

Photon Control Reports Third Quarter 2016 Financial Results

Burnaby, British Columbia, November 29, 2016 – Photon Control Inc. (“Photon Control” or the “Company”) (TSX-V: PHO), a leading developer of optical measurement technologies, has reported financial results for the third quarter ended September 30, 2016.

Third Quarter 2016 Financial Summary

(in millions except per share data and percentages)

	Actual Results			
	Q3 2016	Q3 2015	Change	Change (%)
Sales Revenue	\$ 8.7	\$ 6.0	\$ 2.7	45%
Gross Profit	\$ 4.6	\$ 3.2	\$ 1.4	44%
Gross Margin	52.3%	53.9%	-1.6%	-3%
Operating Expenses	\$ 1.9	\$ 1.1	\$ 0.8	73%
Sales Order Backlog	\$ 8.8	\$ 4.8	\$ 4.0	83%
Net Earnings Before Taxes	\$ 2.9	\$ 2.6	\$ 0.3	12%
Cash & Cash Equivalents <i>(at quarter-end)</i>	\$ 31.1	\$ 25.0	\$ 6.1	24%

Third Quarter 2016 Operational Highlights

- Achieved the second-best quarterly revenue in the Company's history, building on record performance in 2015.
- Initiated a program to target an investment of at least 20% of the Company's annual free cash flow to repurchase stock under the Company's Normal Course Issuer Bid ("NCIB").
- Successfully recovered the \$4.5 million unauthorized transfer of funds. In addition, the Company asserted its legal ownership of IP rights to eliminate uncertainty, and terminated all non-arms-length relationships.
- Secured a new production facility to increase operating capacity and meet the growing demand from customers.
- Expanded investor communications and transparency through a more open and investor-friendly communications protocol.

Management Commentary

“The past several months have been among our most active and productive ever,” said Photon Control Chairman and Acting CEO, Michael Goldstein. “We generated strong financial results in Q3, growing our sales backlog and strengthening our balance sheet.”

“During the third quarter, we delivered on our plans to grow our business and increase our suite of products. We also took quick and decisive action upon discovery of an unauthorized transfer of \$4.5 million to a related company and the follow-on discovery of unauthorized agreements relating to royalty payments and the ownership of our intellectual property. In addition to recovering the \$4.5 million in full with interest, we terminated all relationships with related parties, and commenced legal action to confirm our IP ownership. We believe these actions have enabled us to emerge as a stronger organization moving forward. We also took steps to improve our disclosure and governance practices. During the third quarter, we added one new independent director and subsequent to quarter end we added two additional new directors, each of whom were put forward by some of our larger shareholders.”

“Our near-term focus is on reinforcing our operating capabilities, strengthening our team, and ramping up sales of our new semiconductor temperature sensor product. It can take years of collaborative customer co-development to arrive at the production start for a new temperature sensor – especially where we are replacing a competitor. I am proud of team for accomplishing this milestone.”

Third Quarter 2016 Financial Results

Total revenue in the third quarter of 2016 increased by 45% to \$8.7 million from \$6.0 million in the same year-ago period. The increase was primarily due to robust market conditions persisting in the semiconductor industry.

Gross profit increased 44% to \$4.6 million (52.3% of total revenue) in the third quarter of 2016 compared to \$3.2 million (53.9% of total revenue) in the same year-ago period. The decrease in gross margin percentage was due to increases in indirect manufacturing costs to support greater production output, but was partially offset by a favorable product mix, as well as continued production efficiency due to higher sales volume.

Operating expenses in the third quarter of 2016 were \$1.9 million (21.3% of total revenue), compared to \$1.1 million (18.1% of total revenue) in the same year-ago period. The increase in operating expenses was primarily due to extraordinary professional fees related to the ongoing legal action described. The increase was also due to an increase in stock option expenses, and to a lesser extent, the hiring of additional sales staff to expand the Company’s distribution network.

Net earnings before taxes for the third quarter of 2016 totalled \$2.9 million, or \$0.03 per diluted share, compared to \$2.6 million, or \$0.02 per diluted share, in the same year-ago period. The increase was due to higher sales volume, which was partially offset by higher operating expenses.

