



Calian Reports Fourth Quarter Results

(All amounts in this release are in Canadian Dollars)

OTTAWA, Nov. 15, 2017 -- Calian Group Ltd. (TSX:CGY) today released unaudited results for the fourth quarter ended September 30, 2017.

The Company reported revenues for the quarter of \$72.3 million, a 5% increase from the \$68.8 million reported in the same quarter of the previous year. For the year ended September 30, 2017, the Company reported revenues of \$275.4 million, which represents a slight increase over the revenues of \$274.6 million reported in the prior year.

EBITDA(1) for the fourth quarter was \$6.6 million, a 25% increase compared to \$5.3 million in the same quarter of the previous year and for the year ended September 30, 2017, EBITDA(1) was \$23.5 million, a 7% increase compared to \$22.0 million in the prior year.

Net profit for the fourth quarter was \$4.3 million or \$0.57 per share basic and \$0.56 per share diluted, a 27% increase compared to \$3.4 million or \$0.45 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, net profit was \$15.4 million or \$2.03 per share basic and \$2.01 per share diluted, an increase of 13% compared to net profit of \$13.6 million or \$1.83 per share basic and diluted in the previous year. Adjusted Net Profit(1) for the fourth quarter was \$4.3 million or \$0.57 per share basic and \$0.56 per share diluted, compared to \$3.4 million or \$0.45 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, adjusted net profit(1) was \$15.4 million or \$2.03 per share basic and \$2.01 per share diluted compared to \$14.2 million or \$1.92 per share basic and diluted in the previous year.

See caution regarding non-GAAP measures at the end of this press release

"The results for this quarter continue to show a solid base of business in all of our service offerings", stated Jacqueline Gauthier, CFO. "The increase in revenues this quarter allowed the Company to report revenue levels slightly higher than the prior year. In addition, the Company was able to increase its EBITDA levels through improvement in gross margins and with the intangible amortization decreasing, net earnings returned to shareholders was significantly improved".

"Once again, the team has delivered solid results for our shareholders. I am extremely proud of their efforts in the quarter and full year results" stated Kevin Ford, CEO. "We continue to see progress across all elements of our four pillar growth strategy. Equally, I am very proud of our continued high customer satisfaction metrics across all of our services again this year – the Calian team is passionate about ensuring we are adding value to our customers objectives", stated Ford.

"Clearly, the recent announcement of our re-win of the DND health services contract which now includes RCMP and Veterans Affairs will be a highlight for the year. While adding considerable contracted backlog, which in total now exceeds \$1 billion, our team is excited about continuing to work with the government to support the health and wellness of the Military, Veterans and RCMP members", continued Ford.

"With over 64 consecutive profitable quarters, positive cash flows, a strong balance sheet and enviable backlog, our financial position is very strong which provides the facility to continue to invest in innovation. Our recent announcement of our relationship with DCT Delta in the cable sector is just one example of the innovation that forms part of our DNA here at the company. While we are confident in our organic growth opportunities, we continue to search proactively for M&A opportunities that support our growth objectives", continued Ford.

Management continues to focus on its key strategic initiatives. Traditional markets in which Calian operates are stable and management expects organic revenue and earnings growth in most or all of its service lines through the successful execution of our growth strategy. However, we must caution that revenues realized are ultimately dependent on the extent and timing of future contract awards as well as customer utilization of existing contracting vehicles. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2018 to be in the range of \$290 million to \$310 million, net profit in the range of \$1.90 to \$2.20 per share.

Caution regarding non-GAAP measures:

This press release is based on reported earnings in accordance with IFRS. Reference to generally accepted accounting principles (GAAP) means IFRS, unless indicated otherwise. This press release is also based on non-GAAP financial measures including EBITDA, adjusted net profit and adjusted net profit per share. These non-GAAP measures are mainly derived from the interim consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our financial reports with enhanced understanding of our results and related trends and increases transparency and clarity into the core results of our business. Refer to the MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures.

About Calian

Calian employs over 2,900 people with offices and projects that span Canada, U.S. and international markets. The company's capabilities are diverse with services delivered through two divisions. The Business and Technology Services (BTS) Division is headquartered in Ottawa and includes the provision of business and technology services and solutions to industry, public and government in the health, training, engineering and IT services domains. Calian's Systems Engineering Division (SED) located in Saskatoon plans, designs and implements complex communication systems for many of the world's space agencies and leading satellite manufacturers and operators. SED also provides contract manufacturing services for both private sector and military customers in North America.

