# FIRAN TECHNOLOGY GROUP CORPORATION

**Third Quarter Report**
**For the period ended**
**August 30, 2024**

**October 8, 2024**

**October 8, 2024**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**RESULTS OF OPERATIONS AND FINANCIAL CONDITION**
*(dollar amounts stated in thousands of Canadian dollars unless otherwise specified)*

This Management's Discussion and Analysis ("MD&A") for the three months ended August 30, 2024 (third quarter of fiscal 2024 or Q3 2024) is as of August 30, 2024 and provides information on the operating activities, performance and financial position of Firan Technology Group Corporation ("FTG" or the "Corporation") and should be read in conjunction with the interim condensed consolidated financial statements of the Corporation for the third quarter of fiscal 2024, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The Corporation assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and MD&A of the Corporation for the year ended November 30, 2023 (Fiscal 2023) and, accordingly, the purpose of this document is to provide a third quarter update to the information contained in the fiscal 2023 MD&A. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 6, 2024, found on SEDAR at www.sedarplus.ca and on the Corporation's website at www.ftgcorp.com.

**CORE BUSINESS AND STRATEGY**

FTG is a leading global supplier of aerospace and defence electronic products and subsystems, with facilities in Canada, the United States and China. It is a publicly traded corporation on the Toronto Stock Exchange listed under the trading symbol "FTG".

FTG has two operating segments: FTG Circuits and FTG Aerospace.

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the Global marketplace. Currently, FTG Circuits has manufacturing operations in the following locations:

- Toronto, Ontario, Canada
- Minnetonka, Minnesota, USA
- Chatsworth, California, USA
- Fredericksburg, Virginia, USA
- Haverhill, Massachusetts, USA
- Tianjin, China (Joint venture and sourcing arrangement with operating facilities)

FTG Circuits' customers are technological and market leaders in the aviation, defence and other high technology industries.

FTG Aerospace designs and manufactures illuminated cockpit panels, keyboards, bezels, sub-assemblies and assemblies for original equipment manufacturers ("OEMs") of avionics products as well as for airframe manufacturers. FTG Aerospace has manufacturing operations in the following locations:

- Toronto, Ontario, Canada
- Chatsworth, California, USA
- Tianjin, China

These products are interactive devices that display information and contain buttons and switches that can be used to input signals into an avionics box or aircraft.

With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large U.S. aerospace and defence market, penetrating the rapidly growing Asian aerospace market, and becoming a more strategic supplier to many of its customers. FTG has become a truly global company with revenues coming from all geographic regions of the world and its current strategy is to increase the utilization and operational leverage of these facilities and realize significant margin expansion opportunities as fixed costs are already in place. A key element of FTG's strategy has been its continued focus on Operational Excellence. This has led to improved performance across the Corporation. By weaving *Operational Excellence* into its day-to-day operations, FTG continues to create a corporate culture where quality products, on time delivery and customer service are the paramount forces driving the Corporation forward.

FTG continues to increase its technical skills in both segments to support the demands from customers for more complex, challenging solutions on new programs and opportunities.

The FTG management team is focused on and committed to running a healthy business, offering stability to its customers, suppliers and employees while delivering long-term value to all of its stakeholders.

FTG continues to strive to balance its sales between commercial aerospace and defence customers. This should help maintain a stable revenue stream as each market goes through its normal cycles.

FTG remains clearly positioned as an aerospace and defence electronics company. FTG is now engaged with most of the top aerospace and defence prime contractors in North America and is making significant progress penetrating markets beyond this continent. FTG's focus on these markets is based on a belief that it can provide a unique solution to its customers and attain a sustainable competitive advantage.

The Corporation's focus and initiatives will continue to revolve around controlling the Corporation's infrastructure, material and labour costs while increasing the utilization of its facilities realizing significant operational leverage and margin expansion. Simultaneously, management continues to look for accretive business combinations that can add to FTG's strengths and offerings.

### RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND YEAR-TO-DATE FISCAL 2024

| | **Third Quarter** | | **Year-to-Date** | |
|---|---|---|---|---|
| *(in thousands of dollars except per share amounts)* | **2024** **$** | 2023 $ | **2024** **$** | 2023 $ |
| Sales | **43,088** | 36,611 | **116,852** | 95,209 |
| Gross margin | **11,623** | 8,776 | **31,360** | 28,546 |
| Net earnings attributable to equity holders of FTG | **2,764** | 1,320 | **6,367** | 7,795 |
| Adjusted net earnings[1] | **2,764** | 1,399 | **6,367** | 4,652 |
| Weighted average number of common shares | **23,874,802** | 23,910,934 | **23,874,802** | 23,912,656 |
| Earnings per share: | | | | |
| Basic | **0.12** | 0.06 | **0.27** | 0.33 |
| Diluted | **0.11** | 0.05 | **0.26** | 0.32 |
| Adjusted earnings per share[1] | | | | |
| Basic | **0.12** | 0.05 | **0.27** | 0.19 |
| Diluted | **0.11** | 0.05 | **0.26** | 0.19 |
| EBITDA[1] | **6,939** | 4,804 | **17,590** | 16,197 |
| Adjusted EBITDA[1] | **7,186** | 4,973 | **18,223** | 13,369 |
| Total assets | **128,180** | 121,827 | **128,180** | 121,827 |
| Net cash (debt) position[1] | **(2,207)** | (5,680) | **(2,207)** | (5,680) |

*[1] Non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section for definitions and reconciliations to the most comparable IFRS measures.*

### Sales

| | **Third Quarter** | | | | **Year-to-Date** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024** **$** | 2023 $ | Change $ | Change % | **2024** **$** | 2023 $ | Change $ | Change % |
| Circuits | **30,848** | 27,230 | 3,618 | 13.3 | **86,378** | 64,042 | 22,336 | 34.9 |
| Aerospace | **13,443** | 10,014 | 3,429 | 34.2 | **33,516** | 33,785 | (269) | (0.8) |
| Inter-segment sales | **(1,203)** | (633) | (570) | NM | **(3,042)** | (2,618) | (424) | NM |
| Net sales | **43,088** | 36,611 | 6,477 | 17.7 | **116,852** | 95,209 | 21,643 | 22.7 |

Sales for Q3 2024 increased by $6.5 million or 17.7% from Q3 2023.

- Sales in the Circuits segment grew by $3.6 million, representing a 13.3% increase compared to Q3 2023. Organic growth contributed $2.9 million in sales and favourable foreign exchange rates contributed $0.7 million.

- Sales for the Aerospace segment grew by $3.4 million or 34.2% as compared to Q3 2023. Organic growth contributed $3.2 million in sales, including incremental Simulator product sales of $1.2 million, and favourable foreign exchange rates contributed $0.2 million.

Year-to-date in 2024, revenue increased by $21.6 million, inclusive of $22.3 million of growth in the Circuits segment and a small decline in the Aerospace segment. The growth in the Circuits segment is $16.9 million from acquisitions and $5.4 million of organic growth. For 2024, the two acquisitions in the

Circuits segment include nine months of results as compared to four months in 2023. The year-to-date sales decline in the Aerospace segment is inclusive of a $3.0 million negative impact on revenue caused by a strike in Q1 2024 at the Aerospace Toronto site, and a $6.3 million decrease in sales of Simulator products. Timing of orders for Simulator products has greater variability than other products sold by FTG.

The Corporation's consolidated net sales by location of its customers are as follows:

**Third Quarter**

| | **2024** | | 2023 | | Change | |
|---|---|---|---|---|---|---|
| | **$** | **%** | $ | % | $ | % |
| Canada | **2,699** | **6.3** | 2,203 | 6.0 | 496 | 22.5 |
| United States | **32,990** | **76.6** | 28,893 | 78.9 | 4,097 | 14.2 |
| Asia | **5,509** | **12.8** | 3,603 | 9.8 | 1,906 | 52.9 |
| Europe | **1,660** | **3.9** | 1,460 | 4.0 | 200 | 13.7 |
| Other | **230** | **0.4** | 452 | 1.3 | (222) | (49.1) |
| Total | **43,088** | **100.0** | 36,611 | 100.0 | 6,477 | 17.7 |

**Year-to-Date**

| | **2024** | | 2023 | | Change | |
|---|---|---|---|---|---|---|
| | **$** | **%** | $ | % | $ | % |
| Canada | **6,524** | **5.6** | 6,693 | 7.0 | (169) | (2.5) |
| United States | **92,372** | **79.1** | 73,101 | 76.8 | 19,271 | 26.4 |
| Asia | **12,403** | **10.6** | 9,178 | 9.6 | 3,225 | 35.1 |
| Europe | **4,632** | **4.0** | 5,076 | 5.3 | (444) | (8.7) |
| Other | **921** | **0.7** | 1,161 | 1.3 | (240) | (20.7) |
| Total | **116,852** | **100.0** | 95,209 | 100.0 | 21,643 | 22.7 |

In Q3 2024, sales increased in all major regions compared to Q3 2023, and is reflective of robust demand in aerospace and defence markets. Sales growth in Asia for both Q3 2024 and year-to-date 2024 is driven by expansion of global supply chains for commercial aerospace.

In the year-to-date period for 2024, sales growth is primarily in the United States, as the sites acquired in 2023 sell primarily to U.S. based customers. Sales in Canada, Europe and other regions experienced slight declines due to regular market fluctuations.

The following table summarizes the percentages of net sales of the Corporation's largest customers:

| | **Third Quarter** | | **Year-to-Date** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **%** | % | **%** | % |
| Largest customer | **16.7** | 16.2 | **17.6** | 18.3 |
| Second largest customer | **15.3** | 12.6 | **14.5** | 10.9 |
| Third to fifth largest customers | **27.3** | 26.7 | **28.0** | 23.1 |
| Largest five customers | **59.3** | 55.5 | **60.1** | 52.3 |

### Gross Margin

| | Third Quarter | | | | Year-to-Date | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024 $** | 2023 $ | Change $ | Change % | **2024 $** | 2023 $ | Change $ | Change % |
| Gross profit | **11,623** | 8,776 | 2,847 | 32.4 | **31,360** | 28,546 | 2,814 | 9.9 |
| % of net sales | **27.0%** | 24.0% | | | **26.8%** | 30.0% | | |
| Government assistance included in gross profit | - | - | - | - | - | 3,170 | (3,170) | (100.0) |
| Gross profit excluding government assistance | **11,623** | 8,776 | 2,847 | 32.4 | **31,360** | 25,376 | 5,984 | 23.6 |
| % of net sales | **27.0%** | 24.0% | | | **26.8%** | 26.7% | | |

The increase in gross margin dollars and gross margin rate for the third quarter of 2024 is primarily due to higher sales volumes and operational improvements across the Corporation, and also favourable foreign exchange rates.

