



For Immediate Release: October 10, 2018

**FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR ‘THE CORPORATION’)
ANNOUNCES THIRD QUARTER 2018 FINANCIAL RESULTS**

TORONTO, ONTARIO – (October 10, 2018) – Firan Technology Group Corporation (TSX:FTG) today announced financial results for the third quarter 2018.

- Achieved record third quarter sales of \$25.0M, an increase of 31% over Q3 2017
- Grew Circuits segment by 22% over Q3 last year
- Grew Aerospace segment by 50% over Q3 last year
- Achieved \$2.7M EBITDA, an increase of \$0.9M over Q3 last year
- Grew Q3 2018 net income by 320% over same period last year

“The third quarter of 2018 came in as expected for the summer months, which typically experience a drop in sales from Q2 due to higher vacations and fewer production days”, stated Brad Bourne, President and Chief Executive Officer. He added, “Sales and profitability were up dramatically from Q3 last year again demonstrating the transition activities are mostly behind us. We will continue to work on managing transition and one-time costs in our Chatsworth operations.”

Third Quarter Results: (three months ended August 31, 2018 compared with three months ended September 1, 2017)

	<u>Q3 2018</u>	<u>Q3 2017</u>
Sales	\$25,001,000	\$19,144,000
Gross Margin	5,909,000	5,199,000
Gross Margin (%)	23.6%	27.2%
Operating Earnings ⁽¹⁾ :	<hr/> 2,580,000	<hr/> 2,278,000
• Net R&D Investment	979,000	1,668,000
• Foreign Exchange Loss (Gain)	(34,000)	(272,000)
• Recovery of Investment Tax Credits	(205,000)	(166,000)
• Amortization of Intangibles	266,000	273,000
Net Earnings before Tax	1,574,000	775,000
• Current Tax Expense	15,000	14,000
• Deferred Tax Expense	916,000	623,000
• Non-controlling Interests	(4,000)	(16,000)
Net Earnings After Tax	<hr/> \$647,000	<hr/> \$154,000
Earnings per share		
- basic	\$0.03	\$0.01
- diluted	\$0.03	\$0.01

Year-to-Date Results: (nine months ended August 31, 2018 compared with nine months ended September 1, 2017)

	<u>YTD 2018</u>	<u>YTD 2017</u>
Sales	\$81,407,000	\$71,829,000
Gross Margin	17,998,000	17,838,000
Gross Margin (%)	22.1%	24.8%
Operating Earnings ⁽¹⁾ :	7,720,000	7,876,000
• Restructuring	195,000	-
• Net R&D Investment	3,200,000	4,924,000
• Foreign Exchange Loss (Gain)	(164,000)	(229,000)
• Recovery of Investment Tax Credits	(568,000)	(495,000)
• Amortization of Intangibles	783,000	840,000
Net Earnings before Tax	4,274,000	2,836,000
• Current Tax Expense	55,000	(10,000)
• Deferred Tax Expense	2,591,000	1,802,000
• Non-controlling Interests	(21,000)	(34,000)
Net Earnings After Tax	\$1,649,000	\$1,078,000
Earnings per share		
- basic	\$0.07	\$0.05
- diluted	\$0.07	\$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 third quarter of 2018 that continue to improve the Corporation and position it for the future, including:

- Began shipments to Flight Safety International for the KC-46 simulator program
- Shipped first set of the redesigned cockpit control devices for the third test aircraft for the C919 program in China
- Completed qualification testing of the cursor control device for a helicopter program and are progressing through Transport Canada approval
- Completed qualification testing of a cockpit power supply for the LE-700 training aircraft in China
- Achieved sales resulting from the 2016 acquisitions of \$5.4M versus our target of \$5.5M
- Received Authorization to Proceed on a new military helicopter simulation program with an expected value between \$1-2M USD
- Received our first ever patent for High Temperature Rigid Flex circuit board technology in the UK
- Won a contract to develop cockpit panels for the Orion manned spacecraft being developed for NASA
- Completed our first robotic automation project including Industry 4.0 technology at our Circuits Toronto facility

For FTG, overall sales increased by \$5.9M or 30.6% from \$19.1M in Q3 2017 to \$25.0M in Q3 2018. Both the Circuits and Aerospace segments contributed to the growth. Also contributing to the growth was the weakening of the Canadian dollar by 2.5 cents in Q3 this year compared to the same period last year. For the year-to-date, sales were up \$9.6M or 13.3% due to the above items plus the one time revenue recognition of \$5M from the C919 program in Q1 2018.

The Circuits Segment sales were up \$3.0M or 22.1% in Q3 2018 versus Q3 2017. On a year-to-date basis, Circuits sales were up by \$1.3M or 2.8%.

