



Photon Control Reports First Quarter 2017 Financial Results

Richmond, BC, May 30, 2017 – Photon Control Inc. (“Photon Control” or the “Company”) (TSX-V: PHO), a leading developer of optical measurement technologies, has reported financial results for the quarter ended March 31, 2017.

First Quarter 2017 and 2016 Financial Results Comparison

- Revenue increased 65% to \$11.9 million
- Gross profit increased 87% to \$7.1 million
- Net income before taxes increased 10% to \$2.4 million, after including one time charges of \$2.4 million
- Adjusted EBITDA increased 74% to \$4.9 million vs \$2.8 million in the prior comparable period

First Quarter 2017 Operational Highlights

- Strengthened senior management team with appointments of Scott Edmonds as Chief Executive Officer (“CEO”), Paul Hellebrekers as Chief Operating Officer (“COO”), and Yuri Sikorski as Vice President, Solutions Engineering
- Appointed Chuck Cargile and Scott Edmonds to the Board of Directors, replacing three resigning members
- Continued the build-out of a new, custom designed, more efficient manufacturing facility

Management Commentary

Scott Edmonds, Photon Control CEO, said “Revenue for the quarter is reflective of the buildup of inventory by certain customers in anticipation of the Company’s move to its new facility occupied on May 1, 2017, pent-up demand for next generation product introductions, and robust growth overall in the semiconductor manufacturing industry. We are pleased with our overall order activity and are confident in continued strength for the balance of the year, although we don’t expect the impact of the move to repeat for future periods.”

Mr. Edmonds continued, “Gross margin at 60% reflects an uncharacteristically favourable product mix and the benefit of our reduced royalty rate resulting from the new agreement reached as part of the litigation settlement with the former Photon R&D. With the litigation resolved, management supported by a strong, involved Board, is taking advantage of the renewed sense of purpose brought about by the integration of the former Photon R&D staff and the move to the new facility to build on Photon’s very strong financial and operational foundation for the balance of this year and beyond.”

First Quarter 2017 Financial Results

Total revenue in the first quarter of 2017 increased 65% to \$11.9 million from \$7.2 million in the same year-ago quarter. The increase in revenue was primarily due to next-generation product introductions and continued robust market conditions persisting in the semiconductor industry. Additionally, the increase in revenue was partially due to pre-orders of products by certain customers in anticipation of the Company's move to its new facility on May 1, 2017.

Gross profit increased 87% to \$7.1 million (59.9% of total revenue) in the first quarter of 2017 compared to \$3.8 million (52.9% of total revenue) in the same year-ago period. The increase in gross margin was primarily due to a favourable product mix and lower royalty rates, resulting from the settlement with Photon R&D (concluded in April 2017 with retroactive application to January 1, 2017). Additionally, the Company achieved production efficiencies gained from producing higher volumes of certain product lines relative to the prior comparable year-ago period.

Operating expenses in the first quarter of 2017 were \$4.6 million (39.1% of total revenue), compared to \$1.0 million (14.3% of total revenue) in the same year-ago period. When adjusted for one-time charges, operating expenses were \$2.3 million (19.2% of total revenue). The increase in operating expenses was due to spending on new products and increased staff to facilitate growth as well as non-recurring, one-time charges.

Net income before taxes for the first quarter of 2017 totaled \$2.4 million or \$0.02 per diluted share, compared to \$2.1 million or \$0.02 per diluted share in the same year-ago period. The increase was primarily attributable to higher revenues and gross profit achieved from increased sales of high-margin products.

Adjusted EBITDA (defined as net income before finance income, income taxes, depreciation, amortization, foreign exchange loss, and non-recurring items) for the first quarter of 2017 totaled \$4.9 million, compared to \$2.8 million in the same year-ago period (see reconciliation table, below).

	For the three months ended	
	March 31,	
	2017	2016
Net income for the period	\$ 1,698	\$ 1,587
Add (deduct)		
Finance income	(30)	(21)
Income taxes	664	554
Depreciation of property and equipment	66	33
Amortization of intangible assets	7	13
Foreign exchange loss	140	656
Legal and advisory fees on Photon R&D litigation and Corporate Changes	2,365	-
Adjusted EBITDA for the period	\$ 4,910	\$ 2,822

Net income and total comprehensive income for the first quarter totaled \$1.7 million or \$0.02 per diluted share, compared to \$1.6 million or \$0.01 per diluted share in the same year-ago period.

At quarter-end, cash totaled \$32.1 million, a decrease of \$0.4 million as compared to \$32.5 million at December 31, 2016 due to an increase in the Company's inventory and one-time, non-recurring costs incurred; this decrease in cash was mostly offset by strong cash generated from operations.

Order backlog (defined as the value of sales orders scheduled to be shipped in the upcoming 12-month period) at quarter-end increased approximately 25% to \$11.0 million from \$8.8 million at December 31, 2016.

Conference Call

Photon Control will hold a conference call today (Tuesday, May 30, 2017) at 11:00 a.m. Eastern time (8:00 a.m. Pacific time) to discuss these results.

The call will be hosted by Scott Edmonds, CEO and Gerald Adams, Chief Financial Officer (CFO), followed by a question and answer period.

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 1 949-574-3860.

Toll-Free Number: 1-877-407-9716

International Number: 1-201-493-6779

The conference call will be broadcasted simultaneously and available for replay [here](#).

A replay of the call will be available after 2:00 p.m. Eastern time on May 30, 2017 until June 13, 2017.

Toll-Free Replay Number: 1-844-512-2921

International Replay Number: 1-412-317-6671

Replay ID: 13663144

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes, and management's discussion and analysis for the three months ending March 31, 2017, copies of which can be found at www.sedar.com.

About Photon Control Inc.

Photon Control Inc. designs, manufactures and distributes a wide range of optical sensors and 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, Energy and Manufacturing industries. Photon Control's products provide high levels of accuracy and reliability in extreme conditions and are supported by a team of experts that offer on-site 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 Richmond, 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.

Investor Relations Contact:

Matt Glover
Liolios Group, Inc.
PHO@liolios.com
949.574.3860

Forward-Looking Statements

This news release contains “forward-looking statements” within the meaning of applicable Canadian securities legislation. These statements generally can be identified by use of forward looking words such as “may”, “will”, “expect”, “estimate”, “anticipate”, “intend”, “consider”, “believe” or “continue” or the negative thereof or similar variations. Such forward-looking statements concern the business and anticipated financial performance of the Company and include, without limitation, the Company’s expectations with respect to the overall order activity for the balance of the year and the Company’s ability to build on its financial and operational foundation in the future.

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.

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: 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 other economies 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.