MDA SPACE

TRUSTED MISSION PARTNER

2023 Annual Report

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Introducing MDA Space

SAME TRUSTED MISSON PARTNER. NEW SPACE.

In 2024, we introduced our new name – MDA Space – signaling our full focus at the forefront of a new era of space innovation.

Adding Space to our brand is a natural evolution. The core of our brand identity will always remain MDA – the three iconic letters that stand for our 55-year heritage, our more than 450 missions, and our record of firsts.

But space is transforming and so are we. Our mission is to build the space between proven and possible, honouring our past, harnessing our expertise, and being ready to support the growing space industry in a new era of yet-to-be imagined missions.

A TRUSTED MISSION PARTNER FOR NEXT GENERATION SPACE INNOVATION

Since the start of the space age, we've been a trusted mission partner. Today, we are relied upon by some of the world's biggest and most innovative players driving the new space economy.

This is made possible by our global MDA Space team that includes 3,000 of the world's best space engineers, scientists, technicians and business leaders – a team that is growing every day.

Innovation is transforming every industry on Earth, from communications and technology to agriculture, environmental services, healthcare and transportation – just to name a few. The everyday impacts that are enabled by space capabilities are endless and every industry will need a space transformation partner to help them seize new opportunities.

We are creating the next generation of space capabilities and services to unlock and deliver new customer value, new innovation and a greater global impact on Earth and beyond.

FINANCIAL HIGHLIGHTS

	2023	2022	YoY +/-
ORDER BOOKINGS[1]	$2,526M	$1,155M	+119%
BACKLOG	$3,097M	$1,378M	+125%
REVENUES	$808M	$641M	+26%
GROSS PROFIT	$244M	$228M	+7%
ADJUSTED EBITDA[1] (excluding non-recurring items)	$174M	$141M	+24%
ADJUSTED EBITDA MARGIN[1] (excluding non-recurring items)	21.6%	22.0%	-40bps
NET INCOME	$49M	$26M	+86%
ADJUSTED NET INCOME[1]	$98M	$79M	+24%
DILUTED EPS[2]	$0.40	$0.21	+90%
ADJUSTED DILUTED EPS[1, 2]	$0.81	$0.64	+27%

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

MDA SPACE 2023: BY THE NUMBERS

Satellite Systems

45% OF REVENUES

- LEO/MEO Communication Satellite Constellations
- Satellites and Subsystems (Antennas, Electronics, Payloads)
- GEO Satellites and Additional Space Applications

Geointelligence

24% OF REVENUES

- Earth Observation Missions and Ground Stations
- Earth Observation Data, Analytics and Value Added Services
- Space Domain Awareness

Robotics & Space Operations

31% OF REVENUES

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

Revenue by Customer Type

- Commercial 56%
- Government 44%

Revenue by Geography

- Canada 51%
- United States 41%
- Europe 4%
- Rest of the World 4%

3,000+ HIGHLY SKILLED SPACE ENGINEERS, SCIENTISTS, TECHNICIANS AND BUSINESS LEADERS

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

450+ MISSIONS

LETTER TO SHAREHOLDERS

2023 was an extraordinary year for MDA Space. We completed our first double – growing revenue from $400 million to $800 million over the last few years. We profitably grew our business and delivered meaningful value creation for our shareholders, we enabled and participated in some of the most ambitious and important space missions ever undertaken, and we executed on our backlog of work by delivering for our customers. And that is just the beginning. We are carrying our momentum into 2024 with a clear path to continue this pace of growth in the years ahead.

We are doing this by leaning into our established track record of success, and executing on our strategy to be a trusted mission partner to the full range of civil, defence and commercial enterprises and organizations around the world. These partners are increasingly turning to space technology and services to achieve their goals in a rapidly expanding global space economy.

With our world-class team and capabilities in three business areas – Satellite Systems, Geointelligence, and Robotics & Space Operations – MDA Space is at the heart of leading-edge development in satellite communication, Earth and space observation, and space exploration and infrastructure.

We are bringing our advanced engineering expertise and diversified portfolio of space technologies to all parts of the space economy, and we are investing in research and development to fuel future innovation and growth.

The results are clear

We grew annual revenue by 26% year over year to $808 million in 2023, and increased adjusted EBITDA by more than 20%[1] to $174 million. We finished 2023 with a company-record backlog of $3.1 billion, up 125% over the prior year. While we did all that, we added almost 900 new team members to deliver on existing contracts and to be ready to meet future demand.

In 2024, we are building on those achievements.

We expect full-year 2024 revenues to rise to $950 million–$1.05 billion, representing robust growth of approximately 25% at the mid-point of guidance compared to 2023 levels, and we expect full year adjusted EBITDA to be $190–$210 million.

This growth and execution is translating directly into shareholder value. MDA Space stock performed well in 2023, and in March 2024, the company was added to Canada's benchmark equity index, the S&P/TSX Composite Index. Joining the index that represents Canada's largest and most liquid companies was an important milestone in our life as a public company.

$3.1B
BACKLOG (+125% YoY)

$808M
2023 REVENUES (+26% YoY)

$174M
ADJUSTED EBITDA (+24% YoY)[1]

$98M
ADJUSTED NET INCOME (+125% YoY)

3,000+
SIZE OF GLOBAL WORKFORCE, INCLUDING 890 ADDED IN 2023

1. Excluding non-recurring items

Meeting the moment

Those who follow us closely will know we talk a lot about "the rapidly expanding global space economy" and our opportunity in it. That's because, put simply, we are a global leader in a business that has vast and growing potential.

The global space economy grew to US$509 billion in 2023, an increase of 10% since 2022, and it is projected to reach US$1.5 trillion by 2040. Worldwide investments in space are growing from both commercial and government sources. We have also seen an increase in global spacecraft launches, correlating with more competitive launch costs.

MDA Space is well positioned to meet this moment. Today, companies and governments launch missions to space to achieve three primary objectives, and we are a world leader in all three areas:

- Utilizing space-based networking and satellites to communicate;
- Looking down to observe the Earth or looking out further into space; and
- Building space infrastructure to explore and soon conduct business in orbit with space-based servicing, assembly and manufacturing.

Our position as a technology leader across all three areas gives our business breadth and diversification. Combine that with our track record of growth and profitability, and MDA Space is – and will continue to be – a trusted partner for our customers to meet their mission needs, and a compelling way for investors to access the growth opportunity across the space economy.

A year of achievements

2023 was an important year at MDA Space.

Starting with our largest ever contract award, in 2023 we received a $2 billion contract from Telesat for the Telesat Lightspeed low Earth orbit (LEO) constellation. MDA Space was selected as the prime satellite contractor, responsible for the design, manufacture, assembly and test of 198 satellites with options for Telesat to purchase up to 100 additional satellites. The Telesat Lightspeed constellation is an innovative global network that will bring enhanced digital connectivity to people worldwide.

During the year, we made significant development progress on the MDA CHORUS™ constellation program including conducting the payload Critical Design Review (CDR), as well as advancing unit and subsystem level work for the platform, payload and bus avionics. We also announced that SpaceX will be the launch service provider for our constellation, and confirmed the launch date in Q4 2025. CHORUS™ will bring together diverse and unique imagery and data sources to provide a new level of near real-time Earth observation and insight – day or night, regardless of weather conditions, with daily access of up to 95% of the coverage area.

In our Robotics & Space Operations business, we continued to execute on Phase B of the Canadarm3 program in which MDA Space is completing the preliminary design

2023 A MILESTONE YEAR FOR THE SPACE MARKET

US$509B
GLOBAL SPACE ECONOMY (+10% YoY)

US$117B
GLOBAL GOVERNMENT SPACE BUDGETS (+15% YoY)

US$59B
GLOBAL DEFENCE SPENDING ON SPACE (+23% YoY)

223
GLOBAL LAUNCH ATTEMPTS (+20% YoY)

2,933
SPACECRAFT LAUNCHED (+17% YoY)

of the robotics system that will be used aboard the NASA-led Gateway. In 2023, the team successfully closed out the systems definition review and made good progress towards the preliminary design review milestone expected to take place in 2024.

And consistent with our growth strategy, we announced a strategic expansion in the United Kingdom. The acquisition of SatixFy Space Systems UK Ltd. will strengthen our global leadership in the growing market for digital satellite communications solutions and help us further scale our global business. To support this growth, we are continuing to increase our UK-based workforce and operations in 2024.

Investing in the MDA Space portfolio

The team at MDA Space understands that to meet the needs of the emerging global commercial space market, developing a diverse portfolio of proven next-generation space technology is pivotal.

Development is well underway with our significant investment in MDA CHORUS™, our next generation Earth observation constellation. In addition to MDA CHORUS™, in 2023, we unveiled our new, game-changing software-defined satellite product line, now branded as MDA AURORA™, that addresses the growing demand for higher-performance and cost-effective digital constellations. This transformational product line will deliver enhanced performance and cost savings to customers worldwide – including Telesat, our anchor customer.

We've also announced MDA SKYMAKER™, a new suite of space robotics built to meet the growing needs of the international space market. Building on world-leading technology derived from Canadarm, MDA SKYMAKER™ offers cost-effective, flexible space robotics that can serve a variety of missions in significantly reduced timeframes. This product line will provide customers with direct access to the world's most flight-tested and proven space robotics solutions for any mission or application, including lunar surface rovers and landers, space stations, satellite servicing in all orbits, and in-space assembly and manufacturing.

Finally, reflecting our growth, evolution and leadership position as a space company, in 2024 we rebranded to MDA Space, an identity that honours the past, recognizes the present, and positions our company to lead in the future. The core of our brand identity will always remain MDA – the three iconic letters that stand for our 55-year heritage, our more than 450 missions, and our record of firsts.

The message behind our new brand is simple and powerful. It signals our market leadership position as a space company. As we grow and continually expand our customer roster, our refreshed brand also echoes our intention to lead a new era of development and innovation in the space sector.

The MDA Space Way

What makes us successful? We have the right strategy, we have the track record, and we have the capabilities and financial strength to execute on that strategy.

However, what truly sets us apart are our people, our values, and the way we interact with one another and our customers. Inside the company, we call this the MDA Space Way, and it is a big contributor to our success.

I am a strong believer that innovation is about people, and when dedicated, smart, creative people work together to solve hard challenges, extraordinary things happen.

MDA Space has a diverse team of more than 3,000 of the most highly skilled space engineers, scientists, technicians and business leaders. At the core of this talented team is a drive to solve problems that enable us to turn the proven into the possible.

We're keen to collaborate with our customers, our partners and our suppliers because we know we're *better together*.

We *put the customer mission first* because we are genuinely passionate about space and what our customers want to accomplish. We listen to their questions and concerns, we prioritize their needs, and we provide them with solutions to ensure their mission is a success.

Our people *do the right thing* and aspire to *be exceptional*. We are committed to finding innovative solutions to complex problems, and we approach finding those solutions at a trusted mission partner level.

