CALIAN

NEWS RELEASE

IMMEDIATE RELEASE

CALIAN REPORTS FIRST QUARTER RESULTS

(All amounts in this release are in Canadian Dollars)

Ottawa, Ontario – February 4, 2015: Calian Technologies Ltd. (TSX.CTY) today released unaudited results for the first quarter ended December 31, 2014.

The Company reported revenues for the quarter of $56.0 million, an 8% increase from the $51.8 million reported in the same quarter of the previous year.

EBITDA(1) for the first quarter was $4.4 million, compared to $4.1 in the same quarter of the previous year.

Net profit for the first quarter was $2.5 million or $0.34 per share basic and diluted, compared to $2.8 million or $0.38 per share basic and diluted in the same quarter of the previous year. Adjusted Net Profit(1) for the first quarter was $2.7 million or $0.37 per share basic and diluted, compared to $2.8 million or $0.38 per share basic and diluted in the same quarter of the previous year.

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

"Today we reported consolidated quarterly revenues of $56 million representing an 8% increase over revenues recorded in the first quarter of last year. We are very pleased with these revenue levels for two reasons. Firstly, revenues from our traditional business were relatively consistent with the same quarter last year. Despite continued constraints in federal government spending, this marks the first time in a number of quarters where we did not encounter a substantial drop in year over year revenues. This is as an indication that our efforts to bolster our non-government service offerings is starting to pay off. Secondly, revenues generated from acquisitions made during the last fiscal year were in line with overall expectations and now represent a substantial component of our consolidated revenue base" stated Ray Basler, President and CEO.

"Overall consolidated gross margin percentages were just slightly lower than the prior year with SED showing a slight improvement and BTS experiencing a decline. SED first quarter margins were higher due to strong staff utilization and the recovery of investment tax credits related to activities in a prior year. BTS margins continue to be suppressed and revenues from recent acquisitions tend to have lower overall margins thereby having somewhat of a dilutive effect. For at least the near term, we expect that margins on new work will continue to be under pressure in both divisions" continued Basler.

"Our Consolidated EBITDA showed an improvement of $300k to $4.4 million representing an increase of 7%, commensurate with the increased level of revenues. This level of operational earnings provides strong cash flows from which to fund future growth, capital expenditures and dividends to shareholders. Only when considering the non-cash effects of amortization of intangibles and deemed compensation on acquisitions, does the level of profitability fall below that of the prior year" stated Basler.

"During the quarter we signed contracts with significant value and proposal activity remains robust. With a strong backlog of work and solid balance sheet, we are well equipped to grow revenues in future quarters" stated Kevin Ford, who will be assuming CEO responsibility effective April 1, 2015. "We did experience a sizable reduction in our cash balance during the quarter, which was related to the working capital required to fund projects as well as the traditional payment of certain accrued liabilities at the end of the calendar year; all part of the normal ebbs and flows of our business."

After many quarters of declining revenues in our traditional markets, we have experienced a stabilization of these revenues during the last quarter. In addition, our recent acquisitions have performed to expectations and have incrementally contributed to revenues. Management expects this trend to continue, providing revenue growth over the prior year. 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. In addition, the requirement to categorize certain acquisition payments as compensation expense will negatively impact fiscal 2015 earnings by approximately $0.15 per share. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2015 to be in the range of $235 million to $ 265 million, net profit per share in the range of $1.35 to $1.65 per share and adjusted net profit(1) in the range of $1.50 to $1.80 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 2,300 people with offices and projects that span Canada, U.S. and international markets. The company's capabilities include the provision of business and technology services to industry and government in the health, training, engineering, IT services and operations and maintenance domains as well as the design, manufacturing and maintenance of complex systems to the communications and defence sectors. Our goal is to be the best company to work for, buy from and invest in. The Business and Technology Services (BTS) Division is headquartered 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) 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, 2014 and September 30, 2014
(Canadian dollars in thousands)

