



NEWS RELEASE

IMMEDIATE RELEASE

CALIAN REPORTS FOURTH QUARTER RESULTS

(All amounts in this release are in Canadian Dollars)

Ottawa, Ontario – November 14, 2018: Calian Group Ltd. ([TSX:CGY](#)) today released unaudited results for the fourth quarter ended September 30, 2018.

The Company reported revenues for the quarter of \$78.7 million, representing a 9% increase from the \$72.3 million reported in the same quarter of the previous year. For the year ended September 30, 2018, the Company reported revenues of \$305.0 million, an 11% increase compared to revenues of \$275.4 million in the prior year.

EBITDA ⁽¹⁾ for the fourth quarter was \$6.6 million or \$0.85 per share basic and \$0.84 per share diluted which held consistent with the \$6.6 million or \$0.86 per share basic and \$0.85 per share diluted in the same quarter of the previous year and for the year ended September 30, 2018, EBITDA ⁽¹⁾ was \$25.0 million or \$3.24 per share basic and \$3.21 per share diluted, a 7% increase compared to \$23.5 million or \$3.09 per share basic and \$3.06 per share diluted in the previous year.

Net profit for the fourth quarter was \$4.3 million or \$0.55 per share basic and diluted, which is consistent with the \$4.3 million or \$0.57 per share basic and \$0.56 per share diluted in the same quarter of the previous year. On a year-to-date basis, net profit was \$16.1 million or \$2.08 per share basic and \$2.07 per share diluted, an increase of 5% compared to net profit of \$15.4 million or \$2.03 per share basic and \$2.01 diluted in the previous year.

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

"We completed the year with strong results – we grew consolidated revenues by 11% while improving earnings," stated Jacqueline Gauthier, CFO. "We are also thrilled to report record annual revenues. The excellent gains achieved in each of our service lines provides us with the ability to re-invest profits for future growth."

"I want to congratulate our staff on their efforts and thank our customers for their support this year. We have reached new milestones in the company's history, signing our largest-ever ground systems contract at our SED division and crossing \$300 million in consolidated revenues for the first time. Our BTS division also set a record with \$228 million in revenue, for the first time exceeding \$200 million," stated Kevin Ford, President and CEO. "I am very pleased with the progress on our four-pillar growth strategy as reflected in our fourth quarter and full-year results. Over the year communications product sales were up approximately 30%, satellite software engineering services grew more than 25%, and we saw double-digit sales growth in all BTS service lines. The results demonstrate that we are on the right track with our organic and acquisitive strategies."

"While improving top and bottom line results, it is important to highlight that we continue to invest in research and development within our service lines, specifically in our communication systems and products. I'm excited about our progress in this area as these investments represent approximately \$3 to \$4 million in each of the last 2 years and are critical as we support our service line evolution growth pillar," continued Ford.

"With a contracted backlog of over \$1 billion, positive cash flows and a strong balance sheet, Calian is uniquely positioned to leverage a strong financial position for continued investment in both organic and acquisitive growth," added Ford. We closed two acquisitions by way of Secure Technologies and Priority One and, subsequent to year-end, we were very pleased to close our purchase of IntraGrain Technologies, our first acquisition for SED. Intragrain provides us with a strong entry point into the growing AgTech sector as well as potential to leverage the company's capabilities in adjacent sectors, both domestically and globally," stated Ford.

"With 68 consecutive profitable quarters under our belt, record revenues and a very talented, passionate team committed to successful customer delivery and our own growth objectives, I am very positive on Calian's long-term growth prospects," stated Ford.

Traditional markets in which Calian operates are stable and management expects organic revenue and earnings growth in most or all of its service lines through the successful execution of our growth strategy. However, we must caution that revenues realized are ultimately dependent on the extent and timing of future contract awards as well as customer utilization of existing contracting vehicles. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2019 to be in the range of \$330 million to \$360 million, EBITDA per share in the range of \$3.60 to \$3.90 and net profit in the range of \$2.10 to \$2.40 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 3,000 people with offices and projects that span Canada, U.S. and international markets. The company's capabilities are diverse with services delivered through two divisions. The Business and Technology Services (BTS) Division is headquartered in Ottawa and includes the provision of business and technology services and solutions to industry, public and government in the health, training, engineering and IT services domains. Calian's Systems Engineering Division (SED) located in Saskatoon provides the world's leading space technology companies with innovative solutions for testing, operating and managing their satellite networks. SED provides leading-edge communications products for terrestrial and satellite networks, as well as providing commercial (including agriculture) and defence customers with superior electronics engineering, manufacturing and test 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; the dependence on new product development; the impact of rapid technological and market change; the ability of Calian to integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; and the impact of consolidations in the business services industry. Additional risks and uncertainties affecting Calian can be found in Management's Discussion and Analysis of Results of Operations and its Annual Information Form for the fiscal year ended September 30, 2017 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2018 and 2017
(Canadian dollars in thousands)

