BUILDING THE SPACE BETWEEN PROVEN AND POSSIBLE

MDA

2022 MDA
Annual Report

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FINANCIAL HIGHLIGHTS

	2022	2021	±
ORDER BOOKINGS[1]	$1,155M	$768M	+50%
BACKLOG	$1,378M	$864M	+59%
REVENUES	$641M	$477M	+34%
GROSS PROFIT	$228M	$168M	+36%
GROSS MARGIN	35.6%	35.2%	+40bps
ADJUSTED EBITDA[1] (excluding non-recurring items)	$141M	$112M	+26%
ADJUSTED EBITDA MARGIN[1] (excluding non-recurring items)	22.0%	23.5%	-150bps
NET INCOME	$26M	$3M	+807%
DILUTED EPS[2]	$0.21	$0.02	+761%

1. Non-IFRS measure
2. EPS: Earnings Per Share

MDA IN 2022: BY THE NUMBERS

Satellite Systems

40% OF REVENUES

- Satellites and Sub-systems (Antennas, Electronics, Payloads)
- LEO Constellations

Geointelligence

30% OF REVENUES

- Earth Observation Missions
- Ground Stations
- Geospatial Data & Analytics

Robotics & Space Operations

30% OF REVENUES

- Space Robotics
- On-orbit Servicing & Assembly
- Exploration and Rovers

Revenue by Customer Type

- Commercial 55%
- Government 45%

Revenue by Geography

- Canada 47%
- United States 35%
- Europe 13%
- Rest of the World 5%

2700+
HIGHLY SKILLED MDA STAFF

500,000+ sq. ft.
DESIGN, MANUFACTURING & TEST FACILITIES

MARKET-DRIVEN STRATEGY

MDA is primed to strengthen and capitalize on its market position, as multiple waves in the expanding space market evolve and emerge over the next decade.

With established industry leadership and a diversified space technology portfolio driving profitable growth, we are executing on specific strategies and leveraging our competitive strengths in Satellite Systems, Geointelligence and Robotics and Space Operations.

COMMUNICATIONS SATELLITES
A premier provider of satellite constellation missions and leading merchant supplier of satellite payloads, antenna systems and subsystems.

EARTH & SPACE OBSERVATION
The space mission partner of choice for Earth Observation in Canada, and market-leading provider of space-based Synthetic Aperture Radar and space situational awareness products and services globally.

SPACE EXPLORATION & INFRASTRUCTURE
The global leader in space robotics that will enable the exploration, development and establishment of the future space economy.

TRUSTED MISSION PARTNER OF CHOICE	ANCHOR AT HOME + ACCELERATE GLOBALLY	INVESTING TO SCALE

Strategic initiatives include:

Growing Constellation Market Share – We are expanding our high-volume production capacity by investing in new satellite manufacturing facilities, equipped with state-of-the-art digital innovation and automation to better service the expanding low Earth orbit (LEO) market. These modern, scalable capabilities will give us greater capacity to capture aftermarket and replacement service revenues associated with the normal replenishment cycle of LEO satellites.

Developing Digital Solutions for Satellite Communications Industry – We are developing digital satellite technologies to support the transition from analog to digital payloads for LEO, medium Earth orbit (MEO) and geostationary orbit (GEO) satellites. This includes flexible digital payload solutions for high-demand applications such as direct-to-device, 5G backhaul and rural broadband, and enables us to offer critical solutions to satellite operators and other manufacturers lacking digital capabilities.

Expanding Market Leadership in Geointelligence – We are building on decades of commercial leadership with our fourth generation Earth Observation mission named CHORUS – a constellation that will include C-band and X-band Synthetic Aperture Radar (SAR) satellites enabled by a global network of cloud-based ground infrastructure. CHORUS will provide the broadest area SAR coverage on the market and best-in-class download times, with enhanced target monitoring performance providing near real-time (NRT) cross-cueing day or night and in all weather conditions.

Maximizing Robotics & Space Mission Participation – We are investing to expand our global leadership in space robotics and exploration mission solutions and leveraging our technologies, capabilities and deep robotics operations expertise for lunar surface infrastructure and the emerging commercial in-space servicing, assembly and manufacturing market. Our strategy includes developing a portfolio of pre-qualified and multipurpose space robotics components, including sensors, autonomous robotics and space manipulators that can be used for a variety of activities, such as debris removal, on-orbit satellite servicing and in-space assembly applications.

Strategic M&A to Complement Organic Growth – We continuously evaluate opportunities to complement our organic growth and enhance our offerings. Our M&A strategy has three pillars: (i) augment existing capabilities and our domain expertise; (ii) accelerate our technology roadmap to support strategic initiatives and our expansion into market adjacencies; and (iii) expand our presence in international geographies to access new market sectors and customers.

STRONG BUSINESS EXECUTION

Our strategy is in action and we've been executing across the business, expanding our pipeline and backlog, and maximizing our market position.

JANUARY 2022

MDA AWARDED CONTRACT FOR A 2023 MISSION TO THE MOON with an undisclosed US-based space company.

FEBRUARY 2022

MDA SELECTED AS PRIME CONTRACTOR FOR GLOBALSTAR INC.'S NEW LEO CONSTELLATION with a contract valued at approximately C$415 million. The contract includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites.

MARCH 2022

MDA AWARDED CONTRACT WORTH $269 MILLION by the Canadian Space Agency for the Phase B preliminary design of the Canadarm3 robotics system that will be used aboard the NASA-led Gateway.

MDA ANNOUNCES DETAILS OF ITS NEW GLOBAL HEADQUARTERS AND SPACE ROBOTICS CENTRE OF EXCELLENCE IN BRAMPTON, ONTARIO, supporting MDA's ongoing growth and laying the groundwork for long-term success.

APRIL 2022

MDA JOINS LOCKHEED MARTIN AND GENERAL MOTORS on next generation lunar rover development. MDA will integrate its commercial robotic arm technology into human-rated lunar mobility vehicles.

MAY 2022

MDA COMPLETES THE FIRST COMMERCIAL SALE of its products derived from Canadarm3 technology to Axiom Space. The contract included the delivery of 32 external robotic interfaces for Axiom Space's Axiom Station, which is now under construction and on schedule to be the world's first commercial space station in orbit.

JUNE 2022

MDA AWARDED CONTRACT FROM LOCKHEED MARTIN as part of the Space Development Agency Tranche 1 Transport Layer program. MDA will design and build antennas and antenna control electronics for LEO satellites.

JULY 2022

MDA AWARDED A CONTRACT FROM YORK SPACE SYSTEMS to design and build Ka-band steerable antennas for satellites as part of a space security program.

SEPTEMBER 2022

MDA SELECTED BY AIRBUS ONEWEB SATELLITES ("AOS") to design and build Ka-band steerable antennas that will be integrated into the portfolio of Arrow commercial small satellites manufactured by AOS.

MDA COMPLETES ITS SECOND COMMERCIAL SALE of its products derived from Canadarm3 technology to Axiom Space for the delivery of 62 payload interface pairs for the Axiom Station.

FEBRUARY 2023

MDA SECURES NEW CONTRACT WITH ARGENTINA'S NATIONAL TELECOMMUNICATIONS COMPANY to supply Ka-band multibeam antennas for its ARSAT-SG1 satellite – which provides high-speed internet and digital video and voice services across the country and to Bolivia, Paraguay and Chile.

OUR MISSION

To build the space between proven and possible.

OUR PURPOSE

“We’ll take you there”

The space between a bold vision and a mission-critical can’t-fail mindset. That’s the space where success happens, where ingenuity and innovation find confidence and expertise that bring it to life.

This is MDA’s space – the place where we use everything we’ve invented and learned to enable some of the most ambitious and awe-inspiring missions happening today.

We take the partners we work with wherever they want to go – and we do it by listening and adapting, solving problems, staying a step ahead, and using our unique position at the centre of the industry as a base for collaboration.

With know-how from hundreds of projects that started with a single spark, we have what it takes to turn an audacious vision into an achievable mission – a one-of-a-kind mix of experience, engineering excellence and wide-eyed wonder that’s been in our DNA since day one. We bring bold vision down to earth so others can reach high above.

For those with audacious dreams, we’re the ideal point of entry, right between proven and possible.

This is the space enabled by MDA.

OUR VALUES

PUT THE CUSTOMER MISSION FIRST

· We have a passion for space and our customers' missions.
· We listen, prioritize and collaborate to ensure customer mission success.
· We bring full mission solutions as required — technical and teaming.

BE EXCEPTIONAL

· We strive for excellence in all that we do.
· We solve hard problems.
· We stay a step ahead to innovate and enable customers' solutions.

DO THE RIGHT THING

· We are ethical in all that we do.
· We ask "why?" and we determine the true problem that needs to be solved and solve it.
· We take ownership of our work and responsibility for the outcomes.

ALWAYS DELIVER

· We always deliver on our commitments to our customers, our partners, and to each other.
· We don't give up. We are passionate about what we do. We are resilient. We find the right technical and business solutions.
· We deliver effective business outcomes for all our stakeholders.

BETTER TOGETHER

· We are a diverse and inclusive team.
· We collaborate with our customers, partners and suppliers, and with each other.
· We "pass it on" from one generation to the next – building the next wave of talent.
· We build our communities and give back – connecting our business to people's lives.

LETTER TO SHAREHOLDERS

New customers. New technology. New facilities. Hundreds of additional new staff.

In 2022, MDA reached new heights on multiple fronts – and we did it by executing, innovating and seizing new opportunities in the global space economy. As that market continues to emerge, MDA is capitalizing on it.

By the numbers, it was another year of strong growth: our revenues grew to $641 million, up 34% year over year. We posted solid profitability with adjusted EBITDA (excluding non-recurring items)[1] of $141 million, up 26% year over year, and adjusted EBITDA margin (excluding non-recurring items)[1] of 22% driven by our team's execution. Our backlog at year-end stood at $1.38 billion, up 59% over the prior year, and at a level that sets us up well for 2023 and beyond. I am also extremely proud of our sustained ability to fund growth with cash from operations. In 2022, MDA generated $57 million in operating cash flow which was reinvested in the business to support multiple growth initiatives.

In 2022, our team also made significant and strategic gains in some of the fastest growing areas of the space economy, announcing a steady stream of new strategic contracts to advance our position in the rapidly expanding market.

In February, MDA took a sizeable step up the satellite market value chain when we were selected as the prime contractor for Globalstar's new low Earth orbit (LEO) constellation, which will support Apple's direct-to-device functionality.

In March, the Canadian Space Agency (CSA) awarded us the contract for the next phase of Canadarm3 which will see MDA leading the preliminary design of the next generation, industry-leading robotics system to be used aboard the NASA-led Gateway space station in orbit around the Moon.

In April, we announced a first-of-its-kind development program with Lockheed Martin and General Motors to integrate MDA's commercial robotic arm technology on their planned human-rated lunar mobility vehicles – which will be used by astronauts as part of NASA's Artemis program to return humans to the Moon.

In May, we announced the first of two commercial robotics contracts with Axiom Space to provide external robotic interfaces for Axiom Station, now under construction and on schedule to be the world's first commercial space station in orbit.

Over the summer, we announced a series of contracts with US prime contractors – including Lockheed Martin, York Space Systems and Airbus OneWeb Satellites – to support a number of space security and LEO communication constellations.

And our team also made significant progress on CHORUS – our next generation commercial Earth observation mission – that will provide even greater capabilities and intelligence to help tackle global issues including climate change and the sustainability of the world's oceans, among others. Incorporating C-band and X-band SAR satellites operating in a unique mid-inclination orbit, this revolutionary constellation will provide

$641M

2022 REVENUES (+34% YoY)

$141M

ADJUSTED EBITDA (EXCLUDING NON-RECURRING ITEMS)[1] (+26% YoY)

$1.38B

BACKLOG (+59% YoY)

1. Non-IFRS measure; refer to 2022 financials for reconciliation of non-IFRS to IFRS measures.

the most extensive radar imaging capacity available on the market, with higher imaging performance, higher frequency imaging, more imaging time per orbit, fast tasking, and near real-time delivery. MDA's team has already conducted the mission Critical Design Review (CDR) and started unit level build activities, both major development milestones in bringing to market this industry-leading innovation and capability.

More than 2,700+ highly skilled MDA staff are powering our growth and giving us the scope and scale to execute on these opportunities and more.

MDA is in a market that is accelerating and I am incredibly proud of our entire team for rising to the challenge and delivering such an impressive 12 months of growth, execution, innovation and expansion. But this is just the beginning. We are in the early days of a decade long growth cycle playing out in our end markets, and MDA is uniquely qualified and well-positioned to meet the moment and respond to increasing customer demand.

A strategy to capitalize on market waves

With a diversified space technology portfolio that is already driving profitable growth, MDA is ideally placed to strengthen our market position and capitalize on multiple waves of the expanding space market as they evolve and emerge.

We are leveraging world-leading competitive strengths in Satellite Systems, Geointelligence, Robotics & Space Operations to accelerate our growth – executing specific strategies for each sector while investing in research and development, manufacturing, product development, and in scaling the business. And we are seeing our strategy translated into tangible results.

We're seeing expansion in Satellite Systems, where the market for LEO satellite constellations is growing and where MDA is designing and developing constellations and satellites systems that enable a wide range of applications – everything from communications and broadband internet to the Internet of Things (IoT) and direct-to-device mobile functionality. Our investments in digital payload technologies are accelerating our strong market position across this growing space communications sector.

We're seeing growing need and interest for Geointelligence information and insight about what is happening around the world, with rising customer demand for our existing Earth observation data and analytics services – driving even greater interest in our next generation platform CHORUS. Our investments in CHORUS and in multi-sensor fusion applications to integrate output from multiple sensor types to create valuable information products for our global customer base continues our decades-long leadership in areas such as maritime domain awareness.

We're seeing growth in Robotics & Space Operations, where we are building Canadarm3, the third-generation robotic arm which will be Canada's contribution to NASA's Artemis program and the return of humans to the Moon. And we're leveraging Canadarm3 technology to meet the emerging demand of a commercial customer base with our investments in the evolution and management of new product lines for space robotics.

In each of our business areas, we are creating real and lasting solutions for complex problems faced here on Earth. We are moving from vision and aspiration to execution and expansion, from conceptualizing big ideas to the practical application of them.

A growth mindset in a growing market

The space market continues to expand at a healthy clip, growing to US$424 billion in 2022, an increase of 8% over the prior year. We are seeing more governments around the globe invest in space, with 86 nations spending a total of US$103 billion in 2022, up 9% year over year. And that growth is projected to continue, with market research firm Euroconsult estimating that the space market will reach US$737 billion within a decade, and the US Chamber of Commerce forecasting that the space economy will exceed US$1.5 trillion by 2040. With more than 2,700 staff in Canada, the United States and United Kingdom fully focused on this key market, MDA has an enviable talent pool to capitalize on this opportunity.

In terms of space infrastructure, spacecraft launch activity continued to unfold at a record pace; in 2022, a total of 2,521 spacecraft launched globally, an increase of 36% versus last year, with 89% of those spacecraft operated by commercial players and the majority comprised of communications satellites.

Recognizing the global market opportunity, the Canadian federal government recently announced a series of new space investments and initiatives. In January 2023, the government announced strategic support for the development of domestic commercial space launch capabilities. That was quickly followed up in March, as part of Budget 2023, with the following commitments:

- $1.1 billion over 14 years, starting in 2023-24, on a cash basis, to continue Canada's participation in the International Space Station until 2030
- $1.2 billion over 13 years, starting in 2024-25, to develop and contribute a lunar utility vehicle including a new flagship robotics mission to assist astronauts on the Moon

These back-to-back commitments signal not only the speed of the market opportunity before us, but the growing importance of the space economy on a national level.

Canada is not alone in taking bold moves and making new investments. Recognizing a growing business and industrial opportunity, more than 75 government space agencies now exist around the world. And as launch costs steadily decrease, more private companies are gaining access to space for the first time, spurring greater commercial activity and investments.

A market with momentum

At the end of 2022, we saw the first big step in humanity's return to the Moon with the successful Artemis I mission, an exciting moment in history that has ignited and accelerated momentum in the space industry. This has been followed in early 2023 with the announcement that Canadian astronaut Jeremy Hansen will be a member of the Artemis II crew – a crew assignment enabled by Canada's contribution of Canadarm3 to Gateway, the NASA-led space station.

With a steady stream of additional Artemis missions scheduled to take place over the next decade, each successive voyage will further expand the Earth-to-Moon economy, driven by global space innovation and investment – including the construction of Gateway. Soon, the first woman and person of colour will land on the Moon, and nations will work collaboratively to build long-term lunar colonies.

2022 A MILESTONE YEAR FOR THE SPACE MARKET

US$424B
GLOBAL SPACE MARKET (+8% YoY)

US$103B
GLOBAL GOVERNMENT SPACE BUDGETS (+9% YoY, ALL TIME HIGH)

US$48B
GLOBAL DEFENCE SPENDING IN SPACE (+16% YoY)

186
GLOBAL LAUNCH ATTEMPTS (+27% YoY, A NEW RECORD)

2521
SPACECRAFT LAUNCHED (+36% YoY, A NEW RECORD)

1ST
IMAGES FROM JAMES WEBB SPACE TELESCOPE

1ST
SUCCESSFUL ARTEMIS LAUNCH

Governments around the world are working in unison right now to create this reality with the infrastructure and technology already produced or in development, and the rocket boosters and payloads that will carry those missions already ordered. And those missions will include multiple MDA products and technologies.

The space enabled by MDA

Nations around the world are increasingly realizing that space is a strong economic engine; that the work we do among the stars has a tangible and meaningful impact on how people live here on Earth.

MDA is proud to be one of the leading innovators powering that engine.

We have the heritage, the expertise and the vision to develop space systems that are the best in the world.

And, perhaps most importantly, we have a talented and dynamic team who can get the job done, with a set of shared values that align us and propel us forward. These values include our commitment to Put the Customer Mission First, to Be Exceptional, to Do the Right Thing, to Always Deliver, and to maximize the impact that we are Better Together.

MDA employees are ambitious and driven, working day after day to bring our vision and mission to life, and to literally connect the world from space. Our people are committed, diverse and highly skilled; they are smart, kind and humble; they are the heart, soul and success of our company.

I want to thank all of my colleagues for what MDA achieved in 2022, and the work they continue to do every day to secure MDA's privileged position as one of the most collaborative and innovative space partners on the planet.

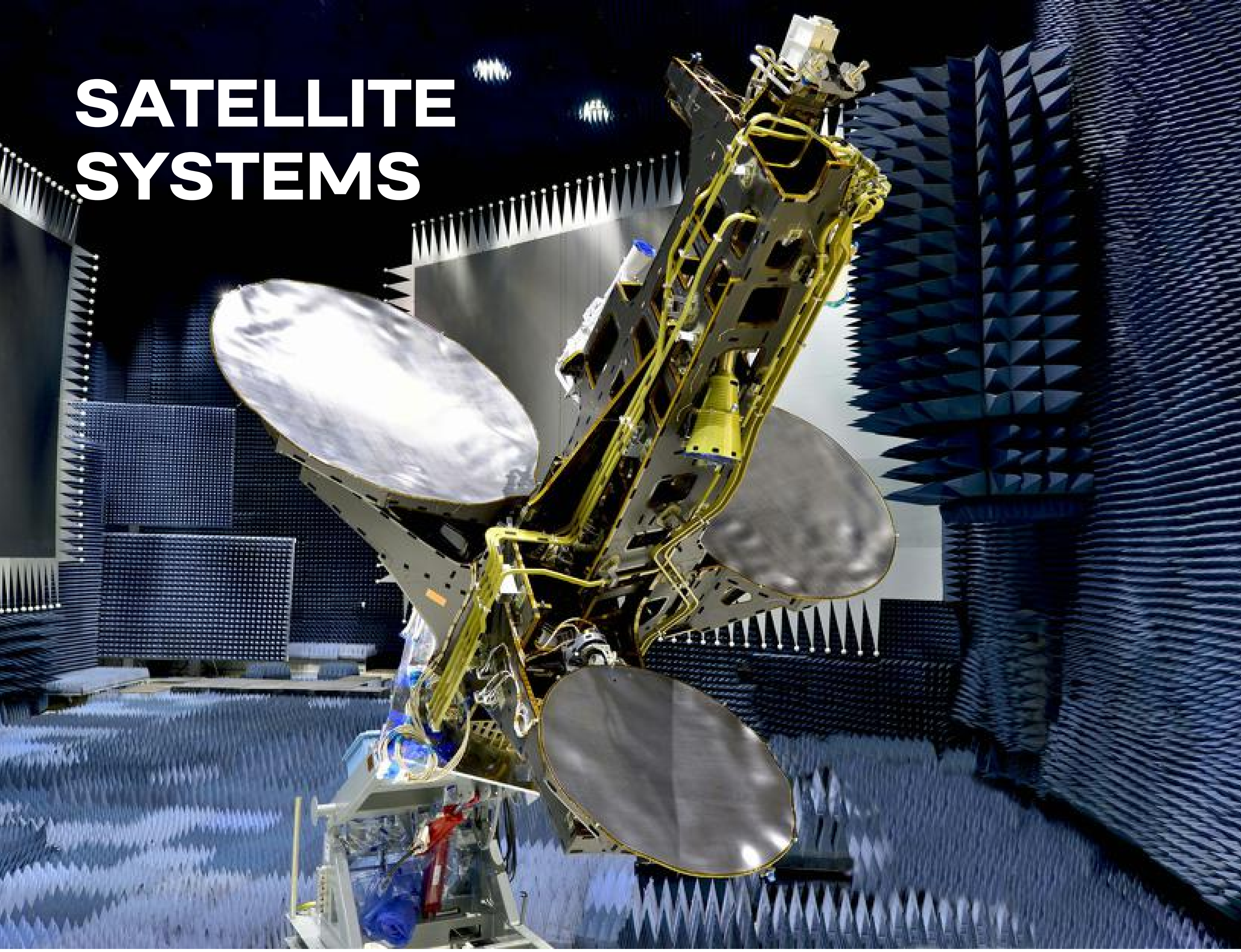
As we head into 2023 and beyond, our team is energized by the strong momentum and positive trends we are seeing in our end markets. We believe we have the right technology portfolio to continue capitalizing on these opportunities, and we are energized knowing that our mission – as a company, a global space mission partner and as part of the international community – is to build the space between proven and possible.