	NOTES	December 31, 2014	September 30, 2014
ASSETS			
CURRENT ASSETS			
Cash		$ 12,983	$ 25,200
Accounts receivable		43,630	39,249
Work in process		12,892	12,590
Prepaid expenses		1,992	1,700
Derivative assets	8	154	191
Total current assets		71,651	78,930
NON-CURRENT ASSETS			
Equipment		5,578	3,615
Application software		498	518
Acquired intangible assets	10	5,392	5,750
Goodwill		12,037	12,037
Total non-current assets		23,505	21,920
TOTAL ASSETS		$ 95,156	$ 100,850
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 17,979	$ 24,013
Unearned contract revenue		6,091	5,141
Derivative liabilities	8	380	473
Total current liabilities		24,450	29,627
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,355	1,672
Total non-current liabilities		1,355	1,672
TOTAL LIABILITIES		25,805	31,299
SHAREHOLDERS' EQUITY			
Issued capital	5	20,161	20,161
Contributed surplus		361	336
Retained earnings		49,537	49,128
Accumulated other comprehensive loss		(708)	(74)
TOTAL SHAREHOLDERS' EQUITY		69,351	69,551
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 95,156	$ 100,850

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, 2014 and 2013
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31, 2014	Three months ended December 31, 2013
Revenues		$ 56,000	$ 51,802
Cost of revenues		45,496	41,878
Gross profit		10,504	9,924
Selling and marketing		1,020	928
General and administration		4,303	4,114
Facilities		824	816
Depreciation		334	268
Amortization		358	136
Deemed compensation related to acquisitions	10	267	-
Profit before interest income and income tax expense		3,398	3,662
Interest income		43	74
Profit before income tax expense		3,441	3,736
Income tax expense – current		1,056	990
Income tax expense – deferred		(83)	(30)
Total income tax expense		973	960
NET PROFIT FOR THE PERIOD		**$ 2,468**	**$ 2,776**
NET PROFIT PER SHARE:			
Basic	6	$ 0.34	$ 0.38
Diluted	6	$ 0.34	$ 0.38

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, 2014 and 2013
(Canadian dollars in thousands)

	NOTES	Three months ended December 31, 2014	Three months ended December 31, 2013
NET PROFIT FOR THE PERIOD		$ 2,468	$ 2,776
Other comprehensive income (loss), net of tax			
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of $230 (2013 - $9)		(634)	26
Other comprehensive income (loss), net of tax		(634)	26
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**$ 1,834**	**$ 2,802**

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, 2014 and 2013
(Canadian dollars in thousands, except per share data)

	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 ($0.28 per share)		-	-	(2,059)	-	(2,059)
Stock option plan compensation expense	5	-	25	-	-	25
Balance December 31, 2014		**$ 20,161**	**$ 361**	**$ 49,537**	**$ (708)**	**$ 69,351**

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2013		$ 19,746	$ 216	$ 47,089	$ (254)	$ 66,797
Total comprehensive income		-	-	2,776	26	2,802
Dividends ($0.28 per share)		-	-	(2,071)	-	(2,071)
Stock option plan compensation expense	5	-	15	-	-	15
Share repurchase	5	(44)	-	(284)	-	(328)
Share purchase agreement - reclassification	5	(214)	-	(1,359)	-	(1,573)
Balance December 31, 2013		**$ 19,488**	**$ 231**	**$ 46,151**	**$ (228)**	**$ 65,642**

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, 2014 and 2013
(Canadian dollars in thousands)

	NOTES	Three months ended December 31, 2014	Three months ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		$ 2,468	$ 2,776
Items not affecting cash:			
Interest income		(43)	(74)
Income tax expense		973	960
Employee stock purchase plan and option plan compensation expense		42	32
Depreciation and amortization		692	403
Deemed compensation related to acquisitions		267	-
		4,399	4,097
Change in non-cash working capital			
Accounts receivable		(4,102)	1,266
Work in process		(302)	(2,126)
Prepaid expenses		(292)	343
Accounts payable and accrued liabilities		(7,284)	(3,714)
Unearned contract revenue		950	1,726
		(6,631)	1,592
Interest received		43	79
Income tax paid		(1,293)	(1,307)
		(7,881)	364
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends		(2,059)	(2,071)
Repurchase of shares		-	(328)
		(2,059)	(2,399)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Equipment and application software expenditures		(2,277)	(175)
Acquisitions	10	-	(544)
		(2,277)	(719)
NET CASH OUTFLOW		**$ (12,217)**	**$ (2,754)**
CASH, BEGINNING OF PERIOD		25,200	29,782
CASH, END OF PERIOD		$ 12,983	$ 27,028

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, 2014 and 2013
(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, 2014 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, 2014. 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 4, 2015.

