



MDA LTD.

Management's Discussion and Analysis

For the Fourth Quarters and Years Ended
December 31, 2023 and 2022

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Management's Discussion and Analysis

*The following Management's Discussion and Analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition of MDA Ltd. (the "Company", "we", or "MDA") as at December 31, 2023 and its consolidated operating results for the fourth quarters and years ended December 31, 2023 and 2022. The MD&A should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the audited consolidated financial statements of the Company for the years ended December 31, 2023 and 2022 ("**2023 Audited Financial Statements**") filed on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.com. All dollar amounts are expressed in Canadian Dollars ("**CAD**") except where otherwise specified and all numbers are in millions, unless otherwise specified or for per share amounts or ratios. References to "Q4 2023" or "this quarter" are to the fiscal quarter ended December 31, 2023 and references to "Q4 2022" are to the fiscal quarter ended December 31, 2022. The MD&A is current to February 27, 2024, unless otherwise noted.*

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information with respect to the Company's objectives and strategies to achieve these objectives, as well as information with respect to the Company's beliefs, plans, expectations, anticipations, estimates, intentions and views of future events. Discussions containing forward-looking information may be found, among other places, under the headings "Industry Trends", "Outlook", "Growth Strategies" and "Financial Overview" in this MD&A. In some cases, forward-looking information can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking information. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts. The Company has based the forward-looking information on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs.

Statements containing forward-looking information are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. These assumptions include, among others, our ability to maintain and expand the scope of our business; our ability to execute on our growth strategies; assumptions relating to government support and funding levels for space programs and missions; continued and accelerated growth in the global space economy; the impact of competition; our ability to retain key personnel; our ability to obtain and maintain existing financing on acceptable terms; changes and trends in our industry or the global economy; currency exchange and interest rates; and changes in laws, rules, regulations.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with the forward-looking information. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors. For additional information with respect to certain of these risks or factors, reference should be made to those described in this MD&A and to the 2023 Audited Financial Statements, together with those described and listed under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2023 (AIF) available on SEDAR+ at www.sedarplus.com which are incorporated by reference into this MD&A.

The Company cautions investors that statements containing forward-looking information are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking information contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking information contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on the forward-looking information. Any forward-looking information that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking information or to publicly announce the

results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, the measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Earnings per Share, Order Bookings, and Net Debt to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures used by management and other users of our financial statements including our lenders and investors, to assess the financial performance of our business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses to assess the impact of potential strategic investing or financing opportunities. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is used by financial institutions to measure borrowing capacity.

We define EBITDA as net income (loss) before: i) depreciation and amortization expenses, ii) provision for (recovery of) income taxes, and iii) finance costs. Adjusted EBITDA is calculated by adding to and deducting from EBITDA, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including i) unrealized foreign exchange gain or loss ii) unrealized gain or loss on financial instruments and iii) share-based compensation expenses, and iv) other items that may arise from time to time. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis reflecting factors and trends affecting our business.

Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue. We use Adjusted EBITDA margin to facilitate a comparison of the operating performance on a consistent basis reflecting factors and trends affecting our business.

For a reconciliation of Adjusted EBITDA to the most directly comparable measure calculated in accordance with IFRS see the section entitled "Reconciliation of Non-IFRS Measures".

Adjusted Net Income and Adjusted Earnings per Share ("Adjusted EPS")

Adjusted Net Income and Adjusted Earnings per Share ("Adjusted EPS") are supplemental measures used by management and other users of our financial statements to assess the financial performance of our business adding to and deducting from net income, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including i) amortization of intangible assets related to business combinations, ii) unrealized foreign exchange gain or loss, iii) unrealized gain or loss on financial instruments, and iv) share-based compensation expenses, and iv) other items that may arise from time to time.

For a reconciliation of Adjusted Net Income to the most directly comparable measure calculated in accordance with IFRS see the section entitled "Results of Operations".

Adjusted Earnings per Share represents Adjusted Net Income divided by the weighted average number of shares outstanding.

Order Bookings

Order Bookings is the dollar sum of contract values of firm customer contracts. Order Bookings is indicative of firm future revenues; however, it does not provide a guarantee of future net income and provides no information about the timing of future revenue.

Net Debt

Net Debt is the total carrying amount of long-term debt including current portions, as presented in the Q4 2023 Financial Statements, less cash and excluding any lease liabilities. Net Debt is a liquidity metric used to determine how well the Company can pay its debt obligations if they were due immediately.

COMPANY OVERVIEW

MDA is a trusted mission partner of leading edge space missions across the rapidly expanding global space economy. Our recognized engineering capabilities, portfolio of space technologies, and space mission expertise makes us a trusted partner of choice for a broad range of customers worldwide. We leverage our capabilities to enable leading edge space exploration and infrastructure, space based communication, and both earth and space observation missions. In an era where industries, technologies, people, and places are impacted every day by space technology, MDA's mission is to build the space between proven and possible and to power the space economy with our trusted and tested solutions. Our space technology solutions and services enable governments and businesses to develop and operate critical space infrastructure used for exploration and space-based science and research, to develop and operate space based communications to support our hyper-connected world, and to monitor global activities including climate change, forest fires, and detection of oil spills. Our technologies and solutions are also deployed for defence and intelligence applications and space observation missions.

MDA has three business areas: Geointelligence, Robotics & Space Operations, and Satellite Systems. Our diversified portfolio of solutions serves many sectors of the space economy and positions our customers to achieve mission success. We are differentiated by factors including:

- our long track record of mission success and innovation in space spanning over 50 plus years;
- our success rate, partnering on over 450 space missions with close to 100% success rate;
- our global reach with significant customer base in Canada and the United States, and expanding customer base in the UK, and other markets;
- our profitable operations;
- the breadth and diversity of our customer relationships with a balanced government and commercial customer base;
- our experienced team of approximately 3,000 staff, including experienced space engineers, scientists, technicians, business and space industry leaders with approximately 1,440 engineers averaging over eight years of tenure with MDA;
- consistent investment in research and development (R&D) and innovation, with MDA ranked in the top 35 corporate R&D investors in Canada;
- some of the most advanced equipment and resources in the industry; and
- MDA's portfolio of successful projects, technologies, and patents, with the number of new MDA patent applications filed in 2023 more than triple any previous year.

In Geointelligence, we partner with customers to develop and operate EO and space observation missions, as well as providing key products in the areas of EO ground stations, maritime domain awareness software platforms, and multi-sensor fusion-based analytics products and services. All of these activities serve a wide range of use cases, including in the areas of national security, climate change monitoring, and maritime surveillance. In Robotics & Space Operations, we partner on space infrastructure missions to facilitate the exploration and development of space. We provide autonomous robotics and rover solutions along with proximity operation sensors that are used to operate in orbit and on the surface of the Moon and Mars, as well as operational services to plan, support and operate these remote missions. In Satellite Systems, we partner on space communication missions across LEO, medium Earth orbit (MEO), and geosynchronous equatorial orbit (GEO), in addition to providing communication systems for human rated spacecraft. These missions span a growing number of applications including broadband access, Direct-to-Device satellite communication, and Internet of Things (IoT) connectivity across the full communication frequency spectrum.

MDA's established position as a trusted mission partner is attributable to our investment in our people as well as our broad suite of technology and full lifecycle services. MDA's employee base includes elite space engineers, scientists, technicians, business and industry leaders. We work collaboratively with our customers in the early engineering phases of product development and provide services throughout a mission's life, including engineering, manufacturing, integration, mission operation, and ongoing maintenance services, enabling valuable customer intimacy that drives repeat revenue opportunities.

Our market position allows us to serve a broad range of customers, including governments and space agencies, defence and aerospace prime contractors serving the space industry, as well as emerging space companies. Our long and proven track record in Canada enables us to compete successfully for major Canadian space projects and to grow our international customer base. As an independent supplier of space technology products, we are also able to pursue a

larger set of opportunities with U.S. prime contractors, which we believe can meaningfully enhance our revenue potential from U.S. government space programs.

INDUSTRY OVERVIEW AND TRENDS

The benefits of space-based solutions are expected to grow significantly in the coming years, driven by continuous government and commercial investment in the increasing capabilities enabled by a burgeoning space economy. The space economy reached US\$509 billion in 2023 and is expected to exceed US\$1.5 trillion by 2040.¹ This growth is expected to be driven by ongoing commercial and government investments in space, which reflects the importance of space in an increasingly global, sophisticated, and data-driven world.

Key industry trends that directly influence our business are summarized below.

Lower Costs and New Technologies are Driving the Commercialization of Space

New commercial space-based businesses are increasingly becoming more prevalent due to lower launch costs and more powerful satellite technologies. Between 1970 and 2000, the average cost to launch a spacecraft into LEO was US\$18,500 per kilogram. Today, launching a spacecraft is 10 times cheaper than it was a decade ago and is expected to continue to fall to US\$200 per kilogram. Additionally, the development of small satellites with new digital technologies and advanced capabilities has resulted in significant performance improvement and cost reduction. This combination of technology advancements and reduced launch and satellite costs has improved the economic feasibility of many space-based activities and services, including space-based broadband Internet, EO, manned spaceflight, and space tourism.

Space is Enabling Global Connectivity

We live in an increasingly interconnected and data-dependent world with data usage expected to grow as available bandwidth expands to enable universal connectivity and next generation technologies. Internet access and global broadband connectivity are fundamental to participation in today's world and are critical pillars for socioeconomic development. Broadband Internet connectivity is estimated to have grown from 51% of the global population in 2019 to 67% of the population in 2023, and the Broadband Commission for Sustainable Development expects the metric to reach 75% of the global population by 2025.