That is the space enabled by MDA, and we thank you for joining us on this journey.

Sincerely,

Mike Greenley
CHIEF EXECUTIVE OFFICER

SATELLITE SYSTEMS



Industry 5.0 satellite constellations and technology

In Satellite Systems, we are building on our decades-long history of producing large, bespoke satellites for geostationary orbit to exceed customer expectations, while simultaneously addressing the new market demand for high volumes of satellites for non-geostationary constellations. We are flexible and agile, and are committed to our customers' missions.

As a prime contractor and a supplier of satellite systems and sub-systems, commercial and government customers worldwide trust MDA to provide antennas, electronics and payloads in low Earth orbit (LEO), medium Earth orbit (MEO) and geostationary orbit (GEO). Our strategic vision to embrace new manufacturing techniques and software-defined satellite payloads has placed MDA in a global leadership position. MDA is well placed to support our customers now and into the future.

A premier provider of satellite constellation missions and leading merchant supplier of satellite systems and subsystems including antennas, electronics and payloads.

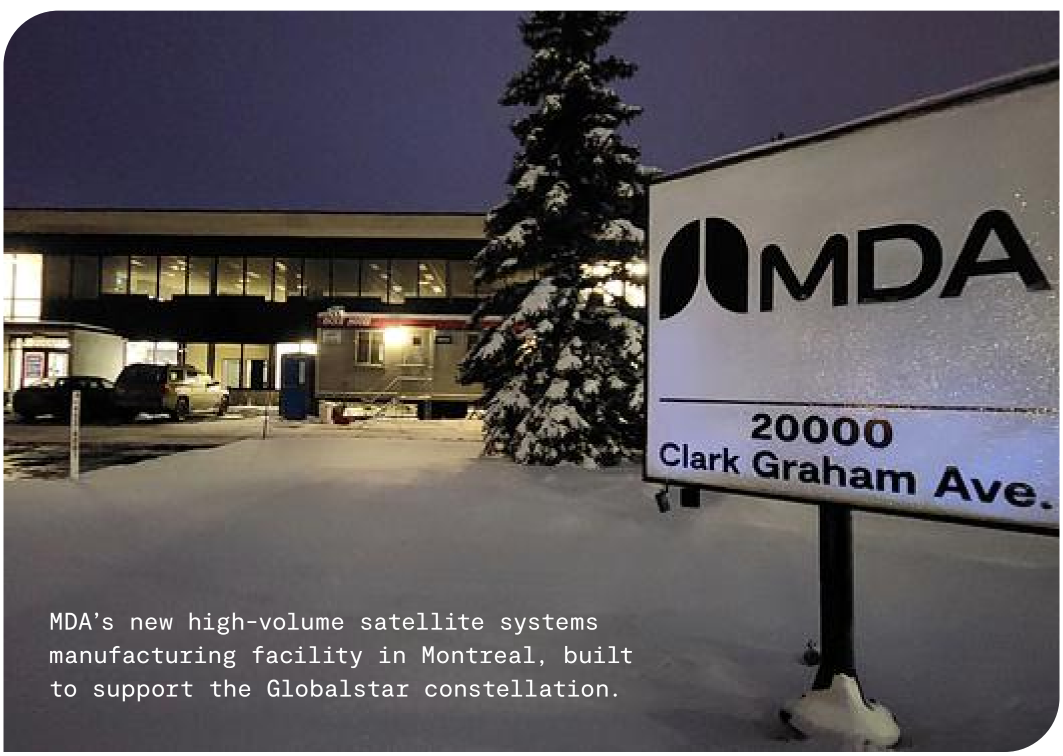
Our next generation communication technologies consistently deliver space-based broadband Internet and direct satellite-to-device connectivity from non-geostationary orbit (NGSO) – which includes LEO and MEO satellite constellations – as well as solutions that span the full communication frequency spectrum.

We are also building on our heritage of providing satellite subsystems for constellations such as O3b, Iridium NEXT, and OneWeb to bring next-generation capabilities to future NGSO constellations.

Our state-of-the-art high-volume satellite production facility in Montreal contains one of the largest compact ranges for satellite testing in the world. It also has one of the largest near field ranges in the world, and a wide variety of thermal, environmental, Passive Inter-Modulation (PIM) and vibration test facilities. MDA also recently established a fifth generation manufacturing environment employing robotic assembly to rapidly manufacture satellite constellations.

Our new facility enables MDA to act as a satellite prime contractor — highlighted in February 2022 when we announced MDA would serve as Globalstar's new LEO constellation provider. As part of this contract, MDA will be responsible for designing, manufacturing, assembling and testing 17 satellites — with the option for Globalstar to purchase up to nine additional satellites.

In 2022, we also announced a series of strategic awards from US-based customers to support government space security and communications satellites. These awards, including a contract with Lockheed Martin to support the Tranche 1 Transport Layer LEO constellation for the U.S. Department of Defense (DoD) Space Development Agency, represent MDA's early entry into this growing market opportunity and are in line with our strategy to expand our role in the NGSO constellation market for both civilian and defence applications.



MDA's new high-volume satellite systems manufacturing facility in Montreal, built to support the Globalstar constellation.

Our antenna products include: Phased Array antennas, UHF antennas, L-band arrays, C and Ku reflector antennas, Ka-band multi-beam antennas, steerable antennas, and Q/V/E antennas

Our electronics products include: avionics, software-defined radios, on-board processors, command and control, on-board signal processing, single board computers, frequency generation, frequency converters, amplifiers and power conditioners

Our payload products and services include: communication payload design, manufacturing, integration and verification solutions for customers

TO DATE, MDA HAS DELIVERED

2000+
ANTENNA SUBSYSTEMS

3000+
ELECTRONIC SUBSYSTEMS

ON **950+**
SATELLITES IN VARIOUS ORBITS

MDA TECHNOLOGY HAS BEEN INTEGRATED INTO

350+
SATELLITE MISSIONS TO DATE

GEOINTELLIGENCE

Enhancing how and when we see the world

In Geointelligence, we are providing vertically integrated Earth observation solutions, from designing and building C-band synthetic aperture radar satellites and multi-sensor ground systems, to satellite imagery, data products and analytic services. Since 1995, our industry-leading capabilities have provided decision-makers with actionable information insights to address some of the world's most pressing challenges. Government and commercial organizations around the world trust MDA to provide them with the information they need, when they need it.

As owner and operator of RADARSAT-2, we are proud to be one of the largest space-based radar information providers in world — collecting, processing and disseminating Earth intelligence from space to global customers. Our advanced Earth observation systems operate under all weather conditions — day or night — to provide access to near real-time imagery 24 hours a day, 365 days year.

MDA's extensive information archive covers approximately 90 billion square kilometres of the Earth's surface with more than one million images, serving as a vast foundation for change detection analytics.

Space mission partner of choice for Earth Observation in Canada and market-leading provider of space-based SAR and space situational awareness products and services globally.

MDA's full suite of advanced Geointelligence solutions provide our customers with timely, accurate and mission-critical information. We deliver information and actionable insights in minutes for a wide variety of applications and sectors — including environmental monitoring, maritime domain awareness, national security and defence applications, urban planning, land use, energy and resource utilization, and agriculture and forestry management.

Our end-to-end solutions include a full range of multi-satellite ground stations that receive, process, distribute, archive and exploit imagery from RADARSAT-2 and other satellites. We have installed more than 70 receiving ground stations in more than 25 different countries, which, over time, have processed data from over 20 different satellites.

CHORUS

The next generation of Earth observation

MDA's new multi-sensor Earth observation constellation, CHORUS, is in development and will open the aperture — and the art of the possible — harmonizing a multitude of unique perspectives to provide new insights about our planet.

Building on the legendary RADARSAT program, CHORUS will provide the most extensive satellite radar imaging capacity in the market in one system. With advanced C-band and X-band SAR, innovative new technologies and modern operations concepts, it will deliver next-generation Earth observation data, imagery and analytics, with tipping and cueing, client-controlled priority tasking, and subscription-based services.

"The greatest moments in Earth exploration happen collaboratively, when diverse insights and information are united to create something bigger and more meaningful. With C-band SAR, we can find a needle in a haystack. And with the addition of X-band data, we will be able to thread that needle. By pushing the envelope and creating flexibility to integrate additional data sources and sensors, we change how and when we see the world."

MIKE GREENLEY, CHIEF EXECUTIVE OFFICER, MDA

5000+

RADARSAT-2 IMAGES ACQUIRED TO TRACK CHANGES TO THE ANTARCTIC ICE SHEET (AN IMPORTANT CLIMATE CHANGE INDICATOR)

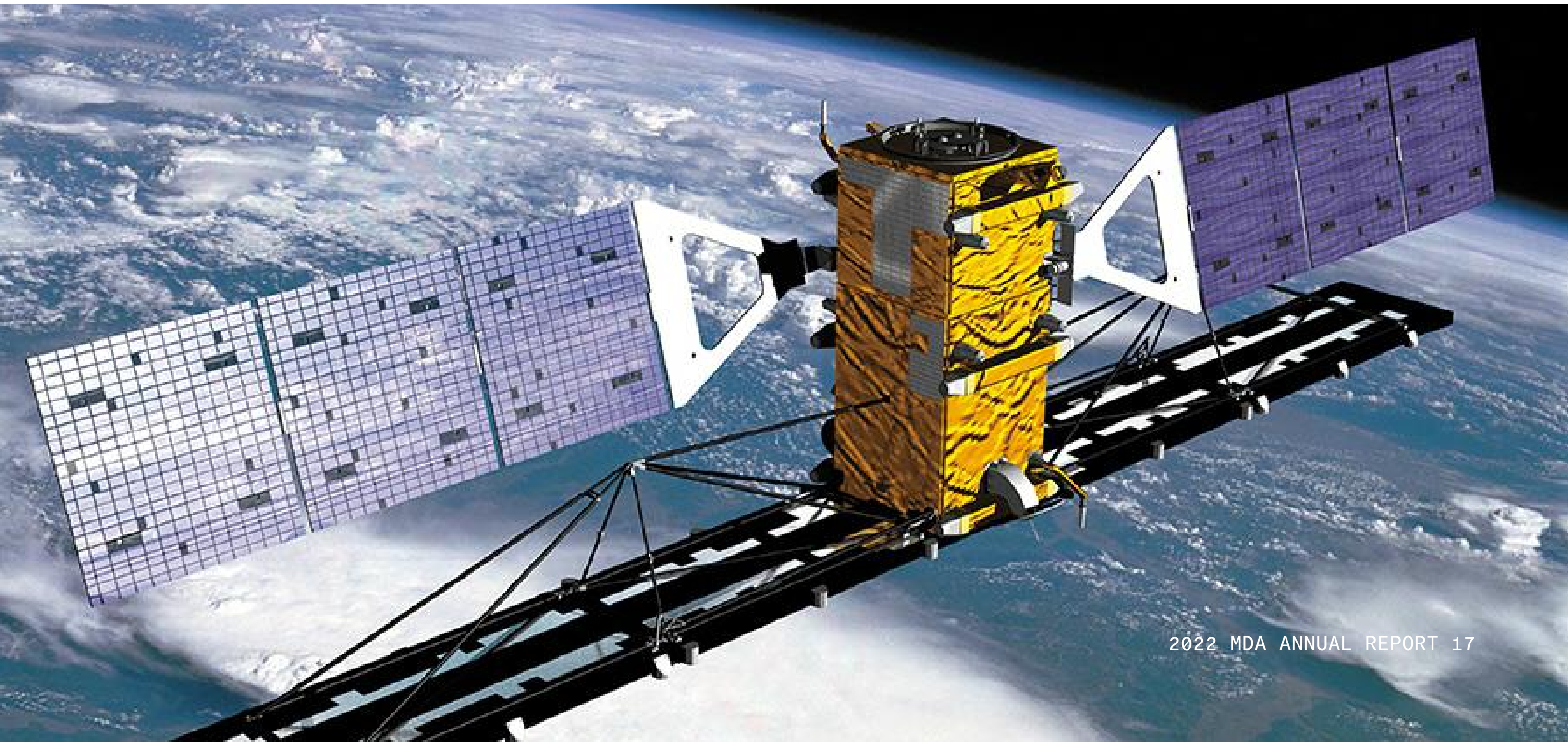
1M+

IMAGES CAPTURED SINCE THE COMMISSIONING OF RADARSAT-2

4000+

EARTH OBSERVATION ANALYTICS PRODUCTS PROVIDED, INCLUDING:

- ILLEGAL, UNREPORTED AND UNREGULATED FISHING REPORTS
- FOREST ALERTS
- INTERFEROMETRICS THAT SHOW CHANGES IN ELEVATION OF THE EARTH SURFACE
- INFORMATION PROFILING URBAN CHANGE



ROBOTICS & SPACE OPERATIONS

Developing iconic infrastructure to enable space exploration, science and commerce

In Robotics & Space Operations, we are building on our proud 40+ year history in space robotics for the Space Shuttle program and the International Space Station (ISS) to further humanity's reach. Our next-generation autonomous robotics and vision systems and sensors will enable exploration in Earth orbit, deep space and on the surface of the Moon and Mars.

MDA's industry-leading design and operations capabilities are critical for advanced space applications including space station operations, in-space servicing, assembly and manufacturing, surface mobility, space tourism and space mining.

As part of NASA's Artemis program, we are working on the most advanced and capable space robotics system in the world — Canadarm3 — the third generation of this iconic robotic system. Canadarm3 will operate on the Gateway lunar-orbiting outpost and deploy innovations in space technology, like AI-based robotics systems, machine vision

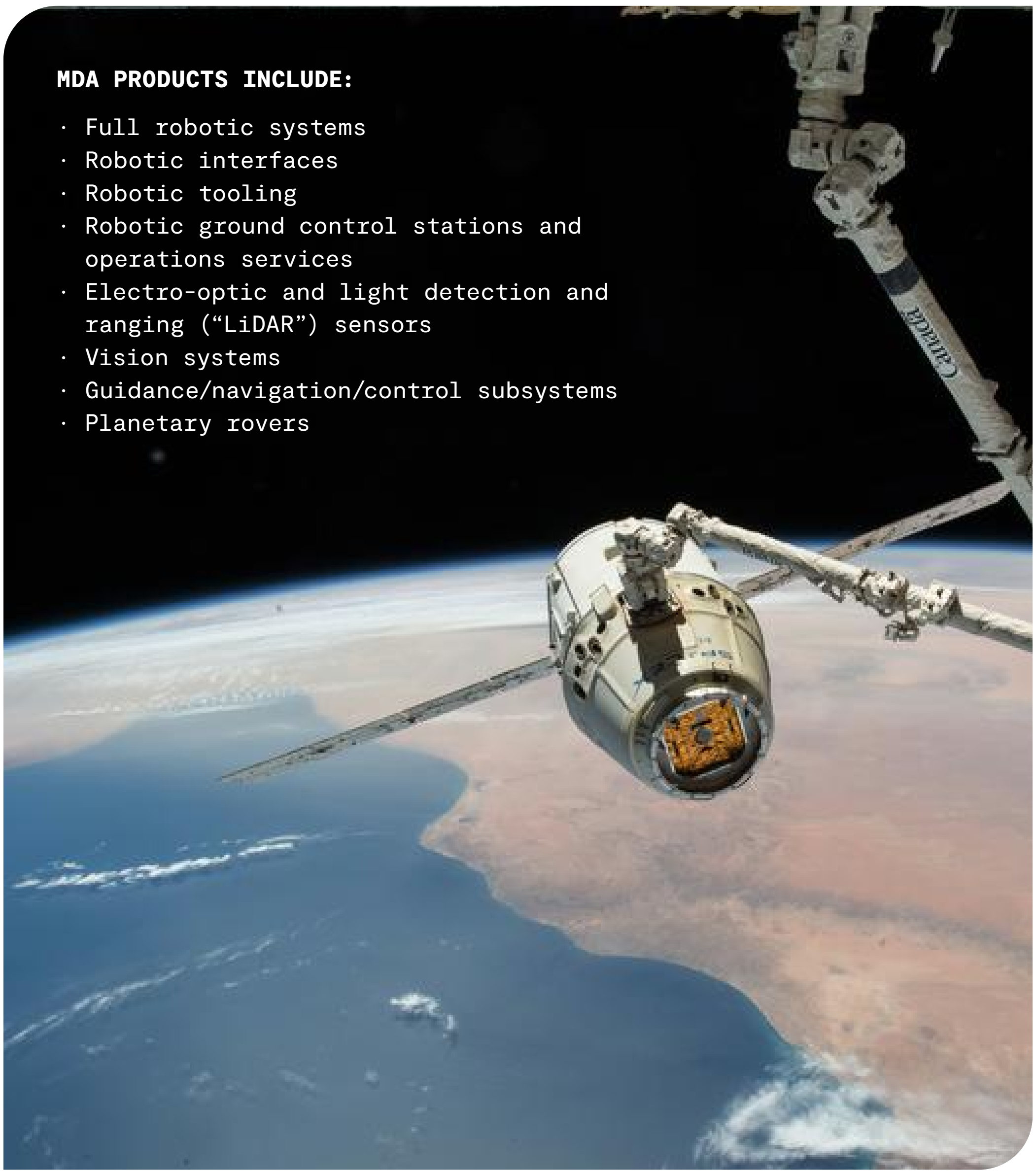
Global leader in space robotics enabling the exploration, development and establishment of the future space economy.

and advanced software to enable the arm to perform mission-critical tasks without human intervention from Earth.

Historical demand for space robotics and mission-support services has been primarily driven by ISS activities. However, an increase in low Earth orbit commercial space station activity is driving demand for emerging commercial solutions in on-orbit servicing, such as the assembly, upgrade, repair, relocation and refueling of satellites in orbit and in-space manufacturing.

In 2022, MDA secured two contracts for commercial derivatives of Canadarm3 technology with Houston-based Axiom Space for Axiom Station, which aims to become the world's first commercial space station.

As the world gears up for missions that will return humanity to the Moon — and beyond — MDA's space robotics and operations capabilities are ready to support our customers through cargo logistics, surface mobility, infrastructure construction, and resource extraction and transport.



MDA PRODUCTS INCLUDE:

- Full robotic systems
- Robotic interfaces
- Robotic tooling
- Robotic ground control stations and operations services
- Electro-optic and light detection and ranging ("LiDAR") sensors
- Vision systems
- Guidance/navigation/control subsystems
- Planetary rovers

FACTS & FIGURES FOR 2022:

78,796
ROBOTICS COMMANDS EXECUTED

2500+
ROBOTICS COMMANDS EXECUTED USING NEW AUTONOMOUS OPERATIONS SOFTWARE DEVELOPED BY MDA

127
DAYS THAT THAT ROBOTIC OPERATIONS WERE PERFORMED

45
PAYLOADS GRASPED BY DEXTRE

26
ROBOTICALLY-PERFORMED HEALTH INSPECTIONS OF ISS COMPONENTS OR VISITING SPACECRAFT

10
YEARS OF MDA SENSOR OPERATIONS ON NASA'S MARS CURIOSITY ROVER

7
SPACEWALKS SUPPORTED BY MDA-BUILT ROBOTICS

3
CAPTURE AND RELEASE OF VISITING FREE-FLYING SPACECRAFT

ENVIRONMENTAL & SOCIAL IMPACT

MDA's RADARSAT-2 imagery shows what started as a massive 1,550 square kilometre iceberg — twice as big as the city of Toronto — that broke off Brunt Ice Shelf in Antarctica in February 2023. Of the 50+ essential variables used to measure global climate change, more than half are best or only measured from space.

MDA space-based technology and its Earth-bound derivatives are helping to tackle some of the biggest problems facing our planet and the people who inhabit it.

Our company actively strives to conduct all business in a sustainable, equitable and ethical manner, and our business solutions and advanced space technology enables us to participate in multiple environmental and social endeavours.

From our ability to monitor, measure and report on climate change, and the natural ecosystem at risk, including threats posed by illegal fishing, to enabling life-saving satellite search and rescue and precision breast biopsy diagnostics, we take pride in the many ways that MDA technology is making an impact on our fellow citizens and helping to build a safe and sustainable future.

"MDA believes in using space-based technology to make life better on Earth."

MIKE GREENLEY,
CHIEF EXECUTIVE OFFICER,
MDA

Sharing MDA data to address illegal fishing

According to the United Nations, illegal, unreported and unregulated (IUU) fishing is the planet's sixth largest crime, as 20 per cent of the over 90 million tonnes of fish caught globally each year are captured illegally.

In 2022, MDA provided Global Fishing Watch (GFW) — an international non-governmental organization committed to advancing the sustainability of our oceans through increased transparency — with free access to our RADARSAT-2 satellite radar archive. The RADARSAT-2 archive represents a 15-year historical record of the Earth and includes more than one million SAR images covering 26 billion square kilometres of ocean regions. GFW is leveraging the archive to map IUU fishing patterns using science-based analytics that will be used by international policymakers, conservationists and researchers to more effectively fight illegal fishing practices.

"Global Fishing Watch is revealing human activity in the ocean and making it freely available to the world. MDA's RADARSAT-2 satellite imagery, combined with our AI and datasets, has the potential to revolutionize understanding of the marine environment by shining a light on hidden and suspicious fishing activity. We applaud MDA's ground-breaking contribution to ocean management and are excited to harness their imagery to help rein in the outlaw ocean and bring greater transparency to what happens at sea."