We will *always deliver* for our customers, our partners, our stakeholders and each other. We are resilient, passionate and wholly committed to getting the job done right.

With this approach, we create solutions that bring our customers value and help them address some of the most complex challenges on Earth and beyond. In doing so, we also build value for our shareholders.

It's what we have always strived for, what we accomplished in 2023, and what we intend to do in the years to come.

I want to close by saying thank you to our team, our customers, our communities and our shareholders for all the support and encouragement as we enable the next era of yet-to-be-imagined missions in space. With each new innovation, milestone, contract and mission accomplished, we can feel our momentum building, and we are honoured to have you along for the ride.

Sincerely,

Mike Greenley
CHIEF EXECUTIVE OFFICER

THE PRIMARY PILLARS OF OUR STRATEGY

With established industry leadership in diverse space markets, we are executing a series of strategies that will allow us to capitalize on the multiple waves of growth in the expanding space market.

1	2	3	4
INVESTING IN NEXT GENERATION SPACE TECHNOLOGY AND SERVICES	EXPANDING OUR PRESENCE IN HIGH GROWTH MARKETS AND GEOGRAPHIES	SCALING AND EXPANDING SKILLS, TALENT AND OPERATIONS	LEVERAGING STRATEGIC M&A TO COMPLEMENT ORGANIC GROWTH

1. INVESTING IN NEXT GENERATION SPACE TECHNOLOGY AND SERVICES

· Developing MDA CHORUS™, our next generation Earth observation (EO) satellite constellation, which will provide the most extensive Synthetic Aperture Radar (SAR) imaging capacity available on the market with industry-leading broad area coverage and high-resolution accuracy – a capability that we will leverage to reinforce our competitive position as a prime contractor for upcoming EO missions.

· Developing MDA AURORA™, a new software-defined digital satellite product line to support the industry's transition from analog to digital satellites.

· Developing MDA SKYMAKER™, our new commercial robotics product line leveraging Canadarm technology.

· Establishing mission control centres to provide on-orbit operations and expertise to our mission partners.

2. EXPANDING OUR PRESENCE IN HIGH GROWTH MARKETS AND GEOGRAPHIES

· Expanding our market position as a satellite prime for commercial communication satellite constellations while continuing to support other primes as a proven supplier of satellite subsystems.

· Engaging in emerging commercial space markets to support growth and capture recurring revenue.

· Addressing the national security and defence space markets, both domestic and international.

· Leveraging our presence in the UK and USA and evaluating other Five Eyes and European nations.

3. SCALING AND EXPANDING SKILLS, TALENT AND OPERATIONS

· Growing our employee base to execute on our current work and maximize the capture of future business opportunities.

· Continuing to attract and retain best-in-class space and business talent to deliver as a trusted mission partner.

· Investing in new operational facilities, technology and capacity to meet growing market demand.

4. LEVERAGING STRATEGIC M&A TO COMPLEMENT ORGANIC GROWTH

· Augmenting existing capabilities and our domain expertise.

· Accelerating our technology roadmap to support strategic initiatives and our expansion into market adjacencies.

· Expanding our presence in international geographies to access new market sectors and customers.

STRONG BUSINESS EXECUTION

With continued strong momentum and a growing backlog, in 2023 MDA Space solidified our market position and further established our reputation as a trusted mission partner with a track record of execution and delivering results.

NOVEMBER 2023

MDA ANNOUNCES A $180 MILLION CONTRACT to begin work on a new non-geostationary orbit (NGSO) digital satellite constellation as prime contractor.

MDA ANNOUNCES STRATEGIC EXPANSION IN THE UNITED KINGDOM, including plans to more than double its UK workforce and operational footprint over the next 12 months.

OCTOBER 2023

MDA SELECTS SPACEX TO LAUNCH CHORUS™, the company's next generation Earth observation satellite constellation.

MDA COMPLETES ACQUISITION OF SATIXFY DIGITAL PAYLOAD DIVISION, further strengthening the company's digital satellite capability in growing LEO constellation market.

SEPTEMBER 2023

NEW MDA SOFTWARE-DEFINED SATELLITES target operator pain points with digital solutions.

AUGUST 2023

MDA WINS $2.1 BILLION CONTRACT as prime satellite contractor for Telesat Lightspeed's revolutionary low Earth orbit (LEO) advanced constellation, which will bring enhanced digital connectivity to customers worldwide.

JUNE 2023

MDA SELECTED BY L3HARRIS for Space Development Agency's Tranche 1 tracking layer constellation.

MDA AWARDED GOVERNMENT OF CANADA CONTRACT to help in the fight against illegal, unregulated, and unreported fishing in the Indo-Pacific region.

MAY 2023

MDA ANNOUNCES THAT IT IS WORKING WITH THOTH TECHNOLOGY INC. to create a new made-in-Canada deep space radar surveillance and space domain awareness capability.

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.

INDUSTRY RECOGNITION

MDA SPACE VICE PRESIDENT LUIGI POZZEBON NAMED ONE OF CANADA'S BEST EXECUTIVES BY THE GLOBE AND MAIL REPORT ON BUSINESS MAGAZINE

MDA SPACE INCLUDED IN THE GLOBE & MAIL'S ANNUAL WOMEN LEAD HERE RANKING

MDA SPACE AWARDED EMPLOYER OF THE YEAR BY THE UNIVERSITY OF TORONTO PERSONAL EXPERIENCE YEAR (PEY) CO-OP PROGRAM

MDA SPACE CEO MIKE GREENLEY NAMED 2023 SATELLITE EXECUTIVE OF THE YEAR

MDA SPACE NAMED AS ONE OF FAST COMPANY'S MOST INNOVATIVE COMPANIES FOR 2024

MDA SPACE NAMED INFOSOURCE TOP R&D INVESTOR

MDA SPACE ADDED TO S&P/TSX COMPOSITE INDEX

OUR COMPETITIVE ADVANTAGE

With competitive strengths in multiple markets, MDA Space is well positioned to provide differentiated solutions to customers.

A TRUSTED MISSION PARTNER WITH A TRACK RECORD OF EXECUTION

Our reputation and history of successful performance has earned us the trust of some of the world's largest participants in space, positioning us to help our customers leverage the insights and opportunities of space for their applications and missions.

SPECIFIC EXPERTISE AND TECHNOLOGY TAILORED FOR THE NEW SPACE ECONOMY

With critical end-to-end offerings of technologies and solutions in multiple business areas, we anticipate the needs of our customers and partner with them as they navigate and capitalize on the space economy.

AGILITY AND SCALE POSITION US TO SERVE CUSTOMERS OF ALL LEVELS OF SIZE AND EXPERIENCE

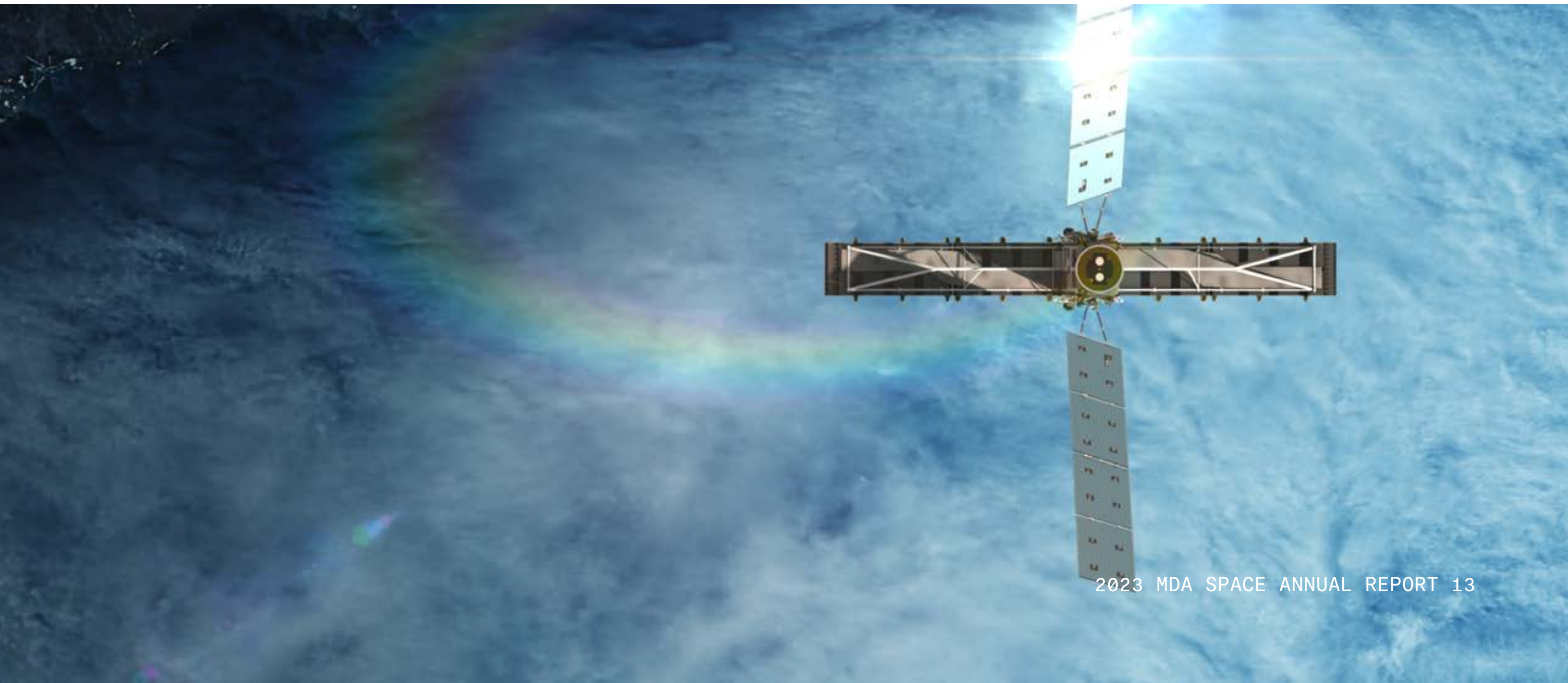
We believe the pace of space innovation has accelerated and that our agility is critical to our customers' success. We have the agility to collaborate to deliver a range of custom or high-volume capabilities to achieve optimal outcomes for commercial and government customers of all sizes.

ENTREPRENEURIAL GO-TO-MARKET STRATEGY

We embrace an entrepreneurial go-to-market strategy that empowers our business development teams to work closely with customers in the development phases of missions to proactively recommend potential solutions and enhancements to meet the customer's evolving needs. Our forward-thinking approach regularly results in awards for follow-on solutions on subsequent missions.

DEEP TEAM WITH A WINNING CULTURE

We have a highly experienced management team and workforce which provides us with the critical expertise to execute complex space missions. Being a recognized innovation leader in the growing space economy gives us an advantage in premium talent attraction and retention, evidenced by the long average tenure of our workforce.



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 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 Space.