On a year-to-date basis, excluding government assistance, gross profit increased by $5,984 due to higher sales volumes and operational improvements, primarily within the Circuits segment.

### Selling, General and Administrative Expenses

| | Third Quarter | | | | Year-to-Date | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024 $** | 2023 $ | Change $ | Change % | **2024 $** | 2023 $ | Change $ | Change % |
| Selling, general and administrative expenses | **5,068** | 4,052 | 1,016 | 25.1 | **14,619** | 12,221 | 2,398 | 19.6 |
| % of net sales | **11.8%** | 11.1% | | | **12.5%** | 12.8% | | |

Selling, general, and administrative expenses increased in Q3 2024 compared to Q3 2023 with growth in certain functions to support the growth of the Corporation, including headcount, and higher levels of performance compensation expense.

On a year-to-date basis, the increase is primarily attributable to the inclusion of the newly acquired sites in 2024. In the year-to-date period of 2023, selling, general, and administrative expenses were reduced by $588 due to ERC funds received in the U.S., which is not applicable to 2024.

### Research and Development

| | Third Quarter | | | | Year-to-Date | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024 $** | 2023 $ | Change $ | Change % | **2024 $** | 2023 $ | Change $ | Change % |
| Research and development costs | **1,727** | 1,618 | 109 | 6.7 | **4,691** | 4,588 | 103 | 2.2 |
| Recovery of investment tax credits | **(150)** | (185) | 35 | NM | **(489)** | (529) | 40 | NM |

Research and development ("R&D") costs include the cost of direct labour, materials and an allocation of overhead specifically incurred in activities regarding technical uncertainties in production processes, product development and upgrading. Generally, these costs represent specific activities regarding the technical uncertainty of production processes and exotic materials. R&D costs were focused on new product development and process and product improvements.

The Corporation records the tax benefit of investment tax credits ("ITCs") when there is reasonable assurance that such credits will be realized. During the third quarter of fiscal 2024, ITCs were earned from qualifying research and development expenditures in Canada.

**Depreciation and Amortization**

| | Third Quarter | | | | Year-to-Date | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024** **$** | 2023 $ | Change $ | Change % | **2024** **$** | 2023 $ | Change $ | Change % |
| Depreciation of plant and equipment | **1,351** | 1,186 | 165 | 13.9 | **3,997** | 3,245 | 752 | 23.2 |
| Depreciation of right-of-use assets | **735** | 716 | 19 | 2.7 | **2,190** | 1,544 | 646 | 41.8 |
| Amortization of intangible assets | **50** | 132 | (82) | (62.1) | **166** | 231 | (65) | (28.1) |
| Amortization, other | **24** | (36) | 60 | NM | **(68)** | (82) | 14 | NM |
| Total | **2,160** | 1,998 | 162 | 8.1 | **6,285** | 4,938 | 1,347 | 27.3 |

The increase in depreciation expenses for plant and equipment in the third quarter of fiscal 2024 is due to significant capital investment made in Q1 2024. On a year-to-date basis, the increase is mainly due to the timing of acquired businesses.

Similarly, the increase in depreciation of right-of-use assets on a year-to-date basis is primarily due to the timing of acquired businesses.

Variances in amortization of intangible assets are mainly due to intangible assets resulting from the newly acquired Circuits sites in Minnetonka and Haverhill.

Variances in other amortization during the third quarter of fiscal 2024 and on a year-to-date basis are mainly due to the amortization of deferred government grants.

**Interest and Accretion Expense (Income)**

| | Third Quarter | | | | Year-to-Date | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024** **$** | 2023 $ | Change $ | Change % | **2024** **$** | 2023 $ | Change $ | Change % |
| Interest expenses (income) on bank debt, net | **97** | 98 | (1) | (1.0) | **304** | (95) | 399 | NM |
| Accretion on lease liabilities | **364** | 380 | (16) | (4.2) | **1,095** | 731 | 364 | 49.8 |
| Notional interest expense on government loans | **108** | 64 | 44 | 68.8 | **282** | 135 | 147 | 108.9 |
| Interest and accretion expense | **569** | 542 | 27 | 5.0 | **1,681** | 771 | 910 | 118.0 |

The increase in interest expense on bank debt is the result of financing costs of the acquisitions. Prior to acquiring the Circuits businesses in Minnetonka and Haverhill, the Corporation was earning interest income on its net cash balance.

The increase in accretion on lease liabilities on a year-to-date basis is the result of nine months of expense for the acquired businesses in 2024, as compared to four months in 2023.

### Foreign Exchange

The Canadian dollar spot rate, as compared to the U.S. dollar has (appreciated) depreciated as follows during the third quarter and the year-to-date period of 2024:

| **Third Quarter** | **2024** | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **August 30, 2024** | **May 31, 2024** | **Change** | | September 1, 2023 | June 2, 2023 | Change | |
| | **$** | **$** | **$** | **%** | $ | $ | $ | % |
| CAD/USD | **1.3491** | **1.3637** | **(0.01)** | **(1.1)** | 1.3580 | 1.3435 | 0.01 | 1.1 |

| **Year-to-Date** | **2024** | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **August 30, 2024** | **November 30, 2023** | **Change** | | September 1, 2023 | November 30, 2022 | Change | |
| | **$** | **$** | **$** | **%** | $ | $ | $ | % |
| CAD/USD | **1.3491** | **1.3582** | **(0.01)** | **(0.7)** | 1.3580 | 1.3508 | 0.01 | 0.5 |

The Corporation has recorded foreign exchange (gain) loss as follows:

| | **Third Quarter** | | | **Year-to-Date** | | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | Change | **2024** | 2023 | Change |
| | **$** | $ | $ | **$** | $ | $ |
| Foreign exchange (gain) loss | **(225)** | 121 | (346) | **50** | 78 | (28) |

The foreign exchange gain for the third quarter of fiscal 2024 was mainly on the re-valuation of the U.S. dollar assets and liabilities on the respective balance sheets. These foreign exchange fluctuations are due to the variance in U.S. dollar balances held by the Corporation, the changes in average and quarter-end Canadian dollar versus U.S. dollar exchange rates and the foreign exchange hedging contracts that the Corporation has in place.

The table below shows the effect of the net realized gain (loss) on foreign exchange forward contracts on net sales and gross margin:

| | **Third Quarter** | | **Year-to-Date** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| Sales before adjustment for net realized gain (loss) on f/x forward contracts designed as cash flow hedges | **43,604** | 36,528 | **118,359** | 95,077 |
| Add (deduct): adjustment for net realized gain (loss) on hedged f/x forward contracts designed as cash flow hedges | **(516)** | 83 | **(1,507)** | 132 |
| Net sales | **43,088** | 36,611 | **116,852** | 95,209 |
| Total cost of sales | **31,465** | 27,835 | **85,492** | 66,663 |
| Gross margin | **11,623** | 8,776 | **31,360** | 28,546 |
| Gross margin % | **27.0%** | 24.0% | **26.8%** | 30.0% |
| Gross margin before f/x gain (loss) | **12,139** | 8,693 | **32,867** | 28,414 |
| Gross margin % before f/x gain (loss) | **27.8%** | 23.8% | **27.8%** | 29.9% |

### Income Tax Expense

| | Third Quarter | | | | Year-to-Date | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024** | 2023 | Change | Change | **2024** | 2023 | Change | Change |
| | **$** | $ | $ | % | **$** | $ | $ | % |
| Current income tax expense | **1,416** | 907 | 509 | 56.1 | **3,159** | 2,587 | 572 | 22.1 |
| Deferred income tax expense | **30** | 37 | (7) | (18.9) | **98** | 106 | (8) | (7.5) |

Income tax expenses recorded during the third quarter and the year-to-date period of 2024 included current income tax on earnings in Canada and China, and certain withholding taxes.

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions in which the Corporation operates. The Corporation's consolidated effective tax rate differs from the statutory rates mainly as a result of tax benefits not recognized.

## RECONCILIATION OF NET INCOME TO NON-IFRS EARNING MEASURES

The following table reconciles Adjusted Net Earnings to net earnings in accordance with IFRS:

| | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| Net earnings to equity holders of FTG | **2,764** | 1,320 | **6,367** | 7,795 |
| Add back (subtract): | | | | |
| Government assistance, net of tax | **-** | - | **-** | (3,758) |
| Acquisition and divestiture expenses, net of tax | **-** | 79 | **-** | 615 |
| Adjusted net earnings[1] | **2,764** | 1,399 | **6,367** | 4,652 |

*[1] Non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section for definitions and reconciliations to the most comparable IFRS measures.*

The following table reconciles EBITDA and Adjusted EBITDA to net earnings in accordance with IFRS:

| | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| Net earnings to equity holders of FTG | **2,764** | 1,320 | **6,367** | 7,795 |
| Add back: | | | | |
| Interest and accretion expense | **569** | 542 | **1,681** | 771 |
| Income tax expense | **1,446** | 944 | **3,257** | 2,693 |
| Depreciation and amortization | **2,160** | 1,998 | **6,285** | 4,938 |
| EBITDA[1] | **6,939** | 4,804 | **17,590** | 16,197 |
| % of net sales | **16.1%** | 13.1% | **15.1%** | 17.0% |
| Add back (subtract): | | | | |
| Stock based compensation | **247** | 90 | **633** | 315 |
| Government assistance | **-** | - | **-** | (3,758) |
| Acquisition and divestiture expenses | **-** | 79 | **-** | 615 |
| Adjusted EBITDA[1] | **7,186** | 4,973 | **18,223** | 13,369 |
| % of net sales | **16.7%** | 13.6% | **15.6%** | 14.0% |

*[1] Non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section for definitions and reconciliations to the most comparable IFRS measures.*

## OVERVIEW OF HISTORICAL QUARTERLY RESULTS

*(thousands of dollars except per share amounts and exchange rates)*

| | Q4-22 | Q1-23 | Q2-23 | Q3-23 | Q4-23 | Q1-24 | Q2-24 | **Q3-24** |
|---|---|---|---|---|---|---|---|---|
| Circuit segment sales | $15,578 | $15,612 | $21,200 | $27,230 | $27,812 | $25,896 | $29,634 | **$30,848** |
| Aerospace segment sales | 9,141 | 10,005 | 13,766 | 10,014 | 12,813 | 9,935 | 10,138 | **13,443** |
| Inter-segment sales | (969) | (978) | (1,007) | (633) | (634) | (856) | (983) | **(1,203)** |
| Total net sales | 23,750 | 24,639 | 33,959 | 36,611 | 39,991 | 34,975 | 38,789 | **43,088** |
| Earnings before income taxes | 960 | 4,864 | 3,438 | 2,338 | 3,410 | 1,812 | 3,737 | **4,270** |
| Net earnings attributable to equity holders of FTG | 694 | 4,072 | 2,403 | 1,320 | 3,826 | 1,050 | 2,553 | **2,764** |
| Earnings per share: | | | | | | | | |
| Basic | $0.03 | $0.17 | $0.10 | $0.06 | $0.16 | $0.04 | $0.11 | **$0.12** |
| Diluted | $0.03 | $0.17 | $0.10 | $0.05 | $0.16 | $0.04 | $0.11 | **$0.11** |
| Quarterly average CDN$ US$ exchange rates | $1.3494 | $1.3493 | $1.3562 | $1.3333 | $1.3656 | $1.3453 | $1.3632 | **$1.3690** |

The Corporation is exposed to foreign exchange fluctuations as the vast majority of sales are earned in U.S. dollars, while a significant amount of operating expenses are incurred in Canadian dollars. The Corporation regularly enters into foreign exchange forward contracts to sell excess U.S. dollars generated from its Canadian operations.

