



For Immediate Release: July 10, 2019

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

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

- Achieved sales of \$32.2M, a 12% increase over Q2 2018 and the highest quarterly revenue in the company’s history
- Achieved Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of \$5.2M in Q2 2019, an increase of \$1.8M or 54% over Q2 last year
- Achieved trailing twelve month EBITDA of \$13.8M
- Achieved net income of \$2.5M and diluted earnings per share of \$0.10 in Q2 2019, a \$1.1M or 88% increase over Q2 2018
- In March 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. Subsequent to quarter end, the CFIUS approval was received. Closing is expected to take place in the near future.
- Achieved quarterly cash flow of \$2.3M in Q2 2019 after additions to plant and equipment
- Net debt at quarter end was \$2.2M, the lowest level since 2015 and represent the full repayment of debt assumed to pay for the acquisitions in 2016

“The second quarter of 2019 was a great quarter for FTG with record sales, EBITDA and operating profit. There was strong performance across the Corporation showing the strategic initiatives from previous years including the acquisitions in 2016 to drive up utilization and the investments in China which have created value for the Corporation”, stated Brad Bourne, President and Chief Executive Officer. He added, “We are excited about our pending acquisition which will add much 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.”

Second Quarter Results: (three months ended May 31, 2019 compared with three months ended June 1, 2018)

	<u>Q2 2019</u>	<u>Q2 2018</u>
Sales	\$32,235,000	\$ 28,878,000
Gross Margin	9,717,000	7,242,000
Gross Margin (%)	30.1%	25.1%
Operating Earnings ⁽¹⁾ :	5,631,000	3,579,000
• Net R&D Investment	1,443,000	1,071,000
• Foreign Exchange Loss (Gain)	140,000	(104,000)
• Recovery of Investment Tax Credits	(265,000)	(211,000)
• Amortization of Intangibles	272,000	261,000
• Restructuring expense	243,000	195,000

Net Earnings before Tax	3,798,000	2,367,000
• Tax Expense	1,348,000	1,061,000
• Non-controlling Interests	(32,000)	11,000
Net Earnings After Tax	<u>\$2,482,000</u>	<u>\$1,295,000</u>
Earnings per share		
- basic	\$0.11	\$0.06
- diluted	\$0.10	\$0.05

Year-to-Date: (six months ended May 31, 2019 compared with six months ended June 1, 2018)

	<u>YTD 2019</u>	<u>YTD 2018</u>
Sales	\$57,625,000	\$ 56,406,000
Gross Margin	16,471,000	12,089,000
Gross Margin (%)	28.6%	21.4%
Operating Earnings ⁽¹⁾ :	<u>8,949,000</u>	<u>5,140,000</u>
• Net R&D Investment	2,504,000	2,221,000
• Foreign Exchange Loss (Gain)	296,000	(130,000)
• Recovery of Investment Tax Credits	(415,000)	(363,000)
• Amortization of Intangibles	543,000	517,000
• Restructuring expense	243,000	195,000
Net Earnings before Tax	<u>5,778,000</u>	<u>2,700,000</u>
• Tax Expense	2,155,000	1,715,000
• Non-controlling Interests	(77,000)	(17,000)
Net Earnings After Tax	<u>\$3,700,000</u>	<u>\$1,002,000</u>
Earnings per share		
- basic	\$0.16	\$0.04
- diluted	\$0.15	\$0.04

(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 Q2 2019 that continue to improve the Corporation and position it for the future, including:

- Achieved record quarterly sales of \$32.2M
- Achieved Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of \$5.2M in Q2 2019, an increase of \$1.8M or 54% over Q2 last year
- Achieved net income of \$2.5M and diluted earnings per share of \$0.10 in Q2 2019, a \$1.1M or 88% increase over Q2 2018
- Achieved quarterly cash flow of \$2.3M in Q2 2019 after additions to plant and equipment
- Net debt at quarter end was \$2.2M, the lowest level since 2015 and represent the full repayment of debt assumed to pay for the acquisitions in 2016.
- In March 2019, 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 was conditional upon approval of the Committee on Foreign Investment in the United States (CFIUS) and other customary closing conditions. Subsequent to quarter end the CFIUS approval was obtained.