For further information, please visit our website at www.calian.com, or contact us at ir@calian.com

DISCLAIMER

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; the dependence on new product development; the impact of rapid technological and market change; the ability of Calian to integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; and the impact of consolidations in the business services industry. Additional risks and uncertainties affecting Calian can be found in Management's Discussion and Analysis of Results of Operations and its Annual Information Form for the fiscal year ended September 30, 2016 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

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CALIAN GROUP LTD.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2017 and 2016

(Canadian dollars in thousands)

	NOTES	September 30, 2017	September 30, 2016
ASSETS			
CURRENT ASSETS			
Cash		\$ 28,639	\$ 16,761
Accounts receivable		54,884	61,032
Work in process		19,490	17,269
Prepaid expenses		1,650	1,044
Derivative assets	8	123	534
Total current assets		104,786	96,640
NON-CURRENT ASSETS			
Equipment		6,503	5,472
Application software		766	612
Investments and loan receivable	10	530	-
Acquired intangible assets	11	5,586	2,898
Goodwill	11	15,383	12,037
Total non-current assets		28,768	21,019
TOTAL ASSETS		\$ 133,554	\$ 117,659
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 32,584	\$ 26,671
Unearned contract revenue		8,831	11,271

Derivative liabilities	8	360	484
Total current liabilities		41,775	38,426
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,292	912
Total non-current liabilities		2,292	912
TOTAL LIABILITIES		44,067	39,338
SHAREHOLDERS' EQUITY			
Issued capital	5	26,240	22,820
Contributed surplus		541	472
Retained earnings		62,776	55,906
Accumulated other comprehensive loss		(70)	(877)
TOTAL SHAREHOLDERS' EQUITY		89,487	78,321
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 133,554	\$ 117,659

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and twelve-month periods ended September 30, 2017 and 2016
(Canadian dollars in thousands, except per share data)

	NOTES	Three-months ended September 30, 2017	Three-months ended September 30, 2016	Year ended September 30, 2017	Year ended September 30, 2016
Revenues		\$ 72,321	\$ 68,758	\$ 275,423	\$ 274,587
Cost of revenues		58,112	56,705	222,519	225,753
Gross profit		14,209	12,053	52,904	48,834
Selling and marketing		1,079	964	4,396	4,124
General and administration		5,388	4,686	20,718	18,893
Facilities		1,170	1,085	4,319	3,804
Depreciation		407	335	1,490	1,290
Amortization		343	412	1,093	1,348
Deemed compensation related to acquisitions		-	-	-	642
Profit before interest income and income tax expense		5,822	4,571	20,888	18,733
Interest income		63	15	165	37
Profit before income tax expense		5,885	4,586	21,053	18,770
Income tax expense – current		1,595	1,265	5,613	5,343
Income tax expense – deferred		(37)	(59)	50	(166)
Total income tax expense		1,558	1,206	5,663	5,177
NET PROFIT FOR THE PERIOD		\$ 4,327	\$ 3,380	\$ 15,390	\$ 13,593
NET PROFIT PER SHARE:					
Basic	6	\$ 0.57	\$ 0.45	\$ 2.03	\$ 1.83
Diluted	6	\$ 0.56	\$ 0.45	\$ 2.01	\$ 1.83

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and twelve-month periods ended September 30, 2017 and 2016

(Canadian dollars in thousands)

	NOTES	Three- months ended September 30, 2017	Three- months ended September 30, 2016	Year ended September 30, 2017	Year ended September 30, 2016
NET PROFIT FOR THE PERIOD		\$ 4,327	\$ 3,380	\$ 15,390	\$ 13,593
Other comprehensive income, net of tax					
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of \$71 and \$296 (2016 - \$128 and \$780)		183	400	807	2,172
Other comprehensive income, net of tax		183	400	807	2,172
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$ 4,510	\$ 3,780	\$ 16,197	\$ 15,765

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended September 30, 2017 and 2016
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2016		\$ 22,820	\$ 472	\$ 55,906	\$ (877)	\$ 78,321
Total comprehensive income		-	-	15,390	807	16,197
Dividends (\$1.12 per share)		-	-	(8,520)	-	(8,520)
Issue of shares under the employee share purchase plan	5	476	-	-	-	476
Issue of shares under the employee share option plan	5	2,944	(147)	-	-	2,797
Share based compensation expense	5	-	216	-	-	216
Balance September 30, 2017		\$ 26,240	\$ 541	\$ 62,776	\$ (70)	\$ 89,487

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2015		\$ 20,673	\$ 458	\$ 50,633	\$ (3,049)	\$ 68,715
Total comprehensive income		-	-	13,593	2,172	15,765
Dividends (\$1.12 per share)		-	-	(8,320)	-	(8,320)
Issue of shares under the employee share purchase plan	5	388	-	-	-	388
Issue of shares under the employee share option plan	5	1,759	(89)	-	-	1,670
Share based compensation expense	5	-	103	-	-	103
Balance September 30, 2016		\$ 22,820	\$ 472	\$ 55,906	\$ (877)	\$ 78,321