## LIQUIDITY AND CAPITAL RESOURCES

The following table reconciles net cash to the statements of financial position in accordance with IFRS:

| | **August 30, 2024** **$** | November 30, 2023 $ |
|---|---|---|
| Cash and cash equivalents | **8,358** | 6,616 |
| Less: | | |
| Current portion of bank debt | **623** | 1,020 |
| Current portion of government loans | **246** | 175 |
| Bank debt | **2,228** | 3,448 |
| Government loans | **7,468** | 5,585 |
| Total debt | **10,565** | 10,228 |
| Net cash (debt)[1] | **(2,207)** | (3,612) |

*[1] Non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section for definitions and reconciliations to the most comparable IFRS measures.*

| | **August 30, 2024** **$** | November 30, 2023 $ |
|---|---|---|
| Total liquidity (cash, accounts receivable, contract assets and inventory) | **76,780** | 72,156 |
| Unused credit facilities[1] | **23,820** | 22,591 |
| Working capital | **47,765** | 41,051 |

*[1] U.S. $17.7 million (2023 – U.S. $16.6 million)*

| | **Q3 2024** | Q4 2023 |
|---|---|---|
| | **$** | $ |
| Accounts receivable days outstanding | **58** | 64 |
| Inventory days outstanding | **112** | 113 |
| Accounts payable days outstanding | **64** | 78 |

All of the Corporation's credit facilities with its primary lender are secured by a first charge on all of the Corporation's assets.

The Corporation was in compliance with all of its financial loan covenants as at August 30, 2024.

Management believes the Corporation has sufficient liquidity and capital resources to meet its obligations for the foreseeable future.

The following table outlines the contractual obligations of the Corporation as at August 30, 2024.

| | **Less than 1 year** | **1 to 2 years** | **2 to 5 years** | **More than 5 years** | **Amount** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Bank debt principal repayments | 807 | 2,044 | - | - | **2,851** |
| Bank debt interest payments | 240 | 178 | - | - | **418** |
| Accounts payable and accrued liabilities, and provisions | 21,036 | - | - | - | **21,036** |
| Contract liabilities | 2,196 | - | - | - | **2,196** |
| Income tax payable | - | - | - | - | **-** |
| Lease liabilities (undiscounted contractual cash flows) | 3,510 | 3,180 | 6,619 | 1,365 | **14,674** |
| Operating leases | - | - | - | - | **-** |
| Government loans | 703 | 1,536 | 4,608 | 703 | **7,550** |
| Government loans interest payments | - | 39 | 53 | - | **92** |
| Contingent consideration | 2,217 | **-** | **-** | **-** | **2,217** |
| | **30,709** | **6,977** | **11,280** | **2,068** | **51,034** |

The Corporation does not have any off consolidated statements of financial position arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

**DERIVATIVE FINANCIAL INSTRUMENTS**

The Corporation follows hedge accounting on its derivative financial instruments and as a result, has designated certain derivative financial instruments as cash flow hedges. The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts and interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on August 30, 2024. The table below summarizes the unrealized gains (losses) included in the fair values:

| | August 30, 2024 $ | November 30, 2023 $ |
|---|---|---|
| Unrealized gains (losses) of derivative instruments | | |
| Foreign exchange forward contracts | **(695)** | (2,572) |
| Gold forward contracts | **492** | 229 |
| Interest rate swaps | **1** | 8 |
| Net unrealized losses of derivative instruments | **(202)** | (2,335) |
| Tax effect | **51** | 584 |
| Included in accumulated other comprehensive income | **(151)** | (1,751) |

The Corporation entered into interest rate swaps to hedge certain of its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) is included in other comprehensive loss and accounts payable and accrued liabilities as at August 30, 2024 and November 30, 2023. The table below summarizes the Corporation's interest rate swaps:

| | | | | Unrealized gain | |
|---|---|---|---|---|---|
| **Date** | **Corresponding Loan description** | **Loan interest rate** | **Interest rate swap** | **August 30, 2024** | November 30, 2023 |
| February 2018 | 7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest | SOFR rate plus 215 basis points | 4.96% | - | $4 |
| April 2018 | 7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest | SOFR rate plus 215 basis points | 5.08% | **$1** | $4 |
| | | | | **$1** | $8 |

### CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

| | Third Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **2024 $** | 2023 $ | **2024 $** | 2023 $ |
| Additions to plant and equipment | **771** | 1,755 | **5,403** | 4,218 |
| Increase (decrease) in non-current deposits | **84** | (58) | **(419)** | 657 |

Net capital expenditures during fiscal 2024 included new equipment investments primarily for the Circuits segment. Equipment investments are driven by in-sourcing of certain manufacturing and test processes, productivity improvements and replacement of aged equipment.

### CASH FLOW

| | Third Quarter | | | Year-to-Date | | |
|---|---|---|---|---|---|---|
| | **2024 $** | 2023 $ | Change $ | **2024 $** | 2023 $ | Change $ |
| Operating activities | **5,250** | 3,363 | 1,887 | **10,048** | 7,284 | 2,764 |
| Investing activities | **(1,253)** | (1,706) | 453 | **(5,378)** | (22,795) | 17,417 |
| Financing activities | **(2,259)** | (454) | (1,805) | **(3,076)** | 3,968 | (7,044) |

Cash flow from operations in the third quarter of 2024 increased from the same period last year mainly due to increased net earnings and higher depreciation costs.

On a year-to-date basis, cash flow from operating activities is increased by $2.8 million over the prior year period. The decrease in net earnings of $1.4M is offset by increased depreciation costs and reduced cash used for growth of non-cash operating working capital.

Investing activities in the third quarter of fiscal 2024 included $771 of capital expenditures as well as payment of $411 of holdback related to the IMI, Inc. acquisition. Investing activities on a year-to-date basis in fiscal 2024 included $5,403 of capital expenditures, while 2023 included $26,254 of cash used for business acquisitions and $8,382 cash proceeds from sales of the Aerospace Chatsworth facility.

Cash from financing activities in the third quarter of fiscal 2024 includes $1.0 million of accelerated repayment of bank loans, while in Q3 2023 it included $716 of proceeds from government debt.

On a year-to-date basis, cash from financing activities includes $1,856 of proceeds from government debt (2023 - $2,289), while in 2023 it also included $4,073 of proceeds from bank debt.

### BACKLOG

| | **Third Quarter** | | **Year-to-Date** | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$** | $ | **$** | $ |
| Backlog[1], beginning of the period | **119,631** | 98,170 | **96,963** | 65,484 |
| Bookings[1] | **45,930** | 35,661 | **142,047** | 108,954 |
| Adjustments to backlog | **(1,059)** | 761 | **(747)** | 18,752 |
| Less: Sales | **(43,088)** | (36,611) | **(116,852)** | (95,209) |
| Backlog[1], end of period | **121,414** | 97,981 | **121,411** | 97,981 |
| Book-to-Bill ratio[1] | **1.07** | 0.97 | **1.22** | 1.14 |

*[1] Non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section for definitions and reconciliations to the most comparable IFRS measures.*

As of August 30, 2024 backlog is $121.4 million, of which approximately 86% is estimated to be converted to revenue within the next twelve months, with the remaining 14% being converted to revenue in the two subsequent years.

Adjustments to backlog relate primarily to the revaluation of outstanding customer purchase orders denominated in foreign currency, primarily U.S. dollars, into Canadian dollars at period end rates. In April 2023, the Corporation recorded an increase to backlog of $18,200, following the closing of the acquisitions of Holaday Circuits, LLC and IMI, Inc.

### RELATED PARTY TRANSACTIONS

There were no related party transactions on a year-to-date basis in fiscal 2024 and 2023.

### FINANCIAL RISK MANAGEMENT

Disclosures regarding the nature and extent of the Corporation's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk and how the Corporation manages those risks can be found under the heading "Financial Instruments" in *Note 6* of the consolidated financial statements as at August 30, 2024 and are designed to meet the requirements set out by the International Accounting Standards Board (IASB) in IFRS 7 *Financial Instruments: Disclosures.*

## OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series. The outstanding common shares as at August 30, 2024 were 23,874,802 (November 30, 2023 – 23,874,802).

During the third quarter of 2024 the Corporation granted Nil performance share units ("PSUs") (2023 – 7,500). On a year-to-date basis, the Corporation granted 90,000 performance share units ("PSUs") (2023 – 90,000). PSUs vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. As at August 30, 2024, Nil of the 257,875 (November 30, 2023 – Nil of the 258,750) outstanding PSUs had vested or were exercisable.

During the third quarter of 2024 the Corporation granted Nil restricted share units ("RSUs") (2023 – Nil). On a year-to-date basis, the Corporation granted 100,000 restricted share units ("RSUs") (2023 – Nil). RSUs vest based on the achievement of a non-market performance condition. RSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. As at August 30, 2024 and November 30, 2023, no outstanding RSUs had vested or were exercisable.

## RISK FACTORS

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about the Corporation, including risks and uncertainties about FTG's business, is provided in the Corporation's Annual Information Form dated February 6, 2024 which is available on SEDAR at www.sedar.com.

## ETHICAL BUSINESS CONDUCT

The Corporation has a written code of conduct for Directors, Officers and employees (the "Policy of Business Conduct") and a "Whistle Blowing Policy", which are each available on www.sedarplus.ca. The Board monitors compliance with the Policy of Business Conduct through an annual review and sign off procedure from all of its Directors, Officers and employees.

## OUTLOOK

Industry reports suggest all sectors of the Aerospace and Defence market are seeing strong demand and growth. In the commercial aerospace market this is driven by the increase in air travel, and a drive for more energy efficient aircraft, while in the defence market it is the result of increasing geopolitical tensions and conflicts.

