



For Immediate Release: April 10, 2019

**FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR “THE CORPORATION”)
ANNOUNCES FIRST QUARTER 2019 FINANCIAL RESULTS**

TORONTO, ONTARIO – (April 10, 2019) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the first quarter 2019.

- Achieved sales of \$25.4M, a 13% increase over Q1 2018 after excluding \$5M of one-time revenue adjustment on a development contract from Q1 last year
- Achieved record sales from the FTG Aerospace Tianjin facility, up 68% over Q1 2018
- Achieved Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of \$3.2M in Q1 2019, an increase of \$1.7M or 122% over last year
- Achieved trailing twelve month EBITDA of \$12.3M
- Achieved net income of \$1.2M and diluted earnings per share of \$0.05 in Q1 2019, a \$1.5M increase over Q1 2018
- Achieved bookings of \$24.3M in the quarter.
- Subsequent to the end of Q1 2019, FTG announced it had entered into a definitive purchase agreement to acquire a US based printed circuit board manufacturer, subject to approval of the Committee on Foreign Investment in the United States (CFIUS) and other customary closing conditions.

“The first quarter of 2019 was the fourth quarter in a row with strong operating results. Our first quarter is typically a seasonally slower quarter with lower profitability as it includes the Christmas period and Chinese Spring Festival but this year showed improved performance across the Corporation”, stated Brad Bourne, President and Chief Executive Officer. He added, “As announced after the quarter, we are excited about our pending acquisition which will add needed capacity for standard circuit board manufacturing freeing up capacity in existing sites for higher end product and expand our offering for the US defense market.”

First Quarter Results: (three months ended March 1, 2019 compared with three months ended March 2, 2018)

	<u>Q1 2019</u>	<u>Q1 2018</u>
Sales	\$25,390,000	\$ 27,528,000
Gross Margin	6,754,000	4,847,000
Gross Margin (%)	26.6%	17.6%
Operating Earnings ⁽¹⁾ :	3,318,000	1,561,000
• Net R&D Investment	1,061,000	1,150,000
• Foreign Exchange Loss (Gain)	156,000	(26,000)
• Recovery of Investment Tax Credits	(150,000)	(152,000)
• Amortization of Intangibles	271,000	256,000
Net Earnings before Tax	1,980,000	333,000

• Tax Expense	807,000	654,000
• Non-controlling Interests	(45,000)	(28,000)
Net Earnings (Loss) After Tax	<u>\$1,218,000</u>	<u>(\$293,000)</u>

Earnings (Loss) per share		
- basic	\$0.05	(\$0.01)
- diluted	\$0.05	(\$0.01)

(1) *Operating Earnings is not a measure recognized under International Financial Reporting Standards ("IFRS"). Management believes that this measure is important to many of the Corporation's shareholders, creditors and other stakeholders. The Corporation's method of calculating Operating Earnings may differ from other corporations and accordingly may not be comparable to measures used by other corporations.*

Business Highlights

FTG accomplished many goals in Q1 2019 that continue to improve the Corporation and position it for the future, including:

- Achieved record sales from the FTG Aerospace Tianjin facility, up 68% over Q1 2018
- Developed new Power over Ethernet (POE) interface solution for simulator products
- Received Canadian Technical Standard Order (TSO) approval for a Cursor Control Device enabling FTG to begin production of this product under development over the past 3 years
- Subsequent to the end of Q1, FTG announced it has entered into a definitive agreement to acquire a US based circuit board manufacturer – to add capacity in the Circuits business and to enable FTG to offer standard circuit board product to US based defense contractors. The acquisition is conditional upon approval of the Committee on Foreign Investment in the United States (CFIUS) and other customary closing conditions.

For FTG, overall sales decreased by \$2.1M or 7.8% from \$27.5M in Q1 2018 to \$25.4M in Q1 2019. Q1 2018 had a one-time \$5M revenue adjustment for the development program for the C919 aircraft in China. Excluding this, the first quarter 2019 was up \$2.8M or 13%. Against the adjusted baseline, both the Circuits and Aerospace segments contributed to the growth. The Canadian dollar was 7 cents weaker in Q1 2019 compared to the same quarter last year and this contributed approximately \$1.5M to the growth.

