



For Immediate Release: July 13, 2022

FIRAN TECHNOLOGY GROUP CORPORATION (“FTG”) ANNOUNCES SECOND QUARTER 2022 FINANCIAL RESULTS

TORONTO, ONTARIO – (July 13, 2022) – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the second quarter of 2022.

- FTG achieved a sixth sequential quarter of increased bookings as the aerospace industry recovers from the COVID-19 pandemic
- Second quarter bookings of \$27.6M are up 6% over Q1 2022 and up 45% over Q2 2021 and is the best bookings quarter since Q4 2019
- FTG has maintained strong liquidity with net cash on the balance sheet of \$16.8M, after investments in the quarter of \$0.4M for capital expenditures and \$1.6M for research and development
- Sales for Q2 2022 were \$22.3M, which is an increase of 9.8% over Q2 2021 and an increase of 9.1% over Q1 2022

Second Quarter Results: (three months ended June 3, 2022 compared with three months ended June 4, 2021)

	<u>Q2 2022</u>	<u>Q2 2021</u>
Sales	\$22,318,000	\$20,330,000
Gross Margin	5,624,000	5,428,000
Gross Margin (%)	25.2%	26.7%
Operating Earnings ⁽¹⁾ :	2,142,000	2,518,000
• R&D Investment	1,640,000	1,505,000
• R&D Tax Credits	(179,000)	(179,000)
• Foreign Exchange Loss	120,000	544,000
• Amortization of Intangibles	30,000	70,000
Net Earnings before Tax	531,000	578,000
• Income Tax	498,000	589,000
• Non-controlling Interests	19,000	(21,000)
Net Earnings After Tax	\$14,000	\$10,000
Earnings per share		
- basic	\$0.00	\$0.00
- diluted	\$0.00	\$0.00

Government Assistance included in the Periods:

- Forgiveness of Debt - -

• Other Government Subsidies	57,000	1,269,000
Total Government Assistance included in the Periods	<u>57,000</u>	<u>1,269,000</u>

Year-to-Date: (six months ended June 3, 2022 compared with six months ended June 4, 2021)

	<u>YTD 2022</u>	<u>YTD 2021</u>
Sales	\$42,779,000	\$39,300,000
Gross Margin	9,866,000	9,090,000
Gross Margin (%)	23.1%	23.1%
Operating Earnings ⁽¹⁾ :	<u>3,158,000</u>	<u>3,204,000</u>
• R&D Investment	3,032,000	2,887,000
• R&D Tax Credits	(356,000)	(306,000)
• Foreign Exchange Loss	289,000	1,162,000
• Amortization of Intangibles	61,000	159,000
• Forgiveness of debt	-	(1,336,000)
Net Earnings before Tax	<u>132,000</u>	<u>638,000</u>
• Income Tax	830,000	1,076,000
• Non-controlling Interests	21,000	(48,000)
Net (Loss) Earnings After Tax	<u>(\$719,000)</u>	<u>(\$390,000)</u>
(Loss) Earnings per share		
- basic	(\$0.03)	(\$0.02)
- diluted	(\$0.03)	(\$0.02)

Government Assistance included in the Periods:

• Forgiveness of Debt	-	1,336,000
• Other Government Subsidies	314,000	2,352,000
Total Government Assistance included in the Periods	<u>314,000</u>	<u>3,688,000</u>

(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 2022 that continue to improve the Corporation and position it for the future, including:

- Achieved a 1.24:1 book-to-bill ratio for Q2 2022
- Booked a \$1.4M order for military assemblies to be manufactured at the FTG Aerospace Chatsworth facility, with qualification parts to be delivered in late 2022 followed by production in 2023
- Total backlog as of the end of Q2 2022 is \$49.6M, up 45% from Q2 2021

- As announced on June 30, 2022, FTG has been awarded up to \$7.0M of funding from FedDev Ontario pursuant to the Aerospace Regional Recovery Initiative (ARRI) program. This funding will be in the format of a repayable contribution against qualifying investments made by FTG prior to March 31, 2024. The funding will be repayable, without interest, commencing in 2025 through to 2030.

