



For Immediate Release: February 7, 2018

FIRAN TECHNOLOGY GROUP (FTG) ANNOUNCES FULL YEAR AND FOURTH QUARTER 2017 FINANCIAL RESULTS

Toronto, February 7, 2018 – Firan Technology Group Corporation (TSX:FTG) today announced financial results for the full year and fourth quarter 2017.

- Achieved record annual sales of \$94.7M, an increase of 9% over full year 2016
- Completed the integration of PhotoEtch and closed the facility in December 2016
- Closed the Teledyne PCT facility in May and ramped up production in Chatsworth in Q4
- Completed equipment installation for a dedicated outer layer production facility for Aerospace circuit boards at FTG Printronics Circuit – the joint venture in Tianjin China

“2017 was a year of transitioning work from the acquired facilities in 2016 to FTG facilities. There were many challenges in the transitions and it took longer than expected but by year end the transitions were complete,” stated Brad Bourne, President and Chief Executive Officer. He added, “Going into 2018, we are pleased with our position in the market and our growth opportunities that could materialize from organic sales and from acquisitions.”

Full Year Results: (twelve months ended Nov 30, 2017 compared with twelve months ended Nov 30, 2016)

	<u>FY 2017</u>	<u>FY 2016</u>
Sales	\$94,695,000	\$87,114,000
Gross Margin	23,125,000	19,353,000
Gross Margin (%)	24.4%	22.2%
Operating Earnings ⁽¹⁾ :	10,013,000	7,669,000
• Net R&D Investment	6,277,000	3,238,000
• Bargain Purchase Gain	-	(7,189,000)
• Restructuring Expense	-	4,051,000
• Foreign Exchange (Gain) Loss	(211,000)	110,000
• Recovery of Investment Tax Credits	(657,000)	(594,000)
• Amortization of Intangibles	1,107,000	479,000
Net Earnings before tax	3,497,000	7,574,000
• Income Tax	2,290,000	1,642,000
• Non-controlling Interests	(62,000)	17,000
Net Earnings after tax	\$1,269,000	\$5,915,000
Earnings per share		
- basic	\$0.06	\$0.29
- diluted	\$0.05	\$0.27

Fourth Quarter Results: (three months ended Nov 30, 2017 compared with three months ended Nov 30, 2016)

	<u>Q4 2017</u>	<u>Q4 2016</u>
Sales	\$22,866,000	\$27,233,000
Gross Margin	5,287,000	5,730,000
Gross Margin (%)	23.1%	21.0%
Operating Earnings ⁽¹⁾ :	2,137,000	2,216,000
• Net R&D Investment	1,353,000	966,000
• Bargain Purchase Gain	-	-
• Restructuring Expense	-	136,000
• Foreign Exchange (Gain) Loss	18,000	(208,000)
• Recovery of Investment Tax Credits	(162,000)	(95,000)
• Amortization of Intangibles	267,000	281,000
Net Earnings before Tax	661,000	1,136,000
• Tax Expense	498,000	506,000
• Non-controlling Interests	(28,000)	-
Net Earnings After Tax	\$191,000	\$630,000
Earnings per share		
- basic	\$0.01	\$0.03
- diluted	\$0.01	\$0.03

(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 2017 that continue to improve the Corporation and position it for the future, including:

- Announced a renewed 3 year agreement to supply circuit boards to a wide range of aircraft in a contract valued at over \$12M USD
- Announced the transition of PhotoEtch's largest customer to FTG's existing sites with 100% retention rate
- Closed the PhotoEtch facility in December 2016, and opened a small engineering office in Fort Worth to retain the PhotoEtch engineering team
- Achieved sales resulting from the PhotoEtch acquisition of \$8.7M in 2017 versus the target of \$6.0M

