



Photon Control Reports Second Quarter and Half-Year 2017 Financial Results

Richmond, BC, August 17, 2017 – Photon Control Inc. (“Photon Control” or the “Company”) (TSX-V: PHO), a leading developer of optical measurement technologies, has reported its financial results for the three and six month periods ended June 30, 2017.

Second Quarter and Year-to-Date 2017 Highlights

- Second quarter 2017 revenue of \$8.9 million increased 23% versus the prior year quarter and first half revenue of \$20.8 million increased 44% versus the prior year;
- Achieved provisional customer certification to ship product from a newly designed, higher capacity and more efficient manufacturing facility; and,
- Finalized the business combination with the former Photon Control R&D Ltd. (“Photon R&D”) business.

“The first half of 2017 has been transformational for the Company. We increased revenue by 44% versus the prior year and more importantly, strengthened our designed-in position with our key customers allowing us to take advantage of opportunities for revenue growth. This has resulted in an increase in our backlog to \$11.8 million from \$8.8 million at the end of 2016.” Said Scott Edmonds, Chief Executive Officer, continuing, “We transitioned to a new, more efficient and scalable manufacturing facility which will enable increased profitability and cash generation opportunities. Finally, we strengthened our senior management team with the appointments of Daniel Lee as Chief Financial Officer and John Rydstrom as Senior Vice President of Sales.”

Second Quarter and Year-To-Date 2017 Financial Results

Total revenue for the second quarter of 2017 increased 23% from \$7.2 million to \$8.9 million, and for the first half of 2017 revenue increased 44% from \$14.4 million to \$20.8 million versus the prior year. The increase in revenue was primarily due to strong market conditions in the semiconductor industry.

Gross profit in 2017 reflects the benefits of the stronger revenue. Second quarter 2017 gross profit increased 31% to \$4.7 million versus the prior year quarter and 2017 year-to-date gross profit increased 60% to \$11.8 million versus the prior year period.

Operating expenses of \$4.3 million and \$9.0 million for the three and six months ended June 30, 2017 include significant one time charges of \$1.8 million and \$4.2 million, primarily from three distinct activities. Corporate Changes related to changes to the Board of Directors, CEO and the leadership team, including certain litigation costs, totaled \$0.8 million for the quarter and \$2.8 million year-to-date. Charges related to the acquisition of certain assets of Photon R&D and settlement of all disputes with the former Photon R&D and its principals totaled \$0.6 million for the quarter, and \$1.0 million year-to-date, and non-capital expenditures related to the Company’s move to its new manufacturing facility totaled \$0.4 million for the quarter and year-to-date. Net of non-cash charges and these one-time items, operating expenses were \$2.1 million and \$4.1 million compared to \$1.0 million and \$1.9 million in the same year-ago period.

Net profit (loss) before taxes for the quarter was \$(0.4) million compared to \$1.9 million for the comparable period of 2016 while for the first six months of 2017, net income before taxes was \$2.0 million versus \$4.0 million for the first half of 2016.

The table below reconciles the net (loss) income to adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net (loss) income for the period	\$ (331)	\$ 1,397	\$ 1,367	\$ 2,984
Add (deduct)				
Finance income	(38)	(21)	(68)	(42)
Income tax (recovery) expense	(62)	493	602	1,047
Depreciation of property and equipment	161	38	227	71
Amortization of intangible assets	9	14	16	27
Foreign exchange loss	778	95	918	751
Corporate Changes	945	384	2,953	384
Photon R&D settlement	594	-	951	-
Facility Move	411	-	411	-
Adjusted EBITDA for the period	\$ 2,467	\$ 2,400	\$ 7,377	\$ 5,222

Net (loss) income and total comprehensive (loss) income was (\$0.3) million or (\$0.00) per diluted share and \$1.4 million or \$0.01 per diluted share for the three and six months ended June 30, 2017 compared to \$1.4 million or \$0.01 per diluted share and \$3.0 million or \$0.03 per diluted share in the prior comparable period.

As at June 30, 2017, cash totaled \$25.1 million, a decrease of \$7.4 million vs. \$32.5 million at December 31, 2016 as we invested into capital expenditures incurred for the new manufacturing facility, costs incurred on non-recurring operating expenses, an increase in inventories in anticipation of the idle period occasioned by the move to the new facility, and the acquisition costs for Photon R&D. Offsetting a portion of this decrease was cash generated from normalized operations.

Order backlog (defined as the value of sales orders scheduled to be shipped in the upcoming 12-month period) at quarter-end increased 35% to \$11.9 million from \$8.8 million at December 31, 2016.

Conference Call

Photon Control will hold a conference call today (Thursday, August 17, 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, Chief Executive Officer and Daniel Lee, Chief Financial Officer, 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.

Toll-Free Number: 1-877-407-9716
 International Number: 1-201-493-6779

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

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 and six months ending June 30, 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, 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.

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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 its 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.

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