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2017 and 2016
(Canadian dollars in thousands)

	NOTES	Year ended September 30, 2017	Year ended September 30, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net profit for the period		\$ 15,390	\$ 13,593
Items not affecting cash:			
Interest income		(165)	(37)
Income tax expense		5,663	5,177
Employee share plans compensation expense		306	178
Depreciation and amortization		2,583	2,638
Deemed compensation related to acquisitions		-	642
		<u>23,777</u>	<u>22,191</u>
Change in non-cash working capital			
Accounts receivable		8,066	(10,848)
Work in process		(2,011)	162
Prepaid expenses		(557)	405
Accounts payable and accrued liabilities		3,643	3,710
Unearned contract revenue		(2,440)	4,291
		<u>30,478</u>	<u>19,911</u>
Interest received		204	37
Income tax paid		(5,511)	(4,540)
		<u>25,171</u>	<u>15,408</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Issuance of shares	5	3,195	1,995
Dividends		(8,520)	(8,320)
		<u>(5,325)</u>	<u>(6,325)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investment	10	(250)	-
Equipment and application software		(2,374)	(1,751)
Acquisitions	11	(5,344)	(1,195)
		<u>(7,968)</u>	<u>(2,946)</u>
NET CASH INFLOW		\$ 11,878	\$ 6,137
CASH, BEGINNING OF PERIOD		16,761	10,624
CASH, END OF PERIOD		<u>\$ 28,639</u>	<u>\$ 16,761</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and twelve-month periods ended September 30, 2017 and 2016
(Canadian dollars in thousands, except per share amounts)
(Unaudited)

1. BASIS OF PREPARATION

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 340 Legget Drive, Ottawa, Ontario K2K 1Y6. The Company's capabilities include the provision of business and technology services to industry and government in the health, IT services and training domains as well as the design, manufacturing and maintenance of complex systems to the communications and defence sectors.

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*, as issued by the International Accounting Standard Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2016 and should be read in conjunction with the audited consolidated financial statements and notes

thereto included in the Company's Annual Report for the year ended September 30, 2016. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 15, 2017.

2. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers

In April 2014, the IASB released IFRS 15 – *Revenue from Contracts with Customers*. The Standard replaces IAS11 *Construction Contracts* and IAS18 *Revenue*, providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Assessment of the impact is currently underway by the Company but at this time, the impact is not yet known.

IFRS 9 Financial instruments

IFRS 9 was issued by the IASB in November 2009 and October 2010, was amended in 2013 and finalized in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial instrument is measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of those financial instruments. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Assessment of the impact is currently underway by the Company but at this time, the impact is not yet known.

IFRS 16 Leases

In January 2016, the IASB released IFRS 16 *Leases* which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates:

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

There were no significant changes in estimates or approaches to determining estimates in the periods presented when compared to the estimates or approaches used the annual consolidated financial statements for the year ended September 30, 2016.

4. SEASONALITY

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays.

5. ISSUED CAPITAL

Employee Share Purchase Plan

During the year ended September 30, 2017 (2016), the Company issued 31,214 (21,801) shares under the Company's Employee Share Purchase Plan at an average price of \$12.73 (\$14.92) for a total cash of \$398 (\$325) and total non-cash of \$78 (\$63).

Stock options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. As at September 30, 2017 (2016), 240,600 (351,500) options were outstanding of which 222,600 (331,500) are exercisable. During the year ended September 30, 2017 (2016), 30,000 (Nil) options were issued.

The weighted average fair value of options granted during the year ending September 30, 2017 was \$3.42 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuances and adjusted based on management's best estimate for the effects of non-transferability, exercises

restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 3.5 years after vesting. The following assumptions were used to determine the fair value of the options granted between October 1, 2016 and September 30, 2017:

Grant date share price	\$27.30
Exercise price	\$27.30
Expected price volatility	24.3%
Expected option life	4.2 yrs
Expected dividend yield	4.01%
Risk-free interest rate	0.91%
Forfeiture rate	0%

Restricted Stock Units

The Company has established a restricted stock unit ("RSU") plan as of February 3, 2017. Under the plan, eligible employees are granted the right to shares of common stock as remuneration for services rendered to the Company. RSU's are granted by the Board of Directors and at the date of the grant, the market value is used to determine the fair value of the units. As at September 30, 2017 (2016), 11,345 (Nil) RSU's were outstanding of which Nil (Nil) have vested. During the year ending September 30, 2017 (2016), 11,345 (Nil) RSU's were issued.

