,710	(1,205,123)
Income tax (provision) benefit	—	—	—	—
Net income (loss)	<u>\$ 83,731</u>	<u>\$ (281,755)</u>	<u>\$ 22,710</u>	<u>\$ (1,205,123)</u>
Net income (loss) per common share — basic	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>	<u>\$ (0.10)</u>
Net income (loss) per common share — diluted	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>	<u>\$ (0.10)</u>
Weighted average shares outstanding—basic	<u>11,708,964</u>	<u>11,558,056</u>	<u>11,645,389</u>	<u>11,512,335</u>
Weighted average shares outstanding—diluted	<u>11,799,161</u>	<u>11,558,056</u>	<u>11,743,104</u>	<u>11,512,335</u>

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

	Nine Months Ended	
	September 30,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 22,710	\$ (1,205,123)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	650,507	707,462
401K common stock contribution	129,998	154,535
(Gain) loss on sale of fixed assets	(3,626)	944
Stock based compensation	119,314	121,464
Changes in operating assets and liabilities:		
Accounts receivable	203,934	443,060
Inventories, net	(490,320)	(336,397)
Other current assets	(76,031)	53,817
Other assets	2,736	(5,886)
Accounts payable and accrued liabilities	235,285	595,777
Customer advances	58,804	(232,011)
Accrued Interest on Related Party Convertible Notes Payable	(900,000)	—
Total adjustments and changes	(69,399)	1,502,765
Net cash (used by) provided by operating activities	(46,689)	297,642
Cash flows from investing activities:		
Capital expenditures	(230,796)	(124,032)
Purchase of precious metals	(317,492)	—
Proceeds from sale of plant and equipment	6,000	—
Net cash (used in) investing activities	(542,288)	(124,032)
Cash flows from financing activities:		
Redemption of restricted stock units	(740)	(1,239)
Proceeds from exercise of stock options	19,000	8,500
Principal payments of notes payable-other	(6,999)	(6,761)
Net cash provided by financing activities	11,261	500
Net (decrease) increase in cash and cash equivalents	(577,716)	174,110
Cash and cash equivalents at beginning of period	4,365,045	4,069,310
Cash and cash equivalents at end of period	\$ 3,787,329	\$ 4,243,420
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 1,023,000	\$ 11,000
Income taxes paid (refund)	\$ —	\$ (74,000)