The Circuits Segment sales in Q1 2019 were \$15.2M, up \$1.1M or 7.6% versus Q1 2018, of which Circuits Toronto was up while Circuits Chatsworth was down. Activity in China was approximately \$1M and is reported in the Circuits Toronto sales as all orders flow through the Toronto site.

For the Aerospace segment, sales in Q1 2019 were \$10.2M compared to \$13.4M in Q1 of last year, or \$8.4M in Q1 last year excluding the one-time development program revenue adjustment. Excluding this amount, sales were up \$1.8M or 21.1%. All three Aerospace sites were up year-over-year against the adjusted Q1 2018 sales.

Gross margins of \$6.8M in Q1 2019 were up \$1.9M compared to Q1 2018. In Q1 2019, the gross margin was 26.6% compared to 17.6% in Q1 2018 (or about 20.2% in Q1 2018 excluding the \$5M one-time revenue and \$0.3M one-time margin).

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for FTG in Q1 2019 was \$3.2M compared to \$1.4M in Q1 2018. Trailing twelve month EBITDA is \$12.3M.

The following table reconciles EBITDA⁽²⁾ to the net earnings for the trailing 12 months as at Mar 1, 2019.

	<u>Trailing 12 Months</u>
Net earnings	4,359,000
Add:	
Interest	447,000
Income taxes/ITC/JV	2,801,000
Depreciation/Amortization	4,655,000
EBITDA	<u>\$12,262,000</u>

(2) EBITDA is not a measure recognized under International Financial Reporting Standards ("IFRS"). Management believes that this measure is important to many of the Corporation's shareholders, creditors and other stakeholders. The Corporation's method of calculating EBITDA may differ from other corporations and accordingly may not be comparable to measures used by other corporations.

Net profit after tax at FTG in Q1 2019 was \$1.2M compared to a net loss of \$0.3M in Q1 2018. Higher margins, lower R&D spending and lower interest costs were offset by higher SG&A costs and higher foreign exchange losses. Five of FTG's six sites had improved profitability while the FTG Printronics JV in China was flat.

The Circuits segment net earnings before corporate and interest and other costs was \$2.2M in Q1 2019 compared to \$0.8M in Q1 2018.

The Aerospace net earnings before corporate and interest and other costs in Q1 2019 was \$0.5M versus \$0.0M in Q1 2018. Q1 2018 had approximately \$0.3M benefit from the one-time revenue adjustment noted above.

As at March 1, 2019, the Corporation's net working capital was \$30.4M, an increase of \$1.7M over year-end 2018. Higher inventories and lower accounts payable/accrued liabilities were offset by lower cash, lower accounts receivables and higher bank indebtedness.

Cashflow in Q1 2019 was (\$1.9M) compared to (\$0.3M) in Q1 last year, after investments in capital equipment and deferred development. In Q1 2019, cash incentive compensation payments were \$1.0M and cash taxes paid were \$0.7M. The incentive compensation payments were higher in 2019 due to improved performance. The cash tax payments are the result of being taxable in Ontario and represent a one-time catch up payment of \$0.6M for 2018 and installment payments for Q1 2019.

Net debt to EBITDA was 0.35:1 for the trailing 12 month period.

The Corporation will host a live conference call on Thursday, April 11, 2019 at 8:30 am (EDT) to discuss the results of Q1 2019.

Anyone wishing to participate in the call should dial 647-427-2311 or 1-866-521-4909 and identify that you are calling to participate in the FTG conference call. The Chairperson is Mr. Brad Bourne. A replay of the call will be available until May 11, 2019 and will be available on the FTG website at www.ftgcorp.com. The number to call for a rebroadcast is 416-621-4642 or 1-800-585-8367, Conference ID 7866427.