OUR VALUES

PUT THE CUSTOMER MISSION FIRST

· We have a passion for space and our customers' mission.
· 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.

THE MDA SPACE WAY — OUR SUPERPOWER

MDA Space leaders talk about how our culture and approach to solving problems gives us a real competitive advantage

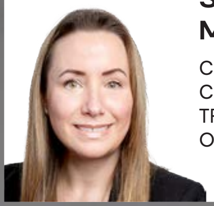
At MDA Space, our superpower is the defining approach we take to working with customers and each other. No matter the task or problem that comes our way, we collaborate to find the best solutions by fusing our know-how, ingenuity and creativity to deliver mission-ready solutions. Paired with our technical excellence, we call this approach “the MDA Space Way.”

We asked some of our executive leaders for their thoughts on how our culture and approach creates better business outcomes for our customers.

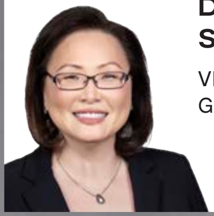
What is the MDA Space Way?

HOLLY JOHNSON, VICE-PRESIDENT, ROBOTICS & SPACE OPERATIONS
The MDA Space Way is applying everything we know to solve a customer's problem – across all domains of expertise. We are in the business of throwing everything we have at the problem to serve our customers, not just taking something off the shelf and pushing it on them.

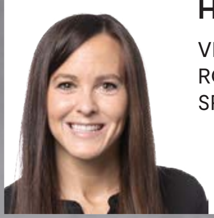
STEPHANIE MCDONALD, CHIEF PEOPLE, CULTURE AND TRANSFORMATION OFFICER
The MDA Space Way isn’t just about bringing technical expertise together to solve problems, it’s about fostering an inclusive environment where we champion diversity of thought and identity. All ideas are on the table. In 2023, we added almost 900 employees who are now bringing their ideas, energy and expertise to deliver for our customers.



Stephanie McDonald
CHIEF PEOPLE, CULTURE AND TRANSFORMATION OFFICER



Dr. Minda Suchan
VICE PRESIDENT, GEOINTELLIGENCE



Holly Johnson
VICE PRESIDENT, ROBOTICS & SPACE OPERATIONS

Luigi Pozzebon
VICE PRESIDENT, SATELLITE SYSTEMS

LUIGI POZZEBON, VICE-PRESIDENT, SATELLITE SYSTEMS
It begins by listening to what the customer has to say, identifying their problem, and relentlessly trying to help them find a solution. We're interested in working with our customers to deliver tailored solutions that they actually need. This approach is a huge differentiator for us. It creates loyalty to our company, and it builds genuine trust between the customer and our people. All of that, in turn, leads to increased customer advocacy which helps to drive new business and revenue growth.

Can you provide some examples of the MDA Space Way in action?

STEPHANIE One of the operational leaders in our satellite business in Montreal told me that a key inspiration for the latest design iteration of a satellite antenna came to him while he was watching a movie. This movie had nothing to do with space, antennas, or our business at all – but his connection to our work kept the door open in his mind for ideas from unexpected places. That idea then became the newest improvement to the satellite model.

This kind of innovation comes from our team's constant drive to find the best solution for customers – and the capacity our organization has allotted to encourage innovation at every turn. We don't just sell products; we genuinely see our customers as partners.

DR. MINDA SUCHAN, VICE-PRESIDENT, GEOINTELLIGENCE
The MDA Space Way has played such a huge role in the trusted relationship we've developed with the Canadian government. We work closely with the Canadian Space Agency, the Department of National Defence, the Department of Fisheries and Oceans, and multiple other government organizations – and we have open and ongoing conversations with each of them about how we can optimize or apply different configurations to extend the lifetime of assets.

One of the best stories I've heard about RADARSAT-2 is that most of the features that are active today were not part of the baseline plan at launch. In other words, assets we build for a certain purpose can evolve because we have the flexibility, adaptability, and solution expertise required to meet the evolving needs of our customers.

LUIGI When we were pursuing a constellation program a few years ago, someone at one of the largest tech companies in the world characterized MDA Space as "smaller than the competition, but a scrappy gang with a determined spirit." I took all of that as a huge compliment, because we really are a scrappy group, and we're relentless in putting the customer's mission first and finding a solution that works for them.

What kind of mindset does a person need to embody the MDA Space Way?

MINDA There's a lot of passion, enthusiasm, and commitment to both our customers and the space mission. Our people genuinely love the idea of space and think it's exciting. Plus, the very nature of the work we do is extremely hard and so we tend to attract people who like to solve extremely hard problems. I feel incredibly fortunate to work with this group of highly intelligent and passionate people.

LUIGI It starts with having a passion for space and continues by striving for excellence, taking ownership, and always delivering on commitments. I joined this company over 30 years ago for that very reason – I had a passion for space. And I have stayed here ever since because I simply don't want to go anywhere else. There's no other company on Earth that could provide a person with the same experience as working at MDA Space.

HOLLY Open-mindedness. Our team is extremely knowledgeable and has superior technical skills and expertise, but all of that is only part of the equation. Being open-minded when engaging with customers means making a deliberate effort to put ourselves in their shoes and understand the problems they face. It means taking their problem away and thinking creatively to solve it.

What role does culture play in the MDA Space Way, and in the success of the MDA Space business?

LUIGI I believe we're winning so many new satellite contracts right now, in large part, because of our culture. We have the right products at the right time and at the right price, but more importantly we have talented people who are passionate about creating those products and delivering them to the customer. We're often characterized as having the efficiency of a new space company and the track record and credibility of a veteran space company. That's a really great way to be known in the space market.

HOLLY Senior leadership encourages all levels of our organization to challenge the status quo and to challenge ourselves to find better solutions. Each opportunity can be transformed into something bigger, so don't be afraid to safely push boundaries and think big. I think that's such a big part of why our customers love working with us.

STEPHANIE It's in our DNA to find solutions, and the culture within the company allows for people at all levels to collaborate – which is a big part of our competitive advantage. We're solving some of the world's toughest technical and scientific challenges and in order to be successful, brilliant minds must work together as a team.

MINDA Given the technical nature of our work, it can sometimes be difficult for customers to articulate exactly what their needs are – which means that taking time to really understand their larger goal is critical. We always strive to engage with our customers by speaking a common language, sincerely listening to their perspective, then leveraging our business acumen and technical expertise to create real value. The ability of our people to walk these three roads is what has made us successful in the market.

Tell readers about some of the big milestones in 2023. What stood out to you?

LUIGI It was a huge year in Satellite Systems – we reached record levels for orders, backlog, revenue, and operating income. We were awarded the Lightspeed constellation from Telesat for $2.1 billion and received authorization to proceed on a third constellation for an undisclosed customer. We've also received multiple awards for different space

products from the space defense agency sector and other prime contractors. But what I'm really excited about is our cumulative five-year pipeline of future opportunities at Satellite Systems which exceeds $10 billion today.

STEPHANIE I am consistently impressed by our teams – they work so hard to deliver innovative solutions for our customers and I can see and feel that passion across the entire organization. People like to be on a winning team – and it shows. Whether it's the recognition for women in executive leadership or the recent Telesat contract award, it's amazing to see so much momentum building in both the external environment and among our employees.

HOLLY I'm proud of how our amazing – and growing! – team exceeded all our business performance targets for the year. Thanks to the growth of the Canadarm3 program and the high volume of commercial pursuits we're working on, we officially surpassed 1,000 people for the first time within the Robotics & Space Operations business unit.

On key technical milestones, we received the first production contract for Canadarm3 for robotic interfaces, and Canadarm3 also successfully passed the system definition review. We delivered the first commercial robotic interface to our partner and customer Axiom Space for their space station and we also continued to advance the development of our commercial robotics product suite, MDA SKYMAKER™.

MINDA The most exciting part of my job in 2023 was advancing work on our new constellation, MDA CHORUS™, which provides continuity for our RADARSAT-2 mission. We are well past the half-way point, and we're now entering the home stretch. We are through the design process and entering the build phase for the satellite.

We also continued progress with the Canadian government on key space missions. Most notably, the Canadian Space Agency announced RADARSAT+, a program investment of more than $1 billion to fund a replacement for the RADARSAT Constellation Mission – which we originally built and currently operate for the Canadian government. It's been exciting to see the extent of their commitment to maintaining this capability and this movement in the right direction.

What excites you about the outlook for MDA Space in 2024?

HOLLY This year, we are pivoting to a product-based solution set in MDA SKYMAKER™ – a product line that takes all the knowledge, intellectual property, and scar tissue we've developed over the past 40 years to build reusable elements that can be clicked together in an efficient way – without designing a bespoke solution from scratch.

MINDA MDA CHORUS™ is job one. We're working every day to progress toward our launch date in Q4 2025.

LUIGI I'm a firm believer that we need get the culture right as we move from being a business area that works on smaller, artisanal projects into a team that delivers high-volume production as a prime on major programs. That means a digital transformation of our factory floor. Delivering satellites at our level of production will require a finely tuned supply chain – and that is something we will continue to build out in the year ahead.

How do you see MDA Space in terms of its trajectory in the coming years?

HOLLY We have so much momentum both internally and externally right now. The encouragement from our CEO and entire leadership team to think big, chase opportunities, and leverage multiple capabilities across the business to deliver solutions that we've never dreamed before is creating so much excitement and energy.

STEPHANIE Many people have called MDA Space the 55-year-old start-up. Over the past 55 years, we've gone through many different iterations, but we've now found our footing as a pure play space company. We're not the same company we were five years ago, or even two years ago, and there are still some things we're building for the first time. But we have a strong foundation of support systems that we continue to build on as we grow and scale. We're on a journey to be a globally successful organization – and we have no plans of slowing down.

SATELLITE SYSTEMS

Transforming the way people communicate on Earth and enhancing connectivity across the globe

MDA Space serves commercial and government mission partners worldwide as a prime contractor and supplier of satellite systems and subsystems for communication networks in low Earth orbit (LEO), medium Earth orbit (MEO) and geostationary orbit (GEO), in addition to providing communication systems for human-rated spacecraft. These communication missions span a growing number of use cases including space-based broadband internet, direct-to-device satellite communication and IoT connectivity across the full communication frequency spectrum.

In 2023, MDA Space was selected as the prime satellite contractor for Telesat's revolutionary LEO satellite constellation, Telesat Lightspeed. The contract, valued at approximately $2.1 billion, is the largest in our history and includes the design, manufacture, assembly and test of 198 satellites – with an option for Telesat to purchase up to 100 additional satellites.

MDA AURORA™

MDA AURORA™ is a new software-defined digital satellite product line, which will provide critical new solutions to communications satellite operators and prime manufacturers to support the industry's transition from analog to digital satellites.

