PROPHOTONIX ANNOUNCES PRELIMINARY RESULTS FOR 2014

Annual General Meeting Date

(Salem, New Hampshire, March 19, 2015) ProPhotonix Limited (OTC: STKR; LSE: PPIX; LSE: PPIR), a designer and manufacturer of LED illumination systems and laser diode modules with operations in Ireland and the United Kingdom, today announces its unaudited preliminary results for the year ended December 31, 2014.

Annual General Meeting

The Company will hold the Annual General Meeting of the Shareholders on May 14, 2015 at 2:00 PM British Summer Time at the offices of K&L Gates LLP, One New Change, London EC4M 9AF. The Record date is set at March 20, 2015 for all shareholders of record.

Financial Highlights

- Revenue increased 5.3% to $16.4 million
- Gross profit increased 7.6% to $6.4 million
- Gross profit margin improved to 39.1%
- Operating profit of $0.1 million versus operating loss of $1.2 million in 2013(1)
- EBITDA profit of $0.6 million versus loss in 2013 of $0.7 million(1)
- Percentage revenue by market sectors: industrial 73%, medical 16%, and homeland security & defense 11%
- Percentage revenue by geography: 52% Europe, 31% North America and 17% Rest of World
- Available borrowing capacity of $1.9 million from its loan facilities at December 31, 2014.

(1) Includes $582,000 non-recurring charges

Tim Losik, President & CEO, Commented:

"Our financial performance has dramatically improved during 2014. Revenue grew a modest 5% while operating income improved by $1.3 million ($0.7 million adjusted for 2013 one- time charges) and EBITDA improved similarly by $1.3 million ($0.7 million adjusted for the 2013 one-time charges of $0.6 million). Growth in revenue, improvement in the gross margin rate, and elimination of costs, all factor into the continued financial improvement of ProPhotonix. I am pleased with the revenue growth in 2014, but more importantly, the improvement in operating income and EBITDA. 2014 has been a landmark year in a number of respects – we have achieved three consecutive half-yearly periods of positive EBITDA, our first full year of positive operating income in nearly two decades and our first full year of positive EBITDA in fourteen years.

"Order bookings in 2014 declined 9% from 2013 to $16.1million and the book-to-bill ratio ended at 0.98 (2013: 1.13). Our order backlog at December 31, 2014 was down 20% from 2013 to $5.6 million. Several factors contributed to the decline in bookings and backlog, including: (1) customers' reluctance to place large blanket orders opting instead for smaller short-cycle orders, (2) business softness and delays in several industrial customers (3) foreign currency exchange rate changes from the end of 2013 to the end of 2014, and (4) as compared to 2013, several large non-recurring engineering (NRE) orders received in 2013 and completed in 2014 for which we now await production orders from these customers based on their go-forward schedules. The Euro to USD and GBP to USD exchange rates, as of March 18, 2015, have eroded by 20% and 10% respectively from the 2014 average and 13% and 5% respectively since the beginning of the year. The effect of the strengthening dollar may negatively impact 2015 revenue growth on a comparative basis when Euro and GBP denominated revenue is translated into USD. Putting this in perspective, 2014 revenue would be $14.5 million using the March 18, 2015 exchange rates. EBITDA will likely be less impacted due to the translation of costs at lower exchange rates, our natural operating hedges in the locations we operate within and the supply chain we utilize."

Full Year 2014 Financial Results

Revenue for the year ended December 31, 2014 was $16.4 million, an increase of 5.3% compared with $15.6 million in 2013. Gross profit was $6.4 million compared to $6.0 million in 2013. Gross profit margin increased to 39.1% from 38.3% in 2013 due to a shift in product mix and an increase in volume.

Operating expenses, excluding intangible amortization charges, totaled $6.2 million versus $7.0 million in 2013. Sales and marketing expenses were flat to the same period last year, while general and administrative and research and development expenses were reduced by approximately $0.8 million, or 17% over the same period with 2013 including restructuring and one-time charges of $0.6 million. The Company achieved an operating profit of $0.1 million, as compared to a $1.2 million loss in 2013 and EBITDA profitability of $0.6 million versus a loss of $0.7 million in 2013, including the $0.6 million restructuring and one-time charges. Net loss was $1.3 million compared to the 2013 net loss of $1.2 million, mainly due to non cash foreign currency translation charges.

The balance sheet continues to strengthen. Term debt was reduced by $293,000 in accordance with the various loan facilities. Total net available credit from the Company's various loan facilities was $1.9 million as of December 31, 2014. The Directors are comfortable with the funds flow of the business considering its plans and available credit facilities.

Strategy and Markets

ProPhotonix consists of two business units: an LED systems manufacturing business based in Ireland (Cork), and a laser modules production and laser diode distribution business located in the United Kingdom (Hatfield Broad Oak). Corporate headquarters and the North American sales activities are based in Salem, New Hampshire, USA. The fundamental strategy of the Company is growth in revenue through its existing customers, new customer activity, and new product and market expansion. ProPhotonix' short-term strategy is to reach sustained positive EBITDA, cash flow, and net income as soon as possible. These goals will be accomplished through a relentless focus on cost management and most importantly through revenue growth.