ABOUT FIRAN TECHNOLOGY GROUP CORPORATION

FTG is an aerospace and defense electronics product and subsystem supplier to customers around the globe. FTG has two operating units:

FTG Circuits is a manufacturer of high technology, high reliability printed circuit boards. Our customers are leaders in the aviation, defense, and high technology industries. FTG Circuits has operations in Toronto, Ontario, Chatsworth, California and a joint venture in Tianjin, China.

FTG Aerospace manufactures illuminated cockpit panels, keyboards and sub-assemblies for original equipment manufacturers of aerospace and defense equipment. FTG Aerospace has operations in Toronto, Ontario, Chatsworth, California, Fort Worth, Texas and Tianjin, China.

The Corporation's shares are traded on the Toronto Stock Exchange under the symbol FTG.

FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking statements. These forward-looking statements are related to, but not limited to, FTG's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such statements are based on the current expectations of management of the Corporation and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and the Corporation's industry, generally. The preceding list is not exhaustive of all possible factors. Such forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation. The reader is cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward-looking statements. Other than as may be required by law, FTG disclaims any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

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Additional information can be found at the Corporation's website www.ftgcorp.com

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Balance Sheets

(Unaudited) (in thousands of Canadian dollars)	March 1, 2019	November 30, 2018
ASSETS		
Current assets		
Cash	\$ 3,626	\$ 5,026
Accounts receivable	17,436	18,051
Contract assets	131	645
Taxes receivable	244	189
Inventories	26,487	24,634
Prepaid expenses	1,763	1,816
	49,687	50,361
Non-current assets		
Plant and equipment, net	11,649	12,078
Deferred income tax assets	732	732
Investment tax credits receivable	4,304	4,620
Deferred development costs	280	276
Intangible assets and other assets, net	2,806	3,069
Total assets	\$ 69,458	\$ 71,136
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	\$ 995	\$ -
Accounts payable and accrued liabilities	13,998	16,278
Provisions	782	849
Contract liabilities	1,384	1,966
Current portion of long-term bank debt	2,017	2,019
Income tax payable	123	563
	19,299	21,675
Non-current liabilities		
Long-term bank debt	4,886	5,404
Deferred tax payable	1,781	1,750
Total liabilities	25,966	28,829
Equity		
Retained earnings	\$ 12,905	\$ 11,687
Accumulated other comprehensive (loss)	(876)	(774)
	12,029	10,913
Share capital		
Common shares	19,323	19,323
Preferred shares	2,218	2,218
Contributed surplus	8,746	8,672
Total equity attributable to FTG's shareholders	42,316	41,126
Non-controlling interest	1,176	1,181
Total equity	43,492	42,307
Total liabilities and equity	\$ 69,458	\$ 71,136

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Earnings (Loss)

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended	
	March 1, 2019	March 2, 2018
Sales	\$ 25,390	\$ 27,528
Cost of sales		
Cost of sales	17,808	21,974
Depreciation of plant and equipment	828	707
Total cost of sales	18,636	22,681
Gross margin	6,754	4,847
Expenses		
Selling, general and administrative	3,316	3,105
Research and development costs	1,116	1,205
Recovery of research and development costs	(55)	(55)
Recovery of investment tax credits	(150)	(152)
Depreciation of plant and equipment	43	30
Amortization of intangible assets	271	256
Interest expense on short-term debt	3	86
Interest expense on long-term debt	74	65
Foreign exchange loss (gain)	156	(26)
Total expenses	4,774	4,514
Earnings before income taxes	1,980	333
Current income tax expense	777	625
Deferred income tax expense	30	29
Total income tax expense	807	654
Net earnings (loss)	\$ 1,173	\$ (321)
Attributable to:		
Non-controlling interest	\$ (45)	\$ (28)
Equity holders of FTG	\$ 1,218	\$ (293)
Earnings (loss) per share, attributable to the equity holders of FTG		
Basic	\$ 0.05	\$ (0.01)
Diluted	\$ 0.05	\$ (0.01)