Company reporting indicates that air transport deliveries were over 1,100 aircraft in 2023, with Airbus having a 55-60% market share. Both Boeing and Airbus are reporting plans to implement production increases over the next few years, of up to 50%. Airbus has over 8,000 orders in backlog and Boeing has over 5,000. The bulk of the orders at both companies is for single aisle aircraft. The Federal Aviation Administration ("FAA") has placed conditions on increases to Boeing's commercial aircraft production rates above certain thresholds, pending resolution of certain quality control concerns at Boeing. The Corporation does not expect that the events at Boeing will materially impact FTG's order backlog or longer-term growth prospects. In the short term, the strike by production workers at Boeing's Washington State facilities could impact production rates in 2024 if the strike has an extended duration.

Also in 2023, COMAC announced the C919 aircraft entered service in China, representing a new entry into the single aisle aircraft market. In 2024 FTG reported a production order of approximately $17M CAD for cockpit assemblies for the C919 aircraft.

As international air travel rebounds, the production rates on twin aisle aircraft are also expected to grow in the coming years.

Industry reports show business jet activity has recovered rapidly and is now near pre-pandemic levels. In Canada, Bombardier has divested programs and repositioned itself as a pure-play business jet manufacturer. FTG continues to maintain a solid relationship with Bombardier.

The helicopter market was less impacted by the pandemic. Production rates are impacted by overall economic conditions and the business cycles of key industries that are heavy users of helicopters, such as resource extraction and public safety. In recent years, the helicopter market has seen moderate growth.

The conflict in Ukraine is causing many NATO member states to relook at their defence spending with expectations that spending will increase in the coming years. Similarly, the conflict in the Middle East is causing increased defence spending.

FTG's backlog, resulting from increased customer demand, new program wins and acquisitions, has grown to $121.4 million at the end of Q3 2024 from $97.0 million at the end of Q4 2023.

## CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Corporation.

### Internal Control Over Financial Reporting

Management, including the CEO and CFO, does not expect that the Corporation's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

During the nine months ended August 30, 2024, there have been no changes in the Corporation's internal controls over financial reporting that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of FTG. These statements include without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of FTG, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "considers", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward-looking statements are provided for the purpose of conveying information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

Forward-looking information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including FTG's perception of historical trends, current conditions and expected future developments as well as other factors FTG believes are appropriate in the circumstances.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond FTG's control, affect the operations, performance and results of FTG and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: impact or unanticipated impact of general economic, political and market factors in North America and internationally; intense business competition and uncertain demand for products; technological change; customer concentration; foreign currency exchange rates; dependence on key personnel; ability to retain and develop sufficient labour and management resources; ability to complete strategic transactions, integrate acquisitions and implement other growth strategies; litigation and product liability proceedings; increased demand from competitors with lower production costs; reliance on suppliers; credit risk of customers; compliance with environmental laws; possibility of damage to manufacturing facilities as a result of unforeseeable events, such as natural disasters or fires; fluctuations in operating results; possibility of intellectual property infringement claims; demand for the products of FTG's customers; ability to obtain continued debt and equity financing on acceptable terms; ability of a significant shareholder to influence matters requiring shareholder approval; historic volatility in the market price of the Corporation's common shares and risk of price decreases; production warranty and casualty claim losses; conducting business in foreign jurisdictions; income and other taxes; and government regulation and legislation and FTG's ability to successfully anticipate and manage the foregoing risks.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of FTG's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, FTG undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.

**NON-IFRS FINANCIAL MEASURES**

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Accordingly, the measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including EBITDA, Adjusted EBITDA, Adjusted Net Earnings, Adjusted Earnings per Share, Bookings, Backlog and Net Debt to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures.

The Corporation calculates *EBITDA* as net earnings attributable to equity holders of FTG before interest expenses (income) net, income tax expense (recovery), depreciation, and amortization.

The Corporation calculates *Adjusted EBITDA* by adding to and deducting from EBITDA, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including stock-based compensation, certain government subsidies and acquisition and divestiture expenses.

The Corporation calculates *Adjusted Net Earnings* and *Adjusted Net Earnings per share* by adding to and deducting from net earnings attributable to equity holders of FTG, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including certain government subsidies and acquisition and divestiture expenses and acquisition related adjustments to income tax expense (recovery).

The Corporation calculates *Backlog* as the total value of outstanding firm purchase orders, as of the end of the fiscal period. Backlog is a leading indicator of future revenue; however, it does not provide a guarantee of future net earnings and provides no information about the timing of future revenue.

The Corporation calculates *Bookings* as the net change in Backlog between the start of a fiscal period and the end of a fiscal period, excluding any change in *Backlog* directly attributable to an acquired or divested business as of the acquisition/divestiture date, and the impact of foreign exchange fluctuations. Bookings is a leading indicator of future revenue; however, it does not provide a guarantee of future net earnings and provides no information about the timing of future revenue.

The Corporation calculates *Book-to-Bill Ratio* as Bookings for a fiscal period divided by Sales for the same fiscal period. The Book-to-Bill ratio is a leading indicator of future revenue; however, it does not provide a guarantee of future net earnings and provides no information about the timing of future revenue.

The Corporation calculates *Net (Cash) Debt* as cash less current and long-term bank debt less current and long-term government loans. Net cash (debt) is a liquidity metric used to determine how well the Corporation can pay its debt obligations if they were due immediately.

These non-IFRS financial measures are not generally accepted measures and should not be considered as alternatives to IFRS measures. As there is no standardized method of calculating these measures, these non-IFRS financial measures may not be directly comparable with similarly titled measures used by other companies. Management believes these non-IFRS financial measures are important to many of the Corporation's shareholders, creditors and other stakeholders. The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of October 8, 2024 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 6, 2024 which is available on SEDAR at www.sedar.com.

# FIRAN TECHNOLOGY GROUP CORPORATION

## Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of the Corporation have been prepared by management and approved by the Audit Committee and Board of Directors of the Corporation.

The Corporation's independent auditors have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditors.

# Interim Condensed Consolidated Statements of Financial Position

| | As at | |
|---|---|---|
| (Unaudited)<br>(in thousands of Canadian dollars) | **August 30, 2024** | November 30, 2023 |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **$ 8,358** | $ 6,616 |
| Accounts receivable | **30,682** | 28,679 |
| Contract assets | **407** | 300 |
| Inventories | **37,333** | 36,561 |
| Prepaid expenses and other | **2,003** | 1,894 |
| | **78,783** | 74,050 |
| **Non-current assets** | | |
| Plant and equipment, net | **17,268** | 15,982 |
| Non-current deposits | **84** | 505 |
| Right-of-use assets | **21,390** | 23,628 |
| Intangible assets | **1,539** | 1,716 |
| Deferred tax assets | **53** | 674 |
| Deferred development costs | **134** | 162 |
| Goodwill | **8,929** | 8,990 |
| **Total assets** | **$ 128,180** | $ 125,707 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **$ 21,036** | $ 24,377 |
| Provision for product warranties | **831** | 653 |
| Contract liabilities | **2,196** | 1,841 |
| Current portion of bank debt | **623** | 1,020 |
| Current portion of government loan | **246** | 175 |
| Current portion of lease liabilities | **3,814** | 3,830 |
| Income tax payable | **55** | 1,103 |
| Current contingent consideration | **2,217** | - |
| | **31,018** | 32,999 |
| **Non-current liabilities** | | |
| Bank debt | **2,228** | 3,448 |
| Government loan | **7,468** | 5,585 |
| Lease liabilities | **19,365** | 21,120 |
| Contingent consideration | **-** | 2,232 |
| **Total liabilities** | **60,079** | 65,384 |
| **Equity** | | |
| Retained earnings | **$ 37,402** | $ 31,035 |
| Accumulated other comprehensive income (loss) | **(231)** | (1,349) |
| | **37,171** | 29,686 |
| Share capital | | |
| Common Shares *(Note 3.1)* | **21,150** | 21,310 |
| Contributed surplus | **8,797** | 8,539 |
| **Total equity attributable to FTG's shareholders** | **67,118** | 59,535 |
| Non-controlling interest | **983** | 788 |
| **Total equity** | **68,101** | 60,323 |
| **Total liabilities and equity** | **$ 128,180** | $ 125,707 |

See accompanying notes.

# Interim Condensed Consolidated Statements of Earnings

| (Unaudited)<br>(in thousands of Canadian dollars, except per share amounts) | Three months ended<br>**August 30, 2024** | Three months ended<br>September 1, 2023 | Nine months ended<br>**August 30, 2024** | Nine months ended<br>September 1, 2023 |
|---|---|---|---|---|
| Sales | **$ 43,088** | $ 36,611 | **$ 116,852** | $ 95,209 |
| Cost of sales | | | | |
| Cost of sales | **29,446** | 26,001 | **79,495** | 62,075 |
| Depreciation of plant and equipment | **1,303** | 1,134 | **3,861** | 3,092 |
| Depreciation of right-of-use assets | **716** | 700 | **2,136** | 1,496 |
| Total cost of sales | **31,465** | 27,835 | **85,492** | 66,663 |
| Gross margin | **11,623** | 8,776 | **31,360** | 28,546 |
| Expenses | | | | |
| Selling, general and administrative | **5,068** | 4,052 | **14,619** | 12,221 |
| Research and development costs | **1,727** | 1,618 | **4,691** | 4,588 |
| Recovery of investment tax credits | **(150)** | (185) | **(489)** | (529) |
| Depreciation of property, plant and equipment | **48** | 52 | **136** | 153 |
| Depreciation of right-of-use assets | **19** | 16 | **54** | 48 |
| Amortization of intangible assets | **50** | 132 | **166** | 231 |
| Interest expense (income), net | **97** | 98 | **304** | (95) |
| Notional interest expense on government loans | **108** | 64 | **282** | 135 |
| Accretion on lease liabilities | **364** | 380 | **1,095** | 731 |
| Stock based compensation | **247** | 90 | **633** | 315 |
| Foreign exchange (gain) loss | **(225)** | 121 | **50** | 78 |
| Loss provision on sale-leaseback of building | **-** | - | **-** | 30 |
| Total expenses | **7,353** | 6,438 | **21,541** | 17,906 |
| Earnings before income taxes | **4,270** | 2,338 | **9,819** | 10,640 |
| Current income tax expense | **1,416** | 907 | **3,159** | 2,587 |
| Deferred income tax expense | **30** | 37 | **98** | 106 |
| Total income tax expense | **1,446** | 944 | **3,257** | 2,693 |
| **Net earnings** | **$ 2,824** | $ 1,394 | **$ 6,562** | $ 7,947 |
| **Attributable to:** | | | | |
| Non-controlling interest | **$ 60** | $ 74 | **$ 195** | $ 152 |
| Equity holders of FTG | **$ 2,764** | $ 1,320 | **$ 6,367** | $ 7,795 |
| **Earnings per share, attributable to the equity holders of FTG** | | | | |
| Basic *(Note 3.2)* | **$ 0.12** | $ 0.06 | **$ 0.27** | $ 0.33 |
| Diluted *(Note 3.2)* | **$ 0.11** | $ 0.05 | **$ 0.26** | $ 0.32 |

See accompanying notes.