TONY LONG,
CHIEF EXECUTIVE OFFICER,
GLOBAL FISHING WATCH

Building satellites that enable life-saving search and rescue

Satellites play a critical role in our daily lives, providing vital services and communication to individuals, industry and government agencies around the world. In North America, with our vast geography and long coastlines, MDA's satellite technology supports a variety of critical applications, including life-saving search and rescue.

MDA is an active participant in Canada's Medium Earth Orbit Search and Rescue (MEOSAR) program, which, once completed, will dramatically improve the speed and location accuracy for detection of emergency locator beacons, significantly enhancing the coordination and dispatch of search and rescue teams to help people in distress.

In 2022, the MDA team successfully completed a MEOSAR Critical Design Review (CDR), which included attendees from Canada's Department of National Defence (DND), Lockheed Martin, NASA and the US Space Force.

Looking ahead, the MDA team is focusing on flight model production as we work to deliver 11 search and rescue flight payloads.

Using precision robotics to diagnose breast cancer

According to the Canadian Breast Cancer Network, 40 per cent of women have dense breast tissue putting them at greater risk of developing breast cancer. Early and accurate diagnosis is critical to outcomes but because tumours and dense breast tissue both appear white on a mammogram, detecting and diagnosing breast cancer using traditional mammography alone can be difficult.

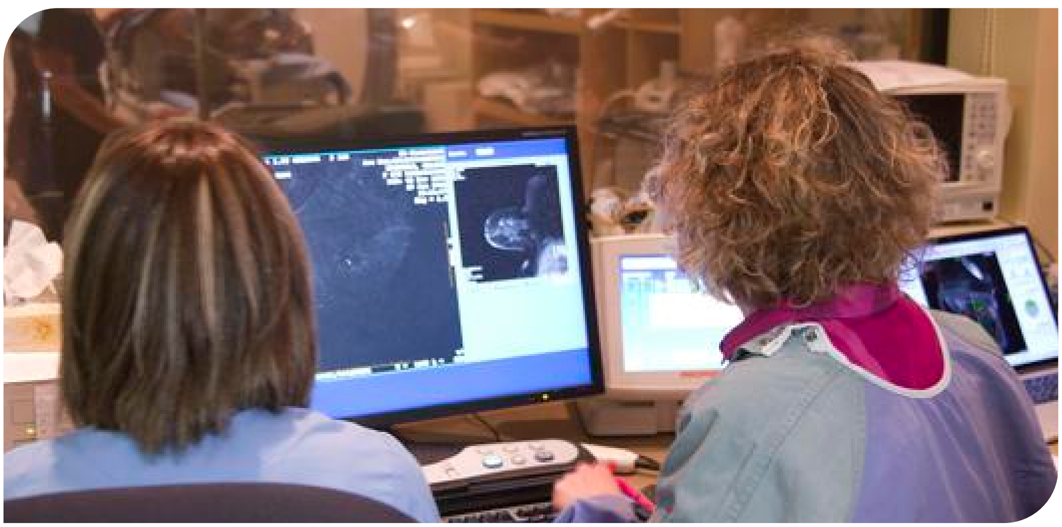
To overcome these issues, MRIs offer an important alternative diagnostic tool for women with a higher risk of developing breast cancer. However, maneuvering themselves along with instruments in a small MRI space can be difficult for doctors. A more precise tool is needed to safely, accurately and effectively perform biopsies, allowing physicians to better prepare for treatment.

With the support of MDA and technology derived from our world-renowned robotics, Insight Medbotics, a Canadian company focused on improving breast cancer detection, is developing a tool to address this need. Leveraging technology and software derived from Canadarm2 and Dextre, Insight Medbotics' Image Guided Automated Robot (IGAR) is designed to work within the limited MRI space with tools that maximize the accuracy and precision of biopsies.

Canadarm2 was built to help astronauts accomplish complex tasks in space — now Insight Medbotics is using that same technology to help medical professionals accomplish complex tasks in a clinical setting. IGAR shows how technology developed for one environment can be adapted and applied to address needs in a different field entirely, and that there are no limits when it comes to inspiration and innovation.

"As the population continues to age, developing new ways to detect and treat breast cancer in women will be more critical to women's healthcare than ever before. It is important to women everywhere with breast cancer that we improve their care, outcomes and quality of life. IGAR offers superior accuracy and precision in the care of these women which can result in minimally- and non-invasive therapeutic interventions, which can have a major impact on their recovery."

DR. SUSAN REID, PROFESSOR EMERITUS, AND PAST CHAIR, FACULTY OF HEALTH SCIENCES, MCMASTER UNIVERSITY



Increasing focus on Environmental, Social and Governance (ESG)

In 2022, MDA worked with a third-party ESG advisor to identify material topics and develop an overarching corporate ESG strategy, while also completing consultations with MDA's management team, Board of Directors, and investors.

In 2023, we will continue to advance our ESG strategy, including further consultations with a broader group of MDA's workforce to complete an ESG inventory and identify areas for additional focus in the coming years.

FORWARD LOOKING STATEMENTS

This Annual Report contains forward–looking information within the meaning of applicable securities legislation, which reflects the MDA's current expectations regarding future events. Forward–looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond MDA's control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward–looking information Please review the cautionary language, beginning at p. M-3 of the Management Discussion & Analysis attached to this Annual Report regarding various factors, assumptions and risks that could cause actual results to differ. MDA does not undertake any obligation to update such forward–looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

MDA LTD.

Management's Discussion and Analysis

For the Fourth Quarters and Years Ended
December 31, 2022 and 2021

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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, 2022 and its consolidated operating results for the fourth quarters and years ended December 31, 2022 and 2021. The MD&A should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the Company's audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021 ("**2022 Audited Financial Statements**") filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.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 2022" or "this quarter" are to the fiscal quarter ended December 31, 2022 and references to "Q4 2021" are to the fiscal quarter ended December 31, 2021. The MD&A is current to March 22, 2023, 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 2022 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, 2022 (AIF) available on SEDAR at www.sedar.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, 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".

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 2022 Audited 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

We are an advanced technology, solutions and services provider to the burgeoning global space industry and play a critical role in enabling space-based connectivity, enhanced earth observation and exploration and in-space infrastructure development. With world-class engineering capabilities, space mission expertise, and a portfolio of cutting-edge, next generation space technologies, we are the partner of choice for government agencies, prime contractors, and emerging space companies worldwide.

Today we employ over 2,700 staff spread across Canada, the UK, and the USA. We are differentiated by factors including our long track record of success and innovation in space; our profitable operations; the breadth of our customer relationships; our experienced team of approximately 1,300 engineers averaging over 8 years of tenure with the Company; consistent investment in research and development and innovation; some of the most advanced equipment and resources in the industry; and MDA's world class portfolio of successful projects, technologies, and patents.

Across our three business areas, **Geointelligence**, **Robotics & Space Operations**, and **Satellite Systems,** we serve nearly every sector of the rapidly growing space economy, with mission expertise and technology tailored to new space applications.

In **Geointelligence**, we provide end-to-end solutions and services related to Earth Observation (EO) and defence intelligence systems. We use satellite-generated imagery and analytic services to deliver critical and value-added insights for a wide range of use cases, including in the areas of national security, climate change monitoring, and maritime surveillance. We own and operate worldwide commercial data distribution for MDA's own satellite (RADARSAT-2) and act as a distributor for many other third party missions. We also derive revenue from products and services related to defence intelligence systems.

In **Robotics & Space Operations**, we enable humanity's exploration and development of space infrastructure by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our innovative technologies are used for exploration mobility, space manipulation, control and autonomy, perception, robotic interfaces, vision and landing sensor systems, and on-orbit servicing.

In **Satellite Systems**, we provide systems and subsystems (including antennas, payloads and electronics) used in LEO (low earth orbit), MEO (medium earth orbit), and GEO (geosynchronous orbit) satellites for commercial and government customers worldwide. Our robotics based manufacturing environment enables us to offer high volume production capabilities for satellite constellations. Our solutions enable space-based services, including next generation communication technologies designed to deliver broadband Internet and direct satellite-to-device connectivity from LEO satellite constellations as well as solutions that span across the full communication frequency spectrum.

Our focus on technological innovation, coupled with mission-tested solutions has contributed to many of humanity's landmark achievements in space, and we expect to continue to play a major role in leading the space industry into the future.

COMPETITIVE STRENGTHS

As a leader in the space economy with a proven track record, we are well positioned to provide innovative, mission critical solutions to a wide range of customers. Our key competitive strengths include:

Full Mission Expertise and Advanced Technologies Tailored for the New Space Economy

We provide a cutting edge, end-to-end offering of technologies and solutions in each of our business areas. This differentiated full mission expertise enables us to deliver a seamless solution to customers in the fast-paced new space economy.

- In Geointelligence, we own and operate one of the world's most technologically sophisticated, taskable wide area SAR satellites (RADARSAT-2) and have developed one of the world's largest multi-sensor ground station networks. Our integrated satellite and ground station network, combined with our value-added analytics capabilities, enables us to deliver an industry leading and fully integrated EO solution to our customers. Our ability to provide actionable information in near real-time through this integrated solution offering differentiates us from competitors who lack a fully integrated solution.
- In Robotics & Space Operations, we possess industry leading and end-to-end technological capabilities underscored by a rich patent portfolio and extensive on-orbit operational expertise. These technological capabilities enable us to provide mission critical solutions for advanced space applications including space station operations, on-orbit servicing, in-space manufacturing and assembly, space tourism, and space mining.
- In Satellite Systems, we have high volume assembly, integration, and testing facilities with differentiated technologies and expertise across the full spectrum of electromagnetic bands. These facilities, technologies, and expertise enable us to deliver customized solutions and aftermarket and replacement services at a pace that we believe is faster than our competitors. They are also critical in enabling us to address next generation space-based missions for broadband communications, IoT (Internet of Things) and direct satellite-to-device services.

Our customers, which include established and emerging space companies, seek out MDA as a development partner because our technology and solutions offerings seamlessly enable their mission from early engineering, construction, and launch to servicing and replacement.

Agility and Scale Positions Us to Serve Both Established Customers and Emerging Space Companies

Our organizational structure and entrepreneurial culture enable us to respond rapidly to customer needs and market trends across all our business areas. We have significant scale with over 500,000 square feet of design, laboratories, manufacturing, and test facilities and the support of a supply chain of over 500 proven contractors. This provides us with the engineering capabilities necessary to deliver on large and complex missions, in a way that smaller emerging space companies may be unable to manage. The combination of our agility and scale positions us to service both large commercial and government customers that require customization and high-volume capabilities as well as emerging space companies that require fast and cost-efficient solutions.

Trusted Partner with a Strong Track Record of Execution

Our reputation and track record for delivering mission critical solutions provides customers with confidence that we will enable the successful completion of their mission. The confidence we instill in our customers drives new business wins, and represents a powerful advantage that would take years for less experienced competitors to develop. Our reputational advantage is illustrated by our work for OneWeb on its 900 satellite LEO constellation. OneWeb sought out our assistance to develop the design requirements and then manufacture the components for their constellation due to our exemplary performance on the O3b communications constellation we completed for SES. Our track record of execution instilled confidence in OneWeb that we were the ideal partner that they could entrust with the success of their mission.

Entrepreneurial Go-to Market Strategy

We generate business opportunities by utilizing an entrepreneurial go-to market strategy. We empower our business development teams and encourage them to find creative ways to support the success of our customers. We build on our relationships with customers to find additional opportunities to deliver mission-enabling solutions. While working closely with customers in the development phases of missions, our engineers discuss future mission ideas, and proactively recommend potential solutions and enhancements to meet the customer's evolving needs. This forward-thinking approach regularly results in awards for follow-on solutions on subsequent missions which allow us to identify new business opportunities ahead of the competition.

Deep Team with a Winning Culture

We have a highly experienced management team and workforce of over 2,700 staff, which provides us with the critical expertise to execute complex space missions. Our position as an innovation leader allows us to recruit premium talent and retain our employees. Historically, our employees stay at MDA on average for over a decade, which deepens our institutional knowledge and domain expertise. Our entire team stands by our core values of integrity, responsibility, collaboration, fueling inspiration, and operational excellence, a culture that drives successful delivery on customer missions and continued growth.

GROWTH STRATEGIES

MDA is primed to maximize its market positon and capitalize on multiple waves of the expanding space market as they evolve and emerge over the next decade. With established industry leadership in three diverse areas of the space market, we are executing on specific strategies and leveraging our competitive strengths in Geointelligence, and Robotics and Space Operations and Satellite Systems. To maximize our growth opportunities, we are investing in research and development, manufacturing, product development, and in scaling the business. Our primary strategic initiatives include:

- **Expanding Market Leadership in Geointelligence** – we are currently developing our next industry leading EO mission named CHORUS that is expected to provide the broadest SAR area coverage on the market with cloud-enabled ground infrastructure to provide best in class download times. The mission is expected to also include a trailing high-resolution X-band SAR satellite which enhances target monitoring performance and unlocks new use cases, including tipping and cueing techniques that allow MDA's leading broad area sensor to monitor an area of interest (the "tip") and to zoom in on the objects of interest (the "cue") using the trailing high-resolution sensor;
- **Growing Constellation Market Share** – we are expanding our high volume production capacity by investing in new satellite manufacturing facilities and modernizing existing facilities with state-of-the-art digital capability to enable us to better service the expanding LEO satellite market. In addition to supporting high volume requirements, these modernized and scaled capabilities give us the capacity to capture aftermarket and replacement services revenues, driven by the short lifespan of LEO satellites;
- **Developing Digital Solutions for Satellite Communications Industry** – we are further developing our digital satellite technologies to support the transition from analog to digital payloads for LEO, MEO and GEO satellites by providing customized digital payload solutions for specific applications, including 5G backhaul and rural broadband. This will enable us to offer critical solutions to satellite operators and to other manufacturers that lack digital payload capabilities;
- **Maximizing Robotics & Space Mission Participation** – we are investing to maintain our global leadership in space robotics and exploration mission solutions and leveraging our technologies and capabilities for emerging commercial on-orbit servicing applications. We intend to develop a portfolio of pre-qualified and multipurpose space robotics components, including sensors, autonomous robotics, and space manipulators to be used in debris removal, on-orbit satellite servicing, and in-space assembly applications; and

- **Utilizing Strategic M&A to Complement Organic Growth** – we are continuously evaluating acquisition opportunities that can complement our organic growth strategy and enhance our offering. Our M&A strategy has three pillars: (i) augment existing capabilities and our domain expertise; (ii) accelerate our technology roadmap to support strategic initiatives and our expansion into market adjacencies; and (iii) expand our presence in international geographies to access new market sectors and customers.

BUSINESS AREAS

We sell our products and services into three end markets which include Geointelligence, Robotics & Space Operations and Satellite Systems. Below is a brief description of each business area.

GEOINTELLIGENCE

In Geointelligence, we provide end-to-end solutions and services related to EO and intelligence systems. We 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. The Company also provides analytic solutions that document change and enable geospatial modeling and analysis that is intended to predict where events will occur to help customers protect lives and make resource allocation decisions.

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 and satellite-based Automatic Identification System data from many other third party missions. 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, including defence and intelligence, energy and natural resources, industrials, agriculture and forestry, public authorities, services and weather.

The largest market for our EO data and services is maritime surveillance. Government and commercial organizations rely on us for mission critical real-time data 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 leading provider of these mission critical services for over 25 years and play an integral role in our customers' surveillance strategies.

Our end-to-end solutions include a full range of multi-satellite ground stations that receive, process, distribute, archive, and exploit imagery from RADARSAT-2 and other satellites. We have installed more than 70 receiving ground stations in more than 25 different countries, which process data from over 20 different satellites. The intelligence provided through our ground stations supports a broad range of applications, including national security, maritime transportation, urban development, land use, resource management, environmental monitoring, defence operations, law enforcement and mapping.

MDA also provides a number of defence information solutions, including command and control systems and airborne surveillance solutions. We are the original solution provider of many of these systems. The Company provides advanced aeronautical navigation information solutions that increase safety and efficiency of aircraft landings and departures, supporting the next generation of air traffic management. 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 system that will provide data continuity for RADARSAT-2 and is expected to enhance 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. We also intend to launch our cloud-based ground station solution as part of our CHORUS offering. These expanded capabilities will grow our customer base and drive increased revenue from existing customers by providing additional services.

- **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 enable humanity's exploration and development of space infrastructure by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our industry leading, end-to-end design and operations capabilities are critical for advanced space applications including space station operations, in-space servicing, assembly and manufacturing, space tourism and space mining.

Our products include: robotic arms, 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/control subsystems, and planetary rover locomotion subsystems.

Demand for space robotics and mission-support services is primarily driven by the International Space Station (ISS) activities and lunar and deep space exploration. 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. We have a long history in space robotics, having developed the Canadarms for NASA's Space Shuttle program, and Canadarm2, which is currently in service on the ISS. We have provided robotics on over 100 space shuttle missions and sensors, which supported 49 space shuttle and ISS missions and have supported Canadarm, Canadarm2 and Dextre (a space robotic system also known as the Special Purpose Dexterous Manipulator) operations on the ISS for the past 20 years. As a result of this work, our experience spans over 3 million hours of technical support to on-orbit robotic operations. 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.

We designed and built Orbital Express, the robotics system that enabled the world's first autonomous on-orbit servicing demonstration, and have developed full interface solutions for on-orbit refueling for most western nation satellites in geosynchronous equatorial orbit (GEO). We are now engaging in future missions for on-orbit assembly where our technology and on-orbit experience provide the foundation to deliver innovative solutions for space infrastructure assembly and maintenance, including the autonomous construction of human habitats in space.

Our LiDAR sensors are critical to rendezvous, docking, inspection, and landing activities as part of on-orbit and planetary missions. These sensors are used today to dock spacecraft with the ISS, and next-generation versions will be used to land spacecraft on the Moon and Mars. 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. MDA sensors have been operational on 8 missions for NASA's Cygnus spacecraft.

We also develop 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, relocation of assets, and infrastructure maintenance. We have developed integrated space robotic systems, technologies, interfaces, tools, operational techniques, and control algorithms to enable the commercial space opportunity of on-orbit servicing using strategic intellectual property developed through years of R&D activities.

- **Key Program – Canadarm3:** Canadarm3, the third generation robotic technology developed by MDA, will be designed and built over a five-year period and is expected to generate $1.4 billion of potential total revenue to the Company, including 15 years of ongoing service and support revenue. 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

In Satellite Systems, we provide sub-systems and spacecraft to enable space-based services, including next generation communication technologies that will deliver space-based broadband Internet and direct satellite-to-device connectivity from LEO satellite constellations as well as solutions that span across the full communication frequency spectrum.

We are a prime contractor and a supplier of satellite systems and sub-systems used in LEO, MEO and GEO satellites for commercial and government customers worldwide, including antennas, electronics and payloads. Our antenna products include L-band arrays, C and Ku reflector antennas, Ka band multi-beam antennas, steerable antennas, and LEO/MEO constellation antennas. Our electronics products include command and control, onboard signal processing, single board computers, frequency generation, frequency convertors, amplifiers, and power conditioners. Our payload products and services include communication payload design, manufacturing, integration and verification solutions for customers.

Payloads are the core business functionality of a satellite. For example, in an EO satellite, the payload is its cameras or radar system that will observe the Earth. In a communications satellite, the payload is its communication solution. The payload enables the satellite to fulfill its objectives. At MDA, payloads also include the delivery of major communications subsystems for space vehicles and space stations

We have provided satellite subsystems to enable next generation communication constellations such as O3B, Iridium Next, and OneWeb. We will continue to be at the forefront of LEO systems development as a provider of technology to LEO constellations. To support these 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.

Through our participation in many of the 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 satellite prime contractor with the February 2022 selection as Globalstar's new LEO constellation provider. In this contract, MDA will be responsible for the complete satellite design, manufacture, assembly and test of 17 satellites with options for an additional nine satellites

We have high-volume production capability for large satellite constellations. Our Satellite Systems facility in Sainte-Anne-de-Bellevue, Quebec, contains one of the largest compact ranges for satellite testing in the world, one of the largest near field ranges in the world, a wide range of thermal, environmental, Platform Independent Model (PIM), and vibration test facilities, and a recently established fourth generation manufacturing environment employing robotic assembly to produce high volume LEO satellite systems.

We are also developing a range of digital payload components (e.g., channelizer/on-board processor, active antennas) to address the industry transition from analog satellites to digital satellites. MDA has a proven Software Defined Radio (SDR) capability for space-based communication solutions, with current contracts including the Power and Propulsion Element (PPE) module on the Gateway.

- **Key Program – Globalstar LEO Constellation Expansion:** In February 2022, Globalstar Inc. (Globalstar) announced that MDA has been selected as the prime contractor for Globalstar's new LEO satellites. Globalstar is a leading 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, ensuring service continuity for Globalstar customers. In September 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.

INDUSTRY TRENDS

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

New Space Business Opportunities Are Increasing

The U.S. Chamber of Commerce estimates the global space economy will expand by over US$1.1 trillion from 2017 to 2040, to US$1.5 trillion annually. This growth is expected to be driven by continuous commercial and government investments in space, which reflects the importance of space in an increasingly global, sophisticated, and data-driven world. Commercial spending on space is being driven by heightened levels of equity investment, which have exceeded $270 billion since 2013, according to Space Capital. Global government budgets for space also reached an all-time high of US$103 billion in 2022, a 9% increase over 2021, according to Euroconsult. In 2022 alone, industry milestones exemplifying the strength and growth of the global space economy included: (i) global launch attempts reached a record 186, up 27% from 2021; (ii) a record 2,521 spacecraft were launched; (iii) the world's largest and most powerful telescope, the James Webb Space Telescope, delivered its first images; and (iv) NASA launched Artemis I, which is expected to pave the way to return humans to the Moon. Our portfolio of world-class technology is well-positioned to take advantage of the fastest growing areas of the space economy, including the deployment of LEO satellite constellations for communications and EO applications, space exploration, space-based defence spending, and on-orbit servicing of satellites and spacecraft.