	NOTES	September 30, 2018	September 30, 2017
ASSETS			
CURRENT ASSETS			
Cash		\$ 21,842	\$ 28,639
Accounts receivable		69,096	54,884
Work in process		18,217	19,490
Prepaid expenses		3,879	1,650
Derivative assets	8	1,021	123
Total current assets		114,055	104,786
NON-CURRENT ASSETS			
Capitalized research and development		1,449	300
Equipment		9,795	6,203
Application software		788	766
Investment and loan receivable	10, 11	435	530
Acquired intangible assets	11	6,702	5,586
Goodwill	11	18,236	15,383
Total non-current assets		37,405	28,768
TOTAL ASSETS		\$ 151,460	\$ 133,554
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 37,524	\$ 32,584
Unearned contract revenue		11,209	8,831
Derivative liabilities	8	525	360
Total current liabilities		49,258	41,775
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,488	2,292
Total non-current liabilities		2,488	2,292
TOTAL LIABILITIES		51,746	44,067
SHAREHOLDERS' EQUITY			
Issued capital	5	28,647	26,240
Contributed surplus		1,065	541
Retained earnings		70,185	62,776
Accumulated other comprehensive loss		(183)	(70)
TOTAL SHAREHOLDERS' EQUITY		99,714	89,487
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 151,460	\$ 133,554

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and twelve-month periods ended September 30, 2018 and 2017
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended September 30, 2018	Three months ended September 30, 2017	Year ended September 30, 2018	Year ended September 30, 2017
Revenues		\$ 78,727	\$ 72,321	\$ 304,958	\$ 275,423
Cost of revenues		63,440	58,112	245,266	222,519
Gross profit		15,287	14,209	59,692	52,904
Selling and marketing		1,264	1,079	5,154	4,396
General and administration		6,212	5,388	24,774	20,718
Facilities		1,197	1,170	4,722	4,319
Depreciation		539	407	1,807	1,490
Amortization		324	343	1,193	1,093
Profit before interest income and income tax expense		5,751	5,822	22,042	20,888
Interest income		92	63	227	165
Profit before income tax expense		5,843	5,885	22,269	21,053
Income tax expense – current		1,595	1,595	6,566	5,613
Income tax expense – deferred		(23)	(37)	(374)	50
Total income tax expense		1,572	1,558	6,192	5,663
NET PROFIT FOR THE PERIOD		\$ 4,271	\$ 4,327	\$ 16,077	\$ 15,390
NET PROFIT PER SHARE:					
Basic	6	\$ 0.55	\$ 0.57	\$ 2.08	\$ 2.03
Diluted	6	\$ 0.55	\$ 0.56	\$ 2.07	\$ 2.01

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and twelve-month periods ended September 30, 2018 and 2017
(Canadian dollars in thousands)

NOTES	Three-months ended September 30, 2018	Three-months ended September 30, 2017	Year ended September 30, 2018	Year ended September 30, 2017
NET PROFIT FOR THE PERIOD	\$ 4,271	\$ 4,327	\$ 16,077	\$ 15,390
Other comprehensive income, net of tax				
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of \$364 and \$53 (2017 - \$71 and \$296)	1,000	183	(113)	807
Other comprehensive income (loss), net of tax	1,000	183	(113)	807
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 5,271	\$ 4,510	\$ 15,964	\$ 16,197

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended September 30, 2018 and 2017
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2017		\$ 26,240	\$ 541	\$ 62,776	\$ (70)	\$ 89,487
Total comprehensive income		-	-	16,077	(113)	15,964
Dividends (\$1.12 per share)		-	-	(8,668)	-	(8,668)
Issue of shares under the employee share purchase plan	5	551	-	-	-	551
Issue of shares under the employee share option plan	5	1,856	(196)	-	-	1,660
Share based compensation expense	5	-	720	-	-	720
Balance September 30, 2018		\$ 28,647	\$ 1,065	\$ 70,185	\$ (183)	\$ 99,714
	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2016		\$ 22,820	\$ 472	\$ 55,906	\$ (877)	\$ 78,321
Total comprehensive income		-	-	15,390	807	16,197
Dividends (\$1.12 per share)		-	-	(8,520)	-	(8,520)
Issue of shares under the employee share purchase plan	5	476	-	-	-	476
Issue of shares under the employee share option plan	5	2,944	(147)	-	-	2,797
Share based compensation expense	5	-	216	-	-	216
Balance September 30, 2017		\$ 26,240	\$ 541	\$ 62,776	\$ (70)	\$ 89,487

