



For Immediate Release: July 11, 2016

FIRAN TECHNOLOGY GROUP (FTG) ANNOUNCES SECOND QUARTER 2016 FINANCIAL RESULTS

Toronto, July 11, 2016 – Firan Technology Group Corporation (TSX:FTG) today announced financial results for the second quarter 2016.

- Achieved record sales of \$19.8M
- Completed acquisition of the assets of PhotoEtch
- Signed Agreement to purchase the assets of Teledyne Printed Circuit Technology (PCT) and subsequent to quarter end closed the transaction
- Signed underwriting agreement to raise equity via a bought deal to support the above acquisitions

“The second quarter of 2016 saw record sales for FTG”, stated Brad Bourne, President and Chief Executive Officer. He added, “These record sales are enabling us to report strong earnings while still investing in our future. In the quarter, we completed one acquisition and signed an agreement for a second one. In both cases, the acquisitions increase our access to key new markets and customers. Our intentions are to transition the work to existing FTG facilities and rapidly drive up our utilization rates thereby maximizing the profit potential of these deals.”

Second Quarter Results: (three months ended May 27, 2016 compared with three months ended May 29, 2015)

	<u>Q2 2016</u>	<u>Q2 2015</u>
Sales	\$19,765,000	\$18,769,000
Gross Margin	4,860,000	4,903,000
Gross Margin (%)	24.6%	26.1%
Operating Earnings ⁽¹⁾ :	2,197,000	2,242,000
• Net R&D Investment	807,000	1,106,000
• Bargain Purchase Gain	(1,611,000)	-
• Restructuring Expense	670,000	-
• Deal Related Costs	117,000	-
• PhotoEtch Operating Losses	380,000	-
Net Earnings before Tax	1,834,000	1,136,000
• Tax Expense	478,000	73,000
• Non-controlling Interests	6,000	6,000
Net Earnings After Tax	\$1,350,000	\$1,057,000
Earnings per share		
- basic	\$0.07	\$0.06
- diluted	\$0.07	\$0.05

Year-to-Date Results: (six months ended May 27, 2016 compared with six months ended May 29, 2015)

	<u>YTD 2016</u>	<u>YTD 2015</u>
Sales	\$36,694,000	\$35,076,000
Gross Margin	8,612,000	7,972,000
Gross Margin (%)	23.5%	22.7%
Operating Earnings: ⁽¹⁾	3,639,000	3,752,000
• Net R&D Investment	1,524,000	2,119,000
• Bargain Purchase Gain	(1,611,000)	-
• Restructuring Expense	670,000	-
• Deal Related Costs	117,000	-
• PhotoEtch Operating Losses	380,000	-
Net Earnings before tax	2,559,000	1,633,000
• Income Tax	753,000	144,000
• Non-controlling Interests	6,000	10,000
Net Earnings after tax	\$1,800,000	\$1,479,000
Earnings per share		
- basic	\$0.10	\$0.08
- diluted	\$0.09	\$0.07

(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 2016 that continue to improve the Corporation and position it for the future, including:

- Completed the acquisition of the assets of PhotoEtch
- Signed a purchase agreement for the assets of Teledyne PCT, subject to third party consents
- Subsequent to quarter end, closed the acquisition of Teledyne PCT
- Entered into a bought deal to raise \$6.9M (gross) of new equity to support the above transactions
- Announced five year agreement with Esterline Korvy to supply cockpit products for the Bombardier C Series aircraft
- Subsequent to quarter end, entered into an agreement to license the eSurface technology as a semi additive manufacturing process for certain advanced technology printed circuit boards

For FTG, overall sales increased by \$1.0M or 5.3% from \$18.8M in Q2 2015 to \$19.8M in Q2 2016. Both business segments contributed to the growth. Revenues benefited from the PhotoEtch acquisition which closed on March 18th and contributed \$1.3M in incremental sales during the quarter. The Teledyne PCT acquisition

closed after the quarter end and therefore did not contribute to sales in Q2. Revenues also benefited from the weakening of the Canadian dollar versus the US dollar which was down 6 cents (5%) in Q2 2016 versus the same quarter last year. Over 80% of FTG's revenues are denominated in US dollars. For the year-to-date, sales were up \$1.6M or 4.6%.

The Circuits Segment sales were up \$0.4M or 3.1% in Q2 2016 versus Q2 2015. On a year-to-date basis, Circuits sales were up \$0.2M or 1%.

For the Aerospace segment, sales in Q2 2016 were \$5.6M compared to \$5.0M in the same quarter last year resulting in an 11% growth rate. Included in the Q2 2016 results are \$1.3M in sales from the acquisition of PhotoEtch. Year-to-date sales were up \$1.4M or 16%.

Gross margins in Q2 2016 were flat compared to Q2 2015. The benefit of increased sales were offset by negligible margins at the Fort Worth facility subsequent to its acquisition.

Earnings before interest, tax, depreciation and amortization (EBITDA) for FTG for trailing twelve months is \$7.6M.

The following table reconciles EBITDA⁽²⁾ to the net earnings for Q2, 2016 and trailing 12 months.