6. NET PROFIT PER SHARE

The diluted weighted average number of shares has been calculated as follows:

	Three-months ended		Year ended	
	September 30		September 30	
	2017	2016	2017	2016
Weighted average number of shares – basic	7,655,046	7,447,849	7,586,899	7,411,361
Addition to reflect the dilutive effect of employee stock options and RSU's	81,139	51,553	76,353	7,499
Weighted average number of shares – diluted	7,736,185	7,499,402	7,663,252	7,418,860

Options and RSU's that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted earnings per share. For the three-month period ended September 30, 2017 (2016), Nil (Nil) options and Nil (Nil) RSU's were excluded from the above computation and for the year ended September 30, 2017 (2016), Nil (257,750) options and Nil (Nil) RSU's were excluded from the above computation.

Net profit for the period is the measure of profit or loss used to calculate Net profit per share.

7. SEGMENTED INFORMATION

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company operates in two reportable segments described below, defined by their primary type of service offering, namely Systems Engineering and Business and Technology Services.

- Systems Engineering involves planning, designing and implementing solutions that meet a customer's specific business and technical needs, primarily in the satellite communications sector.
- Business and Technology Services provides business and technology services to industry and government in the health, IT services, training, and engineering domains.

The Company evaluates performance and allocates resources based on earnings before interest income and income taxes. The accounting policies of the segments are the same as those described in Note 2 – Summary of significant accounting policies to the consolidated financial statements for the year ended September 30, 2016.

Three-months ended September 30, 2017	Business and			Total
	Systems Engineering	Technology Services	Corporate	
Revenues	\$ 22,544	\$ 49,777	-	\$ 72,321
Profit before interest income and income tax expense	3,436	3,313	(927)	5,822
Interest income				63
Income tax expense				(1,558)
Net profit for the period				\$ 4,327

Three-months ended September 30, 2016	Business and			Total
	Systems Engineering	Technology Services	Corporate	
Revenues	\$ 21,894	\$ 46,864	-	\$ 68,758
Profit before interest income and income tax expense	2,365	2,849	(643)	4,571
Interest income				15
Income tax expense				(1,206)
Net profit for the period				\$ 3,380

7. SEGMENTED INFORMATION (Continued)

Year ended September 30, 2017	Business and			Total
	Systems Engineering	Technology Services	Corporate	
Revenues	\$ 75,634	\$ 199,789	\$ -	\$ 275,423
Profit before interest income and income tax expense	12,381	11,822	(3,315)	20,888
Interest income				165
Income tax expense				(5,663)
Net profit for the period				\$ 15,390
Equipment and intangible expenditures	\$ 1,924	\$ 565	\$ -	\$ 2,489
Total assets other than cash and goodwill	\$ 35,257	\$ 54,145	\$ 130	\$ 89,532
Goodwill	-	15,383	-	15,383
Cash	-	-	28,639	28,639
Total assets	\$ 35,257	\$ 69,528	\$ 28,769	\$ 133,554

Year ended September 30, 2016	Business and			Total
	Systems Engineering	Technology Services	Corporate	
Revenues	\$ 82,141	\$ 192,446	\$ -	\$ 274,587
Profit before interest income and income tax expense	11,638	9,792	(2,697)	18,733
Interest income				37
Income tax expense				(5,177)
Net profit for the period				\$ 13,593
Equipment and intangible expenditures	\$ 1,147	\$ 604	\$ -	\$ 1,751

As at September 30, 2016	Business and			Total
	Systems Engineering	Technology Services	Corporate	
Total assets other than cash and goodwill	\$ 40,245	\$ 48,485	\$ 131	\$ 88,861
Goodwill	-	12,037	-	12,037
Cash	-	-	16,761	16,761
Total assets	\$ 40,245	\$ 60,522	\$ 16,892	\$ 117,659

8. HEDGING

Foreign currency risk related to contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge 100% of its foreign currency exposure. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness has historically been insignificant.

8. HEDGING (Continued)

The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates. At September 30, 2017, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2017
BUY	16,481	USD	October 2017	\$ 20,568	\$ 49
BUY	3,250	EURO	October 2017	4,791	72
BUY	112	GBP	October 2017	187	2
Derivative assets					\$ 123

SELL	42,265	USD	October 2017	\$ 52,747	\$ 127
SELL	10,516	EURO	October 2017	15,503	231
SELL	114	GBP	October 2017	191	2
Derivative liabilities					\$ 360

A 10% strengthening of the Canadian dollar against the following currencies at September 30, 2017 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	September 30, 2017
USD	\$ 2,925
EURO	974
	\$ 3,899

9. CONTINGENCIES

In the normal course of business, the Company is party to business and employee-related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

10. INVESTMENTS AND LOAN RECEIVABLE

On October 31, 2016, the Company invested \$100 to acquire a non-controlling interest in common shares of Cliniconex Inc., an Ottawa-based patient outreach solutions vendor. As part of the investment, a member of the Company's management team has been appointed to the Cliniconex Inc. Board of Directors. The investment is measured at cost.