For the Aerospace segment, sales in Q3 2018 were \$8.6M compared to \$5.7M in the same quarter last year resulting in a 50.6% growth rate. Year-to-date sales were up \$8.3M or 31.4% in the Aerospace segment.

Gross margins in Q3 2018 were up \$0.7M compared to Q3 2017. The benefit of increased sales and lower costs were partially offset by a \$0.95M inventory provision in Aerospace Chatsworth against inventory acquired in the two acquisitions in 2016.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for Q3 2018 was \$2.7M and \$9.2M for the trailing twelve months.

The following table reconciles EBITDA⁽²⁾ to the net earnings for Q3, 2018 and trailing twelve months.

	<u>Q3 2018</u>	<u>Trailing Twelve Months</u>
Net earnings	\$643,000	1,791,000
Add:		
Interest	139,000	547,000
Income taxes/ITC	726,000	2,414,000
Depreciation/Amortization	1,166,000	4,483,000
EBITDA	<u>\$2,674,000</u>	<u>\$9,235,000</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 Q3 2018 was \$0.6M compared to a net profit of \$0.1M in Q3 2017. Q3 2018 had higher sales, lower R&D spending, offset by an inventory provision increase of \$0.95M.

The Circuits segment net earnings before corporate and interest and other costs was \$3.0M in Q3 2018 compared to \$1.7M in Q3 2017.

The Aerospace net earnings before corporate and interest and other costs in the quarter was (\$0.7M) versus (\$1.3M) in Q3 2017. Q3 2018 had an inventory provision increase of \$0.95M.

As at August 31, 2018, the Corporation's net working capital was \$28.5M, an increase of \$4.1M over year end 2017. Higher accounts receivables, inventory and lower bank debt and lower accounts payable was offset by higher customer deposits.

Net debt to EBITDA, was 0.9:1 for the trailing 12 month period.

The Corporation will host a live conference call on Thursday, October 11, 2018 at 8:30 am (EDT) to discuss the results of Q3 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 October 25, 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, Conference ID 8565389.

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)	August 31, 2018	November 30, 2017
ASSETS		
Current assets		
Cash	\$ 2,481	\$ 2,752
Accounts receivable	18,477	17,983
Taxes receivable	134	209
Inventories	26,430	25,079
Prepaid expenses	1,242	1,506
	48,764	47,529
Non-current assets		
Plant and equipment, net	11,576	12,222
Deferred income tax assets	394	395
Investment tax credits receivable	5,043	6,420
Deferred development costs	268	681
Intangible assets and other assets, net	3,207	3,768
Total assets	\$ 69,252	\$ 71,015
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	\$ 2,611	\$ 6,444
Accounts payable and accrued liabilities	12,779	13,341
Provisions	523	390
Customer deposits	2,397	1,268
Current portion of long-term bank debt	1,935	1,726
	20,245	23,169
Non-current liabilities		
Long-term bank debt	5,840	6,040
Deferred tax payable	1,810	1,696
Total liabilities	27,895	30,905
Equity		
Retained earnings	\$ 10,461	\$ 8,812
Accumulated other comprehensive income	(412)	187
	10,049	8,999
Share capital		
Common shares	19,323	19,295
Preferred shares	2,218	2,218
Contributed surplus	8,598	8,384
Total equity attributable to FTG's shareholders	40,188	38,896
Non-controlling interest	1,169	1,214
Total equity	41,357	40,110
Total liabilities and equity	\$ 69,252	\$ 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		Nine months ended	
	August 31, 2018	September 01, 2017	August 31, 2018	September 01, 2017
Sales	\$ 25,001	\$ 19,144	\$ 81,407	\$ 71,829
Cost of sales				
Cost of sales	18,304	13,253	61,142	51,908
Depreciation of plant and equipment	788	692	2,267	2,083
Total cost of sales	19,092	13,945	63,409	53,991
Gross margin	5,909	5,199	17,998	17,838
Expenses				
Selling, general and administrative	3,156	2,787	9,757	9,509
Research and development costs	1,034	1,723	3,365	5,089
Recovery of research and development costs	(55)	(55)	(165)	(165)
Recovery of investment tax credits	(205)	(166)	(568)	(495)
Depreciation of plant and equipment	34	25	99	91
Amortization of intangible assets	266	273	783	840
Interest expense on short-term debt	47	56	200	184
Interest expense on long-term debt	92	53	222	178
Foreign exchange (gain) loss	(34)	(272)	(164)	(229)
Restructuring expenses	-	-	195	-
Total expenses	4,335	4,424	13,724	15,002
Earnings before income taxes	1,574	775	4,274	2,836
Current income tax expense	15	14	55	(10)
Deferred income tax expense	916	623	2,591	1,802
Total income tax expense	931	637	2,646	1,792
Net earnings	\$ 643	\$ 138	\$ 1,628	\$ 1,044
Attributable to:				
Non-controlling interest	\$ (4)	\$ (16)	\$ (21)	\$ (34)
Equity holders of FTG	\$ 647	\$ 154	\$ 1,649	\$ 1,078
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.05
Diluted	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.04