	<u>Q2 2016</u>	<u>Trailing 12 Months</u>
Net earnings	\$1,356,000	9,865,000
Add:		
Interest	64,000	896,000
Income taxes/ITC/JV	292,000	(5,448,000)
Depreciation/Amortization	600,000	2,309,000
EBITDA	<u>\$2,492,000</u>	<u>\$7,622,000</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 2016 was \$1.4M compared to a net profit of \$1.1M in Q2 2015. This improvement is the result of higher sales, the gain on the purchase of PhotoEtch and lower R&D spending offset by the restructuring charge and by higher foreign exchange losses.

The Circuits segment net earnings before corporate and interest and other costs was \$1.7M in Q2 2016 compared to \$1.6M in Q1 2015. The Circuits joint venture in China did not have a material impact on profitability.

The Aerospace net earnings before corporate and interest and other costs increased to \$0.7M versus \$0.2M in Q2 2015. The results benefited from the gain on the acquisition of PhotoEtch offset by a restructuring charge and operating losses at PhotoEtch in the two months after its acquisition. Costs related to the development of the C919 cockpit assemblies and one new program were treated as deferred development and not expensed.

As at May 27, 2016, the Corporation's net working capital was \$17.0M, an increase of \$2.0M over year end 2015, primarily due to the assets acquired from PhotoEtch.

The Corporation will host a live conference call on Monday, July 11, 2016 at 8:30 am (EDT) to discuss the results of Q2 2016.

Anyone wishing to participate in the call should dial 416-340-2216 or 1-866-223-7781 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 25, 2016 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 1100669.

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
bradbourn@ftgcorp.com

Joseph R. Ricci, Vice President and CFO
Firan Technology Group Corporation

Tel: (416) 299-4000 x309
[joericci@ftgcorp.com](mailto:joe Ricci@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)	May 27, 2016	November 30, 2015
ASSETS		
Current assets		
Cash	\$ 1,771	\$ 3,160
Accounts receivable	13,457	12,987
Taxes receivable	371	231
Inventories	14,591	11,122
Prepaid expenses	1,633	979
	31,823	28,479
Non-current assets		
Plant and equipment, net	5,604	5,644
Deferred income tax assets	1,879	2,876
Investment tax credits receivable	7,083	6,736
Deferred development costs	398	387
Intangible assets, net	996	100
Total assets	\$ 47,783	\$ 44,222
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness	\$ 3,520	\$ -
Accounts payable and accrued liabilities	9,579	10,970
Provisions	374	366
Customer deposits, net of deferred development	276	1,044
Current portion of long-term bank debt	1,033	1,058
	14,782	13,438
Non-current liabilities		
Long-term bank debt	3,607	4,234
Deferred tax payable	1,525	1,460
Total liabilities	19,914	19,132
Equity		
Retained earnings	\$ 3,428	\$ 1,628
Accumulated other comprehensive income (loss)	693	(233)
	4,121	1,395
Share capital		
Common shares	13,109	13,075
Preferred shares	2,218	2,218
Contributed surplus	8,388	8,373
Total equity attributable to FTG's shareholders	27,836	25,061
Non-controlling interest	33	29
Total equity	27,869	25,090
Total liabilities and equity	\$ 47,783	\$ 44,222

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Earnings

	Three months ended		Six months ended	
(Unaudited)	May 27,	May 29,	May 27,	May 29,
(in thousands of Canadian dollars, except per share amounts)	2016	2015	2016	2015
Sales	\$ 19,765	\$ 18,769	\$ 36,694	\$ 35,076
Cost of sales				
Cost of sales	14,378	13,383	27,042	26,161
Depreciation of plant and equipment	527	483	1,040	943
Total cost of sales	14,905	13,866	28,082	27,104
Gross margin	4,860	4,903	8,612	7,972
Expenses				
Selling, general and administrative	2,858	2,460	5,310	4,830
Research and development costs	877	1,209	1,664	2,471
Recovery of research and development costs	(70)	(103)	(140)	(352)
Recovery of investment tax credits	(180)	-	(347)	-
Depreciation of plant and equipment and amortization of intangible assets	58	40	98	82
Interest expense on short-term debt	20	18	20	27
Interest expense on long-term debt	44	90	84	184
Foreign exchange loss (gain)	360	53	305	(903)
Bargain purchase gain	(1,611)	-	(1,611)	-
Restructuring expenses	670	-	670	-
Total expenses	3,026	3,767	6,053	6,339
Earnings before income taxes	1,834	1,136	2,559	1,633
Current income tax expense	15	13	31	24
Deferred income tax expense	463	60	722	120
Total income tax expense	478	73	753	144
Net earnings	\$ 1,356	\$ 1,063	\$ 1,806	\$ 1,489
Attributable to:				
Non-controlling interest	\$ 6	\$ 6	6	10
Equity holders of FTG	\$ 1,350	\$ 1,057	1,800	1,479
Earnings per share, attributable to the equity holders of FTG				
Basic	\$ 0.07	\$ 0.06	\$ 0.10	\$ 0.08
Diluted	\$ 0.07	\$ 0.05	\$ 0.09	\$ 0.07