- Completed certification of Circuits Chatsworth facility for one type of rigid flex technology used at Teledyne PCT under the US Department of Defense MIL-PRF-31032 certification
- Closed the Teledyne PCT facility at the end of May
- Completed installation and commissioning of the Teledyne PCT related equipment in the Chatsworth facility.
- Achieved sales resulting from the Teledyne PCT acquisition of \$22.2M in 2017 versus the target of \$16M
- Achieved sales resulting from the Teledyne PCT acquisition of \$4.9M in Q4 in the Chatsworth facility versus the target of \$4M per quarter
- Completed equipment installation for a dedicated outer layer production facility for Aerospace circuit boards at FTG Printronics Circuit – the joint venture in Tianjin China
- FTG cockpit products flew on the first flight of the COMAC C919 aircraft in China

For FTG, overall sales increased by \$7.6M or 8.7% from \$87.1M in 2016 to \$94.7M in 2017. The increase was attributable to both segments. Year over year, the USD/CAD exchange rate dropped by about 2.5% and this negatively impacted sales by \$2M. In Q4 2017 compared to Q4 2016, sales were down \$4.4M due to lower sales from the acquired sites of \$9.7M offset by an increase in sales at the Aerospace Chatsworth site of \$5.2M. The high sales from the acquired sites last year was partially due to customers ordering safety stock ahead of the transition of production to FTG sites. From Q4 this year to Q4 last year, the USD/CAD exchange rate dropped by almost 7 cents impacting sales by \$1.4M. Sales activity in Q4 in the Circuits Chatsworth business were down \$0.6M compared to Q4 2016 and \$0.7M sequentially due to some temporary operational issues encountered during the quarter.

Revenues from the PhotoEtch acquisition contributed \$8.7 M in incremental sales during 2017, compared to \$6.0M last year (9 months of activity in 2016). Revenues from the Teledyne PCT contributed \$22.2M in 2017 compared to \$11.4M last year (5 months of activity in 2016). In Q4, revenue from Teledyne PCT customers totaled \$4.9M versus our target of \$4.0M, and revenue from PhotoEtch totaled \$1.6M versus our target of \$1.5M. Teledyne related sales were up \$3.0M sequentially due to the ramp up of activity in Chatsworth and PhotoEtch related sales were down sequentially by \$0.3M due to timing of production orders.

The Circuits Segment sales increased by \$2.3M or 4.0% in 2017 versus 2016. The increase was from the Toronto facility. In Q4 sales were down \$3.1M due to the above mentioned operational issues in Chatsworth reducing sales by \$0.6M, and a lower USD/CAD exchange rate of almost 7 cents in Q4 2017 versus the same quarter last year, impacting sales by \$0.8M.

For the Aerospace segment, sales in 2017 were \$35.6M compared to \$30.3M last year. The increase is primarily attributable to the inclusion of a full year of sales from the PhotoEtch and Teledyne PCT acquisitions in 2017 results. In Q4, sales were down \$1.7M compared to the same quarter last year due to lower sales to Teledyne customers of approximately \$2.5M offset by increased activity with other customers and the impact of the lower USD/CAD exchange rate.

Gross margins in 2017 were \$23.1M (24.4%) compared to \$19.4M (22.2%) in 2016. In Q4 gross margin was \$5.3M (23.1%) compared to \$5.7M (21.0%) as a result of lower sales, offset by lower operating costs due to the elimination of the two acquired facilities in 2017. Q4 2017 was impacted by the operational issues in Circuits Chatsworth, the lower USD/CAD exchange rate and various temporary costs to ramp up Aerospace Chatsworth such as expedite costs, outsourcing costs, travel, etc.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for trailing twelve months is \$7.6M.

The following table reconciles EBITDA⁽²⁾ to the net earnings for Q4 2017 and trailing 12 months.

	<u>Trailing 12</u> <u>Months</u>
Net earnings	1,207,000
Add:	
Interest	487,000
Income taxes/ITC/JV	1,695,000
Depreciation/Amortization	4,225,000
EBITDA	<hr/> <u>\$7,614,000</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 earnings attributable to equity holders of FTG in 2017 were \$1.3M compared to a net profit of \$5.9M in 2016. The decrease is due to the one-time gains on acquisition recognized in the prior year with respect to the PhotoEtch and Teledyne PCT transactions which contributed a net of \$2.7M to last year, an increase of \$3.0M in R&D costs in 2017 due in large part to the transition of work from the acquired work, and higher amortization of intangible costs in 2017 of \$0.6M, offset by higher revenues and costs saved by closing the acquired facilities.

