



For Immediate Release: July 11, 2018

FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR “CORPORATION”) ANNOUNCES SECOND QUARTER 2018 FINANCIAL RESULTS

TORONTO, ONTARIO – (July 11, 2018) – Firan Technology Group Corporation (TSX:FTG) today announced financial results for the second quarter of 2018.

- Achieved record sales of \$28.9M, an increase of 13% over Q2 2017
- Grew Aerospace segment by 42% over Q2 last year
- Gross margins increased by \$1.5M or 26% over Q2 last year
- Generated cash flow from operations of \$3.6M compared to cash usage of \$0.4M in Q2 2017

“The second quarter of 2018 began to demonstrate the earnings benefits from our acquisitions in 2016”, stated Brad Bourne, President and Chief Executive Officer. He added, “While we continued to experience some increased costs in the quarter related to the transition, we also achieved a dramatic improvement in our net earnings and cash flow”.

Second Quarter: (three-months ended June 1, 2018 compared with three-months ended June 2, 2017)

	<u>Q2 2018</u>	<u>Q2 2017</u>
Sales	\$28,878,000	\$25,513,000
Gross margin	7,242,000	5,753,000
Gross margin (%)	25.1%	22.5%
Operating earnings ⁽¹⁾ :	3,579,000	2,581,000
• Net R&D investment	1,071,000	1,846,000
• Recovery of investment tax credits	(211,000)	(188,000)
• Amortization of intangibles	261,000	286,000
• Foreign exchange (gain) loss	(104,000)	(118,000)
• Restructuring expense	195,000	-
Earnings before income taxes	2,367,000	755,000
• Current income tax (recovery) expense	22,000	(41,000)
• Deferred income tax expense	1,039,000	691,000
• Non-controlling interests	11,000	(19,000)
Net earnings, attributable to the equity holders of FTG	\$1,295,000	\$124,000
Earnings per share, attributable to the equity holders of FTG		
Basic	\$0.06	\$0.01
Diluted	\$0.05	\$0.01

Year-to-Date: (six-months ended June 1, 2018 compared with six-months ended June 2, 2017)

	<u>YTD 2018</u>	<u>YTD 2017</u>
Sales	\$56,406,000	\$52,685,000
Gross margin	12,089,000	12,639,000
Gross margin (%)	21.4%	24.0%
Operating earnings ⁽¹⁾ :	5,140,000	5,598,000
• Net R&D investment	2,221,000	3,256,000
• Recovery of investment tax credits	(363,000)	(329,000)
• Amortization of intangibles	517,000	567,000
• Foreign exchange (gain) loss	(130,000)	43,000
• Restructuring expense	195,000	-
Earnings before income taxes	2,700,000	2,061,000
• Current income tax (recovery) expense	40,000	(24,000)
• Deferred income tax expense	1,675,000	1,179,000
• Non-controlling interests	(17,000)	(18,000)
Net earnings, attributable to the equity holders of FTG	\$1,002,000	\$924,000
Earnings per share, attributable to the equity holders of FTG		
Basic	\$0.04	\$0.04
Diluted	\$0.04	\$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 the second quarter of 2018 that continue to improve the Corporation and position it for the future, including:

- Completed C-130 contract with CAE on schedule and on cost
- Renewed contract with Rockwell Collins for Printed Circuit Boards from North American and China facilities
- Won new cursor control device assembly for use on Airbus aircraft already in service
- Achieved sales resulting from the PhotoEtch acquisition of \$1.5M in the quarter compared to \$2.9M in the second quarter of last year and a target of \$1.5M. The PhotoEtch related revenues will ramp up significantly in the second half of 2018 as shipments begin on the KC-46 simulator assembly contract.
- Achieved sales resulting from the Teledyne PCT acquisition of \$5.0M in the quarter compared to \$5.0M in the second quarter of last year and a target of \$4.0M

For FTG, overall sales increased by \$3.4M or 13.2% from \$25.5M in Q2 2017 to \$28.9M in Q2 2018. This increase was experienced by the Aerospace segment and was driven by the shipment of the majority of the C-130 program for CAE from the Aerospace Toronto facility and a ramp up of activity in the Aerospace Chatsworth facility. Offsetting these gains, was the impact of changes in the foreign exchange rates (the Canadian dollar was 6 cents stronger in Q2 this year which translated into a reduction in sales of approximately \$1M).

For the year-to-date period, sales were up \$3.7M or 7.1% due to the items noted above and the one-time revenue recognition of \$5.0M from the C919 program with SAVIC in the first quarter of this year.

Sales in the Circuits segment were down \$0.4M or 2.3% comparing Q2 2018 versus Q2 2017. On a year-to-date basis, Circuits segment sales were down by \$1.7M or 5.3%.

For the Aerospace segment, sales in Q2 2018 were \$12.7M compared to \$8.9M in the same quarter last year resulting in a 41.8% growth rate. Included in the Q2 2018 results are \$1.5M in sales from the acquisition of PhotoEtch and approximately \$4.5M of Teledyne PCT incremental sales. Year-to-date sales were up \$5.4M or 26.1% in the Aerospace segment.