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

	Three months ended		Six months ended	
(Unaudited) (in thousands of Canadian dollars)	May 27, 2016	May 29, 2015	May 27, 2016	May 29, 2015
Net earnings	\$ 1,356	\$1,063	\$ 1,806	\$1,489
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:				
Foreign currency translation adjustments	(71)	15	788	881
Net unrealized gain (loss) on derivative financial instruments designated as cash flow hedges	826	605	181	(1,230)
Tax impact	(206)	-	(45)	-
	549	620	924	(349)
Total comprehensive income	\$ 1,905	\$1,683	\$ 2,730	\$1,140
Attributable to:				
Equity holders of FTG	\$ 1,901	\$1,677	\$ 2,726	\$1,128
Non-controlling interest	\$ 4	\$ 6	\$ 4	\$ 12

FIRAN TECHNOLOGY GROUP CORPORATION
Consolidated Statements of Changes in Equity

Six months ended May 27, 2016	Attributed to the equity holders of FTG								
					Accumulated				
(Unaudited)	Common	Preferred	Opening	Contributed	Other		Non-		
(in thousands of Canadian dollars)	Shares	Shares	Retained	Surplus	Comprehensive	Total	controlling		Total
			Earnings		Income (Loss)		interest		equity
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 hedges, net of tax impact	-	-	-	-	136	136	-		136
Balance, May 27, 2016	\$ 13,109	\$ 2,218	\$ 3,428	\$ 8,388	\$ 693	\$ 27,836	\$ 33		\$ 27,869

Six months ended May 29, 2015	Attributed to the equity holders of FTG								
					Accumulated				
(Unaudited)	Common	Preferred	Opening	Contributed	Other		Non-		
(in thousands of Canadian dollars)	Shares	Shares	Retained	Surplus	Comprehensive	Total	controlling		Total
			(Deficit)		Income (Loss)		interest		equity
Balance, November 30, 2014	\$ 12,681	\$ 2,218	\$ (7,909)	\$ 8,411	\$ (312)	\$ 15,089	\$ 15		\$ 15,104
Net earnings	-	-	1,479	-	-	1,479	10		1,489
Stock-based compensation	-	-	-	26	-	26	-		26
Common shares issued on exercise of share options	106	-	-	(25)	-	81	-		81
Foreign currency translation adjustments	-	-	-	-	879	879	2		881
Net unrealized loss on derivative financial instruments designated as cash flow	-	-	-	-	(1,230)	(1,230)	-		(1,230)
Balance, May 29, 2015	\$ 12,787	\$ 2,218	\$ (6,430)	\$ 8,412	\$ (663)	\$ 16,324	\$ 27		\$ 16,351

FIRAN TECHNOLOGY GROUP CORPORATION
Interim Condensed Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
(Unaudited) (in thousands of Canadian dollars)	May 27, 2016	May 29, 2015	May 27, 2016	May 29, 2015
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	\$ 1,356	\$ 1,063	\$ 1,806	\$ 1,489
Items not affecting cash:				
Non-controlling interest share of net (earnings)	(6)	(6)	(6)	(10)
Stock-based compensation	12	12	24	26
Effect of exchange rates on US dollar debt	(188)	(6)	(110)	132
Depreciation of plant and equipment	553	511	1,094	1,001
Amortization of intangible assets	32	12	44	24
Amortization of deferred financing costs	3	7	5	14
Deferred income tax expense	669	60	1,062	120
Investment tax credits (recovery)	(180)	-	(347)	-
AMIS interest accretion	-	84	-	168
Amortization of government assistance	-	(113)	-	(226)
Decrease (increase) in net unrealized loss on derivative financial instruments designated as cash flow hedges	620	605	1,019	(535)
Net change in non-cash operating working capital	(5,119)	(2,061)	(7,006)	(1,198)
	(2,248)	168	(2,415)	1,005
Investing activities				
Additions to plant and equipment	(740)	(425)	(1,129)	(667)
Additions to intangible assets	(940)	-	(940)	-
Additions to deferred development costs	64	(116)	(11)	(116)
	(1,616)	(541)	(2,080)	(783)
Net cash flow from operating and investing activities	(3,864)	(373)	(4,495)	222
Financing activities				
Increase in bank indebtedness	3,520	-	3,520	-
Repayments of long-term bank debt	(260)	(44)	(542)	(742)
Proceeds from issue of Common shares	14	81	25	81
	3,274	37	3,003	(661)
Effects of foreign exchange rate changes on cash flow	133	21	103	1
Net (decrease) in cash flow	(457)	(315)	(1,389)	(438)
Cash, beginning of the period	2,228	518	3,160	641
Cash, end of period	\$ 1,771	\$ 203	\$ 1,771	\$ 203
Disclosure of cash payments				
Payment for interest	\$ 64	\$ 20	\$ 104	\$ 40
Payments for income taxes	\$ 7	\$ 3	\$ 14	\$ 6