Satellites represent one of the most efficient methods to support universal connectivity and provide a complimentary capability to enhance the offerings of traditional terrestrial broadband providers. The proliferation of satellite constellations is expected to drive the majority of new satellite capacity. Operators such as OneWeb, Telesat, SpaceX and Amazon are collectively expected to deploy over 14,000 satellites for their constellations this decade. As of January 2024, it is estimated that there are more than 8,300 active satellites orbiting the Earth, 84% of which are in LEO.² Euroconsult estimates that more than 28,000 satellites will be launched between 2023 and 2032. These communication constellations are critical to supporting global connectivity needs and enabling next generation technologies, including IoT applications, connected vehicles, and 5G communications.

Earth Observation is Critical to Improving Global Sustainability and Economic Productivity

EO uses data from space to answer questions about conditions on Earth. Euroconsult estimates that the global market for EO data and services will reach US\$7.6 billion by 2032, growing from US\$4.65 billion in 2022. EO plays a critical role in ensuring public safety in remote areas by enabling search and rescue missions. It allows governments and institutions to achieve sustainability objectives, including the monitoring of illegal fishing activity, ocean pollution and oil spill detection, deforestation and dumping, and tracking pollution, shoreline patterns and arctic ice levels. Of the 50 Essential Climate Variables identified by the World Meteorological Organization to monitor climate change, 26 variables can only be effectively observed from space.

EO is also becoming an increasingly important driver of economic productivity across a broad range of sectors. Agricultural industries use EO data and analytics to monitor crop conditions, estimate yields and optimize production and cost. Providers of critical infrastructure use EO technology to monitor remote assets, plan new installations and predict requirements for future expansion. Global commercial and trade organizations use EO analytics to make informed decisions related to economic activity, increased supply chain visibility and the assessment of various market

¹ Source: *Space Economy Report*, Euroconsult, December 2023; US Chamber of Commerce

² Source: *How Many Satellites are in Space?*, Nano Avionics, January 2024

dynamics. As demand for EO data grows, analytics services are becoming increasingly important for synthesizing data and producing actionable insights to support decision-making.

Robotics and On-orbit Infrastructure is Critical to the Expanding Earth to Moon Economy and Future of Space

Utilizing robotics and on-orbit solutions to keep satellites and other space infrastructure operating efficiently will be critical to enabling the growth of the new space economy. Autonomous robotics are expected to drive on-orbit applications, including in-space servicing, assembly and manufacturing (ISAM), satellite refueling, repositioning, repair, and de-orbiting services, with a view to reducing costs and improving safety and mission continuity. The European Space Agency and the United Nations Office for Outer Space Affairs estimate there are approximately 36,500 pieces of space debris larger than a softball (10 cm) in space. Removal services will be essential to control pollution in orbit and reduce risk to operational space assets. Advancements in robotics, sensors, artificial intelligence and systems miniaturization will support the growth of in-space manufacturing and assembly capabilities. The ability to construct, reconfigure and repair spacecraft while in space will enable longer space missions with greater flexibility. The rapid emergence of an in-space economy is expected to drive demand for these on-orbit servicing solutions and in-space manufacturing capabilities

Space is Critical to National Security

Space is now a critical military domain complementing the traditional fields of air, land, and sea. Space-based assets are employed in a broad range of essential military applications including communications, intelligence and surveillance, missile warning and tracking, and navigation. Several countries around the world have developed offensive capabilities in space over the last decade, which have the ability to disrupt or destroy strategic space assets. In response to this threat, many governments are increasing military funding for space-based initiatives and creating independent space commands to reinforce national security priorities. Furthermore, militaries have begun to shift their constellation architecture from a few large satellites to many cost-effective, but powerful small satellites. The deployment of many small satellites versus a limited number of large satellites significantly improves the resiliency of strategic space assets. Governments are leveraging commercial space companies' ability to innovate and deliver cost-effective solutions to enable this small satellite constellation strategy.

Space Exploration is Becoming Interplanetary

Space has become a truly borderless frontier, with approximately 90 countries investing in the space sector and approximately 75 countries that already have some form of national space agency. The number of space exploration missions is expected to increase by 220% to 750 missions over the next decade as countries pursue manned lunar and Martian missions and other deep space exploration. Government funding for space exploration is projected to increase from less than US\$26 billion in 2023 to US\$33 billion by 2032. The moon is the fastest-growing area of sustained investment by governments engaged in space exploration with Euroconsult estimating that there will be over 230 lunar missions over the next decade. The increasing frequency of lunar missions will be driven by a diverse number of countries, with 36 countries now signed on to the Artemis Accords as of February 2024. Martian exploration is also on the rise.

BUSINESS AREAS

MDA offers solutions and capabilities to meet global market demand through three business areas which include Geointelligence, Robotics & Space Operations and Satellite Systems. Below is a brief description of each business area.

GEOINTELLIGENCE

As a Geointelligence mission partner, we are an owner, operator, and prime contractor for both EO and space observation missions, in addition to providing key technologies and products. We also use satellite-generated imagery and data to deliver critical and value-added insights for a wide range of end uses, including in the areas of national security, climate change monitoring and maritime surveillance.

Our Geointelligence business is a leader in SAR EO missions, which we both own and operate ourselves as well as deliver to customers and operate for them. We have designed and built three generations of SAR satellites

(RADARSAT-1, RADARSAT-2, and the RADARSAT Constellation Mission). We also specialize in space observation satellites including the Sapphire mission that MDA developed and delivered to Canada's Department of National Defence. Following delivery of observation missions to customers, MDA is regularly entrusted to operate those missions for customers with MDA currently operating over 80% of the Canadian government's observation satellites.

A key enabling product suite in EO is our full range of multi-satellite ground stations that receive, process, distribute, archive, and exploit imagery from RADARSAT-2, MDA's own commercial EO satellite, as well as other satellites. We have installed more than 70 receiving ground stations in more than 25 different countries, which have processed data from over 20 different satellites.

Our EO business includes the collection, processing and dissemination of earth imagery data from space. As the operator and owner of global commercial data distribution for the RADARSAT-2 satellite, we are one of the largest radar information providers worldwide. Our extensive data archive is comprised of approximately 90 billion square kilometers of Earth imagery data and more than one million images of Earth. We also distribute high resolution optical imagery, satellite-based Automatic Identification System (AIS) data, and Radio-Frequency (RF) data from many other third party missions. Our analytics based information products regularly fuse these different sensor types into the information our customers require. As a result, our imagery solutions provide customers with timely, accurate and mission-critical information about our changing planet and support a wide variety of uses and sectors.

The largest market for our EO data and services today is maritime surveillance, where governments and commercial organizations rely on us for real-time data. The data is used to track maritime activity, visualize maritime crime patterns, identify and monitor illegal, unreported and unregulated fishing, track ice floes, shorelines and ocean winds, detect possible oil spills and monitor vessels. We have been a provider of these mission critical data and services for over 25 years and we play an integral role in our customers' surveillance strategies. We have also developed the Maritime Insights analytics platform that provides users with a software to monitor maritime areas of interest through the fusion and display of multiple sensor inputs.

We also provide a number of defence information solutions, including command and control systems and airborne surveillance solutions, for which we are the original solution provider of many of these systems. Part of our offerings include advanced aeronautical navigation information solutions that increase safety and efficiency of aircraft landings and departures. We also operate a long endurance unmanned aerial vehicle (UAV) surveillance service that provides real-time, multi-sensor intelligence to support critical operations.

- **Key Development Initiative – CHORUS:** We are currently developing CHORUS, a next-generation radar satellite constellation that will provide data continuity for RADARSAT-2 and is expected to expand our EO solutions offering. CHORUS will fuse data from multiple sensors and will leverage artificial intelligence in order to manage larger volumes of data and provide enhanced analytics services. CHORUS is expected to operate in an inclined LEO which will permit frequent imaging day or night and in all weather conditions over the areas of most interest to our customers. The CHORUS constellation will include a powerful C-band SAR satellite which will provide broad area coverage in concert with a smaller trailing X-band SAR satellite for higher resolution data collection and near real-time cross-cueing. CHORUS will include a cloud-based ground station solution as a next-generation offering.
- **Key Program – Canadian Surface Combatant (CSC):** One of our key defence intelligence programs is the Canadian Surface Combatant for which we are designing and integrating the Electronic Warfare suite system for 15 Royal Canadian Navy warships. The ships are scheduled to be built over the next 20 years and are expected to serve the Royal Canadian Navy for decades. This program represents over \$1.5 billion of potential revenue for MDA. We plan to leverage the Canadian Surface Combatant's sensor, laser warning, and electronic system technologies to serve international defence customers as they upgrade their naval fleets over time.

ROBOTICS & SPACE OPERATIONS

In Robotics & Space Operations, we partner with customers in critical, leading edge, space infrastructure missions. MDA enables the exploration and development of space infrastructure by providing autonomous robotics and sensors used to operate in space and on the surfaces of the Moon and Mars. MDA is the world leader in space-based robotics including over 100 space shuttle missions, assembly of the International Space Station (ISS), life-cycle operation of the ISS and our rover technology on Mars. The space infrastructure missions we partner on span broad space applications, including space station operations, ISAM, and the emerging markets of space tourism and space mining. Our differentiated capabilities include robotic systems, robotic interfaces, tooling, robotic ground control stations and

operations services, electro-optic and light detection and ranging (LiDAR) sensors, vision and targeting systems, guidance, navigation and control subsystems and planetary rover locomotion subsystems. Our LiDAR sensors are critical to proximity operations supporting mission elements such as rendezvous, docking, inspection, and landing activities as part of on-orbit and planetary missions.