On June 9, 2017, the Company provided \$150 to Cliniconex Inc. in the form of a convertible loan. The loan has a stated interest rate of 12% and matures on June 9, 2020. The loan contains an optional conversion feature that allows the Company

to convert the principal and interest owing on maturity to common shares of Cliniconex Inc. The loan is measured at amortized cost.

On May 9, 2017, and included as part of the acquisition of ISR (Note 11), Calian acquired an equity position in International Safety Research Europe for \$280. The investment is measured using the equity method.

11. ACQUISITION

Amtek Engineering Services Ltd. ("Amtek")

During the years ended September 30, 2017 (2016), under the contingent consideration agreement the Company paid Nil (\$830) related to earn-outs.

DWP Solutions Inc. (DWP)

During the years ended September 30, 2017 (2016), under the contingent consideration agreement the Company paid Nil (\$365) related to the earn-outs.

International Safety Research Inc. ("ISR")

On May 9, 2017, the Company acquired all of the outstanding shares of ISR for a purchase price of up to \$8,979. Of this amount, \$4,879 was paid on the date of closing, \$820 was placed in escrow and \$3,280 is payable contingently.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of ISR an additional \$1,640 and \$1,640 if ISR attains specified levels of earnings before interest, taxes, depreciation and amortization ("EBITDA") for the years ending April 30, 2018 and 2019, respectively. With the current level of contracts signed by ISR and the ability to grow in its selected market segment, management believes that ISR can achieve its earn-out target in both years. Therefore, the amount of \$3,074 represents the estimated fair value of the Company's obligation at the acquisition date. ISR specializes in nuclear safety and emergency preparedness and response nationally and internationally. ISR was acquired to expand the Company's emergency preparedness service offering and will be reported as part of the Business and Technology ("BTS") operating segment.

Acquisition-related costs amounting to \$92 have been excluded from the consideration and have been recognized as an expense in the three and twelve-month periods ended September 30, 2017, within the general and administration line item in the interim condensed consolidated statement of net profit.

This acquisition is accounted for as a business combination to which IFRS 3 *Business Combinations* applies.

Consideration:

Cash	\$ 5,699
Contingent payments	3,074
Consideration to allocate	<u>\$ 8,773</u>

The following are the assets acquired and liabilities recognized at the date of the acquisition:

Current assets:

Cash	\$ 355
Accounts receivable	2,960
Work in progress	210
Prepaid expenses and other	49
	<u>\$ 3,574</u>

Non-current assets:

Equipment	\$ 186
Investment	280
Intangible assets	3,896
	<u>\$ 7,936</u>

Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,430
Deferred income	47
Deferred tax liability	1,032
	<u>\$ 2,509</u>

Net assets acquired	<u>\$ 5,427</u>
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11. ACQUISITION (Continued)

Goodwill arising on acquisitions:	ISR
Total consideration allocated	\$ 8,773
Net assets acquired	(5,427)
	<u>\$ 3,346</u>

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Net cash outflow during the current year-to-date related to the acquisitions:

Consideration paid in cash	\$ 5,699
Less: cash balance acquired	(355)
	<u>\$ 5,344</u>

Impact of the acquisitions on the consolidated results of the Company:

Had the business combinations been effected at October 1, 2016, the revenue and net profit of the Company for the year ended September 30, 2017 would have been higher by \$6,383 and \$757 respectively. Management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group for the year ended September 30, 2017. Future periods will be impacted by seasonality as ISR activities are impacted by the timing of vacation periods.

Management Discussion and Analysis – September 30, 2017:

(Canadian dollars in thousands, except per share data)

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that we fulfill our responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

IFRS and non-GAAP measures:

This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure.

RESULTS OF OPERATIONS

Revenues:

For the fourth quarter of 2017, revenues were \$72,321 compared to \$68,758 reported for the same period in 2016 representing a 5% increase from the prior year. For the year ending September 30, 2017 revenues were \$275,423 compared to \$274,587 for 2016.

Systems Engineering's (SED) revenues were \$22,544 in the quarter and \$75,634 on a year-to-date basis representing a 3% increase and 8% decrease, respectively, when compared to the \$21,894 and \$82,141 recorded for the same periods in the previous year with several large system implementations which generated significant revenues in 2016 entering the close-out phase in early 2017. However, work continued at a steady state in all areas of the division including systems engineering, defense related and commercial contract manufacturing. As well, this quarter and year-to-date activities continued to reflect a higher amount of labor based revenue in comparison to the revenues dominated by the RF Systems in the same periods of last year which had a higher non-labor content.

Business and Technology Services (BTS) revenues were \$49,777 in the quarter and \$199,789 on a year-to-date basis representing a 6% and 4% increase, respectively, when compared to the \$46,864 and \$192,446 recorded for the same periods in the previous year. Demand in most of the division's mainstay contracts continues to be strong and we are achieving success in our customer diversification efforts.

