CALIAN

NEWS RELEASE

IMMEDIATE RELEASE

Calian Reports First Quarter Results

(All amounts in this release are in Canadian Dollars)

Ottawa, Ontario – February 3, 2016: Calian Technologies Ltd. (TSX.CTY) today released unaudited results for the first quarter ended December 31, 2015.

The Company reported revenues for the quarter of $64.5 million, a 15% increase from the $56.0 million reported in the same quarter of the previous year.

EBITDA[(1)] for the first quarter was $5.2 million, a 19% increase compared to $4.4 million in the same quarter of the previous year.

Net profit for the first quarter was $3.1 million or $0.42 per share basic and diluted, a 24% increase compared to $2.5 million or $0.34 per share basic and diluted in the same quarter of the previous year. Adjusted Net Profit[(1)] for the first quarter was $3.3 million or $0.45 per share basic and diluted, compared to $2.7 million or $0.37 per share basic and diluted in the same quarter of the previous year.

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

“The 15% improvement in revenues this quarter is a reflection of the revenue growth in both divisions – 32% growth in our Systems Engineering Division (SED) revenues and 9% growth in our Business and Technology Services (BTS) division. We experienced organic growth in most of our service lines this quarter and cash earnings continue to improve with an increase in EBITDA compared to the prior year” stated Jacqueline Gauthier, CFO.

"Our Q1 revenue attainment of $64.5 million represents our highest Q1 revenues in our 33 year history" stated Kevin Ford, President and CEO. "Despite challenging market conditions I am very proud of the team's efforts to continue the momentum coming out of last fiscal year "continued Ford.

"I am also pleased to see tangible progress in each of the components of our growth strategy. We have secured new customers in support of our customer diversification focus, and continue to evolve our services with investment in areas such as product development at our SED division. We also signed almost $50 million in new contracts this quarter which demonstrates our sales and marketing functions are executing well" stated Ford.

"As reported in our last quarter results, to reflect the diversity of Calian's services with the expansion into areas such as healthcare and training, management has obtained board agreement to ask for shareholder approval to rename Calian Technologies Ltd. to Calian Group Ltd. to more accurately reflect the current business activities of the Company. Shareholder approval will be solicited during our Annual Meeting of Shareholders to be held February 5, 2016" continued Ford.

During fiscal 2016, management will continue to focus on its key strategic initiatives. Traditional markets in which Calian operates have stabilized recently 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 2016 to be in the range of $250 million to $280 million, net profit per share in the range of $1.40 to $1.70 per share and adjusted net profit[(1)] in the range of $1.49 to $1.79 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 2,500 people with offices and projects that span Canada, U.S. and international markets. The company's capabilities are diverse and include the provision of business and technology services to industry and government in the health, training, engineering and IT services domains as well as the design, manufacturing and maintenance of complex systems to the communications and defence sectors. Calian's services are delivered through two divisions. The Business and Technology Services (BTS) Division is located in Ottawa. This division delivers outsourcing services for a variety of technical and professional functions and provides health services to numerous domestic customers. Our strength lies in understanding clients' needs, recruiting highly qualified personnel who understand and meet those needs, and then effectively managing those personnel within our customers' framework. 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

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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; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, and including currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company's most recent annual report and other reports filed by Calian with the Ontario Securities Commission. 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. 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 TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2015 and September 30, 2015
(Canadian dollars in thousands)

	NOTES	December 31, 2015	September 30, 2015
ASSETS			
CURRENT ASSETS			
Cash		$ 5,212	$ 10,624
Accounts receivable		48,501	50,494
Work in process		21,146	17,431
Prepaid expenses		1,673	1,449
Derivative assets	8	118	424
Total current assets		76,650	80,422
NON-CURRENT ASSETS			
Equipment		5,242	5,245
Application software		366	377
Acquired intangible assets		3,934	4,246
Goodwill		12,037	12,037
Total non-current assets		21,579	21,905
TOTAL ASSETS		$ 98,229	$ 102,327
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 19,114	$ 25,582
Unearned contract revenue		8,959	6,980
Derivative liabilities	8	747	751
Total current liabilities		28,820	33,313
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4	299
Total non-current liabilities		4	299
TOTAL LIABILITIES		28,824	33,612
SHAREHOLDERS' EQUITY			
Issued capital	5	20,673	20,673
Contributed surplus		484	458
Retained earnings		51,630	50,633
Accumulated other comprehensive loss		(3,382)	(3,049)
TOTAL SHAREHOLDERS' EQUITY		69,405	68,715
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 98,229	$ 102,327