WATCH THE VIDEO ⟶

MDA Space has also unveiled a new software-defined digital satellite product line called MDA AURORA™ to support customer demand as the industry transitions from analog to digital satellite technologies. These highly flexible and dynamically reconfigurable software-defined satellites use digital beamforming enabled direct radiating antennas to deliver capacity on Earth when and where required, and a scalable regenerative on-board processor optimizing communication paths inside a constellation network between user links, gateway links and optical inter-satellite links. These satellites provide a new level of performance and efficiency in space-based networks for our customers.

The fully integrated MDA AURORA™ portfolio includes a complete range of modular digital products and components for space-based communication solutions. Telesat will act as the anchor customer for this new digital satellite technology.

Expanding our role in the constellation market

As we continue to evolve our Satellite Systems business, MDA Space is also adding high-volume satellite production capabilities for large-scale satellite constellations, including industry-leading satellite manufacturing leveraging automated production lines and AI-enabled robots, cobots and high-skilled assemblers using augmented reality to accelerate mass production.

To support an increasing level of high-volume communications satellite customers, MDA Space has continued to invest in our satellite manufacturing capacity, which now includes Industry 5.0 collaborative automation capable of manufacturing up to two satellites a day.

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

GEOINTELLIGENCE

RADARSAT-2 satellite imagery of Nahanni National Park Reserve in Northwest Territories, Canada.

Using leading space-based technology to enhance how and when we see the world – and to improve global sustainability

As a Geointelligence mission partner, MDA Space is an owner, operator and prime contractor for both Earth observation and space observation missions, in addition to providing key technologies and products. We also use satellite imagery and data to deliver critical and value-added insights for a wide range of end uses such as national security, climate change monitoring and maritime surveillance.

As the owner and operator of RADARSAT-2 with global commercial data distribution rights, we are one of the largest radar satellite information providers worldwide. We have an extensive data archive comprised of approximately 90 billion square kilometres of Earth imagery data and more than one million images of Earth.

MDA CHORUS

MDA CHORUS™ is our next generation EO satellite constellation, expected to provide the broadest SAR area coverage on the market and includes a trailing X-band SAR satellite with high-resolution capability.

WATCH THE VIDEO ⟶

In 2023, we continued to advance technical work on MDA CHORUS™, which will build on our RADARSAT heritage to provide continuity of services and enhanced capabilities. Expected to be the world's first dual-band SAR constellation, MDA CHORUS™ will include C-band and X-band SAR satellites that will enable tipping and cueing operations between wide area surveillance to high-resolution point target monitoring. The constellation will operate in an inclined low Earth orbit, which will permit frequent imaging over the areas of greatest interest to our customers day or night and in all weather conditions. MDA CHORUS™ will provide the most extensive radar imaging capacity available on the market, with higher imaging performance, higher frequency imaging, variable imaging times, more imaging time per orbit, fast tasking, faster delivery timelines and Near Real-Time (NRT) data exploitation aided by machine-learning and artificial intelligence.

6,000+
ANTARCTIC ICE SHEET IMAGES

1.1M+
RADARSAT-2 IMAGES SINCE COMMISSIONING

5,500+
ANALYTICS PRODUCTS

Keeping our oceans safe and helping to fight illegal fishing

The largest market for MDA Space Earth observation data and analytics services is maritime surveillance, where governments and commercial organizations rely on us for near real-time data to track maritime activity; visualize maritime crime patterns; identify and monitor illegal fishing activity, oil spill detection and bilge dumping; and tracking shoreline patterns, erosion and Arctic ice extent and conditions.

As a result, MDA Space has developed the Maritime Insights analytics platform that enables customers to glean maritime activity insights in their areas of interest. The platform employs multi-sensor fusion and a range of advanced analytics processing techniques. There is also a growing defence and intelligence market for EO to monitor regions, borders, ocean approaches and targets of interest in support of national security.

ROBOTICS & SPACE OPERATIONS

Creating commercial robotic solutions to meet the evolving needs of the new space market

MDA Space is the world leader in space-based robotics and a proud partner on leading-edge space infrastructure missions that facilitate the exploration and development of space.

We provide autonomous robotics and rover solutions along with proximity operations sensors that are used in orbit and on the surface of the Moon and Mars, as well as engineering services to plan, support and operate these remote missions. The space infrastructure missions we partner on span broad space applications, including lunar surface rovers and landers, space stations operations, satellite servicing in all orbits, and in-space assembly and manufacturing. As a result, MDA Space is well positioned for future markets including space tourism, space mining and space-based solar and nuclear power.

MDA SKYMAKER

MDA SKYMAKER™ is our new product line that offers a full suite of modular space robotics and services for any mission, derived from Canadarm technology.

WATCH THE VIDEO ⟶

The company is now developing Canadarm3, our third generation of Canadarm technology that will be the most technically advanced human-rated space robotics systems ever built.

We have announced a new portfolio of commercial robotics technology and services called MDA SKYMAKER™. Derived from peerless Canadarm technology, MDA SKYMAKER™ will provide the world's most innovative space companies and ventures with direct access to the world's most flight-tested and proven space robotics solutions for all missions and applications.

Our new global headquarters and Space Robotics Centre of Excellence in Brampton, Ontario, features multiple mission control centres that will establish MDA Space as a provider of commercial on-orbit operations for our customers' space missions in the future.

Meeting the needs of an evolving market

Demand for space robotics and mission-support services is primarily driven by increasing activity in LEO, on the lunar surface and in deep space, all of which are expected to expand with the introduction of new commercial space stations and commercial planetary missions in the coming years. Through focused investment in R&D, we have developed integrated space robotics systems, technologies, interfaces, tools, operational techniques and control algorithms to enable on-orbit servicing solutions for commercial space businesses.

FACTS & FIGURES FOR 2023

67,832
ROBOTICS COMMANDS EXECUTED

5,844
NUMBER OF TIMES THE ISS ORBITED THE EARTH

131
DAYS THAT THAT ROBOTIC OPERATIONS WERE PERFORMED

43
PAYLOADS GRASPED BY DEXTRE, THE ISS ROBOTIC HANDYMAN

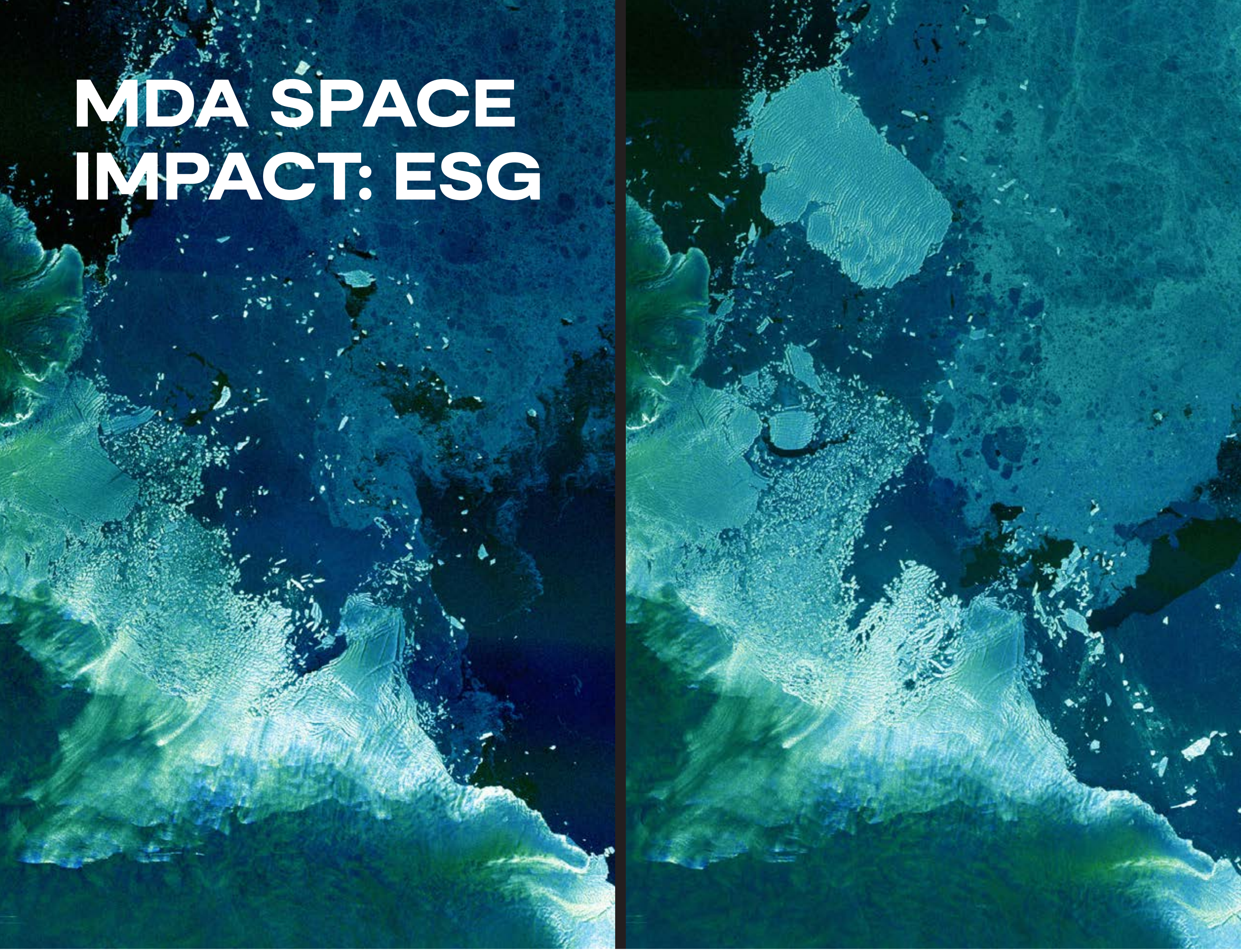
32
ROBOTICALLY-PERFORMED HEALTH INSPECTIONS OF ISS COMPONENTS OR VISITING SPACECRAFT

5
SPACEWALKS SUPPORTED BY MDA-BUILT ROBOTICS

3
CAPTURE AND RELEASE OF VISITING FREE-FLYING SPACECRAFT

9
PAYLOADS GRAPPLED BY CANADARM2

MDA SPACE IMPACT: ESG



Environmental, Social and Governance (ESG)

In 2023, MDA Space made progress in areas of diversity, equity and inclusion (DEI) and good governance. Alongside this, we continued to make an impact in environmental monitoring and surveillance, and supported multiple community groups.

Fostering a Diverse, Inclusive and Compelling Culture

In line with our core values and our belief that greater diversity leads to a stronger corporate culture, deeper talent pool and better outcomes for our employees, customers, and the organization, MDA Space is focused on and investing in DEI.

The image above is our RADARSAT-2 satellite capturing the stark reality of ice loss in the Thwaites Ice Shelf, West Antarctica, in just two short years. The comparison between 2022 and 2024 highlights the rate at which our climate is changing and the importance of protecting our planet and preserving it for future generations.

Celebrating Diversity and Addressing Gaps

Following several years of significant growth, in 2023 MDA Space conducted a global employee self-identification survey to better understand the composition of our current workforce. We are incredibly proud of the diversity that currently exists at MDA Space that spans across 70 different languages and four generations.

