

Quality Products Announces Results For the Three and Six Months Ended March 31, 2010

Quality Products, Inc. (Pink Sheets: QPDC), a manufacturer and distributor of aircraft ground support equipment ("Columbus Jack & Regent Manufacturing") and hydraulic press machine tools ("Multipress"), today reported fiscal 2010 second quarter and six months operating results.

QUARTERLY RESULTS

Net income was \$1,444,312 compared to \$1,118,793 earned last year, an increase of \$325,519 or 29.1%. Revenues were \$5,244,273 compared to \$5,469,518 last year, a decrease of \$(225,245) or (4.1)%. The gross margin increased to 48.6% this year from 40.4% last year. As with most manufacturers, our margins can vary significantly depending on product mix and pricing pressures in the marketplace. Due to these factors, we consider the range of 30 - 35% to be normal for gross margins.

The Multipress segment continued to struggle during the quarter. Shipments were \$777,825 compared to \$1,499,569 last year, a decrease of \$(721,744) or (48.1)%, and gross profit was \$333,380 or 42.9% compared to \$387,373 or 25.8%, a decrease of \$(53,993) or (13.9)%. However, incoming orders showed some mild improvement, and were up by \$278,056 or 55.5% compared to last year. Historically, the visibility of future business for this segment has rarely exceeded six months, making it difficult to predict long-term trends.

Shipments in the ground support equipment segment were \$4,466,448 compared to \$3,969,950 last year, an increase of \$496,498 or 12.5%. Gross profit was \$2,213,213 or 49.6% compared to \$1,822,825 or 45.9% last year, an increase of \$390,388 or 21.4%. Incoming orders increased by \$149,515 or 3.6% compared to last year. A majority of this segment's business is with the U.S. government, so if defense spending is reduced it is likely this segment will be unfavorably impacted.

S G & A expenses decreased to 15.4% of sales in the current quarter compared to 16.4% last year. In terms of dollars, S G & A decreased by \$(89,805) primarily due to lower sales commissions, lower consulting fees, lower sales taxes, and lower advertising expenses.

Other income in the latest quarter includes \$460,000 of royalties for our joint participation in certain military contracts and approximately \$161,000 of distributions from our investments.

Income tax expense increased by approximately \$377,000 primarily due to higher federal income tax estimates based on higher pretax income.

Basic and diluted EPS was \$0.42, up from \$0.31.

FISCAL YTD RESULTS

Net income was \$2,417,685 compared to \$2,094,002 earned last year, an increase of \$323,683 or 15.5%. Revenues were \$10,089,936 compared to \$10,496,904 last year, a decrease of \$(406,968) or (3.9)%. Gross margins are 46.8% this year, up from 37.8 last year. While the gross margin in the

current year is very strong, it should not be considered representative of future performance. As with most manufacturers, our margins can vary significantly depending on product mix and pricing pressures in the marketplace. Due to these factors, we consider the range of 30 - 35% to be normal for gross margins.

The Multipress segment continues to struggle in fiscal 2010. Shipments were \$1,400,473 compared to \$2,427,535 last year, a decrease of \$(1,027,062) or (42.3)%, and gross profit was \$556,592 or 39.7% compared to \$752,694 or 31.0%, a decrease of \$(196,102) or (26.1)%. Additionally, due to the slow economy, incoming orders were weak. They were down by \$(309,811) or (20.0)%. Historically, the visibility of future business for this segment has rarely exceeded six months, making it difficult to predict long-term trends.

Shipments in the ground support equipment segment were \$8,689,463 compared to \$8,069,369 last year, an increase of \$620,094 or 7.7%. Gross profit was \$4,165,218 or 47.9% compared to \$3,218,437 or 39.9% last year, an increase of \$946,779 or 29.4%. Incoming orders decreased by \$(569,529) or (7.3)%. A majority of this segment's business is with the U.S. government, so if defense spending is reduced, it is likely this segment will be unfavorably impacted.

S G & A expenses increased to 17.1% of sales in 2010 compared to 16.3% in 2009. In terms of dollars, S G & A increased by \$12,667. This difference primarily relates to higher sales commissions in 2010.

2010 other income includes approximately \$784,000 of royalties for our joint participation in certain military contracts and approximately \$229,000 of distributions from our investments.

Income tax expense increased by approximately \$624,000 primarily due to higher federal and state income tax estimates based on higher pretax income.

