



For Immediate Release: July 17, 2017

FIRAN TECHNOLOGY GROUP CORPORATION (“FTG” OR “CORPORATION”) ANNOUNCES SECOND QUARTER 2017 FINANCIAL RESULTS

Toronto, July 17, 2017 – Firan Technology Group Corporation (TSX: FTG) today announced financial results for the second quarter of 2017.

- Achieved sales of \$25.5M, an increase of 29% over Q2 2016
- Grew Aerospace segment sales by 60% over Q2 last year
- Grew Circuits segment sales by 17% over Q2 last year
- Gross margins increased by \$0.9M or 18% over Q2 last year
- Closed the Teledyne PCT facility at the end of Q2
- Q2 profitability impacted by the extension of Teledyne PCT operations and ongoing ramp up of activity of Chatsworth operations, which are expected to continue to ramp up through Q3

“The second quarter of 2017 saw continued growth in FTG from last year’s acquisitions and progress in transitioning the work into FTG’s legacy facilities”, stated Brad Bourne, President and Chief Executive Officer. He added, “We continue to achieve the sales growth expectations from the acquisitions but did incur increased costs in the quarter related to the transition due to the extended use of the Hudson facility as well as ramp up costs in Chatsworth. We remain focused on completing all transition tasks to support customer demands and ultimately generating the anticipated returns from the acquisitions.”

Second Quarter Results: (three months ended June 2, 2017 compared with three months ended May 27, 2016)

	<u>Q2 2017</u>	<u>Q2 2016</u>
Sales	\$25,513,000	\$19,765,000
Gross Margin	5,753,000	4,860,000
Gross Margin (%)	22.5%	24.6%
Operating Earnings ⁽¹⁾ :	2,581,000	1,912,000
• Net R&D Investment	1,846,000	807,000
• Bargain Purchase Gain	-	(1,611,000)
• Restructuring Expense	-	670,000
• Foreign Exchange (Gain) Loss	(118,000)	360,000
• Recovery of Investment Tax Credits	(188,000)	(180,000)
• Amortization of Intangibles	286,000	32,000

Net Earnings before Tax	755,000	1,834,000
• Tax Expense	650,000	478,000
• Non-controlling Interests	(19,000)	6,000
Net Earnings After Tax	<u>\$124,000</u>	<u>\$1,350,000</u>
Earnings per share		
- basic	\$0.01	\$0.07
- diluted	\$0.01	\$0.07

Year-to-Date Results: (six months ended June 2, 2017 compared with six months ended May 27, 2016)

	<u>YTD 2017</u>	<u>YTD 2016</u>
Sales	\$52,685,000	\$36,694,000
Gross Margin	12,639,000	8,612,000
Gross Margin (%)	24.0%	23.5%
Operating Earnings ⁽¹⁾ :	<u>5,598,000</u>	<u>3,144,000</u>
• Net R&D Investment	3,256,000	1,524,000
• Bargain Purchase Gain	-	(1,611,000)
• Restructuring Expense	-	670,000
• Foreign Exchange Loss	43,000	305,000
• Recovery of Investment Tax Credits	(329,000)	(347,000)
• Amortization of Intangibles	567,000	44,000
Net Earnings before tax	2,061,000	2,559,000
• Income Tax	1,155,000	753,000
• Non-controlling Interests	(18,000)	6,000
Net Earnings after tax	<u>\$924,000</u>	<u>\$1,800,000</u>
Earnings per share		
- basic	\$0.04	\$0.10
- diluted	\$0.04	\$0.09

(1) Operating Earnings is not a measure recognized under International Financial Reporting Standards ("IFRS"). Management believes that this measure is important to many of the Corporation's shareholders, creditors and other stakeholders. The Corporation's method of calculating Operating Earnings may differ from other corporations and accordingly may not be comparable to measures used by other corporations.

Business Highlights

FTG accomplished many goals in the second quarter of 2017 that continue to improve the Corporation and position it for the future, including:

- Closed the Teledyne PCT facility at the end of May
- Achieved sales resulting from the PhotoEtch acquisition of \$2.9M in the quarter versus the target of \$1.5M
- Achieved sales resulting from the Teledyne PCT acquisition of \$5.0M in the quarter versus the target of \$4M
- FTG cockpit products flew on the first flight of the COMAC C919 aircraft in China.

For FTG, overall sales increased by \$5.7M or 29% from \$19.8M in Q2 2016 to \$25.5M in Q2 2017. Both business segments participated in the growth. Revenues benefited from the PhotoEtch acquisition which closed in March 2016 and contributed \$2.9M in sales in Q2 2017 compared to \$1.3M in incremental sales during the same quarter last year. Revenues also benefited from the acquisition of Teledyne PCT which contributed \$5.0M in incremental sales in Q2 2017. For the year-to-date, sales were up \$16.0M or 44%.