For FTG, overall sales increased by \$3.4M or 11.6% from \$28.9M in Q2 2018 to \$32.2M in Q2 2019. Both the Circuits and Aerospace segments contributed to the growth. The Canadian dollar was 5.5 cents weaker in Q2 2019 compared to the same quarter last year and this contributed approximately \$1.5M to the growth. Year-to-date 2019 sales increased by \$1.2M or 2.2%. Year-to-date 2018 included \$5M one-time adjustment with respect to the C919 development contract. Excluding this, the growth was \$6.2M or 12%.

The Circuits Segment sales in Q2 2019 were \$19.3M, up \$3.1M or 18.9% versus Q2 2018. Both North American sites experienced similar growth rates. Activity in China was approximately \$1.1M and is reported in the Circuits Toronto sales as all orders flow through the Toronto site.

For the Aerospace segment, sales in Q2 2019 were \$13.0M compared to \$12.7M in Q2 of last year. Aerospace Toronto and Tianjin were up whereas Aerospace Chatsworth was down compared to the same quarter last year. On a year-to-date basis, sales were down \$2.9M but excluding the one-time adjustment on the C919 development program, sales were up \$2.1M or 9.8%

Gross margins of \$9.7M in Q2 2019 were up \$2.5M compared to Q2 2018. The increase is due to higher sales, improved operating performance, more favorable exchange rates, offset by some one-time costs in the quarter. For the year-to-date, gross margins were \$16.5M, up \$4.4M or 36.2%. Year-to-date gross margins are 28.6% compared to 21.4% last year. The one-time \$5M revenue adjustment on the C919 program last year was at very low margins. Operating performance in 2019 was improved across the Corporation.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for FTG in Q2 2019 was \$5.2M compared to \$3.4M in Q2 2018. Trailing twelve month EBITDA is \$13.9M.

The following table reconciles EBITDA⁽²⁾ to the net earnings for the trailing 12 months as at May 31, 2019.

	<u>Q2 2019</u>	<u>Trailing 12</u> <u>Months</u>
Net earnings	2,482,000	5,573,000
Add:		
Interest	90,000	405,000
Income taxes/ITC/JV	1,358,000	3,117,000
Depreciation/Amortization	1,254,000	4,765,000
EBITDA	<u>\$5,184,000</u>	<u>\$13,860,000</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 Q2 2019 was \$2.5M compared to a net profit of \$1.3M in Q2 2018. Higher margins, were partially offset by higher SG&A costs and higher foreign exchange losses. For the year-to-date, net profit was \$3.7M compared to \$1.0M last year.

The Circuits segment net earnings before corporate and interest and other costs was \$3.9M in Q2 2019 compared to \$2.8M in Q2 2018.

The Aerospace net earnings before corporate and interest and other costs in Q2 2019 was \$0.7M versus \$0.1M in Q2 2018.

As at May 31, 2019, the Corporation's net working capital was \$32.5M, an increase of \$3.8M over year-end 2018. Higher accounts receivable was offset by lower accounts payable/accrued liabilities and cash.

Cash flow in Q2 2019 was \$2.3M compared to \$3.6M in Q2 last year, after investments in capital equipment and deferred development. In Q2 2019, cash taxes paid were \$0.4M. For the year-to-date period cash flow was \$0.4M compared to \$3.2M last year.

Net debt to EBITDA was 0.16:1 for the trailing 12 month period.

The Corporation will host a live conference call on Thursday, July 11, 2019 at 8:30 am (EDT) to discuss the results of Q2 2019.

Anyone wishing to participate in the call should dial 647-427-2311 or 1-866-521-4909 and the conference ID is 2793398. The Chairperson is Mr. Brad Bourne. A replay of the call will be available until August 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 2793398.