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2018 and 2017
(Canadian dollars in thousands)

NOTES	Year ended September 30, 2018	Year ended September 30, 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net profit for the period	\$ 16,077	\$ 15,390
Items not affecting cash:		
Interest income	(227)	(165)
Income tax expense	6,192	5,663
Employee share plans compensation expense	853	306
Depreciation and amortization	3,000	2,583
	25,895	23,777
Change in non-cash working capital		
Accounts receivable	(12,867)	8,066
Work in process	1,273	(2,011)
Prepaid expenses	(818)	(557)
Accounts payable and accrued liabilities	4,029	3,643
Unearned contract revenue	755	(2,440)
	18,267	30,478
Interest received	285	204
Income tax paid	(7,169)	(5,511)
	11,383	25,171
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of shares	5	2,122
Dividends	(8,668)	(8,520)
	(6,546)	(5,325)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment	10	(150)
Business acquisitions	11	(4,975)
Capitalized research and development	(1,149)	(300)
Equipment and application software	(5,360)	(2,074)
	(11,634)	(7,968)
NET CASH INFLOW (OUTFLOW)	\$ (6,797)	\$ 11,878
CASH, BEGINNING OF PERIOD	28,639	16,761
CASH, END OF PERIOD	\$ 21,842	\$ 28,639

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

CALIAN GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and twelve-month periods ended September 30, 2018 and 2017
(Canadian dollars in thousands, except per share amounts)
(Unaudited)

1. BASIS OF PREPARATION

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 770 Palladium Drive, Ottawa, Ontario K2V 1C8. The Company's capabilities are diverse and 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, 2017 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, 2017. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 14, 2018.

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. The core principle of the new guidance is that an entity should recognize revenue for the transfer of goods and services equal to an amount it expects to be entitled to receive for those goods and services. IFRS 15 is effective for the Company's annual periods beginning on October 1, 2018. The new guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Company has elected to adopt IFRS15 retrospectively.

The Company expects revenue recognition for its broad portfolio of service offerings to remain largely unchanged, however, some impacts have been identified. The Company recognizes certain contract revenue in profit or loss in proportion to the stage of completion of the contract using the percentage of completion method. Under the new revenue standard, revenue is recognized upon the satisfaction of the Company's performance obligations, which occurs when control of a good or service transfers to the customer. Control can transfer either at a point in time or over time. A small number of contracts that previously were recognized over time will not meet the criteria set out in the new standard for over time recognition and for those contracts, revenue will be deferred and recognized upon completion of the performance obligation. Under the current revenue standards, warranty is accounted for as a separate performance obligation where revenue is recognized as costs are incurred during the warranty phase. IFRS15 classifies warranty as assurance type and service type. Assurance type warranty is accounted for as part of other performance obligations in the contract and recognized as those costs are incurred whereas service type warranties are recognized as a separate performance obligation. In addition, for assurance type warranties, IAS37 requires the Company to estimate the liability and accrue this over the contract term. Previously the Company did not have a liability set up for anticipated warranty costs as they were included in estimated total contract costs and expensed as incurred. The Company offers different types of warranties to customers which will be impacted by the classification and treatment under IFRS15. These changes are expected to have minimal impact on the timing of revenue and margin recognition.

The Company does not expect a material impact on the classification and measurement of its financial assets, as they majority are currently classified and measured at amortized cost.

2. FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 9 Financial instruments

IFRS 9 was issued by the IASB in November 2009 and October 2010, was amended in 2013 and finalized in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS9 introduces new requirements for the classification and measurement of financial assets. Under IFRS9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The financial assets are subsequently measured at amortized cost, fair value through profit and loss or fair value through other comprehensive income. IFRS 9 is effective with the Company's annual periods beginning on October 1, 2018.

IFRS9 replaces the incurred loss model from IAS39 by introducing a new 'expected credit loss' model for calculating impairment of financial assets. IFRS9 specifies different approaches for measuring and recognizing expected credit losses, by considering only defaults in the next 12 months and/or the full remaining life of the financial asset. The expected credit loss model required a credit loss to be reflected in profit and loss immediately after an asset or receivable is acquired, with subsequent changes in expected credit losses at each reporting date recorded to reflect any change in credit risk. IFRS9 provides a simplified approach for certain trade receivables and IFRS15 contract assets. As a result of adopting the new standard, the Company expects earlier recognition of provisions for credit losses which are not yet incurred. The Company has completed an analysis of its historical credit losses and expects minimal impact on the financial statements as a result of the expected credit loss or lifetime credit losses to be recognized on transition to IFRS9.

IFRS9 includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of a hedging relationship. The Company does not expect changes relating to hedging as the types of hedge accounting relationships that the Company currently designates will be capable of meeting the requirements of IFRS9.