The Circuits segment net earnings before corporate and interest and other costs was \$8.5M in 2017 compared to \$9.8M in 2016. The earnings in 2016 had a net gain of \$0.6M as a result of the bargain purchase gain offset by restructuring expenses.

The Aerospace net earnings (loss) before corporate and interest and other costs decreased to (\$2.5M) versus \$2.5M in 2016. In 2016, the bargain purchase gain offset by restructuring expenses increased net earnings by \$2.5M.

As at Nov 30, 2017, the Corporation's net working capital was \$24.4M, an increase of \$2.0M over year end 2016.

The Corporation will host a live conference call on Thursday, February 8, 2018 at 8:30 am (EST) to discuss the results of fiscal year 2017.

Anyone wishing to participate in the call should dial 1-800-478-9326 or 416-340-2219 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 February 18, 2018 and will be available on the FTG website at www.ftgcorp.com. The number to call for a rebroadcast is at 1-800-408-3053 or 905-694-9451, pass code 1309846 #.

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
Consolidated Balance Sheets

(in thousands of Canadian dollars) As at	November 30, 2017	November 30, 2016
ASSETS		
Current assets		
Cash	\$ 2,752	\$ 3,152
Accounts receivable	17,983	21,022
Taxes receivable	209	259
Inventories	25,079	22,464
Prepaid expenses	1,506	1,776
	47,529	48,673
Non-current assets		
Plant and equipment, net	12,222	8,851
Deferred income tax assets	395	1,327
Investment tax credits receivable	6,420	7,330
Deferred development costs	681	739
Intangible assets, net	3,768	5,066
Total assets	\$ 71,015	\$ 71,986
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	\$ 6,444	\$ 6,983
Accounts payable and accrued liabilities	13,341	15,105
Provisions	390	2,349
Customer deposits	1,268	308
Current portion of long-term bank debt	1,726	1,510
	23,169	26,255
Non-current liabilities		
Long-term bank debt	6,040	6,079
Deferred tax payable	1,696	1,573
Total liabilities	30,905	33,907
Equity		
Retained earnings	\$ 8,812	\$ 7,543
Accumulated other comprehensive income	187	443
	8,999	7,986
Share capital		
Common shares	19,295	19,051
Preferred shares	2,218	2,218
Contributed surplus	8,384	8,381
Total equity attributable to FTG's shareholders	38,896	37,636
Non-controlling interest	1,214	443
Total equity	40,110	38,079
Total liabilities and equity	\$ 71,015	\$ 71,986

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Years ended	
	November 30, 2017	November 30, 2016
Sales	\$ 94,695	\$ 87,114
Cost of sales		
Cost of sales	68,754	65,446
Depreciation of plant and equipment	2,816	2,315
Total cost of sales	71,570	67,761
Gross margin	23,125	19,353
Expenses		
Selling, general and administrative	12,508	11,259
Research and development costs	6,497	3,567
Recovery of research and development costs	(220)	(329)
Recovery of investment tax credits	(657)	(594)
Depreciation of plant and equipment	117	118
Amortization of intangible assets	1,107	479
Interest expense on short-term debt	258	100
Interest expense on long-term debt	229	207
Foreign exchange (gain) loss	(211)	110
Bargain purchase gain	-	(7,189)
Restructuring expenses	-	4,051
Total expenses	19,628	11,779
Earnings before income taxes	3,497	7,574
Current income tax (recovery) expense	(42)	56
Deferred income tax expense	2,332	1,586
Total income tax expense	2,290	1,642
Net earnings	\$ 1,207	\$ 5,932
Attributable to:		
Non-controlling interest	\$ (62)	\$ 17
Equity holders of FTG	1,269	5,915
Earnings per share, attributable to the equity holders of FTG		
Basic	\$ 0.06	\$ 0.29
Diluted	\$ 0.05	\$ 0.27