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, 2017. 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.

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.

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

Share repurchase

During the three months ended December 31, 2014 (2013), the Company acquired nil (16,500) of its outstanding common shares at an average price of nil ($19.91) per share for a total of nil ($328) including related expenses, through normal course issuer bids in place during the period. The excess of the purchase price over the stated capital of the shares was charged to retained earnings.

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, 2014 (2013), a total of 735,390 (737,983) common shares are reserved for issuance under the plan with 415,000 (240,000) options currently outstanding of which 302,600 (197,000) are exercisable. During the first quarter ended December 31, 2014 (2013), 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	
	2014	**2013**
Weighted average number of shares – basic	7,353,908	7,392,516
Addition to reflect the dilutive effect of employee stock options	-	7,094
Weighted average number of shares – diluted	7,353,908	7,399,610

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 period ended December 31, 2014 (2013), 415,000 (240,000) 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, operations and maintenance, IT services and training.

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 financial statements for the year ended September 30, 2014.

7. SEGMENTED INFORMATION (Continued)

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
Total assets other than cash and goodwill	$ 29,855	$ 40,129	$ 152	$ 70,136
Goodwill	-	12,037	-	12,037
Cash	-	-	12,983	12,983
Total assets	$ 29,855	$ 52,166	$ 13,135	$ 95,156
Equipment and intangible expenditures	$ 1,916	$ 361	$ -	$ 2,277

Three months ended December 31, 2013	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 14,530	$ 37,272	$ -	$ 51,802
Profit before interest income and income tax expense	2,459	1,734	(531)	3,662
Interest income				74
Income tax expense				(960)
Net profit for the period				$ 2,776
As at September 30, 2014				
Total assets other than cash and goodwill	$ 23,048	$ 40,463	$ 102	$ 63,613
Goodwill	-	12,037	-	12,037
Cash	-	-	25,200	25,200
Total assets	$ 23,048	$ 52,500	$ 25,302	$ 100,850
Equipment and intangible expenditures	$ 98	$ 77	$ -	$ 175

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 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.

8. HEDGING (Continued)

The Company also formally assesses, both at the hedge's inception and on an ongoing 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, 2014, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2014
SELL	61,981	USD	January 2015	$ 71,904	$ 124
SELL	2,262	EURO	January 2015	3,175	30
Derivative assets					$ 154

BUY	34,819	USD	January 2015	$ 40,394	$ 71
SELL	1,000	USD	September 2015	1,160	105
SELL	1,000	USD	September 2016	1,160	103
SELL	1,000	USD	September 2017	1,160	98
BUY	165	EURO	January 2015	232	2
BUY	12	GBP	January 2015	21	1
Derivative liabilities					$ 380

A 10% strengthening of the Canadian dollar against the following currencies at December 31, 2014 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	December 31, 2014
USD	$ 3,181
EURO	268
GBP	(2)
	$ 3,447

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. ACQUISITIONS

Med-Team Clinic Inc. ("Med-Team")

On December 31, 2013, the Company acquired all of the outstanding shares of Med-Team for consideration of $930 of which $600 was paid on the date of closing and $61 was paid subsequently upon determining the final working capital acquired. A discounted amount of $269 is payable contingently. Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Med-Team $300 if Med-Team attains specified levels of EBITDA for the years ended December 31, 2015 and 2016. The amount of $269 represents the estimated fair value of the Company's obligation at the acquisition date. Med-Team's principal business activity relates to the management of medical clinics. Med-Team was acquired so as to expand the Company's health service offerings.

10. ACQUISITIONS (Continued)

Amtek Engineering Services Ltd. ("Amtek")
Effective April 30, 2014, the Company acquired all of the outstanding shares of Amtek for a purchase price of up to $5,890. Of this amount $3,490 was paid on the date of closing, $600 was placed in escrow and $1,800 is payable contingently.

Under the contingent payment arrangement, the Company is required to pay the former shareholders of Amtek an additional $900 and $900 if Amtek attains specified levels of earnings before interest, taxes, depreciation and amortization (EBITDA) for the years ended April 30, 2015 and 2016 respectively. There are no changes in management's assessment that Amtek can achieve its earn-out target in both years based on the level of contracts and market share expectations. Amtek's principal business activity relates to the provision of engineering services mainly within the Federal Government. Amtek was acquired so as to expand the Company's training and support service offerings.