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)	May 31, 2019	November 30, 2018
ASSETS		
Current assets		
Cash	\$ 4,312	\$ 5,026
Accounts receivable	22,127	18,051
Contract assets	141	645
Taxes receivable	-	189
Inventories	24,462	24,634
Prepaid expenses	1,547	1,816
	52,589	50,361
Non-current assets		
Plant and equipment, net	11,418	12,078
Deferred income tax assets	732	732
Investment tax credits receivable	3,938	4,620
Contract costs	281	276
Intangible assets and other assets, net	2,582	3,069
Total assets	\$ 71,540	\$ 71,136
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,901	\$ 16,278
Provisions	774	849
Contract liabilities	1,017	1,966
Current portion of long-term bank debt	2,062	2,019
Income tax payable	313	563
	20,067	21,675
Non-current liabilities		
Long-term bank debt	4,472	5,404
Deferred tax payable	1,621	1,750
Total liabilities	26,160	28,829
Equity		
Retained earnings	\$ 15,387	\$ 11,687
Accumulated other comprehensive (loss)	(1,507)	(774)
	13,880	10,913
Share capital		
Common shares	19,323	19,323
Preferred shares	2,218	2,218
Contributed surplus	8,826	8,672
Total equity attributable to FTG's shareholders	44,247	41,126
Non-controlling interest	1,133	1,181
Total equity	45,380	42,307
Total liabilities and equity	\$ 71,540	\$ 71,136

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Earnings

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended		Six months ended	
	May 31, 2019	June 1, 2018	May 31, 2019	June 1, 2018
Sales	\$ 32,235	\$ 28,878	\$ 57,625	\$ 56,406
Cost of sales				
Cost of sales	21,659	20,864	39,467	42,838
Depreciation of plant and equipment	859	772	1,687	1,479
Total cost of sales	22,518	21,636	41,154	44,317
Gross margin	9,717	7,242	16,471	12,089
Expenses				
Selling, general and administrative	3,956	3,496	7,272	6,601
Research and development costs	1,168	1,126	2,284	2,331
Reversal (recovery) of Ontario innovation tax credit	275	(55)	220	(110)
Recovery of investment tax credits	(265)	(211)	(415)	(363)
Depreciation of plant and equipment	40	35	83	65
Amortization of intangible assets	272	261	543	517
Interest expense on short-term debt	21	67	24	153
Interest expense on long-term debt	69	65	143	130
Foreign exchange loss (gain)	140	(104)	296	(130)
Restructuring expenses	243	195	243	195
Total expenses	5,919	4,875	10,693	9,389
Earnings before income taxes	3,798	2,367	5,778	2,700
Current income tax expense	1,294	1,017	2,071	1,642
Deferred income tax expense	54	44	84	73
Total income tax expense	1,348	1,061	2,155	1,715
Net earnings	\$ 2,450	\$ 1,306	\$ 3,623	\$ 985
Attributable to:				
Non-controlling interest	\$ (32)	\$ 11	\$ (77)	\$ (17)
Equity holders of FTG	\$ 2,482	\$ 1,295	\$ 3,700	\$ 1,002
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.11	\$ 0.06	\$ 0.16	\$ 0.04
Diluted	\$ 0.10	\$ 0.05	\$ 0.15	\$ 0.04

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	May 31, 2019	June 1, 2018	May 31, 2019	June 1, 2018
Net earnings	\$ 2,450	\$ 1,306	\$ 3,623	\$ 985
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:				
Foreign currency translation adjustments	302	68	1,483	(44)
Net unrealized (loss) on derivative financial instruments designated as cash flow hedges	(1,258)	(367)	(2,916)	(131)
Tax impact	314	92	729	33
	(642)	(207)	(704)	(142)
Total comprehensive income	\$ 1,808	\$ 1,099	\$ 2,919	\$ 843
Attributable to:				
Equity holders of FTG	\$ 1,851	\$ 1,095	\$ 2,967	\$ 817
Non-controlling interest	\$ (43)	\$ 4	\$ (48)	\$ 26