Corporate taxes in the third quarter of 2016 were \$766,000, compared to \$679,000 of deferred tax asset reduction in the same year-ago period.

At quarter-end, cash and cash equivalents totalled \$31.1 million, an increase of \$6.1 million as compared to \$25.0 million at September 30, 2015.

Order backlog (defined as the value of sales orders already to be fulfilled in the upcoming 12-month period) at quarter-end increased 26% to a record \$8.8 million from \$5.3 million at September 30, 2015.

Conference Call

Photon Control management will hold a conference call today (November 29, 2016) at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these results.

Photon Control Chairman and Acting CEO Michael Goldstein and CFO Gerald Adams will host the conference call, followed by a question and answer period.

Date: Tuesday, November 29, 2016

Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

Toll-Free Number: 888-713-3589

International Number: 913-312-1462

Please call the conference telephone number 10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios Group at 949-574-3860.

The conference call will be broadcast simultaneously and available for replay via the investor section of the company's website [here](#).

A replay of the call will be available after 7:30 p.m. Eastern time through December 13, 2016.

Toll-Free Replay Number: 844-512-2921

International Replay Number: 412-317-6671

Replay ID: 2863913

About Photon Control Inc.

Photon Control Inc. designs, manufactures and distributes a wide range of optical sensors & instruments to measure temperature, pressure, position, and flow. These products are used by original equipment manufacturers (OEM) as well as end-users in the Semiconductor, Oil and Gas, Power, Life Science, and Manufacturing industries. Photon Control's products provide high accuracy and reliability in extreme conditions and are supported by a team of experts that offer onsite installation, training, and support. Photon Control Inc. also provides engineering services for customized optical measurement systems. Headquartered in an ISO 9001:2008 manufacturing facility in Burnaby, BC, Photon Control Inc. is listed on the TSX Venture Exchange, trading under the symbol "PHO". Additional information about the company can be found at www.photon-control.com/investorrelations.html.

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Forward-Looking Statements

This News Release contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Such forward-looking statements concern the business and anticipated financial performance of the Company and include, without limitation; statements with respect to the Claim; additional controls and measures to be taken by the Company; and the Company's objectives, goals, liquidity, sources of capital, expectations of sales and continued development of technologies and products.

These forward-looking statements are based on certain factors and assumptions, including, without limitation; the Company's ability to successfully complete new purchase orders along the timelines expected; continued and future demand for the Company's products; continued sales to the Company's major customers; the continued financial health of the semiconductor industry; and the Company's ability to continue and further enhance revenue diversification and open new market opportunities; the Company's evidence forming the basis of the Claim and its financial and management resources and ability to pursue the Claim; and the Company's ability to successfully transition management and board transitions.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation, the Company may face legal action arising from the matters that are the subject of the Claim; the Company may not be successful in obtaining the relief sought in the Claim and may not have all of the intellectual property rights and goodwill that it believes that it has and should have; additional measures and controls may not be implemented as expected or along the timelines anticipated; ; uncertainties relating to the market for the Company's products and maintaining a stable level of orders; fluctuations in revenue as a result of volatility in the markets and product mix; risks relating to the Company's present reliance on four major customers for the majority of its sales; risks relating to the Company's reliance on the financial health of the semiconductor industry; risks relating to the development of competing technologies and the possibility of increased competition; the effect of slow growth in the United States, the Company's principal market, as well as in Canada and other economies generally and other economic trends and conditions in the markets that the Company and its customers serve; risks associated with technical difficulties or delays in product introductions, improvements, implementation; uncertainties in product pricing or other initiatives of the Company and its competitors; uncertainties in factors that may result in a reduction in capital expenditures and/or delayed buying decisions affecting demand for the Company's products; risks relating to currency fluctuations, particularly between the Canadian and United States dollars; and risks in pursuing additional development projects to support existing customers or pursue other business opportunities.

The foregoing assumptions, risks and uncertainties are not exhaustive of the items that may affect our forward-looking statements. Should underlying assumptions prove to be incorrect or one or more of these risks and uncertainties materialize, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements included herein if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

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