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

CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three-month periods ended December 31, 2015 and 2014
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31, 2015	Three months ended December 31, 2014
Revenues		$ 64,533	$ 56,000
Cost of revenues		52,866	45,496
Gross profit		11,667	10,504
Selling and marketing		973	1,020
General and administration		4,613	4,303
Facilities		908	824
Depreciation		307	334
Amortization		312	358
Deemed compensation related to acquisitions		267	267
Profit before interest income and income tax expense		4,287	3,398
Interest income		4	43
Profit before income tax expense		4,291	3,441
Income tax expense – current		1,312	1,056
Income tax expense – deferred		(84)	(83)
Total income tax expense		1,228	973
NET PROFIT FOR THE PERIOD		**$ 3,063**	**$ 2,468**
NET PROFIT PER SHARE:			
Basic	6	$ 0.42	$ 0.34
Diluted	6	$ 0.42	$ 0.34

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

CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month periods ended December 31, 2015 and 2014
(Canadian dollars in thousands)

	NOTES	Three months ended December 31, 2015	Three months ended December 31, 2014
NET PROFIT FOR THE PERIOD		$ 3,063	$ 2,468
Other comprehensive income, net of tax			
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of $121 (2015 - $230)		(333)	(634)
Other comprehensive income (loss) , net of tax		(333)	(634)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**$ 2,730**	**$ 1,834**

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

CALIAN TECHNOLOGIES LTD.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three month periods ended December 31, 2015 and 2014

(Canadian dollars in thousands, except per share data)

	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		-	-	3,063	(333)	2,730
Dividends ($0.28 per share)		-	-	(2,066)	-	(2,066)
Share based compensation expense	5	-	26	-	-	26
Balance December 31, 2015		**$ 20,673**	**$ 484**	**$ 51,630**	**$ (3,382)**	**$ 69,405**

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2014		$ 20,161	$ 336	$ 49,128	$ (74)	$ 69,551
Total comprehensive income		-	-	2,468	(634)	1,834
Dividends ($0.28 per share)		-	-	(2,059)	-	(2,059)
Share based compensation expense	5	-	25	-	-	25
Balance December 31, 2014		**$ 20,161**	**$ 361**	**$ 49,537**	**$ (708)**	**$ 69,351**

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

CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-month periods ended December 31, 2015 and 2014
(Canadian dollars in thousands)

	NOTES	Three-months ended December 31, 2015	Three-months ended December 31, 2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net profit for the period		$ 3,063	$ 2,468
Items not affecting cash:			
Interest income		(4)	(43)
Income tax expense		1,228	973
Employee stock purchase plan and option plan compensation expense		43	42
Depreciation and amortization		619	692
Deemed compensation related to acquisitions		267	267
		5,216	4,399
Change in non-cash working capital			
Accounts receivable		1,935	(4,102)
Work in process		(3,715)	(302)
Prepaid expenses		(224)	(292)
Accounts payable and accrued liabilities		(7,650)	(7,284)
Unearned contract revenue		1,979	950
		(2,459)	(6,631)
Interest received		4	43
Income tax paid		(598)	(1,293)
		(3,053)	(7,881)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends		(2,066)	(2,059)
		(2,066)	(2,059)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Equipment and application software		(293)	(2,277)
NET CASH OUTFLOW		**$ (5,412)**	**$ (12,217)**
CASH, BEGINNING OF PERIOD		10,624	25,200
CASH, END OF PERIOD		$ 5,212	$ 12,983

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

CALIAN TECHNOLOGIES LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended December 31, 2015 and 2014
(Canadian dollars in thousands, except per share amounts)
(Unaudited)

1. BASIS OF PREPARATION

Calian Technologies 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, 2015 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, 2015. 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 February 3, 2016.