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 with the Company's annual periods beginning on October 1, 2019. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates:

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

There were no significant changes in estimates or approaches to determining estimates in the periods presented when compared to the estimates or approaches used the annual consolidated financial statements for the year ended September 30, 2017.

4. SEASONALITY

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

5. ISSUED CAPITAL

Employee Share Purchase Plan

During the year ended September 30, 2018 (2017), the Company issued 21,508 (31,214) shares under the Company's Employee Share Purchase Plan at an average price of \$21.50 (\$12.73) for cash of \$462 (\$398) and non-cash of \$89 (\$78).

5. ISSUED CAPITAL (continued)

Stock options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. As at September 30, 2018 (2017), 247,400 (240,600) options were outstanding of which 187,400 (222,600) are exercisable. During the year ended September 30, 2018 (2017), 96,600 (30,000) options were granted.

The weighted average fair value of options granted during the year ending September 30, 2018 was \$4.52 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuances and adjusted based on management's best estimate for the effects of non-transferability, exercises restrictions and behavioral considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting. The following assumptions were used to determine the fair value of the options granted between October 1, 2017 and September 30, 2018:

	<u>Nov 2017</u>	<u>March 2018</u>
Grant date share price	\$ 34.58	\$31.54
Exercise price	\$ 34.58	\$31.54
Expected price volatility	24.0%	22.7%
Expected option life	4.25 yrs	4.25 yrs
Expected dividend yield	4.07%	3.54%
Risk-free interest rate	1.62%	2.09%
Forfeiture rate	0%	0%

Restricted Stock Units

The Company has established a restricted stock unit ("RSU") plan. Under the plan, eligible employees are granted the right to shares of common stock as remuneration for services rendered to the Company. RSU's are granted by the Board of Directors and at the date of the grant, the market value is used to determine the fair value of the units. The following table depicts the activity for the RSU's during the year ended September 30, 2018 (2017).

	Three-months ended		Year ended	
	September 30		September 30	
	2018	2017	2018	2017
Beginning balance	21,958	-	11,345	-
Vested	-	-	(3,741)	-
Cancelled	(988)	-	(1,141)	-
Issued	-	11,345	14,507	11,345
Closing balance	20,970	11,345	20,970	11,345

6. NET PROFIT PER SHARE

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

	Three months ended		Year ended	
	September 30		September 30	
	2018	2017	2018	2017
Weighted average number of shares – basic	7,756,512	7,655,046	7,722,937	7,586,899
Addition to reflect the dilutive effect of employee stock options and RSU's	73,419	81,139	44,140	76,353
Weighted average number of shares – diluted	7,829,931	7,736,185	7,767,077	7,663,252

Options and RSU's that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted earnings per share. For the three-month period ended September 30, 2018 (2017), 96,600 (Nil) options and NIL (Nil) RSU's were excluded from the above computation. For the year ended September 30, 2018 (2017), 96,600 (Nil) options and Nil (Nil) RSU's 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 and solutions to industry and government in the health, IT services, training, and engineering domains.

The Company evaluates performance and allocates resources based on earnings before interest income and income taxes. The accounting policies of the segments are the same as those described in Note 2 – Summary of significant accounting policies to the consolidated financial statements for the year ended September 30, 2017.

Three-months ended September 30, 2018	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	\$ 19,304	\$ 59,423	\$ -	\$ 78,727
Profit before interest income and income tax expense	2,670	4,093	(1,012)	5,751
Interest income				92
Income tax expense				(1,572)
Net profit for the period				\$ 4,271

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

Year ended September 30, 2018	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	\$ 76,940	\$ 228,018	\$ -	\$ 304,958
Profit before interest income and income tax expense	11,211	14,882	(4,051)	22,042
Interest income				227
Income tax expense				(6,192)
Net profit for the period				\$ 16,077
Equipment, application software and capitalized R&D expenditures	\$ 2,975	\$ 3,534	\$ -	\$ 6,509
Business acquisitions	\$ -	\$ 4,975	\$ -	\$ 4,975
Total assets other than cash and goodwill	\$ 38,311	\$ 72,926	\$ 145	\$ 111,382
Goodwill	-	18,236	-	18,236
Cash	-	-	21,842	21,842
Total assets	\$ 38,311	\$ 91,162	\$ 21,987	\$ 151,460