We are also developing commercial space robotic solutions that serve the evolving needs of the new space market. Our products and services support logistics delivery, satellite servicing, debris removal, asset relocation, and infrastructure maintenance. Through focused investment in R&D, we have developed integrated space robotic systems, technologies, interfaces, tools, operational techniques and control algorithms to enable on-orbit servicing solutions for commercial space businesses. We have completed multiple commercial sales of products derived from Canadarm3 technology to Axiom Space for the delivery of payload interface pairs for the Axiom Station, which is expected to be one of the world's first commercial space stations.

Demand for space robotics and mission-support services is primarily driven by increasing activity in LEO and lunar and deep space exploration, all of which are expected to expand with the introduction of new commercial space stations and commercial planetary missions in the coming years. The increase in the number of satellites and other spacecraft is driving demand for emerging solutions in on-orbit servicing (e.g., the upgrade and repair, relocation and refueling of satellites in orbit) and manufacturing. Our long history in space robotics includes development of the Canadarm for NASA's Space Shuttle program, and Canadarm2, which is currently in service on the ISS.

We are now working on the Canadarm3 program, our third generation Canadarm that will provide AI-based robotics for the NASA-led Gateway, the lunar-orbiting outpost of the Artemis program. Current projects, including Canadarm3, are expanding MDA's mission partner scope to now include on-orbit operations. MDA's recent investment in, and construction of, our new space robotics centre of excellence includes the creation of multiple mission control centers enabling us to provide on-orbit operations for our customers in the future.

We have developed technology for multiple Mars missions, including the Phoenix Lander, the Curiosity Rover and the ExoMars Rover, with our sensors first operating on Mars in 2008. We built the LiDAR instrument for the OSIRIS-Rex mission that completed the world's first 3D scan of an asteroid from an orbiting spacecraft.

- **Key Program – Canadarm3:** Canadarm3, the third generation robotic technology developed by MDA, will be designed and built over a multi-year period and is expected to generate approximately \$1.4 billion of potential total revenue to the Company, including 15 years of ongoing service and support revenue. MDA was awarded the the Phase B contract (\$269 million) in March 2022 to complete the preliminary design of the Canadarm3 robotic arm. This advanced AI-enabled robotic system will be highly-autonomous, allowing the robotic elements to perform operations and make decisions during long periods when there is no contact with the Canada-based ground control operations centre. We are also working on commercializing the Canadarm3 robotic arm capabilities for applications in the growing on-orbit servicing and in-space manufacturing and assembly markets.

SATELLITE SYSTEMS

Satellite communications have transformed the way people connect and communicate on Earth, and have continued to evolve to enable improved global connectivity across the globe. MDA serves our commercial and government mission partners worldwide as a prime contractor and supplier of satellite systems and sub-systems for communication networks in LEO, MEO and GEO satellites. These communication missions span a growing number of use cases including space-based broadband Internet, Direct-to-Device satellite communication, and IoT connectivity across the full communication frequency spectrum.

We have provided satellite subsystems to enable next generation LEO communication constellations such as O3b mPower, Iridium Next, and OneWeb; a segment of the communication satellite market that is driving meaningful growth for MDA. To support these high volume satellite customers, MDA has continually adapted its satellite manufacturing base, which now includes fourth-generation robotics-based technologies capable of manufacturing dozens of small satellites and satellite sub-systems each month. MDA technology has been integrated into more than 350 satellite missions and we expect this number to continue to grow.

As we continue to evolve the Satellite Systems business, MDA is adding high-volume satellite production capabilities for large scale satellite constellations, including industry-leading satellite manufacturing leveraging automated production lines and AI-enabled robots, cobots and high-skilled assemblers using augmented reality to accelerate mass production. This advanced manufacturing environment is enabled by our industry leading facilities in Montreal, Quebec, which

contain one of the largest near field ranges and largest compact ranges for satellite testing in the world. In addition, this facility includes a wide range of thermal, environmental, Platform Independent Model (PIM) and vibration test facilities.

Through our participation in multiple major satellite constellations to date, and with our new state-of-the-art high volume satellite production facility in Montreal, we have solidified our position as a trusted mission partner for space communications. MDA's transition to a satellite prime contractor for LEO and MEO constellations has been enabled by the launch of a new leading edge digital satellite product by MDA. These software defined, dynamic beam forming satellites provide a new level of performance and efficiency in space based networks for our customers. The fully integrated digital satellite capability includes a complete range of modular digital products and components for space-based communication solutions coupled with advanced high-volume manufacturing production capability – dramatically reducing production costs and schedule.

In line with our strategy to expand our role in the constellation market for both civilian and defence applications, we have announced a series of awards from U.S.-based customers to support government space security and communications satellites in their LEO constellation networks. These awards represent MDA's early participation in this growing market opportunity, with repeat orders increasing in frequency.

- **Key Program – Telesat Lightspeed Constellation:** In 2023, Telesat announced that MDA has been selected as the prime contractor for the Telesat Lightspeed program, Telesat's revolutionary LEO satellite constellation. Valued at approximately \$2.1 billion, MDA's contract includes the design, manufacture, assembly and test of 198 satellites with options for Telesat to purchase up to 100 additional satellites. The Telesat Lightspeed satellites will be built, assembled and tested at MDA's state-of-the-art high volume satellite manufacturing facilities in Montreal and will leverage MDA's strategic investments in new digital satellite product portfolio and advanced manufacturing capability to deliver significant cost and schedule benefits to the program.
- **Key Program – Globalstar LEO Constellation Expansion:** In 2022, Globalstar Inc. (Globalstar) announced that MDA has been selected as the prime contractor for Globalstar's new LEO satellites. Globalstar is a provider of Mobile Satellite Services including customizable satellite IoT solutions for individuals and businesses globally. Globalstar's contract with MDA, valued at \$327 million USD (~\$415 million CAD) includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites. The satellites built by MDA will integrate with Globalstar's existing constellation. In 2022, Globalstar disclosed that Apple Inc. is the primary customer for its current and future satellite network capacity which will support new satellite-enabled services for certain of Apple's products.

COMPETITIVE STRENGTHS

While the markets we serve are competitive, we believe that MDA is well positioned to provide differentiated solutions to customers, driven by the following competitive strengths:

- A trusted mission partner with a track record of execution;
- Specific expertise and technological resources tailored for the new space economy;
- Agility and scale position us to serve customers of all levels of size and experience;
- Entrepreneurial go-to-market strategy; and
- Deep team with a winning culture.

GROWTH STRATEGIES

With established industry leadership in diverse space markets, today we are executing on specific strategies that will allow us to capitalize on the multiple waves of growth in the expanding space market. The primary pillars of our strategy include:

- Investing in next generation space technology and services;
- Expanding our presence in high growth markets and geographies;
- Scaling and expanding skills, talent and operations; and
- Leveraging strategic M&A to complement organic growth.

FULL YEAR AND FOURTH QUARTER HIGHLIGHTS

FULL YEAR 2023 HIGHLIGHTS

In 2023, we continued to make meaningful progress in executing against our strategic growth plan and saw significant expansion of our backlog. Key financial and operational highlights for the year are summarized below.

Financial Highlights

- Order bookings for the full year totalled \$2.5 billion largely driven by awards in our Satellite Systems business. Backlog of \$3.1 billion as of December 31, 2023 was at a record level for the Company and represents a 125% increase compared to December 31, 2022.
- Full year revenues of \$807.6 million were up 26.0% year over year driven by execution on our backlog, with strong contributions from our Satellite Systems and Robotics & Space Operations businesses.
- Full year adjusted EBITDA of \$174.2 million was up 10.3% year over year driven by higher volumes across our businesses. Adjusted EBITDA margin was 21.6% for the full year.
 - Excluding the impact of the historical investment tax credits (ITC) settlement income recognized in 2022, adjusted EBITDA was \$141.1 million in 2022, compared to \$174.2 million in 2023, representing an increase of 23.5% year over year. Adjusted EBITDA margin excluding the aforementioned item was 21.6% in 2023, in line with the 22.0% margin level reported in 2022.
- Full year net income of \$48.8 million was up 85.6% year over year largely due to lower finance costs. Diluted earnings per share of \$0.40 in 2023 were up 90.5% year over year.
- Full year adjusted net income of \$97.9 million was up 24.1% year over year driven by higher operating income and lower finance costs. Adjusted diluted earnings per share of \$0.81 in 2023 were up 26.6% year over year.
- Operating cash flow of \$13.5 million in 2023 compared to \$57.0 million in the prior year. Operating cash flow in 2023 included a total of \$59.4 million in working capital outlays related to pre-payments made in 2023 for future inventory, and vendor deposits for the CHORUS constellation launch.
- The Company continued to invest in a number of strategic initiatives that align with its long-term plan and are instrumental in driving future growth including developing CHORUS, investing in new satellite manufacturing capabilities and facilities, and developing commercial products of Canadarm3 technology. In 2023, MDA's capital expenditures totalled \$193.2 million compared to \$180.1 million in the prior year.
- MDA acquired SatixFy Space Systems UK Ltd., the digital payload division of SatixFy Communications Ltd. The transaction, valued at US\$40 million, will help further strengthen the Company's global leadership position in the growing market for digital satellite communications solutions.
- Net debt to adjusted EBITDA ratio stood at 2.4x as of December 31, 2023. The increase in leverage reflects the aforementioned Company investments in strategic growth initiatives.
- MDA announced plans to more than double its UK workforce and operational footprint in 2024 in an effort to expand its talent base and operational capacity across the UK as the global space economy continues to grow.
- The Company added 890 new staff in 2023 as part of its focus on talent and recruitment to support current and future growth.

