NEWS RELEASE

FOR IMMEDIATE RELEASE

Calian Reports Results for the First Quarter

(All amounts in release are in Canadian dollars)

OTTAWA, February 13, 2025 – Calian® Group Ltd. (TSX:CGY), a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions, today released its results for the first quarter ended December 31, 2024.

Q1-25 Highlights:

- Revenue up 3% to $185 million
- Gross margin at 31.8%, slightly down from 32.5% last year
- Adjusted EBITDA[1] of $18 million, down from $21 million last year
- Operating free cash flow[1] of $13 million, down from $17 million last year
- Net debt to adjusted EBITDA[1] ratio of 0.6x
- Repurchased 101,350 shares in consideration of $4.9 million
- Guidance reiterated
- Announced new U.S. subsidiary to focus on U.S. government and defence

Financial Highlights *(in millions of $, except per share & margins)*	**Three months ended December 31,**		
	2024	**2023[2]**	**%**
Revenue	185.0	179.2	3 %
Adjusted EBITDA[1]	17.8	21.4	(17)%
Adjusted EBITDA %[1]	9.6 %	11.9 %	(230)bps
Adjusted Net Profit[1]	10.5	14.0	(25)%
Adjusted EPS Diluted[1]	0.88	1.17	(25)%
Operating Free Cash Flow[1]	13.1	17.2	(24)%

[1] This is a non-GAAP measure. Please refer to the section "Reconciliation of non-GAAP measures to most comparable IFRS measures" at the end of this press release.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the selected consolidated financial information section of the management discussion and analysis.

Access the full report on the [Calian Financials] web page.
[Register for the conference call] on Thursday, February 13, 2025, 8:30 a.m. Eastern Time.

"We closed the quarter as expected and are seeing positive momentum across our diverse end markets, while continuing to benefit from the strong contributions of our recent acquisitions in UK, the U.S. and Canada," said Kevin Ford, Calian CEO. "The accelerating global demand for defence solutions positions Calian's expanding footprint to play a critical role in the years ahead. Additionally, discussions among Canadian leaders about increasing military investment and accelerating initiatives are a welcome development. We remain on track to deliver another record year and are making progress against our long-term objectives."

First Quarter Results

Revenues increased 3%, from $179 million to $185 million, representing the highest first quarter revenue on record. Acquisitive growth was 8% and was generated by the acquisitions of Decisive Group, the nuclear assets from MDA Ltd and Mabway. Organic growth was down 5%, as growth generated in global Defence was offset by declines in the pace of domestic Defence training and delays in large projects in its Space and IT infrastructure markets.

Gross margin stood at 31.8% and represents the 11th quarter above the 30% mark. Adjusted EBITDA[1] stood at $18 million, down 17% from $21 million last year, primarily impacted by revenue mix and increased investments in our sales and delivery capacity. As a result, adjusted EBITDA[1] margin decreased to 9.6%, from 11.9% last year.

Net profit stood at $(1) million, or $(0.08) per diluted share, down from $6 million, or $0.46 per diluted share last year. This decrease in profitability is primarily due to increases in accounting charges related to amortization and deemed compensation expenses from acquisitions as well as increased operating expenses, which was offset by higher gross profit. Adjusted net profit[1] was $10 million, or $0.88 per diluted share, down from $14 million, or $1.17 per diluted share last year.

Liquidity and Capital Resources

"In the first quarter we generated $13 million in operating free cash flow[1], representing a 73% conversion rate from adjusted EBITDA[1]," said Patrick Houston, Calian CFO. "We used our cash and a portion of our credit facility to pay contingent earn out liabilities for $11 million and make capital expenditure investments for $1 million. We also provided a return to shareholders in the form of dividends for $3 million and share buybacks for $5 million. We ended the quarter with a net debt to adjusted EBITDA[1] ratio of 0.6x, well-positioned to pursue our growth objectives," concluded Mr. Houston.

Normal Course Issuer Bid

In the three-month period ended December 31, 2024, the Company repurchased 101,350 shares for cancellation in consideration of $4.9 million.

1 This is a non-GAAP measure. Please refer to the section "Reconciliation of non-GAAP measures to most comparable IFRS measures" at the end of the press release.

Announced U.S. Subsidiary to Focus on U.S. Government and Defence

On December 4, 2024, Calian announced the launch of an independent U.S.-focused subsidiary, Calian US, Inc. It is committed to securing U.S. government contracts by ensuring full compliance with all relevant regulations. To facilitate this, Calian US will be established as an independent subsidiary and will pursue the necessary certifications to operate effectively within the U.S. market.

Quarterly Dividend

On February 12, 2025, Calian declared a quarterly dividend of $0.28 per share. The dividend is payable March 12, 2025, to shareholders of record as of February 26, 2025. Dividends paid by the Company are considered "eligible dividend" for tax purposes.

Guidance Reiterated

The table below presents the FY25 guidance based on the new definition of adjusted EBITDA.

	Guidance for the year ended September 30, 2025			FY24 Results	YOY Growth at Midpoint
(in thousands of $)	Low	Midpoint	High		
Revenue	800,000	840,000	880,000	746,611	12%
Adj. EBITDA[1]	96,000	101,000	106,000	92,159	10%

This guidance includes the full-year contribution from the Decisive Group acquisition, closed on December 1, 2023, the nuclear asset acquisition from MDA Ltd., closed on March 5, 2024 and the Mabway acquisition, closed on May 9, 2024. It does not include any other further acquisitions that may close within the fiscal year. The guidance reflects another record year for the Company and positions it well to achieve its long-term growth targets.

At the midpoint of the range, this guidance reflects revenue and adjusted EBITDA[1] growth of 12% and 10%, respectively, and an adjusted EBITDA[1] margin of 12.0%. It would represent the 8th consecutive year of double-digit revenue growth and record revenue and adjusted EBITDA[1] levels.

About Calian

www.calian.com

We keep the world moving forward. Calian® helps people communicate, innovate, learn and lead safe and healthy lives. Every day, our employees live our values of customer commitment, integrity, innovation, respect and teamwork to engineer reliable solutions that solve complex challenges. That's Confidence. Engineered. A stable and growing 40-year company, we are headquartered in Ottawa with offices and projects spanning North American, European and international markets. Visit calian.com to learn about innovative healthcare, communications, learning and cybersecurity solutions.

Product or service names mentioned herein may be the trademarks of their respective owners.

1 This is a non-GAAP measure. Please refer to the section "Reconciliation of non-GAAP measures to most comparable IFRS measures" at the end of the press release.

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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 GROUP LTD.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2024 and September 30, 2024

(Canadian dollars in thousands, except per share data)

	December 31, 2024	September 30, 2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 61,040	$ 51,788
Accounts receivable	157,542	157,376
Work in process	20,205	20,437
Inventory	29,442	23,199
Prepaid expenses	23,805	23,978
Derivative assets	31	32
Total current assets	292,065	276,810
NON-CURRENT ASSETS		
Property, plant and equipment	41,234	40,962
Right of use assets	41,746	36,383
Prepaid expenses	7,157	7,820
Deferred tax asset	3,376	3,425
Investments	3,875	3,875
Acquired intangible assets	123,297	128,253
Goodwill	213,925	210,392
Total non-current assets	434,610	431,110
TOTAL ASSETS	$ 726,675	$ 707,920
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 123,945	$ 124,884
Provisions	2,454	3,075
Unearned contract revenue	40,263	41,723
Lease obligations	5,556	5,645
Contingent earn-out	29,709	39,136
Derivative liabilities	169	92
Total current liabilities	202,096	214,555
NON-CURRENT LIABILITIES		
Debt facility	115,750	89,750
Lease obligations	39,425	33,798
Unearned contract revenue	17,256	14,503
Contingent earn-out	2,773	2,697
Deferred tax liabilities	23,738	25,862
Total non-current liabilities	198,942	166,610
TOTAL LIABILITIES	401,038	381,165
SHAREHOLDERS' EQUITY		
Issued capital	227,561	225,747
Contributed surplus	4,555	6,019
Retained earnings	84,038	91,268
Accumulated other comprehensive income (loss)	9,483	3,721
TOTAL SHAREHOLDERS' EQUITY	325,637	326,755
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 726,675	$ 707,920
Number of common shares issued and outstanding	11,765,055	11,802,364

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands, except per share data)

	Three months ended December 31,	
	2024	**2023**
Revenue	$ 185,047	$ 179,179
Cost of revenues	126,246	120,961
Gross profit	**58,801**	**58,218**
Selling, general and administrative	38,105	34,145
Research and development	2,896	2,719
Share based compensation	1,091	1,190
Profit before under noted items	**16,709**	**20,164**
Restructuring expense	692	—
Depreciation and amortization	11,540	9,006
Mergers and acquisition costs	2,320	1,980
Profit before interest income and income tax expense	**2,157**	**9,178**
Interest expense	1,783	1,547
Income tax expense	1,350	2,106
NET PROFIT (LOSS)	**$ (976)**	**$ 5,525**
Net profit (loss) per share:		
Basic	$ (0.08)	$ 0.47
Diluted	$ (0.08)	$ 0.46

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands)

	Three months ended December 31, 2024	2023
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES		
Net profit	$ (976)	$ 5,525
Items not affecting cash:		
Interest expense	1,295	1,098
Changes in fair value related to contingent earn-out	558	726
Lease obligations interest expense	488	449
Income tax expense	1,350	2,106
Employee share purchase plan expense	174	162
Share based compensation expense	917	1,013
Depreciation and amortization	11,540	9,006
Deemed compensation	1,563	604
	16,909	20,689
Change in non-cash working capital		
Accounts receivable	(167)	(11,189)
Work in process	232	(898)
Prepaid expenses and other	(2,739)	(74)
Inventory	(6,241)	(2,590)
Accounts payable and accrued liabilities	(858)	15,516
Unearned contract revenue	1,294	206
	8,430	21,660
Interest paid	(1,783)	(1,547)
Income tax paid	(2,265)	(2,575)
	4,382	17,538
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES		
Issuance of common shares net of costs	881	694
Dividends	(3,292)	(3,314)
Draw on debt facility	26,000	56,000
Payment of lease obligations	(1,442)	(1,171)
Repurchase of common shares	(4,926)	(1,357)
	17,221	50,852
CASH FLOWS USED IN INVESTING ACTIVITIES		
Business acquisitions	(11,215)	(47,457)
Property, plant and equipment	(1,136)	(2,400)
	(12,351)	(49,857)
NET CASH INFLOW (OUTFLOW)	$ 9,252	$ 18,533
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	51,788	33,734
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 61,040	$ 52,267

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

These non-GAAP measures are mainly derived from the 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 nonrecurring. 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.

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. Adjusted EBITDA excludes 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.

Adjusted EBITDA

	Three months ended December 31, 2024	2023[1]
Net profit	$ (976)	$ 5,525
Share based compensation	1,091	1,190
Restructuring expense	692	—
Depreciation and amortization	11,540	9,006
Mergers and acquisition costs	2,320	1,980
Interest expense	1,783	1,547
Income tax	1,350	2,106
Adjusted EBITDA	$ 17,800	$ 21,354

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the selected quarterly financial information section of the management discussion and analysis.

Adjusted Net Profit and Adjusted EPS

	Three months ended December 31, 2024	Three months ended December 31, 2023[1]
Net profit	$ (976)	$ 5,525
Share based compensation	1,091	1,190
Restructuring expense	692	—
Mergers and acquisition costs	2,320	1,980
Amortization of intangibles	7,334	5,325
Adjusted net profit	10,461	14,020
Weighted average number of common shares basic	11,773,465	11,812,574
Adjusted EPS Basic	0.89	1.19
Adjusted EPS Diluted	$ 0.88	$ 1.17

Operating Free Cash Flow

	Three months ended December 31, 2024	Three months ended December 31, 2023[1]
Cash flows generated from operating activities (free cash flow)	$ 4,382	$ 17,538
Adjustments:		
M&A costs included in operating activities	199	650
Change in non-cash working capital	8,479	(971)
Operating free cash flow	**$ 13,060**	**$ 17,217**
Operating free cash flow per share - basic	**1.11**	**1.46**
Operating free cash flow per share - diluted	**1.10**	**1.44**
Operating free cash flow conversion	73 %	81 %

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the selected quarterly financial information section of the management discussion and analysis.