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 31, 2018	September 01, 2017	August 31, 2018	September 01, 2017
Net earnings	\$ 643	\$ 138	\$ 1,628	\$ 1,044
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:				
Foreign currency translation adjustments	(166)	(2,424)	(210)	(1,611)
Net unrealized (loss) gain on derivative financial instruments designated as cash flow hedges	(420)	2,983	(551)	1,839
Tax impact	105	(746)	138	(460)
	(481)	(187)	(623)	(232)
Total comprehensive income (loss)	\$ 162	\$ (49)	\$ 1,005	\$ 812
Attributable to:				
Equity holders of FTG	\$ 233	\$ 27	\$ 1,050	\$ 874
Non-controlling interest	\$ (71)	\$ (76)	\$ (45)	\$ (62)

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

Nine months ended August 31, 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	-	-	1,649	-	-	1,649	(21)	1,628
Stock-based compensation	-	-	-	222	-	222	-	222
Common shares issued on exercise of share options and PSU's	28	-	-	(8)	-	20	-	20
Foreign currency translation adjustments	-	-	-	-	(186)	(186)	(24)	(210)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(413)	(413)	-	(413)
Balance, August 31, 2018	\$ 19,323	\$ 2,218	\$ 10,461	\$ 8,598	\$ (412)	\$ 40,188	\$ 1,169	\$ 41,357
Nine months ended September 01, 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	-	-	1,078	-	-	1,078	(34)	1,044
Stock-based compensation	-	-	-	99	-	99	-	99
Common shares issued on exercise of share options and PSU's	204	-	-	(158)	-	46	-	46
Foreign currency translation adjustments	-	-	-	-	(1,583)	(1,583)	(28)	(1,611)
Net unrealized gain (loss) on derivative financial instruments designated as cash flow net of tax impact	-	-	-	-	1,379	1,379	-	1,379
Contribution from non-controlling interest	-	-	-	-	-	-	824	824
Balance, September 01, 2017	\$ 19,255	\$ 2,218	\$ 8,621	\$ 8,322	\$ 239	\$ 38,655	\$ 1,205	\$ 39,860

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 31, 2018	September 01, 2017	August 31, 2018	September 01, 2017
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 643	\$ 138	\$ 1,628	\$ 1,044
Items not affecting cash:				
Non-controlling interest share of net loss (earnings)	4	16	21	34
Stock-based compensation	74	75	222	99
(Gain) on disposal of plant and equipment	(2)	(3)	(2)	(21)
Effect of exchange rates on US dollar debt	69	(547)	139	(482)
Depreciation of plant and equipment	823	717	2,366	2,174
Amortization of intangible assets	266	273	783	840
Amortization of deferred financing costs	3	3	9	9
Deferred income tax expense	488	1,370	2,060	2,481
Investment tax credits (recovery) expense	(205)	(166)	(568)	(495)
Decrease in net unrealized gain on derivative financial instruments designated as cash flow hedges	- - (360)	- - 1,217	- - (624)	- - 1,016
Net change in non-cash operating working capital	(837)	(817)	(859)	(417)
	966	2,276	5,175	6,282
Investing activities				
Additions to plant and equipment	(481)	(1,419)	(1,687)	(4,906)
Recovery (additions) of deferred development costs, other	5	(1)	226	115
Proceeds from disposal of plant and equipment	3	-	3	18
	(473)	(1,420)	(1,458)	(4,773)
Net cash flow from operating and investing activities	493	856	3,717	1,509
Financing activities				
(Decrease) in bank indebtedness	(1,278)	(1,177)	(3,833)	(1,408)
Proceeds from long-term bank debt	-	-	1,289	-
Repayments of long-term bank debt	(501)	(377)	(1,428)	(1,159)
Funding from non-controlling interest	-	-	-	824
Proceeds from issue of Common shares	8	40	20	46
	(1,771)	(1,514)	(3,952)	(1,697)
Effects of foreign exchange rate changes on cash flow	(38)	(539)	(36)	(525)
Net (decrease) in cash flow	(1,316)	(1,197)	(271)	(713)
Cash, beginning of the period	3,797	3,636	2,752	3,152
Cash, end of period	\$ 2,481	\$ 2,439	\$ 2,481	\$ 2,439
Disclosure of cash payments				
Payment for interest	\$ 125	\$ 111	\$ 425	\$ 370
Payments for income taxes	\$ 1	\$ 1	\$ 14	\$ 5