Operational Highlights

Geointelligence Business Area

- Made significant development progress on the CHORUS constellation program. In 2023, the team conducted the payload Critical Design Review (CDR) and continued to advance unit and subsystem level work for the platform, payload and bus avionics, as well as building the ground segment subsystems and detailing constellation operations plans and processes.
- Announced that it has selected SpaceX as the launch partner for its CHORUS constellation, which is scheduled to launch on the Falcon 9 rocket in Q4 2025.

- Awarded a two-year contract with up to three optional years with the Government of Canada through the Department of Fisheries and Oceans (DFO) to help counter illegal, unregulated, and unreported (IUU) fishing in the Indo-Pacific region. MDA Maritime Insights platform, which leverages MDA's world-renowned RADARSAT-2 satellite, combines multiple satellite data sources to track and identify IUU fishing activity.
- Announced it is working with Thoth Technology Inc. to create a made-in-Canada deep space radar surveillance and space domain awareness (SDA) capability. As part of a strategic cooperation agreement, MDA commercial data services will be integrated with Thoth's ground-based radar technology to provide unprecedented levels of sovereign monitoring in deep space over Canada, providing both detection and characterization of space objects.

Robotics and Space Operations Business Area

- Continued to advance work on Phase B of the Canadarm3 program where MDA was selected to complete the preliminary design of the Canadarm3 robotics system that will be used aboard the Lunar Gateway. In 2023, the team successfully closed out the systems definition review and made good progress towards the preliminary design review milestone expected to take place in 2024.
- Received follow-on contracts for the Canadarm3 external robotics interfaces including the final construction and delivery of the interfaces, making the external robotic interfaces the first Canadarm3 hardware components to go into production.

Satellite Systems Business Area

- Awarded an approximately \$2.1 billion contract from Telesat for the Telesat Lightspeed LEO constellation. MDA was selected as the prime satellite contractor, responsible for the design, manufacture, assembly and test of 198 satellites with options for Telesat to purchase up to 100 additional satellites. The Telesat award leverages MDA's new digital satellite product line to deliver significant technology advancements as well as cost and schedule improvements.
- Unveiled at the World Satellite Business Week conference in September 2023 its new software-defined digital satellite product line as the market continues to transform from analog to digital software-defined satellites. The fully integrated portfolio includes a complete range of modular digital products and components for space-based communication solutions coupled with advanced high-volume manufacturing capabilities – dramatically reducing production costs and schedule.
- Awarded an Authorization to Proceed (ATP) contract from an undisclosed customer to start work on a new Non-Geostationary Orbit (NGSO) satellite constellation. The ATP, valued at approximately \$180 million, is to immediately commence engineering and programmatic activities, including the procurement of long-lead items. The full constellation, valued at a minimum of \$750 million, is expected to include a minimum of 36 MDA software-defined digital satellites. The definitive contract for the full constellation, for which MDA would be the prime contractor, is expected in 2024, subject to contract finalization.
- Announced a contract from L3Harris Technologies as part of the Space Development Agency's (SDA) Tranche 1 Tracking Layer program. MDA's scope of work includes the design and build of 14 flight sets of Ka-Band steerable antennas and control electronics for L3Harris as part of SDA's low earth orbit (LEO) constellation.

FOURTH QUARTER 2023 HIGHLIGHTS

- Revenues of \$205.0 million in Q4 2023 were up 10.2% year over year driven by strong contributions from Robotics & Space Operations and Satellite Systems businesses.
- Adjusted EBITDA of 42.1 million in Q4 2023 was up 5.5% year over year driven by higher volumes of work as we execute on our backlog. Adjusted EBITDA margin of 20.5% in Q4 2023 was in line with the 21.4% margin level achieved in Q4 2022.
- Net income of \$13.5 million in Q4 2023 was up 53.4% year over year driven by lower income tax expense and finance costs. Diluted earnings per share were \$0.11 in the latest quarter compared to \$0.07 in Q4 2022.
- Adjusted net income of \$27.8 million in Q4 2023 was up 24.7% year over year driven by lower income tax expense and finance costs. Adjusted diluted earnings per share were \$0.23 in the latest quarter compared to \$0.18 in Q4 2022.

- Operating cash flow was a use of \$41.2 million in Q4 2023 compared with an inflow of \$40.3 million in Q4 2022. Operating cash flow in the latest quarter was impacted by higher working capital requirements including \$28.9 million related to the aforementioned vendor deposits for the CHORUS constellation launch.

FINANCIAL OVERVIEW

KEY INDICATORS SUMMARY

<i>(in millions of Canadian dollars, except per share data)</i>	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Revenues	\$ 205.0	\$ 186.1	\$ 807.6	\$ 641.2
Gross profit	\$ 57.8	\$ 58.9	\$ 244.0	\$ 228.4
Gross margin	28.2%	31.6%	30.2%	35.6%
Adjusted EBITDA	\$ 42.1	\$ 39.9	\$ 174.2	\$ 157.9
Adjusted EBITDA margin	20.5%	21.4%	21.6%	24.6%
Adjusted Net Income	\$ 27.8	\$ 22.3	\$ 97.9	\$ 78.9
Adjusted Diluted EPS	\$ 0.23	\$ 0.18	\$ 0.81	\$ 0.64

<i>(in millions of Canadian dollars, except for ratios)</i>	As at	
	December 31, 2023	December 31, 2022
Backlog	\$ 3,097.0	\$ 1,378.2
Net debt to Adjusted TTM EBITDA ratio	2.4x	1.3x

REVENUES BY BUSINESS AREA

<i>(in millions of Canadian dollars)</i>	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Geointelligence	\$ 49.9	\$ 53.9	\$ 197.5	\$ 195.3
Robotics & Space Operations	64.9	47.9	248.4	193.7
Satellite Systems	90.2	84.3	361.7	252.2
Consolidated revenues	\$ 205.0	\$ 186.1	\$ 807.6	\$ 641.2

Revenues

Consolidated revenues for the fourth quarter of 2023 were \$205.0 million, representing an increase of \$18.9 million (or 10.2%) from the fourth quarter of 2022. The year over year increase in revenues was primarily driven by strong contributions from our Robotics and Space Operations and Satellite Systems businesses.

By business area, revenues in Geointelligence for the fourth quarter of 2023 were \$49.9 million, which represents a decrease of \$4.0 million (or 7.4%) from the same period in 2022 due to timing of programs. Revenues in Robotics & Space Operations for the fourth quarter of 2023 were \$64.9 million, which represents an increase of \$17.0 million (or 35.5%) from the same period in 2022. This year over year increase is primarily driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems for the fourth quarter of 2023 were \$90.2 million, which represents an increase of \$5.9 million (or 7.0%) from the same period in 2022 driven by slightly higher work volume on the Globalstar program and the initial ramp of the Lightspeed program which was awarded in Q3 2023.

Consolidated revenues for the year ended December 31, 2023 were \$807.6 million, which were \$166.4 million (or 26.0%) higher than the same period in 2022. The year over year increase in revenues was primarily driven by strong contributions from our Satellite Systems and Robotics & Space Operations businesses.

By business area, revenues in Geointelligence for the year ended December 31, 2023 were \$197.5 million, which represents an increase of \$2.2 million (or 1.1%) from the same period in 2022 reflecting relatively steady volume of work. Revenues in Robotics & Space Operations for the year ended December 31, 2023 were \$248.4 million, which represents an increase of \$54.7 million (or 28.2%) from the same period in 2022. The year over year revenue increase is primarily driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems for the year ended December 31, 2023 were \$361.7 million, which represents an increase of \$109.5 million (or 43.4%) from the same period in 2022 driven by higher volumes related to satellite constellation work including the Globalstar program which commenced in Q1 2022 and additional awards to support US Department of Defense constellations.

Gross Profit and Gross Margin

Gross profit reflects our revenues less cost of revenues. Q4 2023 gross profit of \$57.8 million represents a \$1.1 million (or 1.9%) decrease over Q4 2022 driven by program mix and higher depreciation expense as new assets come into service, offset by higher work volumes. Gross margin in Q4 2023 was 28.2%, which is in line with our expectations and compares to a gross margin of 31.6% in Q4 2022.

For the year ended December 31, 2023, gross profit of \$244.0 million represents a \$15.6 million (or 6.8%) increase over 2022 driven by higher volume of work performed year over year, partially offset by \$16.8 million of higher ITCs recorded in Q1 2022 related to the resolution of historical claims. Gross margin for the year ended December 31, 2023 was 30.2%, which is in line with our expectations driven by an evolving program mix and higher depreciation expense. Comparatively, gross margin in 2022 was 33.0% excluding the aforementioned impact of the historical ITC claims recognized in Q1 2022.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the fourth quarter of 2023 was \$42.1 million compared with \$39.9 million for the fourth quarter of 2022, representing an increase of \$2.2 million (or 5.5%) year over year driven by higher work volume as we continue to execute on our backlog. Adjusted EBITDA margin was 20.5% for the fourth quarter of 2023, in line with the 21.4% adjusted EBITDA margin reported for the fourth quarter of 2022.

Adjusted EBITDA for the year ended December 31, 2023 was \$174.2 million compared with \$157.9 million for the same period in 2022, representing an increase of \$16.3 million (or 10.3%) year over year. Adjusted EBITDA for the year ended December 31, 2022 included \$16.8 million of income from the aforementioned resolution of historical ITC claims. When excluding the impact of the \$16.8 million related to historical ITC claims, Adjusted EBITDA increased \$33.1 million (or 23.5%) year over year. The improvement was driven by higher volumes of work performed year over year. Adjusted EBITDA margin was 21.6% for the year ended December 31, 2023 compared with 22.0% in 2022, excluding the previously noted historical ITC claims resolution.