Overall for FTG, sales increased by \$2.0M or 10% from \$20.3M in Q2 2021 to \$22.3M in Q2 2022. The sales growth is driven by increased demand from Commercial Aerospace customers as well as a 2.5% favourable foreign exchange impact. On a year-to-date basis, sales were \$42.8M compared to \$39.3M for the same period last year.

The Circuits Segment sales were up \$2.5M or 19% from \$13.0M in Q2 2021 to \$15.5M in Q2 2022. Sales growth was most pronounced at Circuits Toronto and our JV in China, as both of these sites are primarily serving the Commercial Aerospace market. On a year-to-date basis, net sales were \$29.7M as compared to \$25.0M for the prior year period.

For the Aerospace Segment, sales were down \$0.5M or 7% from \$7.3M in Q2 2021 to \$6.8M in Q2 2022. The Aerospace segment continues to be challenged by the availability of electronic components. On a year-to-date basis, net sales were \$13.1M as compared to \$14.3M for the prior year period. For Q2, simulator product sales were down \$0.2M, and for the year-to-date they are down \$2.7M. Simulator product quotation and booking activity is starting to recover in 2022.

Gross margins in Q2 2022 were \$5.6M or 25.2% compared to \$5.4M or 26.7% in Q2 2021. The increased sales volume in Q2 2022 contributed positively to the gross margin rate, while a \$1.0M reduction in government subsidies as compared to Q2 2021 represented a reduction in the gross margin rate of 4.4%. On a year-to-date basis, gross margin was \$9.9M or 23.1% as compared to \$9.0M or 23.1% for the comparable prior year period. Government subsidies included in cost of sales for the year-to-date period in 2022 were \$0.3M as compared to \$2.1M in 2021. In FTG's case, sales volumes have increased as government support has been withdrawn.

Trailing Twelve Month (TTM) earnings before interest, tax, depreciation and amortization (EBITDA) for FTG was \$8.8M, of which \$2.1M was generated in Q2 2022.

The following table reconciles net earnings to EBITDA⁽²⁾ for the trailing 12 months ended June 3, 2022.

	<u>Trailing 12 Months</u>
Net earnings to equity holders of FTG	(73,000)
Add:	
Interest, Accretion	482,000
Income taxes	2,162,000
Depreciation/Amortization/ Stock Comp.	6,242,000
EBITDA	<u>\$8,813,000</u>

(2) EBITDA are not measures recognized under International Financial Reporting Standards ("IFRS"). Management believes that these measures are 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 after tax at FTG in Q2 2022 was \$0.0M or \$0.00 per diluted share compared to \$0.0M or \$0.00 per diluted share in Q2 2021. The increased sales and gross margin in Q2 2022 was offset by reduced COVID-19 related government subsidies. In Q2 2022, government subsidies were limited to \$0.1M from the US Department of Transportation AMJP program, whereas Q2 2021 included \$1.3M of wage and rent subsidies in Canada. Excluding COVID-19 related government subsidies, net earnings after tax from FTG's operations improved by \$1.2M pre-tax in Q2 2022 compared to Q2 2021.

For the year-to-date period, FTG incurred a net loss of \$0.7M or \$0.03 per share as compared to a net loss of \$0.4M or \$0.02 per share for the comparable period of 2021. During the year-to-date period in 2022, government subsidies included \$0.3M from the US Department of Transportation AMJP program, whereas the comparable period in 2021 included \$3.7M of wage and rent subsidies in Canada and PPP loan forgiveness in the U.S. Excluding COVID-19 related government subsidies, net loss after tax from FTG's operations improved by \$3.0M pre-tax in the year-to-date period in 2022 compared to 2021.

The Circuits Segment net earnings before corporate and interest and other costs was \$0.8M in Q2 2022 compared to \$1.1M in Q2 2021. The increase in sales was the most significant impact on the segment profitability offset by reduced subsidies from the US and Canadian governments. Q2 2022 included \$0.1M of government subsidies whereas Q2 2021 included \$0.7M. Excluding the effect of government subsidies, net earnings from the Circuits Segment increased by \$0.4M.

The Aerospace net earnings before corporate and interest and other costs in the quarter was \$0.5M in Q2 2022 versus \$0.4M in Q2 2021. The Aerospace Segment did not receive any government subsidies in Q2 2022 whereas Q2 2021 included \$0.5M. Excluding the effect of government subsidies, net earnings from the Aerospace Segment increased by \$0.6M.