Gross margins in Q2 2018 were up \$1.5M or 25.9% compared to Q2 2017. The benefit of increased sales and the cost savings of closing the Teledyne PCT facility was partially offset by some transition related costs.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for Q2 2018 was \$3.4M and \$8.4M for the trailing twelve months.

The following table reconciles EBITDA⁽²⁾ to the net earnings for Q2 2018 and trailing twelve months.

	<u>Q2 2018</u>	<u>Trailing Twelve Months</u>
Net earnings	\$1,295,000	1,347,000
Add:		
• Interest	132,000	517,000
• Income taxes/ITC	850,000	2,159,000
• Depreciation/Amortization	1,144,000	4,385,000
EBITDA	\$3,421,000	\$8,408,000

(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 at FTG in Q2 2018 were \$1.3M compared to a net profit of \$0.1M in Q2 2017. Q2 2018 had higher sales and the elimination of the Teledyne PCT facility costs as well as reductions in R&D spending. These improvements were partially offset by some restructuring costs this year.

The Circuits segment net earnings before corporate and interest and other costs was \$2.8M in Q2 2018 compared to \$2.6M in Q2 2017. The Circuits joint venture in China was profitable in Q2 of this year.

The Aerospace segment's net earnings before corporate and interest and other costs was \$0.1M versus (\$1.0M) in Q2 2017. Q2 2017 included operating and transitional costs for the Teledyne PCT facility which was closed during that quarter. FTG Aerospace Tianjin was profitable in Q2 of this year.

As at June 1, 2018, the Corporation's net working capital was \$27.8M, an increase of \$3.4M over 2017 year end. Higher accounts receivables and net bank debt was offset by higher customer deposits.

The Corporation will host a live conference call on Thursday, July 12, 2018 at 8:30 am (EDT) to discuss the results of Q2 2018.

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 July 26, 2018 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, pass code 3678495.

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)	June 01, 2018	November 30, 2017
ASSETS		
Current assets		
Cash	\$ 3,797	\$ 2,752
Accounts receivable	19,942	17,983
Taxes receivable	319	209
Inventories	25,216	25,079
Prepaid expenses	936	1,506
	50,210	47,529
Non-current assets		
Plant and equipment, net	11,986	12,222
Deferred income tax assets	394	395
Investment tax credits receivable	5,285	6,420
Deferred development costs	269	681
Intangible assets and other assets, net	3,454	3,768
Total assets	\$ 71,598	\$ 71,015
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	\$ 3,889	\$ 6,444
Accounts payable and accrued liabilities	13,135	13,341
Provisions	414	390
Customer deposits	3,074	1,268
Current portion of long-term bank debt	1,921	1,726
	22,433	23,169
Non-current liabilities		
Long-term bank debt	6,283	6,040
Deferred tax payable	1,769	1,696
Total liabilities	30,485	30,905
Equity		
Retained earnings	\$ 9,814	\$ 8,812
Accumulated other comprehensive income	2	187
	9,816	8,999
Share capital		
Common shares	19,312	19,295
Preferred shares	2,218	2,218
Contributed surplus	8,527	8,384
Total equity attributable to FTG's shareholders	39,873	38,896
Non-controlling interest	1,240	1,214
Total equity	41,113	40,110
Total liabilities and equity	\$ 71,598	\$ 71,015

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	
	June 01, 2018	June 02, 2017	June 01, 2018	June 02, 2017
Sales	\$ 28,878	\$ 25,513	\$ 56,406	\$ 52,685
Cost of sales				
Cost of sales	20,864	18,937	42,838	38,655
Depreciation of plant and equipment	772	823	1,479	1,391
Total cost of sales	21,636	19,760	44,317	40,046
Gross margin	7,242	5,753	12,089	12,639
Expenses				
Selling, general and administrative	3,496	3,008	6,601	6,722
Research and development costs	1,126	1,886	2,331	3,366
Recovery of research and development costs	(55)	(40)	(110)	(110)
Recovery of investment tax credits	(211)	(188)	(363)	(329)
Depreciation of plant and equipment	35	34	65	66
Amortization of intangible assets	261	286	517	567
Interest expense on short-term debt	67	71	153	128
Interest expense on long-term debt	65	59	130	125
Foreign exchange (gain) loss	(104)	(118)	(130)	43
Restructuring expenses	195	-	195	-
Total expenses	4,875	4,998	9,389	10,578
Earnings before income taxes	2,367	755	2,700	2,061
Current income tax expense	22	(41)	40	(24)
Deferred income tax expense	1,039	691	1,675	1,179
Total income tax expense	1,061	650	1,715	1,155
Net earnings	\$ 1,306	\$ 105	\$ 985	\$ 906
Attributable to:				
Non-controlling interest	\$ 11	\$ (19)	\$ (17)	\$ (18)
Equity holders of FTG	\$ 1,295	\$ 124	\$ 1,002	\$ 924
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.06	\$ 0.01	\$ 0.04	\$ 0.04
Diluted	\$ 0.05	\$ 0.01	\$ 0.04	\$ 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	
	June 01, 2018	June 02, 2017	June 01, 2018	June 02, 2017
Net earnings	\$ 1,306	\$ 105	\$ 985	\$ 906
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:				
Foreign currency translation adjustments	68	300	(44)	813
Net unrealized (loss) on derivative financial instruments designated as cash flow hedges	(367)	(226)	(131)	(1,144)
Tax impact	92	57	33	286
	(207)	131	(142)	(45)
Total comprehensive income	\$ 1,099	\$ 236	\$ 843	\$ 861
Attributable to:				
Equity holders of FTG	\$ 1,095	\$ 202	\$ 817	\$ 847
Non-controlling interest	\$ 4	\$ 34	\$ 26	\$ 14