69% Identified as male

29% Identified as female

0.9% Identified as non-binary/ gender non-conforming

0.6% Identified as transgender

Total percentages may not sum to 100% due to rounding

41% ARE PART OF A RACIAL OR ETHNIC GROUP

69% REPORTED THAT THEY ARE MULTI-LINGUAL

70 DIFFERENT LANGUAGES ARE SPOKEN BY EMPLOYEES

6% IDENTIFIED AS A MEMBER OF THE 2SLGBTQIA+ COMMUNITY

4 DIFFERENT GENERATIONS REPRESENT OUR TOTAL WORKFORCE. BABY BOOMERS, GEN X, MILLENNIALS, AND GEN Z

40% ARE MILLENNIALS

In 2023, MDA Space advanced our DEI efforts in a number of other important areas.

FACILITATING INCLUSION AND CELEBRATING DIVERSITY

· In several of our locations, we established affinity groups representing Women, Black, and 2SLGBTQIA+ employees.

· MDA Space hosted events and communicates annually in support of Black History Month, International Women's Day and 2SLGBTQIA+ Pride Month.

· We hosted MDA Space Day in multiple locations, inviting employees' families to explore our facilities and inspire future careers in the space industry.

FOCUSING ON DIVERSE CANDIDATES AND WOMEN IN STEM

· Our talent acquisition team advertised job vacancies on specific websites and LinkedIn channels dedicated to the hiring of both Indigenous and female candidates.

· Certified team members in diversity sourcing under the Advanced Internet Recruitment Strategy (AIRS) Certified Diversity and Inclusion program.

· We frequently participated in diversity-focused career events, such as the Stardust Festival, the Society for Canadian Women in Science and Technology (SCWIST) and Women in Defence and Security (WiDS).

STAYING ACCOUNTABLE TO OUR DEI GOALS

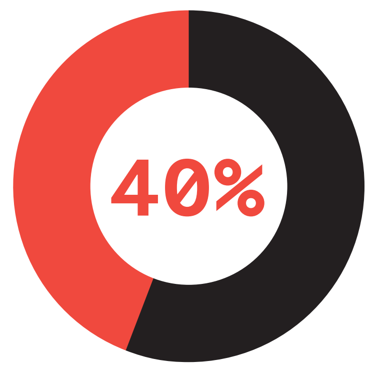
· We formed a DEI steering committee with representatives from all levels of management and employees to advance our objectives and build alignment and engagement across the organization.

· At a company-wide level, MDA Space recognizes the National Day for Truth and Reconciliation in Canada.

· We have active social committees that participate in multiple fundraising events, including local food banks and initiatives that empower women to achieve economic independence.

In 2023, MDA Space focused on diversity at all levels – efforts that were acknowledged with the designation by the Globe and Mail as A Women Lead Here organization.

Women Lead Here is an annual benchmark measuring the executive team gender diversity of hundreds of publicly traded companies in Canada with annual revenues greater than $50 million.



TOTAL WOMEN EXECUTIVES

MDA Space in the Community

SUPPORTING PILLARS OF SCIENCE, LEARNING AND INNOVATION THROUGH AN INTERSECTIONAL LENS

MDA Space is proud to support several community and academic organizations focused on the development of a deep and diverse STEM-based talent pool, including the following:

THUNDERBIRD AEROSPACE

Thunderbird Aerospace is an Indigenous Student Engineering Design Team at the University of British Columbia which combines rocketry and reconciliation. The Thunderbird team aims to bridge the gap between advanced university education and industry standard practices in the aerospace sector.

LAUNCH CANADA

Launch Canada's mission is to support and advance the science, engineering and business of aerospace and rocketry in Canada. Launch Canada works toward this mission by creating hands-on learning experiences for students with the goal of unlocking the full innovative potential of students, showcasing Canadian excellence and expanding international collaboration in aerospace and rocketry.

ANANGOKAA FESTIVAL

An annual event hosted on the traditional lands of the Anishnabee of Mattagami First Nation, the Anangokaa Festival is the largest Indigenous STEM+ festival in Canada. The mission of the festival is to ignite curiosity, inspire innovation and promote inclusivity by showcasing the wonders of STEM+ education and exploration in a captivating festival experience – with a special emphasis on Indigenous contributions. Anangokaa empowers regional outreach and fosters local economic growth.

Leveraging Our Capabilities to Monitor and Help Protect the Environment

Through our capabilities in Geointelligence, we gather imagery and data that is used for environmental monitoring including natural disaster and response management, tracking ice floes and shoreline erosion, deforestation, illegal and unregulated fishing and providing maritime protection awareness.

Of the 50 Essential Climate Variables identified by the World Meteorological Organization to monitor climate change, 26 variables can only be effectively observed from space – and MDA Space is there, delivering data and insights to inform decisions that protect people and the planet.

Our Commitment to Ethical Practice

We are committed to running our business ethically and responsibly and have a number of important policies to maintain our high level of business trust and integrity, including a Disclosure and Confidential Information Policy, Anti-Corruption Policy, Anti-Harassment Policy, Whistleblower Policy, Insider Trading Policy and a Code of Ethics and Business Conduct Policy.

Further, MDA Space requires our employees to undergo annual training on ethical standards, including sessions on Ethics & Business Conduct, Anti-Corruption and Anti-Harassment. We have also introduced a Supplier Code of Conduct that outlines our expectations within our supply chain, including, among other things, the protection of individuals working directly or indirectly with MDA Space from any form of forced labour, child labour, modern slavery and human trafficking.

Cybersecurity

MDA Space is dedicated to protecting our network and systems from cyber threats and the loss of customer, employee and corporate information. MDA Space recognizes that information security requires organization-wide alignment and has implemented National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF).

Cybersecurity and data protection at MDA Space follows a robust governance framework, including regular discussions on cyber-related risks, mitigation plans, enterprise process initiatives and management systems with the executive leadership team, in addition to the oversight provided by the Audit Committee of the Board of Directors.

MDA Space has made people and technology investments to provide 24/7 cybersecurity monitoring, detection and response. We provide mandatory cybersecurity education to all employees and validate our knowledge with regular phishing simulations. We conduct a continuous vulnerability management program to detect and remediate vulnerabilities based on criticality. To ensure we are ready to respond to incidents, our incident response plan is tested annually as a minimum. MDA Space recognizes the importance that partners and vendors have on our overall cybersecurity posture and has implemented a third-party risk management program to collaborate and promote cyber maturity.

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 SPACE

MDA LTD.

Management's Discussion and Analysis

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

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Management's Discussion and Analysis

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

Given these risks and uncertainties, investors are cautioned not to place undue reliance on the forward-looking information. Any forward-looking information that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking information or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

NON-IFRS FINANCIAL MEASURES

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

Adjusted EBITDA and Adjusted EBITDA margin

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

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

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

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

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

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

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

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

Order Bookings

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

Net Debt

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

COMPANY OVERVIEW

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

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

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

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

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

Our market position allows us to serve a broad range of customers, including governments and space agencies, defence and aerospace prime contractors serving the space industry, as well as emerging space companies. Our long and proven track record in Canada enables us to compete successfully for major Canadian space projects and to grow our international customer base. As an independent supplier of space technology products, we are also able to pursue a larger set of opportunities with U.S. prime contractors, which we believe can meaningfully enhance our revenue potential from U.S. government space programs.

INDUSTRY OVERVIEW AND TRENDS

The benefits of space-based solutions are expected to grow significantly in the coming years, driven by continuous government and commercial investment in the increasing capabilities enabled by a burgeoning space economy. The space economy reached US$509 billion in 2023 and is expected to exceed US$1.5 trillion by 2040.[1] This growth is expected to be driven by ongoing commercial and government investments in space, which reflects the importance of space in an increasingly global, sophisticated, and data-driven world.

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

Lower Costs and New Technologies are Driving the Commercialization of Space

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

Space is Enabling Global Connectivity

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

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

Earth Observation is Critical to Improving Global Sustainability and Economic Productivity

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

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

[1] *Source: Space Economy Report, Euroconsult, December 2023; US Chamber of Commerce*
[2] *Source: How Many Satellites are in Space?, Nano Avionics, January 2024*

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

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

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

Space is Critical to National Security

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

Space Exploration is Becoming Interplanetary

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

BUSINESS AREAS

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

GEOINTELLIGENCE

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

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

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

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

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

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

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

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

ROBOTICS & SPACE OPERATIONS

In Robotics & Space Operations, we partner with customers in critical, leading edge, space infrastructure missions. MDA enables the exploration and development of space infrastructure by providing autonomous robotics and sensors used to operate in space and on the surfaces of the Moon and Mars. MDA is the world leader in space-based robotics including over 100 space shuttle missions, assembly of the International Space Station (ISS), life-cycle operation of the ISS and our rover technology on Mars. The space infrastructure missions we partner on span broad space applications, including space station operations, ISAM, and the emerging markets of space tourism and space mining. Our differentiated capabilities include robotic systems, robotic interfaces, tooling, robotic ground control stations and operations services, electro-optic and light detection and ranging (LiDAR) sensors, vision and targeting systems, guidance, navigation and control subsystems and planetary rover locomotion subsystems. Our LiDAR sensors are critical to proximity operations supporting mission elements such as rendezvous, docking, inspection, and landing activities as part of on-orbit and planetary missions.

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

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

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

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

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

SATELLITE SYSTEMS

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

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

As we continue to evolve the Satellite Systems business, MDA is adding high-volume satellite production capabilities for large scale satellite constellations, including industry-leading satellite manufacturing leveraging automated production lines and AI-enabled robots, cobots and high-skilled assemblers using augmented reality to accelerate mass production. This advanced manufacturing environment is enabled by our industry leading facilities in Montreal, Quebec, which contain one of the largest near field ranges and largest compact ranges for satellite testing in the world. In addition, this facility includes a wide range of thermal, environmental, Platform Independent Model (PIM) and vibration test facilities.