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	Years ended	
	November 30, 2017	November 30, 2016
Net earnings	\$ 1,207	\$ 5,932
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:		
Foreign currency translation adjustments	(458)	1,340
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	282	(876)
Tax impact	(71)	219
	(247)	683
Total comprehensive income	\$ 960	\$ 6,615
Attributable to:		
Equity holders of FTG	\$ 1,013	\$ 6,591
Non-controlling interest	\$ (53)	\$ 24

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Changes in Equity

Years ended November 30, 2017 and November 30, 2016

(in thousands of Canadian dollars)	Attributed to the equity holders of FTG					Total	Non-controlling interest	Total equity
	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)			
Balance, November 30, 2015	\$ 13,075	\$ 2,218	\$ 1,628	\$ 8,373	\$ (233)	\$ 25,061	\$ 29	\$ 25,090
Net earnings	-	-	5,915	-	-	5,915	17	5,932
Stock-based compensation	-	-	-	47	-	47	-	47
Common shares issued on exercise of share options	157	-	-	(39)	-	118	-	118
Common shares issued	5,819	-	-	-	-	5,819	-	5,819
Foreign currency translation adjustments	-	-	-	-	1,333	1,333	7	1,340
Net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(657)	(657)	-	(657)
Contribution from non-controlling interest	-	-	-	-	-	-	390	390
Balance, November 30, 2016	\$ 19,051	\$ 2,218	\$ 7,543	\$ 8,381	\$ 443	\$ 37,636	\$ 443	\$ 38,079
Net earnings	-	-	1,269	-	-	1,269	(62)	1,207
Stock-based compensation	-	-	-	173	-	173	-	173
Common shares issued on exercise of share options and PSU's	244	-	-	(170)	-	74	-	74
Foreign currency translation adjustments	-	-	-	-	(467)	(467)	9	(458)
Net unrealized gain on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	211	211	-	211
Contribution from non-controlling interest	-	-	-	-	-	-	824	824
Balance, November 30, 2017	\$ 19,295	\$ 2,218	\$ 8,812	\$ 8,384	\$ 187	\$ 38,896	\$ 1,214	\$ 40,110

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended	
	November 30, 2017	November 30, 2016
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	\$ 1,207	\$ 5,932
Items not affecting cash:		
Non-controlling interest share of net (earnings)	62	(17)
Stock-based compensation	173	47
(Gain) on disposal of plant and equipment	(17)	-
Effect of exchange rates on US dollar debt	(230)	136
Depreciation of plant and equipment	2,933	2,433
Amortization of intangible assets	1,107	479
Amortization of deferred financing costs	12	11
Deferred income tax expense	932	1,662
Investment tax credits expense (recovery)	1,033	(594)
Decrease in net unrealized loss on derivative financial instruments designated as cash flow hedges	868	227
Net change in non-cash operating working capital	(2,053)	(14,672)
	6,027	(4,356)
Investing activities		
Additions to plant and equipment	(7,086)	(2,210)
Additions to plant and equipment - acquisitions	-	(3,340)
Additions to intangible assets - acquisitions	-	(5,296)
Recovery (additions) of deferred development costs	59	(352)
Additions to deferred financing costs	-	(11)
Proceeds from disposal of plant and equipment	81	-
	(6,946)	(11,209)
Net cash flow from operating and investing activities	(919)	(15,565)
Financing activities		
(Decrease) increase in bank indebtedness	(539)	6,983
Proceeds from long-term bank debt	1,921	3,390
Repayments of long-term bank debt	(1,526)	(1,229)
Funding from non-controlling interest	824	390
Proceeds from issue of Common shares	74	5,937
	754	15,471
Effects of foreign exchange rate changes on cash flow	(235)	86
Net increase (decrease) in cash flow	(400)	(8)
Cash, beginning of the year	3,152	3,160
Cash, end of year	\$ 2,752	\$ 3,152
Disclosure of cash payments		
Payment for interest	\$ 490	\$ 286
Payments for income taxes	\$ 6	\$ 12