



January 31, 2018

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

ProPhotonix Limited

("ProPhotonix" or "the Company")

ProPhotonix announces its Fiscal 2017 Trading Update

ProPhotonix Limited (London Stock Exchange - AIM: PPIX and PPIR, OTC: STKR), a high technology designer and manufacturer of LED illumination systems and laser diode modules, with operations in Ireland and the United Kingdom, today announces a fiscal 2017 trading update subject to final audit.

Revenue for the full year 2017 is expected to be approximately \$17.6 million (2016: \$16.2 million), a record annual revenue for the group. The revenue split for the two business units is: LED \$8.3 million (2016: \$6.8 million) and for Lasers \$9.3 million (2016: \$9.4 million). The revenue growth stems from an increase in sales to several major customers, partially offset by a decrease in sales to one large laser customer that converted to an alternate technology in the second quarter of 2017. The order book as of December 31, 2017, is \$7.3 million (2016: \$5.6 million), a record backlog for our two business units.

The Company has invested in the future growth of the business and implemented a new performance based stock option program for employee incentivization, which has resulted in a significant increase in non-cash compensation charges associated with these stock option grants. The investments include the hiring of additional sales personnel in the fourth quarter of 2016, increased engineering and development costs associated with several large original equipment manufacturing ("OEM") projects, as well as the continuing investment in the UV LED product development. Operating income for the full year 2017 is expected to be approximately \$1.0 million (2016: \$1.5 million) after accounting for these additional expenses. Excluding the impact of a non-cash stock compensation expense of \$0.6 million in 2017 versus \$0.2 million in 2016, operating income would have remained approximately flat versus 2016.

The Company also expects to report record earnings before interest, taxes, stock-based compensation and impairment charges, depreciation, and amortization (EBITDA), a non-GAAP measure of financial performance, for the full year 2017 of approximately \$1.9 million (2016: \$1.5 million).

The Directors expect that the Company's audited results for the year will be released in April 2018.

Tim Losik, President and CEO of ProPhotonix, stated - "We continue our positive financial momentum from the past three years, including the achievements of consecutive half-yearly periods of positive EBITDA, operating income, and net income. In addition, the term debt of the Company was fully repaid during 2017 providing a healthy financial position and the ability to consider discussions with lenders for borrowing to continue the growth of the business. We are committed to the partnerships we have with our current customers, while progressing our product offering to attract new customers and expand into new markets. The strong order book positions us well for the start of 2018 and our progress on the development of the UV LED product and other OEM and laser initiatives will further position us during 2018 and beyond."

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About ProPhotonix

ProPhotonix Limited, headquartered in Salem, New Hampshire, is a high technology designer and manufacturer of LED illumination systems and laser diode modules for industry leading OEMs and medical equipment companies. In addition, the Company distributes premium diodes for Ushio (formerly OCLARO), Osram, QSI, Panasonic, and Sony. The Company serves a wide range of markets including the machine vision, industrial inspection, security, and medical markets. ProPhotonix has offices and subsidiaries in the U.S., Ireland, U.K., and Europe. For more information about ProPhotonix and its innovative products, visit the Company's web site at www.prophotonix.com.

Cautionary Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including without limitation, those with respect to ProPhotonix's goals, plans and strategies set forth herein are forward-looking statements. The following important factors and uncertainties, among others, could cause actual results to differ materially from those described in these forward-looking statements: uncertainty that cash balances may not be sufficient to allow ProPhotonix to meet all of its business goals; uncertainty that ProPhotonix's new products will gain market acceptance; the risk that delays and unanticipated expenses in developing new products could delay the commercial release of those products and affect revenue estimates; the risk that one of our competitors could develop and bring to market a technology that is superior to those products that we are currently developing; and ProPhotonix's ability to capitalize on its significant research and development efforts by successfully marketing those products that the Company develops. Forward-looking statements represent management's current expectations and are inherently uncertain. All Company, brand, and product names are trademarks or registered trademarks of their respective holders. ProPhotonix undertakes no duty to update any of these forward-looking statements.