Adjusted EBITDA, excluding historical ITCs claims resolution, is summarized below.

<i>(in millions of Canadian dollars)</i>	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Adjusted EBITDA	\$ 42.1	\$ 39.9	\$ 174.2	\$ 157.9
ITCs claims resolution	—	—	—	(16.8)
Adjusted EBITDA, excluding ITCs claims resolution	\$ 42.1	\$ 39.9	\$ 174.2	\$ 141.1
Adjusted EBITDA margin, excluding ITCs claims resolution	20.5%	21.4%	21.6%	22.0%

Adjusted Net Income

Adjusted net income for the fourth quarter of 2023 was \$27.8 million compared with \$22.3 million for the fourth quarter of 2022, representing an increase of \$5.5 million (or 24.7%) year over year driven by lower income tax expense and finance costs in Q4 2023. Adjusted net income for the year ended December 31, 2023 was \$97.9 million compared with \$78.9 million for the year ended December 31, 2022, representing an increase of \$19.0 million (or 24.1%) year over year. The increase for the full year period is driven by higher operating income and lower finance costs (refer to note 17 of the financial statements year ended December 31, 2023 for additional details regarding finance costs).

Backlog

Backlog is comprised of our remaining performance obligations which represent the transaction price of firm orders less inception to date revenue recognized and exclude unexercised contract options and indefinite delivery or indefinite quantity contracts. Backlog as at December 31, 2023 was \$3,097.0 million, an increase of \$1,718.8 million compared with the backlog at December 31, 2022 driven by new order bookings including the Telesat Lightspeed LEO constellation awarded in Q3 2023, partially offset by continued conversion of our backlog into revenue. The following table shows the build up of backlog for Q4 and the year ended December 31, 2023 as compared with the same periods in 2022.

<i>(in millions of Canadian dollars)</i>	Fourth Quarters Ended		Years Ended December 31,	
	December 31,			
	2023	2022	2023	2022
Opening Backlog	\$ 3,068.7	\$ 1,405.1	\$ 1,378.2	\$ 864.3
Less: Revenue recognized	(205.0)	(186.1)	(807.6)	(641.2)
Add: Order Bookings	233.3	159.2	2,526.4	1,155.1
Ending Backlog	\$ 3,097.0	\$ 1,378.2	\$ 3,097.0	\$ 1,378.2

2024 FINANCIAL OUTLOOK

As a trusted mission partner and leading global space technology provider, we are leveraging our capabilities and expertise to execute on targeted growth strategies across our end markets and business areas. Our strategic initiatives, which span across our three businesses, include investing in next generation space technology and services, expanding our presence in high growth markets and geographies, and scaling and expanding skills, talent and operations to meet current and future market demand. We continue to make good progress against our long term strategic plan.

MDA is well positioned to capitalize on strong customer demand and robust market activity given our diverse and proven technology offerings. Our growth pipeline is significant and underpinned by existing and new programs and our book of business is healthy. We see activities ramping up in line with our expectations, and are encouraged by the team's solid execution.

For fiscal 2024, we expect full year revenues to be \$950 – \$1,050 million, representing robust growth of approximately 25% at the mid-point of guidance compared to 2023 levels. We expect revenue growth to accelerate in the second half of 2024 as we ramp up work volumes on a number of programs. We expect full year adjusted EBITDA to be \$190 – \$210 million, representing approximately 19% – 20% adjusted EBITDA margin. We expect capital expenditures to be \$210 – \$230 million in 2024, comprising primarily of growth investments to support CHORUS and the previously outlined growth initiatives across our three business areas.

For Q1 2024, we expect revenues to be \$205 – \$215 million as we continue to execute on our backlog.

RESULTS OF OPERATIONS

<i>(in millions of Canadian dollars, except per share data)</i>	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Revenues	\$ 205.0	\$ 186.1	\$ 807.6	\$ 641.2
Materials, labour and subcontractors costs	(138.0)	(120.9)	(532.0)	(389.1)
Depreciation and amortization of assets	(9.2)	(6.3)	(31.6)	(23.7)
Gross profit	\$ 57.8	\$ 58.9	\$ 244.0	\$ 228.4
Operating expenses:				
Selling, general & administration	\$ (18.5)	\$ (16.4)	\$ (70.7)	\$ (60.0)
Research & development, net	(8.5)	(7.8)	(39.3)	(32.8)
Amortization of intangible assets	(11.7)	(12.8)	(46.5)	(52.5)
Share-based compensation	(3.1)	(3.0)	(10.0)	(8.5)
Operating income	\$ 16.0	\$ 18.9	\$ 77.5	\$ 74.6
Other expense	(2.7)	(2.6)	(3.6)	(6.2)
Finance income	0.2	0.2	2.0	0.4
Finance costs	(0.1)	(3.0)	(8.6)	(34.6)
Income before income taxes	\$ 13.4	\$ 13.5	\$ 67.3	\$ 34.2
Income tax recovery (expense)	0.1	(4.7)	(18.5)	(7.9)
Net income	\$ 13.5	\$ 8.8	\$ 48.8	\$ 26.3
Basic earnings per share	\$ 0.11	\$ 0.07	\$ 0.41	\$ 0.22
Diluted earnings per share	0.11	0.07	0.40	0.21

Revenues

Consolidated revenues for the fourth quarter of 2023 were \$205.0 million, representing an increase of \$18.9 million (or 10.2%) compared with the fourth quarter of 2022. For the year ended December 31, 2023, consolidated revenues were \$807.6 million, which were \$166.4 million (or 26.0%) higher than the same period in 2022. Please refer to 'Financial Overview' for a detailed discussion of revenue drivers for the fourth quarter and year ended December 31, 2023.

Materials, labour and subcontractors costs

Materials, labour and subcontractor costs for the fourth quarter of 2023 were \$138.0 million, representing a \$17.1 million (or 14.1%) increase compared to the same quarter of 2022. The increase is due to higher volume of work performed as we execute on our backlog.

Materials, labour and subcontractor costs for the year ended December 31, 2023 were \$532.0 million, representing an increase of \$142.9 million (or 36.7%) over 2022. The year over year increase reflects higher volume of work performed during this period, partially offset by the aforementioned \$16.8 million of ITC income recognized in Q1 2022 (as a result of a historical claims resolution).

Depreciation and amortization of assets

Included in this line item are the depreciation and amortization costs of those assets directly used to support our revenues. These assets are depreciated and amortized on a straight-line basis over their useful lives. Fourth quarter costs of \$9.2 million represents an increase of \$2.9 million (or 46.0%) compared with the fourth quarter of 2022. For the year ended December 31, 2023, depreciation and amortization expense of \$31.6 million represents a \$7.9 million (or 33.3%) increase compared with the same period in 2022. The year over year increase is primarily due to the depreciation and amortization of assets placed into service during 2023.

Selling, general and administration (SG&A)

SG&A expenses include administrative support functions, as well as business development and bids and proposals costs. In addition, audit fees, public company expenses, recruitment and other consulting fees are included in this line item. SG&A expenses for the fourth quarter of 2023 were \$18.5 million, representing an increase of \$2.1 million (or 12.8%) over the same quarter in 2022. SG&A expenses for the year ended December 31, 2023 were \$70.7 million, representing an increase of \$10.7 million (or 17.8%) over 2022. The increase in SG&A expenses in 2023 reflects an expansion of our SG&A functions as our work volume grows. In the latest quarter, SG&A expenses represented 9.0% of revenues, which is consistent with 8.8% reported for the same quarter in 2022. For the year ended December 31, 2023, SG&A expenses were 8.8% of revenues compared to 9.4% for the same period in 2022, reflecting economies of scale as work volume grows.

Research and development (R&D)

MDA's net R&D expenses are comprised of costs incurred on R&D activities that are expensed to the income statement in the period, offset by funding received on certain R&D programs. The Company expenses research costs as they are incurred. Development costs are expensed when they do not meet the asset capitalization criteria (e.g. when technical feasibility and/or a market has not yet been established), or the costs are not directly attributable to developing the asset.

Net R&D expense for the fourth quarter of 2023 was \$8.5 million, representing an increase of \$0.7 million (or 9.0%) from the same quarter in 2022. For full year 2023, net R&D expense of \$39.3 million represents a \$6.5 million (or 19.8%) increase over 2022. The year over year increase in R&D expense is primarily due to higher activity on the development of CHORUS and other proprietary technologies, where a portion of the costs are expensed in R&D as they do not qualify for asset capitalization.

Amortization of intangible assets

This line item includes the straight-line amortization of intangible assets recognized as part of the Acquisition on April 8, 2020, which comprise of contractual backlog, customer relationships, proprietary technologies, and the MDA trademark. These intangible assets are amortized over various useful lives, ranging from 2 to 20 years. The amount expensed in the fourth quarter of 2023 was \$11.7 million, representing a decrease of \$1.1 million (or 8.6%) compared with the fourth quarter of 2022. For the year ended December 31, 2023, the amortization expense of \$46.5 million represents a \$6.0 million (or 11.4%) decrease compared with the same period in 2022. The year over year decrease in the metrics for both the quarter and full year period is attributable to a portion of contractual backlog assets being fully amortized by the end of Q2 2022, and proprietary technologies being fully amortized by the end of Q4 2023.

Share-based compensation

In April 2021, the Company established an Omnibus Long-term Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based plan, under which the Company can issue stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs") to directors and employees. The Company also has in place an Employee Share Trust Agreement arrangement, where eligible employees are issued shares held in a company trust ("Trustee Shares") and released upon meeting prescribed conditions.