The Circuits Segment sales were up \$2.4M or 17% in Q2 2017 versus Q2 2016. On a year-to-date basis, Circuits sales were up \$5.3M or 20%. Circuits sales in 2017 year-to-date period have been lifted slightly by the inclusion of some incremental revenue from the acquisition of Teledyne PCT.

For the Aerospace segment, sales in Q2 2017 were \$8.9M compared to \$5.6M in the same quarter last year resulting in a 60% growth rate. Included in the Q2 2017 results are \$2.9M in sales from the acquisition of PhotoEtch and the majority of the Teledyne PCT incremental sales. From Q1 to Q2 2017, the sales related to the Teledyne PCT acquisition were down approximately \$3.0M as operations wound down in the second half of the quarter and the facility was closed. Activity in Chatsworth has ramped up considerably in Q2 but will continue through Q3 as equipment is moved and installed, inventory is transferred and training continues on the handling of the new equipment and the building of new products. Year-to-date sales were up \$10.7M or 107% in the Aerospace segment.

Gross margins in Q2 2017 were up \$0.9M compared to Q2 2016. The benefit of increased sales were offset by increased costs related to operations of the Teledyne PCT facility to the end of Q2, as well as transition related costs.

Normalized earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for Q2 2017 was \$1.8M and \$8.6M for the trailing twelve months.

The following table reconciles EBITDA⁽²⁾ to the net earnings for Q2, 2017.

	<u>Q2 2017</u>	<u>Trailing Twelve Months</u>
Net earnings	\$124,000	5,039,000
Add:		
Interest	130,000	456,000
Income taxes/ITC	443,000	1,442,000
Depreciation/Amortization	1,170,000	3,857,000
One-time Bargain Purchase Gain/Restructuring	-	(2,197,000)
EBITDA	<u>\$1,867,000</u>	<u>\$8,597,000</u>

(2) *EBITDA is not a measure recognized under International Financial Reporting Standards ("IFRS"). Management believes that this measure is important to many of the Corporation's shareholders, creditors and other stakeholders. The Corporation's method of calculating EBITDA may differ from other corporations and accordingly may not be comparable to measures used by other corporations.*

Net profit after tax at FTG in Q2 2017 was \$0.1M compared to a net profit of \$1.4M in Q2 2016. Q2 2017 had higher R&D costs substantially related to the transition of Teledyne PCT product to Chatsworth, higher operating costs related to the ongoing transition, higher amortization of intangible assets and higher income taxes. Q2 2016 results also included a one-time bargain purchase gain related to the PhotoEtch acquisition.

The Circuits segment net earnings before corporate and interest and other costs was \$2.6M in Q2 2017 compared to \$1.7M in Q2 2016. The Circuits joint venture in China did not have a material impact on profitability.

The Aerospace segment net loss before interest and income taxes was (\$1.0M) versus \$0.7M in Q2 2016. The results in Q2 last year included a net \$0.9M benefit from the bargain purchase gain offset by the restructuring charge, both related to the acquisition of PhotoEtch. Q2 2017 included the costs of running the Teledyne PCT facility in parallel with ramping up the Aerospace Chatsworth facility, resulting in double costs. This combined with reduced production in the second half of Q2 as the transition of equipment and inventory was initiated hurt short term profitability. There was negligible deferred development on any programs in Q2 2107.

As at June 2, 2017, the Corporation's net working capital was \$22.8M, an increase of \$0.4M over year-end 2016.

The Corporation will host a live conference call on Monday, July 17, 2017 at 11:30 am (EDT) to discuss the results of Q2 2017.

Anyone wishing to participate in the call should dial 416-340-2220 or 1-866-225-2055 and identify that you are calling to participate in the FTG conference call. The Chairperson is Mr. Brad Bourne. A replay of the call will be available until July 27, 2017 and will be available on the FTG website at www.ftgcorp.com. The number to call for a rebroadcast is 905-694-9451 or 1-800-408-3053, pass code 8837518#.

ABOUT FIRAN TECHNOLOGY GROUP CORPORATION

FTG is an aerospace and defense electronics product and subsystem supplier to customers around the globe. FTG has two operating units:

FTG Circuits is a manufacturer of high technology, high reliability printed circuit boards. Our customers are leaders in the aviation, defense, and high technology industries. FTG Circuits has operations in Toronto, Ontario, Chatsworth, California and a joint venture in Tianjin, China.