ProPhotonix growth in the medium-term will be accomplished with new customer wins and the conversion of development orders into long run production orders. Prophotonix is also focused on expansion into new markets and new products. The Company continuously evaluates new product development and additions to the sales offering in an effort to increase customer satisfaction and provide solutions. During 2014 and early 2015, the Company introduced nine new products/capabilities and added eight new laser diodes to its product offering.

ProPhotonix sells its products principally into three markets: industrial (primarily machine vision illumination), medical, and homeland security and defense. The Company foresees growth opportunities in all three markets it serves which are briefly described below:

Industrial (Machine Vision)

Within the industrial market, machine vision is the term used to describe computerized analysis for controlling manufacturing processes, for example automated inspection. In terms of quality and speed, lighting is often a critical component in machine vision and the Company manufactures both LED systems and lasers designed specifically for this market. The recently enhanced 3D Pro Laser line generators and improved LED line light family specifically address this market.

Medical

The Company has experienced successes in the medical (including dental) market and has gained a foothold in the sector, supplying a variety of applications with current customers, including the world leader in stationary imaging equipment, a portable x-ray equipment manufacturer, a dental imaging manufacturer and also a pioneer in the manufacturing of devices offering eye tracking capability utilizing ProPhotonix's custom infrared LED arrays. The Company intends to broaden its product marketing effort in the medical field since it offers significant long-term revenue growth opportunities.

Homeland Security & Defense

LED systems, laser modules and laser diodes are used in a wide variety of applications in the security and defense fields. The Company currently supplies several defense sighting manufacturers in the US and Europe, as well as leading manufacturers of Auto Number Plate Recognition systems. This market offers significant growth opportunities for ProPhotonix over the next several years and the Company is currently marketing its laser and LED capabilities to additional security and optical character recognition systems companies in this market space.

Outlook

ProPhotonix begins 2015 in a strong position, having completed many of the development projects that were in process at the beginning of 2014, and we are now well positioned to start receiving production orders to increase our overall revenue. Potential high volume OEM (custom) applications include illuminators for the semiconductor, optical sorting, 3D printing, and UV curing markets. Recent booking trends, the macroeconomic environment and foreign exchange rate impacts cause us to be cautious for the first half of 2015, but we remain very positive about our business pipeline and confident in our ability to achieve continued positive momentum toward our profitability objectives.

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About ProPhotonix

ProPhotonix Limited, headquartered in Salem, New Hampshire, is an independent designer and manufacturer of diode-based laser modules and LED systems for industry leading OEMs and medical equipment companies. In addition, the Company distributes premium diodes for Ushio (formerly Opnext), 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.

ProPhotonix Limited
Consolidated Statements of Operations and Comprehensive (Loss)
($ in thousands except share and per share data)
(unaudited)

	Years Ended December 31, 2014	Years Ended December 31, 2013
Net Revenue	$ 16,431	$ 15,599
Cost of Revenue	(10,006)	(9,628)
Gross Profit	6,425	5,971
Research & Development Expenses	(879)	(941)
Selling, General & Administrative Expenses	(5,350)	(6,091)
Amortization of Intangible Assets	(100)	(120)
Operating Income (Loss)	96	(1,181)
Other Income / (Expense), net	93	117
Foreign Currency translation gains (losses)	(1,031)	178
Warrant and Debt Acquisition expense	(198)	(103)
Interest Expense	(300)	(237)
Loss Before Taxes	(1,340)	(1,226)
Tax Benefit	-	73
Net Loss	$ (1,340)	$ (1,153)
Other comprehensive income / (loss):		
Foreign currency translation	958	(368)
Total comprehensive loss	$ (382)	$ (1,521)
Loss Per Share:		
Basic and diluted net loss per share	($0.02)	($0.01)
Basic and diluted weighted average shares outstanding	83,665,402	80,496,977

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CONSOLIDATED BALANCE SHEETS

(unaudited)
($ in thousands except share and per share data)

December 31	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 331	$ 402
Accounts receivable, less allowances of $20 in 2014 and $19 in 2013	2,606	2,559
Inventories	1,686	2,003
Prepaid expenses and other current assets	180	220
Total current assets	4,803	5,184
Net property, plant and equipment	184	303
Goodwill	429	486
Acquired intangible assets, net	-	102
Other long-term assets	206	354
Total assets	$ 5,622	$ 6,429
Liabilities and Stockholders' (Deficit)		
Current liabilities:		
Revolving credit facility	$ 1,140	$ 1,127
Current portion of long-term debt	770	265
Capital lease obligations	-	10
Accounts payable	1,463	1,542
Accrued expenses	965	1,296
Total current liabilities	4,338	4,240
Long-term debt, net of current portion	1,641	2,445
Other long-term liabilities	178	178
Total liabilities	6,157	6,863
Stockholders' deficit:		
Common stock, par value $0.001; shares authorized 250,000,000 at December 31, 2014 and 150,000,000 at December 31, 2013; 83,665,402 shares issued and outstanding at December 31, 2014 and at December 31, 2013	84	84
Additional paid-in capital	111,583	111,302
Accumulated deficit	(113,014)	(111,674)
Accumulated other comprehensive income / (loss)	812	(146)
Total stockholders' deficit	(535)	(434)
Total liabilities and stockholders' deficit	$ 5,622	$ 6,429

