

Quality Products Announces Results For the Three months Ended December 31, 2009

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 first quarter operating results.

QUARTERLY RESULTS

Net income was \$973,372 compared to \$975,209 earned last year, a decrease of \$(1,837) or (0.2)%. Revenues were \$4,845,662 compared to \$5,027,386 last year, a decrease of \$(181,724) or (3.6)%. The gross margin increased to 44.9% this year from 35.0% 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 \$622,647 compared to \$927,966 last year, a decrease of \$(305,319) or (32.9)%, and gross profit was \$223,211 or 35.8% compared to \$365,321 or 39.4%, a decrease of \$(142,110) or (38.9)%. Additionally, incoming orders remained weak as a result of the slowdown in the economy, and were down by \$(587,868) or (55.9)% 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 \$4,223,015 compared to \$4,099,419 last year, a slight increase of \$123,596 or 3.0%. However, gross profit was \$1,952,005 or 46.2% compared to \$1,395,612 or 34.0% last year, a significant increase of \$556,393 or 39.9%. Incoming orders decreased by \$(717,576) or (19.8)% 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 increased to 19.0% of sales in the current quarter compared to 16.3% last year. In terms of dollars, S G & A increased by \$102,472 primarily due to higher sales commissions.

Other income in the latest quarter includes \$324,000 of royalties for our joint participation in certain military contracts.

Income tax expense increased by approximately \$247,000 primarily due to higher federal and state income tax estimates.

Basic and diluted EPS was \$0.28, up from \$0.26.

Backlog

On February 10th, the order backlog for Multipress was approximately

\$410,000, down slightly from the previous quarter's reported level of \$468,000, but up from last year's level of \$267,000.

The backlog for Columbus Jack was approximately \$6.4 million, down from both the previous quarter's reported level of \$6.9 million, and last year's level of \$7.8 million.

We do not provide financial estimates for future periods.

Liquidity & Cash Uses for the Three Months Ended December 31, 2009

As shown in the December 31, 2009 balance sheet, cash, short-term investments, accounts receivable and inventories totaled \$9.4 million compared to \$2.0 million of total liabilities. The balance outstanding under our credit lines was \$0, leaving us with borrowing capacity of \$3,533,000 at December 31, 2009.

We generated positive operating cash flow of \$1,808,293, while capital expenditures were \$465,810. We used cash of \$940,122 to purchase investments. 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 December 31, 2009, we had remaining commitments to these entities of approximately \$2.6 million. Subsequent to quarter-end, we have made additional non-current investments of \$47,500.

During the first three months of fiscal 2010 we also used \$158,438 to repay debt, \$691,446 to pay a common stock dividend, and \$707,841 to repurchase shares of our common stock. Through February 10th we have repurchased 140,650 shares, or 28.1% of the 500,000 shares authorized by the Board on August 19, 2009.

Other Information

Quality Products currently has 70 employees, unchanged from 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)
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS:

Cash	\$ 2,333,987
Short-term Investments	2,124,149
Accounts receivable, net of allowance for doubtful accounts of \$47,833	1,475,406
Inventories, net of reserve of \$240,545	3,521,255
Deferred income taxes, current	2,398,922
Prepaid expenses and other current assets	204,980
Total current assets	<u>12,058,699</u>

PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,458,058	1,279,149
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INVESTMENTS, non-current	4,373,603
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DEFERRED TAXES, non-current	90,089
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INTANGIBLE ASSETS, net of accumulated amortization of \$1,402,209	956,231
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GOODWILL, net of accumulated amortization of \$19,174	2,723,247
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TOTAL ASSETS	<u>\$ 21,481,018</u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 530,023
Accrued payroll and payroll related expenses	186,836
Other accrued expenses and current liabilities	371,634
Taxes payable	509,743
Customer deposits	282,354
Total current liabilities	<u>1,880,590</u>

PENSION OBLIGATION	150,308
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TOTAL LIABILITIES	<u>2,030,898</u>
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STOCKHOLDERS' EQUITY:

Convertible preferred stock, Series A	-
Convertible preferred stock, Series B	-
Common stock	27
Additional paid-in capital	19,606,365
Accumulated other comprehensive loss	26,377
Accumulated deficit	(167,974)
Less cost of treasury stock (2,500 shares of common stock)	(14,675)
Total stockholders' equity	<u>19,450,120</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 21,481,018</u>
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QUALITY PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED DECEMBER 31, 2009 AND 2008

(UNAUDITED)

	<u>2009</u>	<u>2008</u>
NET SALES	\$ 4,845,662	\$ 5,027,386
COST OF GOODS SOLD	<u>2,670,446</u>	<u>3,266,238</u>
GROSS PROFIT	2,175,216	1,761,148
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>920,252</u>	<u>817,780</u>
INCOME FROM OPERATIONS	1,254,964	943,368
OTHER INCOME:		
Interest expense	(2,797)	(11,579)
Interest income	17,074	17,228
Royalty and other income	<u>397,140</u>	<u>472,216</u>
Other income, net	<u>411,417</u>	<u>477,865</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	1,666,381	1,421,233
PROVISION FOR INCOME TAXES	<u>693,009</u>	<u>446,024</u>
NET INCOME	<u>\$ 973,372</u>	<u>\$ 975,209</u>
UNREALIZED GAIN(LOSS) ON SHORT- TERM INVESTMENTS, NET OF TAX	49,125	(32,508)
COMPREHENSIVE INCOME	<u>\$ 1,022,497</u>	<u>\$ 942,701</u>
BASIC AND DILUTED INCOME PER SHARE:	<u>\$.28</u>	<u>\$.26</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES: Basic and Diluted	3,480,065	3,671,075

QUALITY PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 973,372	\$ 975,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	112,221	113,451
Inventory reserve	--	1,070
Deferred taxes	535,198	426,264
Pension expense	7,462	11,941
(Gain) on disposal of assets	(4,500)	--
(Gain) on sale of investments	(2,323)	--
Changes in operating assets and liabilities:		
Accounts receivable	234,275	285,891
Inventories	172,219	25,929
Other assets	167,479	(46,199)
Accounts payable	(249,478)	466,453
Accrued payroll	(345,640)	(290,767)
Accrued expenses	11,399	(64,244)
Taxes payable	126,511	10,743
Customer deposits	<u>70,098</u>	<u>276,227</u>
Net cash provided by operating activities	<u>1,808,293</u>	<u>2,191,968</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(465,810)	(192,212)
Cash received from sale of asset	4,500	--
Cash received from sale of investments	75,791	10,599
Purchase of investments	<u>(940,122)</u>	<u>(426,825)</u>
Net cash (used) by investing activities	<u>(1,325,641)</u>	<u>(608,438)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on non-related party debt	(158,438)	(191,455)
Proceeds from (Payments on) Line of Credit	--	(98,000)
Common Stock Repurchased	(707,841)	--
Dividends paid to common shareholders	<u>(691,446)</u>	<u>--</u>
Net cash (used) by financing activities	<u>(1,557,725)</u>	<u>(289,455)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,075,073)</u>	<u>1,294,075</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>\$2,333,987</u>	<u>\$1,409,108</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,797	\$ 18,542
Cash paid for income taxes	\$ 31,300	\$ 9,017

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