FTG Aerospace manufactures illuminated cockpit panels, keyboards and sub-assemblies for original equipment manufacturers of aerospace and defense equipment. FTG Aerospace has operations in Toronto, Ontario, Chatsworth, California, Fort Worth, Texas and Tianjin, China.

The Corporation's shares are traded on the Toronto Stock Exchange under the symbol FTG.

FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking statements. These forward-looking statements are related to, but not limited to, FTG's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such statements are based on the current expectations of management of the Corporation and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and the Corporation's industry, generally. The preceding list is not exhaustive of all possible factors. Such forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation. The reader is cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward-looking statements. Other than as may be required by law, FTG disclaims any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

For further information please contact:

Bradley C. Bourne, President and CEO
Firan Technology Group Corporation

Tel: (416) 299-4000 x314
bradbourne@ftgcorp.com

Melinda Diebel, Vice President and CFO
Firan Technology Group Corporation

Tel:(416) 299-4000 x264
melindadiebel@ftgcorp.com

Additional information can be found at the Corporation's website www.ftgcorp.com

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Balance Sheets

(Unaudited) (in thousands of Canadian dollars)	June 02, 2017	November 30, 2016
ASSETS		
Current assets		
Cash	\$ 3,636	\$ 3,152
Accounts receivable	18,689	21,022
Taxes receivable	369	259
Inventories	22,169	22,464
Prepaid expenses	1,234	1,776
	46,097	48,673
Non-current assets		
Plant and equipment, net	10,974	8,851
Deferred income tax assets	278	1,327
Investment tax credits receivable	7,659	7,330
Deferred development costs	582	739
Intangible assets, net	4,521	5,066
Total assets	\$ 70,111	\$ 71,986
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	\$ 6,752	\$ 6,983
Accounts payable and accrued liabilities	13,856	15,105
Provisions	893	2,349
Customer deposits, net of deferred development	307	308
Current portion of long-term bank debt	1,519	1,510
	23,327	26,255
Non-current liabilities		
Long-term bank debt	5,355	6,079
Deferred tax payable	1,635	1,573
Total liabilities	30,317	33,907
Equity		
Retained earnings	\$ 8,467	\$ 7,543
Accumulated other comprehensive income	366	443
	8,833	7,986
Share capital		
Common shares	19,199	19,051
Preferred shares	2,218	2,218
Contributed surplus	8,263	8,381
Total equity attributable to FTG's shareholders	38,513	37,636
Non-controlling interest	1,281	443
Total equity	39,794	38,079
Total liabilities and equity	\$ 70,111	\$ 71,986

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Earnings

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended		Six months ended	
	June 02, 2017	May 27, 2016	June 02, 2017	May 27, 2016
Sales	\$ 25,513	\$ 19,765	\$ 52,685	\$ 36,694
Cost of sales				
Cost of sales	18,937	14,378	38,655	27,042
Depreciation of plant and equipment	823	527	1,391	1,040
Total cost of sales	19,760	14,905	40,046	28,082
Gross margin	5,753	4,860	12,639	8,612
Expenses				
Selling, general and administrative	3,008	2,858	6,722	5,310
Research and development costs	1,886	877	3,366	1,664
Recovery of research and development costs	(40)	(70)	(110)	(140)
Recovery of investment tax credits	(188)	(180)	(329)	(347)
Depreciation of plant and equipment	34	26	66	54
Amortization of intangible assets	286	32	567	44
Interest expense on short-term debt	71	20	128	20
Interest expense on long-term debt	59	44	125	84
Foreign exchange (gain) loss	(118)	360	43	305
Bargain purchase gain	-	(1,611)	-	(1,611)
Restructuring expenses	-	670	-	670
Total expenses	4,998	3,026	10,578	6,053
Earnings before income taxes	755	1,834	2,061	2,559
Current income tax (recovery) expense	(41)	15	(24)	31
Deferred income tax expense	691	463	1,179	722
Total income tax expense	650	478	1,155	753
Net earnings	\$ 105	\$ 1,356	\$ 906	\$ 1,806
Attributable to:				
Non-controlling interest	\$ (19)	\$ 6	\$ (18)	\$ 6
Equity holders of FTG	\$ 124	\$ 1,350	\$ 924	\$ 1,800
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.01	\$ 0.07	\$ 0.04	\$ 0.10
Diluted	\$ 0.01	\$ 0.07	\$ 0.04	\$ 0.09