A portion of the amount placed in escrow and a portion of the contingent payment totaling $1,914 are subject to the retention of the principal shareholders for a period of two years. These amounts are deemed to represent deferred compensation payable to such shareholders and therefore are excluded from the total consideration of the purchase and will be expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period.

DWP Solutions Inc. (DWP)
Effective June 30, 2014, the Company acquired all of the outstanding shares of DWP for a purchase price of up to $1,759. Of this amount $750 was paid on the date of closing, $225 was placed in escrow, $109 was paid during the fourth quarter of 2014 and $675 is payable contingently.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of DWP an additional $300 and $375 if DWP attains specified levels of earnings before interest, taxes, depreciation and amortization (EBITDA) for the years ended June 30, 2015 and 2016 respectively. There are no changes in management's assessment that DWP can achieve its earn-out target in both years based on the level of contracts and market share expectations. DWP's principal business activity relates to the provision of IT cyber security professionals mainly within the Federal Government. DWP was acquired so as to expand the Company's IT service offerings.

The amount placed in escrow totaling $225 is subject to the retention of the principal shareholders for a period of two years. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration to the purchase and will be expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period.

These acquisitions are business combination to which IFRS 3 Business Combination applies.

Consideration:	Med-Team	Amtek	DWP
Cash	$ 661	$ 3,490	$ 859
Prepaid		600	225
Contingent consideration	269	486	675
Contingent payments	-	1,314	-
Total purchase price	$ 930	$ 5,890	$ 1,759
Less: deemed compensation	-	1,914	225
Consideration to allocate	$ 930	$ 3,976	$ 1,534

10. ACQUISITIONS (Continued)

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

Current assets:	Med-Team	Amtek	DWP
Cash	$ 56	$ 818	$ (120)
Accounts receivable	171	3,274	1,345
Prepaid expenses	-	4	-
	$ 227	$ 4,096	$ 1,225
Non-current assets:			
Equipment	$ 4	$ 15	$ -
Intangible assets	381	1,719	765
	$ 385	$ 1,734	$ 765
Current liabilities:			
Accounts payable and accrued liabilities	$ (125)	$ (1,068)	$ (965)
Deferred tax liability	(100)	(456)	(204)
	$ (225)	$ (1,524)	$(1,169)
Net assets acquired	$ 387	$ 4,306	$ 821

Goodwill arising on acquisitions:	Med-Team	Amtek	DWP
Total consideration allocated	$ 930	$ 3,976	$ 1,534
Net assets acquired	(387)	(4,306)	(821)
Bargain purchase gain	-	330	-
	$ 543	$ -	$ 713

Substantially all of the goodwill that arose on acquisitions relates to the value of the taxable temporary differences attributable to the acquired intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes. The bargain purchase gain on the Amtek acquisition relates to the fact that a significant portion of the purchase price was deemed to be compensation as described above. As a result, the identifiable tangible and intangible assets on acquisition were higher than the consideration allocated which resulted in a bargain purchase gain.

Management Discussion and Analysis – December 31, 2014:

(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 2015, revenues were $56,000 compared to $51,802 reported for the same period in 2014 representing an 8% increase from the prior year.

Systems Engineering's (SED) revenues were $14,965 in the quarter representing a 3% increase when compared to the $14,530 recorded last year. Manufacturing and test related revenues showed an increase relative to the first quarter last year as this sector has rebounded slightly. Engineering revenues were down slightly from the same quarter last year, but still represent the majority of the division's revenues. Due to the project nature of its business, the SED division is susceptible to significant variation in volumes of activity from period to period. During the quarter, the division experienced the positive effects of recent contract signings on realized revenue. It is expected that these projects will enhance revenues further as they reach the implementation phase.

Business and Technology Services (BTS) revenues were $41,035 in the quarter representing a 10% increase for the quarter from the $37,272 for the same period last year. For the first quarter of 2015, revenues from the division's traditional business lines were relatively consistent with the same quarter last year, marking the first time in a number of quarters where we did not encounter a substantial drop in year over year revenues due to federal government constraints. Accordingly, revenues generated from acquisitions made during fiscal 2014 accounted for the increased revenue this quarter.

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. However, the nature and extent of future government spending constraints remain uncertain and therefore, future revenues ultimately will be determined by customer demand on existing contracts as well as the timing of future contract awards.