Government Agencies are Seeking Increased Commercial Collaboration

The growing commercial space economy has resulted in government customers, including civilian space agencies and defence departments, seeking commercial collaboration in business activities. MDA has responded, and continues to respond, to several future government initiatives regarding co-investment by industry, and/or an industry services model to provide EO as-a-service, on-orbit robotics operations as-a-service, and space based communications as-a-service. We see this on Government of Canada engagements on projects such as the Earth Observation Service Continuity (EOSC) program, Defence Enhanced Surveillance from Space program (DESSP), the Enhanced Satellite Communication Project - Polar, and Canadarm3.

The Pace and Density of Space Missions are Increasing

The intensity of new business development is rapidly increasing across MDA. Government agencies have increased demand for space-based initiatives for EO, space exploration, and space based communication, while commercial customers are exhibiting similar needs as technology advancements and reduced launch and satellite costs has improved the economic feasibility of many space-based activities and services. MDA is focused on staffing, financing new business development efforts and increasing the scale of the overall business in order to maximize our position in this growing market with increasing product and services volumes.

FULL YEAR AND FOURTH QUARTER HIGHLIGHTS

FULL YEAR 2022 HIGHLIGHTS

In 2022, the MDA team made meaningful progress in executing against our strategic growth plan and saw significant expansion of our backlog driven by awards across our three business areas. Key financial and operational highlights for 2022 are summarized below.

Financial Highlights

- MDA continued to execute on its growth initiatives with robust order bookings of $1.2 billion for the full year, representing a 50% year over year increase with large awards in our Satellite Systems and Robotics & Space Operations businesses.
- Full year revenues of $641.2 million were up 34% 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[(1)] of $157.9 million was up 15% year over year driven by higher volumes across our businesses. Adjusted EBITDA margin[(1)] was 24.6% for the full year.
    - Excluding the impact of the Canada Emergency Wage Subsidy (CEWS) income received in 2021 and historical investment tax credits (ITC) settlement income recognized in 2022, adjusted EBITDA was $141.1 million in 2022, compared to $112.3 million in 2021, representing 26% year over year increase. Adjusted EBITDA margin excluding the aforementioned items was 22.0% in 2022 compared to 23.5% in the prior year reflecting MDA's strong program execution and cost control somewhat offset by higher R&D expenses as the Company continues to invest in its growth initiatives.
- Operating cash flow of $57.0 million in 2022 compares to $72.1 million in the prior year. The year over year reduction in operating cash flow is largely the result of a $12.7 million pre-payment made in 2022 for inventory to be received in 2023 and beyond to support our strategic initiatives.
- The Company continues 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 2022, MDA's capital expenditures totalled $180.1 million as we ramped up our development efforts.
- MDA completed the redemption of its $150 million second lien notes and refinancing of its revolving credit facility to $600 million from $428 million, meaningfully reducing annual interest costs and increasing borrowing flexibility while preserving liquidity to fund future growth.
- The Company added 880 new staff in 2022 as part of its focus on talent and recruitment to support current and future growth. This is in addition to 670 new hires added in 2021.

Operational Highlights

Geointelligence

- Made significant development progress on the CHORUS constellation program which includes a fourth generation MDA-built C-band SAR satellite in addition to an X-band satellite which will be supplied by ICEYE. In 2022, the team conducted the Mission Critical Design Review (CDR) and started unit level build activities. In 2023, the team is focused on continuing flight unit development and deliveries, building the ground segment subsystems and detailing constellation operations plans and processes.
- Secured special authorization from the Government of Canada to collect SAR satellite imagery over restricted areas in Ukraine. Images captured by MDA's SAR technology will be merged and analyzed with

[1] *As defined in the 'Non-IFRS Financial Measures' section*

other sources of imagery from commercial Earth observation companies to develop comprehensive near real time intelligence reports for Ukrainian government officials.

Robotics and Space Operations

- Awarded Phase B of the Canadarm3 program, valued at $269 million, from the Canadian Space Agency (CSA). Phase B of the program will see MDA complete the preliminary design of the Canadarm3 robotics system that will be used aboard the Lunar Gateway.
- Completed two commercial sales of products derived from Canadarm3 technology to Axiom Space. Under these contracts, MDA will deliver 62 payload interface pairs and 32 external robotic interfaces for Axiom Space's Axiom Station, setting the stage for further opportunities in advance of the first planned Axiom Station launch.
- Announced collaboration with Lockheed Martin and General Motors to integrate MDA's commercial robotic arm technology on their planned human-rated lunar mobility vehicles. NASA's Artemis program is currently scheduled to send humans back to the surface of the Moon where they will explore and conduct scientific experiments using a variety of vehicles. The rovers would be permanently stationed on the surface of the Moon where they would be available for use by private and space agency astronauts.

Satellite Systems

- Selected as the prime contractor for Globalstar's new LEO satellites. The satellites built by MDA will integrate with Globalstar's existing constellation, ensuring service continuity for Globalstar customers. The contract, valued at approximately $415 million, includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites.
- Announced a contract from York Space Systems where MDA will design and build Ka-Band steerable antennas for satellites to be produced by York Space Systems as part of a space security program.
- Awarded a contract from Airbus OneWeb Satellites, LLC (AOS) to design and build Ka-Band steerable antennas. AOS is producing satellites for Airbus U.S. Space & Defense, Inc., in support of U.S. government programs.
- Awarded a contract from Lockheed Martin as part of the Space Development Agency (SDA) Tranche 1 Transport Layer (T1TL) program, where MDA will design and build antennas and antenna control electronics for the 42 low Earth orbit (LEO) satellites to be produced by Lockheed Martin as part of SDA's T1TL constellation.

FOURTH QUARTER 2022 HIGHLIGHTS

- Revenues of $186.1 million in Q4 2022 were up 61% year over year driven by strong contributions from Satellite Systems and Robotics & Space Operations as we continue to execute on our backlog.
- Adjusted EBITDA of $39.9 million in Q4 2022 was up 49% year over year driven by higher volumes across our businesses. Adjusted EBITDA margin of 21.4% in the latest quarter was consistent with management's expectations and compares to 23.2% margin in Q4 2021. The slight year over year decline in margin levels is driven by lower gross margin in Q4 2022 somewhat offset by strong SG&A cost control.
- Backlog of $1.4 billion at quarter end was up 59% year over year driven by sizeable awards in the first half of 2022 including Globalstar's LEO constellation (~$415 million), and Phase B of Canadarm3 ($269 million).
- Operating cash flow of $40.3 million in Q4 2022 compared to $34.5 million in Q4 2021, the year over year increase was driven by higher net income in Q4 2022 versus the prior quarter.

- Healthy financial position with net debt[1] to adjusted EBITDA ratio of 1.3x at quarter end.
- In the fourth quarter, notable activity included the following:
  - Our Satellite Systems business was awarded a new contract to design, build and supply all of the Ka-band multibeam antennas for ARSAT, which is the public national telecommunications company in Argentina. ARSAT-SG1 will provide high-speed internet as well as digital video and voice services across the country and to neighboring countries, Bolivia, Paraguay and Chile.
  - Our Satellite Systems business conducted the mission preliminary design review for Globalstar's LEO constellation program, and the program has now advanced to the satellite detailed design phase.

FINANCIAL OVERVIEW

KEY INDICATORS SUMMARY

(in millions of Canadian dollars, except for ratios)	Fourth Quarters Ended		Years Ended	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Revenues	$ 186.1	$ 115.5	$ 641.2	$ 476.9
Gross profit	$ 58.9	$ 45.4	$ 228.4	$ 167.8
Gross margin	31.6%	39.3%	35.6%	35.2%
Adjusted EBITDA[1]	$ 39.9	$ 26.8	$ 157.9	$ 137.1
Adjusted EBITDA margin[1]	21.4%	23.2%	24.6%	28.7%

		As at
(in millions of Canadian dollars, except for ratios)	**December 31, 2022**	**December 31, 2021**
Backlog	$ 1,378.2	$ 864.3
Net debt[1] to Adjusted TTM[2] EBITDA ratio	1.3x	0.4x

REVENUES BY BUSINESS AREA

(in millions of Canadian dollars)	Fourth Quarters Ended		Years Ended	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Geointelligence	$ 53.9	$ 52.8	$ 195.3	$ 190.7
Robotics & Space Operations	47.9	29.9	193.7	132.9
Satellite Systems	84.3	32.8	252.2	153.3
Consolidated revenues	$ 186.1	$ 115.5	$ 641.2	$ 476.9

[1] *As defined in the 'Non-IFRS Financial Measures' section*

[2] *TTM: trailing twelve months*

Revenues

Consolidated revenues for the fourth quarter of 2022 were $186.1 million, representing an increase of $70.6 million (or 61.1%) compared to the fourth quarter of 2021. The year over year increase in revenues was primarily driven by higher revenues from our Satellite Systems and Robotics & Space Operations businesses.

By business area, Q4 2022 revenues in Geointelligence of $53.9 million represents an increase of $1.1 million (or 2.1%) compared to Q4 2021, reflecting steady work volume. Revenues in Robotics & Space Operations of $47.9 million in Q4 2022 represents an $18.0 million (or 60.2%) increase year over year, primarily driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems of $84.3 million in the latest quarter were $51.5 million (or 157.0%) higher compared to the same quarter in 2021. The revenue increase was driven by higher levels of activity as new programs ramp up including the Globalstar program which was awarded in Q1 2022.

For the full year ended December 31, 2022, consolidated revenues were $641.2 million which were $164.3 million (or 34.5%) higher than the same period in 2021. The increase in revenues was primarily driven by execution on our opening backlog as well as orders added to backlog in 2022, primarily in our Satellite Systems and Robotics & Space Operations businesses.

By business area, full year 2022 revenues in Geointelligence of $195.3 million represents an increase of $4.6 million (or 2.4%) compared to 2021, largely driven by modest ramp up in the CSC program throughout 2022. Full year revenues in Robotics & Space Operations of $193.7 million in 2022 represents a $60.8 million (or 45.7%) increase year over year, largely driven by the ramp up of work performed on the Canadarm3 program since the beginning of 2022. Full year revenues in Satellite Systems of $252.2 million in 2022 was $98.9 million (or 64.5%) higher compared to 2021 driven by higher volumes on new programs including the Globalstar program.

Gross Profit and Gross Margin

Gross profit reflects our revenues less cost of revenues. Q4 2022 gross profit of $58.9 million represents a $13.5 million (or 29.7%) increase over Q4 2021, primarily driven by higher volume of work performed year over year. Gross margin in Q4 2022 was 31.6%, which is in line with our expectations as the Company's program mix evolves. Comparatively, gross margin in Q4 2021 was 39.3%, which included a higher percentage of investment tax credits (ITCs) recognized against cost of revenues.

For the full year ended December 31, 2022, gross profit of $228.4 million represents a $60.6 million (or 36.1%) increase over 2021. The increase is driven by higher work volume year over year coupled with higher ITCs income recognized which contributed $28.9 million of the $60.6 million increase. Of the higher ITC income recognized in 2022, $16.8 million relates to a resolution of historical claims which were recognized in Q1 2022. These ITCs originated from prior years but were not recognized previously due to the uncertainty around the eligibility of the related costs. Full year gross margin was 35.6% in 2022, which compares to gross margin of 35.2% in 2021. When excluding the impact of the aforementioned $16.8 million resolution of historical ITC claims recognized in 2022, full year gross margin for the current year was 33.0%, in line with our expectations and reflective of strong operating performance throughout 2022.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the fourth quarter of 2022 was $39.9 million compared to $26.8 million in Q4 2021, representing an increase of $13.1 million (or 48.9%) year over year primarily driven by higher gross profit as we continue to execute on our backlog. Adjusted EBITDA margin was 21.4% in Q4 2022 compared to 23.2% in Q4 2021 consistent with management's expectations. The slight decline in year over year adjusted EBITDA margin is largely driven by lower gross margin in the latest quarter somewhat offset by strong SG&A cost control.

For the full year ended December 31, 2022, adjusted EBITDA was $157.9 million which was $20.8 million (or 15.2%) higher than 2021. The full year adjusted EBITDA in 2022 included $16.8 million of ITC income from the aforementioned resolution of historical ITC claims, while the full year adjusted EBITDA in 2021 included $24.8 million of CEWS income.

Excluding the impact of the ITCs claims resolution in 2022 and the CEWS income contribution in 2021, adjusted EBITDA improved to $141.1 million in 2022 from $112.3 million in 2021. The increase of $28.8 million is primarily the net effect of an improvement in gross profit of $43.8 million (exclusive of the impact of the historical claims resolution in Q1 2022) offset by increased R&D expenses of $11.7 million and increased SG&A expenses of $1.7 million. Full year adjusted EBITDA margin excluding the aforementioned items was 22.0% in 2022 compared to 23.5% in 2021. Throughout 2022, we demonstrated strong operating performance focusing on program execution and cost control while simultaneously investing in the aforementioned growth initiatives which contributed to higher levels of R&D expenses.

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

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Adjusted EBITDA	$ 39.9	$ 26.8	$ 157.9	$ 137.1
CEWS income	—	(0.8)	—	(24.8)
ITCs claims resolution	—	—	(16.8)	—
Adjusted EBITDA, excluding CEWS and ITCs claims resolution	$ 39.9	$ 26.0	$ 141.1	112.3
Adjusted EBITDA margin, excluding CEWS and ITCs claims resolution	21.4%	22.5%	22.0%	23.5%

Backlog

Backlog as at December 31, 2022 was $1,378.2 million, an increase of $513.9 million compared to the backlog at December 31, 2021. The following table shows the build up of backlog for Q4 and the full year ended December 31, 2022 as compared to the same periods in 2021.

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Opening Backlog	$ 1,405.1	$ 828.9	$ 864.3	$ 562.5
Less: Revenue recognized	(186.1)	(115.5)	(641.2)	(476.9)
Add: Order Bookings	159.2	140.1	1,155.1	767.9
Adjustments[1]	—	10.8	—	10.8
Ending Backlog	$ 1,378.2	$ 864.3	$ 1,378.2	$ 864.3

[1] Adjustments in 2021 include reassessments of the values on certain customer contracts and effects of foreign exchange.

2023 FINANCIAL OUTLOOK

As a leading 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 expanding our share of the growing constellation market, leveraging our leading robotics technology platform to capitalize on emerging commercial opportunities, and further strengthening our positioning in Geointelligence through the development of our CHORUS Earth observation constellation. 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 contract awards of key programs and our book of business is healthy. We see activities ramping up in line with our expectations on the majority of our programs, and are encouraged by the team's solid execution. We continue to closely monitor developments related to supply chain disruptions, and are taking pro-active measures across our three business areas to mitigate the impact on our operations to the extent possible.

For fiscal 2023, we expect full year revenues to be \$750 – \$800 million, representing robust year over year growth of approximately 20% at the mid-point of guidance. We expect full year adjusted EBITDA to be \$145 – \$155 million, representing approximately 19% – 20% adjusted EBITDA margin. We expect capital expenditures to be \$220 – \$240 million in 2023, primarily comprising of growth investments to support CHORUS and the previously outlined growth initiatives across our three business areas.

We expect Q1 2023 revenues to grow by approximately 50% compared to Q1 2022 levels as we continue to execute on our backlog.

RESULTS OF OPERATIONS

(in millions of Canadian dollars, except per share data)	Fourth Quarters Ended December 31, 2022	Fourth Quarters Ended December 31, 2021	Years Ended December 31, 2022	Years Ended December 31, 2021
Revenues	$ 186.1	$ 115.5	$ 641.2	$ 476.9
Materials, labour and subcontractors costs	(120.9)	(64.0)	(389.1)	(285.6)
Depreciation and amortization of assets	(6.3)	(6.1)	(23.7)	(23.5)
Gross profit	$ 58.9	$ 45.4	$ 228.4	$ 167.8
Operating expenses:				
Selling, general & administration	$ (16.4)	$ (17.1)	$ (60.0)	$ (58.3)
Research & development, net	(7.8)	(8.3)	(32.8)	(21.1)
Amortization of intangible assets	(12.8)	(14.0)	(52.5)	(56.3)
Share-based compensation	(3.0)	(3.9)	(8.5)	(13.5)
Operating income	$ 18.9	$ 2.1	$ 74.6	$ 18.6
Other income (expense)	(2.6)	0.7	(6.2)	24.9
Finance costs	(2.8)	(2.2)	(34.2)	(32.2)
Income before income taxes	$ 13.5	$ 0.6	$ 34.2	$ 11.3
Income tax expense	(4.7)	—	(7.9)	(8.4)
Net income	$ 8.8	$ 0.6	$ 26.3	$ 2.9
Basic earnings per share	$ 0.07	$ 0.01	$ 0.22	$ 0.03
Diluted earnings per share	0.07	0.00	0.21	0.02

Revenues

Consolidated revenues for the fourth quarter of 2022 were $186.1 million, representing an increase of $70.6 million (or 61.1%) compared to the fourth quarter of 2021. For the year ended December 31, 2022, consolidated revenues were $641.2 million representing a $164.3 million (or 34.5%) increase over full year 2021. Please refer to 'Financial Overview' for a detailed discussion of revenue drivers for the fourth quarter and for the full year ended December 31, 2022.

Materials, labour and subcontractors costs

Materials, labour and subcontractor costs for the fourth quarter of 2022 were $120.9 million, representing a $56.9 million (or 88.9%) increase compared to the same quarter 2021. The increase is due to higher volume of work performed as we execute on our backlog.

On a full year basis, materials, labour and subcontractor costs of $389.1 million represents a $103.5 million (or 36.2%) increase over 2021. The increase reflects higher volume of work performed during this period offset by $16.8 million of ITC income recognized in Q1 2022 (as a result of a historical claims resolution). The Company's accounting policy is to recognize ITCs net of the related costs they are intended to compensate when there is reasonable assurance that the ITCs will be received. The $16.8 million of ITCs recognized in the period were originated in prior years but were not recognized previously due to the uncertainty around the eligibility of the related costs. We reached reasonable assurance in relation to the eventual receipt of these claims and consequently recognized the cumulative effect in Q1 2022.

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 $6.3 million and the full year costs of $23.7 million are in line with the costs in the comparative periods in 2021.

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 were $16.4 million, representing a slight decrease of $0.7 million (or 4.1%) over the same quarter in 2021. For the full year ended December 31, 2022, SG&A expenses of $60.0 million represents a $1.7 million (or 2.9%) increase over 2021 reflecting expansion of our SG&A functions as our work volume grows.

Research and development (R&D)

MDA's net R&D expenses comprise 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 was $7.8 million, representing a slight decrease of $0.5 million (or 6.0%) from the same quarter in 2021. For the full year, net R&D expense of $32.8 million represents an increase of $11.7 million (or 55.5%) increase over 2021. The full year increase is primarily due to higher activity on the development of CHORUS and other proprietary technologies in 2022, 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 expensed on intangible assets recognized as part of the Acquisition on April 8, 2020, which comprise 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 2022 was $12.8 million, representing a decrease of $1.2 million (or 8.6%) compared to the fourth quarter of 2021. For the full year ended December 31, 2022, the amortization expense of $52.5 million reflects a $3.8 million decrease (or 6.7%) compared to 2021. The year over year decreases over both time frames are attributable to a portion of contractual backlog assets being fully amortized by the end of Q1 2022.

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.

The expense for the fourth quarter of 2022 was $3.0 million, which is slightly lower than the $3.9 million expensed in the fourth quarter of 2021. The expense for the full year ended December 31, 2022 was $8.5 million, representing a decrease of $5.0 million (or 37.0%) from 2021. The year over year decreases in expense over the fourth quarter and full year periods are largely due to the vesting periods of certain share-based awards ending in Q4 2021, therefore no amortization was recognized with respect to these awards in 2022. These decreases are partially offset by amortization from new RSUs and PSUs granted to eligible employees in 2022.

Other income and expenses

Other expenses of $2.6 million in the fourth quarter of 2022 captured amounts relating to foreign exchange and unrealized loss on financial instruments. In comparison, other income of $0.7 million in Q4 2021 largely comprised of CEWS income of $0.8 million.

For the full year ended December 31, 2022, we recognized other expenses of $6.2 million, comprising $9.9 million of unrealized loss on financial instruments offset by $3.7 million of foreign exchange gain. For full year 2021, we recognized other income of $24.9 million, which included $24.8 million in CEWS income. Included in the Company's unrealized loss on financial instruments is the fair value decline in the former redemption option derivative asset associated with the second lien notes up to its redemption on May 5, 2022. The fair value decline contributed $5.3 million of unrealized loss for the full year ended December 31, 2022. The Company's unrealized loss on financial instruments also includes fair value changes in our investment in equity securities, which contributed to $4.6 million for the full year ended December 31, 2022.

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 in 2022 were $2.8 million, which were net of $1.3 million of capitalized interest expense. Finance costs excluding capitalized interest expense totaled $4.1 million in Q4 2022, which represents an increase of $1.9 million (or 86.4%) compared to Q4 2021. Included in Q4 2021 was a recovery of other finance costs which offset interest expense on long-term borrowings.

For the full year ended December 31, 2022, finance costs were $34.2 million, which were net of $2.2 million of capitalized interest expense. Finance costs excluding capitalized interest expense totaled $36.4 million in 2022 compared to $32.2 million over full year 2021. Of the $36.4 million of finance costs in 2022, $21.1 million were non-recurring costs triggered from the redemption of the second lien notes and the refinancing of our revolving credit facility in Q2 of this year. The balance of $15.3 million represents interest expenses and borrowing fees. Comparatively, finance costs of $32.2 million in 2021 included $26.8 million of interest expenses and borrowing fees and $5.4 million of loss recognized upon the Q2 2021 debt modification. Interest expenses and borrowing fees for the full year ended December 31, 2022 decreased by $11.5 million (or 42.9%) from 2021. The decrease in interest expenses and borrowing fees year over year reflects the Company's optimization of its borrowing arrangements.