Net Debt to Adjusted EBITDA

		December 31, 2024		September 30, 2023[1]
Cash	$	61,040	$	52,267
Debt facility		115,750		93,750
Net debt (net cash)		54,710		41,483
Trailing twelve month adjusted EBITDA		88,602		65,987
Net debt to adjusted EBITDA		0.6		0.6

Operating free cash flow measures the company's cash profitability after required capital spending when excluding working capital changes. The Company's ability to convert adjusted EBITDA to operating free cash flow is critical for the long term success of its strategic growth. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with IFRS. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-GAAP measures and view them in conjunction with the most comparable IFRS financial measures. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the selected quarterly financial information section of the management discussion and analysis.

February 13, 2025

Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended December 31, 2024

CALIAN

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2024 and September 30, 2024
(Canadian dollars in thousands, except per share data)

	NOTES	December 31, 2024	September 30, 2024
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	$ 61,040	$ 51,788
Accounts receivable		157,542	157,376
Work in process	5	20,205	20,437
Inventory		29,442	23,199
Prepaid expenses		23,805	23,978
Derivative assets	17	31	32
Total current assets		292,065	276,810
NON-CURRENT ASSETS			
Property, plant and equipment	6	41,234	40,962
Right of use assets	7	41,746	36,383
Prepaid expenses		7,157	7,820
Deferred tax asset		3,376	3,425
Investments		3,875	3,875
Acquired intangible assets	8	123,297	128,253
Goodwill	10	213,925	210,392
Total non-current assets		434,610	431,110
TOTAL ASSETS		$ 726,675	$ 707,920
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 123,945	$ 124,884
Provisions		2,454	3,075
Unearned contract revenue	5	40,263	41,723
Lease obligations	7	5,556	5,645
Contingent earn-out	20	29,709	39,136
Derivative liabilities	17	169	92
Total current liabilities		202,096	214,555
NON-CURRENT LIABILITIES			
Debt facility	11	115,750	89,750
Lease obligations	7	39,425	33,798
Unearned contract revenue	5	17,256	14,503
Contingent earn-out	20	2,773	2,697
Deferred tax liabilities		23,738	25,862
Total non-current liabilities		198,942	166,610
TOTAL LIABILITIES		401,038	381,165
SHAREHOLDERS' EQUITY			
Issued capital	12	227,561	225,747
Contributed surplus		4,555	6,019
Retained earnings		84,038	91,268
Accumulated other comprehensive income		9,483	3,721
TOTAL SHAREHOLDERS' EQUITY		325,637	326,755
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 726,675	$ 707,920
Number of common shares issued and outstanding		11,765,055	11,802,364

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31, 2024	Three months ended December 31, 2023 (Note 21)
Revenue	14	$ 185,047	$ 179,179
Cost of revenues		126,246	120,961
Gross profit		**58,801**	**58,218**
Selling, general and administrative		38,105	34,145
Research and development		2,896	2,719
Share based compensation	13	1,091	1,190
Profit before under noted items		**16,709**	**20,164**
Restructuring expense		692	—
Depreciation and amortization	9	11,540	9,006
Mergers and acquisition costs	19	2,320	1,980
Profit before interest income and income tax expense		**2,157**	**9,178**
Interest expense		1,783	1,547
Income tax expense		1,350	2,106
NET PROFIT (LOSS)		**$ (976)**	**$ 5,525**
Net profit (loss) per share:			
Basic	15	$ (0.08)	$ 0.47
Diluted	15	$ (0.08)	$ 0.46

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands)

	Three months ended December 31,			
		2024		2023
NET PROFIT (LOSS)	$	(976)	$	5,525
Cumulative translation adjustment		6,726		900
Change in deferred loss on derivatives designated as cash flow hedges, net of tax of $348 (2024 - $(324))		(964)		(2,422)
Other comprehensive income (loss), net of tax		5,762		(1,522)
COMPREHENSIVE INCOME	**$**	**4,786**	**$**	**4,003**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income	Total
Balance October 1, 2024		**$ 225,747**	**$ 6,019**	**$ 91,268**	**$ 3,721**	**$ 326,755**
Net profit and comprehensive income		—	—	(976)	5,762	4,786
Dividend paid ($0.28 per share)		—	—	(3,292)	—	(3,292)
Share repurchase	12	(1,964)	—	(2,962)	—	(4,926)
Shares issued under employee share plans	12	2,779	(2,381)	—	—	398
Shares issued under employee share purchase plan	12	654	—	—	—	654
Share-based compensation expense	13	—	917	—	—	917
Obligation related to share repurchase	13	345	—	—	—	345
Balance December 31, 2024		**$ 227,561**	**$ 4,555**	**$ 84,038**	**$ 9,483**	**$ 325,637**

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2023		**$ 225,540**	**$ 4,856**	**$ 96,859**	**$ 1,117**	**$ 328,372**
Net profit and comprehensive income		—	—	5,525	(1,522)	4,003
Dividend paid ($0.28 per share)		—	—	(3,314)	—	(3,314)
Share repurchase	12	(520)	—	(836)	—	(1,356)
Shares issued under employee share plans	12	1,818	(1,360)	—	—	458
Shares issued under employee share purchase plan	12	628	—	—	—	628
Share based compensation expense	13	—	783	—	—	783
Balance December 31, 2023		**$ 227,466**	**$ 4,279**	**$ 98,234**	**$ (405)**	**$ 329,574**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands)

		Three months ended December 31, 2024	Three months ended December 31, 2023
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES			
Net profit (loss)		$ (976)	$ 5,525
Items not affecting cash:			
Interest expense		1,295	1,098
Changes in fair value related to contingent earn-out	20	558	726
Lease obligations interest expense	7	488	449
Income tax expense		1,350	2,106
Employee share purchase plan expense	13	174	162
Share based compensation expense	13	917	1,013
Depreciation and amortization	10	11,540	9,006
Deemed compensation	18, 20	1,563	604
		16,909	20,689
Change in non-cash working capital			
Accounts receivable		(167)	(11,189)
Work in process		232	(898)
Prepaid expenses and other		(2,739)	(74)
Inventory		(6,241)	(2,590)
Accounts payable and accrued liabilities		(858)	15,516
Unearned contract revenue		1,294	206
		8,430	21,660
Interest paid		(1,783)	(1,547)
Income tax paid		(2,265)	(2,575)
		4,382	17,538
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES			
Issuance of common shares net of costs	12, 13	881	694
Repurchase of common shares	12	(4,926)	(1,357)
Dividends		(3,292)	(3,314)
Net draw on debt facility	11	26,000	56,000
Payment of lease obligations	7	(1,442)	(1,171)
		17,221	50,852
CASH FLOWS USED IN INVESTING ACTIVITIES			
Business acquisitions	18	(11,215)	(47,457)
Property, plant and equipment	6	(1,136)	(2,400)
		(12,351)	(49,857)
NET CASH INFLOW		$ 9,252	$ 18,533
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		51,788	33,734
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 61,040	$ 52,267

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

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 with services and solutions delivered through four segments: Advanced Technologies, Health, Learning and IT and Cyber Solutions (“ITCS”). Headquartered in Ottawa, Calian provides business services and solutions to both industry and government customers in the areas of health, learning, defence, security, aerospace, engineering, AgTech, satellite communications (satcom), and IT.

Statement of compliance

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 Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with the 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, 2024, and should be read in conjunction with the audited consolidated financial statements and notes thereto, with the exception of a change in the Company's accounting policy under IAS1, presentation of financial statements. The Company modified classification of certain expenses, and the inclusion of certain expenses into different subtotals in the statement of net profit in the current period. The change in policy applies retrospectively where the impacts to the December 31, 2023 statement of profit and loss are disclosed in note 21 to these financial statements. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors on February 13, 2025.

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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 other significant changes in estimates or approaches in the current period when compared to the estimates or approaches used to prepare the annual consolidated financial statements for the year ended September 30, 2024.

3. 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 quarterly seasonality due to the timing of vacation periods, statutory holidays, industry specific seasonal cycles and the timing and delivery of milestones for significant projects.

4. Cash and Cash Equivalents

The following table presents cash and cash equivalents for the period ended:

	Cash and Cash Equivalents	
	December 31, 2024	September 30, 2024
Cash	$ 59,796	$ 51,788
Restricted cash	1,244	—
Total cash and cash equivalents	$ 61,040	$ 51,788

5. Contract Assets and Liabilities

The following table presents net contract liabilities as at:

	Net Contract Liabilities	
	December 31, 2024	September 30, 2024
Work in process	$ 20,205	$ 20,437
Unearned contract revenue (current)	(40,263)	(41,723)
Unearned contract revenue (non-current)	(17,256)	(14,503)
Net contract liabilities	$ (37,314)	$ (35,789)

The following table presents changes in net contract liabilities for three-month period December 31, 2024, and twelve month-period ended September 30, 2024:

	Changes in Net Contract Liabilities	
	December 31, 2024	September 30, 2024
Opening balance, October 1	$ (35,789)	$ (31,435)
Revenue recognized for net contract liabilities	35,945	126,970
Billings	(37,470)	(125,088)
Acquisitions (Note 18)	—	(6,236)
Ending balance	$ (37,314)	$ (35,789)

6. Property, Plant and Equipment

A continuity of the main components included in property, plant and equipment for the three-month period ended December 31, 2024 is as follows:

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions (Note 18)	Total	Depreciation	Accumulated Depreciation	December 31, 2024	September 30, 2024
Leasehold improvements	$ 5,075	$ —	$ —	$ 5,075	$ (60)	$ (3,105)	$ 1,970	$ 2,031
Land and Building	2,276	—	—	2,276	—	(28)	2,248	2,248
Equipment	62,681	2,877	—	65,558	(2,098)	(39,110)	26,448	26,156
Application software	15,838	520	—	16,358	(336)	(7,447)	8,911	8,775
Capitalized research and development	5,139	—	—	5,139	(21)	(4,841)	298	319
Intellectual property rights	1,482	—	—	1,482	(74)	(123)	1,359	1,433
Total	$ 92,491	$ 3,397	$ —	$ 95,888	$ (2,589)	$ (54,654)	$ 41,234	$ 40,962

6. Property, Plant and Equipment (continued)

Additions in the table above amount to $1,136 ($2,416) for the three months ended December 31, 2024 (2023) and are shown net of disposals and foreign exchange adjustments. The Company recognized foreign exchange of $2,278 in the cost and $(633) in the depreciation of property, plant and equipment for the three months ended December 31, 2024.

7. Right of Use Assets and Lease Obligations

The following table presents the right of use assets for the Company:

	Three months ended December 31, 2024	Three months ended December 31, 2023
Balance at October 1	$ 36,383	$ 34,637
Additions	5,656	2,248
Disposals and foreign exchange adjustments	1,324	(1,371)
Depreciation	(1,617)	(1,463)
Acquisitions (Note 18)	—	2,059
	$ 41,746	$ 36,110

The Company's leases are for land, office, and manufacturing space. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

	Three months ended December 31, 2024	Three months ended December 31, 2023
Balance at October 1	$ 39,443	$ 37,006
Additions	5,420	2,250
Disposals and foreign exchange adjustments	1,560	(1,374)
Principal payments	(1,442)	(1,171)
Acquisitions (Note 18)	—	2,016
	$ 44,981	$ 38,727
Current	$ 5,556	$ 5,156
Non-current	39,425	33,571
Total	$ 44,981	$ 38,727

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2024:

	Total Undiscounted Lease Obligations
Less than one year	$ 7,517
One to five years	22,175
More than five years	28,724
Total undiscounted lease obligations	$ 58,416

7. Right of Use Assets and Lease Obligations (continued)

Total cash outflow for leases in the three months ended December 31, 2024 (2023) is $1,930 ($1,620), including principal payments relating to lease obligations of $1,442 ($1,171), interest expense on lease obligations is $488 ($449). Expenses relating to short-term leases recognized in general and administration expenses was $36 ($41) for the three months ended December 31, 2024 (2023)

8. Acquired Intangible Assets

A continuity of the acquired intangible assets for the three-month period ended December 31, 2024 is as follows:

	December 31, 2024			
	Opening Balance	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationships	$ 118,482	$ (5,880)	$ 2,378	$ 114,980
Discrete contracts with customers & non-competition agreements	1,862	(450)	—	1,412
Technology and trademarks	7,909	(1,004)	—	6,905
	$ 128,253	$ (7,334)	$ 2,378	$ 123,297

In the three-month period ended December 31, 2024 the Company recorded a foreign currency revaluation of intangible assets held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

A continuity of the acquired intangible assets for the year ended September 30, 2024 is as follows:

	September 30, 2024				
	Opening Balance	Additions (Note 18)	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationships	$ 60,624	$ 77,030	$ (20,117)	$ 945	$ 118,482
Discrete contracts with customers & non-competition agreements	4,016	—	(2,154)	—	1,862
Technology and trademarks	10,520	856	(3,467)	—	7,909
	$ 75,160	$ 77,886	$ (25,738)	$ 945	$ 128,253

9. Depreciation and Amortization

The following table presents the depreciation and amortization for the Company for the three-month period ended December 31, 2024 (2023).

