



FIRAN TECHNOLOGY GROUP (FTG) ANNOUNCES THIRD QUARTER 2017 FINANCIAL RESULTS

TORONTO, ONTARIO: October 11, 2017 – Firan Technology Group Corporation (TSX:FTG) today announced financial results for the third quarter 2017.

- Increased gross margin to over 27% in Q3
- Realized costs savings due to the closure of the Teledyne PCT facility
- Achieved book-to-bill ratio of 1.23:1 in Q3 2017
- Generated \$2.3M in cash from operations used to acquire new equipment and pay down debt

“The third quarter of 2017 saw reduced activity, as predicted, as we transitioned the Teledyne PCT equipment to our Chatsworth facilities”, stated Brad Bourne, President and Chief Executive Officer. He added, “The quarter’s activity was also impacted by the strengthening of the Canadian dollar and the normal slowdown resulting from summer vacations. With the closure of the Teledyne facility, FTG’s cost structure was reduced and this resulted in increased gross margins, despite the above impacts. As activity in Chatsworth continues to ramp up, we expect to see improving operating results for the Corporation.”

Third Quarter Results: (three months ended Sept 1, 2017 compared with three months ended Aug 26, 2016)

	<u>Q3 2017</u>	<u>Q3 2016</u>
Sales	\$19,144,000	\$23,187,000
Gross Margin	5,199,000	5,011,000
Gross Margin (%)	27.2%	21.6%
Operating Earnings ⁽¹⁾ :	<hr/> 2,278,000	<hr/> 2,309,000
• Net R&D Investment	1,668,000	748,000
• Bargain Purchase Gain	-	(5,578,000)
• Restructuring Expense	-	3,245,000
• Foreign Exchange (Gain) Loss	(272,000)	13,000
• Recovery of Investment Tax Credits	(166,000)	(152,000)
• Amortization of Intangibles	273,000	154,000
Net Earnings before Tax	<hr/> 775,000	<hr/> 3,879,000
• Tax Expense	637,000	383,000
• Non-controlling Interests	(16,000)	11,000
Net Earnings After Tax	<hr/> \$154,000	<hr/> \$3,485,000

Earnings per share		
- basic	\$0.01	\$0.17
- diluted	\$0.01	\$0.15

Year-to-Date Results: (nine months ended Sept 01, 2017 compared with nine months ended Aug 26, 2016)

	<u>YTD 2017</u>	<u>YTD 2016</u>
Sales	\$71,829,000	\$59,881,000
Gross Margin	17,838,000	13,623,000
Gross Margin (%)	24.8%	22.8%
Operating Earnings ⁽¹⁾ :	<hr/> 7,876,000	<hr/> 5,453,000
• Net R&D Investment	4,924,000	2,272,000
• Bargain Purchase Gain	-	(7,189,000)
• Restructuring Expense	-	3,915,000
• Foreign Exchange (Gain) Loss	(229,000)	318,000
• Recovery of Investment Tax Credits	(495,000)	(499,000)
• Amortization of Intangibles	840,000	198,000
Net Earnings before tax	<hr/> 2,836,000	<hr/> 6,438,000
• Income Tax	1,792,000	1,136,000
• Non-controlling Interests	(34,000)	17,000
Net Earnings after tax	<hr/> <hr/> \$1,078,000	<hr/> <hr/> \$5,285,000
Earnings per share		
- basic	\$0.05	\$0.27
- diluted	\$0.04	\$0.25

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

- Completed installation and commissioning of the Teledyne PCT related equipment in the Chatsworth facility.
- Increased throughput at Aerospace Chatsworth by 150% over Q2 2017, primarily by increased activity in August.

- After the quarter, increased throughput at Aerospace Chatsworth by over 160% in September 2017 compared to June 2017, further demonstrating increasing production rates.
- Achieved \$1.9M in sales resulting from the Photo Etch acquisition, above our target of \$1.5M per quarter.

For FTG, overall sales decreased by \$4.0M or 17% from \$23.2M in Q3 2016 to \$19.1M in Q3 2017. The decrease was attributable to both businesses.

Revenues from the Photo Etch acquisition contributed \$1.9M in incremental sales during the third quarter, compared to \$1.9M in Q3 last year. Revenues from the Teledyne PCT contributed \$0.9M in Q3 2017 compared to \$3.5M in Q3 last year. Excluding the acquisitions, revenues were down \$1.4M compared to Q3 2016, partially due to the strengthening of the Canadian dollar versus the US dollar. Sequentially, revenues were down \$6.4M in Q3 versus Q2 2017 due to transition activities, summer vacations and the strengthening of the Canadian dollar. In addition, the Photo Etch related activity was down \$1.0M sequentially due to the end of the current phase of a large military simulator program which is a normal business cycle. The Teledyne PCT related activity was down sequentially by \$5.3M due to the closure of the Teledyne facility and the time taken to commission equipment in the Chatsworth facility and ramp production. This activity did ramp each month of the quarter as progress was achieved.