As at June 3, 2022, the Corporation's net working capital was \$39.9M, compared to \$40.0M at year-end in 2021.

Net cash at the end of Q2 2022 was \$16.8M compared to net cash of \$17.9M at the end of 2021.

The Corporation will host a live conference call on Thursday, July 14, 2022 at 8:30am (Eastern) to discuss the results of Q2 2022.

Anyone wishing to participate in the call should dial 416-764-8658 or 1-888-886-7786, Conference ID 05645534, 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 August 14, 2022 and will be available on the FTG website at www.ftgcorp.com. The number to call for a rebroadcast is 416-764-8692 or 1-877-674-7070, playback passcode: 645534 #.

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, Fredericksburg, Virginia and a joint venture in Tianjin, China.

FTG Aerospace manufactures and repairs 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, 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 Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)	June 3, 2022	November 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 18,554	\$ 20,196
Accounts receivable	15,959	16,014
Contract assets	455	818
Inventories	17,390	16,953
Income tax recoverable	141	1
Prepaid expenses and other	3,548	3,162
	56,047	57,144
Non-current assets		
Plant and equipment, net	11,150	11,078
Right-of-use assets	9,710	10,098
Investment tax credits recoverable	28	327
Intangible and other assets, net	462	805
Total assets	77,397	79,452
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,424	\$ 13,803
Provisions	986	545
Contract liabilities	549	335
Current portion of bank debt	926	935
Current portion of lease liabilities	1,311	1,553
	16,196	17,171
Non-current liabilities		
Bank debt	823	1,327
Lease liabilities	9,057	9,123
Deferred tax payable	861	789
Total liabilities	26,937	28,410
Equity		
Retained earnings	\$ 18,604	\$ 19,391
Accumulated other comprehensive income	776	478
	19,380	19,869
Share capital		
Common Shares	21,832	21,881
Contributed surplus	8,343	8,352
Total equity attributable to FTG's shareholders	49,555	50,102
Non-controlling interest	905	940
Total equity	50,460	51,042
Total liabilities and equity	\$ 77,397	\$ 79,452

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Earnings (Loss)

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended		Six months ended	
	June 3, 2022	June 4, 2021	June 3, 2022	June 4, 2021
Sales	\$ 22,318	\$ 20,330	\$ 42,779	\$ 39,300
Cost of sales				
Cost of sales	15,370	13,493	30,104	27,358
Depreciation of plant and equipment	968	1,037	2,096	2,114
Depreciation of right-of-use assets	356	372	713	738
Total cost of sales	16,694	14,902	32,913	30,210
Gross margin	5,624	5,428	9,866	9,090
Expenses				
Selling, general and administrative	3,259	2,659	6,277	5,350
Research and development costs	1,640	1,505	3,032	2,887
Recovery of investment tax credits	(179)	(179)	(356)	(306)
Depreciation of plant and equipment	56	62	113	125
Depreciation of right-of-use assets	12	17	22	34
Amortization of intangible assets	30	70	61	159
Interest expense (income)	(12)	28	(3)	67
Accretion on lease liabilities	110	122	218	248
Stock based compensation	57	22	81	62
Foreign exchange (gain) loss	120	544	289	1,162
Forgiveness of debt	-	-	-	(1,336)
Total expenses	5,093	4,850	9,734	8,452
Earnings before income taxes	531	578	132	638
Current income tax expense	462	554	758	1,015
Deferred income tax expense	36	35	72	61
Total income tax expense	498	589	830	1,076
Net earnings (loss)	33	(11)	(698)	(438)
Attributable to:				
Non-controlling interest	\$ 19	\$ (21)	\$ 21	\$ (48)
Equity holders of FTG	14	10	(719)	(390)
Earnings (loss) per share, attributable to the equity holders of FTG				
Basic	\$ 0.00	\$ 0.00	\$ (0.03)	\$ (0.02)
Diluted	\$ 0.00	\$ 0.00	\$ (0.03)	\$ (0.02)