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

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

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

COMPETITIVE STRENGTHS

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

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

GROWTH STRATEGIES

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

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

FULL YEAR AND FOURTH QUARTER HIGHLIGHTS

FULL YEAR 2023 HIGHLIGHTS

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

Financial Highlights

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

Operational Highlights

Geointelligence Business Area

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

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

Robotics and Space Operations Business Area

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

Satellite Systems Business Area

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

FOURTH QUARTER 2023 HIGHLIGHTS

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

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

FINANCIAL OVERVIEW

KEY INDICATORS SUMMARY

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

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

REVENUES BY BUSINESS AREA

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

Revenues

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

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

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

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

Gross Profit and Gross Margin

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

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

Adjusted EBITDA and Adjusted EBITDA Margin

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

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

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

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

Adjusted Net Income

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

Backlog

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

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

2024 FINANCIAL OUTLOOK

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

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

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

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

RESULTS OF OPERATIONS

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

Revenues

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

Materials, labour and subcontractors costs

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

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

Depreciation and amortization of assets

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

Selling, general and administration (SG&A)

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

Research and development (R&D)

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

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

Amortization of intangible assets

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

Share-based compensation

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

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

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

Other expense

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

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

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

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

Finance income

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

Finance costs

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

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

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

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

Income Tax Expense

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

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

Net income

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

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

RECONCILIATION OF NON-IFRS MEASURES

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

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

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

[1] *Standard income tax rate of 26.5% applied*

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

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

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

Financial Condition

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

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

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

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

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

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

Cash Flows

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

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

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

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

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

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

Capital Management

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

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

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

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

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

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

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

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

FINANCIAL INSTRUMENTS

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

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

Interest Rate Risk

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

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

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

Liquidity Risk

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

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

(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	$	219.1	$	219.1	$	219.1	$	—	$	—
Non-trades payables		0.5		0.5		0.3		0.1		0.1
Senior revolving credit facility		438.9		440.0		—		440.0		—
	$	658.5	$	659.6	$	219.4	$	440.1	$	0.1
Lease liabilities	$	152.3	$	152.3		12.0		29.8		110.5
Derivative instruments		6.0		6.0		0.8		5.2		—
	$	158.3	$	158.3	$	12.8	$	35.0	$	110.5
	$	816.8	$	817.9	$	232.2	$	475.1	$	110.6

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

(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, 2023, the Company had no outstanding foreign exchange forward contracts. The Company does not enter into foreign exchange forward contracts for trading or speculative purposes and does not have any qualifying hedges for accounting purposes.

Credit risk

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

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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

TRANSACTIONS BETWEEN RELATED PARTIES

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

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

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

Critical accounting estimates and judgments

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

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

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

SUMMARY OF QUARTERLY RESULTS

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

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

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

CONTROLS AND PROCEDURES

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

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

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

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

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

RISK FACTORS

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

OUTSTANDING SHARE INFORMATION

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

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

ADDITIONAL INFORMATION

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

GLOSSARY OF TERMS

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

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

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

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

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

"**CSC**" means Canadian Surface Combatant

"**EO**" means earth observation

"**GEO**" means geosynchronous orbit

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

"**LEO**" means low Earth orbit

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

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

"**MEO**" means medium Earth orbit

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

“**Order Bookings**” means the dollar sum of contract values of firm customer contracts.

"**R&D**" means research and development

"**SAR**" means Synthetic Aperture Radar

MDA LTD.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In millions of Canadian dollars)

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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, 2023 and December 31, 2022
- 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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.

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, 2023. 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(c), 3(c), and 6 to the financial statements. The Entity recorded revenue from contracts with customers for the year ended December 31, 2023 of $807.6 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, correspondences 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(c), 3(k), 3(l), and 15 to the financial statements. The Entity has goodwill of $439.8 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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

February 27, 2024

MDA Ltd.
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022
(In millions of Canadian dollars except per share figures)

Years ended	Note	December 31, 2023	December 31, 2022
Revenue	6	$ 807.6	$ 641.2
Cost of revenue			
Materials, labour and subcontractors	8	(532.0)	(389.1)
Depreciation and amortization of assets	12,13,14	(31.6)	(23.7)
Gross profit		**244.0**	**228.4**
Operating expenses			
Selling, general and administration	8	(70.7)	(60.0)
Research and development, net	8	(39.3)	(32.8)
Amortization of intangible assets	14	(46.5)	(52.5)
Share-based compensation	19	(10.0)	(8.5)
Operating income		**77.5**	**74.6**
Other income (expenses)			
Unrealized loss on financial instruments		(0.8)	(9.9)
Foreign exchange gain (loss)		(2.8)	3.7
Finance income	17	2.0	0.4
Finance costs	17	(8.6)	(34.6)
Income before taxes		**67.3**	**34.2**
Income tax expense	23	(18.5)	(7.9)
Net income		**48.8**	**26.3**
Other comprehensive income			
Gain (loss) on translation of foreign operations		(0.2)	0.5
Gain (loss) on cash flow hedges (net of tax recovery of $0.9 in 2023 and tax expense of $0.6 in 2022)	23(b)	(2.5)	1.4
Remeasurement gain on defined benefit plans (net of tax expense of $2.6 in 2023 and $1.3 in 2022)	23(b)	7.2	3.7
Total comprehensive income		**$ 53.3**	**$ 31.9**
Earnings per share:			
Basic	24	$ 0.41	$ 0.22
Diluted	24	0.40	0.21
Weighted-average common shares outstanding:			
Basic	24	119,253,279	119,011,468
Diluted	24	121,176,848	122,451,142

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

MDA Ltd.
Consolidated Statement of Financial Position
December 31, 2023 and 2022
(In millions of Canadian dollars)

As at	Note	December 31, 2023	December 31, 2022
Assets			
Current assets:			
Cash		$ 22.5	$ 39.3
Trade and other receivables	9	169.5	155.5
Unbilled receivables	10	183.1	121.0
Inventories		9.9	7.5
Income taxes receivable	25(a)	47.3	35.1
Other current assets	11	24.3	19.8
		456.6	**378.2**
Non-current assets:			
Property, plant and equipment	12	369.1	235.1
Right-of-use assets	13	71.8	7.1
Intangible assets	14	582.5	552.4
Goodwill		439.8	419.9
Deferred income tax assets		14.9	19.1
Other non-current assets	11	227.0	139.0
Total assets		**$ 2,161.7**	**$ 1,750.8**
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 219.1	$ 124.3
Income taxes payable		4.4	11.9
Contract liabilities		76.9	110.8
Current portion of net employee benefit payable		57.4	54.1
Current portion of lease liabilities	13	10.9	6.7
Other current liabilities		4.5	10.8
		373.2	**318.6**
Non-current liabilities:			
Net employee defined benefit payable		22.8	21.5
Lease liabilities	13	75.2	1.6
Long-term debt	16	438.9	243.6
Deferred income tax liabilities		180.8	163.8
Other non-current liabilities		6.1	1.1
Total liabilities		**1,097.0**	**750.2**
Shareholders' equity			
Common shares		956.1	951.6
Contributed surplus		31.3	25.0
Accumulated other comprehensive income		18.6	14.1
Retained earnings		58.7	9.9
Total equity		**1,064.7**	**1,000.6**
Total liabilities and equity		**$ 2,161.7**	**$ 1,750.8**

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, 2023 and 2022
(In millions of Canadian dollars)

	Note	Common Shares Number	Common Shares Amount	Contributed Surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total shareholders' equity
As at January 1, 2023		119,014,233	$ 951.6	$ 25.0	$ 14.1	$ 9.9	$ 1,000.6
Share-based awards exercised	19	500,686	4.5	(3.7)	—	—	0.8
Net income		—	—	—	—	48.8	48.8
Other comprehensive income		—	—	—	4.5	—	4.5
Share-based compensation	19	—	—	10.0	—	—	10.0
As at December 31, 2023		119,514,919	**$ 956.1**	**$ 31.3**	**$ 18.6**	**$ 58.7**	**$ 1,064.7**
As at January 1, 2022		118,691,628	$ 950.7	$ 16.9	$ 8.5	$ (14.4)	$ 961.7
Impact of change in accounting policy		—	—	—	—	(2.0)	(2.0)
Share-based awards exercised	19	322,605	0.9	(0.4)	—	—	0.5
Net income		—	—	—	—	26.3	26.3
Other comprehensive income		—	—	—	5.6	—	5.6
Share-based compensation	19	—	—	8.5	—	—	8.5
As at December 31, 2022		119,014,233	**$ 951.6**	**$ 25.0**	**$ 14.1**	**$ 9.9**	**$ 1,000.6**

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

MDA Ltd.
Consolidated Statement of Cash Flows
For the years ended December 31, 2023 and 2022
(In millions of Canadian dollars)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities			
Net income		$ 48.8	$ 26.3
Items not affecting cash:			
Income tax expense		18.5	7.9
Depreciation of property, plant, and equipment	12	13.1	9.9
Depreciation of right-of-use assets	13	9.6	8.1
Amortization of intangible assets	14	55.4	58.2
Write-down of assets		4.8	—
Share-based compensation expense	19	10.0	8.5
Investment tax credits accrued	25(a)	(33.3)	(54.5)
Finance costs, net		6.6	34.2
Unrealized loss on financial instruments		0.8	9.9
Changes in operating assets and liabilities	26	(95.6)	(26.7)
		38.7	**81.8**
Interest paid		(18.5)	(19.6)
Income tax paid		(6.7)	(5.2)
Net cash generated in operating activities		**13.5**	**57.0**
Cash flows from investing activities			
Purchases of property and equipment		(148.0)	(137.8)
Purchases/development of intangible assets		(45.2)	(42.3)
Acquisition of subsidiary, net of cash	5	(24.4)	
Net cash used in investing activities		**(217.6)**	**(180.1)**
Cash flows from financing activities			
Repayments of second lien notes	16	—	(150.0)
Borrowings from senior credit facility	16	195.0	245.0
Transaction costs incurred on debt refinancing	16	—	(8.9)
Payment of lease liability (principal portion)		(8.4)	(7.8)
Proceeds from stock options exercised		0.8	0.5
Net cash provided by financing activities		**187.4**	**78.8**
Net decrease in cash		**(16.7)**	**(44.3)**
Net foreign exchange difference on cash		(0.1)	—
Cash, beginning of period		39.3	83.6
Cash, end of year		**$ 22.5**	**$ 39.3**

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 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors of MDA on February 27, 2024.

(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) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards 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 material 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 material subsidiaries for the years ended December 31, 2023 and 2022 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 over time 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”).

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. 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 reflecting 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 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.

(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.

5. Acquisition

On October 31, 2023, the Company acquired 100% share of SatixFy Space Systems UK Ltd ("SSS"), the digital payload division of SatixFy Communications Ltd. (NYSE AMERICAN: SATX) to strengthen MDA's global leadership position in the growing market for digital satellite communications solutions. The newly acquired division, based in the United Kingdom, will be integrated into MDA UK, the company's existing UK subsidiary.

The consideration transferred consisted of $55.5 ($40.0 USD), including $4.2 ($3.0 USD) relating to the purchase of SSS shares and $51.3 ($37.0 USD) towards the assumption of SSS's debt with SatixFy Communications Ltd. As at December 31, 2023, $25.0 ($18.0 USD) of the $55.5 ($40.0 USD) has been paid to the seller. A further $27.7 ($20.0 USD) is payable in 2024 through the repayment of notes payable on demand over 7 months and the remaining $2.8 ($2.0 USD) holdback will be released to the seller in 2025. There is no contingent consideration.

The Company incurred acquisition-related costs of $1.9 on legal and due diligence costs. These costs have been included in the selling, general and administrative costs in the consolidated statement of comprehensive income.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed, and goodwill arising from the acquisition at the date of acquisition.