Share-based compensation expense represents the vesting of the Company's share-based awards on a graded basis over the awards' respective vesting periods.

Share-based compensation expense for the fourth quarter of 2023 was \$3.1 million, which represents an increase of \$0.1 million (or 3.3%) over the fourth quarter of 2022. For the year ended December 31, 2023, the expense was \$10.0 million, which represents an increase of \$1.5 million (or 17.6%) over the same period in 2022. This increase is mainly due to the a full year of expensing for RSUs and PSUs granted at the end of Q2 2022 in addition to further RSU grants throughout 2023, somewhat offset by forfeitures of option and trustee shares during Q1 2023.

Other expense

Other expense includes amounts related to foreign exchange and unrealized loss on financial instruments.

During the fourth quarter of 2023, other expense was \$2.7 million, comprising of \$0.7 million in unrealized loss on financial instruments and \$2.0 million of foreign exchange loss. During the fourth quarter of 2022, other expense was

\$2.6 million, comprising of \$0.8 million in unrealized loss on financial instruments and \$1.8 million in foreign exchange loss.

During the year ended December 31, 2023, other expense totaled \$3.6 million, comprising of \$2.8 million of foreign exchange loss and \$0.8 million of unrealized loss on financial instruments. This compares with a \$3.7 million foreign exchange gain and \$9.9 million unrealized loss on financial instruments in the same period in 2022. The unrealized loss on financial instruments in the prior year was mainly due to a \$5.3 million unrealized loss on the redemption option derivative asset associated with the second lien notes that were redeemed in the second quarter of 2022 (as outlined in the 2022 Audited Financial Statements – note 15), as well as, an unrealized loss of \$3.8 million recorded on the change in fair value of our investment in equity securities during the year ended December 31, 2022.

Finance income

Finance income represents the interest income earned on deposits. The finance income for the year ended December 31, 2023 is \$2.0, compared to \$0.4 for the year ended December 31, 2022, reflecting higher cash balances throughout the year and higher interest rates.

Finance costs

The Company's finance costs include interest expenses, net interest accrual on interest rate swaps, borrowing fees and gains or losses on modifications of debt facilities. In Q3 2022, the Company began to capitalize interest expense on certain qualifying capital assets under internal development.

Finance costs for the fourth quarter of 2023 were \$0.1 million, net of \$3.6 million of capitalized interest expense. It primarily represents interest on long-term debt and other borrowing fees. Finance costs for the fourth quarter of 2022 were \$3.0 million, net of \$0.9 million of capitalized interest expense.

Finance costs for the year ended December 31, 2023 were \$8.6 million, net of \$8.9 million of capitalized interest expense. It primarily represents interest on long-term debt and other borrowing fees. Before considering the impact of capitalized interest, finance costs for the year ended December 31, 2023 were \$17.5 million, which is \$3.1 million (or 21.5%) higher than the interest on long-term debt and other borrowing fees for the year ended December 31, 2022 of \$14.4 million. The year over year increase reflects the rise in interest rates and higher levels of borrowing in 2023. Total finance costs for the year ended December 31, 2022 were \$34.6 million, which included \$21.1 million of costs related to the redemption of the second lien notes and the refinancing of our revolving credit facility during the second quarter of 2022.

As at December 31, 2023, the Company's weighted-average interest rate on its credit facilities, including the effect of interest rate swaps, was 6.26% (December 31, 2022 – 5.40%).

Income Tax Expense

Income tax expense represents current and deferred taxes. For the fourth quarter of 2023, we recognized an income tax recovery of \$0.1 million on income before income taxes of \$13.4 million and representing an effective tax rate of nil. The lower effective tax rate in 2023 Q4 was mainly due to a one-time change in estimates for prior periods. For the fourth quarter of 2022, income tax expense was \$4.7 million recorded on income before income taxes of \$13.5 million and representing an effective tax rate of 34.8%.

For the year ended December 31, 2023, income tax expense was \$18.5 million recorded on income before income taxes of \$67.3 million, representing an effective tax rate of 27.5%. For the year ended December 31, 2022, income tax expense was \$7.9 million recorded on income before taxes of \$34.2 million, representing an effective tax rate of 23.1%. The higher effective tax rate for year ended December 31, 2023 is mainly attributable to permanent differences including expenses that are not deductible or partially deductible for calculating taxable income.

Net income

Net income for the fourth quarter of 2023 was \$13.5 million compared to \$8.8 million of net income reported in the fourth quarter of 2022. The year over year increase of 53.4% was driven by lower income tax expense and finance costs compared to Q4 2022. Net income for the year ended December 31, 2023 was \$48.8 million compared to \$26.3

million for the year ended December 31, 2022. The year over year increase of \$22.5 million (or 85.6%) is largely due to lower finance costs somewhat offset by higher income tax expense for the full year 2023 compared to 2022.

RECONCILIATION OF NON-IFRS MEASURES

The following tables provide a reconciliation of net income to EBITDA, adjusted EBITDA, and adjusted net income:

<i>(in millions of Canadian dollars)</i>	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Net income	\$ 13.5	\$ 8.8	\$ 48.8	\$ 26.3
Depreciation and amortization of assets	9.2	6.3	31.6	23.7
Amortization of intangible assets related to business combination	11.7	12.8	46.5	52.5
Income tax expense	(0.1)	4.7	18.5	7.9
Finance income	(0.2)	(0.2)	(2.0)	(0.4)
Finance costs	0.1	3.0	8.6	34.6
EBITDA	\$ 34.2	\$ 35.4	\$ 152.0	\$ 144.6
Unrealized foreign exchange loss (gain)	2.2	0.7	4.7	(5.1)
Unrealized losses on derivative financial instruments	0.7	0.8	0.8	9.9
Impairment of long-lived assets	—	—	4.8	—
Acquisition, integration and restructuring costs	1.9	—	1.9	—
Share based compensation	3.1	3.0	10.0	8.5
Adjusted EBITDA	\$ 42.1	\$ 39.9	\$ 174.2	\$ 157.9

<i>(in millions of Canadian dollars except for adjusted earnings per share)</i>	Fourth Quarters Ended December 31,		Years Ended December 31,	
	2023	2022	2023	2022
Net Income	\$ 13.5	\$ 8.8	\$ 48.8	\$ 26.3
Amortization of intangible assets related to business combination	11.7	12.8	46.5	52.5
Impairment of long-lived assets	—	—	4.8	—
Acquisition, integration and restructuring costs	1.9	—	1.9	—
Unrealized losses on derivative financial instruments	0.7	0.8	0.8	9.9
Net foreign exchange loss (gain)	2.0	1.8	2.8	(3.7)
ITC claims resolution	—	—	—	(16.8)
Debt refinancing costs	—	—	—	21.1
Share based compensation	3.1	3.0	10.0	8.5
Income taxes related to the above items ⁽¹⁾	(5.1)	(4.9)	(17.7)	(18.9)
Adjusted Net income	\$ 27.8	\$ 22.3	\$ 97.9	\$ 78.9
Weighted average number of shares outstanding - diluted	122,696,679	122,450,428	121,176,848	122,451,142
Adjusted earnings per share - diluted	\$ 0.23	\$ 0.18	\$ 0.81	\$ 0.64

⁽¹⁾ Standard income tax rate of 26.5% applied

During the fourth quarter of 2023, the Company adjusted for \$1.9 million in acquisition costs related to the acquisition of the digital payload division of SatixFy Communications Ltd. announced in Q4 2023. In the third quarter of 2023, the

Company recognized \$4.8 million non-cash write-down of assets related to proprietary technologies and property, plant and equipment associated with certain customer programs.

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

Financial Condition

Total assets of the Company as at December 31, 2023 were \$2,161.7 million, representing a \$410.9 million increase from \$1,750.8 million as at December 31, 2022. The increase in asset balances reflects our continued investments in the support of our growth initiatives. Over the year ended December 31, 2023, we continued to grow our long-term assets, highlighted by the strong levels of development activities on CHORUS and other planned capital expenditures.

Total liabilities as at December 31, 2023 of \$1,097.0 million increased by \$346.8 million compared with \$750.2 million as at December 31, 2022 primarily reflecting the increase in our borrowings related to our development of CHORUS, other planned capital expenditures and our acquisition of SatixFy Space Systems UK Ltd.

The following table represents our working capital position as at December 31, 2023 and December 31, 2022:

<i>(in millions of Canadian dollars)</i>	December 31, 2023		December 31, 2022	
			As at	
Non-cash current assets	\$	434.1	\$	338.9
Current liabilities		373.2		318.6
Net Working Capital	\$	60.9	\$	20.3

Our Net Working Capital increased by \$40.6 million from December 31, 2022 to December 31, 2023. This increase is largely due to higher unbilled receivables, trade and other receivables, and income taxes receivable, somewhat offset by higher accounts payable and accrued liabilities and lower contract liabilities as at December 31, 2023 relative to December 31, 2022.

Management monitors net working capital levels on a continuous basis, to ensure the Company has sufficient liquidity to fund its short-term usages of cash necessary in the normal course of operations.

Cash Flows

The Company's consolidated cash flows are summarized in the table below.