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CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

(unaudited)

Years Ended December 31	**2014**	**2013**
Cash flows from operating activities		
Net loss	**$ (1,340)**	**$ (1,153)**
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	280	169
Depreciation and amortization	258	332
Foreign exchange loss / (gain)	1,066	(408)
Amortization of debt discount and financing costs	186	96
(Loss) / gain on disposal of assets	4	(7)
Provision for inventories	55	120
Provision for bad debts	5	(12)
Other change in assets and liabilities:		
Accounts receivable	(395)	(222)
Inventories	38	(8)
Prepaid expenses and other current assets	23	20
Accounts payable	100	(518)
Accrued expenses	(248)	171
Other assets and liabilities	(2)	(9)
Net cash provided by (used in) operating activities	**30**	**(1,429)**
Investing		
Purchase of property, plant and equipment	(64)	(17)
Net cash used in investing activities	**(64)**	**(17)**
Financing		
Borrowings of revolving credit facilities, net	144	438
Proceeds from issuance of long-term debt	175	800
Principal repayment of long-term debt	(292)	(339)
Debt issuance costs	-	(398)
Net cash provided by financing activities	**27**	**501**
Effect of exchange rate on cash	(64)	69
Net change in cash and equivalents	(71)	(876)
Cash and equivalents at beginning of year	402	1,278
Cash and equivalents at end of period	**$ 331**	**$ 402**
Supplemental cash flow information:		
Cash paid for interest	$ 303	$ 263
Common stock issued in connection with financing	$ -	$ 193
Warrants issued in connection with financing	$ -	$ 55

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

(in thousands)

	Common Stock				Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Shares	Par $0.001	Additional Paid in Capital	Accumulated Deficit		
Balance December 31, 2012	76,059	$ 76	$110,893	$ (110,521)	$ 222	$ 670
Share based compensation, net of forfeitures	-	-	169	-	-	169
Issuance of common stock to settle liabilities	7,606	8	185	-	-	193
Issuance of warrants for financings	-	-	55	-	-	55
Translation adjustment	-	-	-	-	(368)	(368)
Net loss	-	-	-	(1,153)	-	(1,153)
Balance December 31, 2013	83,665	$ 84	$111,302	$ (111,674)	$ (146)	$ (434)
Share based compensation, net of forfeitures	-	-	280	-	-	280
Translation adjustment					958	958
Net loss	-	-	-	(1,340)	-	(1,340)
Balance December 31, 2014	83,665	$ 84	$111,583	$ (113,013)	$ 812	$ (535)

Values may not add due to rounding

Notes to unaudited Preliminary Results

Basis of Presentation

The financial information set out in this document does not constitute the Company's statutory accounts for 2013 and 2014 or the Company's annual audited accounts for 2014 to be published and sent to its shareholders in accordance with Rule 19 of the AIM Rules for Companies. The 2014 accounts included herein are unaudited and therefore subject to change at the time the audited accounts are issued. The 2014 unaudited preliminary financial statements were prepared under US GAAP and were approved on March 18, 2015, by the Directors for issue on March 19, 2015. It is intended that the Company's 2014 annual report and audited accounts will be available to shareholders on or about April 2, 2015.

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.

Use of Non-GAAP Financial Measures

The Company provides non-GAAP financial measures, such as EBITDA, to complement its consolidated financial statements presented in accordance with GAAP. Non-GAAP financial measures do not have any standardized definition and, therefore, are unlikely to be comparable to similar measures presented by other reporting companies. These non-GAAP financial measures are intended to supplement the user's overall understanding of the Company's current financial and operating performance and its prospects for the future. Specifically, the Company believes the non-GAAP results provide useful information to both management and investors by identifying certain expenses, gains and losses that, when excluded from the GAAP results, may provide additional understanding of the Company's core operating results or business performance, which management uses to evaluate financial performance for purposes of planning for future periods. However, these non-GAAP financial measures are not intended to supersede or replace the Company's GAAP results.

The Company uses EBITDA (earnings before interest, taxes, depreciation, amortization, and stock-based compensation) as a non-GAAP financial measure in this press release. A reconciliation of net loss to EBITDA for the total year 2014 and 2013 is as follows:

	(in thousands)	
	Year Ended December 31,	
	2014	**2013**
Net Loss	(1,340)	(1,153)
Plus:		
Interest and other expense / (income), net	1,436	45
Depreciation	158	212
Intangible asset amortization	100	120
Stock based compensation	280	169
Taxes	-	(73)
EBITDA profit / (loss)	634	(680)
Restructuring and nonrecurring charges	-	582
Adjusted EBITDA profit / (loss)	634	(98)