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

			Year ended December 31, 2023
Consideration transferred			$ 55.5
Less: Identifiable assets acquired and liabilities assumed			
Cash	$	0.6	
Prepaid expenses and deposits		0.4	
Other receivables		1.3	
Property, plant and equipment		0.2	
Right-of-use asset		0.5	
Proprietary technology		47.6	
Accounts payable and accrued liabilities		(0.6)	
Employee benefit payable		(0.4)	
Contract liabilities		(1.5)	
Lease liabilities		(0.5)	
Deferred income tax liabilities		(12.0)	
			(35.6)
Goodwill			$ 19.9

The valuation technique used for measuring the proprietary technology intangible asset was the replacement cost method of the cost approach, taking into consideration related costs, developer's profit and any opportunity costs.

The goodwill generated is attributable mainly to the synergies expected to be achieved from integrating SSS into the Company's existing satellite systems business. The goodwill recognized is not expected to be deductible for tax purposes over time.

As a result of the inherent complexity associated with the valuation of net assets acquired, the determination of the fair value of assets and liabilities acquired for SSS are based upon preliminary estimates and assumptions. The Company will continue to review information prior to finalizing the fair value of the assets acquired and liabilities assumed. The actual fair value of the assets acquired and liabilities assumed may differ from the amounts noted above.

SSS generated nil revenue and net income of $0.7 from acquisition date for the year ended December 31, 2023.

The Company also has a total of $33.0 ($25.0 USD) towards the purchase of digital payload chips that is recognized as long-term prepaid expenses and advances to suppliers on the consolidated statement of financial position. These amounts have also been reflected in Note 11 below.

6. 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:

		Year ended December 31, 2023		Year ended December 31, 2022
Service Lines				
Geointelligence	$	197.5	$	195.3
Robotics and space operations		248.4		193.7
Satellite systems		361.7		252.2
	$	807.6	$	641.2

b. Revenue concentration

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

For the year ended December 31, 2023, there were 2 customers that individually comprised more than 10.0% of revenue and 56.5% in total. 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.

c. Remaining performance obligations

As at December 31, 2023, the Company had remaining performance obligations of $$3,097.0 (December 31, 2022 – $1,378.2), 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 26% of its remaining performance obligations as revenue in 2024 and 20% in 2025 and the balance thereafter (December 31, 2022 – 50% in 2023, and 25% in 2024 and the balance thereafter).

d. Contract liabilities

Of the opening contract liabilities balance at January 1, 2023, $78.9 has been recognized as revenue in 2023 (2022 - $59.0).

7. 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.

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

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue		
Canada	$ 407.7	$ 298.6
United States	332.2	224.8
Europe	35.2	84.9
Asia and Middle East	20.1	30.1
Other	12.4	2.8
	$ 807.6	$ 641.2

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, 2023	December 31, 2022
Canada	$ 1,394.0	$ 1,213.1
Other	69.2	1.4
	$ 1,463.2	$ 1,214.5

8. Cost of revenue and operating expenses

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

	Year ended December 31, 2023	Year ended December 31, 2022
Labour, materials and other	$ 373.9	$ 323.7
Subcontractors	190.4	119.9
Investment tax credits recognized	(32.3)	(54.5)
	$ 532.0	$ 389.1

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

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

	Year ended December 31, 2023	Year ended December 31, 2022
Selling, general and administration		
General and administration	$ 37.5	$ 34.9
Selling and marketing	33.2	25.1
	$ 70.7	$ 60.0
Research and development, net		
Research and development expense	$ 44.1	$ 36.1
Research and development expense recovery	(4.8)	(3.3)
	$ 39.3	$ 32.8

9. Trade and other receivables

	December 31, 2023	December 31, 2022
Trade receivables, gross	$ 144.1	$ 148.0
Other receivables, gross	31.1	13.3
Credit loss allowance	(5.7)	(5.8)
	$ 169.5	$ 155.5

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

10. Unbilled receivables

	December 31, 2023	December 31, 2022
Unbilled receivables, gross	$ 189.3	$ 124.8
Credit loss allowance	(6.2)	(3.8)
	$ 183.1	$ 121.0

11. Other assets

	Note	December 31, 2023	December 31, 2022
Prepaid expenses & Advances to suppliers		$ 100.2	$ 39.6
Investment tax credits receivable	25(a)	133.8	109.1
Investment in equity securities		2.1	2.7
Derivative financial assets		3.0	4.8
Pension plan assets		12.2	2.6
		$ 251.3	$ 158.8
Current portion		$ 24.3	$ 19.8
Non-current portion		$ 227.0	$ 139.0

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

12. Property, plant and equipment

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at January 1, 2023	$ 71.5	$ 16.1	$ 14.6	$ 156.4	$ 258.6
Additions from Acquisitions	0.1	—	0.1	—	0.2
Additions	11.4	2.4	4.5	129.5	147.8
Write-downs	—	—	—	(1.0)	(1.0)
Transfers	3.0	9.6	4.4	(16.9)	0.1
As at December 31, 2023	$ 86.0	$ 28.1	$ 23.6	$ 268.0	$ 405.7
Accumulated depreciation					
As at January 1, 2023	$ (8.4)	$ (8.1)	$ (7.0)	$ —	$ (23.5)
Depreciation expense	(4.6)	(3.6)	(4.9)	—	(13.1)
As at December 31, 2023	$ (13.0)	$ (11.7)	$ (11.9)	$ —	$ (36.6)
Net book value					
As at December 31, 2023	$ 73.0	$ 16.4	$ 11.7	$ 268.0	$ 369.1

	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

Depreciation expense included in cost of revenue for the year ended December 31, 2023 is $13.1 (December 31, 2022 – $9.9).

As at December 31, 2023, the Company recognized $1.0 of impairment under amortization and depreciation of assets on the consolidated statement of comprehensive income. (December 31, 2022 - nil, no indicators of impairment).

13. 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:

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

	Buildings	Equipment	Furniture, fixtures and computer hardware	Total
As at January 1, 2023	$6.7	$ —	$ 0.4	$ 7.1
Additions from Acquisitions	0.5	—	—	0.5
Additions	71.3	2.5	—	73.8
Depreciation expense	(9.1)	(0.1)	(0.4)	(9.6)
As at December 31, 2023	$ 69.4	$ 2.4	$ —	$ 71.8

	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

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 recognized in profit or loss for the leases:

	2023	2022
Depreciation expense included in cost of revenue	$ 9.6	$ 8.1
Interest expense on lease liability	0.9	0.7
Expense relating to short-term lease	2.9	2.3
Expense relating to leases of low-value assets	2.1	0.8
	$ 15.5	$ 11.9

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

	2023	2022
Opening	$ 8.3	$ 15.7
Additions	86.1	0.4
Accretion of interest	0.9	0.7
Payments	(9.2)	(8.5)
Ending	$ 86.1	$ 8.3
Current portion	$ 10.9	$ 6.7
Non-current portion	$ 75.2	$ 1.6

The Company had total cash outflows for leases of $14.3 in the current period (December 31, 2022 - $11.6).

The maturity analysis of lease liabilities is disclosed in note 20, financial instruments and fair value disclosures.

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

14. Intangible assets

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
Cost						
As at January 1, 2023	$ 154.1	$ 41.2	$ 459.9	$ 25.6	$ 35.5	$ 716.3
Additions from acquisitions	47.6	—	—	—	—	47.6
Additions	30.8	—	—	—	10.9	41.7
Write downs	(3.8)	—	—	—	—	(3.8)
As at December 31, 2023	$ 228.7	$ 41.2	$ 459.9	$ 25.6	$ 46.4	$ 801.8
Accumulated amortization						
As at January 1, 2023	$ (23.3)	$ (35.5)	$ (89.1)	$ (3.5)	$ (12.5)	$ (163.9)
Amortization expense	(10.4)	(4.8)	(32.6)	(1.3)	(6.3)	(55.4)
As at December 31, 2023	$ (33.7)	$ (40.3)	$ (121.7)	$ (4.8)	$ (18.8)	$ (219.3)
Net book value						
As at December 31, 2023	$ 195.0	$ 0.9	$ 338.2	$ 20.8	$ 27.6	$ 582.5

	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

For the year ended December 31, 2023, additions of proprietary technologies and software included $31.1 and $1.8 of development costs incurred on internally generated intangible assets, respectively (December 31, 2022 - $30.8 and $1.6). As at December 31, 2023, the assets are still under development, and therefore the amortization thereof has not commenced.

For the year ended December 31, 2023, the amortization expense related to software of $8.90 (December 31, 2022 – $5.7) are included in cost of revenue. For the year ended December 31, 2023, the amortization expense related to all other intangible assets of $46.5 (December 31, 2022 – $52.5) are included in operating expenses.

As at December 31, 2023, the Company recognized $3.8 of impairment under amortization and depreciation of assets on the consolidated statement of comprehensive income. (December 31, 2022 - nil, no indicators of impairment).

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

15. Goodwill

The Company performed its annual goodwill impairment test as at December 31, 2023. 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, 2023	December 31, 2022
Geointelligence	$ 285.9	$ 285.9
Robotics and Space Operations	25.1	25.1
Satellite Systems	128.8	108.9
	$ 439.8	$ 419.9

The addition of $19.9 goodwill in Satellite Systems is due to the acquisition of SSS as described in Note 5.

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, 2023 reflect each CGU's specific risks and market conditions and ranged from 11.5% to 15.5% (December 31, 2022 – 10.5% to 14.5%).
- 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, 2023 (December 31, 2022 – 2.5%).

Changes in the macro-environment since the acquisition of the CGUs in 2020 have contributed to increases in discount rates.

16. Long-term debt

As at December 31, 2023, the Company's long-term debt comprises borrowings of $440.0 (December 31, 2022 - $245.0) under the senior revolving credit facility in the form of Bankers' Acceptances, which is recorded at a carrying amount of $438.9 (December 31, 2022 - $243.6) on the consolidated statement of financial position.

(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 totaled $1.4 and were recognized in 2022.

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, 2023, the weighted average interest rate on the outstanding Bankers' Acceptances was 7.18% (December 31, 2022 - 6.26%). The Company also had $13.3 letters of credit outstanding at December 31, 2023 (December 31, 2022 - $24.0), 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.

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

(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.

(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, 2023.

(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, 2023	December 31, 2022
Opening	$ 243.6	$ 144.7
Issuance of debt, net of issuance costs	195.0	245.0
Principal repayments	—	(150.0)
Net effect from credit facilities modifications	—	3.4
Interest expense incurred on credit facilities	0.3	14.0
Interest paid on credit facilities	—	(13.5)
Closing	$ 438.9	$ 243.6
Current portion	$ —	$ —
Non-current portion	$ 438.9	$ 243.6

(f) Commitments related to long-term debt

The outstanding long-term debt principal as at December 31, 2023 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.