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited) (in thousands of Canadian dollars)	Three months ended	
	March 1, 2019	March 2, 2018
Net earnings (loss)	\$ 1,173	\$ (321)
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:		
Foreign currency translation adjustments	1,181	(112)
Net unrealized (loss) gain on derivative financial instruments designated as cash flow hedges	(1,658)	236
Tax impact	415	(59)
	(62)	65
Total comprehensive income (loss)	\$ 1,111	\$ (256)
Attributable to:		
Equity holders of FTG	\$ 1,116	\$ (278)
Non-controlling interest	\$ (5)	\$ 22

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited) (in thousands of Canadian dollars)	Three months ended March 1, 2019							
	Attributed to the equity holders of FTG							
	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling interest	Total equity
Balance, November 30, 2018	\$ 19,323	\$ 2,218	\$ 11,687	\$ 8,672	\$ (774)	\$ 41,126	\$ 1,181	\$ 42,307
Net earnings (loss)	-	-	1,218	-	-	1,218	(45)	1,173
Stock-based compensation	-	-	-	74	-	74	-	74
Common shares issued on exercise of share options and PSU's	-	-	-	-	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	1,141	1,141	40	1,181
Net unrealized (loss) gain on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(1,243)	(1,243)	-	(1,243)
Balance, March 1, 2019	\$ 19,323	\$ 2,218	\$ 12,905	\$ 8,746	\$ (876)	\$ 42,316	\$ 1,176	\$ 43,492

(Unaudited) (in thousands of Canadian dollars)	Three months ended March 02, 2018							
	Attributed to the equity holders of FTG							
	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling interest	Total equity
Balance, November 30, 2017	\$ 19,295	\$ 2,218	\$ 8,812	\$ 8,384	\$ 187	\$ 38,896	\$ 1,214	\$ 40,110
Net (loss)	-	-	(293)	-	-	(293)	(28)	(321)
Stock-based compensation	-	-	-	74	-	74	-	74
Common shares issued on exercise of share options and PSU's	17	-	-	(5)	-	12	-	12
Foreign currency translation adjustments	-	-	-	-	(163)	(163)	51	(112)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow net of tax impact	-	-	-	-	177	177	-	177
Balance, March 2, 2018	\$ 19,312	\$ 2,218	\$ 8,519	\$ 8,453	\$ 201	\$ 38,703	\$ 1,237	\$ 39,940

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended	
	March 1, 2019	March 2, 2018
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings (loss)	\$ 1,173	\$ (321)
Items not affecting cash:		
Non-controlling interest share of net loss	45	28
Stock-based compensation	74	74
Loss on disposal of plant and equipment	7	-
Effect of exchange rates on US dollar debt	(14)	2
Depreciation of plant and equipment	871	737
Amortization of intangible assets	271	256
Amortization of deferred financing costs	3	3
Current/deferred income tax expense	496	625
Investment tax credits (recovery)	(150)	(152)
(Increase) in net unrealized loss, decrease in net unrealized gain on financial instruments designated as cash flow hedges	(220)	(35)
Net change in non-cash operating working capital	(4,087)	(1,053)
	(1,531)	164
Investing activities		
Additions to plant and equipment	(391)	(792)
Additions to deferred development costs, other	(18)	288
	(409)	(504)
Net cash flow used by operating and investing activities	(1,940)	(340)
Financing activities		
Increase (decrease) in bank indebtedness	995	(643)
Proceeds from long-term bank debt	-	1,289
Repayments of long-term bank debt	(509)	(436)
Proceeds from issue of Common shares	-	12
	486	222
Effects of foreign exchange rate changes on cash flow	54	5
Net (decrease) in cash flow	(1,400)	(113)
Cash, beginning of the period	5,026	2,752
Cash, end of period	\$ 3,626	\$ 2,639
Disclosure of cash payments		
Payment for interest	\$ 81	\$ 156
Payments for income taxes	\$ 738	\$ 7