Gross margin

Gross margin was 18.8% in the first quarter of 2015, compared to the 19.2% reported in the first quarter a year ago. The consolidated gross margin was down slightly due to a modest increase in SED margins offset by lower gross margins in the BTS division.

Gross margin in Systems Engineering was 28.4% this quarter compared to 27.2% in the same quarter of 2014. These strong margins were the result of high labour utilization and the recovery of investment tax credits related to activities in a prior year.

Gross margin in Business and Technology Services was 15.2% compared to the 16.1% reported in the first quarter of 2014. The traditional BTS business which is concentrated within the federal government continued to experience margin contraction due to competitive pressures. In addition, the acquired Amtek and DWP businesses are characterized by lower gross margins but with correspondingly reduced costs of business development and delivery. Accordingly, the inclusion of such revenues also had a dilutive effect on reported margin percentages. Stiff competition on new work is expected to temper any significant near-term improvement.

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:

Selling and marketing, general and administration and facilities totalled $6,147 or 11.0% of revenues compared to $5,858 or 11.3% of revenues reported in 2014. With growing revenues, operating costs as a percentage of sales has decreased somewhat. The inclusion of the results of recently acquired businesses has helped to lower this percentage as the acquired companies had a lower cost structure than our traditional business.

EBITDA(1):

EBITDA(1) for the first quarter was $4,357 million compared to $4,066 in the same quarter of the previous year.

Depreciation:

Depreciation of $334 is higher than the $268 recorded in fiscal 2014 due to capital upgrades made to certain manufacturing assets in the SED division.

Amortization of intangibles:

As a result of the completion of three business acquisitions during fiscal 2014, amortization of intangibles increased to $358 compared to $136 in fiscal 2014.

Deemed compensation related to acquisitions:

This unusual item results from a portion of the purchase price related to the Amtek and DWP acquisitions being deemed as deferred compensation payable to certain shareholders under IFRS and therefore is excluded from the total consideration of the purchase.

Deemed compensation related to acquisition amounted to $267 compared to $nil recorded in fiscal 2014. For the full year ended September 30, 2015, the amount of deemed compensation is expected to be $1,070.

Income taxes:

The provision for income taxes was $973 or 28.3% of earnings before tax compared to $960 in 2014 or 25.7% 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 2015, prior to considering the impact of non-taxable transactions and adjustments to reflect actual tax provision as filed, is expected to be approximately 26.5%.

Net profit:

As a result of the foregoing, in the first quarter of 2015 the Company recorded net profit of $2,468 or $0.34 per share basic and diluted, compared to $2,776 or $0.38 per share basic and diluted in the same quarter of the prior year. Adjusted net profit(1) for the first quarter was $2,735 or $0.37 per share basic and diluted, compared to $2,776 or $0.38 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 2015	First Quarter 2014
NET PROFIT	$ 2,468	$ 2,776
Deemed compensation related to acquisition	267	-
Adjusted net profit	$ 2,735	$ 2,776

Reconciliation of EBITDA	First Quarter 2015	First Quarter 2014
Profit before interest income and income tax expense	$ 3,398	$ 3,662
Depreciation	334	268
Amortization	358	136
Deemed compensation related to acquisition	267	-
EBITDA	$ 4,357	$ 4,066

BACKLOG

The Company’s backlog at December 31, 2014 was $508 million with terms extended to fiscal 2018. This compares to $523 million reported at September 30, 2014. 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 2015, 2016 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 $165 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 2015	Fiscal 2016	Beyond 2016	Estimated realizable portion of Backlog	Excess over estimated realizable portion	TOTAL
Contracted Backlog	$ 149	$ 120	$ 22	$ 291	$ 139	$ 430
Option Renewals	10	17	25	52	26	78
TOTAL	$ 159	$ 137	$ 47	$ 343	$ 165	$ 508
Business and Technology Services	$ 114	$ 111	$ 26	$ 251	$ 165	$ 416
Systems Engineering	45	26	21	92	-	92
TOTAL	$ 159	$ 137	$ 47	$ 343	$ 165	$ 508

FINANCIAL CONDITION AND CASHFLOWS

Operating activities:

Cash outflows from operating activities for the period ended December 31, 2014 were $7,881 compared to cash inflows of $364 in 2014. Although cash earnings were slightly better than the prior year, the first quarter cash flows have been negatively impacted by the typical year end reduction in accounts payable as well as an increase in accounts receivable due to the SED division invoicing a higher level of milestones near the end of the quarter with collections expected early in the second quarter. 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, 2014, the Company's total unearned revenue amounted to $6,091. This compares to $5,141 at September 30, 2014, 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, 2014 (2013), 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.