		Three-months ended	
	Notes	December 31, 2024	December 31, 2023
Depreciation of property, plant and equipment	6	$ 2,589	$ 2,308
Depreciation of right of use assets	7	1,617	1,463
Amortization of acquired intangible assets	8	7,334	5,235
		$ 11,540	$ 9,006

10. Goodwill

The following table presents the goodwill for the Company for the three-month period ended December 31, 2024:

	December 31, 2024
Opening balance, October 1	$ 210,392
Foreign Exchange	3,533
	$ 213,925

In the three-month period ended December 31, 2024 the Company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

The following table presents the goodwill for the Company for the year ended September 30, 2024:

	September 30, 2024
Opening balance, October 1	$ 159,133
Additions:	
Acquisition of Decisive	29,959
Acquisition of MDA Nuclear Division	1,039
Acquisition of Mabway	16,159
Adjustments:	
Acquisition of Hawaii Pacific Teleport	2,767
Foreign Exchange	1,335
	$ 210,392

11. Debt Agreement

On July 21, 2023, the Company signed an amended debt facility that provides the Company with the ability to draw up to $180,000 CAD and an accordion feature of up to $75,000 CAD. The agreement has a three-year term, which will mature on July 21, 2026. At December 31, 2024 (September 30, 2023), the Company utilized $115,750 ($89,750) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin. As at December 31, 2024 the Company is in compliance with all applicable covenants under the debt facility.

12. Issued Capital and Reserves

Issued Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the December 31, 2024.

Common shares issued and outstanding:

	December 31, 2024		December 31, 2023	
	Shares	Amount	Shares	Amount
Balance October 1	11,802,364	$ 225,747	11,812,650	$ 225,540
Shares issued under employee share plans	50,394	2,779	37,443	1,818
Shares issued under employee share purchase plan	13,647	654	12,057	628
Shares repurchased	(101,350)	(1,964)	(27,226)	(520)
Obligation related to share repurchase	—	345	—	—
Issued capital	11,765,055	$ 227,561	11,834,924	$ 227,466

On September 1, 2024, the Company entered into a normal course issuer bid ("NCIB") where the Company was approved to purchase up to 995,904 shares during the 12-month period commencing September 1, 2024 and ending August 31, 2025. During the three-month period ended December 31, 2024 (2023), the Company repurchased and cancelled 101,350 (27,226) common shares for total cash consideration of $4,926 ($1,357) at an average purchase price per share of $48.60 ($49.95).

The Company has entered into an automatic share purchase plan (“ASPP”) to provide the option to instruct its broker to make purchases under the NCIB during any applicable blackout periods. As at December 31, 2024 (September 30, 2024), an obligation for the repurchase of shares of $2,730 ($3,075) was recognized as an accrued liability, as instructions were provided to the Company’s broker to continue making purchases during the current blackout period in accordance with the ASPP.

Subsequent to the date of the statement of financial position, on February 12, 2025, the Company declared a dividend of $0.28 per common share payable on March 12, 2025.

Contributed Surplus

Contributed surplus comprises the value of share-based compensation expense related to options granted that have not been exercised or have expired unexercised.

13. Share-Based Compensation

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of December 31, 2024 (2023), the Company can issue 301,839 (353,995) shares.

During the three months ended December 31, 2024 (2023) under the 2020 Employee Share Purchase Plan, the Company issued 13,647 (12,057) shares at an average price of $47.87 ($52.05). The Company received $695 ($649) in proceeds and recorded an expense of $174 ($162).

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. Stock options are issued at market value based on the price at the date preceding the grant, and can have a contractual term of up to ten years and generally vest over 3 years. The maximum number of common shares reserved for issuance under the plan is equal to an aggregate 7% (823,554) of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As at December 31, 2024 (2023), the Company has 512,263 (395,774) stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 311,291 (669,391) additional stock options or RSUs pursuant to the plan.

The weighted average fair value of options granted during the twelve months ended December 31, 2024 (2023) was $9.74 ($11.05) 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, exercise 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 in the three-months ended December 31, 2024:

	Weighted Average Options Granted			
	December 31, 2024		December 31, 2023	
Grant date share price	$	48.76	$	52.26
Exercise price	$	48.76	$	52.26
Expected price volatility	%	27.4	%	27.21
Expected option life	yrs	3.54	yrs	3.42
Expected dividend yield	%	2.3	%	2.14
Risk-free interest rate	%	3.22	%	4.23
Forfeiture rate	%	—	%	—

13. Share-Based Compensation (continued)

	December 31, 2024		December 31, 2023	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	220,410	$ 57.84	212,416	$ 56.22
Exercised	(11,000)	36.49	(15,500)	29.55
Forfeited	—	—	(216)	60.43
Granted	51,241	48.76	31,138	52.26
Outstanding December 31	260,651	$ 56.95	227,838	$ 57.49

The following options are outstanding at December 31, 2024:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	$ 60.30	$ 8.44
(2) Issued November 24, 2020	21,222	November 24, 2020	November 24, 2025	$ 61.16	$ 10.24
(3) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	$ 60.35	$ 9.92
(4) Issued November 24, 2021	37,260	November 24, 2021	November 24, 2026	$ 58.90	$ 10.66
(5) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	$ 60.55	$ 10.33
(6) Issued November 24, 2022	20,636	November 24, 2022	November 24, 2027	$ 60.43	$ 14.26
(7) Issued February 15, 2023	1,186	February 15, 2023	February 15, 2028	$ 60.44	$ 14.20
(8) Issued November 27, 2023	31,138	November 27, 2023	November 27, 2028	$ 52.26	$ 11.05
(9) Issued November 25, 2024	51,241	November 25, 2024	November 25, 2029	$ 48.76	$ 9.74

For the options issued on November 25, 2024, vesting occurs through to November 25, 2026.

At December 31, 2024 (2023) the weighted average remaining contractual life of options outstanding is 2.26 (2.51) years of which 204,211 (193,856) options are exercisable at a weighted average price of $59.13 ($58.16). The Company has recorded $75 ($114) of share-based compensation expense in the three months ended. At December 31, 2024 (2023) the Company has total unrecognized compensation expense of $467 ($300) that will be recorded in the next two fiscal years.

Restricted Share Units:

Under the Company's restricted stock unit ("RSU") plan, share units may be awarded to any officer or employee of the Company. Each restricted share unit will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. At the discretion of the Board, the Company may issue one common share to participants for each whole vested share unit or a cash payment. The cash amount is equal to the number of vested share units to be redeemed multiplied by the value of the common shares otherwise issuable on redemption of the share units. Under the above RSU plan, the Company issued performance share units ("PSUs") which will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Vesting conditions for performance share units are tied to the Company's performance over time.

13. Share-Based Compensation (continued)

The following table summarizes information about the RSUs for the three-month period ended December 31, 2024:

	December 31, 2024		December 31, 2023	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	189,961	$ 58.92	191,413	$ 59.18
Exercised	(39,394)	59.02	(21,943)	59.19
Forfeited	(1,334)	58.66	(1,534)	59.12
Granted	102,379	40.97	—	—
Outstanding December 31	251,612	$ 51.60	167,936	$ 59.18

Of the units issued in the current year under the RSU plan, NIL units have vested as of December 31, 2024. The Company has recorded $843 ($669) of share-based compensation expense in the three months ended December 31, 2024 (2023) related to the RSUs that have been granted. At December 31, 2024 (2023) the Company has total unrecognized compensation expense of $4,744 ($2,282) that will be recorded over the next three years. The following unvested RSU-based payment arrangements are in existence:

RSU issuance:		Number of units	Grant date	Vest through	Fair value at grant date
(1) Issued November 24, 2022	RSU	8,220	November 24, 2022	November 15, 2025	$ 59.18
	PSU	92,582	November 24, 2022	November 15, 2025	$ 59.18
(2) Issued February 14, 2024	RSU	1,243	February 14, 2024	February 14, 2027	$ 58.68
(3) Issued February 23, 2024	RSU	6,415	February 23, 2024	February 28, 2026	$ 59.00
(4) Issued March 15, 2024	RSU	23,258	March 15, 2024	November 15, 2026	$ 59.00
	PSU	6,929	March 15, 2024	November 15, 2025	$ 59.00
(5) Issued May 14, 2024	RSU	1,779	May 14, 2024	May 14, 2027	$ 55.98
(6) Issued June 26, 2024	PSU	8,620	June 26, 2024	November 15, 2025	$ 56.00
(7) Issued August 14, 2024	RSU	187	August 7, 2024	May 14, 2027	$ 53.62
(8) Issued Nov 25, 2024	RSU	69,566	November 25, 2024	November 25, 2027	$ 48.76
	PSU	32,813	November 25, 2024	November 25, 2025	$ 24.44

Deferred Share Unit Plan

At December 31, 2024 (2023) the Company has 26,267 (84,117) Deferred Share Units ("DSU") outstanding, of which 26,267 (22,203) have vested. The Company recorded share-based compensation of $241 ($558) related to the DSUs in the three months ended December 31, 2024 (2023). Each DSU entitles the participant to receive the value of one Common Share at the time of vesting. Vesting of the share units are based on service intervals or held until termination of service. The fair value of the DSUs outstanding at December 31, 2024 (2023) was $43.08 ($51.96) per unit using the fair value of a Common Share at period end.

14. Revenue

The following table presents the revenue of the Company for the three-months ended December 31, 2024 and 2023:

	Three months ended			
	December 31, 2024		December 31, 2023	
Product revenue				
Advanced Technologies	$	32,625	$	34,007
Health		438		166
Learning		1,577		2,087
ITCS		15,510		14,332
Total product revenue	$	50,150	$	50,592
Service revenue				
Advanced Technologies	$	14,667	$	17,122
Health		50,551		49,928
Learning		35,124		25,028
ITCS		34,555		36,509
Total service revenue	$	134,897	$	128,587
Total revenue	$	185,047	$	179,179

<u>Remaining Performance Obligations</u>

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2024 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	December 31, 2024	
Less than 24 months	$	671,451
Thereafter		26,938
Total	$	698,389

15. Net Profit per Share

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

	Three months ended December 31,	
	2024	2023
Weighted average number of common shares – basic	11,773,465	11,812,574
Additions to reflect the dilutive effect of employee stock options and RSUs	143,894	136,313
Weighted average number of common shares – diluted	11,917,359	11,948,887

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 net profit per share. For the three months ended December 31, 2024 (2023), 260,651 (212,838) options and 69,566 (NIL) RSUs were excluded from the above computation.

16. 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's segments are categorized as follows: Advanced Technologies, Health, Learning, and ITCS. Shared Services are aggregated and incurred to support all segments. These include, but are not limited to, the Finance, Human Resources, IT support, Corporate development, Legal, Corporate marketing and administrative functions, facilities costs, costs of operating a public company, and other costs.

The chief operating decision maker reviews adjusted EBITDA as the key measure of profit for the purposes of evaluating performance and allocating resources.