7. SEGMENTED INFORMATION (Continued)

Year ended September 30, 2017	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	\$ 75,634	\$ 199,789	\$ -	\$ 275,423
Profit before interest income and income tax expense	12,381	11,822	(3,315)	20,888
Interest income				165
Income tax expense				(5,663)
Net profit for the period				\$ 15,390
Equipment, application software and capitalized R&D expenditures	\$ 1,924	\$ 450	\$ -	\$ 2,374
Business acquisitions	\$ -	\$ 5,344	\$ -	\$ 5,344
As at September 30, 2017	Systems Engineering	Business and Technology Services	Corporate	Total
Total assets other than cash and goodwill	\$ 35,257	\$ 54,145	\$ 130	\$ 89,532
Goodwill	-	15,383	-	15,383
Cash	-	-	28,639	28,639
Total assets	\$ 35,257	\$ 69,528	\$ 28,769	\$ 133,554

8. HEDGING*Foreign currency risk related to contracts*

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

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

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

8. HEDGING (Continued)

The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates. At September 30, 2018, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value September 30, 2018
SELL	116,409	USD	October 2018	\$ 150,691	838
SELL	7,994	EURO	October 2018	12,007	183
SELL	18	CHF	October 2018	24	0
Derivative assets					\$ 1,021
BUY	64,946	USD	October 2018	\$ 84,073	\$ 468
BUY	1,176	EURO	October 2018	1,766	27
BUY	1,457	CHF	October 2018	1,930	30
Derivative liabilities					\$ 525

A 10% strengthening of the Canadian dollar against the following currencies at September 30, 2018 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	September 30, 2018
USD	\$ 6,056
EURO	931
CHF	173
	<u>\$ 7,160</u>

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. INVESTMENT AND LOAN RECEIVABLE

During the year ended 2018 (2017), the Company also provided \$150 (\$150) to Cliniconex Inc. in the form of a convertible loan bearing interest at a rate of 12% maturing on June 6, 2021 and June 9, 2020 respectively. The loans contain an optional conversion feature that allows the Company to convert the principal and interest owing on maturity to common shares of Cliniconex Inc. The loan is measured at amortized cost.

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

11. ACQUISITION

International Safety Research Inc. ("ISR")

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

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of ISR an additional \$1,640 and \$1,640 if ISR attains specified levels of earnings before interest, taxes, depreciation and amortization ("EBITDA") for the years ending April 30, 2018 and 2019, respectively. During the year ended September 30, 2018 the Company paid the full \$1,640 related to the first year earn-out. There are no changes in management's assessment that ISR can achieve its earn-out target in its second year based on the level of contracts and market share expectations. ISR specializes in nuclear safety and emergency preparedness and response nationally and internationally. ISR was acquired to expand the Company's emergency preparedness service offering and will be reported as part of the Business and Technology Services operating segment.

On February 22, 2018, Calian acquired the remaining 51% of International Safety Research Europe B.V. ("ISRE") for \$166. The initial investment in ISRE was accounted for as an equity investment. With 100% ownership of ISRE, it is now fully consolidated.

(D.T.) Secure Technologies International Inc. ("Secure Tech")

On May 31, 2018, the Company acquired all of the outstanding shares of Secure Tech for a purchase price of up to \$4,188. Of this amount, \$2,200 was paid on the date of closing, \$200 was placed in escrow, \$188 was paid upon settlement of final net equity and \$1,600 is payable contingently.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Secure Tech an additional \$800 and \$800 if Secure Tech attains specified levels of earnings before interest, taxes, depreciation and amortization ("EBITDA") for the years ending May 31, 2019 and 2020, respectively. With the current level of contracts signed by Secure Tech and the ability to grow in its selected market segment, management believes that Secure Tech can achieve its earn-out target in both years. Therefore, the amount of \$1,600 represents the estimated fair value of the Company's obligation at the acquisition date. Secure Tech is a dedicated partner in IT and Information Security. Secure Tech was acquired to expand the Company's information technology cyber offering and will be reported as part of the Business and Technology ("BTS") operating segment.

Acquisition-related costs amounting to \$60 have been excluded from the consideration and have been recognized as an expense in the year ended September 30, 2018, within the general and administration line item in the interim condensed consolidated statement of net profit.

Priority One Workplace Health Inc. and William J Barker Clinical Psychologist Ltd. (together "Priority One")

On July 31, 2018, the Company acquired all of the outstanding shares of Priority One for a purchase price of \$1,128. Of this amount, \$800 was paid on the date of closing, \$50 was placed in escrow, and \$278 was paid upon settlement of net equity. Priority One provides specialized psychological assessment and selection services. Priority One was acquired to expand the Company's health care footprint and will be reported as part of the Business and Technology ("BTS") operating segment.

Acquisition-related costs amounting to \$30 have been excluded from the consideration and have been recognized as an expense in the year ended September 30, 2018, within the general and administration line item in the interim condensed consolidated statement of net profit.