<i>(in millions of Canadian dollars)</i>	Fourth Quarters Ended		Years Ended December 31,	
	December 31,			
	2023	2022	2023	2022
Cash, beginning of period	\$ 13.4	\$ (1.1)	\$ 39.3	\$ 83.6
Total cash provided by (used in):				
Operating activities	\$ (41.2)	\$ 40.3	\$ 13.5	\$ 57.0
Investing activities	(82.0)	(47.1)	(217.6)	(180.1)
Financing activities	132.4	48.2	187.4	78.8
Net foreign exchange difference	(0.1)	(1.0)	(0.1)	—
Increase (decrease) in cash	\$ 9.1	\$ 40.4	\$ (16.8)	\$ (44.3)
Cash, end of period	\$ 22.5	\$ 39.3	\$ 22.5	\$ 39.3

For the fourth quarter of 2023, the net increase in cash was \$9.1 million which compares to a net increase in cash of \$40.4 million for Q4 2022. Operating activities in the latest quarter used \$41.2 million of cash compared with an inflow of \$40.3 million in Q4 2022. Operating cash flow in the latest quarter was impacted by higher working capital requirements including \$28.9 million in outlays related to vendor deposits for the CHORUS constellation launch scheduled for Q4 2025. Cash used in investing activities was \$82.0 million in Q4 2023 compared to \$47.1 million in Q4 2022. The year over year increase is due to higher growth investments in CHORUS and other initiatives as well as the acquisition of SatixFy Space Systems UK Ltd in 2023. Cash flows from financing activities in the latest quarter were an inflow of

\$132.4 million compared with \$48.2 million for the same period last year, which reflects the borrowings made on our revolving credit facility consistent with our plan to leverage the flexibility provided by our refinanced senior credit facility.

For the year ended December 31, 2023, the net decrease in cash was \$16.8 million compared with a net decrease in cash of \$44.3 million during the same period in 2022. Operating activities in 2023 generated \$13.5 million of cash compared with \$57.0 million in the same period in 2022. Operating cash flow in 2023 included a total of \$60 million in outlays related to pre-payments made for future inventory, and vendor deposits for the CHORUS constellation launch. Investing activities in 2023 were \$217.6 million compared with \$180.1 million in the same period in 2022. This reflects slightly higher spending on CHORUS and the aforementioned capital programs and the acquisition of SatixFy Space Systems UK Ltd, the digital payload division of SatixFy Communications. Cash flows from financing activities generated \$187.4 million in 2023 compared to \$78.8 million over the same period in 2022. The increase is primarily due to additional borrowings drawn on our credit facility in 2023 to fund working capital requirements and growth investments in CHORUS and other growth initiatives.

As at December 31, 2023, the Company had funds available through its revolving credit facility of \$146.7 million. The Company has ample liquidity to fund working capital requirements of its operations, capital expenditures, debt service costs, and general corporate costs.

Capital Management

The Company defines its capital as the aggregate of long-term debt and shareholder's equity. The Company's primary capital management objectives are to provide an appropriate return to shareholders, safeguard working capital over the annual operating cycle, provide financial resources to grow operations to meet long-term customer demand, and comply with financial covenants under credit facilities.

The Company's strategy to manage its capital structure is to utilize its borrowing arrangements to obtain operating credit facilities in support of its working capital and planned capital expenditures. When needed, the Company also has access to capital markets to raise equity financing. At December 31, 2023, the Company's outstanding debt stood at \$438.9 million, compared with \$243.6 million at December 31, 2022.

Net debt was \$416.4 million representing a net debt to adjusted trailing twelve month (TTM) EBITDA ratio of 2.4x, compared with 1.3x as at December 31, 2022.

	As at	
<i>(in millions of Canadian dollars, except for ratios)</i>	December 31, 2023	December 31, 2022
Long-term debt	\$ 438.9	\$ 243.6
Less: Cash	(22.5)	(39.3)
Net Debt	\$ 416.4	\$ 204.3
Adjusted TTM EBITDA	\$ 174.2	\$ 157.9
Net Debt to Adjusted TTM EBITDA	2.4x	1.3x

As at December 31, 2023, the Company had \$146.7 million of available liquidity under its revolving credit facility. The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

As at December 31, 2023, the Company was in compliance with the financial covenants under the Company's credit facilities.

Equity was \$1,064.7 million as at December 31, 2023 compared with \$1,000.6 million as at December 31, 2022.

As at December 31, 2023, the Company had commitments of \$20.5 million (December 31, 2022: \$17.9 million) relating to purchase of property, plant and equipment, and intangible assets and had commitments of \$19.5 million over 16 years (December 31, 2022 – \$99.4 million over 15 years) relating to leases not yet commenced.

FINANCIAL INSTRUMENTS

The Company's financial assets include cash, trade and other receivables, investments in equity securities, and derivative assets. Financial liabilities include accounts payable and accrued liabilities, long-term debt, and derivative liabilities.

The Company's activities expose its financial instruments to a variety of risks: interest rate risk, liquidity risk, foreign exchange risk, and credit risk. Risk management is carried out by the Company by identifying and evaluating the financial risks inherent within its operations. The Company's overall risk management activities seek to minimize potential adverse effects on the Company's financial performance.

Interest Rate Risk

The Company was exposed to interest rate risk from fluctuations in interest rates on its floating rate on its senior revolving credit facility. As at December 31, 2023, all of the Company's borrowings, in the amount of \$440.0 million, under its senior revolving debt carried floating rates.

The Company manages interest rate risk by monitoring the mix of fixed and floating rate debt in the respective environment and takes action as necessary to maintain an appropriate balance considering current market conditions. At December 31, 2023, the Company has entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on \$225.0 million of borrowing under its senior revolving credit facility. As at December 31, 2023, the Company had outstanding interest rate swap contracts with third-party banks expiring December 15, 2027. The aggregate notional amount of the swap contracts is \$225.0 million. Under the swap contracts, the Company pays interest at a fixed rate of 3.46% for \$150.0 million and 4.14% for \$75.0 million of the \$225.0 million, respectively, and receives interest at a variable rate equal to the 3-month CDOR for each 90 day period. The terms of the interest rate swap contracts with respect to the floating rate, maturity, and interest payment dates match that of the underlying borrowings, such that any hedge ineffectiveness is not expected to be significant. The fair value changes in these swap contracts were a loss of \$1.4 million, before tax effects, for the year ended December 31, 2023 (December 31, 2022 - gain of \$2.0 million) and are recorded in other comprehensive income.

At December 31, 2023, the interest rate risk related to \$215.0 million of total borrowings was unhedged (December 31, 2022 - \$95.0 million). Based on the total outstanding borrowings at December 31, 2023, and including the impact of the interest rate swap agreements, a 1.0% increase (decrease) in the average interest rate on our borrowings would have decreased (increased) income before taxes by \$2.2 million annually (December 31, 2022 - \$1.0 million). The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at the time.

Liquidity Risk

The Company's liquidity risk is the risk it may not be able to meet its contractual obligations associated with financial liabilities as they come due. The Company's principal sources of liquidity are cash provided by operations and access to credit facilities. The Company's short-term cash requirements are primarily to fund working capital, with medium term requirements to service and repay debt, and invest in capital and intangible assets, and research and development for growth initiatives. Cash is also used to finance other long-term strategic initiatives. For the foreseeable future, the Company believes that these principal sources of liquidity are sufficient to maintain the Company's capacity and to meet planned growth and development activities.

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2023 are shown in the following table:

<i>(in millions of Canadian dollars)</i>	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
<i>Non-derivative financial liabilities:</i>					
Trade and other payables	\$ 219.1	\$ 219.1	\$ 219.1	\$ —	\$ —
Non-trades payables	0.5	0.5	0.3	0.1	0.1
Senior revolving credit facility	438.9	440.0	—	440.0	—
	\$ 658.5	\$ 659.6	\$ 219.4	\$ 440.1	\$ 0.1
Lease liabilities	\$ 152.3	\$ 152.3	12.0	29.8	110.5
Derivative instruments	6.0	6.0	0.8	5.2	—
	\$ 158.3	\$ 158.3	\$ 12.8	\$ 35.0	\$ 110.5
	\$ 816.8	\$ 817.9	\$ 232.2	\$ 475.1	\$ 110.6

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2022 are shown in the following table:

<i>(in millions of Canadian dollars)</i>	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
<i>Non-derivative financial liabilities:</i>					
Trade and other payables	\$ 124.0	\$ 124.0	\$ 124.0	\$ —	\$ —
Non-trades payables	0.7	0.7	0.3	0.3	0.1
Senior revolving credit facility	243.6	245.0	—	245.0	—
	\$ 368.3	\$ 369.7	\$ 124.3	\$ 245.3	\$ 0.1
Lease liabilities	\$ 8.3	\$ 8.3	\$ 6.7	\$ 1.6	\$ —
Derivative instruments	0.3	0.3	0.3	—	—
	\$ 8.6	\$ 8.6	\$ 7.0	\$ 1.6	\$ —
	\$ 376.9	\$ 378.3	\$ 131.3	\$ 246.9	\$ 0.1

Foreign currency exchange risk

The Company is exposed to foreign exchange risk on sales contracts, purchase contracts as well as cash, receivable, and payable balances denominated in currencies other than the functional currency of the Company's contracting entity. The currencies in which these transactions are primarily denominated are United States dollar (USD) and Euro, with USD representing the more significant exposure. The Company is also exposed to foreign currency risk on the net assets of its foreign operations.

The Company mitigates its foreign exchange risk through reducing mismatches between currencies in its foreign currency revenue contracts and the related purchase contracts to create natural economic hedges. The Company also utilizes foreign exchange forward contracts to supplement its natural hedge strategy, where needed, to further reduce the exposure arising from expected foreign currency denominated cash flows. The term of the foreign exchange forward contracts can range from less than one month to several years. At December 31, 2023, the Company had no outstanding foreign exchange forward contracts. The Company does not enter into foreign exchange forward contracts for trading or speculative purposes and does not have any qualifying hedges for accounting purposes.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company is primarily exposed to credit risk through its trade and other receivables and unbilled receivables.