For the three-month period ended December 31, 2024:

For the three months ended December 31, 2024	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 47,292	$ 50,989	$ 36,701	$ 50,065	$ —	$ 185,047
Cost of revenues	28,737	38,928	25,301	33,280	—	126,246
Operating costs	9,689	4,198	4,046	12,819	10,249	41,001
Adjusted EBITDA	$ 8,866	$ 7,863	$ 7,354	$ 3,966	$ (10,249)	$ 17,800
Adjusted EBITDA %	19 %	15 %	20 %	8 %	N/A %	10 %
Stock based compensation						1,091
Restructuring expense						692
Depreciation and amortization						11,540
Mergers and acquisitions costs						2,320
Profit before interest and income tax expense						2,157
Interest expense						1,783
Income tax expense						1,350
NET PROFIT (LOSS) FOR THE PERIOD						$ (976)

16 Segmented Information (continued)

For the three-month period ended December 31, 2023:

For the three months ended December 31, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 51,129	$ 50,094	$ 27,115	$ 50,841	$ —	$ 179,179
Cost of revenues	32,661	36,745	20,541	31,014	—	120,961
Operating costs	9,247	3,894	2,589	12,540	8,594	36,864
Adjusted EBITDA	$ 9,221	$ 9,455	$ 3,985	$ 7,287	$ (8,594)	$ 21,354
Adjusted EBITDA %	18 %	19 %	15 %	14 %	N/A %	12 %
Stock based compensation						1,190
Restructuring expense						—
Depreciation and amortization						9,006
Mergers and acquisitions costs						1,980
Profit before interest and income tax expense						9,178
Interest expense						1,547
Income tax expense						2,106
NET PROFIT FOR THE PERIOD						$ 5,525

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the three-month period ended December 31, 2024 (2023) are attributed as follows:

	December 31, 2024	December 31, 2023
Canada	58 %	63 %
United States	23 %	27 %
Europe	18 %	9 %
Other	1 %	1 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various government departments and agencies, including both domestic and foreign government bodies, for the three months ended December 31, 2024 (2023) represented 55% (48%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

17. Financial Instruments and Risk Management

Capital Risk Management

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, contingent earn-out 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 within entities operating in currencies outside of their functional currencies. The Company's objective is to manage and control exposure and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge its foreign currency exposure where it is most practical to do so. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

At December 31, 2024, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2024
BUY	$ 4,305	USD	January 2025	$ 6,193	$ 24
SELL	2,006	EURO	January 2025	3,005	7
Derivative assets					$ 31
SELL	$ 28,574	USD	January 2025	$ 41,107	$ (157)
BUY	3,490	EURO	January 2025	5,228	(12)
Derivative liabilities					$ (169)

Credit Risk

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At December 31, 2024 (2023), 38% (41%) of its accounts receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not incurred any significant credit related losses.

The Company limits its exposure to credit risks from counterparties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counterparties to fail to meet their obligations. Bad debt expense recognized in the three months ended December 31, 2024 (2023) is NIL ($2).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

17. Financial Instruments and Risk Management (continued)

	December 31, 2024	September 30, 2024
Cash and cash equivalents	$ 61,040	$ 51,788
Accounts receivable	157,542	157,376
Derivative assets	31	32
Total	$ 218,613	$ 209,196

The aging of accounts receivable at the reporting date was:

	December 31, 2024	September 30, 2024
Current	$ 147,900	$ 145,855
Past due (61-120 days)	5,756	6,526
Past due (> 120 days)	3,886	4,995
Total	$ 157,542	$ 157,376

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2024, the Company has a secured debt facility that matures on July 21, 2026 that allows the Company to draw up to $180,000 CAD. As at December 31, 2024, the Company had $61,040 cash on hand and $115,750 was drawn on the facility for current operations and for use in business acquisitions.

Fair Value

The carrying amount of accounts receivable, accounts payable and accrued liabilities are recorded at amortized cost and approximate fair value due to the short-term maturity of these investments. The debt facility is on a revolver and is recorded at amortized cost. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on December 31, 2024 and represents the difference between the hedge rate and the exchange rate at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 of the fair value hierarchy based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Investments are made in companies that do not have directly an observable market. These are fair valued when market participant data becomes available or if financings for the investments are completed. The fair value of contingent earn-out amounts has been determined by applying a discounted cash flow technique on the expected future value of a settlement amount.

17. Financial Instruments and Risk Management (continued)

	December 31, 2024		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 61,040	$ —	$ —
Investments	—	—	3,875
Derivative assets	—	31	—
Debt facility	—	(115,750)	—
Contingent earn-out	—	—	(32,482)
Derivative liabilities	—	(169)	—
Total	$ 61,040	$ (115,888)	$ (28,607)

	September 30, 2024		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 51,788	$ —	$ —
Investments	—	—	3,875
Derivative assets	—	32	—
Debt facility	—	(89,750)	—
Contingent earn-out	—	—	(41,833)
Derivative liabilities	—	(92)	—
Total	$ 51,788	$ (89,810)	$ (37,958)

There were no transfers between Level 1, Level 2 and level 3 during the three month period ended December 31, 2024.

18. Acquisitions

Hawaiian Pacific Teleport (“HPT”)

On August 1, 2023, the Company acquired the outstanding shares of HPT, for total cash consideration of up to $50,393 USD ($66,978 CAD) of which, $28,474 USD ($37,845 CAD) was paid in cash on the date of closing, $681 USD ($905 CAD) is estimated owing back to Calian for the settlement of net working capital, $3,500 USD ($4,562 CAD) was placed in escrow, $3,000 USD ($3,964 CAD) was paid through the issuance of common shares and $16,100 USD ($21,399 CAD) is payable contingently, of which $8,905 USD ($11,835 CAD) was included in the purchase price. The difference between the amount payable contingently that is included in the purchase price and the total potential liability is deemed compensation and an adjustment for the likelihood of achievement of earn out amounts. HPT operates as a US-based provider of independent teleport and satellite communications solutions. HPT has service locations across the Hawaiian Islands and Guam, and HPT provides connectivity through the Asia Pacific region. HPT is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of HPT an additional $8,050 USD ($10,699 CAD) and $8,050 USD ($10,699 CAD) if HPT attains specific levels of EBITDA for the years ended July 31, 2024 and July 31, 2025, respectively. $3,816 USD ($5,072 CAD) of the first and second year earn out payable amounts is subject to the retention of the principal shareholders for a period of two years from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price 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.

The Company recognized $324 in the three-month period ended December 31, 2024 related to changes in fair value of contingent earn out or changes in foreign exchange and recorded deemed compensation expense of $801.

Decisive Group Inc. (“Decisive”)

On December 1, 2023, the Company acquired all outstanding shares of Decisive, for total maximum consideration of $74,700. The consideration consisted of the following components: $49,882 was paid in cash on closing, $900 was placed in escrow, $105 was settled on finalized closing working capital and there is one potential earn-out with maximum value to be paid of $24,725, with an estimated fair value of $17,880 which has been determined at the closing date and included in the initial purchase price. The Company used a scenario-based model to value the contingent earn-out.

Decisive, an Ottawa-based IT infrastructure and cyber security services firm, brings new capabilities, partnerships and customers into the Company's portfolio. The goodwill recognized in the transaction primarily reflects the value of the assembled workforce and potential synergies with the Company's previously acquired entities in the IT and cybersecurity space. Decisive is reported as part of the ITCS operating segment.

18. Acquisitions (continued)

In valuing acquired intangible assets, including customer relationships of $49,400, the Company uses the multi-period excess earnings method. This method calculates the estimated fair value of an intangible asset based on projected future cash flows over the remaining useful life, isolating the cash flows attributable to the customer relationships by forecasting expected revenues from existing customers. The valuation involves significant estimation uncertainty, including assumptions related to forecasted revenues, earnings before interest, tax, amortization and depreciation ("EBITDA") margins attributable to the customer relationships, customer attrition rates, and discount rate.

Under the contingent consideration arrangement, the Company is obligated to pay the former shareholders of Decisive an additional amount up to $24,725, contingent on Decisive achieving specific EBITDA targets for the year ending December 1, 2024. Of note, there is a minimum EBITDA target for the year ended December 1, 2024 that must be surpassed in order to achieve any contingent earn-out amount. The difference between the earn-out amount included in the purchase price and the total potential liability reflects the Company's estimate of the likelihood of the earn-out being achieved as assessed on the purchase date.

As at December 31, 2024, the Company has completed its preliminary review of the earn out and the minimum threshold of EBITDA has not been met. The Company will work with the former shareholders as outlined in the purchase agreement to conclude on the EBITDA calculation and achievement during the remainder of the current fiscal year. The liability may be reassessed as the calculation of earn out achievement is finalized.

In the three-month period ended December 31, 2024, the Company recognized a reduction of the liability in the amount of $397 to bring the liability to the lower threshold of achievement.

MDA Ltd. ("MDA")

On March 5, 2024, the Company acquired assets of MDA's nuclear services, for total cash consideration of $7,600. Of this amount, $7,400 was paid in cash on closing and $200 was put in escrow. MDA provides professional services to the Canadian nuclear industry and increases the Company's technical capability in it's service delivery. Goodwill recorded can be represented by expansion of services into existing customers and synergies in delivery capabilities. MDA is reported as part of the Advanced Technologies operating segment. The Company uses the multi-period excess earnings method to value acquired intangible assets, including the customer relationships. This method calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life, and isolates the cash flows attributable to the customer relationships by utilizing a forecast of expected cash flows for existing customers alone. The valuation involves significant estimation uncertainty, including assumptions relating to forecasted revenues and forecasted earnings before interest and tax ("EBIT") margins attributable to the customer relationships, customer attrition rate, and discount rate.

The Company recognized $49 in the three-month period ended December 31, 2024 related to deemed compensation.

Mabway Limited "Mabway"

On May 9, 2024, the Company acquired all outstanding shares of Mabway, for total maximum consideration of $47,037 (GBP 27,440). Of this amount, $37,798 (GBP 22,045) was paid in cash on closing, and $9,239 (GBP 5,395) as contingent consideration, of which $5,128 (GBP 2,994) is included in the purchase price. The difference between the contingent consideration that is included in the purchase price and the total potential liability is due to some amounts being considered deemed compensation and likelihood of achievement of EBITDA targets and fulfillment of other contingent conditions.

Mabway is a U.K.-based business that provides of large-scale defense role-playing environments that simulate real-world operational environments and provides technical engineering education for naval and maritime

18. Acquisitions (continued)

communities. The acquisition expands Calian's existing presence in the U.K. and Europe, reinforcing the Company's military training and simulation solutions portfolio in the region. Mabway's position in the U.K. defense sector provides opportunities for the Company to introduce its immersive learning solutions to complement the solutions Mabway is delivering. Mabway is reported as part of the Learning operating segment. The Company uses the multi-period excess earnings method to value customer relationship intangible assets and replacement cost to value the technology assets acquired. The multi-period excess earnings method calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life, and isolates the cash flows attributable to the customer relationships by utilizing a forecast of expected cash flows for existing customers alone. The valuation involves significant estimation uncertainty, including assumptions relating to forecasted revenues and forecasted earnings attributable to the customer relationships, and discount rate.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Mabway an additional $5,770 (3,334 GBP) if Mabway attains specific EBITDA targets for the year ended March 31, 2025 and obtains certain key signings by October 1, 2027, and $2,855 (GBP 1,667) if certain integration and transition criteria are attained by May 8, 2025. Of this amount, $2,855 (GBP 1,667) is subject to the retention of principal employees for a period of one year from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price 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.

The Company recognized $631 in the three-month period ended December 31, 2024 related to changes in fair value of contingent earn out or changes in foreign exchange and recorded deemed compensation expense of $713.

19. Mergers and Acquisition Expenses

The following table presents the mergers and acquisition expenses for the Company for the three-month period ended December 31, 2024 (2023):

		Three-months ended	
	Notes	December 31, 2024	December 31, 2023
Deemed compensation	18	1,563	604
Changes in fair value related to contingent earn-out	18, 20	558	726
Other acquisition related costs		199	650
		2,320	1,980

20. Contingent Earn-Out

The following shows the contingent consideration activity for the three-month period ended December 31, 2024:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 841	$ —	$ —	$ —	$ —	$ 841
Hawaii Pacific Teleport	15,972	—	(11,215)	81	836	5,674
Decisive	18,672	—	—	—	(397)	18,275
Mabway	6,348	—	—	230	1,114	7,692
Total	$ 41,833	$ —	$ (11,215)	$ 311	$ 1,553	$ 32,482

As at December 31, 2024, the total gross value of all contingent consideration outstanding is $46,165. Included in the adjustments column in the table are deemed compensation, along with changes in estimated payment amounts to make under contingent earn out estimates and changes relating to foreign exchange. Contingent consideration estimates are based on the forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") for the respective acquired entities included in the able above. There is significant judgement in the forecasted EBITDA for each respective entity. Payouts begin at agreed upon EBITDA targets, and the Company will increase the payout by multiples from $0.603 to $1.42384 for every dollar achieved above that target amount. Estimated payouts are then calculated and discounted using rates between 15% and 20%, depending on the acquired entity.