Basic and diluted EPS increased to \$0.70 from \$0.57.

Backlog

On April 27th, the order backlog for Multipress was approximately \$310,000, down from the previous quarter's reported level of \$410,000, but up slightly from last year's level of \$292,000.

The backlog for Columbus Jack was approximately \$5.8 million, down from both the previous quarter's reported level of \$6.4 million, and last year's level of \$7.5 million.

We do not provide financial estimates for future periods.

Liquidity & Cash Uses for the Six Months Ended March 31, 2010

As shown in the March 31, 2010 balance sheet, cash, short-term investments,

accounts receivable and inventories totaled \$10.5 million compared to \$2.1 million of total liabilities. The balance outstanding under our credit lines was \$0, leaving us with borrowing capacity of \$3,533,000 at March 31, 2010.

We generated positive operating cash flow of \$4,122,860, while capital expenditures were \$471,120. We used net cash of \$1.2 million to purchase investments. The items classified on the balance sheet as "short-term investments" consist of various publicly traded mutual funds and common stocks. The items classified as "non-current investments" are minority positions in numerous non-related party private equity companies in manufacturing, service, distribution, technology, real estate, and financial industries. These are considered long-term investments and are not intended to be liquidated on a short-term basis. Many of our "non-current" investments require the Company to commit to additional funding in excess of the initial contribution. These additional funds are collected from time-to-time as the management of the investment deems it necessary. At March 31, 2010, we had remaining commitments to these entities of approximately \$2.7 million. Subsequent to quarter-end, we have made additional non-current investments of \$43,964.

We also used \$158,438 to repay debt, \$691,446 to pay a common stock dividend, and \$2.1 million to repurchase shares of our common stock. Through April 20th we had repurchased 383,735 shares, or 76.7% of the 500,000 shares authorized by the Board on August 19, 2009. On April 21, 2010, because we were nearing the limit, the Board replaced the prior stock repurchase authorization with a new 500,000 share authorization. Through April 27th we have repurchased 125,000 shares, or 25.0% of the shares permitted under this new authorization.

Other Information

Quality Products' large number of smaller shareholders has become increasingly costly and burdensome to service. In addition to the stock repurchase program referenced above, the Board of Directors is considering effecting a reverse stock split as another solution to this issue. Such an action, if it were to occur, would reduce the number of shareholders by paying cash for the resulting fractional shares. Should the Company decide to proceed with this action, it will issue a separate communication at a later date more fully describing the matter.

Quality Products currently has 69 employees, down from 70 in the previous report.

Columbus Jack will occasionally be a joint participant in certain military contracts which are awarded in the name of the other participating entity. As such, we will not recognize revenues associated with those contracts, but instead will recognize our share of the contract profits as royalty income.

For more information on products and services please visit:
www.columbusjack.com, www.multipress.com, and www.regentqse.com.

This press release, other than the historical information, consists of "forward-looking statements" (as defined in the Private Securities Litigation Reform Act of 1995), which are identified by the use of words such as "believes", "expects", "projects", and similar expressions. While these statements reflect the Company's current beliefs and are based on assumptions that the Company believes are reasonable, they are subject to uncertainties and risks that could cause actual results to differ materially from anticipated results.

QUALITY PRODUCTS, INC.

CONSOLIDATED BALANCE SHEET (UNAUDITED) MARCH 31, 2010

ASSETS

CURRENT ASSETS:

Cash	\$ 2,824,187
Short-term Investments	2,556,013
Accounts receivable, net of allowance for doubtful accounts of \$47,833	1,437,028
Inventories, net of reserve of \$240,545	3,689,899
Deferred income taxes, current	1,661,411
Prepaid expenses and other current assets	171,344
Total current assets	<u>12,339,882</u>

PROPERTY AND EQUIPMENT, net of accumulated depreciation of
\$1,532,319 1,206,668

INVESTMENTS, non-current 4,402,995

INTANGIBLE ASSETS, net of accumulated amortization
of \$1,436,870 921,570

GOODWILL, net of accumulated amortization
of \$19,174 2,723,247

TOTAL ASSETS \$ 21,594,362

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 908,756
Accrued payroll and payroll related expenses	360,358
Other accrued expenses and current liabilities	334,430
Taxes payable	118,963
Customer deposits	221,125
Total current liabilities	<u>1,943,632</u>

PENSION OBLIGATION 150,308

TOTAL LIABILITIES 2,093,940

STOCKHOLDERS' EQUITY:

Convertible preferred stock, Series A	-
Convertible preferred stock, Series B	-
Common stock	27
Additional paid-in capital	19,571,315
Accumulated other comprehensive gain	107,672
Retained earnings	1,276,339
Less cost of treasury stock (208,712 shares of common stock)	<u>(1,454,931)</u>
Total stockholders' equity	<u>19,500,422</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u>\$ 21,594,362</u>

QUALITY PRODUCTS, INC.