# Interim Condensed Consolidated Statements of Comprehensive Income

| (Unaudited)<br>(in thousands of Canadian dollars) | Three months ended<br>**August 30, 2024** | Three months ended<br>September 1, 2023 | Nine months ended<br>**August 30, 2024** | Nine months ended<br>September 1, 2023 |
|---|---|---|---|---|
| Net earnings | **$ 2,824** | $ 1,394 | **$ 6,562** | $ 7,947 |
| Other comprehensive income (loss) to be reclassified to net earnings (loss) in subsequent periods: | | | | |
| Change in foreign currency translation adjustments | **(573)** | 330 | **(481)** | (147) |
| Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges *(Note 6.3)* | **750** | (945) | **2,132** | (1,281) |
| Deferred income tax (expense) recovery on change in valuation derivative financial instruments designated as cash flow hedges | **(188)** | 236 | **(533)** | 320 |
| | **(11)** | (379) | **1,118** | (1,108) |
| **Total comprehensive income** | **$ 2,813** | $ 1,015 | **$ 7,680** | $ 6,839 |
| **Attributable to:** | | | | |
| Equity holders of FTG | **$ 2,753** | $ 941 | **$ 7,492** | $ 6,679 |
| Non-controlling interest | **$ 60** | $ 74 | **$ 188** | $ 160 |

See accompanying notes.

# Interim Condensed Consolidated Statements of Changes in Equity

| **Nine months ended August 30, 2024** | **Attributed to the equity holders of FTG** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | **Accumulated other** | | **Non-** | |
| (Unaudited) | **Common** | **Retained** | **Contributed** | **comprehensive** | | **controlling** | **Total** |
| (in thousands of Canadian dollars) | **shares** | **earnings** | **surplus** | **income (loss)** | **Total** | **interest** | **equity** |
| Balance, November 30, 2023 | **$ 21,310** | **$ 31,035** | **$ 8,539** | **$ (1,349)** | **$ 59,535** | **$ 788** | **$ 60,323** |
| Net income | **-** | **6,367** | **-** | **-** | **6,367** | **195** | **6,562** |
| Stock-based compensation - PSU & RSU | **-** | **-** | **356** | **-** | **356** | **-** | **356** |
| Transfer from contributed surplus to share capital for PSU's excercised | **98** | **-** | **(98)** | **-** | **-** | **-** | **-** |
| Common shares repurchased and issued on exercise of PSU's | **(258)** | **-** | | **-** | **(258)** | **-** | **(258)** |
| Repurchase and cancellation of shares | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Other comprehensive income | **-** | **-** | **-** | **1,118** | **1,118** | **-** | **1,118** |
| Balance, August 30, 2024 | **$ 21,150** | **$ 37,402** | **$ 8,797** | **$ (231)** | **$ 67,118** | **$ 983** | **$ 68,101** |

| Nine months ended September 1, 2023 | Attributed to the equity holders of FTG | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accumulated other | | Non- | |
| (Unaudited) | Common | Retained | Contributed | comprehensive | | controlling | Total |
| (in thousands of Canadian dollars) | shares | earnings | surplus | income | Total | interest | equity |
| Balance, November 30, 2022 | $ 21,357 | $ 19,521 | $ 8,319 | $ (867) | $ 48,330 | $ 965 | $ 49,295 |
| Net income | - | 7,795 | - | - | 7,795 | 152 | 7,947 |
| Stock-based compensation - PSU | - | - | 134 | - | 134 | - | 134 |
| Repurchase and cancellation of shares | (20) | (33) | - | - | (53) | - | (53) |
| Return of capital to non-controlling interest | - | - | - | - | - | (396) | (396) |
| Other comprehensive income (loss) | - | - | - | (1,100) | (1,100) | (8) | (1,108) |
| Balance, September 1, 2023 | $ 21,337 | $ 27,283 | $ 8,453 | $ (1,967) | $ 55,106 | $ 713 | $ 55,819 |

See accompanying notes.

# Interim Condensed Consolidated Statements of Cash Flows

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| (Unaudited)<br>(in thousands of Canadian dollars) | **August 30, 2024** | September 1, 2023 | **August 30, 2024** | September 1, 2023 |
| Net inflow (outflow) of cash related to the following: | | | | |
| **Operating activities** | | | | |
| Net earnings | **$ 2,824** | $ 1,394 | **$ 6,562** | $ 7,947 |
| Items not affecting cash and cash equivalents | | | | |
| Stock-based compensation - PSU & RSU | **121** | 43 | **363** | 134 |
| (Gain) Loss on disposal of property, plant and equipment | **-** | 25 | **75** | 25 |
| Loss provision on sale-leaseback of building | **-** | - | **-** | 30 |
| Effect of exchange rates on U.S. dollar bank debt | **73** | 45 | **139** | (41) |
| Depreciation of property, plant and equipment | **1,351** | 1,186 | **3,997** | 3,245 |
| Depreciation of right-of-use assets | **735** | 716 | **2,190** | 1,544 |
| Amortization of intangible assets | **50** | 132 | **166** | 231 |
| Amortization, other | **24** | (36) | **(68)** | (82) |
| Notional interest expense on government loan | **108** | 64 | **282** | 135 |
| Deferred tax expenses | **30** | 37 | **98** | 106 |
| Accretion on lease liabilities | **364** | 380 | **1,095** | 731 |
| Net change in non-cash operating working capital | **(430)** | (623) | **(4,851)** | (6,721) |
| **Cash flow from operating activities** | **5,250** | 3,363 | **10,048** | 7,284 |
| **Investing activities** | | | | |
| Acquisition of Holaday Circuits, LLC | **-** | - | **-** | (24,410) |
| Acquisition of IMI, Inc. | **(411)** | - | **(411)** | (1,844) |
| Proceeds from sale-leaseback of Aerospace Chatsworth facility | **-** | - | **-** | 8,382 |
| Additions to property, plant and equipment | **(771)** | (1,755) | **(5,403)** | (4,218) |
| (Increase) Decrease in non-current deposits | **(84)** | 58 | **419** | (657) |
| Recovery of contract and other costs | **13** | 6 | **29** | 18 |
| Additions to deferred financing costs | **-** | (15) | **(12)** | (66) |
| **Cash flow used in investing activities** | **(1,253)** | (1,706) | **(5,378)** | (22,795) |
| **Net cash flow from operating and investing activities** | **3,997** | 1,657 | **4,670** | (15,511) |
| **Financing activities** | | | | |
| Proceeds from government loans | **-** | 716 | **1,856** | 3,005 |
| Proceeds from bank debt | **-** | - | **-** | 4,073 |
| Repayments of bank debt | **(1,306)** | (243) | **(1,860)** | (736) |
| Return of capital to non-controlling interest | **-** | - | **-** | (396) |
| Lease liability payments | **(953)** | (904) | **(2,814)** | (1,925) |
| Repurchase of common shares on exercise of PSU's | **-** | - | **(258)** | - |
| Repurchase and cancellation of shares | **-** | (23) | **-** | (53) |
| **Cash flow from (used in) financing activities** | **(2,259)** | (454) | **(3,076)** | 3,968 |
| **Effects of foreign exchange rate changes on cash flow** | **300** | 2 | **148** | (187) |
| **Net increase (decrease) in cash and cash equivalent** | **2,038** | 1,205 | **1,742** | (11,730) |
| Cash and cash equivalents, beginning of the period | **6,320** | 2,731 | **6,616** | 15,666 |
| **Cash and cash equivalents, end of period** | **$ 8,358** | $ 3,936 | **$ 8,358** | $ 3,936 |
| | | | | |
| **Disclosure of cash payments** | | | | |
| Payments for interest | **$ 97** | $ 98 | **$ 304** | $ 84 |
| Payments for income taxes | **$ 671** | $ 442 | **$ 3,821** | $ 1,730 |

## 1. NATURE OF OPERATIONS

Firan Technology Group Corporation ("FTG") was formed as a result of the amalgamation between Circuit World Corporation and Firan Technology Group Inc. on August 30, 2003, pursuant to articles of amalgamation under the *Canada Business Corporations Act*. Prior to this, FTG was established as Helix Circuits Inc. on April 18, 1983 by articles of amalgamation pursuant to the provisions of the *Canada Business Corporations Act*. FTG, its subsidiaries and its joint venture (together referred to as the "Corporation" or the "Group") are primarily suppliers of aerospace and defence electronic products and sub-systems.

The address of the Corporation's registered office is 250 Finchdene Square, Toronto, Ontario, M1X 1A5.

The interim condensed consolidated financial statements of the Corporation as at and for the three and nine months ended August 30, 2024 comprise FTG, its subsidiaries and its joint venture.

These interim condensed consolidated financial statements were approved for issuance by the Board of Directors on October 8, 2024.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Corporation for the year ended November 30, 2023, which are available on SEDAR at www.sedarplus.ca and on the Corporation's website at www.ftgcorp.com.

With the exceptions of the accounting policies specified below, the same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the audited consolidated financial statements for the year ended November 30, 2023.

### 2.1 Use of estimates, judgements and assumptions

The preparation of interim condensed consolidated financial statements requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. It also requires management to exercise judgement in applying the Corporation's accounting policies. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Corporation based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation.

## 3. SHARE CAPITAL

### 3.1 Authorized

Authorized share capital consists of an unlimited number of Common Shares with no par value and an unlimited number of Preferred Shares with no par value, issuable in series, with the attributes of each series to be fixed by the Board of Directors. Each Common and Preferred Share carries the right to one vote. The outstanding common shares as at August 30, 2024 were 23,874,802 (November 30, 2023 – 23,874,802).

During the three months ended August 30, 2024, the Corporation granted Nil performance share units ("PSUs") (2023 – Nil). During the nine months ended August 30, 2024, the Corporation granted 90,000 performance share units ("PSUs") (2023 – 90,000), of which 100% vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

As at August 30, 2024, Nil of the 257,875 (November 30, 2023 – Nil of the 258,750) outstanding PSUs had vested or were exercisable.

During the three months ended August 30, 2024, the Corporation granted Nil restricted share units ("RSUs") (2023 – Nil). During the nine months ended August 30, 2024, the Corporation granted 100,000 restricted share units ("RSUs") (2023 – Nil). RSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based RSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

As at August 30, 2024, Nil of the 100,000 (November 30, 2023 – Nil of Nil) outstanding RSUs had vested or were exercisable.