The following shows the contingent consideration activity for the year ended September 30, 2024:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 841	$ —	$ —	$ —	$ —	$ 841
SimFront	3,240	—	(3,240)	—	—	—
Hawaii Pacific Teleport	9,717	—	—	1,663	4,592	15,972
Decisive	—	14,172	—	3,090	1,410	18,672
Mabway	—	4,453	—	345	1,549	6,348
Total	$ 13,798	$ 18,625	$ (3,240)	$ 5,098	$ 7,551	$ 41,833

21. Comparative Figures

Certain comparative figures have been reclassified to align with the current year's presentation. The Company has combined the presentation of selling and marketing and general and administration expenses on the statement of Net profit. Additionally, $650 of expense for the three-month period ended December 31, 2023, was reclassified from the selling, general and administration line to the mergers and acquisitions expense line, to better reflect expenditures related to items outside of direct operations.

Furthermore, the Company reclassified $1,191 for share based compensation as a separate line in the statement of net profit from the selling, general and administration expense line. This change aims to present stock-based compensation as a distinct expense category for financial statement users.

Lastly, the Company has combined certain line items previously disclosed. Deemed compensation, changes in fair value associated with contingent earn-out and mergers and acquisitions costs previously presented in general and administration expense are now reported under the mergers and acquisitions expense line item. The combination of depreciation and amortization includes depreciation expense, depreciation of right of use asset expense, and amortization and impairment of intangibles expense.

For further details, please refer to Notes 9 and 19, which provide additional information on these reclassified expenses. These changes have been made to enhance the relevance of information presented to the users of these financial statements.

Management's Discussion and Analysis

For the three months ended December 31, 2024

CALIAN

Confidence. Engineered.

Table of Contents

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Calian Group ("Calian" or the "Company") is dated February 13, 2025 and should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and related notes of the Company for the three-month period ended December 31, 2024.

The Company's Unaudited Interim Condensed Consolidated Financial Statements are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and Chartered Professional Accountants ("CPA Canada") Handbook Accounting - Part I. All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated.

This MD&A also contains non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors ("the Board") of the Company. The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board carries out this responsibility principally through its Audit Committee.

Additional information, including the Company's Annual Information Form, quarterly and annual reports, and supplementary information is available on the SEDAR web site at www.sedarplus.ca. Press releases and other information are also available in the Investor Relations section of the Company's website at www.calian.com.

Forward-Looking Statements

The Company cautions that this MD&A contains forward-looking information within the meaning of applicable securities laws ("forward-looking statements").

Forward-looking statements include those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend," "will", "should" and similar expressions. Forward-looking statements are not based on historical facts, but instead reflect the Company's current intentions, plans, expectations, and assumptions regarding future results or events which may prove to be inaccurate. Forward-looking statements in this MD&A include, but are not limited to, statements about the manner in which the Company intends to achieve and maintain growth, management's expectations for the markets in which the Company provides its services, competition to be faced by the Company and expectations for certain customer projects described herein including expected timing of completion for certain projects.

Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes.

Forward-looking statements are based on assumptions, including assumptions as to the following factors:

- Customer demand for the Company's products and services;
- The Company's ability to maintain and enhance customer relationships;
- Market conditions;
- Levels of government spending;
- The Company's ability to bring to market products and services;
- The Company's ability to execute on its acquisition program including successful integration of previously acquired businesses;
- The Company's ability to deliver to customers throughout any worldwide conflict zones, and any government regulations limiting business activities within such areas; and
- The Company's ability to successfully and efficiently manage through supply chain challenges, in sourcing and procuring goods used in production or for delivery to end customers.

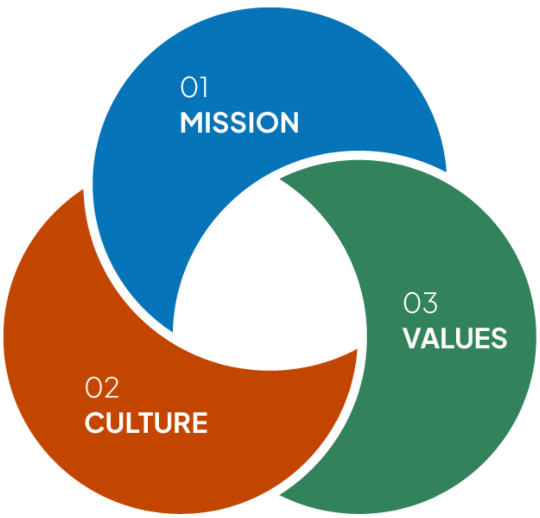
The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at February 13, 2025, that may be subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's control.

Actual results may materially differ from those anticipated in those forward-looking statements if any of these risks or uncertainties materialize, or if assumptions underlying forward-looking statements prove incorrect.

Additional information identifying risks and uncertainties is contained in the Company's filings with securities regulators. The Company does not assume any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on the Company's forward-looking statements.

Calian Profile

Calian is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity and technology solutions. The Company is headquartered in Ottawa, Ontario with locations across Canada and in the U.S., the U.K. and Europe. The Company is uniquely positioned to solve the significant and complex problems its customers face so that these companies are better able to succeed and deliver on their objectives. The Company's common shares are listed on the Toronto Stock Exchange under the symbol CGY.



01 Calian helps the world communicate, innovate, learn and lead safe and healthy lives

02 Every Calian employee brings their "A" game for every client, works hard and works together using collaboration to powerful advantage. Calian attracts and challenges great people and great partners.

03
- Customer-first Commitment
- Teamwork
- Integrity
- Innovation
- Respect

Summary of Operations

The Company is organized in four operating segments: IT and Cyber Solutions, Health, Advanced Technologies and Learning. This business model provides both diversity and stability. It enables Calian to capitalize on unique opportunities during upturns in some markets while weathering downturns in others. For more information on the segments, please refer to the Company's annual information form.

Advanced Technologies (AT)

Provides comprehensive solutions across the space, defence and terrestrial sectors. Revenues in the three-month period ended December 31, 2024 have decreased by 8% when compared to the same period of the previous year due to delays in large programs in our space division.

$47M
Q1-25 Revenues

- Space
- Terrestrial
- Defence

$51M
Q1 2024 revenues

Health

Combines deep domain expertise in healthcare services, pharma solutions and digital technologies to enable better access to care. Revenues in the three-month period ended December 31, 2024 have increased by 2% when compared to the same period of the previous year due to increased demand for health services.

$51M
Q1-25 Revenues

- Health Service
- Digital Health
- Pharma Solution

$50M
Q1 2024 revenues

Learning

Provides specialized training and immersive learning solutions to defence, commercial, and higher education clients domestically and in the international markets. Revenues in the three-month period ended December 31, 2024 have increased by 35% when compared to the same period of the previous year due to increased demand globally for defence services.

$37M
Q1-25 Revenues

- Learning Technologies and Innovation
- Emergency Management
- Immersive Learning
- Defence Learning and Training

$27M
Q1 2024 revenues

ITCS

Offers IT and cybersecurity solutions to support customers in their digital transformation from advisory through to implementation, as well as the delivery, management, monitoring and securing of complex IT infrastructures. Revenues in the three-month period ended December 31, 2024 have decreased by 2% when compared to the same period of the previous year due to delays in IT infrastructure programs.

$50M
Q1-25 Revenues

- Enterprise Soutions
- Digitalization
- Cybersecurity
- XaaS

$51M
Q1 2024 revenues

Strategy

Growth Fundamentals and Track Record

Four Pillars of Growth

While the four operating segments are diverse, each is anchored by the Company's common four-pillar framework for growth.

Customer Retention

Through continued delivery excellence, each segment maintains relationships with their valued customer bases, thus earning more revenue through expanded scopes of existing contacts.

Customer Diversification

Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts and from commercial activity in global markets.

Innovation

Through continued investment in acquisitive and organic growth, each segment increases its product offerings and differentiation thus improving gross margins.

Continuous Improvement

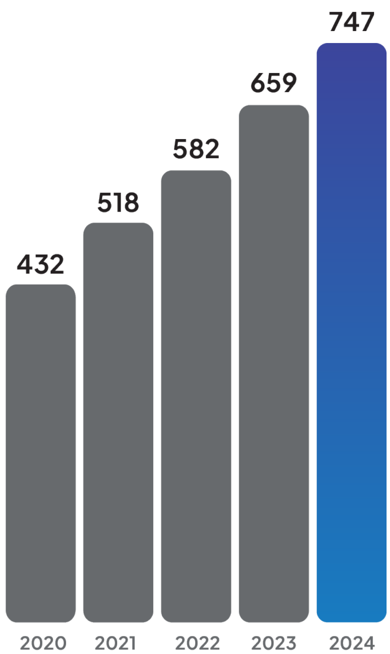
Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

5-Year Track Record of Execution

Over the past five years, Calian generated a revenue compound annual growth rate (CAGR) of 15% through organic growth and acquisitions. The Company also increased its gross profit and adjusted EBITDA[1,2], which grew at a CAGR of 30% and 25%, respectively, significantly outpacing top line growth. Furthermore, its gross margin expanded from 20.6% in FY20 to 34.0% in FY24 and its adjusted EBITDA[1,2] margins expanded from 8.6% to 12.3% respectively. This significant profitability growth and margin expansion was driven by the Company's revenue diversification by geography, customer and offering.

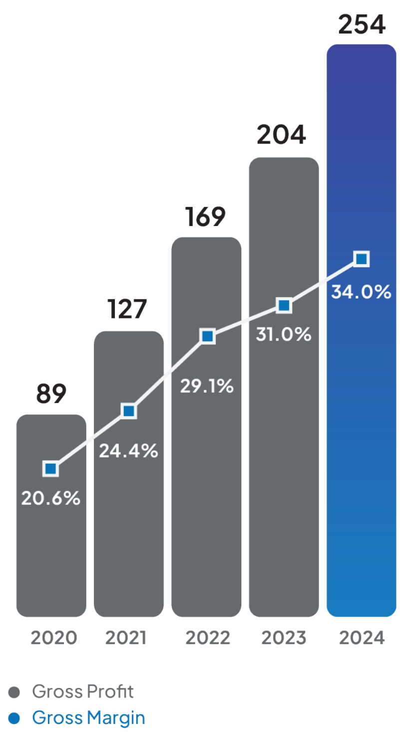
Revenues

(in millions of $)



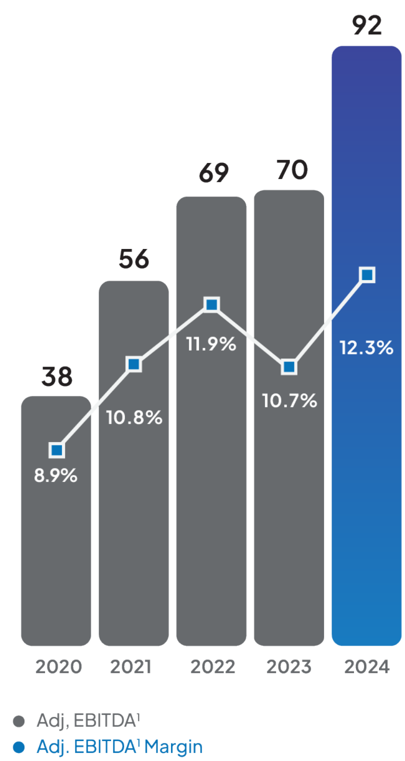
Gross Profit & Margin

(in millions of $, except margin)



Adj. EBITDA[1,2] & Margin[1,2]

(in millions of $, except margin)



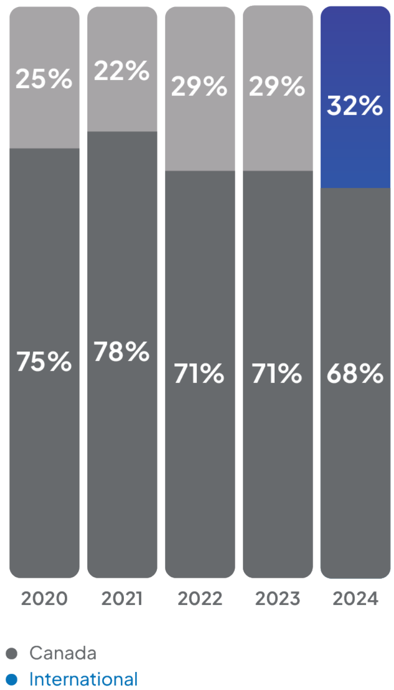
Over the past five years, Calian successfully diversified its revenue streams by geography, customer and offering. In FY24, revenues generated outside Canada reached 32% of total revenues, up from 25% in FY20. Over this same period, revenues from commercial customers, typically at higher margins, grew from $203 million to $366 million. The Company was able to accomplish this while continuing to grow its legacy Canadian government business characterized by long-term contracts. A continued balance of both government and commercial customers will provide a balance of longer-term visibility and stability, with shorter term growth and margins.