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. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

IFRS 9 Financial instruments

IFRS 9 was issued by the International Accounting Standards Board ("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. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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, 2015.

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

Stock options

The Company has an established stock option plan, which provides that the Board of Directors may grant stock options to eligible directors and employees. 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. The plan provides for a 10% rolling maximum number of options available for grant. As at December 31, 2015 (2014), a total of 737,830 (735,390) common shares are reserved for issuance under the plan with 495,000 (415,000) options currently outstanding of which 397,100 (302,600) are exercisable. During the first quarter ended December 31, 2015 (2014), no options were issued.

6. NET PROFIT PER SHARE

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

	Three months ended December 31	
	2015	**2014**
Weighted average number of shares – basic	7,378,298	7,353,908
Addition to reflect the dilutive effect of employee stock options	-	-
Weighted average number of shares – diluted	7,378,298	7,353,908

Options 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 periods ended December 31, 2015 (2014), 495,000 (415,000) options were excluded from the above computation. 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.

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, 2015.

Three months ended December 31, 2015	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 19,680	$ 44,853	$ -	$ 64,533
Profit before interest income and income tax expense	3,081	1,844	(638)	4,287
Interest income				4
Income tax expense				(1,228)
Net profit for the period				$ 3,063

7. SEGMENTED INFORMATION (Continued)

Total assets other than cash and goodwill	$ 37,994	$ 42,828	$ 158	$ 80,980
Goodwill	-	12,037	-	12,037
Cash	-	-	5,212	5,212
Total assets	$ 37,994	$ 54,865	$ 5,370	$ 98,229
Equipment and intangible expenditures	$ 164	$ 129	$ -	$ 293

Three months ended December 31, 2014	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 14,965	$ 41,035	$ -	$ 56,000
Profit before interest income and income tax expense	2,728	1,228	(558)	3,398
Interest income				43
Income tax expense				(973)
Net profit for the period				$ 2,468
Equipment and intangible expenditures	$ 1,916	$ 361	$ -	$ 2,277

As at September 30, 2015	Systems Engineering	Business and Technology Services	Corporate	Total
Total assets other than cash and goodwill	$ 37,488	$ 42,073	$ 105	$ 79,666
Goodwill	-	12,037	-	12,037
Cash	-	-	10,624	10,624
Total assets	$ 37,488	$ 54,110	$ 10,729	$ 102,327

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.

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 December 31, 2015, the Company had the following forward foreign exchange contracts:

8. HEDGING (CONTINUED)

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2015
BUY	26,016	USD	January 2016	$ 36,006	$ 49
SELL	7,692	EURO	January 2016	11,560	69
Derivative assets					$ 118
SELL	47,770	USD	January 2016	$ 66,114	$ 91
SELL	1,000	USD	September 2016	1,384	353
SELL	1,000	USD	September 2017	1,384	300
BUY	286	EURO	January 2016	430	3
Derivative liabilities					$ 747

A 10% strengthening of the Canadian dollar against the following currencies at December 31, 2015 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	December 31, 2015
USD	$ 2,989
EURO	1,012
GBP	1
	$ 4,002

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.

Management Discussion and Analysis – December 31, 2015:

(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 first quarter of 2016, revenues were $64,533 compared to $56,000 reported for the same period in 2015 representing a 15% increase from the prior year.

Systems Engineering's (SED) revenues were $19,680 in the quarter representing a 32% increase when compared to the $14,965 recorded for the same period in the previous year. The first quarter 2016 reflect a higher level of materials and subcontractors than in the same period of the prior year. A significant increase in commercial RF ground systems work was a major contributor to the increase in SED revenues over the previous year.. An increase in satellite gateway systems and communications product developments also contributed to increase revenues. The manufacturing group continued at a steady pace, producing assemblies for Defence programs and processing renewed orders for contract manufacturing of agricultural products.