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2010 AND 2009**

	<u>Three Months</u> (UNAUDITED)		<u>Six Months</u> (UNAUDITED)	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
NET SALES	\$ 5,244,273	\$ 5,469,518	\$10,089,936	\$10,496,904
COST OF GOODS SOLD	<u>2,697,714</u>	<u>3,259,320</u>	<u>5,368,160</u>	<u>6,525,558</u>
GROSS PROFIT	2,546,559	2,210,198	4,721,776	3,971,346
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>806,493</u>	<u>896,298</u>	<u>1,726,745</u>	<u>1,714,078</u>
INCOME FROM OPERATIONS	1,740,066	1,313,900	2,995,031	2,257,268
OTHER INCOME:				
Interest expense	--	(10,023)	(2,797)	(21,602)
Interest income	3,729	10,024	20,803	27,252
Royalty and other income	<u>625,301</u>	<u>352,513</u>	<u>1,022,442</u>	<u>824,729</u>
Other income, net	<u>629,030</u>	<u>352,514</u>	<u>1,040,448</u>	<u>830,379</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	2,369,096	1,666,414	4,035,479	3,087,647
PROVISION FOR INCOME TAXES	<u>924,784</u>	<u>547,621</u>	<u>1,617,794</u>	<u>993,645</u>
NET INCOME	<u>\$ 1,444,312</u>	<u>\$ 1,118,793</u>	<u>\$ 2,417,685</u>	<u>\$ 2,094,002</u>
UNREALIZED GAIN(LOSS) ON SHORT-TERM INVESTMENTS, NET OF TAX	81,296	(18,715)	130,421	(51,223)
COMPREHENSIVE INCOME	<u>\$ 1,525,608</u>	<u>\$ 1,100,078</u>	<u>\$ 2,548,106</u>	<u>\$ 2,042,779</u>
BASIC INCOME PER SHARE:	<u>\$.42</u>	<u>\$.31</u>	<u>\$.70</u>	<u>\$.57</u>

DILUTED INCOME PER SHARE:	\$ <u>.42</u>	\$ <u>.31</u>	\$ <u>.70</u>	\$ <u>.57</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES:				
Basic	3,402,425	3,666,392	3,441,672	3,668,759
Diluted	3,402,425	3,666,392	3,441,672	3,668,759

QUALITY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$2,417,685	\$2,094,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	224,649	228,665
Inventory reserve	--	1,070
Deferred taxes	1,362,798	897,425
Pension expense	14,598	21,650
(Gain) on disposal of assets	(4,476)	--
(Gain)Loss on sale of investments	(38,533)	1,719
Changes in operating assets and liabilities:		
Accounts receivable	272,652	(258,003)
Inventories	3,574	390,231
Other assets	201,115	(101,107)
Accounts payable	129,256	(134,336)
Accrued payroll	(172,118)	(121,947)
Accrued expenses	(32,940)	(121,477)
Taxes payable	(264,269)	(76,066)
Customer deposits	8,869	(17,950)
Net cash provided by operating activities	<u>4,122,860</u>	<u>2,803,876</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(471,120)	(187,620)
Cash received from sale of asset	4,500	--
Cash received from sale of investments	493,408	17,000
Purchase of investments	(1,701,490)	(871,849)
Net cash (used) by investing activities	<u>(1,674,702)</u>	<u>(1,042,469)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on non-related party debt	(158,438)	(284,893)
Proceeds from (Payments on) Line of Credit	--	(98,000)
Common Stock Repurchased	(2,183,147)	(40,195)
Dividends paid to common shareholders	(691,446)	--
Net cash (used) by financing activities	<u>(3,033,031)</u>	<u>(423,088)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(584,873)</u>	<u>1,338,319</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>3,409,060</u>	<u>115,033</u>

CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$2,824,187</u>	<u>\$1,453,352</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,797	\$ 24,626
Cash paid for income taxes	\$ 519,264	\$ 172,285

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