During the periods ended December 31, 2014 (2013), the Company repurchased nil (16,500) common shares through its normal course issuer bid at an average price of $nil ($19.91).

Investing activities:

During the periods ended December 31, 2014 (2013), the Company paid $nil ($544) for various acquisitions as described in these financial statements. Also, the Company invested $2,277 in capital assets during the quarter which included significant upgrades to the manufacturing assets in the SED division. Capital acquisitions are expected to revert to more normal levels for the balance of the year.

Capital resources:

At December 31, 2014 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 $612 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

	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13
REVENUES	$ 56,000	$ 54,430	$ 53,839	$ 51,186	$ 51,802	$ 57,502	$ 58,123	$ 58,932
EBITDA(1)	$ 4,357	$ 4,525	$ 4,117	$ 3,508	$ 4,066	$ 4,487	$ 4,762	$ 4,955
Net profit	$ 2,468	$ 2,575	$ 2,866	$ 2,364	$ 2,776	$ 3,024	$ 3,276	$ 3,354
Adjusted net profit(1)	$ 2,735	$ 2,842	$ 2,698	$ 2,364	$ 2,776	$ 3,024	$ 3,276	$ 3,354
Net profit per share								
Basic	$ 0.34	$ 0.35	$ 0.39	$ 0.32	$ 0.38	$ 0.41	$ 0.43	$ 0.44
Diluted	$ 0.34	$ 0.35	$ 0.39	$ 0.32	$ 0.38	$ 0.41	$ 0.43	$ 0.44
Adjusted net profit per share(1)								
Basic	$ 0.37	$ 0.39	$ 0.37	$ 0.32	$ 0.38	$ 0.41	$ 0.43	$ 0.44
Diluted	$ 0.37	$ 0.39	$ 0.37	$ 0.32	$ 0.38	$ 0.41	$ 0.43	$ 0.44

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 continues to believe that the Company is well positioned for sustained growth in the long term. The Company operates in markets that will continue to require the services that the Company offers. To further assure itself of a stable source of revenues, the Company will continue to focus on increasing the percentage of its revenues derived from recurring business while pursuing new business in adjacent and non-government markets. The company's strong contract backlog provides substantial confidence for the realization of future revenues.

The Systems Engineering 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. Custom manufacturing activity levels will continue to be directly dependent upon SED's customers' requirements. Continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. Recent delays, deferrals and cancellations of DND capital procurements have created intense competition for available work. Changes in the relative value of the Canadian dollar will impact the Systems Engineering Division's competitiveness on projects denominated in foreign currencies.

The Business and Technology Services Division's services are adaptable to many different markets. Currently, its strength lies in providing program management and delivery services to the Department of National Defence. Management believes that in the long term, this department and many others within the federal government will continue to require more support services from private enterprises to supplement their current workforce. However, current cost cutting initiatives in the federal government have already had a negative impact on traditional BTS revenue sources and it is anticipated that the continued roll out of these initiatives could further impact demand, at least in the short term. Management believes that the types of service the division offers will continue to be attractive to government agencies in the long term and the division continues to assess how it can address new markets and seek new opportunities outside of the Federal Government. Recent acquisitions have 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

After many quarters of declining revenues in our traditional markets, we have experienced a stabilization of these revenues during the last quarter. In addition, our recent acquisitions have performed to expectations and have incrementally contributed to revenues. Management expects this trend to continue, providing revenue growth over the prior year. 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. In addition, the requirement to categorize certain acquisition payments as compensation expense will negatively impact fiscal 2015 earnings by approximately $0.15 per share. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2015 to be in the range of $235 million to $ 265 million, net profit per share in the range of $1.35 to $1.65 per share and adjusted net profit(1) in the range of $1.50 to $1.80 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended December 31, 2014, 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 2015, and with the Management Discussion and Analysis in the 2014 annual report, including the section on risks and opportunities.

Date: February 4, 2015