Finally, in FY24, product revenues totaled $227 million, up 59% from $143 million in FY20, demonstrating the Company's progressive pivot to a technology company.

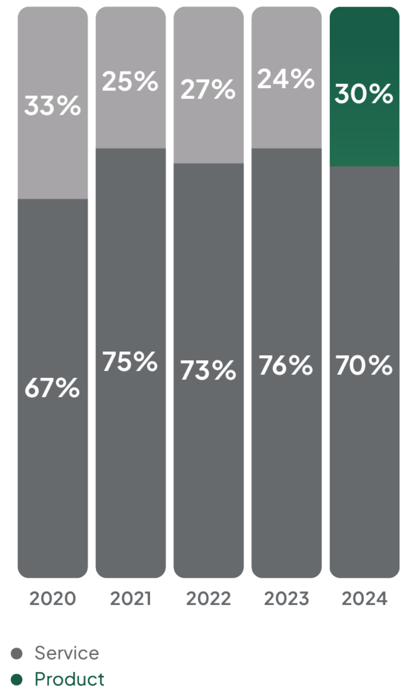
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

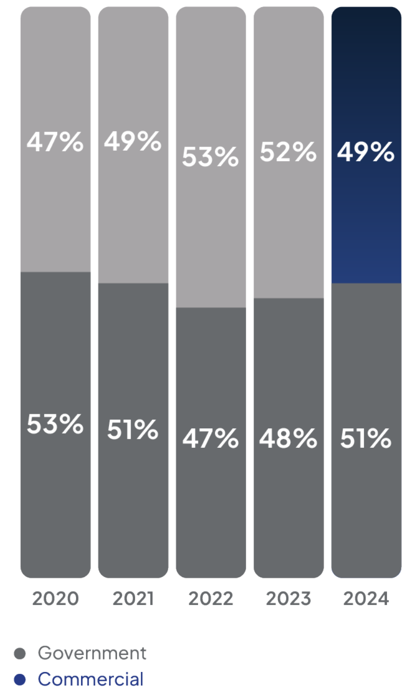
Geography



Offering



Customer



The Company continues to grow outside of Canada, with 42% of total revenues coming from international customers in the first quarter of 2025. This is the highest quarter of international revenues both in terms of revenue dollars, and as a percentage of overall revenues. The investments in European markets are amounting to growth of over 100% from the same quarter of the prior year, with European revenues now accounting for 18% of total revenues in the quarter.

Significant strides have been made to diversify revenues outside of government customers as well. When the Company had implemented this strategy of diversification, revenues from Canadian Federal government agencies accounted for approximately 80% of total revenues. Now, the Canadian Federal government accounts for less than half of of the Company’s total revenues, all while maintaining consistent growth with the Canadian federal government. This is a testament to the Company’s investments in both its sales engine and acquisitions. When looking at revenue from all government based customers, including the domestic government at all levels and global government based revenues, the trend of diversification has slowed in recent periods. In the first quarter of 2025 government revenues amounted to 55% of total revenues when compared to 47% of total revenues in the same quarter of the previous year. This is primarily a result of recent growth with government based customers. In the first quarter of 2025 alone, government revenues increased by 20% when compared to the same period of the previous year.

The Company will continue to evaluate investments to drive growth and diversification.

[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

3-Year Strategic Plan

On October 1, 2023, Calian launched its new three-year strategic plan called *One Vision, One Purpose, One Calian 2026*. The objective of the plan is to continue to build a purpose-driven organization that has a strong values foundation and is growing profitably. The focus of the plan is to continue to diversify the Company by geography, customer and offering, while improving operational efficiencies, retaining existing customers and building an effective sales culture.

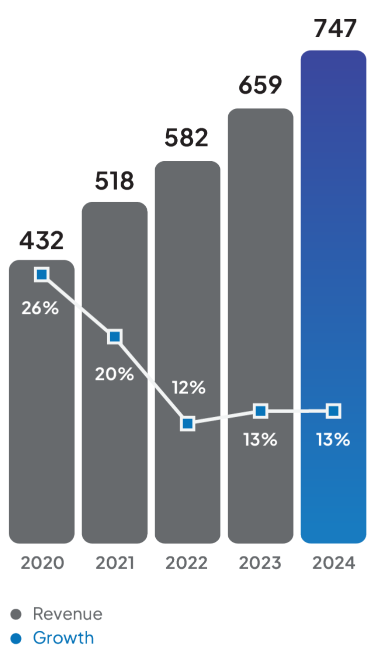
More specifically, the financial objective of this strategic plan is to reach one billion dollars in revenues by the end of FY26 through both organic growth and acquisitions. The playbook is to convert a high-level of profitable growth into strong operating free cash flow[1] where the capital generated can then be deployed to maximize shareholder value. All this while maintaining a healthy balance sheet.

The graphs below illustrate the five-year trends of these key performance indicators.

Key Performance Indicators

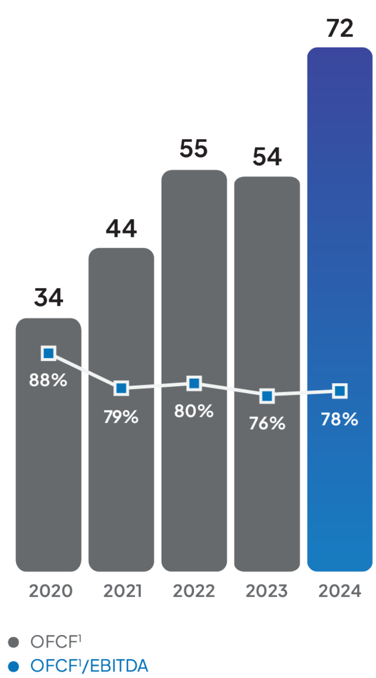
Revenue & Revenue Growth

(in millions of $, except %)



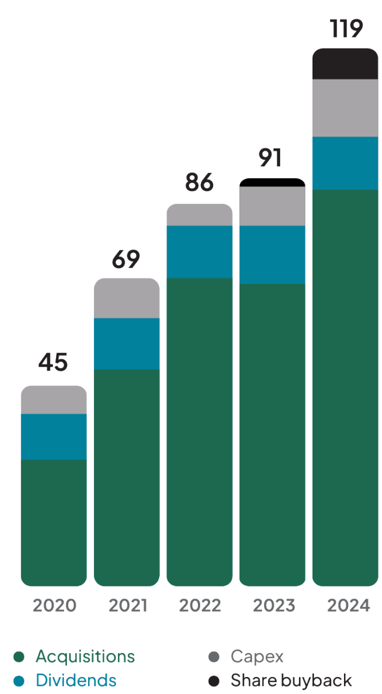
Operating Free Cash Flow (OFCF[1,2]) & OFCF Conversion

(in millions of $, except ratio)



Capital Deployed

(in millions of $)

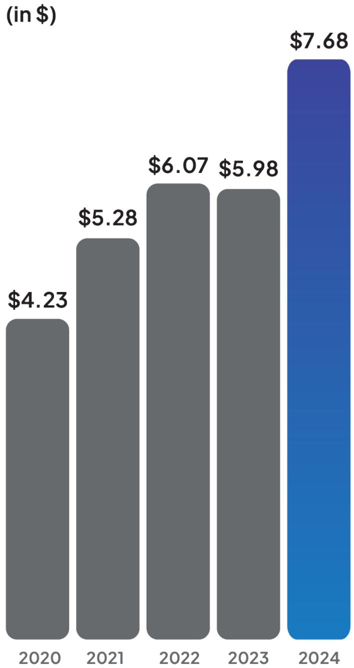


[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

The Company also wants to ensure that it analyzes the success of its execution through a shareholder lens. As such, it monitors adjusted EBITDA[1] per diluted share, Operating Free Cash Flow[1] per diluted share and Adjusted EPS[1] per diluted share.

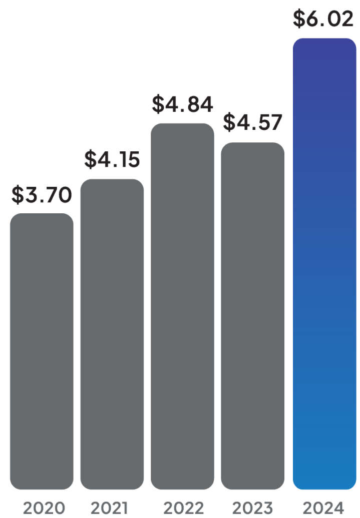
Adjusted EBITDA[1,2]/ Diluted Share

(in $)



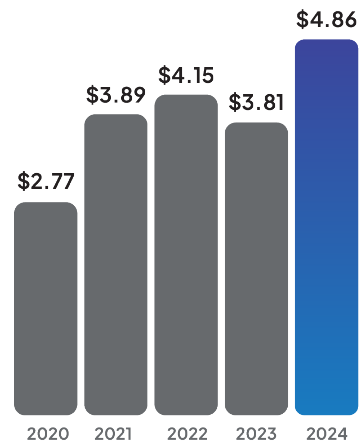
OFCF[1,2]/ Diluted Share

(in $)



Adjusted EPS[1,2]/ Diluted Share

(in $)



[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

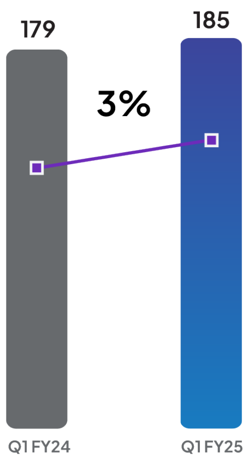
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Overview – First Quarter of FY25

Revenues increased 3% to $185.0 million, as compared to $179.2 million for the same period last year. This represents the highest revenue on record for a first quarter, and second highest revenue quarter in the Company's history. Acquisitive growth was 8% while organic revenues declined 5%. The Company measures its acquisitive growth as the additional revenues generated in the acquired entities for the period of the prior year quarter which they were not included in the Company's consolidated results.

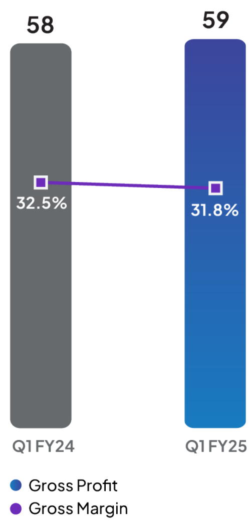
Revenues

(in millions of $)



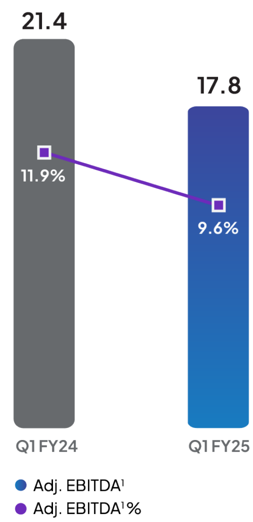
Gross profit & Gross margin %

(in millions of $, except margin)



Adj. EBITDA[1,2] & Adj. EBITDA[1,2] %

(in millions of $, except margin)



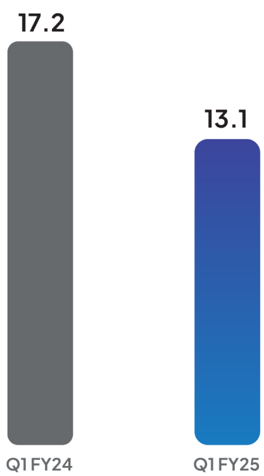
Gross profit increased 1%, to $58.8 million. Gross margin stood at 31.8%, representing the 11th consecutive quarter above the 30% mark. Adjusted EBITDA[1] decreased by 17% to $17.8 million, as our margin percentage decreased slightly compared to the prior year. Following a strong fourth quarter of product deliveries, the revenue mix in the first quarter was more skewed towards services, along with increased investments in our sales and delivery capacity. As a result, adjusted EBITDA[1] margin was 9.6%, down from 11.9%[3] for the same period last year.