The Circuits Segment sales were down by \$1.3M or 8.8% in Q3 2017 versus Q3 2016. The decrease is predominantly due to increased intercompany activity supporting the ramp up in Aerospace Chatsworth which is not reflected in consolidated sales. On a year-to-date basis, Circuits sales were up \$4.0M or 9.6%.

For the Aerospace segment, sales in Q3 2017 were \$5.7M compared to \$8.5M in the same quarter last year. The decrease is primarily attributable to the Teledyne PCT transition activities in the quarter. Year-to-date Aerospace sales were up \$8.0M or 43.2%.

Gross margins in Q3 2017 were up \$0.2M compared to Q3 2016. As a percentage, gross margins increased from 21.6% in Q3 last year to 27.2% in Q3 this year. The increase is principally due to the cost savings from the Teledyne PCT plant closure offset by lower sales.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for trailing twelve months is \$8.0M.

The following table reconciles EBITDA⁽²⁾ to the net earnings for Q3 2017 and trailing 12 months.

	<u>Q3 2017</u>	<u>Trailing 12 Months</u>
Net earnings	\$154,000	1,708,000
Add:		
Interest	109,000	488,000
Income taxes/ITC/JV	455,000	1,716,000
Depreciation/Amortization	1,068,000	4,117,000
EBITDA	<u>\$1,786,000</u>	<u>\$7,961,000</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 Q3 2017 were \$0.2M compared to a net profit of \$3.5M in Q3 2016. The decrease is due to the one-time gains recognized in the prior year with respect to the Photo Etch and Teledyne PCT transactions which contributed \$2.3M to last year and the decreased activity in Q3 of this year.

The Circuits segment net earnings before corporate and interest and other costs was \$1.7M in Q3 2017 compared to \$2.5M in Q3 2016.

The Aerospace net earnings (loss) before corporate and interest and other costs decreased to (\$1.3M) versus \$2.0M in Q3 2016. The Q3 2016 results included a one-time net gain of \$1.7M related to the acquisition of Teledyne PCT and lower activity.

As at Sept 1, 2017, the Corporation's net working capital was \$23.6M, an increase of \$1.2M over year-end 2016.

The Corporation will host a live conference call on Thursday October 12, 2017 at 8:30 am (EDT) to discuss the results of Q3 2017.

Anyone wishing to participate in the call should dial 416-340-2220 OR 1-866-225-2055 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 22, 2017 and will be available on the FTG website at www.ftgcorp.com. The number to call for a rebroadcast is 905-694-9451 or 1-800-408-3053, Pass Code 3440996#.

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)	September 01, November 30, 2017 2016	
ASSETS		
Current assets		
Cash	\$ 2,439	\$ 3,152
Accounts receivable	14,201	21,022
Taxes receivable	154	259
Inventories	23,526	22,464
Prepaid expenses	2,841	1,776
	43,161	48,673
Non-current assets		
Plant and equipment, net	11,167	8,851
Deferred income tax assets	-	1,327
Investment tax credits receivable	6,765	7,330
Deferred development costs	625	739
Intangible assets, net	3,886	5,066
Total assets	\$ 65,604	\$ 71,986
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	\$ 5,576	\$ 6,983
Accounts payable and accrued liabilities	11,739	15,105
Provisions	523	2,349
Customer deposits, net of deferred development	283	308
Current portion of long-term bank debt	1,394	1,510
	19,515	26,255
Non-current liabilities		
Long-term bank debt	4,562	6,079
Deferred tax payable	1,667	1,573
Total liabilities	25,744	33,907
Equity		
Retained earnings	\$ 8,621	\$ 7,543
Accumulated other comprehensive income	239	443
	8,860	7,986
Share capital		
Common shares	19,255	19,051
Preferred shares	2,218	2,218
Contributed surplus	8,322	8,381
Total equity attributable to FTG's shareholders	38,655	37,636
Non-controlling interest	1,205	443
Total equity	39,860	38,079
Total liabilities and equity	\$ 65,604	\$ 71,986

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	
	September 01, 2017	August 26, 2016	September 01, 2017	August 26, 2016
Sales	\$ 19,144	\$ 23,187	\$ 71,829	\$ 59,881
Cost of sales				
Cost of sales	13,253	17,567	51,908	44,609
Depreciation of plant and equipment	692	609	2,083	1,649
Total cost of sales	13,945	18,176	53,991	46,258
Gross margin	5,199	5,011	17,838	13,623
Expenses				
Selling, general and administrative	2,787	2,595	9,509	7,905
Research and development costs	1,723	818	5,089	2,482
Recovery of research and development costs	(55)	(70)	(165)	(210)
Recovery of investment tax credits	(166)	(152)	(495)	(499)
Depreciation of plant and equipment	25	30	91	84
Amortization of intangible assets	273	154	840	198
Interest expense on short-term debt	56	31	184	51
Interest expense on long-term debt	53	46	178	130
Foreign exchange (gain) loss	(272)	13	(229)	318
Bargain purchase gain	-	(5,578)	-	(7,189)
Restructuring expenses	-	3,245	-	3,915
Total expenses	4,424	1,132	15,002	7,185
Earnings before income taxes	775	3,879	2,836	6,438
Current income tax expense (recovery)	14	15	(10)	46
Deferred income tax expense	623	368	1,802	1,090
Total income tax expense	637	383	1,792	1,136
Net earnings	\$ 138	\$ 3,496	\$ 1,044	\$ 5,302
Attributable to:				
Non-controlling interest	\$ (16)	\$ 11	\$ (34)	\$ 17
Equity holders of FTG	\$ 154	\$ 3,485	\$ 1,078	\$ 5,285
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.01	\$ 0.17	\$ 0.05	\$ 0.27
Diluted	\$ 0.01	\$ 0.15	\$ 0.04	\$ 0.25