**(in thousands of Canadian dollars, except where noted and per share amounts)**

### 3.2 Earnings per share

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **August 30, 2024** | September 1, 2023 | **August 30, 2024** | September 1, 2023 |
| *Numerator* | | | | |
| Net earnings | **$ 2,824** | $ 1,394 | **$ 6,562** | $ 7,947 |
| Net earnings attributable to non-controlling interests | **60** | 74 | **195** | 152 |
| Net earnings attributable to equity holders of FTG | **$ 2,764** | $ 1,320 | **$ 6,367** | $ 7,795 |
| Numerator for basic earnings per share - net earnings applicable to Common Shares | **$ 2,764** | $ 1,320 | **$ 6,367** | $ 7,795 |
| Numerator for diluted earnings per share - net earnings applicable to Common Shares | **$ 2,764** | $ 1,320 | **$ 6,367** | $ 7,795 |
| *Denominator* | | | | |
| Denominator for basic earnings per share - weighted average number of Common Shares outstanding | **23,874,802** | 23,910,934 | **23,874,802** | 23,912,656 |
| Effect of dilutive securities | | | | |
| Weighted average number of PSUs | **260,600** | 258,750 | **253,578** | 251,893 |
| Weighted average number of RSUs | **100,000** | - | **70,073** | - |
| Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions | **24,235,402** | 24,169,684 | **24,198,453** | 24,164,549 |
| Earnings (loss) per share data attributable to the equity holders of FTG | | | | |
| Basic earnings (loss) per share | **$ 0.12** | $ 0.06 | **$ 0.27** | $ 0.33 |
| Diluted earnings (loss) per share | **$ 0.11** | $ 0.05 | **$ 0.26** | $ 0.32 |

The Corporation has 257,875 PSUs and 100,000 RSUs outstanding as at August 30, 2024 (September 1, 2023 – 258,750 and Nil). The PSUs and RSUs were included, as dilutive securities, in calculating diluted earnings per share for the three and six months ended August 30, 2024 and September 1, 2023 as the Corporation had net earnings.

### 3.3 Management of capital

The Corporation's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk.

For the purpose of the Corporation's capital management, capital includes government financing, bank debt and total equity attributable to FTG's shareholders. The Corporation's primary uses of capital are to finance increases in non-cash working capital, research and development costs, capital expenditures and acquisitions. The Corporation currently funds these requirements from internally generated cash flows, cash, bank debt and government financing.

The Corporation's managed capital is as follows:

**(in thousands of Canadian dollars, except where noted and per share amounts)**

| | **August 30, 2024** **$** | November 30, 2023 $ |
|---|---|---|
| Total equity attributable to FTG's shareholders | **67,118** | 59,535 |
| Bank debt | **2,851** | 4,468 |
| Government loans | **7,714** | 5,760 |
| Managed capital | **77,683** | 69,763 |

The Corporation manages its capital structure and makes adjustments to it as necessary, taking into account the economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, may increase or repay long-term debt, issue shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

The Corporation does not currently have a policy to pay a dividend. The credit facilities are secured by a first charge on all assets of the Corporation.

### 3.4 Normal course issuer bid program

The Toronto Stock Exchange (the "TSX") accepted the Corporation's notice of intention to establish the following normal course issuer bid programs (together the "NCIB programs").

| **NCIB Program** | **Start Date** | **End Date** | **Maximum Number of Common Shares Permitted to be Purchased** |
|---|---|---|---|
| NCIB-1 | April 22, 2022 | April 21, 2023 | 1,224,560 |
| NCIB-2 | June 5, 2023 | June 4, 2024 | 1,195,550 |
| NCIB-3 | August 26, 2024 | August 25, 2025 | 1,197,740 |

Purchases were made by the Corporation in accordance with the requirements of the TSX and the price paid for any repurchased Common Shares was the market price of such Common Shares at the time of acquisition.

During the three months ended August 30, 2024, the Corporation did not purchase Common Shares. During the three months ended September 1, 2023, the Corporation purchased and cancelled 6,200 Common Shares at a weighted average price of $3.43 per share for a total amount of $23 including commission and other transaction costs.

During the nine months ended August 30, 2024, the Corporation did not purchase Common Shares. During the nine months ended September 1, 2023, the Corporation purchased and cancelled 22,099 Common Shares at a weighted average price of $2.29 per share for a total amount of $53 including commission and other transaction costs.

As at August 30, 2024, the Corporation has purchased and cancelled 616,400 shares cumulatively during the NCIB programs.

**(in thousands of Canadian dollars, except where noted and per share amounts)**

## 4. INCOME TAX EXPENSE

The Corporation's tax expense is calculated based on the best estimate of the weighted average annual income tax rate expected for the full financial year by using the rates applicable in each of the tax jurisdictions in which the Corporation operates.

## 5. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

Changes in non-cash operating working capital comprise of the following:

| | **Three months ended** | | **Nine months ended** | |
|---|---|---|---|---|
| | **August 30, 2024** | September 1, 2023 | **August 30, 2024** | September 1, 2023 |
| | **$** | $ | **$** | $ |
| Accounts receivable, contract assets | **(3,764)** | (1,772) | **(1,985)** | (4,002) |
| Inventories | **978** | (2,405) | **(861)** | (6,329) |
| Prepaid expenses | **973** | (768) | **2,021** | (1,560) |
| Contract liabilities | **137** | 2,054 | **350** | (1,452) |
| Accounts payable and accrued liabilities, and provisions | **474** | 2,001 | **(3,137)** | 6,580 |
| Income tax payable | **772** | 267 | **(1,239)** | 42 |
| | **(430)** | (623) | **(4,851)** | (6,721) |

## 6. FINANCIAL INSTRUMENTS

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments carried at fair value:

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level includes equity securities traded on an active market and quoted corporate and government-backed debt instruments. The Corporation did not have any Level 1 financial instruments carried at fair value as at August 30, 2024 and November 30, 2023.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at August 30, 2024 and November 30, 2023.

Level 3: Valuation Techniques with Significant Unobservable Parameters: Instruments classified in this category have a parameter input or inputs that are unobservable and have more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The financial instrument held by the Corporation in this level is contingent consideration as at August 30, 2024. The Corporation did not have any Level 3 financial instruments carried at fair value as at November 30, 2023.

There were no transfers between levels during the period. The estimated fair value amounts approximate the amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. For financial instruments that lack an available trading market, the Corporation applies present value and valuation techniques that use observable or unobservable market inputs. Because of the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

**(in thousands of Canadian dollars, except where noted and per share amounts)**

The methods and assumptions used to estimate the fair value of financial instruments are described as follows:

### 6.1 Cash, accounts receivable, contract assets, accounts payable and accrued liabilities, and contract liabilities

The Corporation determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying value as at the consolidated statements of financial position dates because of the short-term maturity of those instruments.

### 6.2 Bank debt

The fair value of bank debt bearing interest at variable rates approximates its carrying value as interest rate charges fluctuate with changes in the bank's prime rate.

### 6.3 Derivative instruments

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts and interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on August 30, 2024. The table below summarizes the unrealized gains (losses) included in the fair values:

| | **August 30, 2024 $** | November 30, 2023 $ |
|---|---|---|
| Unrealized gains (losses) of derivative instruments | | |
| Foreign exchange forward contracts | **(695)** | (2,572) |
| Gold forward contracts | **492** | 229 |
| Interest rate swaps | **1** | 8 |
| Net unrealized losses of derivative instruments | **(202)** | (2,335) |
| Tax effect | **51** | 584 |
| Included in accumulated other comprehensive income | **(151)** | (1,751) |

a) Foreign exchange forward contracts

Foreign exchange forward contracts are transacted with a financial institution to hedge part of a foreign currency denominated anticipated sale of products. The following table summarizes the Corporation's outstanding commitments to buy and sell foreign currency under foreign exchange forward contracts, all of which have a maturity date of no more than thirty-six months as at August 30, 2024 and November 30, 2023:

| **As at** | **Currency sold** | **Currency bought** | **Notional value** | **Forward value at transaction date** | **Forward current value** | **Unrealized loss** |
|---|---|---|---|---|---|---|
| **August 30, 2024** | **USD** | **CAD** | **US$45,150** | **$59,379** | **$60,074** | **($695)** |
| November 30, 2023 | USD | CAD | US$54,150 | $70,277 | $72,849 | ($2,572) |

As at August 30, 2024 and November 30, 2023, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income gain (loss) and prepaid expenses and other. This net unrealized gain in other comprehensive income gain (loss) is expected to be realized through net earnings on the interim condensed consolidated statements of earnings over the next thirty-six months when the sales are recorded.

**(in thousands of Canadian dollars, except where noted and per share amounts)**

b) Gold forward contracts

As at August 30, 2024, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 1,050 ounces of gold (November 30, 2023 – 1,050 ounces of gold) under gold forward contracts at a contract price of approximately $3.00 per ounce (November 30, 2023 – $2.52) expiring quarterly from September 2024. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts:

| As at | Nature of contract | Quantity | Forward value at transaction date | Forward current value | Unrealized gain |
|---|---|---|---|---|---|
| **August 30, 2024** | **Gold forward contract** | **1,050 ounces** | **$3,153** | **$3,517** | **$364** |
| November 30, 2023 | Gold forward contract | 1,050 ounces | $2,790 | $3,019 | $299 |

As at August 30, 2024 and November 30, 2023, the gold forward contracts are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss), prepaid expenses and other and accounts payable and accrued liabilities. This unrealized gain (loss) in other comprehensive income (loss) is expected to be reclassified to the interim condensed consolidated statements of earnings over the next twelve months when the cost of sales are recorded.

The terms of the foreign currency and gold forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through earnings or loss. The amounts as at August 30, 2024 retained in other comprehensive income related to these contracts are expected to be recognized through net earnings on the interim condensed consolidated statement of earnings in fiscals 2024, 2025, 2026 and 2027.

c) Interest rate swaps

The Corporation entered into interest rate swaps to hedge certain of its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain are included in other comprehensive income (loss) and accounts payable and accrued liabilities as at August 30, 2024 and November 30, 2023. The table below summarizes the Corporation's interest rate swaps:

| | | | | Unrealized gain | |
|---|---|---|---|---|---|
| **Date** | **Corresponding Loan description** | **Loan interest rate** | **Interest rate swap** | **August 30, 2024** | November 30, 2023 |
| February 2018 | 7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest | SOFR rate plus 215 basis points | 4.96% | - | $4 |
| April 2018 | 7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest | SOFR rate plus 215 basis points | 5.08% | **$1** | $4 |
| | | | | **$1** | $8 |

## 7. FINANCIAL RISKS

### 7.1 Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has entered into derivative contracts to mitigate this risk (see *Note 6.3*).