Calian generated $13.1 million of operating free cash flow[1] in the quarter. The Company used its cash and a portion of its credit facility to pay contingent earn out liabilities ($11.2 million), make capital expenditure investments ($1.1 million) as well as provide a return to shareholders in the form of dividends and share buybacks ($8.2 million), where ending share count of the Company continued its reduction over the same period in the prior year for the second straight quarter. The Company ended the quarter with net debt[1] of $54.7 million, which on a trailing twelve month basis represented a net debt to adjusted EBITDA[1] ratio of 0.6x. With cash on hand of $61.0 million, inclusive of restricted cash as it is a short term restriction, combined with the unused portion of its credit facility, Calian ended the quarter with net liquidity[3] of $125.3 million.

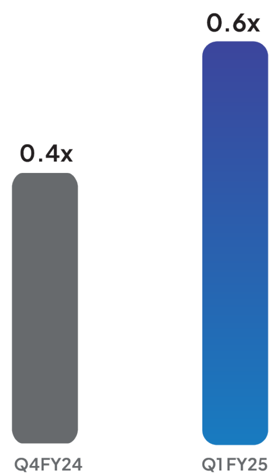
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.
[3] Net liquidity is defined as the Company's total available credit under its credit facility less its net debt.

OFCF[1,2]

(in millions of $)

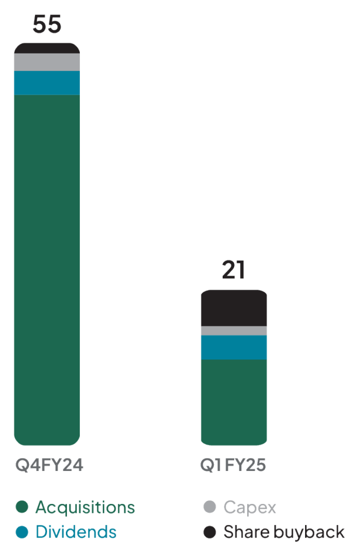


Net Debt/Adj. EBITDA[1,2] Ratio



Capital Deployed

(in millions of $)



Calian signed gross new contract value of $154 million and ended the quarter with a backlog of $1.1 billion, of which $440 million is earmarked for FY25, $293 million for FY26 and $400 million beyond FY26.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.
[3] Net liquidity is defined as the Company's total available credit under its credit facility less its net debt.

Backlog

The Company's realizable backlog at December 31, 2024 was $1,133 million with terms extending to fiscal 2030. 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.

During the three-month period ended December 31, 2024 the following contracts were the major contributors to the Company's backlog. These contracts are further described in the business overview section of this Management Discussion and Analysis.

- $40.1 million in signings of Cyber product and services
- $16 million in signings for defence based learning solutions
- over $15 million in signings for Advanced Technologies products
- $12.6 million in signings related to teleport and gateways services
- $7.2 million in Nuclear signings

There were no material contracts that were cancelled unexpectedly that would have resulted in a significant decrease in our backlog.

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 the remainder of fiscal year 2025, fiscal year 2026 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 $215 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.

Contract Backlog as of December 31, 2024

Contracted backlog	$	878,449
Option renewals		469,576
	$	1,348,025
Management estimate of unrealizable portion		(214,895)
Estimated Realizable Backlog	$	1,133,130

	January 1, 2024 to September 30, 2025	October 1, 2025 to September 30, 2026	Beyond September 30, 2026	Total
Total	$ 440,419	$ 293,119	$ 399,592	$ 1,133,130

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.
[3] Net liquidity is defined as the Company's total available credit under its credit facility less its net debt.

Consolidated Results

Selected Consolidated Financial Highlights

		Three months ended December 31,		
		2024		2023[2]
Revenues	$	185,047	$	179,179
Gross profit		**58,801**		**58,218**
Gross profit margin (%)		32 %		32 %
Adjusted EBITDA[1]	**$**	**17,800**	**$**	**21,354**
Stock based compensation		1,091		1,190
Restructuring expense		692		—
Depreciation and amortization		11,540		9,006
Mergers and acquisition costs		2,320		1,980
Profit before interest and income tax expense	**$**	**2,157**	**$**	**9,178**
Interest expense		1,783		1,547
Income tax expense		1,350		2,106
NET PROFIT (LOSS)	**$**	**(976)**	**$**	**5,525**
EPS - Basic	$	(0.08)	$	0.47
EPS - Diluted	$	(0.08)	$	0.46
Adjusted net profit[1]		10,461		13,930
Adjusted EPS[1] - Basic		0.89		1.18
Adjusted EPS[1] - Diluted		0.88		1.17

[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Analysis of Consolidated Results – Three Months ended December 31, 2024

Revenue

For the three-month period ended December 31, 2024, consolidated revenues increased 3% to $185,047, compared to the same period last year. Acquisitive growth was 8%, generated from the acquisitions noted from Decisive, the Nuclear assets of MDA and Mabway. Organic revenues were down 5% as growth generated through defence based customers for health services and global demand for defence was offset by continued reduction in domestic Defence training pace, the completion of short term healthcare services in the prior year, along with delays in large programs in our space and commercial IT infrastructure verticals. Defence as a whole is a tailwind for the Company. The global need for defence solutions matches with Calian's Defence operational readiness platform. This platform brings a suite of services with decades of delivery track record including: Training, IT infrastructure, Health services, Cyber security, Space communications and electronic manufacturing.

Gross Profit

For the three-month period ended December 31, 2024, gross profit slightly increased 1%, to $58,801, compared to $58,218 for the same period last year. This growth was driven by overall higher volume of revenues, as margin percentage slightly declined due to revenue mix between recurring services and product sales. Gross margin for the three-month period ended December 31, 2024 was 31.8%, which is slightly reduced from the 32.5% for the same period last year.

Adjusted EBITDA[1]

For the three-month period ended December 31, 2024, adjusted EBITDA[1,2] decreased by 17% to $17,800, compared to $21,354 for the same period last year. This is a result of the margin percentage decline from change in revenue mix with project completion in the prior year or rapid response services in the prior year not continuing in the current year, coupled with increased investments in our sales engine and investment in the supporting capacity of the organization. The Company has made significant investment in it's sales engine in order to generate more pipeline that should benefit the Company in the coming years. Adjusted EBITDA[1,2] margin decreased to 9.6%, from the 11.9% for the same period last year as a result of the current quarter investments.

Depreciation and Amortization

For the three-month period ended December 31, 2024, depreciation of property, plant and equipment stood at $2,589, an increase of 12%, from the same period last year. This increase is primarily due to assets acquired through acquisitions closed in the last 12 months.

For the three-month period ended December 31, 2024, depreciation of right of use assets increased $154 compared to the same period last year. This increase is mainly due to new leases signed in the last twelve months, coupled with leases brought on from recent acquisitions.

For the three-month period ended December 31, 2024, amortization of acquired intangible assets increased $2,099, compared to the same period last year. This increase is primarily due to the acquired intangible assets from recent acquisitions (Decisive, the nuclear assets from MDA Ltd. and Mabway) amortizing since the acquisition dates in the last twelve months.

[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Restructuring Expense

For the three-month period ended December 31, 2024, the Company recorded restructuring charges of $692, whereas there were no restructuring charges incurred in the same period of the year period. The Company continues to evaluate its expenses, capacity and performance throughout the organization for which employee restructuring may be required from time to time.

Mergers and acquisition expense[2]

For the three-month period ended December 31, 2024, deemed compensation increased by $959, compared to the same period last year. This increase is due to deemed compensation amounts applicable under the acquisition agreements for MDA Ltd. assets and Mabway. See financial statement note 18 for more information.

For the three-month period ended December 31, 2024, changes in fair value related to contingent earn-out decreased slightly, by $159, compared to the same period last year. This decrease relates to an adjustment related to the contingent earn out payable to Decisive, along with lower accretion related to the remaining contingent earn out liabilities outstanding. See financial statement note 18 for more information.

The change in fair value of contingent payments and deemed compensation is explained further in notes 18 and 20 of the Financial Statements.

Interest expense

For the three-month period ended December 31, 2024, interest expense increased by $197, compared to the same period last year. This increase is due to the Company utilizing more of its credit facility in the current period.

Income Tax Expense

For the three-month period ended December 31, 2024, the provision for income taxes was $1,350, a decrease of $756 compared to the same period last year. This is primarily due to lower taxable income in the quarter.

Net Profit and Adjusted Net Profit

For the three-month period ended December 31, 2024, net loss was $976, or $(0.08) per diluted share, versus a net profit of $5,525, or $0.46 per diluted share, for the same period last year. This decrease in profitability is primarily due to investments in our selling capacity, amortization and deemed compensation expenses related to acquisitions, partially offset by higher gross profit. Adjusted net profit[1] was $10,461, or $0.88 per diluted share, versus $13,930, or $1.17 per diluted share, for the same period last year.

[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Selected Quarterly Financial Data

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry-specific seasonal cycles and the timing and delivery of milestones for significant projects. The Company's first and third quarters are affected by business specific cycles, along with working days, statutory holidays and vacation periods impacting the Company's delivery teams contributing to lower service revenues. 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. The following table sets forth selected financial information for the Company's past eight quarters.

(Canadian dollars in millions, except per share data)

	Q1/25	Q4/24	Q3/24	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23
Revenues								
Advanced Technologies	$ 47.3	$ 53.0	$ 52.6	$ 51.3	$ 51.1	$ 52.5	$ 44.8	$ 46.8
Health	51.0	52.2	56.1	53.6	50.1	51.6	49.1	43.6
Learning	36.7	30.2	27.4	28.2	27.1	24.2	26.7	28.8
ITCS	50.0	45.8	49.0	68.2	50.8	47.6	45.9	49.3
Total Revenue	$ 185.0	$ 181.2	$ 185.1	$ 201.3	$ 179.1	$ 175.9	$ 166.5	$ 168.5
Cost of revenue	126.2	117.2	123.2	131.2	121.0	120.2	115.4	116.5
Gross profit	58.8	64.0	61.9	70.1	58.1	55.7	51.1	52.0
Selling, general, and administrative	38.1	37.1	38.5	40.2	34.1	30.5	32.2	31.5
Research and development	2.9	3.1	3.5	2.7	2.7	2.8	3.3	2.9
Stock based compensation	1.1	0.7	1.4	1.1	1.2	1.8	0.8	0.7
Profit before under noted items	16.7	23.1	18.5	26.1	20.1	20.6	14.8	16.9
Restructuring expense	0.7	0.3	—	1.5	—	2.6	—	—
Depreciation and amortization	11.5	12.0	10.8	10.2	9.0	8.0	7.2	6.7
Mergers and acquisition costs	2.3	4.7	3.3	5.3	2.0	1.0	0.3	2.7
Other changes in fair value	—	(0.2)	—	—	—	(0.3)	—	—
Profit before interest and income tax expense	2.2	6.3	4.4	9.1	9.1	9.3	7.3	7.5
Interest expense	1.8	2.0	1.4	1.8	1.6	0.8	(0.1)	0.1
Income tax expense	1.4	4.9	1.7	2.4	2.1	3.4	2.7	2.9
Net profit (loss)	(1.0)	(0.6)	1.3	4.9	5.4	5.1	4.7	4.5
Weighted average shares outstanding - Basic	11.8M	11.8M	11.9M	11.8M	11.8M	11.8M	11.7M	11.7M
Weighted average shares outstanding - Diluted	11.9M	12.0M	12.0M	12.0M	11.9M	11.8M	11.8M	11.8M
Net profit (loss) per share								
Basic	$ (0.08)	$ (0.05)	$ 0.11	$ 0.42	$ 0.47	$ 0.43	$ 0.4	$ 0.39
Diluted	$ (0.08)	$ (0.05)	$ 0.11	$ 0.41	$ 0.46	$ 0.43	$ 0.4	$ 0.38
Adjusted EBITDA[1] per share								
Basic	$ 1.51	$ 2.01	$ 1.68	$ 2.29	$ 1.81	$ 1.89	$ 1.32	$ 1.51
Diluted	$ 1.49	$ 1.98	$ 1.65	$ 2.26	$ 1.79	$ 1.89	$ 1.32	$ 1.5

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Certain comparative figures have been reclassified to conform to the current year's presentation. The Company has combined the presentation of selling and marketing, general and administration on the statement of Net profit. Additionally, the Company reclassified certain amounts related to mergers and acquisitions from the selling, general and administration costs line to the mergers and acquisitions expense line. The reclassification of these costs by quarter was Q4 2024 $417; Q3 2024 $852; Q2 2024 $330; Q1 2024 $650; Q4 2023 $205; Q3 2023 $207; Q2 2023 $98. On an annual basis for other period presented in this management discussion and analysis; 2024 $2,251; 2023 $545; 2022 $792; 2021 $1,963; 2020 $316. In addition, the Company reclassified share based compensation from the selling, general and administration line in the statement of net profit as a distinct category in the statement of net profit. The reclassification of these costs by quarter was Q4 2024 $684; Q3 2024 $1,370; Q2 2024 $1,128; Q1 2024 $1,190; Q4 2023 $1,743; Q3 2023 $808; Q2 2023 $699. On an annual basis for other period presented in this management discussion and analysis; 2024 $4,372; 2023 $3,870; 2022 $2,587; 2021 $2,334; 2020 $1,359. These amounts are also included as reconciling items to adjusted EBITDA[1] , Adjusted EPS[1] , and Operating free cash flow[1] for comparative purposes.