In December 2022, the Company entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on $150.0 million of borrowing under its senior revolving credit facility. Please refer to the discussions under Interest Rate Risk in the 'Financial Instruments' section for details of the swap contracts.

A breakdown of finance costs is provided in note 16 of the 2022 Audited Financial Statements.

RECONCILIATION OF NON-IFRS MEASURES

The following table provides a reconciliation of net income to EBITDA and adjusted EBITDA:

(in millions of Canadian dollars)	Fourth Quarters Ended December 31, 2022	Fourth Quarters Ended December 31, 2021	Years Ended December 31, 2022	Years Ended December 31, 2021
Net income	$ 8.8	$ 0.6	$ 26.3	$ 2.9
Depreciation and amortization	6.3	6.1	23.7	23.5
Amortization of intangible assets	12.8	14.0	52.5	56.3
Income tax expense	4.7	—	7.9	8.4
Finance costs	2.8	2.2	34.2	32.2
EBITDA	$ 35.4	$ 22.9	$ 144.6	$ 123.3
Unrealized foreign exchange loss (gain)	0.7	(0.5)	(5.1)	2.0
Unrealized loss (gain) on financial instruments	0.8	0.5	9.9	(0.8)
Restructuring provision reversal	—	—	—	(0.9)
Share based compensation	3.0	3.9	8.5	13.5
Adjusted EBITDA	$ 39.9	$ 26.8	$ 157.9	$ 137.1

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

Financial Condition

Total assets of the Company as at December 31, 2022 were $1,750.8 million, representing a $216.2 million increase from $1,534.6 million as at December 31, 2021. The increase in asset balances is consistent with the execution of our growth initiatives. Over the year ended December 31, 2022, we continued to grow our long-term assets, highlighted by the strong levels of development activities on CHORUS and other planned capital expenditures. Our current assets also show higher levels at December 31, 2022 compared to December 31, 2021, consistent with our increased volume of work on revenue programs.

Total liabilities as at December 31, 2022 of $750.2 million increased by $177.3 million as compared to the balance of $572.9 million as at December 31, 2021. A notable contributor to the $177.3 million increase is an incremental debt balance of $98.9 million at December 31, 2022 as compared to December 31, 2021. The balance of increase in liabilities is largely attributable to higher current liabilities year over year, which corresponds to our increased volume of work.

The following table represents our working capital position as at December 31, 2022 and December 31, 2021:

(in millions of Canadian dollars)	As at December 31, 2022	As at December 31, 2021
Non-cash current assets	$ 338.9	$ 210.2
Current liabilities	318.6	225.9
Net Working Capital	$ 20.3	$ (15.7)

Our Net Working Capital increased by $36.0 million from December 31, 2021 to December 31, 2022. This increase is largely due to higher receivables from customers carried at December 31, 2022 relative to December 31, 2021 which is in line with higher volume of work performed on our programs. The higher receivables at December 31, 2022 includes select accounts by a customer which were originally due by the end of Q4 2022. As such accounts were not paid by such customer by the end of Q4 2022, at the request of the customer, the Company agreed to forbear from exercising its rights and remedies until March 15, 2023. As of the date of this MD&A, the Company has received partial payment in relation to these outstanding balances. The Company remains in close discussions with the customer in an effort to resolve the matter.

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

Cash Flows

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

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Cash (bank indebtedness), beginning of period	$ (1.1)	$ 88.0	$ 83.6	$ 78.6
Total cash provided by (used in):				
Operating activities	$ 40.3	$ 34.5	$ 57.0	$ 72.1
Investing activities	(47.1)	(37.0)	(180.1)	(98.8)
Financing activities	48.2	(1.9)	78.8	30.6
Net foreign exchange impact	(1.0)	—	—	1.1
Increase (decrease) in cash	$ 40.4	$ (4.4)	$ (44.3)	$ 5.0
Cash, end of period	$ 39.3	$ 83.6	$ 39.3	$ 83.6

Net cash generated was $40.4 million in Q4 2022 which compares to a net cash usage of $4.4 million in Q4 2021. Operating activities in the latest quarter generated $40.3 million of cash compared to $34.5 million in Q4 2021. The year over year increase is largely driven by higher net income. Cash generated from operating activities helped partially fund our growth investments in CHORUS and other growth initiatives. Investing activities were $47.1 million in Q4 2022 compared to $37.0 million in Q4 2021 reflecting higher spending on CHORUS and the aforementioned capital programs. Financing activities in the latest quarter totalled $48.2 million which comprised primarily of borrowings against our revolving credit facility consistent with our plan to leverage the flexibility provided by our refinanced senior credit facility. Please refer to 'Debt Refinancing' under the Capital Management section for further details.

For the year ended December 31, 2022, net cash decreased by $44.3 million compared to a net cash increase of $5.0 million in 2021. The higher usage of cash by $49.3 million year over year is largely driven by cash requirements associated with investing activities. Investing activities consumed $180.1 million of cash in 2022 compared to $98.8 million in 2021 representing an $81.3 million increase year over year. This increase reflects our continued investment on CHORUS and other long-term assets in accordance with plan. Our investing activities were partially funded by cash generated from operations and supplemented by borrowings against our aforementioned credit facility. Operating activities generated $57.0 million of cash in 2022 compared to $72.1 million in 2021. A significant contributor to the $15.1 million decrease in cash provided by operating activities year over year is $12.7 million of prepayment made in 2022 for inventory to be received in 2023 and beyond to support our strategic initiatives.

As at December 31, 2022, the Company had funds available through its revolving credit facility of $331.0 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 managing 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, 2022, the Company's outstanding debt stood at $243.6 million as compared to $144.7 million at December 31, 2021. Equity was $1,000.6 million as at December 31, 2022 compared to $961.7 million as at December 31, 2021.

Net debt was $204.3 million representing a net debt to adjusted trailing twelve month (TTM) EBITDA ratio of 1.3x, compared to 0.4x as at December 31, 2021. The higher ratio reflects increased Company borrowings as it funds the planned development activities on CHORUS and other investments.

	As at	
(in millions of Canadian dollars, except for ratios)	**December 31, 2022**	**December 31, 2021**
Long-term debt	$ 243.6	$ 144.7
Less: Cash	(39.3)	(83.6)
Net Debt	$ 204.3	$ 61.1
Adjusted TTM EBITDA	$ 157.9	$ 137.1
Net Debt to Adjusted TTM EBITDA	1.3x	0.4x

Debt refinancing

On May 5, 2022, the Company exercised its option to redeem all amounts outstanding under the second lien notes (bearing interest at 10% per annum). On redemption, the Company paid in cash the principal amount of $150.0 million, accrued interest of $1.2 million and a redemption premium of $7.5 million due on exercise of its early redemption rights. Concurrently, the Company completed the refinancing of its senior revolving credit facility. The revolving credit facility was increased from $428.3 million to $600.0 million and the reducing feature of the available borrowing capacity was eliminated. The maturity date of the revolving credit facility was extended from April 8, 2025 to May 4, 2027. Drawings under the revolving credit facility and available excess cash were used to redeem the second lien notes. The refinancing of our debt facilities, which was strongly supported by our lenders, offers more favourable pricing and increases our borrowing flexibility while preserving sufficient liquidity to fund future growth.

The refinancing transactions triggered the recognition of $21.1 million of finance costs in the second quarter of 2022. These non-recurring costs are summarized below.

Redemption premium paid on exercise of early redemption rights of second lien notes	$ 7.5 million
Upfront fees paid to refinance revolving credit facility	1.4 million
Non-cash expenses:	
Write-off of pre-existing deferred financing costs	9.4 million
Derecognition of redemption option derivative asset associated with second lien notes	2.8 million
	$ 21.1 million

As at December 31, 2022, the Company had $331.0 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.

The Company was in compliance with the financial covenants under the Company's credit facilities throughout the year-ended December 31, 2022.

As of December 31, 2022, the Company had commitments of $17.9 million (December 31, 2021: $13.9 million) relating to purchase of property, plant and equipment, and intangible assets and had commitments of $99.4 million over 15 years (December 31, 2021 – $nil) relating to leases not yet commenced.

FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial 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, 2022, all of the Company's borrowings, in the amount of $245.0 million, under its senior revolving debt carried floating rates. The weighted average interest rate on the outstanding borrowings at December 31, 2022 was 6.26%

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, 2022, the Company has entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on $150.0 million of borrowing under its senior revolving credit facility. As at December 31, 2022, 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 $150.0 million. Under the swap contracts, the Company pays interest at a fixed rate of 3.46% 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 $2.0 million, before tax effects, for the year ended December 31, 2022 and are recorded in other comprehensive income.

At December 31, 2022, the interest rate risk related to $95.0 million of total borrowings was unhedged. Based on the total outstanding borrowings at December 31, 2022, 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 $1.0 million annually (December 31, 2021 – $1.7 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, 2022 are shown in the following table:

(in millions of Canadian dollars)	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
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, 2022, 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. 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.

The gross amount of trade and other receivables disclosed in note 8 and the gross amount of unbilled receivables disclosed in note 9 of our 2022 Audited Financial Statements represent their respective maximum credit exposures. A summary of our allowance for credit losses is presented in note 19(d) of our 2022 Audited Financial Statements. The allowance for credit losses as at December 31, 2022 include estimates relating to one customer to which the Company has provided vendor financing at outset of the contract and since then agreed to defer the original payment dates to after year-end. The customer accounted for 37% of the Company's total trade and other receivables and unbilled receivables. Subsequent to December 31, 2022, the Company has received payment of $26.7 in relation to balances owing from the customer.

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, 2022, the aggregate gross potential liability related to the Company's letters of credit was approximately $24.0 million (December 31, 2021: $15.6 million).

As at December 31, 2022 and December 31, 2021, 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, 2022, the Company's compensation expense incurred in relation to its key management personnel was $4.0 million and $15.9 million (for the fourth quarter and year ended December 31, 2021 – $4.5 million and $17.8 million), which consisted of short-term and post-employment benefits and share-based compensation.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

The Company's 2022 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 2022 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

(a) Adoption of Amendment to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract

The Company adopted the amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, effective January 1, 2022. The amendment clarifies that when measuring an onerous contract provision, the costs relating directly to the contract include both incremental costs and an allocation of costs directly related to contract activities. The Company recognized a cumulative effect of $2.0 million upon applying this amendment in the opening retained deficit as at January 1, 2022.

(b) 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.

(c) Forthcoming Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB issued amendments to IAS 12, Income taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability need to be recognized for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has determined the impact of this amendment to be immaterial as at January 1, 2023.

SUMMARY OF QUARTERLY RESULTS

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

	2022				2021			
(in millions of Canadian dollars, except per share data)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	$ 186.1	172.0	$ 154.7	$ 128.4	$ 115.5	$ 111.3	$ 126.7	$ 123.4
Gross profit	58.9	56.4	51.4	61.7	45.4	39.4	44.6	38.4
EBITDA	35.4	42.3	31.3	35.6	22.9	33.8	37.1	29.5
Adjusted EBITDA	39.9	38.8	34.7	44.5	26.8	31.8	39.4	39.1
Net income (loss)	8.8	17.9	(8.8)	8.4	0.6	4.0	(0.1)	(1.6)
Earnings/loss per share								
Basic	0.07	0.15	(0.07)	0.07	0.01	0.03	0.00	0.00
Diluted	0.07	0.15	(0.07)	0.07	0.00	0.03	0.00	0.00
Backlog	1,378.2	1,405.1	1,520.8	1,516.8	864.3	828.9	640.0	684.7

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, 2022, 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, 2022, 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 three months ended December 31, 2022 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.sedar.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 December 31, 2022, the Company had 119,014,233 common shares outstanding. At March 22, 2023, the Company had 119,071,341 common shares outstanding.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.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

"**DRA**" means Direct Radiating Array

"**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

"**TAM**" means total addressable market

MDA LTD.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place
Suite 1400
Vaughan, ON Canada L4K 0J3
Telephone (905) 265-5900
Fax (905) 265-6390
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MDA Ltd.

Opinion

We have audited the consolidated financial statements of MDA Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of total estimated costs to complete contracts for revenue recognition

Description of the matter

We draw attention to notes 2(d), 3(c), and 5 to the financial statements. The Entity recorded revenue from contracts with customers for the year ended December 31, 2022 of $641.2 million. The Entity 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.

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.

Why the matter is a key audit matter

We identified the evaluation of total estimated costs to complete contracts for revenue recognition as a key audit matter. This matter represented an area of significant risk of material misstatement due to the magnitude of the balance and the high degree of subjectivity and estimation uncertainty in determining the total estimated costs to be incurred for each performance obligation. Significant auditor judgment was required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness of certain controls over the Entity's review of total expected costs to complete contracts for revenue recognition. These controls included management review controls over the budgeting and monitoring of costs to complete.

We compared the Entity's original and prior period estimate of total costs to be incurred to the actual costs incurred for completed contracts to assess the Entity's ability to accurately estimate costs.

For a selection of revenue contracts, we interviewed operational personnel of the Entity in charge of the project about the project status to evaluate progress to date and inspected source documentation such as contracts, change orders, correspondence, and underlying records to assess the total expected costs by performance obligation with respect to the contract.

For a selection of revenue contracts, we evaluated the total expected costs to be incurred on the remaining performance obligations by comparing the costs incurred subsequent to year-end to the total expected costs.

Evaluation of the impairment assessment of goodwill

Description of the matter

We draw attention to Notes 2(d), 3(k), 3(l), and 14 to the financial statements. The Entity has goodwill of $419.9 million which is allocated to its cash generating units. Impairment testing of goodwill is performed at least annually, as at December 31, and is conducted at the level of the minimum grouping of cash generating units to which goodwill relates.

When an impairment test is performed, the recoverable amount of each cash generating unit is assessed by reference to the higher of i) the value-in-use and ii) the fair value less costs of disposal. The value in use of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by the Entity for the next five years. In preparing the forecasts, the Entity uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, the discount rate and terminal growth rate.

Why the matter is a key audit matter

We identified the evaluation of the impairment assessment of goodwill as a key audit matter. This matter represents a significant risk of material misstatement given the magnitude of the asset value and the high degree of estimation uncertainty in assessing the Entity's significant assumptions. As a result, significant auditor judgment and the involvement of professionals with specialized skill and knowledge was required in evaluating the results of our audit procedures for each of the Entity's cash generating units.

How the matter was addressed in our audit

The following are the primary procedures we performed to address this key audit matter:

For each of the Entity's cash generating units,

We compared the expected revenue growth and earnings before interest, taxes, depreciation and amortization assumptions to the actual historical revenue growth and earnings before interest, taxes, depreciation and amortization of the cash generating units to assess the Entity's ability to accurately predict these cash flow assumptions. We compared the revenue growth assumptions to existing firm contracts on a sample basis.

We considered changes in conditions and events to assess the assumptions made in arriving at the expected future revenue estimates.

We evaluated the terminal growth rate assumptions by comparing to published reports of industry analysts.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discounted cash flow methodology adopted by the Entity to determine the value-in-use amounts used in the determination of the recoverable amounts and evaluating the appropriateness of the discount rate assumptions by comparing to discount rate ranges that were independently developed using publicly available market data including available data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

- the information, other than the financial statements and the auditor’s report thereon, included in a document likely to be entitled “Glossy Annual Report”.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor’s report thereon, included in a document likely to be entitled “Glossy Annual Report” is expected to be made available to us after the date of this auditor’s report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Tammy L. Brown.

Vaughan, Canada
March 22, 2023

MDA Ltd.
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2022 and 2021
(In millions of Canadian dollars except per share figures)

Year ended December 31	**Note**	2022	2021
Revenue	5	$ 641.2	$ 476.9
Cost of revenue			
Materials, labour and subcontractors	7	(389.1)	(285.6)
Depreciation and amortization of assets	11,12,13	(23.7)	(23.5)
Gross profit		**228.4**	**167.8**
Operating expenses			
Selling, general and administration	7	(60.0)	(58.3)
Research and development, net	7	(32.8)	(21.1)
Amortization of intangible assets	13	(52.5)	(56.3)
Share-based compensation	18	(8.5)	(13.5)
Operating income		**74.6**	**18.6**
Other income (expenses)			
Government grant income	25	—	24.8
Unrealized gain (loss) on financial instruments		(9.9)	0.8
Foreign exchange gain (loss)		3.7	(1.5)
Finance costs	16	(34.2)	(32.2)
Other		—	0.8
Income before taxes		**34.2**	**11.3**
Income tax expense	22	(7.9)	(8.4)
Net income		**26.3**	**2.9**
Other comprehensive income			
Gain on translation of foreign operations		0.5	1.1
Gain on cash flow hedges (net of tax of 0.6 in 2022)	22(b)	1.4	—
Remeasurement gain on defined benefit plans (net of tax recovery of 1.3 in 2022 and 6.5 in 2021)	22(b)	3.7	18.0
Total comprehensive income		**$ 31.9**	**$ 22.0**
Earnings per share:			
Basic	23	$ 0.22	$ 0.03
Diluted	23	0.21	0.02
Weighted-average common shares outstanding:			
Basic	23	119,011,468	109,301,909
Diluted	23	122,451,142	116,301,584

The accompanying notes are an integral part of these consolidated financial statements

MDA Ltd.
Consolidated Statement of Financial Position
December 31, 2022 and 2021
(In millions of Canadian dollars)

As at December 31	Note	2022	2021
Assets			
Current assets:			
Cash		$ 39.3	$ 83.6
Trade and other receivables	8	155.5	92.6
Unbilled receivables	9	121.0	83.7
Inventories		7.5	8.0
Income taxes receivable	25(a)	35.1	13.1
Other current assets	10	19.8	12.8
		378.2	**293.8**
Non-current assets:			
Property, plant and equipment	11	235.1	109.9
Right-of-use assets	12	7.1	14.8
Intangible assets	13	552.4	571.2
Goodwill	14	419.9	419.9
Deferred income tax assets	22	19.1	19.3
Other non-current assets	10, 25(a)	139.0	105.7
Total assets		**$ 1,750.8**	**$ 1,534.6**
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 124.3	$ 71.3
Income taxes payable		11.9	11.8
Contract liabilities		110.8	91.5
Current portion of net employee benefit payable	17	54.1	38.8
Current portion of lease liabilities	12	6.7	7.9
Other current liabilities		10.8	4.6
		318.6	**225.9**
Non-current liabilities:			
Net employee defined benefit payable	17	21.5	33.8
Lease liabilities	12	1.6	7.8
Long-term debt	15	243.6	144.7
Deferred income tax liabilities	22	163.8	158.4
Other non-current liabilities		1.1	2.3
Total liabilities		**750.2**	**572.9**
Shareholders' equity			
Common shares	21	951.6	950.7
Contributed surplus		25.0	16.9
Accumulated other comprehensive income		14.1	8.5
Retained earnings (deficit)		9.9	(14.4)
Total equity		**1,000.6**	**961.7**
Total liabilities and equity		**$ 1,750.8**	**$ 1,534.6**

The accompanying notes are an integral part of these consolidated financial statements

MDA Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the years ended December 31, 2022 and 2021
(In millions of Canadian dollars)

	Note	Common shares Number[1]	Common shares Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total shareholders' equity
As at January 1, 2022		118,691,628	$ 950.7	$ 16.9	$ 8.5	$ (14.4)	$ 961.7
Impact of change in accounting policy	4(a)	—	—	—	—	(2.0)	(2.0)
Exercise of share-based awards	21	322,605	0.9	(0.4)	—	—	0.5
Net income		—	—	—	—	26.3	26.3
Other comprehensive income		—	—	—	5.6	—	5.6
Share-based compensation	18	—	—	8.5	—	—	8.5
As at December 31, 2022		119,014,233	**$ 951.6**	**$ 25.0**	**$ 14.1**	**$ 9.9**	**$ 1,000.6**
As at January 1, 2021		80,735,983	$ 480.4	$ 4.9	$ (10.6)	$ (17.3)	$ 457.4
Share capital issued		37,955,645	470.3	—	—	—	470.3
Net loss		—	—	—	—	2.9	2.9
Other comprehensive loss		—	—	—	19.1	—	19.1
Share-based compensation		—	—	13.5	—	—	13.5
Other			—	(1.5)	—	—	(1.5)
As at December 31, 2021		118,691,628	**$ 950.7**	**$ 16.9**	**$ 8.5**	**$ (14.4)**	**$ 961.7**

[1] Number of common shares reflect the six-to-one share consolidation described in note 21.