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

Consideration:	Secure Tech	Priority One
Cash	\$ 2,588	\$ 1,128
Contingent payments	1,600	-
Consideration to allocate	\$ 4,188	\$ 1,128

11. ACQUISITION (continued)

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

Current assets:	Secure Tech	Priority One
Cash	\$ 508	\$ 39
Accounts receivable and tax receivable	228	370
Prepaid expenses and other	1,391	20
	\$ 2,127	\$ 429
Non-current assets:		
Equipment	\$ 47	\$ 14
Intangible assets	1,539	770
	\$ 3,713	\$ 1,213
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 163	\$ 65
Deferred income	1,623	-
Deferred tax liability	408	204
	\$ 2,194	\$ 269
Net assets acquired	\$ 1,519	\$ 944
Goodwill arising on acquisition:		
Total consideration allocated	\$ 4,188	\$ 1,128
Net assets acquired	1,519	944
	\$ 2,669	\$ 184

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

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

	ISR Europe	Secure Tech	Priority One
Consideration paid in cash	\$ 166	\$ 2,588	\$ 1,128
Less- cash balance acquired	-	(508)	(39)
	\$ 166	\$ 2,080	\$ 1,089

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

Had the business combinations been effected at October 1, 2017, the revenue and net profit of the Company for the Year ended September 30, 2018 would have been higher by \$5,851 and \$863, respectively. Management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group for the year ended September 30, 2018. Future periods will be impacted by seasonality as Secure Tech activities are impacted by the timing of product deliveries.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. SUBSEQUENT EVENT

On November 1, 2018, Calian acquired Intragrain Technologies Inc. for total cash consideration of \$17,000 of which 10,000 was paid on the date of closing, \$1,000 was placed in escrow and \$6,000 is payable contingently.

Management Discussion and Analysis – September 30, 2018:

(Canadian dollars in thousands, except per share data)

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

IFRS and non-GAAP measures:

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

RESULTS OF OPERATIONS

Revenues:

For the fourth quarter of 2018, revenues were \$78,727 compared to \$72,321 reported for the same period in 2017 representing a 9% increase from the prior year. For the year ending September 30, 2018 revenues were \$304,958 compared to \$274,587 for 2017, an increase of 11%.

The general business environment in 2018 reflects continued strong demand with our government customers which primarily benefited the BTS division. SED also benefited from high levels of activity with many of its recurring customers and continued to push technology advancements targeting new markets. The Company's healthy backlog, its acquisition strategy and the win of several contracts in new market segments during 2018 allowed the Company to grow its revenue base in 2018.

Systems Engineering's (SED) revenues were \$19,304 in the quarter and \$76,940 on a year-to-date basis representing a 14% decrease and 2% increase, respectively, when compared to the \$22,544 and \$75,634 recorded for the same periods in the previous year. With the completion of several ground system projects early in 2018 with new ones not ramping up as quickly as expected; ground systems revenues decreased significantly and account for most of the Q4 decrease in revenues. Work related to the major RF ground systems contract won in the third quarter is beginning to ramp-up. Product sales continue to provide solid recurring revenues and interest continues to grow with some of our newer products with new customers entering the mix. SED's other business units continue to be busy in a range of activities including RF system projects, and contract manufacturing for commercial and defence customers.

Business and Technology Services (BTS) revenues were \$59,423 in the quarter and \$228,018 on a year-to-date basis representing a 19% and 14% increase, respectively, when compared to the \$49,777 and \$199,789 recorded for the same periods in the previous year. The acquisitions for the quarter and year-to-date account for 4% of the growth in the respective periods with the remainder achieved through organic growth. All services lines showed significant increase in demand for their services with existing customers and saw the benefit of various new wins.

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

Gross margin

Gross margin was 19.4% for the fourth quarter of 2018 and 19.6% on a year-to-date basis compared to the 19.6% and 19.2% recorded for the same periods in the previous year.

Gross margin in Systems Engineering was 24.9% in the fourth quarter of 2018 and 25.9% on a year-to-date basis compared to the 25.0% and 27.0% recorded for the same periods in the previous year. Gross margin in the quarter reflects solid execution across all business units impacted by customer driven development projects that, until fully developed, result in lower margins. In addition, the influx of new resources to fulfill our project requirements resulted in lower utilization during the year as these resources were trained and ramped up on projects. Although the mix of revenues plays a significant role in the margin ultimately realized, product sales and excellent project execution helped the division maintain a solid level of margins.

Gross margin in Business and Technology Services was 17.6% for the fourth quarter of 2018 and 17.4% on a year to date basis compared to the 17.2% and 16.3% recorded for the same periods in the previous year. The inclusion of the ISR, Secure Tech and PriorityOne acquisitions account for approximately 0.9% improvement for the year with the remaining uplift being attributed to solid execution on existing contracts. 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, diligent negotiation of supplier costs and expansion into new markets driving better margins in order to maximize margins. However, the competitive landscape is expected to maintain the pressure on margins in both divisions. The volatility of the Canadian dollar is always an influencing factor for margins on new work in the SED division when denominated in foreign currencies.