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

Six months ended June 01, 2018	Attributed to the equity holders of FTG							
	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated	Total	Non-controlling interest	Total equity
Other Comprehensive Income (Loss)								
(Unaudited) (in thousands of Canadian dollars)								
Balance, November 30, 2017	\$ 19,295	\$ 2,218	\$ 8,812	\$ 8,384	\$ 187	\$ 38,896	\$ 1,214	\$ 40,110
Net earnings	-	-	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 hedges, net of tax impact	-	-	-	-	(98)	(98)	-	(98)
Balance, June 01, 2018	\$ 19,312	\$ 2,218	\$ 9,814	\$ 8,527	\$ 2	\$ 39,873	\$ 1,240	\$ 41,113
Six months ended June 02, 2017	Attributed to the equity holders of FTG							
(in thousands of Canadian dollars)	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated	Total	Non-controlling interest	Total equity
					Other Comprehensive Income (Loss)			
Balance, November 30, 2016	\$ 19,051	\$ 2,218	\$ 7,543	\$ 8,381	\$ 443	\$ 37,636	\$ 443	\$ 38,079
Net earnings	-	-	924	-	-	924	(18)	906
Stock-based compensation	-	-	-	24	-	24	-	24
Common shares issued on exercise of share options and PSU's	148	-	-	(142)	-	6	-	6
Foreign currency translation adjustments	-	-	-	-	781	781	32	813
Net unrealized (loss) on derivative financial instruments designated as cash flow net of tax impact	-	-	-	-	(858)	(858)	-	(858)
Contribution from non-controlling interest	-	-	-	-	-	-	824	824
Balance, June 02, 2017	\$ 19,199	\$ 2,218	\$ 8,467	\$ 8,263	\$ 366	\$ 38,513	\$ 1,281	\$ 39,794

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	June 01, 2018	June 02, 2017	June 01, 2018	June 02, 2017
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 1,306	\$ 105	\$ 985	\$ 906
Items not affecting cash:				
Non-controlling interest share of net loss (earnings)	(11)	19	17	18
Stock-based compensation	74	24	148	24
(Gain) on disposal of plant and equipment	-	(15)	-	(18)
Effect of exchange rates on US dollar debt	68	84	70	65
Depreciation of plant and equipment	806	857	1,543	1,457
Amortization of intangible assets	261	286	517	567
Amortization of deferred financing costs	3	3	6	6
Deferred income tax expense	947	633	1,572	1,111
Investment tax credits (recovery)	(211)	(188)	(363)	(329)
Decrease in net unrealized gain on derivative financial instruments designated as cash flow hedges	(229)	(170)	(264)	(201)
Net change in non-cash operating working capital	1,031	594	(22)	400
	4,045	2,232	4,209	4,006
Investing activities				
Additions to plant and equipment	(414)	(2,594)	(1,206)	(3,487)
Recovery (additions) of deferred development costs, other	(67)	(19)	221	116
Proceeds from disposal of plant and equipment	-	15	-	18
	(481)	(2,598)	(985)	(3,353)
Net cash flow from operating and investing activities	3,564	(366)	3,224	653
Financing activities				
(Decrease) increase in bank indebtedness	(1,912)	1,399	(2,555)	(231)
Proceeds from long-term bank debt	-	-	1,289	-
Repayments of long-term bank debt	(491)	(395)	(927)	(782)
Funding from non-controlling interest	-	-	-	824
Proceeds from issue of Common shares	-	3	12	6
	(2,403)	1,007	(2,181)	(183)
Effects of foreign exchange rate changes on cash flow	(3)	194	2	14
Net increase in cash flow	1,158	835	1,045	484
Cash, beginning of the period	2,639	2,801	2,752	3,152
Cash, end of period	\$ 3,797	\$ 3,636	\$ 3,797	\$ 3,636
Disclosure of cash payments				
Payment for interest	\$ 144	\$ 130	\$ 300	\$ 259
Payments for income taxes	\$ 6	\$ -	\$ 13	\$ 4