Business and Technology Services (BTS) revenues were $44,853 in the quarter representing a 9% increase when compared to the $41,035 recorded for the same period in the previous year. During the first quarter of 2016, government spending showed signs of recovery with additional demand for our services in many of the division's mainstay contracts.

Management expects that the marketplace for the near term will continue to be unsettled and very 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 18.1% in the first quarter of 2016 compared to the 18.8% recorded for the same period in the previous year.

Gross margin in Systems Engineering was 24.6% in the first quarter of 2016 compared to the 28.4% recorded for the same period in the previous year. The results for this quarter reflect solid performance in all of its business areas. Margin for the first quarter of 2016was impacted by the significant level of material and subcontractors driving lower margin as compared to the same period of the prior year. Although the mix of revenues will always play a role in the margin ultimately realized, recent investments in new product developments will allow the division to continue to weather the current competitive landscape.

Gross margin in Business and Technology Services was 15.2% in the first quarter of 2016 compared to the 15.2% recorded for the same period in the previous year. The traditional BTS business which is concentrated within the federal government has stabilized in recent quarters. While stiff 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, increased competition 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 period ended December 31, 2015, selling and marketing, general and administration and facilities totalled $6,494 or 10.1% of revenues compared to $6,147 or 11.0% of revenues reported in 2015. Operating costs increased in absolute dollars as a result of continued investment in both business development and service line evolution capabilities. However, with growing revenues, operating costs as a percentage of revenues decreased.

EBITDA[(1)]:

EBITDA[(1)] for the first quarter was $5,173 compared to $4,357 in the same quarter of the previous year.

Depreciation:

For the period ended December 31, 2015, depreciation was $307 in line with the $334 recorded in fiscal 2015.

Amortization of intangibles:

For the period ended December 31, 2015, amortization of intangibles was $312 compared to $358 in fiscal 2015.

Deemed compensation related to acquisitions and Bargain purchase gain:

For the period ended December 31, 2015, deemed compensation related to acquisition amounted to $267 compared to $267 recorded in fiscal 2015.

Income taxes:

The provision for income taxes was $1,228 or 28.6% of earnings before tax compared to $973 in 2015 or 28.3% of earnings before tax. The difference in effective rates is primarily due to the non-deductibility of the deemed compensation amounts referred to in the above paragraph. The effective tax rate for 2016, 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 first quarter of 2016 the Company recorded net profit of $3,063 or $0.42 per share basic and diluted, compared to $2,468 or $0.34 per share basic and diluted in the same quarter of the prior year. Adjusted net profit[(1)] for the first quarter was $3,330 or $0.45 per share basic and diluted, compared to $2,735 or $0.37 per share basic and diluted in the same quarter 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.

Reconciliation of adjusted net profit	First Quarter 2016	First Quarter 2015
NET PROFIT	$ 3,063	$ 2,468
Deemed compensation related to acquisitions	267	267
Adjusted net profit	$ 3,330	$ 2,735

Reconciliation of EBITDA	First Quarter 2016	First Quarter 2015
Profit before interest income and income tax expense	$ 4,287	$ 3,398
Depreciation	307	334
Amortization	312	358
Deemed compensation related to acquisitions	267	267
EBITDA	$ 5,173	$ 4,357

BACKLOG

The Company's backlog at December 31, 2015 was $428 million with terms extended to fiscal 2018. This compares to $442 million reported at September 30, 2015. 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 2016, 2017 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 $122 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)	Fiscal 2016	Fiscal 2017	Beyond 2017	Estimated realizable portion of Backlog	Excess over estimated realizable portion	TOTAL
Contracted Backlog	$ 151	$ 57	$ 21	$ 229	$ 109	$ 338
Option Renewals	12	34	31	77	13	90
TOTAL	$ 163	$ 91	$ 52	$ 306	$ 122	$ 428
Business and Technology Services	$ 111	$ 80	$ 39	$ 230	$ 122	$ 352
Systems Engineering	52	11	13	76	-	76
TOTAL	$ 163	$ 91	$ 52	$ 306	$ 122	$ 428