Operating expenses:

For the year ended September 30, 2018, selling and marketing, general and administration and facilities totalled \$34,650 or 11.4% of revenues compared to \$29,433 or 10.7% of revenues reported in 2017. Operating costs increased over the prior year due to the inclusion of operating costs related to the ISR, Secure Tech and PriorityOne acquisitions, continued focus on selling and marketing efforts and service line evolution capabilities, improvements and expansion of our facilities, the expensing of share-based compensation in addition to certain one-time costs. Management will continue to challenge discretionary spending; however, continued prudent investments are required to support the evolution of the Company's service lines.

EBITDA ⁽¹⁾:

EBITDA ⁽¹⁾ for the fourth quarter was \$6,614 compared to \$6,572 in the same quarter of the previous year. For the year ended September 30, 2018, EBITDA ⁽¹⁾ was \$25,042 compared to \$23,471 in the same period of the previous year.

Depreciation:

For the year ended September 30, 2018, depreciation was \$1,807 which is higher than the \$1,490 recorded in fiscal 2017 due to increased capital spending in recent past.

Amortization of intangibles:

For the year ended September 30, 2018, amortization of intangibles increased slightly to \$1,193 compared to \$1,093 in the same period of fiscal 2017.

Income taxes:

The provision for income taxes was \$6,192 or 27.8% of earnings before tax compared to \$5,663 in 2017 or 26.9% of earnings before tax. The difference in effective tax rates is primarily due to the increase in share-based compensation which is not tax deductible. The effective tax rate for 2018, prior to considering the impact of non-taxable transactions and adjustments to reflect actual tax provision as filed, is expected to be approximately 27.0%.

Net profit:

As a result of the foregoing, in the fourth quarter of 2018 the Company recorded net profit of \$4,271 or \$0.55 per share basic and diluted, compared to \$4,327 or \$0.57 per share basic and \$0.56 diluted in the same quarter of the prior year. For the year ended September 30, 2018 the Company recorded net profit of \$16,077 or \$2.08 per share basic and \$2.07 per share diluted, compared to \$15,390 or \$2.03 per share basic and \$2.01 per share in the same period of the prior 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 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 EBITDA	Fourth Quarter 2018	Fourth Quarter 2017	YTD 2018	YTD 2017
Profit before interest and income tax expense	\$ 5,751	\$ 5,822	\$ 22,042	\$ 20,888
Depreciation	539	407	1,807	1,490
Amortization	324	343	1,193	1,093
EBITDA	\$ 6,614	\$ 6,572	\$ 25,042	\$ 23,471

BACKLOG

The Company's backlog at September 30, 2018 was \$1,228 million with terms extended to fiscal 2030. This compares to \$1,261 million reported at September 30, 2017. 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 realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for 2019, 2020 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 \$91 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

(dollars in millions)	<u>Fiscal</u> <u>2019</u>	<u>Fiscal 2020</u>	<u>Beyond</u> <u>2020</u>	<u>Estimated</u> <u>realizable</u> <u>portion of</u> <u>Backlog</u>	<u>Excess over</u> <u>estimated</u> <u>realizable</u> <u>portion</u>	<u>TOTAL</u>
Contracted Backlog	\$ 226	\$ 161	\$ 88	\$ 475	\$ 67	\$ 542
Option Renewals	13	31	618	662	24	686
TOTAL	\$ 239	\$ 192	\$ 706	\$ 1,137	\$ 91	\$ 1,228
Business and Technology Services	\$ 178	\$ 124	\$ 682	\$ 984	\$ 91	\$ 1,075
Systems Engineering	61	68	24	153	-	153
TOTAL	\$ 239	\$ 192	\$ 706	\$ 1,137	\$ 91	\$ 1,228

FINANCIAL CONDITION AND CASHFLOWS**Operating activities:**

Cash inflows from operating activities for the period ended September 30, 2018 were \$11,118 compared to cash inflows of \$25,171 in 2017. Cash flows have been negatively impacted by the increase in accounts receivable. The aging of the accounts receivable remains in excellent health and overdue accounts remain stable and are mostly from delays for administrative reasons rather than due to the inability to collect. These variations in cash flows are not considered unusual and reflect normal working capital fluctuations associated with the ebbs and flows of the business. The market for the Systems Engineering Division is characterized by contracts with billings tied to milestones achieved, which often results in significant working capital requirements. Conversely, given the nature of this business, it is sometimes possible to negotiate advance payments on contracts. Such advance payments give rise to unearned revenue that will be realized as revenue over the course of the contract. As at September 30, 2018, the Company's total unearned revenue amounted to \$11,209 compared to \$8,831 at September 30, 2017.