Financial Position

Working capital as a percentage of trailing twelve month revenue has decreased to 8.5% at December 31, 2024 versus 10.4% for the same period of the prior year. This is a testament to the Company's ability to increase growth and successfully manage its investments in working capital while doing so. The total working capital for the Company slightly increased in the quarter by $8,480.

Assets

As at December 31, 2024, total assets stood at $726,675, versus $707,920 as at September 30, 2024. The increase is a result of new leases along with increases in balances due to translating international subsidiaries.

As at December 31, 2024, cash and cash equivalents were $61,040, compared to $51,788 at September 30, 2024. The Company had restricted cash at December 31, 2024 of $1,244 which was set aside for contractual obligations with a customer. This restriction is short term in nature as it will mature in less than 12 months from the reporting period.

Liabilities

As at December 31, 2024, total liabilities stood at $401,038, versus $381,165 as at September 30, 2024. The increase is due to the same reasons as the asset increase in the above, along with utilization of the credit facility.

As at December 31, 2024, Calian had net debt[1] of $54,710 and its net debt[1] to trailing twelve month adjusted EBITDA[1] ratio was 0.6x, well below its maximum threshold of 2.5x. As at December 31, 2024, the Company was in full compliance with its debt covenants.

Management believes that the Company has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend. There were no off-balance sheet arrangements as at December 31, 2024.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Shareholders' Equity

On August 28, 2024, the TSX accepted Calian's Notice of Intention to make a NCIB to purchase for cancellation up to 995,904 common shares during the 12-month period commencing September 1, 2024 and ending August 31, 2025, representing approximately 10% of the public float of its common shares as at August 16, 2024.

Under these NCIB's, the Company repurchased 101,350 common shares for cancellation in the three-month period ended December 31, 2024 for consideration of $4,926 under its NCIB.

The Company has entered into an automatic share purchase plan ("ASPP") to provide the option to instruct its broker to make purchases under the NCIB during any applicable blackout periods. As at December 31, 2024 (September 30, 2024), an obligation for the repurchase of shares of $2,730 ($3,075) was recognized as an accrued liability, as instructions were provided to the Company's broker to continue making purchases during the current blackout period in accordance with the ASPP.

Share Capital

As at December 31, 2024, the capital stock issued and outstanding of the Company consisted of 11,765,055 common shares (11,834,924 as at September 30, 2024).

The following table presents the outstanding capital stock activity for the three-month period ended December 31, 2024 and December 31, 2023.

	December 31, 2024	December 31, 2023
Balance October 1	11,802,364	11,812,650
Shares issued under employee share plans	50,394	37,443
Shares issued under employee share purchase plan	13,647	12,057
Shares cancelled through NCIB program	(101,350)	(27,226)
Issued capital	11,765,055	11,834,924
Weighted average number of common shares – basic	11,773,465	11,812,574
Weighted average number of common shares – diluted	11,917,359	11,948,887

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.
[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Liquidity and Capital Resources

The following table provides selected information from the cash flow statement.

	Three months ended December 31, 2024	2023
Net profit	$ (976)	$ 5,525
Items not affecting cash:	17,885	15,164
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	16,909	20,689
Change in non-cash working capital	(8,479)	971
Interest and income tax paid	(4,048)	(4,122)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	4,382	17,538
Dividends	(3,292)	(3,314)
Draw on debt facility	26,000	56,000
Other	(5,487)	(1,834)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES	17,221	50,852
Business acquisitions	(11,215)	(47,457)
Capital Expenditures	(1,136)	(2,400)
CASH FLOWS USED IN INVESTING ACTIVITIES	(12,351)	(49,857)
NET CASH INFLOW	$ 9,252	$ 18,533
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	51,788	33,734
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 61,040	$ 52,267

Operating Activities

For the three-month period ended December 31, 2024, cash flows generated from operating activities amounted to $4,382, compared to $17,538 for the same period last year. Cash generated from operating activities was impacted in the current quarter by lower cash based income, and an increase in working capital.

[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Financing Activities

For the three-month period ended December 31, 2024, financing activities increased cash by $17,221 due to draws on our credit facility in the current quarter of $26,000, offset by outflows for dividend payments of $3,292, repurchases of common shares in the amount of $4,926 and lease payments of $1,442. For the three-month period ended December 31, 2023, financing activities increased cash by $50,852 mainly due to borrowings on the credit facility of $56,000, partially offset by dividend payments of $3,314 and share repurchases of $1,357.

Note that Calian intends to continue to declare a quarterly dividend in line with its overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount of such dividends in the future.

Investing Activities

For the three-month period ended December 31, 2024, investing activities decreased cash by $12,351 due to capital purchases and $11,215 for the payment of the first year contingent earn out of HPT. For the three-month period ended December 31, 2023, investing activities decreased cash by $49,857 due to the acquisition of Decisive coupled with capital purchases of $2,400.

For further information of acquisition and earn-out payments please see note 18 and 20 of the December 31, 2024 unaudited interim condensed consolidated Financial Statements.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

[2] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

These non-GAAP measures are mainly derived from the 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 nonrecurring. 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.

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. Adjusted EBITDA excludes 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.

Adjusted EBITDA

	Three months ended December 31,	
	2024	2023[1]
Net profit	$ (976)	$ 5,525
Share based compensation	1,091	1,190
Restructuring expense	692	—
Depreciation and amortization	11,540	9,006
Mergers and acquisition costs	2,320	1,980
Interest expense	1,783	1,547
Income tax	1,350	2,106
Adjusted EBITDA	$ 17,800	$ 21,354

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Adjusted Net Profit

	Three months ended December 31, 2024	Three months ended December 31, 2023[1]
Net profit	$ (976)	$ 5,525
Share based compensation	1,091	1,190
Restructuring expense	692	—
Mergers and acquisition costs	2,320	1,980
Amortization of intangibles	7,334	5,235
Adjusted net profit	10,461	13,930
Weighted average number of common shares basic	11,773,465	11,812,574
Adjusted EPS Basic	0.89	1.18
Adjusted EPS Diluted	$ 0.88	$ 1.17

Operating Free Cash Flow

	Three months ended December 31, 2024	Three months ended December 31, 2023[1]
Cash flows generated from operating activities (free cash flow)	$ 4,382	$ 17,538
Adjustments:		
M&A costs included in operating activities	199	650
Change in non-cash working capital	8,479	(971)
Operating free cash flow	**$ 13,060**	**$ 17,217**
Operating free cash flow per share - basic	1.11	1.46
Operating free cash flow per share - diluted	1.10	1.44
Operating free cash flow conversion	73%	81%

Net Debt to Adjusted EBITDA

	December 31, 2024	December 31, 2023[1]
Cash	$ 61,040	$ 52,267
Debt facility	115,750	93,750
Net debt (net cash)	54,710	41,483
Trailing twelve month adjusted EBITDA	88,602	65,987
Net debt to adjusted EBITDA	0.6	0.6

Operating free cash flow measures the Company's cash profitability after required capital spending when

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

excluding working capital changes. Capital expenditures are excluded as those are considered investments rather than maintenance of the business. The Company's ability to convert adjusted EBITDA[1] to operating free cash flow is critical for the long term success of its strategic growth. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with IFRS. Investors are encouraged to review our Financial Statements and disclosures in their entirety and are cautioned not to put undue reliance on non-GAAP measures and view them in conjunction with the most comparable IFRS financial measures. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.

[1] Certain comparative figures have been reclassified to align with the current year's presentation. For more information, please see the Selected Quarterly Financial Data section of this management discussion and analysis.

Risk and Uncertainties

1. Economic uncertainty
2. Sustainability and management of recent growth
3. Acquisitions (none available, we don't grow, we don't integrate)
4. Access to Capital
5. Negative covenants in credit facilities
6. Availability of commodities and inflationary prices
7. Security breaches – cyber attacks
8. Competition within key markets
9. Availability of qualified professionals
10. Government contracts
11. Defense industry
12. Non-Performance of a key supplier or contractor
13. Senior management personnel and succession planning
14. Concentration of key revenues
15. Performance on Fixed-Priced Contracts
16. Rapidly changing technologies and customer demands
17. Outsourcing/subcontracting
18. Historical pricing trends
19.Customer's ability to retain market share
20. Consolidation of customer base
21. Backlog
22. Accounts Receivable collection risk
23. Foreign currency
24. Foreign operations
25. Dependence on Subsidiaries' Cash Flows
26. Reputational and brand risks
27. Errors and defects in technology
28. Tax consequences
29. Privacy concerns
30. Intellectual property infringement and protection
31. Manufacturing limitations
32. Use of open-source software
33. Use of licensed technology
34. Insurance sufficiency
35. Medical malpractice
36. Negotiation of facilities leases
37. Warranty and product liability claims
38. Litigation
39.Climate risks
40. Environmental and Health & Safety risks
41. Events out of the Company's control (natural disasters, war, terrorism, illness, etc.,)
42. Fraud
43. Corruption
44. Conflicts of Interest
45. Product obsolesce
46. Changes in Laws, Rules and Regulations
47. SRED or other R&D tax credits
48.Transfer pricing
49. Investment in R&D
50. Compliance with ESG reporting requirements
51. Price fluctuations of common shares
52. Dilution of common shares

A comprehensive discussion of risks, including risks not specifically listed above, can be found in our most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of our shares to decline. If any of the noted risks actually occur, our business may be harmed and our financial condition and results of operations may suffer significantly.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates

The preparation of Financial Statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent 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.

Project completion for revenue

The Company enters into fixed-price contracts which can extend over more than one reporting period. Revenue from these fixed-price projects is recognized over time using the input method using management's best estimate of the costs and related risks associated with completing the projects. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project managers combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete. Specifically for the Advanced Technologies fixed-price contracts, there is significant judgement and estimation uncertainty in determining the estimated costs to complete, including materials, labour and subcontractor costs.

Impairment of goodwill and intangible assets

Determining whether goodwill or acquired intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating units or groups of cash-generating units. This was done through a value in use calculation. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit or groups of cash-generating units, and a suitable discount rate in order to calculate the present value.

Income taxes

The Company records deferred income tax assets and liabilities related to deductible or taxable temporary differences. The Company assesses the value of these assets and liabilities based on the likelihood of the realization as well as the timing of reversal given management assessments of future taxable income.

Judgments

Business combinations

The consideration transferred for an acquired business is assigned to the identifiable tangible and intangible assets purchased, along with liabilities assumed on the basis of their acquisition date estimated fair values. The identification of assets purchased and liabilities assumed and the valuation thereof can require specialized skills and knowledge. Where appropriate, the Company engages external business valuators to assist in the valuation of tangible and intangible assets acquired.

When a business combination involves contingent consideration, an amount equal to the estimated fair value of the contingent consideration is recorded as a liability at the time of acquisition and is measured at the estimated fair value at each reporting period. The key assumptions utilized in determining estimated fair value of contingent consideration may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business including forecasted revenue and EBITDA, the timing of future cash flows, cash flow volatility and the appropriate discount rate.

Deferred income taxes

The Company's accounting policy with regards to income taxes is described in Note 2 of the September 30, 2024 Annual Financial Statements. In applying this policy, judgments are made in determining the probability of whether deductions or tax credits can be utilized and related timing of such items.

Disclosure Controls and Internal Controls over Financial Reporting

Management Conclusion on the Effectiveness of Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 2024 have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Management Conclusion on the Effectiveness of Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of December 31, 2024, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending December 31, 2024, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

On behalf of Management,

(s) Patrick Houston
Chief Financial Officer

February 13, 2025