### 7.2 Currency risk

Currency risk arises because of fluctuations in exchange rates. The Corporation conducts a significant portion of its business activities in foreign currencies, primarily in U.S. dollars. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Corporation's bank debt and most of the manufacturing materials are sourced in U.S. dollars, and also a significant portion of the headcount and operations are located in the United States, providing a natural economic hedge for a portion of the Corporation's currency exposure.

During the three and nine months ended August 30, 2024, net realized loss of $516 and $1,507, respectively (2023 – gain of $83 and $132), from settlements of foreign exchange forward contracts designated as cash flow hedges was included in sales in the interim condensed consolidated statements of earnings.

The foreign exchange exposure for the reporting periods, covering the period-end balances of financial assets during the periods presented that were denominated in U.S. dollars, is set out in the table below:

| | | | **August 30, 2024** | November 30, 2023 |
|---|---|---|---|---|
| *(In thousands of U.S. dollars)* | **Canadian and other operations $** | **U.S. operations $** | **Consolidated financial statements $** | Consolidated financial statements $ |
| Cash | **3,324** | **594** | **3,918** | 3,368 |
| Accounts receivable, contract assets | **11,999** | **9,513** | **21,512** | 20,206 |
| Accounts payable and accrued liabilities, contract liabilities and current portion of lease liabilities | **(2,502)** | **(8,895)** | **(11,397)** | (11,960) |
| Total bank borrowings | **(2,002)** | | **(2,002)** | (3,494) |
| Balance sheet exposure, excluding financial derivatives | **10,819** | **1,212** | **12,031** | 8,120 |
| Reporting date CAD:USD exchange rate | | | **1.3491** | 1.3582 |

| | **Three months ended** | |
|---|---|---|
| | **August 30, 2024** | September 1, 2023 |

| *(In thousands of U.S. dollars)* | **Canadian and other operations $** | **U.S. operations $** | **Total $** | Total $ |
|---|---|---|---|---|
| Net sales | 14,927 | 14,661 | 29,588 | 25,927 |
| Operating expenses | (3,929) | (16,346) | (20,275) | (18,528) |
| Net exposure | **10,998** | **(1,685)** | **9,313** | 7,399 |

| | **Nine months ended** | | | |
|---|---|---|---|---|
| | | | **August 30, 2024** | September 1, 2023 |
| *(In thousands of U.S. dollars)* | **Canadian and other operations $** | **U.S. operations $** | **Total $** | Total $ |
| Net sales | 39,293 | 43,039 | 82,332 | 66,920 |
| Operating expenses | (10,607) | (46,602) | (57,209) | (40,914) |
| Net exposure | **28,686** | **(3,563)** | **25,123** | 26,006 |

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the U.S. dollar, net earnings before tax for the three and nine months ended August 30, 2024 and September 1, 2023 would change as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

| | **Three months ended** | | | |
|---|---|---|---|---|
| | | | **August 30, 2024** | September 1, 2023 |
| Source of net earnings/loss variability from changes in foreign exchange rates | **Canadian and other operations $** | **U.S. operations $** | **Total $** | Total $ |
| Balance sheet exposure, excluding financial derivatives | **(108)** | **(12)** | **(120)** | (36) |
| Net sales and operating expenses (net exposure) | **(110)** | **17** | **(93)** | (74) |
| Net exposure | **(218)** | **5** | **(213)** | (110) |

| | **Nine months ended** | | | |
|---|---|---|---|---|
| | | | **August 30, 2024** | September 1, 2023 |
| Source of net earnings/loss variability from changes in foreign exchange rates | **Canadian and other operations $** | **U.S. operations $** | **Total $** | Total $ |
| Balance sheet exposure, excluding financial derivatives | **(108)** | **(12)** | **(120)** | (36) |
| Net sales and operating expenses (net exposure) | **(287)** | **36** | **(251)** | (260) |
| Net exposure | **(395)** | **24** | **(371)** | (296) |

**(in thousands of Canadian dollars, except where noted and per share amounts)**

The Corporation also holds RMB arising from its Circuits and Aerospace facilities in the People's Republic of China.

| | **August 30, 2024** | | November 30, 2023 | |
|---|---|---|---|---|
| | **RMB** | **$** | RMB | $ |
| Cash | **11,922** | **2,269** | 3,470 | 660 |
| Short-term deposit with a financial institution with maturity of less than 1 year | **1,007** | **192** | 4,546 | 865 |
| Balance sheet exposure | **12,929** | **2,461** | 8,016 | 1,525 |

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the three and nine months ended August 30, 2024 would decrease by approximately $25 and $25, respectively (2023 – $14 and $14, respectively). An assumed 1% weakening of the Canadian dollar versus the RMB would have had an equal but opposite effect on these amounts.

### 7.3 Credit risk

The Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 120 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

Credit risk arises from the potential that the counterparty will fail to fulfil its obligations. The Corporation is exposed to credit risk from its customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large, multi-national, stable organizations. Please refer to *Note 8* for net sales to the Corporation's two largest customers during three and nine months ended August 30, 2024. The Corporation may also have credit risk relating to cash and foreign exchange forward contracts, which it manages by dealing with its current bank, a major financial institution that the Corporation anticipates will satisfy its obligations under the contracts.

Historically, losses under trade receivables have been insignificant. To minimize the risk of loss from trade receivables, extension of credit terms to customers requires review and approval by senior management even though the customers have generally been dealing with the Corporation for several years, and the losses have been historically minimal.

Although the Corporation's credit control processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Corporation's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 90 days in accordance with industry practice. Customers do not provide collateral in exchange for credit. The Corporation reviews its trade receivable accounts regularly and to determine whether an adjustment to the provision for expected credit loss is warranted. The expected credit loss is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for expected credit loss are determined on a portfolio basis taking into account any available relevant information on the portfolio's liquidity and market factors.

### 7.4 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in *Note 3.3*. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account sales, receipts, expenditures and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures. The Corporation currently finances its operations through internally generated cash flows and the use of its credit facility.

**(in thousands of Canadian dollars, except where noted and per share amounts)**

The following is the summary of contractual maturities of financial liabilities and obligations as at August 30, 2024 and November 30, 2023:

| | | | | | **August 30, 2024** | November 30, 2023 |
|---|---|---|---|---|---|---|
| | **Less than 1 year $** | **1 to 2 years $** | **2 to 5 years $** | **More than 5 years $** | **Amount $** | Amount $ |
| Bank debt[1] principal repayments | 807 | 2,044 | - | - | **2,851** | 4,556 |
| Bank debt interest payments | 240 | 178 | - | - | **418** | 644 |
| Accounts payable and accrued liabilities, and provisions | 21,036 | - | - | - | **21,036** | 25,037 |
| Contract liabilities | 2,196 | - | - | - | **2,196** | 1,841 |
| Income tax payable | - | - | - | - | **-** | 1,103 |
| Lease liabilities (undiscounted contractual cash flows) | 3,510 | 3,180 | 6,619 | 1,365 | **14,674** | 14,714 |
| Operating leases | - | - | - | - | **-** | 44 |
| Government loan | 703 | 1,536 | 4,608 | 703 | **7,550** | 5,695 |
| Government loan interest payment | - | 39 | 53 | - | **92** | 92 |
| Contingent consideration | 2,217 | **-** | **-** | **-** | **2,217** | 2,232 |
| | **30,709** | **6,977** | **11,280** | **2,068** | **51,034** | 55,958 |

1 Bank debt as at August 30, 2024 is offset by $Nil of deferred financing charge ($47 as at November 30, 2023).

a) Government loans

The Corporation was awarded $7,027 of funding from FedDev Ontario, an agency of the Government of Canada, pursuant to the Aerospace Regional Recovery Initiative (ARRI) program in Canada. The funding is repayable, without interest, commencing in 2025 over a period of five years.

Effective February 24, 2023, the Corporation was awarded up to $2,615 of funding from the Ontario Ministry of Economic Development, Job Creation and Trade pursuant to the Advanced Manufacturing and Innovation Competitiveness (AMIC) program in Ontario, Canada. This funding will be in the format of a conditional loan against qualifying investments made by FTG during a 33-month period ending November 30, 2024. The conditional loan will be non-interest bearing through November 30, 2024, with up to $500 forgivable upon achievement of specified objectives. The residual loan amount and interest accruing from December 1, 2024 at a rate of 6.81% per annum are repayable in quarterly instalments commencing February 28, 2025 and ending November 30, 2028.

In accordance with IFRS, the benefit of the interest-free loan has been recognized as deferred government grant in the interim condensed consolidated statements of financial position. As at August 30, 2024, the Corporation has received $523 of AMIC funding.

As at August 30, 2024, the carrying value of the loans and the deferred government grant are $6,180 and $1,534, respectively (November 30, 2023 – $4,462 and $1,298, respectively).

b) Employee Retention Credit

The Employee Retention Credit (ERC) is a refundable tax credit in the U.S. within the CARES Act for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021.

During the three and nine months ended September 1, 2023, the Corporation's U.S. operations were approved for and received $318 (US$232) and $3,758 (US$2,735) in funds pursuant to the ERC program. The funds received were recorded as reductions to cost of sales and selling, general and administrative expenses.

## 8. SEGMENTED INFORMATION

Management has determined that the operating segments are based on the information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Corporation's chief operating decision maker. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation evaluates the financial performance of its operating segments primarily based on earnings before interest and income taxes.

