

**FOR IMMEDIATE RELEASE**

**Wednesday, April 14, 2004**

**Source: Photonic Products Group, Inc.**

**PHOTONIC PRODUCTS GROUP, INC.**  
**REPORTS 2003 RESULTS**

**NORTHVALE, NJ, April 14** – Photonic Products Group, Inc. (OTC Bulletin Board: PHPG) today reported its audited financial results for the fiscal year ended December 31, 2003.

Revenues for the year were \$5,388,184, down 3% from last year's \$5,569,118.

But bookings for the year increased to \$6,018,000, up 16% from the prior year. The book-to-bill ratio for the year was 1.1, compared with 0.96 for 2002. The backlog at the end of 2003 was \$2,286,000, 76% higher than at the same point in 2002.

Net income was a loss of \$1,777,000 for the year compared to a loss of \$1,716,000 in 2002. Both basic and diluted EPS, computed on net income after common stock dividend on preferred stock, were a loss of \$0.35 per share for the year, exactly equal to the prior year results.

Dan Lehrfeld, President and CEO of Photonic Products Group commented, "With our growth trajectory having been set back and stalled for two years, we are pleased to have "turned the corner" in mid-2003. Sales and new orders in the second half were, respectively, 36% and 16% higher than in the first half. Our negative operating cash flow dropped from \$806,000 in 2002 to \$285,000 last year. Our net loss for the year approximated that of last year, but it included one time charges of \$107,000 for restructuring associated with the Laser Optics integration and \$455,000 for increased reserves against excess inventories."

Mr. Lehrfeld added, "Our shareholders approved our name change in mid-year and we have made progress in transforming the Company into an expanding portfolio of photonic products businesses. We completed our first acquisition late in the year, and are pleased that the integration of Laser Optics' operations is on track in all respects. We are actively engaged in due diligence on other potential acquisitions, and we have raised the capital needed to close them. We anticipate seeking additional financing in coming months for the capital needed to continue our expansion. Previewing 2004, with the first quarter under our belt, we are off to a very good start. My expectation is that our growth will continue steadily throughout 2004."

Photonic Products Group, Inc. develops, manufactures, and markets products and services for use in diverse Photonics industry sectors via its expanding portfolio of distinct business units. Its INRAD business unit specializes in crystal-based optical components, devices and instruments. Its Laser Optics business unit specializes in precision custom optical components, assemblies, and optical coatings. Its customers include leading corporations in the Defense and Aerospace, Laser Systems, and Process Control and Metrology Equipment 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,	
	2003	2002
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,282,160	\$ 1,155,074
Accounts receivable (after allowance for doubtful accounts of \$40,000 in 2003 and 2004)	973,415	1,041,262
Inventories	2,219,116	2,082,932
Unbilled contract costs	191,767	341,541
Other current assets	76,941	80,675
<b>Total Current Assets</b>	<b>4,743,399</b>	<b>4,701,484</b>
<b>Plant and equipment,</b>		
Plant and equipment at cost	9,824,498	9,307,753
Less: Accumulated depreciation and amortization	(6,572,278)	(6,008,008)
Total plant and equipment	3,252,220	3,299,745
<b>Precious Metals</b>	309,565	309,565
<b>Intangible Assets</b>	443,750	
<b>Other Assets</b>	102,187	198,131
<b>Total Assets</b>	<b>\$ 8,851,121</b>	<b>\$ 8,508,925</b>
<b><u>Liabilities and Shareholders' Equity</u></b>		
<b>Current Liabilities:</b>		
Notes Payable - Bank	\$ -	\$ 751,074
Note payable -Other	68,292	124,917
Current portion of long term debt	-	927,549
Accounts payable and accrued liabilities	993,150	368,337
Current obligations under capital leases	99,664	98,657
<b>Total current liabilities</b>	1,161,106	2,270,534
<b>Secured Note Payable</b>	4,200,000	1,000,000
<b>Other Long Term Notes</b>	116,728	
<b>Capital Lease Obligations</b>	88,848	188,513
<b>Total liabilities</b>	5,566,682	3,459,047
<b>Shareholders' equity:</b>		
10% convertible preferred stock, Series A no par value; 500 shares issued and outstanding respectively	500,000	500,000
10% convertible preferred stock, Series B no par value; 2,100 shares issued and outstanding respectively	2,100,000	2,100,000
Common stock: \$.01 par value; 40,000,000 authorized 5,445,953 shares issued at December 31, 2003 and 5,283,690 issued at December 31, 2002	54,459	52,836
Capital in excess of par value	9,534,523	9,470,676
Accumulated deficit	(8,889,593)	(7,058,684)
	3,299,389	5,064,828
Less - Common stock in treasury, at cost (4,600 shares respectively)	(14,950)	(14,950)
<b>Total Shareholders' Equity</b>	<b>3,284,439</b>	<b>5,049,878</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 8,851,121</b>	<b>\$ 8,508,925</b>

**PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

Years Ended December 31,

	2003	2002	2001
REVENUES			
Net sales	\$ 5,388,184	\$ 5,569,118	\$ 8,075,205
COST AND EXPENSES			
Cost of goods sold	3,917,123	4,662,599	5,078,352
Selling, general and admin. exp.	2,389,547	2,276,495	2,501,621
Internal research and dev. exp.	153,843	134,424	201,603
Special charges	582,000	-	299,733
	<u>7,042,513</u>	<u>7,073,518</u>	<u>8,081,309</u>
OPERATING LOSS	<u>(1,654,329)</u>	<u>(1,504,400)</u>	<u>(6,104)</u>
OTHER INCOME (EXPENSE)			
Gain on sale of technology			44,800
Interest expense	(270,946)	(135,001)	(91,154)
Interest income	4,781	10,883	50,919
Other	8,950	13,126	(38,071)
	<u>(257,215)</u>	<u>(110,992)</u>	<u>(33,506)</u>
LOSS BEFORE INCOME TAX BENEFIT (PROVISION) AND PREFERRED STOCK DIVIDENDS	(1,911,544)	(1,615,392)	(39,610)
INCOME TAX BENEFIT (PROVISION)	<u>134,235</u>	<u>(100,580)</u>	<u>83,244</u>
NET LOSS	(1,777,309)	(1,715,972)	43,634
PREFERRED STOCK DIVIDENDS	<u>(53,600)</u>	<u>(120,600)</u>	<u>(155,000)</u>
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	<u>\$ (1,830,909)</u>	<u>\$ (1,836,572)</u>	<u>\$ (111,366)</u>
NET LOSS PER COMMON SHARE-BASIC	<u>\$ (0.35)</u>	<u>\$ (0.35)</u>	<u>\$ (0.02)</u>
NET LOSS PER COMMON SHARE-DILUTED	<u>\$ (0.35)</u>	<u>\$ (0.35)</u>	<u>\$ (0.02)</u>

**PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended December 31,**

	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
<b>Cash flows from operating activities:</b>			
Net (loss) profit	\$ (1,777,309)	\$ (1,715,972)	\$ 43,634
<b>Adjustments to reconcile net loss to cash (used in) operating activities:</b>			
Depreciation and amortization	566,764	508,510	349,980
Deferred tax asset		100,000	(100,000)
401K common stock contribution	11,870	20,362	4,750
Allowance for uncollectible accounts		(14,000)	
Inventory reserve	475,000		
<b>Changes in assets and liabilities:</b>			
Accounts receivable	244,670	268,132	(58,344)
Inventories	(319,892)	273,953	(594,195)
Unbilled contract costs	149,774	50,215	132,347
Other current assets	7,656	59,691	(78,059)
Other assets	102,097	3,329	117,876
Accounts payable and accrued liabilities	255,987	(361,055)	(287,929)
Other current liabilities			
Total adjustments	<u>1,493,926</u>	<u>909,137</u>	<u>(513,574)</u>
<b>Net cash (used in) by operating activities</b>	<u>(283,383)</u>	<u>(806,835)</u>	<u>(469,940)</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(101,045)	(553,556)	(2,223,850)
Net cash used for acquisition of business	<u>(183,780)</u>		
<b>Net cash used in investing activities</b>	<u>(284,825)</u>	<u>(553,556)</u>	<u>(2,223,850)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from preferred stock			220,000
Proceeds from secured notes payable	3,200,000	1,125,991	750,000
Proceeds from convertible notes payable		1,000,000	
Proceeds from exercise of warrants and options			88,325
Principal payments of notes		(72,452)	
Principal payments of bank debt	(1,678,623)	-	-
Principal payments of acquisition debts	(727,425)		
Principal payments of capital lease obligations	<u>(98,658)</u>	<u>(87,023)</u>	<u>(49,464)</u>
<b>Net cash (used in) provided by financing activities</b>	<u>695,294</u>	<u>1,966,516</u>	<u>1,008,861</u>
<b>Net decrease in cash and cash equivalents</b>	127,086	606,125	(1,684,929)
<b>Cash and cash equivalents at beginning of period</b>	<u>1,155,074</u>	<u>548,949</u>	<u>2,233,878</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,282,160</u>	<u>\$ 1,155,074</u>	<u>548,949</u>

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", "will", "plan", or similar words. Such forward-looking statements 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 implement its growth strategy, inability to raise capital, inability to find appropriate companies for acquisition or to thereafter integrate them into the Company's business, inability to increase sales, inability to improve profitability, and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission. 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.