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	June 3, 2022	June 4, 2021	June 3, 2022	June 4, 2021
Net earnings (loss)	\$ 33	\$ (11)	\$ (697)	\$ (438)
Other comprehensive income (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments	(474)	(1,079)	(534)	(1,507)
Net gain on valuation of derivative financial instruments designated as cash flow hedges	398	2,697	1,035	3,757
Deferred income taxes on net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	(99)	(675)	(259)	(940)
	\$ (175)	\$ 943	\$ 242	\$ 1,310
Total comprehensive income (loss)	\$ (142)	\$ 932	\$ (455)	\$ 872
Attributable to:				
Equity holders of FTG	\$ (101)	\$ 946	\$ (420)	\$ 924
Non-controlling interest	\$ (41)	\$ (14)	\$ (35)	\$ (52)

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

Six months ended June 3, 2022	Attributed to the equity holders of FTG							
	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income		Total	Non-controlling interest	Total equity
(Unaudited) (in thousands of Canadian dollars)								
Balance, November 30, 2021	\$ 21,881	\$ 19,391	\$ 8,352	\$ 478	\$ 50,102	\$ 940	\$ 51,042	
Net income (loss)	-	(719)	-	-	(719)	21	(698)	
Stock-based compensation	-	-	(9)	-	(9)	-	(9)	
Repurchase and cancellation of shares	(49)	(68)	-	-	(117)	-	(117)	
Other comprehensive income (loss)	-	-	-	298	298	(56)	242	
Balance, June 3, 2022	\$ 21,832	\$ 18,604	\$ 8,343	\$ 776	\$ 49,555	\$ 905	\$ 50,460	

Six months ended June 4, 2021	Attributed to the equity holders of FTG							
	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income		Total	Non-controlling interest	Total equity
(Unaudited) (in thousands of Canadian dollars)								
Balance, November 30, 2020	\$ 21,881	\$ 19,135	\$ 8,303	\$ 958	\$ 50,277	\$ 1,011	\$ 51,288	
Net income (loss)	-	(390)	-	-	(390)	(48)	(438)	
Stock-based compensation	-	-	62	-	62	-	62	
Other comprehensive income (loss)	-	-	-	1,392	1,392	(82)	1,310	
Balance, June 4, 2021	\$ 21,881	\$ 18,745	\$ 8,365	\$ 2,350	\$ 51,341	\$ 881	\$ 52,222	

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	June 3, 2022	June 4, 2021	June 3, 2022	June 4, 2021
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings (loss)	\$ 33	\$ (11)	\$ (698)	\$ (438)
Items not affecting cash and cash equivalents:				
Stock-based compensation	57	22	81	62
Loss on disposal of plant and equipment	(10)	-	(10)	1
Effect of exchange rates on U.S. dollar bank debt	(33)	(95)	(63)	(284)
Depreciation of plant and equipment	1,024	1,099	2,209	2,239
Depreciation of right-of-use assets	368	389	735	772
Amortization of intangible assets	30	70	61	159
Amortization, other	10	13	16	25
Investment tax credits/deferred income taxes	439	(26)	675	46
Accretion on lease liabilities	110	122	218	248
Forgiveness of debt	-	-	-	(1,336)
Net change in non-cash operating working capital	(703)	1,381	(986)	1,870
	1,325	2,964	2,238	3,364
Investing activities				
Additions to plant and equipment	(449)	(617)	(2,558)	(995)
Recovery of contract and other costs	274	12	277	22
Additions to deferred financing costs	(4)	-	(4)	(8)
	(179)	(605)	(2,285)	(981)
Net cash flow from operating and investing activities	1,146	2,359	(47)	2,383
Financing activities				
Repayments of bank debt	(231)	(226)	(462)	(458)
Lease liability payments	(396)	(447)	(823)	(899)
Repurchase and cancellation of shares	(117)	-	(117)	-
	(744)	(673)	(1,402)	(1,357)
Effects of foreign exchange rate changes on cash flow	(58)	(700)	(193)	(999)
Net (decrease) increase in cash flow	344	986	(1,642)	27
Cash and cash equivalents, beginning of the period	18,210	18,073	20,196	19,032
Cash and cash equivalents, end of period	\$ 18,554	\$ 19,059	\$ 18,554	\$ 19,059
Disclosure of cash payments				
Payment for interest	\$ 22	\$ 29	\$ 47	\$ 71
Payments for income taxes	\$ 228	\$ 397	\$ 476	\$ 594