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

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	June 02, 2017	May 27, 2016	June 02, 2017	May 27, 2016
Net earnings	\$ 105	\$ 1,356	\$ 906	\$ 1,806
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:				
Foreign currency translation adjustments	300	(71)	813	788
Net unrealized (loss) gain on derivative financial instruments designated as cash flow hedges	(226)	826	(1,144)	181
Tax impact	57	(206)	286	(45)
	131	549	(45)	924
Total comprehensive income	\$ 236	\$ 1,905	\$ 861	\$ 2,730
Attributable to:				
Equity holders of FTG	\$ 202	\$ 1,901	\$ 847	\$ 2,726
Non-controlling interest	\$ 34	\$ 4	\$ 14	\$ 4

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

(Unaudited) (in thousands of Canadian dollars)	Six months ended June 02, 2017								
	Attributed to the equity holders of FTG							Non-controlling interest	Total equity
	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total			
Balance, November 30, 2016	\$ 19,051	\$ 2,218	\$ 7,543	\$ 8,381	\$ 443	\$ 37,636	\$ 443	\$ 38,079	
Net earnings	-	-	924	-	-	924	(18)	906	
Stock-based compensation	-	-	-	24	-	24	-	24	
Common shares issued on exercise of share options and PSU's	148	-	-	(142)	-	6	-	6	
Foreign currency translation adjustments	-	-	-	-	781	781	32	813	
Net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact	-	-	-	-	(858)	(858)	-	(858)	
Contribution from non-controlling interest	-	-	-	-	-	-	824	824	
Balance, June 02, 2017	\$ 19,199	\$ 2,218	\$ 8,467	\$ 8,263	\$ 366	\$ 38,513	\$ 1,281	\$ 39,794	
	Six months ended May 27, 2016								
	Attributed to the equity holders of FTG								
	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling interest	Total equity	
(in thousands of Canadian dollars)									
Balance, November 30, 2015	\$ 13,075	\$ 2,218	\$ 1,628	\$ 8,373	\$ (233)	\$ 25,061	\$ 29	\$ 25,090	
Net earnings	-	-	1,800	-	-	1,800	6	1,806	
Stock-based compensation	-	-	-	24	-	24	-	24	
Common shares issued on exercise of share options	34	-	-	(9)	-	25	-	25	
Foreign currency translation adjustments	-	-	-	-	790	790	(2)	788	
Net unrealized gain on derivative financial instruments designated as cash flow	-	-	-	-	136	136	-	136	
Balance, May 27, 2016	\$ 13,109	\$ 2,218	\$ 3,428	\$ 8,388	\$ 693	\$ 27,836	\$ 33	\$ 27,869	

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended		Six months ended	
	June 02, 2017	May 27, 2016	June 02, 2017	May 27, 2016
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 105	\$ 1,356	\$ 906	\$ 1,806
Items not affecting cash:				
Non-controlling interest share of net loss (earnings)	19	(6)	18	(6)
Stock-based compensation	24	12	24	24
(Gain) on disposal of plant and equipment	(15)	-	(18)	-
Effect of exchange rates on US dollar debt	84	(188)	65	(110)
Depreciation of plant and equipment	857	553	1,457	1,094
Amortization of intangible assets	286	32	567	44
Amortization of deferred financing costs	3	3	6	5
Deferred income tax	633	669	1,111	1,062
Investment tax credits (recovery)	(188)	(180)	(329)	(347)
(Increase) decrease in net unrealized loss on derivative financial instruments designated as cash flow hedges	(170)	620	(201)	1,019
Net change in non-cash operating working capital	594	(5,119)	400	(7,006)
	2,232	(2,248)	4,006	(2,415)
Investing activities				
Additions to plant and equipment, net	(2,594)	(322)	(3,487)	(711)
Additions to plant and equipment - acquisitions	-	(418)	-	(418)
Additions to intangible assets - acquisitions	-	(940)	-	(940)
(Additions) recovery of deferred development costs	(19)	64	116	(11)
Proceeds from disposal of plant and equipment	15	-	18	-
	(2,598)	(1,616)	(3,353)	(2,080)
Net cash flow from operating and investing activities	(366)	(3,864)	653	(4,495)
Financing activities				
Increase (decrease) in bank indebtedness	1,399	3,520	(231)	3,520
Repayments of long-term bank debt	(395)	(260)	(782)	(542)
Funding from non-controlling interests	-	-	824	-
Proceeds from issue of Common shares	3	14	6	25
	1,007	3,274	(183)	3,003
Effects of foreign exchange rate changes on cash flow	194	133	14	103
Net increase (decrease) in cash flow	835	(457)	484	(1,389)
Cash, beginning of the period	2,801	2,228	3,152	3,160
Cash, end of the period	\$ 3,636	\$ 1,771	\$ 3,636	\$ 1,771
Disclosure of cash payments				
Payment for interest	\$ 130	\$ 64	\$ 259	\$ 104
Payments for income taxes	\$ -	\$ 7	\$ 4	\$ 14