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

MDA Ltd.
Consolidated Statement of Cash Flows
For the years ended December 31, 2022 and 2021
(In millions of Canadian dollars)

Year ended December 31	**Note**	2022	2021
Cash flows from operating activities			
Net income		$ 26.3	$ 2.9
Adjustments:			
Income tax expense		7.9	8.4
Depreciation of property, plant and equipment	11	9.9	8.5
Depreciation of right-of-use assets	12	8.1	10.3
Amortization of intangible assets	13	58.2	61.0
Share-based compensation expense	18	8.5	13.5
Investment tax credits accrued during the period	25	(54.5)	(25.6)
Finance costs	16	34.2	32.2
Unrealized (gain) loss on financial instruments		9.9	(0.8)
Changes in operating assets and liabilities	24	(26.7)	(13.6)
		81.8	96.8
Interest and borrowing costs paid		(19.6)	(24.1)
Income tax paid		(5.2)	(0.6)
Net cash from operating activities		**57.0**	**72.1**
Cash flows from investing activities			
Purchases of property and equipment	11	(137.8)	(52.5)
Purchases/development of intangible assets	13	(42.3)	(42.1)
Proceeds from sale of intangible assets	13	—	2.0
Investment in equity securities		—	(6.2)
Net cash used in investing activities		**(180.1)**	**(98.8)**
Cash flows from financing activities			
Repayments of long-term debt	15	(150.0)	(424.1)
Transaction costs incurred on debt refinancing	16	(8.9)	—
Proceeds from long-term debt, net of issuance costs	15	245.0	—
Proceeds from issuance of shares, net of costs	21	0.5	462.6
Payment of lease liability (principal portion)	12	(7.8)	(7.9)
Net cash provided by financing activities		**78.8**	**30.6**
Net increase (decrease) in cash		**(44.3)**	**3.9**
Net foreign exchange impact		**—**	**1.1**
Cash, beginning of year		**83.6**	**78.6**
Cash, end of year		**$ 39.3**	**$ 83.6**

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

MDA Ltd. and its subsidiaries (collectively "MDA" or the "Company") design, manufacture, and service space robotics, satellite systems and components, and intelligence systems. MDA also provides geointelligence and earth observation solutions that incorporate data from the Company's owned and operated satellite, RADARSAT-2, as well as third party satellite missions. MDA operates across three business areas: Geointelligence, Robotics & Space Operations, and Satellite Systems, with facilities and sites in Canada, United Kingdom, and United States. The Company collaborates and partners with government agencies, prime contractors and emerging space companies. Notable MDA programs include the Canadarm family of space robotics for the U.S. Space Shuttle program and the International Space Station and three generations of RADARSAT Earth observation satellites for the Canadian government.

MDA Ltd. is a limited liability company incorporated and domiciled in Canada, with its head office located at 9445 Airport Road, Brampton, Ontario L6S4J3, Canada. MDA's common shares are traded on the Toronto Stock Exchange under the symbol "MDA".

MDA Ltd. was incorporated pursuant to a series of legal entity restructuring. On April 8, 2020, Neptune Acquisition Inc. ("NAI"), an affiliate of Northern Private Capital Ltd. purchased 100% of the equity interest in MDA GP Holdings Ltd., MDA Systems Inc., and Maxar Technologies ULC from Maxar Technologies Inc. The consideration for this transaction was $1 billion. Immediately after closing, NAI amalgamated with Maxar Technologies ULC, and changed its name to Neptune Operations Ltd. ("NOL"). On June 2, 2020, Neptune Acquisition Holdings Inc. ("NAHI") was formed under the laws of the Province of Ontario and became the parent of its wholly owned subsidiary NOL. In March 2021, NAHI changed its name to MDA Ltd.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Company's Board of Directors on March 22, 2023.

(b) Basis of measurement

The consolidated financial statements of the Company have been prepared on the historical cost basis except for pension plan assets and liabilities and the following assets and liabilities which are measured at fair value: financial instruments at fair value through profit or loss ("FVTPL"), derivative financial instruments, and initial recognition of assets acquired and liabilities assumed in a business combination. Pension plan assets and liabilities are recognized as the present value of the defined benefit obligation net of the fair value of the plan assets.

(c) Impact of COVID-19 pandemic

COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020 and has created disruptions and uncertainties in the global economy. In 2021, the roll-out of vaccines helped alleviate some of the social distancing restrictions and measures implemented by various governments and health authorities, allowing the Company's workforce to return to work under a hybrid model at various points throughout the year. The Company continues to prioritize the health and safety of employees, adhering to government officials' guidelines in devising and implementing its hybrid workforce model. As part of its commitment to keeping everyone safe, the Company provided on-site rapid COVID-19 testing to its employees and implemented a vaccination mandate in December 2021 applicable to all employees and visitors entering the Company's premises. In 2022, while the Company began to experience some recoveries from supply chains disruptions, residual effects from these disruptions continue to impact the timing and costs of some of the Company's programs.

The Canada Emergency Wage Subsidy ("CEWS") program ended in October 2021 and therefore no government grant income related to CEWS was recognized for the year ended December 31, 2022. For the year ended December 31, 2021, the Company recognized $24.8 of government grant income related to CEWS.

(d) 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.

3. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements comprise the accounts of the Company and entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries of the Company are wholly owned. The financial results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intercompany balances and transactions are eliminated upon consolidation.

The table below lists the Company’s most significant subsidiaries for the years ended December 31, 2022 and 2021 based on revenues. The Company held 100% of the interest in all the subsidiaries listed below.

Entity	Country of incorporation
MacDonald, Dettwiler and Associates Inc.	Canada
MacDonald, Dettwiler and Associates Corporation	Canada
MDA Geospatial Services Inc.	Canada
MDA Systems Ltd.	Canada
MDA Space and Robotics Limited	United Kingdom
MDA Systems Inc.	US

(b) Translation of foreign operations and foreign currency transactions

The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

(i) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in net income.

(ii) Foreign operations translation

Assets and liabilities of subsidiaries that have a functional currency other than Canadian dollars are translated into Canadian dollars at exchange rates in effect at the reporting date. Revenue and expenses are translated at the average exchange rates. The resulting translation adjustments are included in other comprehensive income (“OCI”).

(c) Revenue recognition

The Company enters into contracts with customers to provide development of customized systems, construction of robotics and satellite components, satellite imagery data and related analyses, and maintenance and support services.

The Company accounts for a contract when enforceable rights and obligations between the Company and its customer are present, the contract has commercial substance, the rights of the parties and payment terms are identified, collectability of consideration is probable, and both parties have approved the contract.

Two or more contracts with the same customer entered into at or near the same time are combined for revenue recognition accounting when the contracts are negotiated as a package with a single commercial objective or when the goods or services in the contracts are a single performance obligation.

A performance obligation is a promise in the contract to transfer a distinct good or service to the customer. The Company's contracts generally have a single performance obligation, as the promise to transfer the individual goods or services are not separately identifiable from each other and therefore are not distinct. An amendment made to an existing contract is accounted for in combination with the existing contract unless it adds goods or services distinct from the goods or services promised in the existing contract at stand alone selling prices.

Revenue is measured based on the consideration specified in the contract. The Company recognizes revenue as it fulfills its performance obligations by transferring control of the promised goods or services to the customer.

The Company's revenues are derived mainly from the following types of contracts:

- Revenues from fixed-price contracts and cost-plus contracts with ceilings are generally recognized over time using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. These contracts generally consist of a single performance obligation due to the integrated nature of the goods or services. The consideration in these contracts include the stated contractual price and the expected variable amounts related to incentive payments and liquidated damages using either a probability-weighted average or a most likely estimate. Variable amounts are included in the consideration to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable amounts is subsequently resolved. The Company typically bills milestone payments to its customers under these types of contracts.

- Revenues from time and materials contracts are recognized overtime as the Company incurs the labour hours and material costs at the contractual billing rates for each unit of labour and material incurred.

- Revenue from unit of delivery contracts are recognized at the point in time the Company delivers the product to the customer.

- Revenue from contracts whereby the Company stands ready to provide services are recognized on a straight-line basis over the enforceable term of the contract, as the Company's provides the access evenly over the period.

Contract costs include direct costs such as materials, labour, and subcontract costs as well as indirect costs such as overhead costs that relate directly to satisfying the performance obligations under the contract. Costs are expensed as incurred.

(d) Unbilled receivables and contract liabilities

Unbilled receivables represent the Company's right to consideration for goods or services transferred to the customer but not billed at the reporting date. Unbilled receivables are transferred to trade receivables when the rights to the amounts become unconditional. This usually occurs when the Company issues an invoice to the customer. Unbilled receivables are adjusted for expected credit losses.

Contract liabilities relate to advance consideration received from customers in excess of revenue recognized under the contract.

(e) Cash

Cash consist of cash on hand and deposits held with banks.

(f) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any amounts incurred in constructing and testing the asset as well as any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation expense is recognized on a straight-line basis over the estimated useful life of the related asset to its residual value. Expected useful lives and depreciation methods are reviewed annually.

The estimated useful lives of the Company’s various classes of property, plant and equipment are as follows:

	Estimated useful life
Buildings	50 years
Building improvements	10 to 12 years
Leasehold improvements	Lesser of useful life or lease term
Equipment	2 to 12 years
Furniture and fixtures	2 to 10 years
Computer hardware	3 to 5 years

(g) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes right-of-use assets and lease liabilities for all leases, except for leases of low-value assets and short-term leases with a term of 12 months or less. The Company recognizes the lease payments associated with low-value and short-term leases as an expense on a straight-line basis over the lease term.

(i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease and initially measured at cost, which is comprised of the amount of the initial lease liability recognized less any incentives received from the lessor. The initial cost also includes any initial direct costs incurred, lease payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the Company's incremental discount rate. The lease term includes all contractual non-cancellable periods of the lease plus periods covered by an option to renew if the Company is reasonably certain to exercise that option. The lease term includes the periods covered up to an option to terminate the lease if the Company is reasonably certain to exercise that option.

Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. If applicable, the lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Company also has certain leases which include payments that do not relate to the transfer of goods or services by the lessor to the Company (e.g. cleaning the common areas of a building, fees or other administrative costs) and are considered non-lease components. These amounts are not included in lease payments.

Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in the lease term, change in the future lease payments resulting from a change in an index or rate, or a change in the assessment of an option to purchase the underlying asset.

(h) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Amortization is calculated over the estimated useful lives of the assets on a straight-line basis as follows:

Intangible asset	Estimated useful life
Proprietary technologies	3 to 20 years
Customer relationships	13 to 18 years
Contractual backlog	2 to 4 years
Software	3 to 10 years
MDA trademark	20 years

Amortization methods and useful lives are reviewed annually.

(i) Capitalized interest

Interest expense is capitalized on qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for their intended use and include property, plant and equipment in construction and intangible assets in development. Capitalized interest is a component of the cost of the qualifying asset. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings. Capitalization ceases when the asset is substantially complete or if active construction or development ceases.

(j) Research and development

Research costs are expensed as incurred. Development costs are also expensed as incurred unless they meet all of the capitalization criteria established in IAS 38, *Intangible Assets*. Amortization of capitalized development costs commences when the asset is available for use.

(k) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquiree at the acquisition date.

(l) Impairment of non-financial assets

At each reporting date, the Company assesses for any indication of impairment of its property, plant and equipment, intangible assets, right-of-use assets and goodwill. If any indication exists, the Company tests the assets for impairment. Impairment testing of goodwill is performed at least annually, at December 31, regardless of any indications of impairment.

Impairment testing is conducted at the level of the asset, a cash generating unit (“CGU”) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment testing of goodwill is conducted at the level of the minimum grouping of CGUs to which goodwill relates.

The Company tests for impairment by comparing the carrying amount of an asset, CGU or group of CGUs to its recoverable amount. The recoverable amount of each CGU is assessed by reference to the higher of i) the VIU and ii) the fair value less costs of disposal (“FVLCD”). If the carrying amount exceeds the recoverable amount, an impairment loss in the amount of the excess is recognized in the consolidated statement of comprehensive income (loss). Impairment losses are first allocated to reduce the carrying amount of any goodwill related to the CGU or group of CGUs, the remaining amount of an impairment loss is allocated pro rata to other assets in the CGU or group of CGUs, without reducing the carrying amount of the assets below the highest of their FVLCD, their VIU, and zero.

Except for goodwill, any reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income (loss). A reversal of an impairment loss for a CGU or group of CGUs is allocated pro rata to the assets of the CGU or group of CGUs. The recoverable amount of an asset increased by reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation and amortization to date, if no impairment loss had been recognized for the asset in prior years.

(m) Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed are recognized in the consolidated statement of financial position at their respective acquisition-date fair values. The results of operations after the date of acquisition are included in the consolidated statement of comprehensive income (loss). Acquisition-related costs are expensed as incurred.

(n) Provisions

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation.

Provisions for estimated contract losses are recognized as an onerous contract provision in the period in which the loss is determined. Contract losses are measured at the amount by which the estimated costs of fulfilling the contract exceed the estimated total revenue from the contract. When measuring onerous contract provisions, estimated costs of fulfilling the contract include both incremental costs and an allocation of costs directly related to contract activities.

(o) Employee benefits

(i) Defined benefit pension plans and other post-retirement benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The defined benefit obligations are actuarially determined for each plan using the projected unit credit method, which takes into account the expected salary increases as the basis for future benefit increases for the pension plans. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial assumptions for discount rates, expected salary increases and the projected age of employees upon retirement reflect historical experience and the Company's assessment of future expectations.

When the calculation results in a benefit to the Company, the employee benefit asset recognized is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. Minimum funding requirements may give rise to an additional liability to the extent that they require the Company to pay contributions to cover an existing shortfall in that particular plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities. The fair value of plan assets is based on market price information.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense is recognized as a component of finance costs. The Company recognizes service cost and administrative expenses relating to defined benefit plans as a component of cost of revenue and selling, general and administration expense. Actuarial gains and losses from experience adjustments, changes in actuarial assumptions, return on plan assets (excluding amounts included in net interest expense) and effect of any asset ceilings (excluding interest) are recognized in other comprehensive income in the period in which they arise.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the net benefit liability that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of comprehensive income (loss).

(ii) Defined contribution pension plans

The Company maintains defined contribution plans for some of its employees whereby the Company pays contributions based on a percentage of the employees' annual salary. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated statement of comprehensive income (loss) as the services are provided.

(iii) Termination benefits

Termination benefits are expensed when the Company has demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are expensed if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(p) Income taxes

Income tax expense is comprised of current and deferred tax. An income tax expense is recognized in income except to the extent that it relates to items recognized in OCI or equity, in which case it is recognized in OCI or equity, respectively.

Current tax is the expected tax payable to or receivable from tax authorities on the taxable income or loss reflected in the consolidated statement of comprehensive income (loss) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable consolidated statement of comprehensive income (loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reserves are made to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company recognizes uncertain tax positions when the Company believes that it is probable that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The Company makes adjustments to these recognized uncertain tax positions when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of adjustments for uncertain tax positions, as well as any related interest and penalties.

(q) Government assistance

The Company’s government assistance includes funding from government bodies to support the Company’s research and development (“R&D”) activities and to acquire or develop assets and investment tax credits (“ITCs”). For the year ended December 31, 2021, government assistance also included the CEWs. Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Other than CEWS, government grants are recognized net of the related costs they are intended to compensate on a systematic basis over the periods that the related costs are expensed. CEWS income is recognized in government grant income in the consolidated statement of comprehensive income (loss). Government grants related to the acquisition of assets are recognized as a reduction of the cost of the related asset.

If government assistance becomes repayable, the inception to date impact of assistance previously recognized in the consolidated statement of comprehensive income (loss) is reversed immediately in the period that the assistance becomes repayable.

ITCs expected to be recovered beyond 12 months are classified as non-current assets. ITCs are deemed to be equivalent to government assistance. This government assistance is claimed for eligible costs incurred in R&D projects.

(r) Share-based compensation

In 2021, the Company established an Omnibus Long-term Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based plan, under which the Company receives services from directors and employees as consideration for equity instruments of the Company. The Company can issue stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs") pursuant to the terms and conditions of the Omnibus Plan and the related award agreements entered into thereunder.

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.

All of the Company's share-based awards are equity-settled and are measured based on the grant date fair value without subsequent remeasurement. Non-market vesting conditions are included in assumptions about the number of equity awards that are expected to vest. The grant date fair value of each award, net of estimated forfeitures, is recognized as an expense on a graded basis over the respective vesting period with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Incremental fair value as a result of a modification that is beneficial to the employee is recognized over the remaining vesting period. Upon settlement of share-based awards, the amount recognized in contributed surplus for the award plus any cash received upon settlement is recognized as an increase in share capital.

(s) Share capital

Common shares are classified as equity. Issuance costs directly attributable to the issuance of the shares are recognized as a deduction from equity, net of income tax effects.

(t) Financial instruments

(i) Initial recognition, classification, and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are initially measured at fair value. Financial instruments are subsequently measured based on their classification as follows:

- Financial instruments measured at amortized cost;
- Financial instruments measured at FVTPL;
- Financial instruments measured at fair value through other comprehensive income ("FVOCI").

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in acquisition, transaction and integration costs on the consolidated statement of comprehensive income (loss).

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires. Where a legally enforceable right to offset exists for recognized financial assets and financial liabilities and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

On initial recognition, the Company classifies financial assets as measured at amortized cost when both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment.

Financial assets are classified as held for trading if they are managed with the objective of realising cash flows through the sale. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income (loss).

Financial assets at FVOCI include instruments such as equity investments the Company has irrevocably elected to classify at FVOCI and derivatives designated as effective hedging instruments

Financial liabilities are classified as financial liabilities at FVTPL or amortized cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition. Subsequent to initial recognition, financial liabilities at amortized cost are measured using the effective interest method with the accretion of interest recognized in finance costs. Financial liabilities at FVTPL are carried in the consolidated statement of financial position at fair value with net changes net changes in fair value recognized in the consolidated statement of comprehensive income (loss).

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Financial asset or liability	IFRS 9 classification and measurement
Cash	Amortized cost
Trade and other receivables	Amortized cost
Investments in equity securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Derivatives – no hedge accounting applied	FVTPL
Derivatives – hedge accounting applied	FVOCI

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

A loss allowance is estimated from a review of the current and expected economic conditions and counterparty specific facts. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

(iii) Offsetting of financial assets and financial liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Company has an unconditional and legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Fair value

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs reflect the assumptions that market participants would use, and are based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.
- Level 2: Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(u) Derivatives and hedge accounting

The Company enters into interest rate swap agreements to mitigate interest rate risk on long-term debt. The Company also from time to time enters into foreign exchange forward contracts to hedge a portion of exposure arising from expected foreign currency denominated cash flows. Hedge accounting is applied to those hedge relationships that are considered effective and designated by management. Management assesses the effectiveness of hedges by comparing actual outcomes against our estimates on a regular basis. Subsequent changes in cash flows arising from forecasted transactions, if significant, may result in the discontinuation of hedge accounting for that hedge. The Company does not enter into derivative contracts for speculative purposes.

At the inception of a hedging relationship, management formally documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy for undertaking the hedge. Management also assesses, both at inception of a hedge and at the end of each quarter, whether the derivatives used in hedged transactions are highly effective in offsetting changes in cash flows of the hedged items. For effective hedging relationships, fair value changes in the hedging instrument are recognized in other comprehensive income.

(v) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net income (loss) for the period attributable to equity holders by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to equity holders by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued upon exercise of share-based compensation arrangements, to the extent they are considered dilutive.

4. Changes in accounting policies and accounting pronouncements:

(a) Adoption of Amendment to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*

The Company adopted the amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, effective January 1, 2022. The amendment clarifies that when measuring an onerous contract provision, the costs relating directly to the contract include both incremental costs and an allocation of costs directly related to contract activities. The Company recognized a cumulative effect of $2.0 upon applying this amendment in the opening retained deficit as at January 1, 2022.

(b) 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.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The Company does not expect the amendments to have material impacts to its consolidated financial statements.

(c) Forthcoming Amendment to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The IASB issued amendments to IAS 12, *Income taxes*, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability need to be recognized for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has determined the impact of this amendment to be immaterial as at January 1, 2023.

5. Revenue from contracts with customers

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines are presented in the table below:

	2022	2021
Geointelligence	$ 195.3	$ 190.7
Robotics and Space Operations	193.7	132.9
Satellite Systems	252.2	153.3
	$ 641.2	$ 476.9

(b) Revenue concentration

For the year ended December 31, 2022, there were 2 customers that individually comprised more than 10.0% of revenue and 45.4% in total. For the year ended December 31, 2021, there were 2 customers that individually comprised more than 10.0% of revenue and 26.3% in total.

(c) Remaining performance obligations

As at December 31, 2022, the Company had remaining performance obligations of $1,378.2 (December 31, 2021 – $864.3), which represents the transaction price of firm orders less inception to date revenue recognized. Remaining performance obligations exclude unexercised contract options and indefinite delivery or indefinite quantity contracts. The Company expects to recognize approximately 50% of its remaining performance obligations as revenue in 2023 and 25% in 2024 and the balance thereafter (December 31, 2021 – 41% in 2022, and 22% in 2023 and the balance thereafter).

(d) Contract liabilities

Of the opening contract liabilities balance at January 1, 2022, $59.0 has been recognised as revenue in 2022 (2021 - $60.0).

6. Geographic information

Segmented information is reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”), and reflects the way the CODM evaluates performance of, and allocates resources within, the business. The Company operates substantially all of its activities in one reportable segment, which includes the Geointelligence, Robotics & Space Operations and Satellite Systems operating segments. The reportable segment earns revenue by providing space solutions to customers in a similar market and is managed by the CODM.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Revenues are attributed to geographical regions based on the location of customers as follows:

	2022	2021[1]
Canada	$ 298.6	$ 249.5
United States	224.8	112.9
Europe	84.9	88.9
Asia and Middle East	30.1	22.7
Other	2.8	2.9
	$ 641.2	$ 476.9

[1] Certain comparative amounts for the prior period have been reclassified to conform to current period presentation.