The Corporation consists of two operating segments which operate within the Global marketplace, FTG Circuits ("Circuits") and FTG Aerospace ("Aerospace"). Circuits is a leading manufacturer of high technology/high reliability printed circuit boards. Aerospace is a manufacturer of illuminated cockpit panels, keyboard, bezels and sub-assemblies for original equipment manufacturers of avionic products and airframe manufacturers. Circuits and Aerospace financial information is shown below:

**(in thousands of Canadian dollars, except where noted and per share amounts)**

| | Three months ended August 30, 2024 | | | |
|---|---|---|---|---|
| | Circuits | Aerospace | Eliminations and Corporate | Total |
| | $ | $ | $ | $ |
| Gross segment sales | **30,848** | **13,443** | **-** | **44,291** |
| Inter-segment sales | **-** | **-** | **(1,203)** | **(1,203)** |
| Net sales | **30,848** | **13,443** | **(1,203)** | **43,088** |
| Cost of sales and selling, general and administrative expenses | **24,186** | **10,542** | **33** | **34,761** |
| Research and development costs | **1,283** | **444** | **-** | **1,727** |
| Recovery of investment tax credits | **(100)** | **(50)** | **-** | **(150)** |
| Depreciation of plant and equipment | **1,176** | **145** | **30** | **1,351** |
| Depreciation of right-of-use assets | **544** | **176** | **15** | **735** |
| Amortization of intangible assets | **50** | **-** | **-** | **50** |
| Foreign exchange (gain) loss | **160** | **(167)** | **(218)** | **(225)** |
| Earnings (loss) before interest and income taxes | **3,549** | **2,353** | **(1,063)** | **4,839** |
| Interest and notional interest expense (income), net | **95** | **11** | **99** | **205** |
| Accretion on lease liabilities | **289** | **74** | **1** | **364** |
| Income tax expense | **-** | **-** | **1,446** | **1,446** |
| Net earnings (loss) | **3,165** | **2,268** | **(2,609)** | **2,824** |
| | | | | |
| Other operating segments disclosures: | | | | |
| Additions to plant and equipment | **632** | **130** | **9** | **771** |

| | Three months ended September 1, 2023 | | | |
|---|---|---|---|---|
| | Circuits | Aerospace | Eliminations and Corporate | Total |
| | $ | $ | $ | $ |
| Gross segment sales | 27,230 | 10,014 | - | 37,244 |
| Inter-segment sales | - | - | (633) | (633) |
| Net sales | 27,230 | 10,014 | (633) | 36,611 |
| Cost of sales and selling, general and administrative expenses | 22,129 | 7,766 | 248 | 30,143 |
| Research and development costs | 1,354 | 264 | - | 1,618 |
| Recovery of investment tax credits | (123) | (62) | - | (185) |
| Depreciation of plant and equipment | 1,038 | 112 | 36 | 1,186 |
| Depreciation of right-of-use assets | 530 | 175 | 11 | 716 |
| Amortization of intangible assets | 132 | - | - | 132 |
| Foreign exchange loss on conversion of assets and liabilities | - | 121 | - | 121 |
| Earnings (loss) before interest and income taxes | 2,170 | 1,638 | (928) | 2,880 |
| Interest and notional interest expense (income), net | 56 | 5 | 101 | 162 |
| Accretion on lease liabilities | 299 | 80 | 1 | 380 |
| Income tax expense | - | - | 944 | 944 |
| Net earnings (loss) | 1,815 | 1,553 | (1,974) | 1,394 |
| | | | | |
| Other operating segments disclosures: | | | | |
| Additions to plant and equipment | 1,637 | 118 | - | 1,755 |

**(in thousands of Canadian dollars, except where noted and per share amounts)**

| | Nine months ended August 30, 2024 | | | |
|---|---|---|---|---|
| | **Circuits** | **Aerospace** | **Eliminations and Corporate** | **Total** |
| | **$** | **$** | **$** | **$** |
| Gross segment sales | **86,378** | **33,516** | **-** | **119,894** |
| Inter-segment sales | **-** | **-** | **(3,042)** | **(3,042)** |
| Net sales | **86,378** | **33,516** | **(3,042)** | **116,852** |
| Cost of sales and selling, general and administrative expenses | **68,632** | **25,829** | **286** | **94,747** |
| Research and development costs | **3,708** | **983** | **-** | **4,691** |
| Recovery of investment tax credits | **(353)** | **(136)** | **-** | **(489)** |
| Depreciation of plant and equipment | **3,492** | **418** | **87** | **3,997** |
| Depreciation of right-of-use assets | **1,619** | **530** | **41** | **2,190** |
| Amortization of intangible assets | **166** | **-** | **-** | **166** |
| Foreign exchange (gain) loss | **340** | **109** | **(399)** | **50** |
| Earnings (loss) before interest and income taxes | **8,774** | **5,783** | **(3,057)** | **11,500** |
| Interest and notional interest expense (income), net | **245** | **29** | **312** | **586** |
| Accretion on lease liabilities | **868** | **225** | **2** | **1,095** |
| Income tax expense | **-** | **-** | **3,257** | **3,257** |
| Net earnings (loss) | **7,661** | **5,529** | **(6,628)** | **6,562** |
| | | | | |
| Other operating segments disclosures: | | | | |
| Additions to plant and equipment | **4,472** | **824** | **107** | **5,403** |

| | Nine months ended September 1, 2023 | | | |
|---|---|---|---|---|
| | Circuits | Aerospace | Eliminations and Corporate | Total |
| | $ | $ | $ | $ |
| Gross segment sales | 64,042 | 33,785 | - | 97,827 |
| Inter-segment sales | - | - | (2,618) | (2,618) |
| Net sales | 64,042 | 33,785 | (2,618) | 95,209 |
| Cost of sales and selling, general and administrative expenses | 48,868 | 25,257 | 516 | 74,641 |
| Research and development costs | 3,759 | 829 | - | 4,588 |
| Recovery of investment tax credits | (368) | (161) | - | (529) |
| Depreciation of plant and equipment | 2,754 | 376 | 115 | 3,245 |
| Depreciation of right-of-use assets | 1,043 | 468 | 33 | 1,544 |
| Amortization of intangible assets | 231 | - | - | 231 |
| Foreign exchange loss on conversion of assets and liabilities | 183 | 310 | (415) | 78 |
| Earnings (loss) before interest and income taxes | 7,572 | 6,706 | (2,867) | 11,411 |
| Interest and notional interest expense (income), net | 53 | (10) | (3) | 40 |
| Accretion on lease liabilities | 519 | 209 | 3 | 731 |
| Income tax expense | - | - | 2,693 | 2,693 |
| Net earnings (loss) | 7,000 | 6,507 | (5,560) | 7,947 |
| | | | | |
| Other operating segments disclosures: | | | | |
| Additions to plant and equipment | 3,766 | 444 | 8 | 4,218 |

**(in thousands of Canadian dollars, except where noted and per share amounts)**

The following table details the total assets, intangible assets, additions to plant and equipment and total liabilities of the Corporation by operating segments:

| | **As at August 30, 2024** | | | |
|---|---|---|---|---|
| | **Circuits** | **Aerospace** | **Corporate office** | **Total** |
| | **$** | **$** | **$** | **$** |
| Total segment assets | **90,062** | **33,142** | **4,976** | **128,180** |
| Intangible and other assets | **10,465** | **137** | **-** | **10,602** |
| Total segment liabilities | **39,917** | **13,020** | **7,142** | **60,079** |

| | As at November 30, 2023 | | | |
|---|---|---|---|---|
| | Circuits | Aerospace | Corporate office | Total |
| | $ | $ | $ | $ |
| Total segment assets | 92,287 | 31,218 | 2,202 | 125,707 |
| Intangible and other assets | 10,703 | 165 | - | 10,868 |
| Total segment liabilities | 40,245 | 13,212 | 11,927 | 65,384 |

The following tables detail net sales by the locations of customers:

| | **Three months ended** | | | | **Nine months ended** | | | |
|---|---|---|---|---|---|---|---|---|
| | **August 30, 2024** | | September 1, 2023 | | **August 30, 2024** | | September 1, 2023 | |
| | **$** | **%** | $ | % | **$** | **%** | $ | % |
| Canada | **2,699** | **6.3** | 2,203 | 6.0 | **6,524** | **5.6** | 6,693 | 7.0 |
| United States | **32,990** | **76.6** | 28,893 | 78.9 | **92,372** | **79.1** | 73,101 | 76.8 |
| Asia | **5,509** | **12.8** | 3,603 | 9.8 | **12,403** | **10.6** | 9,178 | 9.6 |
| Europe | **1,660** | **3.9** | 1,460 | 4.0 | **4,632** | **4.0** | 5,076 | 5.3 |
| Other | **230** | **0.4** | 452 | 1.3 | **921** | **0.7** | 1,161 | 1.3 |
| Total | **43,088** | **100.0** | 36,611 | 100.0 | **116,852** | **100.0** | 95,209 | 100.0 |

The following tables detail the financial information of the Corporation by geographic location:

| | **As at August 30, 2024** | | | |
|---|---|---|---|---|
| | **Canada** | **United States** | **Asia** | **Total** |
| | **$** | **$** | **$** | **$** |
| Intangible and other assets (by location of division) | **134** | **10,465** | **3** | **10,602** |
| Plant and equipment (by location of division) | **7,114** | **9,193** | **961** | **17,268** |
| Right-of-use assets (by location of division) | **4,900** | **16,136** | **354** | **21,390** |

| | As at November 30, 2023 | | | |
|---|---|---|---|---|
| | Canada | United States | Asia | Total |
| | $ | $ | $ | $ |
| Intangible and other assets (by location of division) | 162 | 10,703 | 3 | 10,868 |
| Plant and equipment (by location of division) | 6,148 | 8,847 | 987 | 15,982 |
| Right-of-use assets (by location of division) | 5,260 | 17,909 | 459 | 23,628 |

**(in thousands of Canadian dollars, except where noted and per share amounts)**

| The Corporation's primary sources of revenue are as follows: | **Three months ended** | | **Nine months ended** | |
|---|---|---|---|---|
| | **August 30, 2024** | September 1, 2023 | **August 30, 2024** | September 1, 2023 |
| | **$** | $ | **$** | $ |
| Sale of goods | **41,564** | 36,234 | **115,091** | 94,386 |
| Services | **1,524** | 377 | **1,761** | 823 |
| | **43,088** | 36,611 | **116,852** | 95,209 |

| Timing of revenue recognition based on transfer of control is as follows: | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **August 30, 2024** | September 1, 2023 | **August 30, 2024** | September 1, 2023 |
| | **$** | $ | **$** | $ |
| At a point of time | **41,564** | 36,234 | **115,091** | 94,386 |
| Over time | **1,524** | 377 | **1,761** | 823 |
| | **43,088** | 36,611 | **116,852** | 95,209 |

The following tables detail net sales of the Corporation's two largest customers during each period:

| **For the three months ended August 30, 2024** | **Location** | **Circuits Segment** | **Aerospace Segment** | **Total** | **% of FTG total net sales** |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | |
| Customer A | United States, Europe & Canada | **5,486** | **1,728** | **7,214** | **16.7** |
| Customer B | United States, Asia & Canada | **2,186** | **4,415** | **6,600** | **15.3** |

| For the three months ended September 1, 2023 | Location | Circuits Segment | Aerospace Segment | Total | % of FTG total net sales |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | |
| Customer A | United States, Europe & Canada | 4,109 | 1,835 | 5,944 | 16.2 |
| Customer C | United States | 4,368 | 254 | 4,622 | 12.6 |

| **For the nine months ended August 30, 2024** | **Location** | **Circuits Segment** | **Aerospace Segment** | **Total** | **% of FTG total net sales** |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | |
| Customer A | United States, Europe & Canada | **15,831** | **4,715** | **20,546** | **17.6** |
| Customer B | United States, Canada & Asia | **5,702** | **11,275** | **16,977** | **14.5** |

| For the nine months ended September 1, 2023 | Location | Circuits Segment | Aerospace Segment | Total | % of FTG total net sales |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | |
| Customer A | United States, Europe & Canada | 13,561 | 3,826 | 17,387 | 18.3 |
| Customer C | United States | 9,522 | 860 | 10,392 | 10.9 |

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