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

Six months ended May 31, 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
(Unaudited) (in thousands of Canadian dollars)									
Balance, November 30, 2018	\$ 19,323	\$ 2,218	\$ 11,687	\$ 8,672	\$ (774)	\$ 41,126	\$ 1,181	\$ 42,307	
Net earnings (loss)	-	-	3,700	-	-	3,700	(77)	3,623	
Stock-based compensation	-	-	-	154	-	154	-	154	
Foreign currency translation adjustments	-	-	-	-	1,454	1,454	29	1,483	
Net unrealized (loss) on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(2,187)	(2,187)	-	(2,187)	
Balance, May 31, 2019	\$ 19,323	\$ 2,218	\$ 15,387	\$ 8,826	\$ (1,507)	\$ 44,247	\$ 1,133	\$ 45,380	
Six months ended June 1, 2018	Attributed to the equity holders of FTG								
(Unaudited) (in thousands of Canadian dollars)	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 earnings (loss)	-	-	1,002	-	-	1,002	(17)	985	
Stock-based compensation	-	-	-	148	-	148	-	148	
Common shares issued on exercise of share options and PSU's	17	-	-	(5)	-	12	-	12	
Foreign currency translation adjustments	-	-	-	-	(87)	(87)	43	(44)	
Net unrealized (loss) on derivative financial instruments designated as cash flow net of tax impact	-	-	-	-	(98)	(98)	-	(98)	
Balance, June 1, 2018	\$ 19,312	\$ 2,218	\$ 9,814	\$ 8,527	\$ 2	\$ 39,873	\$ 1,240	\$ 41,113	

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	May 31, 2019	June 1, 2018	May 31, 2019	June 1, 2018
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 2,450	\$ 1,306	\$ 3,623	\$ 985
Items not affecting cash:				
Non-controlling interest share of net loss (earnings)	32	(11)	77	17
Stock-based compensation	80	74	154	148
(Gain) on disposal of plant and equipment	(8)	-	(1)	-
Effect of exchange rates on US dollar debt	140	68	126	70
Depreciation of plant and equipment	899	806	1,770	1,543
Amortization of intangible assets	272	261	543	517
Amortization of deferred financing costs	3	3	6	6
Deferred income tax expense	471	947	967	1,572
Investment tax credits (recovery)	(265)	(211)	(415)	(363)
(Increase) in net unrealized loss, decrease in net unrealized gain on financial instruments designated as cash flow hedges	(652)	(229)	(872)	(264)
Net change in non-cash operating working capital	(517)	1,031	(4,604)	(22)
	2,905	4,045	1,374	4,209
Investing activities				
Additions to plant and equipment	(610)	(414)	(1,001)	(1,206)
(Additions to) recovery of - contract costs, other	(1)	(67)	(19)	221
	(611)	(481)	(1,020)	(985)
Net cash flow used by operating and investing activities	2,294	3,564	354	3,224
Financing activities				
(Decrease) in bank indebtedness	(995)	(1,912)	-	(2,555)
Proceeds from long-term bank debt	-	-	-	1,289
Repayments of long-term bank debt	(512)	(491)	(1,021)	(927)
Proceeds from issue of Common shares	-	-	-	12
	(1,507)	(2,403)	(1,021)	(2,181)
Effects of foreign exchange rate changes on cash flow	(101)	(3)	(47)	2
Net increase (decrease) in cash flow	686	1,158	(714)	1,045
Cash, beginning of the period	3,626	2,639	5,026	2,752
Cash, end of period	\$ 4,312	\$ 3,797	\$ 4,312	\$ 3,797
Disclosure of cash payments				
Payment for interest	\$ 90	\$ 144	\$ 171	\$ 300
Payments for income taxes	\$ 383	\$ 6	\$ 1,122	\$ 13