The Company's credit exposure through receivables relates to a diverse group of customers, including government customers, in multiple geographic regions purchasing a wide variety of products and services from the Company, and is therefore mitigated by a reduced concentration of risk. The due date of these amounts can vary by agreement but in general balances over 90 days are considered past due.

The Company applies the simplified model of recognizing lifetime expected credit losses for all trade, unbilled and other receivables. In monitoring credit risk, customers are grouped according to their credit characteristics, including whether the customer program is funded by a government or a non-government entity, the Company's credit history with the customer, and existence of previous or current financial challenges. Credit limits or maximum exposures under revenue contracts are identified, approved and monitored.

Set out below is the movement in the allowance for credit losses on trade and other receivables and unbilled receivables:

<i>(In millions of Canadian dollars)</i>	December 31, 2023	December 31, 2022
Opening	\$ (9.6)	\$ (2.2)
Provision for credit losses	(3.1)	(7.8)
Write-offs	0.9	0.4
Ending	\$ (11.8)	\$ (9.6)

The gross amount of trade and other receivables disclosed in note 8 and the gross amount of unbilled receivables disclosed in note 9 represent their respective maximum credit exposures.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has off-balance sheet arrangements in the form of standby letters of credit used mainly in connection with obligations relating to performance and payment guarantees of customer contracts. As at December 31, 2023, the aggregate gross potential liability related to the Company's letters of credit was approximately \$13.3 million (December 31, 2022: \$24.0 million).

As at December 31, 2023 and December 31, 2022, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company's related parties are its key management personnel. Key management personnel have authority and responsibility for overseeing, planning, directing, and controlling its activities and consist of the members of the board and the senior members of the management team. For the fourth quarter and year ended December 31, 2023, the Company's compensation expense incurred in relation to its key management personnel was \$4.0 million and \$15.4 million, respectively (for the fourth quarter and year ended December 31, 2022 - \$4.0 million and \$15.9 million, respectively), which consisted of short-term, post-employment benefits and share-based compensation.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

The Company's 2023 Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. A summary of the Company's significant accounting policies is disclosed in note 3 of the 2023 Audited Financial Statements.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements included the following:

- *Revenue*: The Company recognizes revenues from fixed-price contracts and cost-plus contracts with ceilings using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. On a monthly basis, the Company reviews the costs incurred to date and the estimated costs to complete for each project to determine whether the percentage of completion remains appropriate. Estimating total costs requires judgments to be made around items including, but not limited to, labour productivity, complexity and scope of work to be performed, cost of materials, the length of time to complete the work, and execution by subcontractors. This estimate directly affects revenue recognized in each reporting period as well as the balances of unbilled receivables and contract liabilities at the reporting date. Changes in estimates are recognized on a cumulative catch-up basis and could lead to reversals to revenues.
- *Impairment of non-financial assets*: The value in use (VIU) of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by management for the next five years. In preparing the forecasts, management uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, and terminal growth rate. These estimates are based on past experience and management's expectations of future changes in the market and planned growth initiatives. Actual results could vary from these estimated future cash flows which may cause significant adjustments to the assets in subsequent reporting periods. Estimation uncertainty in calculating the VIU also include the determination of appropriate discount rates.
- *Investment tax credits*: Investment tax credits, whether or not recognized in the consolidated financial statements, may be carried forward to reduce future Canadian Federal and Provincial income taxes payable. The Company applies judgment when determining whether the reasonable assurance threshold has been met to recognize investment tax credits in the consolidated financial statements. The Company must interpret eligibility requirements in accordance with Canadian income tax laws and must assess whether future taxable income will be available against which the investment tax credits can be utilized. For investment tax credits that have not met the criteria to be recognized in the consolidated financial statements, management continually reviews these interpretations and assessments and recognizes the investment tax credits relating to prior period expenses in the period when the reasonable assurance criteria have been met. Any changes in the interpretations and assessments could have an impact on the amount and timing of investment tax credits recognized in the consolidated financial statements.
- *Income taxes*: The calculation of current and deferred income taxes requires management to make certain judgments in interpreting tax rules and regulations. The application of judgment is also required to evaluate whether the Company can recover a deferred tax asset based on management's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

RECENT ACCOUNTING PRONOUNCEMENTS

Forthcoming Amendment to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1, Presentation of Financial Statements, which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2024. The Company does not expect the amendments to have material impacts to its consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS

The following table provides select unaudited quarterly financial results for the eight most recently completed quarters.

<i>(in millions of Canadian dollars, except per share data)</i>	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Backlog	\$ 3,097.0	\$ 3,068.7	\$ 1,098.3	\$ 1,232.4	\$ 1,378.2	\$ 1,405.1	\$ 1,520.8	\$ 1,516.8
Revenues	205.0	204.7	196.0	201.9	186.1	172.0	154.7	128.4
Gross profit	57.8	57.7	61.3	67.2	58.9	56.4	51.4	61.7
EBITDA	34.2	37.1	34.9	45.8	35.4	42.3	31.3	35.6
Adjusted EBITDA	42.1	42.8	40.4	48.9	39.9	38.8	34.7	44.5
Net income (loss)	13.5	9.3	9.9	16.1	8.8	17.9	(8.8)	8.4
Earnings (loss) per share								
Basic	0.11	0.08	0.08	0.14	0.07	0.15	(0.07)	0.07
Diluted	0.11	0.08	0.08	0.13	0.07	0.15	(0.07)	0.07
Adjusted net income	27.8	18.3	21.9	26.5	22.3	3.5	18.7	13.0
Adjusted Earnings per share								
Basic	0.23	0.15	0.18	0.22	0.19	0.03	0.16	0.11
Diluted	0.23	0.15	0.18	0.22	0.18	0.03	0.15	0.10

The Company's operations historically have not experienced pronounced seasonality. The Company's revenues, gross profit, EBITDA and adjusted EBITDA period over period are affected by the stages of work on its programs and timing of backlog execution. The fluctuations in net income experienced in the first half of 2022 are largely due to non-recurring items including the transaction costs of \$21.1 million triggered by our Q2 2022 debt refinancing and the \$16.8 million of ITC income recognized in Q1 2022 pursuant to resolution of historical claims.

CONTROLS AND PROCEDURES

The Company's CEO and CFO are responsible for establishing and maintaining Disclosure Controls and Procedures (DC&P) and have caused them to be designed under their supervision to provide reasonable assurance that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosure.

At December 31, 2023, the CEO and CFO, based on investigation and advice of those under their supervision, have concluded that the design and operation of the Company's DC&P were effective and that material information relating to the Company, was made known to them and was recorded, processed, summarized, and reported within the time periods specified under applicable securities legislation.

The Company's CEO and CFO are also responsible for establishing and maintaining Internal Control over Financial Reporting (ICFR) and have caused ICFR to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our ICFR includes policies and procedures that pertain to the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS. In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 version of Internal Control – Integrated Framework.

At December 31, 2023, the CEO and CFO, based on investigation and advice of those under their supervision, have concluded that the design and operation of the Company's ICFR were effective. The CEO and CFO have also evaluated, or caused to be evaluated by those under their supervision, and concluded that there were no changes to the Company's ICFR during the year-ended December 31, 2023 that have materially affected, or reasonably likely to materially affect the Company's ICFR.

Due to the inherent limitations of DC&P and ICFR, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, management does not expect that DC&P and ICFR can prevent or detect all errors.

RISK FACTORS

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and special considerations. For additional information with respect to certain of these risks or factors, reference should be made to those described and listed under the heading “Risk Factors”, in the Company’s AIF available on SEDAR+ at www.sedarplus.com, which are incorporated by reference into this MD&A.

OUTSTANDING SHARE INFORMATION

The Company’s common shares are traded on the Toronto Stock Exchange under the symbol “MDA”. The Company is authorized to issue an unlimited number of common shares. At February 27, 2024, the Company had 119,595,541 common shares outstanding. At December 31, 2023, the details of the outstanding number of units of each type of instruments are as follows:

	December 31, 2023
Common shares outstanding	119,514,919
Outstanding instruments convertible into common shares:	
Trustee shares	79,383
Stock options	9,187,881
Restricted share units	1,126,871
Performance share units	452,777
Deferred share units	215,163

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR+ at www.sedarplus.com.

GLOSSARY OF TERMS

This glossary defines certain business, industry, technical and legal terms used in this MD&A for the convenience of the reader. It is not a comprehensive list of all defined terms used in this MD&A.

All references to the "Company", "MDA", "we", "us" or "our" refer to MDA Ltd. together with its subsidiaries or its predecessors, as the context requires.

"Acquisition" means the April 8, 2020 acquisition of the Predecessor as described in note 1 of the 2022 Audited Financial Statements

"Backlog" means the dollar sum of revenue that is expected to be recognized from firm customer contracts and carries the same meaning as remaining performance obligations that is disclosed in note 5 of our 2022 Audited Financial Statements

"CHORUS" (formerly SARnext) means the Company's initiative to build our next generation commercial EO satellite mission providing Synthetic Aperture Radar (**SAR**)-based imagery, analytics, and information services

"CSC" means Canadian Surface Combatant

"EO" means earth observation

"GEO" means geosynchronous orbit

"IFRS" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"LEO" means low Earth orbit

"MD&A" means Management's Discussion and Analysis

"MDA" means MDA Ltd., its subsidiaries or its predecessors, as the context requires.

"MEO" means medium Earth orbit

"Net Debt" means the sum of the total carrying amount of long-term debt including current portions, as presented on the consolidated statement of financial position, less cash and excluding any lease liabilities.

"Order Bookings" means the dollar sum of contract values of firm customer contracts.

"R&D" means research and development

"SAR" means Synthetic Aperture Radar