Financing activities:

During the year ended September 30, 2018 (2017), the Company paid dividends of \$1.12 (\$1.12) per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Investing activities:

During the year ended September 30, 2018, the Company invested \$5,360 in capital assets compared to \$2,074 in the prior period, in addition to the \$1,149 invested in capitalized R&D compared to the \$300 in the previous year. The increase is attributable to additional manufacturing equipment purchased at SED and the move to the new Calian head office in Ottawa.

During the year, Calian paid \$150 to Cliniconex Inc. in the form of a convertible loan.

The Company also acquired Secure Tech and PriorityOne and the remaining 51% of ISRE as explained in Note 11 to the financial statements.

Capital resources:

At September 30, 2018 the Company had a short-term credit facility of \$40,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company. An amount of \$50 was used to issue a letter of credit to meet customer contractual requirements. Management believes that Calian has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

ADOPTION OF NEW ACCOUNTING RULES AND IMPACT ON FINANCIAL RESULTS

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

SELECTED QUARTERLY FINANCIAL DATA

	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
REVENUES	\$ 78,727	\$ 73,379	\$ 77,103	\$ 75,549	\$ 72,321	\$ 67,332	\$ 67,063	\$ 68,707
EBITDA ⁽¹⁾	\$ 6,614	\$ 6,031	\$ 5,990	\$ 6,407	\$ 6,572	\$ 5,504	\$ 6,190	\$ 5,205
Net profit	\$ 4,271	\$ 3,873	\$ 3,862	\$ 4,071	\$ 4,327	\$ 3,498	\$ 4,186	\$ 3,379
EBITDA per share								
Basic	\$ 0.85	\$ 0.78	\$ 0.78	\$ 0.83	\$ 0.86	\$ 0.72	\$ 0.82	\$ 0.69
Diluted	\$ 0.84	\$ 0.77	\$ 0.77	\$ 0.83	\$ 0.85	\$ 0.72	\$ 0.81	\$ 0.69
Net profit per share								
Basic	\$ 0.55	\$ 0.50	\$ 0.50	\$ 0.53	\$ 0.57	\$ 0.46	\$ 0.55	\$ 0.45
Diluted	\$ 0.55	\$ 0.50	\$ 0.50	\$ 0.52	\$ 0.56	\$ 0.45	\$ 0.55	\$ 0.45

SEASONALITY

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays. Typically, the Company's first and last quarter will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice for work performed and is also required to pay for statutory holidays. This results in reduced levels of revenues and in a drop in gross margins. This seasonality may not be apparent in the overall results of the Company depending on the impact of the realized sales mix of its various projects.

OUTLOOK

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

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

The company has completed seven acquisitions in the past 6 years and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and service line evolution.

Calian's 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 and is diversifying its customer base in the agriculture, cable and defence sectors. 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 delays, deferrals and cancellations of DND capital procurements have created intense competition for available manufacturing work. Finally, changes in the relative value of the Canadian dollar may negatively or positively impact the Systems Engineering Division's competitiveness on projects denominated in foreign currencies.

The BTS Division's professional services are adaptable to many different markets. Currently, its strength lies in providing professional services, solutions, and delivery services across Canada with a significant portion of this work currently with the Department of National Defence. Recently the division has been successful in diversifying its customer base and evolving its

service offerings. As an example, the division now provides emergency management engineering services in the nuclear sector 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, training and engineering services from private enterprise to achieve their business outcomes. Looking at the current outlook, the federal government continues to spend on priority programs and while there is general uncertainty as to the extent of demand from this customer, at least in the short-term spending seems to have stabilized. With recent investments in sales, marketing, acquisitions and success in new markets outside of the federal government, the division is better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the division's performance and it is expected that overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.

GUIDANCE

Traditional markets in which Calian operates are stable and management expects organic revenue and earnings growth in most or all of its service lines through the successful execution of our growth strategy. However, we must caution that revenues realized are ultimately dependent on the extent and timing of future contract awards as well as customer utilization of existing contracting vehicles. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2019 to be in the range of \$330 million to \$360 million, EBITDA per share in the range of \$3.60 to \$3.90 and net profit in the range of \$2.10 to \$2.40 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended September 30, 2018, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

FORWARD-LOOKING STATEMENT

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; the dependence on new product development; the impact of rapid technological and market change; the ability of Calian to integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; and the impact of consolidations in the business services industry. Additional risks and uncertainties affecting Calian can be found in Management's Discussion and Analysis of Results of Operations and its Annual Information Form for the fiscal year ended September 30, 2017 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

Date: November 14, 2018