Management expects that the marketplace for the near term will continue to be competitive and the timing of new contract awards is always subject to delay. Our backlog provides a reasonable level of revenue assurance on existing contracts and new opportunities continue to arise. Although we continue to focus our efforts on the diversification of our customer base outside of government, the nature and extent of future government spending remain uncertain and therefore, future revenues in this sector will ultimately be determined by customer demand on existing contracts as well as the timing of future contract

awards.

Gross margin

Gross margin was 19.6% for the fourth quarter of 2017 and 19.2% on a year-to-date basis compared to the 17.5% and 17.8% recorded for the same periods in the previous year.

Gross margin in Systems Engineering was 25.0% in the fourth quarter of 2017 and 27.0% on a year-to-date basis compared to the 19.8% and 23.1% recorded for the same periods in the previous year. The higher margins for the quarter and year-to-date periods in comparison to the previous year are due to the successful completion of several projects allowing the retirement of end of project risks, solid product sales and a higher labor component in the current mix of projects which yields higher margins. The results reflect another solid quarter of performance in all of SED's business areas. Although the mix of revenues plays a significant role in the margin ultimately realized, product sales and excellent project execution helped the division maintain a solid level of margins.

Gross margin in Business and Technology Services was 17.2% in the fourth quarter of 2017 and 16.3% on a year-to-date basis compared to the 16.5% and 15.5% recorded for the same periods in the previous year. Gross Margin in this recent quarter reflects continued solid execution on our contracts combined with recent contract renewals and wins provided for an additional uplift in margins. While competition on new work is expected to temper any significant near-term improvement, the division continues to evolve its service offering with a goal to increase gross margins realized in the longer term.

Because of the significant difference in gross margin between each of the two divisions, the overall gross margin of the Company is dependent on the relative level of revenue generated from each division. Management will continue to focus on operational execution and diligent negotiation of supplier costs in order to maximize margins. However, the competitive landscape is expected to maintain the pressure on margins in both divisions. The volatility of the Canadian dollar is always an influencing factor for margins on new work in the SED division when denominated in foreign currencies.

Operating expenses:

For the year ended September 30, 2017, selling and marketing, general and administration and facilities totalled \$29,433 or 10.7% of revenues compared to \$26,821 or 9.8% of revenues reported in 2016. Operating costs increased over the prior year as a result of continued focus on selling and marketing efforts and service line evolution capabilities. Management will continue to challenge discretionary spending; however, continued prudent investments are required to support the evolution of the Company's service lines.

EBITDA⁽¹⁾:

EBITDA(1) for the fourth quarter was \$6,572 compared to \$5,318 in the same quarter of the previous year. For the year ended September 30, 2017, EBITDA(1) was \$23,471 compared to \$22,013 in the same period of the previous year.

Depreciation:

For the year ended September 30, 2017, depreciation was \$1,490 which is slightly higher than the \$1,290 recorded in fiscal 2016.

Amortization of intangibles:

Amortization of intangibles decreased to \$1,093 compared to \$1,348 in fiscal 2016.

Deemed compensation related to acquisitions:

Deemed compensation was fully amortized in fiscal 2016.

Income taxes:

The provision for income taxes was \$5,663 or 26.9% of earnings before tax compared to \$5,177 in 2016 or 27.6% of earnings before tax. The difference in effective tax rates is primarily due to the non-deductibility of the deemed compensation amounts referred to in the above paragraph. The effective tax rate for 2017, prior to considering the impact of non-taxable transactions and adjustments to reflect actual tax provision as filed, is expected to be approximately 26.9%.

Net profit:

As a result of the foregoing, in the fourth quarter of 2017 the Company recorded net profit of \$4,327 or \$0.57 per share basic and \$0.56 per share diluted, compared to \$3,380 or \$0.45 per share basic and diluted in the same quarter of the prior year. Adjusted net profit(1) for the fourth quarter was \$4,327 or \$0.57 per share basic and \$0.56 per share diluted, compared to \$3,380 or \$0.45 per share basic and diluted in the same quarter of the previous year. For the year ended September 30, 2017 the Company recorded net profit of \$15,390 or \$2.03 per share basic and \$2.01 per share diluted, compared to \$13,593 or \$1.83 per share basic and diluted in the same period of the prior year. Adjusted net profit(1) for the year ended September 30, 2017 was \$15,390 or \$2.03 per share basic \$2.01 per share and diluted, compared to \$14,235 or \$1.92 per share basic and

diluted in the same period of the previous year.