The Company's property, plant and equipment, right-of-use assets, intangible assets and goodwill are attributed to geographical regions based on the location of the assets as follows:

	December 31, 2022	December 31, 2021
Canada	$ 1,213.1	$ 1,115.0
Other	1.4	0.8
	$ 1,214.5	$ 1,115.8

7. Cost of revenue and operating expenses

The following table shows the breakdown of materials, labour and subcontractors costs included in cost of revenue:

	2022	2021
Wages, salaries and other cost of revenues	$ 323.7	$ 266.2
Subcontractor costs	119.9	45.0
Investment tax credits recognized	(54.5)	(25.6)
	$ 389.1	$ 285.6

The following tables show the breakdowns of selling, general and administration expenses and research and development, net included in operating expenses:

	2022	2021
Selling, general and administration		
General and administration	$ 34.9	$ 32.4
Selling and marketing	25.1	25.9
	$ 60.0	$ 58.3
Research and development, net		
Research and development expense	$ 36.1	$ 25.7
Research and development expense recovery	(3.3)	(4.6)
	$ 32.8	$ 21.1

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

8. Trade and other receivables

	December 31, 2022	December 31, 2021
Trade receivables, gross	$ 148.0	$ 82.4
Other receivables, gross	13.3	10.7
Credit loss allowance	(5.8)	(0.5)
	$ 155.5	$ 92.6

Trade receivables are non-interest bearing, unless specifically agreed upon with the customer, and are generally on terms of 15 to 60 days.

9. Unbilled receivables

	December 31, 2022	December 31, 2021
Unbilled receivables, gross	$ 124.8	$ 85.4
Credit loss allowance	(3.8)	(1.7)
	$ 121.0	$ 83.7

10. Other assets

	Note	December 31, 2022	December 31, 2021
Prepaid expenses		$ 35.7	$ 13.2
Advances to suppliers		3.9	1.8
Investment tax credits receivable	25(a)	109.1	67.8
Deferred financing fees on long-term debt		—	6.0
Investment in equity securities		2.7	7.7
Derivative financial assets		4.8	9.5
Pension plan asset		2.6	12.5
		$ 158.8	$ 118.5
Current portion		$ 19.8	$ 12.8
Non-current portion		$ 139.0	$ 105.7

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

11. Property, plant and equipment

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at January 1, 2022	$ 58.1	$ 13.4	$ 9.4	$ 42.6	$ 123.5
Additions	13.0	1.8	3.9	116.3	135.0
Transfers	0.4	0.9	1.3	(2.5)	0.1
As at December 31, 2022	$ 71.5	$ 16.1	$ 14.6	$ 156.4	$ 258.6
Accumulated depreciation					
As at January 1, 2022	$ (4.8)	$ (5.4)	$ (3.4)	$ —	$ (13.6)
Depreciation expense	(3.6)	(2.7)	(3.6)	—	(9.9)
As at December 31, 2022	$ (8.4)	$ (8.1)	$ (7.0)	$ —	$ (23.5)
Net book value					
As at December 31, 2022	$ 63.1	$ 8.0	$ 7.6	$ 156.4	$ 235.1

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at January 1, 2021	$ 57.4	$ 9.1	$ 5.3	$ 2.8	$ 74.6
Additions	0.8	2.2	3.9	39.9	46.8
Disposals	(0.2)	—	—	—	(0.2)
Transfers	0.1	2.1	0.2	(0.1)	2.3
As at December 31, 2021	$ 58.1	$ 13.4	$ 9.4	$ 42.6	$ 123.5
Accumulated depreciation					
As at January 1, 2021	$ (1.9)	$ (2.2)	$ (1.2)	$ —	$ (5.3)
Depreciation expense	(3.1)	(3.2)	(2.2)	—	(8.5)
Disposals	0.2	—	—	—	0.2
As at December 31, 2021	$ (4.8)	$ (5.4)	$ (3.4)	$ —	$ (13.6)
Net book value					
As at December 31, 2021	$ 53.3	$ 8.0	$ 6.0	$ 42.6	$ 109.9

Depreciation expense included in cost of revenue for the year ended December 31, 2022 is $9.9 (December 31, 2021 – $8.5).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

12. Leases

The Company has lease contracts for buildings, equipment, furniture and fixtures and computer hardware used in its operations. Leases of buildings generally have lease terms between 5 and 10 years, while equipment, furniture and fixtures and computer hardware generally have lease terms between 1 and 5 years. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Buildings	Furniture, fixtures and computer hardware	Total
As at January 1, 2022	$ 13.5	$ 1.3	$ 14.8
Additions	0.4	—	0.4
Depreciation expense	(7.2)	(0.9)	(8.1)
As at December 31, 2022	$ 6.7	$ 0.4	$ 7.1

	Buildings	Equipment	Furniture, fixtures and computer hardware	Total
As at January 1, 2021	$ 19.2	$ 0.1	$ 2.7	$ 22.0
Additions	3.0	—	0.1	3.1
Depreciation expense	(8.7)	(0.1)	(1.5)	(10.3)
As at December 31, 2021	$ 13.5	$ —	$ 1.3	$ 14.8

The Company also has certain leases of small office and IT equipment such as laptops with lease terms of 12 months or less, some of which are also low value leases.

The following are the amounts recognised in profit or loss for the leases:

	2022	2021
Depreciation expense included in cost of revenue	$ 8.1	$ 10.3
Interest expense on lease liability	0.7	1.0
Expense relating to short-term lease	2.3	2.0
Expense relating to leases of low-value assets	0.8	0.4
	$ 11.9	$ 13.7

Set out below are the carrying amounts of lease liabilities and the movements:

	2022	2021
Opening	$ 15.7	$ 20.5
Additions	0.4	3.1
Accretion of interest	0.7	1.0
Payments	(8.5)	(8.9)
Ending	$ 8.3	$ 15.7
Current portion	$ 6.7	$ 7.9
Non-current portion	$ 1.6	$ 7.8

The Company had total cash outflows for leases of $11.6 in the current period (December 31, 2021: $11.3).

The maturity analysis of lease liabilities is disclosed in note 19, financial instruments and fair value disclosures.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

13. Intangible assets

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
Cost						
As at January 1, 2022	$ 123.3	$ 41.2	$ 459.9	$ 25.6	$ 26.9	$ 676.9
Additions	30.8	—	—	—	8.7	39.5
Transfers	—	—	—	—	(0.1)	(0.1)
As at December 31, 2022	$ 154.1	$ 41.2	$ 459.9	$ 25.6	$ 35.5	$ 716.3
Accumulated amortization						
As at January 1, 2022	$ (14.7)	$ (24.9)	$ (56.4)	$ (2.4)	$ (7.3)	$ (105.7)
Amortization expense	(8.6)	(10.6)	(32.7)	(1.1)	(5.2)	(58.2)
As at December 31, 2022	$ (23.3)	$ (35.5)	$ (89.1)	$ (3.5)	$ (12.5)	$ (163.9)
Net book value						
As at December 31, 2022	$ 130.8	$ 5.7	$ 370.8	$ 22.1	$ 23.0	$ 552.4

	Proprietary technologies[1]	Contractual backlog	Customer relationships	MDA trademark	Software [1]	Total
Cost						
As at January 1, 2021	$ 79.8	$ 41.2	$ 463.1	$ 25.6	$ 25.4	$ 635.1
Additions	43.7	—	—	—	3.8	47.5
Disposals	(0.2)	—	(3.2)	—	—	(3.4)
Transfers	—	—	—	—	(2.3)	(2.3)
As at December 31, 2021	$ 123.3	$ 41.2	$ 459.9	$ 25.6	$ 26.9	$ 676.9
Accumulated amortization						
As at January 1, 2021	$ (6.5)	$ (10.8)	$ (24.5)	$ (1.1)	$ (3.2)	$ (46.1)
Amortization expense	(8.3)	(14.1)	(33.2)	(1.3)	(4.1)	(61.0)
Disposals	0.1	—	1.3	—	—	1.4
As at December 31, 2021	$ (14.7)	$ (24.9)	$ (56.4)	$ (2.4)	$ (7.3)	$ (105.7)
Net book value						
As at December 31, 2021	$ 108.6	$ 16.3	$ 403.5	$ 23.2	$ 19.6	$ 571.2

[1] Comparative amounts for the prior period have been reclassified to conform to current period presentation.

For the year ended December 31, 2022, additions of proprietary technologies and software included $30.8 and $1.6 of development costs incurred on internally generated intangible assets, respectively (December 31, 2021 - $34.8 and $10.1). As at December 31, 2022, the assets are still under development, and therefore the amortization thereof has not commenced.

For the year ended December 31, 2022, the amortization expense related to software of $5.7 (December 31, 2021 – $4.7) are included in cost of revenue. For the year ended December 31, 2022, the amortization expense related to all other intangible assets of $52.5 (December 31, 2021 – $56.3) are included in operating expenses.

As at December 31, 2022, the Company did not identify any indicators of impairment. Accordingly, no impairment was recognized during this period.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

14. Goodwill

The Company performed its annual goodwill impairment test as at December 31, 2022. Goodwill is monitored at the groups of CGUs level, which represents the lowest level within the Company for which information about goodwill is available and monitored for internal management purposes:

	December 31, 2022	December 31, 2021
Geointelligence	$ 285.9	$ 285.9
Robotics and Space Operations	25.1	25.1
Satellite Systems	108.9	108.9
	$ 419.9	$ 419.9

For each CGU, the recoverable amount was determined based on its value in use, calculated by discounting estimated future cash flows to their present value. Estimated cash flow projections are based on the Company's five-year strategic growth plan. Based on the impairment test performed, the recoverable amount of Geointelligence, Robotics and Space Operations and Satellite Systems were in excess of their carrying amounts. Accordingly, there is no impairment of the carrying value of goodwill.

The following key assumptions were used for the period in determining the recoverable amount for each CGU:

- Revenue and earnings before interest, taxes, depreciation and amortization over a five year forecast horizon are based on the expected timing of the Company's performance under enforceable contracts and anticipated future contracts, expected costs, as well as forecasted growth rate of the Company's recurring services and goods provided to its customers.
- Discount rates represent the current market assessment of the risks specific to each CGU taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rates are post-tax measures based on normalized weighted-average costs of capital. The discount rates used in determining recoverable amounts of each CGU at December 31, 2022 reflect each CGU's specific risks and market conditions and ranged from 10.5% to 14.5% (December 31, 2021 – 10.0% to 10.5%).
- Terminal growth rate represents the cash flows beyond the five years included in the cash flow forecast. Rates are based on market and industry trends researched and identified by management. A terminal growth rate of 2.5% was used in the value in use calculation at December 31, 2022 (December 31, 2021 – 2.5%).

Changes in the macro-environment since the acquisition of the CGUs in 2020 have contributed to increases in discount rates. As a result, management has identified that a reasonably possible further increase in the discount rate used in the value in use calculation of the Geointelligence CGU could cause its carrying amount to exceed its recoverable amount.

15. Long-term debt

The Company's long-term debt is comprised of the following:

		December 31, 2022		December 31, 2021
Senior revolving credit facility	$	243.6	$	—
Second lien notes		—		144.7
	$	243.6	$	144.7
Current	$	—	$	—
Non-current	$	243.6	$	144.7

(a) Senior revolving credit facility

On May 5, 2022, the Company, through its wholly owned subsidiary NOL, amended its senior revolving credit facility. The available capacity of the senior credit facility was increased from $428.3 to $600.0 and the reducing feature of the available credit was eliminated. The maturity date of the senior credit facility was extended from April 8, 2025 to May 4, 2027. Transaction costs incurred to refinance the credit facility totalled $1.4 and were recognized in 2022.

As at December 31, 2022, the Company had borrowings of $245.0 (December 31, 2021 - $nil) under the senior revolving credit facility in the form of Bankers' Acceptances, which is recorded at a carrying amount of $243.6 (December 31, 2021 - $nil) on the consolidated statement of financial position. This facility bears interest at the bank's prime rate or alternate base rate Canada plus an applicable margin of 45 to 175 basis points ("bps") or CDOR or LIBOR plus an applicable margin of 145 to 275 bps, based on the Company's total debt to EBITDA ratio. At December 31, 2022, the weighted average interest rate on the outstanding Bankers' Acceptances was 6.26%. The Company also had $24.0 letters of credit outstanding at December 31, 2022 (December 31, 2021 - $15.6), bearing an applicable margin of 97 bps plus a fronting fee of 25 bps.

The Company accounted for its May 5, 2022 refinancing of the senior credit facility as a substantial debt modification under IFRS 9, where the previously existing credit facility was extinguished from the consolidated statement of financial position. The new credit facility was recognized at its fair value on May 5, 2022 and subsequently measured at amortised cost. The accounting treatment for the substantial debt modification resulted in a net expense of $4.3 recognized in finance costs in the consolidated statement of comprehensive income in 2022.

(b) Redemption of second lien notes

Concurrent with the amendment of the senior credit facility, on May 5, 2022, the Company exercised its option to redeem all amounts outstanding under the second lien notes using excess cash and drawings under the senior revolving credit facility. On redemption, the Company paid in cash the principal amount of $150.0, and a redemption premium of $7.5 due on exercise of its early redemption rights. The redemption premium was recorded in finance costs in the consolidated statement of comprehensive income.

The redemption of the second lien notes resulted in an expense of $2.8 upon derecognizing the redemption option derivative that is described in note 20, and an expense of $5.1 upon writing off the unamortized deferred financing costs. Both expenses were recorded in finance costs in the consolidated statement of comprehensive income.

The second lien notes bore interest of 10% per annum in cash, or 12% paid in-kind ("PIK") (6% cash, 6% in-kind). Interest was due semi-annually. The second lien notes would have matured on April 8, 2027, absent the early redemption thereof. All guarantees and securities under the second lien notes were released upon redemption.

All of the financial impacts arising from the redemption were recognized in 2022.

(c) Security and guarantees

The senior revolving credit facility is guaranteed by all subsidiaries of NOL (other than certain excluded subsidiaries, including immaterial subsidiaries and non-wholly owned subsidiaries) and secured by all of the present and future assets, property and undertakings of NOL and its subsidiary guarantors, as well as a limited recourse guarantee and pledge of NOL from the Company.

The second lien notes were guaranteed by the same guarantors as the senior revolving credit facility and secured by a second lien on the same collateral.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(d) Covenants

Under the senior revolving credit facility, the Company must satisfy certain financial covenants as defined by the credit agreement, including the following:

- The Company is required to maintain an interest coverage ratio of at least 3.0 to 1 at all times
- The Company is required to maintain a specified total debt to EBITDA ratio of less than or equal to 4.0 to 1 at all times

The Company was in compliance with these covenants at all times during the year ended December 31, 2022.

(e) Cash flows arising from long-term borrowings

The following table reconciles the changes in cash flows from financing activities for long-term borrowings:

	December 31, 2022	December 31, 2021
Opening	$ 144.7	$ 559.7
Issuance of debt, net of issuance costs	245.0	—
Principal repayments	(150.0)	(424.1)
Net effect from credit facilities modifications	3.4	5.4
Interest expense incurred on credit facilities	14.0	23.2
Interest paid on credit facilities	(13.5)	(21.7)
Other	—	2.2
Closing	$ 243.6	$ 144.7
Current portion	$ —	$ —
Non-current portion	$ 243.6	$ 144.7

(f) Commitments related to long-term debt

The outstanding long-term debt principal as at December 31, 2022 relates entirely to the senior revolving credit facility. The Company has the discretion to roll over the principal in full to the facility's maturity date in 2027.

16. Finance costs

	Note	2022	2021
Interest on credit facilities(1)		$ 11.6	$ 23.4
Other interest and borrowing fees		3.7	3.4
Transaction costs on refinancing of senior revolving credit facility	15(a)	1.4	—
Effect of modification of senior credit facility	15(a)	4.3	5.4
Redemption premium on second lien notes	15(b)	7.5	—
Derecognition of redemption option derivative	15(b)	2.8	—
Write-off of unamortized deferred financing costs on second lien notes	15(b)	5.1	—
Capitalized interest(2)		(2.2)	—
		$ 34.2	$ 32.2

(1) Net interest accrual on interest rate swaps is presented as an adjustment to finance costs because the designated hedged item is an interest-bearing liability, which is further discussed in Note 19(c).

(2) Interest expense is capitalized on certain qualifying assets that take a substantial period of time to prepare for their intended use. Capitalized interest is a component of both property, plant and equipment and intangible assets. The capitalization rate used to capitalize interest is 4.7%.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

17. Employee benefits

(a) Employee benefits liabilities

Employee benefit liabilities	December 31, 2022	December 31, 2021
Salary and benefits payable	$ 47.8	$ 33.3
Obligations under defined benefit pension plans and post-retirement benefit plans	22.5	34.8
Accrued liabilities for other retirement benefits	5.3	4.5
	$ 75.6	$ 72.6
Current	$ 54.1	$ 38.8
Non-current	$ 21.5	$ 33.8

Excluded from the pension plan liabilities as at December 31, 2022 are pension plan assets totalling $2.6 (December 31, 2021 – $12.5). Pension plan assets are recorded in other non-current asset as presented in note 10.

(b) Defined contribution pension plans

The Company maintains defined contribution pension plans and incurred $5.6 in expenses during the year (December 31, 2021 - $5.6).

(c) Defined benefit pension plans and post-retirement benefit plans

Defined benefit pension plans

The Company's defined benefit plans provide pension benefits based on various factors including earnings and length of service.

The plans are funded and the Company's funding requirements are based on each of the plans' actuarial measurement frameworks as established by the plan agreements or applicable laws. Employees are required to contribute to some of the funded plans. The total estimated employer contributions expected to be paid to the plans in the year ending December 31, 2023 are $3.2 (December 31, 2022 – $5.6).

The funded plan assets are legally separated from the Company and are held by an independent trustee. The trustee is responsible for ensuring that the funds are protected as per applicable laws.

Movement in net defined benefit liability for the year ended December 31, 2022 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2022	$ 129.3	$ (137.4)	$ (8.1)
Effect of asset ceiling in prior year in equity	—	(2.7)	(2.7)
Recognized in net income			
Current service cost	5.4	—	5.4
Administrative expenses	—	0.6	0.6
Interest cost (income)	4.0	(4.3)	(0.3)
	$ 9.4	$ (3.7)	$ 5.7

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	(35.9)	—	(35.9)
Experience adjustment	1.1	—	1.1
Return on plan assets excluding interest income	—	18.6	18.6
Administrative expenses paid from fund	—	0.4	0.4
	$ (34.8)	$ 19.0	$ (15.8)
Other			
Employer contributions	—	(3.8)	(3.8)
Plan participant contributions	1.4	(1.4)	—
Benefit payments	(6.3)	6.3	—
	$ (4.9)	$ 1.1	$ (3.8)
Effect of asset ceiling in equity	—	22.2	22.2
Defined benefit obligation (asset) as at December 31, 2022	$ 99.0	$ (101.5)	$ (2.5)

Movement in net defined benefit liability for the year ended December 31, 2021 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2021	$ 135.2	$ (123.6)	$ 11.6
Recognized in net income			
Current service cost	5.6	—	5.6
Past service costs	0.1	—	0.1
Administrative expenses	—	0.6	0.6
Interest cost (income)	3.5	(2.6)	0.9
	$ 9.2	$ (2.0)	$ 7.2
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	(10.9)	—	(10.9)
Experience adjustment	0.7	—	0.7
Return on plan assets excluding interest income	—	(14.3)	(14.3)
Administrative expenses paid from fund	—	0.3	0.3
	$ (10.2)	$ (14.0)	$ (24.2)
Other			
Employer contributions	—	(5.4)	(5.4)
Plan participant contributions	1.4	(1.4)	—
Benefit payments	(6.3)	6.3	—
	$ (4.9)	$ (0.5)	$ (5.4)
Effect of asset ceiling in equity	—	2.7	2.7

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Defined benefit obligation (asset) as at December 31, 2021	$	129.3	$	(137.4)	$	(8.1)

Plan assets comprise the following:

		December 31, 2022		December 31, 2021
Domestic equity	$	25.7	$	30.3
Foreign equity		20.4		25.6
Fixed income assets		46.8		50.1
Other		29.9		32.7
Cash and short-term investments		0.9		1.4
Total plan assets	$	123.7	$	140.1

Other post-retirement benefit plans

The Company provides other post-retirement benefits, including extended health benefits, dental care and life insurance covering a portion of its employees in Canada. The cost of these benefits is funded primarily out of general revenues. The total estimated contributions expected to be paid to the plans, including the net benefit payments to be made in respect to unfunded plans, for the year ending December 31, 2023 are $1.1 (December 31, 2022 – $1.1).

Movement in net defined benefit liability for the year ended December 31, 2022 is set out below:

		Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2022	$	30.4	$	—	$	30.4
Recognized in net income						
Current service cost		0.5		—		0.5
Interest cost (income)		0.9		—		0.9
	$	1.4	$	—	$	1.4
Recognized in net equity						
Actuarial loss (gain) arising from:						
Financial assumptions		(8.6)		—		(8.6)
Experience adjustment		—		—		—
	$	(8.6)	$	—	$	(8.6)
Other						
Employer contributions		—		(0.8)		(0.8)
Benefit payments		(0.8)		0.8		—
	$	(0.8)	$	—	$	(0.8)
Defined benefit obligation as at December 31, 2022	$	22.4	$	—	$	22.4

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Movement in net defined benefit liability for the year ended December 31, 2021 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2021	$ 32.6	$ —	$ 32.6
Recognized in net income			
Current service cost	0.5	—	0.5
Interest cost (income)	0.8	—	0.8
	$ 1.3	$ —	$ 1.3
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	(2.8)	—	(2.8)
Experience adjustment	—	—	—
	$ (2.8)	$ —	$ (2.8)
Other			
Employer contributions	—	(0.7)	(0.7)
Benefit payments	(0.7)	0.7	—
	$ (0.7)	$ —	$ (0.7)
Defined benefit obligation as at December 31, 2021	$ 30.4	$ —	$ 30.4

Actuarial assumptions

The following represents the weighted average of the principle actuarial assumptions used in calculating the defined benefit plans and other post-retirement plans at the reporting date.

	December 31, 2022	December 31, 2021
Discount rate	5.3%	3.1%
Future salary increases	3.5%	3.5%
Health care trend (Other Post Retirement Benefit Plans)	5.7%	6.0%
Longevity at age 65 for current pensioners:		
Males	22.1	22.0
Females	24.5	24.3
Longevity at age 65 for current pensioners aged 45:		
Males	23.1	23.0
Females	25.4	25.3

As at December 31, 2022, the weighted-average duration of the defined benefit obligation was 13.3 years (December 31, 2021 – 15.4).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit plans and other post-retirement plans by the amounts shown below.