FINANCIAL CONDITION AND CASHFLOWS

Operating activities:

Cash outflows from operating activities for the period ended December 31, 2015 were $3,053 compared to cash outflows of $7,881 in 2015. Cash flows for the quarter have been negatively impacted by the increase in work in process with the SED division continuing to perform work on customer contracts in advance of milestone billings. In addition, amounts owed to SED suppliers decreased as a result of significant levels of payment required near quarter end compounded by the usual payment at BTS of amounts owed to contractors prior to the holiday season. The aging of the accounts receivables 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 December 31, 2015, the Company's total unearned revenue amounted to $8,959. This compares to $6,980 at September 30, 2015, with the increase primarily attributable to advance billings for work to be performed in a future period.

Financing activities:

During the periods ended December 31, 2015 (2014), the Company paid quarterly dividends of $0.28 ($0.28) per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Investing activities:

During the current period, the Company invested $293 in capital assets compared to $2,277 in the prior period which included significant upgrades to the manufacturing assets in the SED division. Capital acquisitions are expected to revert to normal levels for fiscal 2016.

Capital resources:

At December 31, 2015 the Company had a short-term credit facility of $10,000 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

	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
REVENUES	$ 64,533	$ 60,944	$ 64,267	$ 61,042	$ 56,000	$ 54,430	$ 53,839	$ 51,186
EBITDA[1]	$ 5,173	$ 4,906	$ 3,970	$ 3,989	$ 4,357	$ 4,525	$ 4,117	$ 3,508
Net profit	$ 3,063	$ 2,877	$ 2,214	$ 2,208	$ 2,468	$ 2,575	$ 2,866	$ 2,364
Adjusted net profit[1]	$ 3,330	$ 3,144	$ 2,482	$ 2,475	$ 2,735	$ 2,842	$ 2,698	$ 2,364
Net profit per share								
Basic	$ 0.42	$ 0.39	$ 0.30	$ 0.30	$ 0.34	$ 0.35	$ 0.39	$ 0.32
Diluted	$ 0.42	$ 0.39	$ 0.30	$ 0.30	$ 0.34	$ 0.35	$ 0.39	$ 0.32
Adjusted net profit per share[1]								
Basic	$ 0.45	$ 0.43	$ 0.34	$ 0.34	$ 0.37	$ 0.39	$ 0.37	$ 0.32
Diluted	$ 0.45	$ 0.43	$ 0.34	$ 0.34	$ 0.37	$ 0.39	$ 0.37	$ 0.32

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 growth strategy using a common framework across all of its services:

1. Customer retention: through continued delivery excellence, maintain a valued relationship with current customer base;
2. 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;
3. Service Line Evolution: continue investment in service offerings to increase differentiation and improve gross margin attainment;
4. Continuous Process 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 four acquisitions in the past 4 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 services are adaptable to many different markets. Currently, its strength lies in providing program management 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 enterprises to achieve their business outcomes. Looking at the current outlook, the results of the recent election, the current economic climate and budget balancing initiatives in the federal government may create uncertainty as to the extent of demand from this customer, at least in the short term. 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 these 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 targets established as part of the acquisitions.

GUIDANCE

During fiscal 2016, management will continue to focus on its key strategic initiatives. Traditional markets in which Calian operates have stabilized recently 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 2016 to be in the range of $250 million to $280 million, net profit per share in the range of $1.40 to $1.70 per share and adjusted net profit[(1)] in the range of $1.49 to $1.79 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended December 31, 2015, 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 management discussion and analysis 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; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company’s most recent annual report and other reports filed by the Company with the Ontario Securities Commission. 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. 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.

The foregoing discussion and analysis should be read in conjunction with the financial statements for the first quarter of 2016, and with the Management Discussion and Analysis in the 2015 annual report, including the section on risks and opportunities.

Date: February 3, 2016