(1) See reconciliation regarding non-GAAP measures below

Reconciliation of non-GAAP measures to most comparable IFRS measures:

Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of the Company's financial reports with enhanced understanding of the Company's results and related trends and increases transparency and clarity into the core results of the business. EBITDA, adjusted net profit and adjusted net profit per share exclude items that do not reflect, in our opinion, the Company's core performance and helps users of our MD&A to better analyze our results, enabling comparability of our results from one period to another.

These non-GAAP measures are mainly derived from the interim consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. The exclusion of certain items from non-GAAP performance measures does not imply that these are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities may define the above measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare performance of those entities to the Company's performance.

	Fourth Quarter 2017	Fourth Quarter 2016	YTD Quarter 2017	YTD Quarter 2016
Reconciliation of adjusted net profit				
NET PROFIT	\$ 4,327	\$ 3,380	\$ 15,390	\$ 13,593
Deemed compensation related to acquisitions	-	-	-	642
Adjusted net profit	\$ 4,327	\$ 3,380	\$ 15,390	\$ 14,235

	Fourth Quarter 2017	Fourth Quarter 2016	YTD Quarter 2017	YTD Quarter 2016
Reconciliation of EBITDA				
Profit before interest income and income tax expense	\$ 5,822	\$ 4,571	\$ 20,888	\$ 18,733
Depreciation	407	335	1,490	1,290
Amortization	343	412	1,093	1,348
Deemed compensation related to acquisitions	-	-	-	642
EBITDA	\$ 6,572	\$ 5,318	\$ 23,471	\$ 22,013

BACKLOG

The Company's backlog at September 30, 2017 was \$1,261 million with terms extended to fiscal 2030. This compares to \$488 million reported at September 30, 2016. Contracted Backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas Option Renewals represent customers' options to further extend existing contracts under similar terms and conditions.

Most fee for service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for 2017, 2018 and beyond based on management's current visibility into customers' existing requirements. Management's estimate of the realizable portion (current utilization rates and known customer requirements) is less than the total value of signed contracts and related options by approximately \$113 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

(dollars in millions)	<u>Fiscal</u> <u>2018</u>	<u>Fiscal 2019</u>	<u>Beyond</u> <u>2019</u>	<u>Estimated</u> <u>realizable</u> <u>portion of</u> <u>Backlog</u>	<u>Excess over</u> <u>estimated</u> <u>realizable</u> <u>portion</u>	<u>TOTAL</u>
Contracted Backlog	\$ 215	\$ 115	\$ 169	\$ 499	\$ 88	\$ 587
Option Renewals	9	31	609	649	25	674
TOTAL	\$ 224	\$ 146	\$ 778	\$ 1,148	\$ 113	\$ 1,261

Business and Technology Services	\$ 171	\$ 136	\$ 770	\$ 1,077	\$ 113	\$ 1,190
Systems Engineering	53	10	8	71	-	71
TOTAL	\$ 224	\$ 146	\$ 778	\$ 1,148	\$ 113	\$ 1,261

FINANCIAL CONDITION AND CASHFLOWS

Operating activities:

Cash inflows from operating activities for the period ended September 30, 2017 were \$25,171 compared to cash inflows of \$15,408 in 2016. Cash flows have been positively impacted the decrease in accounts receivable commensurate the close off of certain large projects at SED. The aging of the accounts receivable remain in excellent health. These variations in cash flows are not considered unusual and reflect normal working capital fluctuations associated with the ebbs and flows of the business. The market for the Systems Engineering Division is characterized by contracts with billings tied to milestones achieved, which often results in significant working capital requirements. Conversely, given the nature of this business, it is sometimes possible to negotiate advance payments on contracts. Such advance payments give rise to unearned revenue that will be realized as revenue over the course of the contract. As at September 30, 2017, the Company's total unearned revenue amounted to \$8,831 compared to \$11,271 at September 30, 2016, with the decrease attributable to work progressing on certain contracts that had previously benefited from advance payments.

Financing activities:

During the years ended September 30, 2017 (2016), the Company paid quarterly dividends of \$1.12 (\$1.12) per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Investing activities:

During the year, the Company invested \$2,489 in capital assets compared to \$1,751 in the prior period. The increase is attributable to additional manufacturing equipment purchased at SED.

The Company also invested in Cliniconex as explained in Note 10 to the financial statements, and acquired ISR as explained in Note 11 to the financial statements.

Capital resources:

At September 30, 2017 the Company had a short-term credit facility of \$40,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company. An amount of \$75 was used to issue a letter of credit to meet customer contractual requirements. Management believes that Calian has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

ADOPTION OF NEW ACCOUNTING RULES AND IMPACT ON FINANCIAL RESULTS

The Company did not adopt any new accounting policies this quarter.