As at December 31, 2022	Increase of 1%	Decrease of 1%
Discount rate	$ (13.6)	$ 16.9
Future salary growth	$ 0.4	$ (0.5)
Health care trends rate	$ 3.0	$ (2.4)
Future mortality	$ (0.3)	$ 0.3

18. Share-based compensation

In 2021, the Company established an Omnibus Long-term Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based plan, under which the Company receives services from directors and employees as consideration for equity instruments of the Company. The Company can issue stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs") pursuant to the terms and conditions of the Omnibus Plan and the related award agreements entered into thereunder.

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.

(a) Stock Options

For the year ended December 31, 2022, the Company has granted stock options with an exercise price of $6.00 to $9.43. The stock options have graded vesting schedules ranging from 3 to 4 years from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date. The stock options have a maximum term of 10 years.

Stock options are measured at fair value using the Black-Scholes option pricing model on the grant date and subsequently expensed on a graded basis over the vesting period. The amount expensed for the year ended December 31, 2022 was $4.1 (for the year ended December 31, 2021 – $8.9).

The weighted average fair value of options granted during the year ended December 31, 2022 was $3.29. The fair value of these options granted were estimated on the date of grant using the following assumptions:

	Year ended December 31, 2022
Dividend yield	0.00%
Expected volatility	40.00% to 45.20%
Risk-free interest rate	1.39% to 3.21%
Expected life of share options	5.0 to 7.0 years
Weighted average share price	$7.59

The expected life of the stock options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the share price volatility observed for comparable publicly traded companies over a period similar to the life of the options.

The table below shows the movement in the number of stock options outstanding and the related weighted average exercise price.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

	December 31, 2022		December 31, 2021[1]	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Opening	9,066,978	$ 11.40	7,237,325	$ 9.30
Granted	571,021	7.59	2,576,650	18.66
Forfeited	(650,368)	11.28	—	—
Exercised	(106,015)	6.00	(199,705)	9.31
Transferred to Trustee Shares	—	—	(547,292)	14.00
Closing	8,881,616	$ 11.23	9,066,978	$ 11.40
Stock options exercisable	5,632,098	$ 11.31	4,444,721	$ 11.32

(1) Concurrent with the Pre-IPO share consolidation described in note 21, the Pre-IPO outstanding stock options and weighted average exercise price reflect the six-to-one share consolidation.

During the year ended December 31, 2022, the weighted average market share price for stock options exercised was $8.27.

The information regarding the stock options outstanding and exercisable as at December 31, 2022 is summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
$6.00 - $9.60	5,702,487	8.0	$ 7.78	3,578,177	$ 7.77
$14.00 - $18.00	2,626,974	8.0	14.91	1,692,842	14.90
$22.00 - $30.00	552,155	8.1	29.42	361,079	29.56
	8,881,616	8.0	$ 11.23	5,632,098	$ 11.31

(b) Trustee Shares

Immediately prior to the IPO in 2021, the Company transferred from the Plan a total of 547,292 stock options to Trustee Shares for certain employees, which vest on the same basis as the originating stock options. No additional Trustee Shares have been granted subsequently. The amount expensed for the year ended December 31, 2022 was $1.2 (for the year ended December 31, 2021 – $4.6).

The number of Trustee Shares outstanding and vested as at December 31, 2022 is 306,554 and 30,713 respectively. (December 31, 2021 – 547,292 and 253,900).

(c) DSUs

The Company offers DSUs to the Company's independent directors, where they are entitled to receive all or a portion of their annual compensation in the form of DSUs in place of cash commencing in 2022. The DSUs vest immediately upon grant and are equity-settled, entitling participants to receive one common share for each DSU. The amount expensed for the year ended December 31, 2022 is $1.2 (for the year ended December 31, 2021 - $nil). The weighted average fair value of DSUs granted during the year ended December 31, 2022 was $7.85.

(d) RSUs and PSUs

In Company granted RSUs and PSUs to eligible employees. The RSUs vest over 1 to 3 years in annual instalments from the grant date commencing in 2022. Vesting is conditional on continuous employment from the grant date to the vesting date. The PSUs vest over 3 years from the grant date and is conditional on continuous employment as well as attainment of performance targets. The amount expensed for the year ended

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

December 31, 2022 is $2.0 (for the year ended December 31, 2021 - $nil). The weighted average fair value of RSUs and PSUs granted during the year ended December 31, 2022 were $8.05 and $8.14 respectively.

(e) Award units continuity – Trustee Shares, DSUs, RSUs and PSUs

The table below shows the movement in the award units outstanding over the years ended December 31, 2022:

	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2022	547,292	—	—	—
Granted	—	148,315	635,718	219,786
Forfeited/Cancelled	(24,148)	—	(12,310)	—
Exercised/Converted	(216,590)	—	—	—
Settled	—	(19,487)	—	—
As at December 31, 2022	306,554	128,828	623,408	219,786

The table below shows the movement in the award units outstanding over the year ended December 31, 2021:

	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2021	—	—	—	—
Granted	547,292	—	—	—
Forfeited/Cancelled	—	—	—	—
Exercised/Converted	—	—	—	—
Transferred to Trustee Shares	—	—	—	—
As at December 31, 2021	547,292	—	—	—

19. Financial instruments and fair value disclosures

(a) Financial instruments by category:

The classification of financial instruments and their carrying amounts are as follows:

	December 31, 2022	December 31, 2021
Financial assets (liabilities) measured at FVTPL		
Derivative financial assets	$ 4.8	$ 9.5
Derivative financial liabilities	(0.3)	(0.9)
Investment in equity securities	2.7	7.7
Financial assets measured at FVOCI		
Derivative financial assets	$ 2.0	$ —
Financial assets (liabilities) measured at amortized cost		
Cash	$ 39.3	$ 83.6
Trade and other receivables	155.5	92.6
Unbilled receivables	121.0	83.7
Accounts payable and accrued liabilities	(124.3)	(71.3)
Long-term debt	(243.6)	(144.7)

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(b) Fair value of financial instruments:

The table below shows the fair values of financial instruments along with their levels in the fair value hierarchy. It does not include fair values of those financial instruments measured at amortized cost for which the carrying amount is a reasonable approximation of fair value, which include cash, trade and other receivables, accounts payable and accrued liabilities, and non-trade payables.

	December 31, 2022				December 31, 2021			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets								
Derivative financial instruments	$ —	$ 6.8	$ —	$ 6.8	$ —	$ 1.4	$ 8.1	$ 9.5
Investment in equity securities	2.7	—	—	2.7	7.7	—	—	7.7
Liabilities								
Derivative financial instruments	$ —	$ 0.3	$ —	$ 0.3	$ —	$ 0.9	$ —	$ 0.9
Long-term debt	—	245.0	—	245.0	—	169.6	—	169.6

During the year, no transfers occurred between the different levels.

Level 2 derivative financial instruments comprise interest rate swaps and foreign exchange embedded derivatives within revenue and purchase contracts. The Company determines fair value of its derivative financial instruments based on management estimates and observable market-based inputs. The fair value of interest rate swaps is determined as the present value of estimated future cash flows, discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark rate used by market participants for this purpose when pricing the interest rate swaps. The fair value of foreign exchange embedded derivatives include management assumptions concerning the amount and timing of estimated future cash flows and observable market-based inputs such as currency spot and forward rates. Level 2 long-term debt as at December 31, 2022 is the senior revolving credit facility described in note 15. The Company determines the fair value of the long-term based on the present value of future cash flows. As at December 31, 2021, Level 2 long-term debt was the former second lien notes. Its fair value was determined using a present value of future cash flows model. A key estimate used in this calculation is the market yield, which is derived from inputs such as corporate bond credit spread and risk free rate.

At December 31, 2021, the Level 3 security represented the redemption feature embedded in the former second lien notes. The fair value was determined using a present value of future cash flows model. A key estimate used in this calculation is the market yield, which is derived from inputs such as corporate bond credit spread and risk free rate. On May 5, 2022, the second lien notes were redeemed as part of the refinancing transaction described in note 15. The redemption feature was fair valued on the redemption date. The fair value decline from December 31, 2021 to May 5, 2022 of $5.3 was included in unrealized loss on financial instruments in the consolidated statement of comprehensive income for the year ended December 31, 2022. For the year ended December 31, 2021, an unrealized gain of $0.8 was recognized with respect to the fair value changes of the redemption feature.

(c) 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, 2022, all of the Company’s borrowings, in the amount of $245.0, 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, 2022, the Company has entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on $150.0 of borrowing under its senior revolving credit facility. As at December 31, 2022, 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 $150.0. Under the swap contracts, the Company pays interest at a fixed rate of 3.46% 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 $2.0, before tax effects, for the year ended December 31, 2022 and are recorded in other comprehensive income.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

At December 31, 2022, the interest rate risk related to $95.0 of total borrowings was unhedged. Based on the total outstanding borrowings at December 31, 2022, 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 $1.0 annually (December 31, 2021 – $1.7). 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.

(d) 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:

	December 31, 2022	December 31, 2021
Opening	$ (2.2)	$ (0.3)
Provision for credit losses	(7.8)	(2.1)
Write-offs	0.4	0.2
Ending	$ (9.6)	$ (2.2)

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. The allowance for credit losses as at December 31, 2022 include estimates relating to one customer to which the Company has provided vendor financing at outset of the contract and since then agreed to defer the original payment dates to after year-end. The customer accounted for 37% of the Company's total trade and other receivables and unbilled receivables. Subsequent to December 31, 2022, the Company has received payment of $26.7 in relation to balances owing from the customer.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(e) 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, 2022 are shown in the following table:

	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
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

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2021 are shown in the following table:

	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
Trade and other payables	$ 71.3	$ 71.3	$ 71.3	$ —	$ —
Financial liabilities, other:					
Non-trades payables	1.2	1.2	0.5	0.6	0.1
Second lien notes	144.7	150.0	—	—	150.0
	$ 217.2	$ 222.5	$ 71.8	$ 0.6	$ 150.1
Lease liabilities	$ 15.7	$ 15.7	9.5	6.2	—
Other derivative instruments	0.9	0.9	0.7	0.2	—
	$ 16.6	$ 16.6	$ 10.2	$ 6.4	$ —
	$ 233.8	$ 239.1	$ 82.0	$ 7.0	$ 150.1

(f) Foreign 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

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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, 2022, 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.

20. 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 managing 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 has also access to capital markets to raise equity financing. As at December 31, 2022, in addition to its outstanding long-term debt and equity, the Company also had $331.0 of available liquidity under its revolving credit facility. The Company continually assesses the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

The Company's performance against its financial covenants is discussed in detail in note 15. The Company was in compliance with the financial covenants under the Company's credit facilities throughout the year ended December 31, 2022.

21. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value. Each common share entitles the holder of record to one vote at shareholder meetings and to participate in dividends if declared.

(b) Issued and outstanding

		Number of common shares		Amount
As at January 1, 2021		80,735,983	$	480.4
Issuance to private investor and employees		5,098,420		30.6
IPO, issuance of common shares net of issuance costs and tax(1)		28,571,500		382.4
Exercise of over-allotment option		4,285,725		57.3
As at December 31, 2021		118,691,628	$	950.7
Conversion of share-based awards to common shares	18(e)	322,605		0.9
As at December 31, 2022		119,014,233	$	951.6

(1) Immediately prior to the closing of the IPO, all of the Company's issued and outstanding common shares were consolidated on a six-to-one basis. The number of common shares in 2021 are presented on a post-share consolidation basis.

All issued common shares are fully paid.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

22. Income taxes

(a) Income tax expense

	December 31, 2022	December 31, 2021
Current tax expense:		
Current period	$ 14.1	$ 14.9
Change in estimate for prior periods	(10.7)	1.0
	$ 3.4	$ 15.9
Deferred tax expense:		
Origination and reversal of temporary difference	(3.5)	(7.5)
Change in estimate for prior periods	7.7	—
Change in unrecognized deductible temporary differences	0.3	—
	$ 4.5	$ (7.5)
Income tax expense	$ 7.9	$ 8.4

(b) Income taxes recognized in OCI

	December 31, 2022	December 31, 2021
Opening	$ (3.4)	$ 3.1
Income tax expense on remeasurement of defined benefit pension plans	(1.3)	(6.5)
Other	(0.6)	—
Closing	$ (5.3)	$ (3.4)

(c) Income tax rate reconciliation

A reconciliation of income taxes at statutory rates to actual income tax expense is as follows:

	December 31, 2022	December 31, 2021
Statutory Federal and Provincial tax rate in Canada	26.5%	26.5%
Income tax expense at statutory tax rates	$ 9.0	$ 3.0
Earnings subject to different rates	(0.1)	—
Change in statutory rates	(0.3)	(0.2)
Change in unrecognized deferred tax assets	0.3	0.2
Change in uncertain tax positions	(1.9)	0.4
Share-based compensation	2.1	3.6
Change in estimate for prior periods	(3.0)	1.0
Other, including permanent differences	1.8	0.4
	$ 7.9	$ 8.4

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(d) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at December 31, 2022 are attributable to the following:

	Assets	Liabilities	Net
Unbilled receivables and contract liabilities	$ —	$ 6.3	$ (6.3)
Property, plant and equipment	—	16.9	(16.9)
Intangible assets and goodwill	—	133.9	(133.9)
Investment tax credits	9.8	29.0	(19.2)
Trade and other payables	1.4	—	1.4
Employee benefits	5.3	—	5.3
Tax loss carry forwards	17.6	—	17.6
Other items, including financing fees	9.9	2.6	7.3
Tax assets (liabilities)	$ 44.0	$ 188.7	$ (144.7)
Set off of tax	(24.9)	(24.9)	—
Net tax assets (liabilities)	$ 19.1	$ $163.8	$ (144.7)

Deferred tax assets and liabilities as at December 31, 2021 are attributable to the following:

	Assets	Liabilities	Net
Unbilled receivables and contract liabilities	$ —	$ 5.0	$ (5.0)
Property, plant and equipment	—	16.7	(16.7)
Intangible assets and goodwill	—	132.6	(132.6)
Investment tax credits	6.6	18.4	(11.8)
Trade and other payables	1.9	—	1.9
Employee benefits	5.9	—	5.9
Tax loss carry forwards	14.0	—	14.0
Other items, including financing fees	7.8	2.6	5.2
Tax assets (liabilities)	$ 36.2	$ 175.3	$ (139.1)
Set off of tax	(16.9)	(16.9)	—
Net tax assets (liabilities)	$ 19.3	$ $158.4	$ (139.1)

The Company has recognized deferred tax assets of $19.1 in respect of a subsidiary relating to tax loss carry forwards and deductible transaction fees. These deferred tax assets have been recognized based on an estimate of future taxable profits derived from the Company's financial projections.

(e) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses of $10.3 as at December 31, 2022 (December 31, 2021 – $9.2). These tax losses have no expiry date. Deferred tax assets have also not been recognized in respect of capital losses of $3.6 (December 31, 2021 - $nil). These capital losses have no expiry date.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(f) Movement in deferred taxes

Movement in deferred taxes for the year ended December 31, 2022 is set out below:

	As at January 1, 2022	Recognized in net income in year	Recognized in equity in year	As at December 31, 2022
Unbilled receivables and contract liabilities	$ (5.0)	$ (1.3)	$ —	$ (6.3)
Property, plant and equipment	(16.7)	(0.2)	—	(16.9)
Intangible assets and goodwill	(132.6)	(1.3)	—	(133.9)
Investment tax credits	(11.8)	(7.4)	—	(19.2)
Trade and other payables	1.9	(1.2)	0.7	1.4
Employee benefits	5.9	0.7	(1.3)	5.3
Tax loss carry forwards	14.0	2.1	1.5	17.6
Other items, including financing fees	5.2	4.1	(2.0)	7.3
	$ (139.1)	$ (4.5)	$ (1.1)	$ (144.7)

Movement in deferred taxes for the year ended December 31, 2021 is set out below:

	As at January 1, 2021	Recognized in net income in year	Recognized in equity in year	As at December 31, 2021
Unbilled receivables and contract liabilities	$ (3.0)	$ (2.0)	$ —	$ (5.0)
Property, plant and equipment	(16.4)	(0.3)	—	(16.7)
Intangible assets and goodwill	(150.8)	18.2	—	(132.6)
Investment tax credits	(5.4)	(6.4)	—	(11.8)
Trade and other payables	5.0	(3.1)	—	1.9
Employee benefits	11.9	0.5	(6.5)	5.9
Tax loss carry forwards	6.9	7.1	—	14.0
Other items, including financing fees	4.3	(6.5)	7.4	5.2
	$ (147.5)	$ 7.5	$ 0.9	$ (139.1)

As at December 31, 2022, the Company had no taxable temporary differences relating to investments in subsidiaries.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

23. Earnings per share

The following table reflects the net income and share data used in the basic and diluted earnings per share calculations:

	2022	2021
Net income	$ 26.3	$ 2.9
Weighted average shares outstanding – basic	119,011,468	109,301,909
Adjustments for		
Employee stock options	2,742,457	6,593,329
Trustee shares	228,381	406,346
DSUs	41,998	—
RSUs and PSUs	426,838	—
Weighted average shares outstanding – diluted	122,451,142	116,301,584
Basic earnings per share	$ 0.22	$ 0.03
Diluted earnings per share	0.21	0.02

At December 31, 2022, 5,904,864 options and 202,903 trustee shares (December 31, 2021 – 2,194,956 options and nil trustee shares) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

24. Supplementary cash flow information

The below table provides changes in operating assets and liabilities:

	2022	2021
Trade and other receivables	$ (62.9)	$ (12.5)
Unbilled receivables	(37.3)	(5.5)
Inventories	0.5	(1.5)
Prepaid and advances to suppliers	(24.6)	(3.6)
Other assets	(1.0)	(0.4)
Trade and other payables	59.6	(1.6)
Contract liabilities	19.3	18.2
Employee benefits	17.2	8.0
Other liabilities	2.5	(14.7)
	$ (26.7)	$ (13.6)

25. Government assistance

(a) Investment tax credits

During the year ended December 31, 2022, the Company recognized investment tax credits of $54.5 (December 31, 2021 – $25.6) as a reduction in cost of materials, labour and subcontractors on the consolidated statement of comprehensive income, and $7.8 million as a reduction in the carrying amount of related assets on the consolidated statement of financial position. Of these recognized amounts, $27.2 million is related to expenses incurred in prior years. The Company has investment tax credits of approximately $120.9 million (December 31, 2021 - $69.5 million) available to offset future Canadian Federal and Provincial income taxes payable which expire between 2033 and 2042. Investment tax credits are only recognized in the consolidated financial statements when the recognition criteria have been met as described in note 3(q).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Investment tax credits that are expected to be realized within 12 months are presented within current other assets; investment tax credits that are expected to be realized beyond 12 months are presented within non-current other assets (see note 10).

(b) CEWS

In response to the Covid-19 pandemic, the Government of Canada offered employers a wage subsidy to assist in retaining employees throughout the pandemic. This program ended in October 2021 and therefore no government grant income related to CEWS was recognized for the year ended December 31, 2022. For the year ended December 31, 2021, the Company recognized $24.8 of government grant income related to CEWS.

(c) Long Term Economic Benefits to Province of Ontario Grant (the "Ontario Grant"):

The Ontario Grant was awarded to the Company in March 2022 by the Minister of Economic Development, Job Creation and Trade to encourage investment in Ontario, which will benefit Ontario's economic growth. Under this grant agreement, the Ontario Government will fund 24.74% of eligible spending to a maximum of $25.0, conditional on the Company investing a minimum of $101.0 in eligible project expenditures. The Company will use the funding received under the grant towards the building of its centre of control and excellence in Brampton, Ontario, as well as development of proprietary technology. For the year ended December 31, 2022, the Company has recorded a recovery of $2.7 against cost of revenues and $5.4 against long-term assets (December 31, 2021 – nil and nil) and has received $0.6 in proceeds in respect of its claim for eligible expenditures.

26. Related party transactions

The Company's related parties include its subsidiaries and key management personnel. The Company's related party transactions comprises compensation expense incurred in relation to its key management personnel, as summarized below:

	December 31, 2022	December 31, 2021
Short-term and post-employment benefits	$ 10.7	$ 9.2
Share-based compensation expense	5.2	8.6
Total key management personnel compensation	$ 15.9	$ 17.8

27. Contingencies and commitments

(a) As at December 31, 2022, the Company is committed under legally enforceable agreements for purchases relating to property, plant and equipment and intangible assets of $17.8 in 2023 and $0.1 thereafter. As at December 31, 2022, the Company also had commitments of $99.4 over 15 years relating to leases not yet commenced.

(b) The Company enters into agreements in the ordinary course of business with resellers and others. Most of these agreements require the Company to indemnify the other party against third-party claims alleging that one of its products infringes or misappropriates a patent, copyright, trademark, trade secret or other intellectual property right. Certain of these agreements require the Company to indemnify the other party against claims relating to property damage, personal injury or acts or omissions by the Company, its employees, agents or representatives.

(c) From time to time, the Company has made guarantees regarding the performance of its systems to its customers. The Company evaluates and estimates potential losses from such indemnification based on the likelihood that the future event will occur. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any liabilities related to such indemnification and guarantees in the consolidated financial statements.

(d) The Company has entered into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to entering into contracts for its products and services. These agreements are designed to return economic value to the designated country and may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training, job creation and other consulting support to in-country projects. These agreements may provide for penalties in the event the Company fails to perform in accordance with offset requirements. The Company has historically not been required to pay any such penalties.

(e) The Company is a party to various other legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company analyzes all legal proceedings and the allegations therein. The outcome of any of these other proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.