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	September 01, 2017	August 26, 2016	September 01, 2017	August 26, 2016
Net earnings	\$ 138	\$ 3,496	\$ 1,044	\$ 5,302
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:				
Foreign currency translation adjustments	(2,424)	(100)	(1,611)	688
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	2,983	143	1,839	324
Tax impact	(746)	(36)	(460)	(81)
	(187)	7	(232)	931
Total comprehensive income (loss)	\$ (49)	\$ 3,503	\$ 812	\$ 6,233
Attributable to:				
Equity holders of FTG	\$ 27	\$ 3,493	\$ 874	\$ 6,219
Non-controlling interest	\$ (76)	\$ 10	\$ (62)	\$ 14

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

(Unaudited) (in thousands of Canadian dollars)	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, 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 on derivative financial instruments designated as cash flow hedges, 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

(in thousands of Canadian dollars)	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, 2015	\$ 13,075	\$ 2,218	\$ 1,628	\$ 8,373	\$ (233)	\$ 25,061	\$ 29	\$ 25,090
Net earnings	-	-	5,285	-	-	5,285	17	5,302
Stock-based compensation	-	-	-	35	-	35	-	35
Common shares issued on exercise of share options	78	-	-	(20)	-	58	-	58
Common shares issued	5,819	-	-	-	-	5,819	-	5,819
Foreign currency translation adjustments	-	-	-	-	691	691	(3)	688
Net unrealized gain on derivative financial instruments designated as cash flow hedges	-	-	-	-	243	243	-	243
Balance, August 26, 2016	\$ 18,972	\$ 2,218	\$ 6,913	\$ 8,388	\$ 701	\$ 37,192	\$ 43	\$ 37,235

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Nine months ended	
	September 01, 2017	August 26, 2016	September 01, 2017	August 26, 2016
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 138	\$ 3,496	\$ 1,044	\$ 5,302
Items not affecting cash:				
Non-controlling interest share of net loss (earnings)	16	(11)	34	(17)
Stock-based compensation	75	11	99	35
(Gain) on disposal of plant and equipment	(3)	-	(21)	-
Effect of exchange rates on US dollar debt	(547)	(22)	(482)	(132)
Depreciation of plant and equipment	717	640	2,174	1,734
Amortization of intangible assets	273	154	840	198
Amortization of deferred financing costs	3	3	9	8
Deferred income tax	310	403	1,421	1,465
Investment tax credits expense (recovery)	894	(152)	565	(499)
(Increase) decrease in net unrealized loss on derivative financial instruments designated as cash flow hedges	-	-	-	-
	1,217	107	1,016	1,126
Net change in non-cash operating working capital	(817)	(5,891)	(417)	(12,897)
	2,276	(1,262)	6,282	(3,677)
Investing activities				
Additions to plant and equipment, net	(1,419)	(451)	(4,906)	(1,162)
Additions to plant and equipment - acquisitions	-	(2,922)	-	(3,340)
Additions to intangible assets - acquisitions	-	(4,340)	-	(5,280)
(Additions) recovery of deferred development costs	(1)	(292)	115	(303)
Additions to deferred financing costs	-	(11)	-	(11)
Proceeds from disposal of plant and equipment	-	-	18	-
	(1,420)	(8,016)	(4,773)	(10,096)
Net cash flow from operating and investing activities	856	(9,278)	1,509	(13,773)
Financing activities				
Increase (decrease) in bank indebtedness	(1,177)	1,550	(1,408)	5,070
Proceeds from long-term bank debt	-	3,390	-	3,390
Repayments of long-term bank debt	(377)	(300)	(1,159)	(842)
Funding from non-controlling interests	-	-	824	-
Proceeds from issue of Common shares	40	5,851	46	5,876
	(1,514)	10,491	(1,697)	13,494
Effects of foreign exchange rate changes on cash flow	(539)	113	(525)	216
Net increase (decrease) in cash flow	(1,197)	1,326	(713)	(63)
Cash, beginning of the period	3,636	1,771	3,152	3,160
Cash, end of the period	\$ 2,439	\$ 3,097	2,439	\$ 3,097
Disclosure of cash payments				
Payment for interest	\$ 111	\$ 77	\$ 370	\$ 181
Payments for income taxes	\$ 1	\$ -	\$ 5	\$ 14