SELECTED QUARTERLY FINANCIAL DATA

	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
REVENUES	\$ 72,321	\$ 67,332	\$ 67,063	\$ 68,707	\$ 68,758	\$ 73,196	\$ 68,100	\$ 64,533
EBITDA(1)	\$ 6,572	\$ 5,504	\$ 6,190	\$ 5,205	\$ 5,318	\$ 6,114	\$ 5,408	\$ 5,173
Net profit	\$ 4,327	\$ 3,498	\$ 4,186	\$ 3,379	\$ 3,380	\$ 3,888	\$ 3,262	\$ 3,063
Adjusted net profit(1)	\$ 4,327	\$ 3,498	\$ 4,186	\$ 3,379	\$ 3,380	\$ 3,996	\$ 3,529	\$ 3,330
Net profit per share								
Basic	\$ 0.57	\$ 0.46	\$ 0.55	\$ 0.45	\$ 0.45	\$ 0.52	\$ 0.44	\$ 0.42
Diluted	\$ 0.56	\$ 0.45	\$ 0.55	\$ 0.45	\$ 0.45	\$ 0.52	\$ 0.44	\$ 0.42
Adjusted net profit per share(1)								
Basic	\$ 0.57	\$ 0.46	\$ 0.55	\$ 0.45	\$ 0.45	\$ 0.54	\$ 0.48	\$ 0.45
Diluted	\$ 0.56	\$ 0.45	\$ 0.55	\$ 0.45	\$ 0.45	\$ 0.54	\$ 0.48	\$ 0.45

SEASONALITY

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays. Typically the Company's first and last quarter will be negatively impacted as a result of the Christmas season and

summer vacation period. During these periods, the Company can only invoice for work performed and is also required to pay for statutory holidays. This results in reduced levels of revenues and in a drop in gross margins. This seasonality may not be apparent in the overall results of the Company depending on the impact of the realized sales mix of its various projects.

OUTLOOK

Management is confident that the Company is well positioned for sustained growth in the long term. The Company's strong contract backlog provides a solid base for the realization of future revenues. Leveraging the Company's diverse services offerings; the Company operates in global and domestic markets that will continue to require the services that the Company offers. To ensure the Company is positioned to respond to market requirements, the Company will focus on the execution of its four pillar growth strategy:

- Customer retention: through continued delivery excellence, maintain a valued relationship with current customer base;
- Customer diversification: through increasing the percentage of its revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors;
- Service Line Evolution: continue investment in service offerings to increase differentiation and improve gross margin attainment;
- Continuous Improvement: leverage innovation to improve how the company operates with a goal to streamline processes and provide for a scalable back office support capability.

The company has completed five acquisitions in the past 5 years, and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and service line evolution.

The SED Division has been working within a sustainable satellite sector and is expecting opportunities to continue to arise as systems adopting the latest technologies will be required by customers wishing to maintain and improve their service offerings and react to an increasing demand for bandwidth. SED continues to invest in communications products, software development and manufacturing equipment to strengthen its competitive position. However in the short-term, activity levels in custom manufacturing will continue to be directly dependent upon SED's customers' requirements and continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. The recent delays, deferrals and cancellations of DND capital procurements have created intense competition for available manufacturing work. Finally, changes in the relative value of the Canadian dollar may negatively or positively impact the Systems Engineering Division's competitiveness on projects denominated in foreign currencies.

The BTS Division's professional services are adaptable to many different markets. Currently, its strength lies in providing professional services, solutions, and delivery services across Canada with a significant portion of this work currently with the Department of National Defence. Recently the division has been successful in diversifying its customer base and evolving its service offerings. As an example, the division now provides direct to customer health services through the operation of managed medical clinics as well as onsite health practitioners in the oil and gas sector. Management believes that for the long term, the public and private sector will continue to require health, IT, and training services from private enterprise to achieve their business outcomes. Looking at the current outlook, the federal government continues to spend on priority programs and while there is general uncertainty as to the extent of demand from this customer, at least in the short term spending seems to have stabilized. With recent investments in sales, marketing, acquisitions and success in new markets outside of the federal government, the division is better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the division's performance and it is expected that overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.

GUIDANCE

Management continues to focus on its key strategic initiatives. Traditional markets in which Calian operates are stable and management expects organic revenue and earnings growth in most or all of its service lines through the successful execution of our growth strategy. However, we must caution that revenues realized are ultimately dependent on the extent and timing of future contract awards as well as customer utilization of existing contracting vehicles. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2018 to be in the range of \$290 million to \$310 million, net profit in the range of \$1.90 to \$2.20 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended September 30, 2017, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

FORWARD-LOOKING STATEMENT

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; the dependence on new product development; the impact of rapid technological and market change; the ability of

Calian to integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; and the impact of consolidations in the business services industry. Additional risks and uncertainties affecting Calian can be found in Management's Discussion and Analysis of Results of Operations and its Annual Information Form for the fiscal year ended September 30, 2016 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

Date: November 15, 2017

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