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

17. Finance income and costs

	Note		2023		2022
Interest on credit facilities[1]		$	16.6	$	11.6
Other interest and borrowing fees			0.9		4.1
Transaction costs on refinancing of senior revolving credit facility	15(a)		—		1.4
Effect of modification of senior credit facility	15(a)		—		4.3
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]			(8.9)		(2.2)
		$	8.6	$	34.6

[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 20(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 5.52% (December 31, 2022 - 4.40%).

Finance income is interest earned on the cash balance in the bank.

18. Employee benefits

(a) Employee benefits liabilities

Employee benefit liabilities		December 31, 2023		December 31, 2022
Salary and benefits payable		52.4		47.8
Obligations under defined benefit pension plans and post-retirement benefit plans		23.7		22.5
Accrued liabilities for other retirement benefits		4.1		5.3
	$	80.2	$	75.6
Current	$	57.4	$	54.1
Non-current	$	22.8	$	21.5

Excluded from the pension plan liabilities as at December 31, 2023 are pension plan assets totalling $12.2 (December 31, 2022 – $2.6). Pension plan assets are recorded in other non-current assets as presented in note 11.

(b) Defined contribution pension plans

The Company maintains defined contribution pension plans and incurred $6.8 in expenses during the year (December 31, 2022 - $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, 2024 are $2.1 (December 31, 2023 – $3.2).

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.

(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, 2023 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2023	$ 99.0	$ (101.5)	$ (2.5)
Effect of asset ceiling in prior year in equity	—	(22.2)	(22.2)
Recognized in net income			
Current service cost	3.2	—	3.2
Past service cost	0.1	—	0.1
Administrative expenses	—	0.7	0.7
Interest cost (income)	5.2	(6.5)	(1.3)
	$ 8.5	$ (5.8)	$ 2.7
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	6.9	—	6.9
Experience adjustment	1.8	—	1.8
Return on plan assets excluding interest income	—	(12.5)	(12.5)
Administrative expenses paid from fund	—	0.3	0.3
	$ 8.7	$ (12.2)	$ (3.5)
Other			
Employer contributions	—	(3.1)	(3.1)
Plan participant contributions	1.6	(1.6)	—
Benefit payments	(5.9)	5.9	—
	$ (4.3)	$ 1.2	$ (3.1)
Effect of asset ceiling in equity	—	16.7	16.7
Defined benefit obligation (asset) as at December 31, 2023	$ 111.9	$ (123.8)	$ (11.9)

(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, 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
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)

Plan assets comprise the following:

	December 31, 2023	December 31, 2022
Domestic equity	$ 31.2	$ 25.7
Foreign equity	24.1	20.4
Fixed income assets	50.5	46.8
Other	33.6	29.9
Cash and short-term investments	1.1	0.9
Total plan assets	$ 140.5	$ 123.7

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, 2024 are $1.1 (December 31, 2023 – $1.1).

(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, 2023 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2023	$ 22.4	$ —	$ 22.4
Recognized in net income			
Current service cost	0.3	—	0.3
Interest cost	1.1	—	1.1
	$ 1.4	$ —	$ 1.4
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	1.3	—	1.3
Experience adjustment	(0.6)	—	(0.6)
	$ 0.7	$ —	$ 0.7
Other			
Employer contributions	—	(0.8)	(0.8)
Benefit payments	(0.8)	0.8	—
	$ (0.8)	$ —	$ (0.8)
Defined benefit obligation as at December 31, 2023	$ 23.7	$ —	$ 23.7

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	0.9	—	0.9
	$ 1.4	$ —	$ 1.4
Recognized in net equity			
Actuarial gain arising from:			
Financial assumptions	(8.6)	—	(8.6)
	$ (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)

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, 2023	December 31, 2022
Discount rate	4.8%	5.3%
Future salary increases	3.5%	3.5%
Health care trend (Other Post Retirement Benefit Plans)	5.7%	5.7%
Longevity at age 65 for current pensioners:		
Males	22.2	22.1
Females	24.6	24.5
Longevity at age 65 for current pensioners aged 45:		
Males	23.3	23.1
Females	25.5	25.4

As at December 31, 2023, the weighted-average duration of the defined benefit obligation was 13.5 years (December 31, 2022 – 13.3).

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, 2023	Increase of 1%	Decrease of 1%
Discount rate	$ (15.8)	$ 19.9
Future salary growth	$ 0.7	$ (0.7)
Health care trends rate	$ 2.7	$ (2.2)
Future mortality	$ (0.3)	$ 0.3

19. 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, 2023, the Company has granted stock options with an exercise price ranging from $6.80 to $21.65. 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, 2023 was $3.6 (for the year ended December 31, 2022 – $4.1).

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

The weighted average fair value of options granted during the year ended December 31, 2023 was $4.45 (for the year ended December 31, 2022 – $3.29) . The fair value of these options granted were estimated on the date of grant using the following assumptions:

	Year ended December 31, 2023
Dividend yield	— %
Expected volatility	40.23% to 42.31%
Risk-free interest rate	2.95% to 4.17%
Expected life of share options	5.0 to 6.7 years
Weighted average share price	$10.54

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.

	December 31, 2023		December 31, 2022	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Opening	8,881,616	$ 11.23	9,066,978	$ 11.40
Granted	771,269	10.54	571,021	7.59
Forfeited	(356,022)	13.33	(650,368)	11.28
Exercised	(108,982)	6.89	(106,015)	6.00
Closing	9,187,881	$ 11.15	8,881,616	$ 11.23
Stock options exercisable	7,059,450	$ 11.22	5,632,098	$ 11.31

During the year ended December 31, 2023, the weighted average market share price for stock options exercised was $8.76 (December 31, 2022 – $8.27).

The information regarding the stock options outstanding and exercisable as at December 31, 2023 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 - $11.55	6,204,232	7.30	$ 7.99	4,681,139	$ 7.90
$14.00 - $18.00	2,401,494	7.06	14.96	1,914,040	14.95
$21.65 - $30.00	582,155	7.29	29.02	464,271	29.33
	9,187,881	7.24	$ 11.15	7,059,450	$ 11.22

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

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	14.9
\$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, 2023 was \$0.1 (for the year ended December 31, 2022 – \$1.2).

The number of Trustee Shares outstanding and vested as at December 31, 2023 is nil. (December 31, 2022 – 30,713).

(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, 2023 is \$1.0 (for the year ended December 31, 2022 – \$1.2). The weighted average fair value of DSUs granted during the year ended December 31, 2023 was \$8.94 (December 31, 2022 – \$7.85).

(d) RSUs and PSUs

In 2023, the 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 December 31, 2023 is \$5.3 (for the year ended December 31, 2022 – \$2.0). The weighted average fair value of RSUs and PSUs granted during the year ended December 31, 2023 were \$7.30 and \$7.28, respectively (December 31, 2022 – \$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, 2023:

	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2023	306,554	128,828	623,408	219,786
Granted	—	111,167	755,277	279,747
Forfeited/Cancelled	(56,049)	—	(56,064)	(46,756)
Settled/Converted	(171,122)	(24,832)	(195,750)	—
As at December 31, 2023	79,383	215,163	1,126,871	452,777

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

The table below shows the movement in the award units outstanding over the year 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)	(19,487)	—	—
As at December 31, 2022	306,554	128,828	623,408	219,786

20. 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, 2023	December 31, 2022
Financial assets (liabilities) measured at FVTPL		
Derivative financial assets	$ 2.2	$ 2.8
Derivative financial liabilities	(6.0)	(0.3)
Investment in equity securities	2.1	2.7
Financial assets measured at FVOCI		
Derivative financial assets	$ 0.8	$ 2.0
Financial assets (liabilities) measured at amortized cost		
Cash	$ 22.5	$ 39.3
Trade and other receivables	169.5	155.5
Unbilled receivables	183.1	121.0
Accounts payable and accrued liabilities	(219.1)	(124.3)
Long-term debt	(438.9)	(243.6)

(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, 2023				December 31, 2022			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets								
Derivative financial instruments	$ —	$ 3.0	$ —	$ 3.0	$ —	$ 4.8	$ —	$ 4.8
Investment in equity securities	2.1	—	—	2.1	2.7	—	—	2.7
Liabilities								
Derivative financial instruments	$ —	$ 6.0	$ —	$ 6.0	$ —	$ 0.3	$ —	$ 0.3

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 is the senior revolving credit facility described in note 16. The Company determines the fair value of the long-term debt based on the present value of future cash flows.

During the year ended December 31, 2022, former second lien notes and the embedded redemption feature were redeemed as part of the refinancing transaction described in note 16. 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.

(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, 2023, all of the Company's borrowings, in the amount of $440.0, 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, 2023, the Company has entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on $225.0 of borrowing under its senior revolving credit facility. As at December 31, 2023, the Company had outstanding interest rate swap contracts with third-party banks expiring December 15, 2027. The aggregate notional amount of the swap contracts is $225.0. Under the swap contracts, the Company pays interest at a fixed rate of 3.46% for $150.0 and 4.14% for $75.0 of the $225.0, respectively, and receives interest at a variable rate equal to the 3-month CDOR for each 90 day period. The terms of the interest rate swap contracts with respect to the floating rate, maturity, and interest payment dates match that of the underlying borrowings, such that any hedge ineffectiveness is not expected to be significant. The fair value changes in these swap contracts were a loss of $1.4, before tax effects, for the year ended December 31, 2023 (December 31, 2022 – gain of $2.0) and are recorded in other comprehensive income.

At December 31, 2023, the interest rate risk related to $215.0 of total borrowings was unhedged (December 31, 2022 - $95.0). Based on the total outstanding borrowings at December 31, 2023, and including the impact of the interest rate swap agreements, a 1.0% increase (decrease) in the average interest rate on our borrowings would have decreased (increased) income before taxes by $2.2 annually (December 31, 2022 – $1.0). 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.

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

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

	December 31, 2023	December 31, 2022
Opening	$ (9.6)	$ (2.2)
Provision for credit losses	(3.1)	(7.8)
Write-offs	0.9	0.4
Ending	$ (11.8)	$ (9.6)

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

(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, 2023 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	$ 219.1	$ 219.1	$ 219.1	$ —	$ —
Non-trades payables	0.5	0.5	0.3	0.1	0.1
Senior revolving credit facility	438.9	440.0	—	440.0	—
	$ 658.5	$ 659.6	$ 219.4	$ 440.1	$ 0.1
Lease liabilities	$ 152.3	$ 152.3	12.0	29.8	110.5
Derivative instruments	6.0	6.0	0.8	5.2	—
	$ 158.3	$ 158.3	$ 12.8	$ 35.0	$ 110.5
	$ 816.8	$ 817.9	$ 232.2	$ 475.1	$ 110.6

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

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

(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 States dollar ("USD") and Euro, with USD representing the more significant exposure. The Company is also exposed to foreign currency risk on the net assets of its foreign operations.

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

21. 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, 2023, in addition to its outstanding long-term debt and equity, the Company also had $146.7 of available liquidity under its revolving credit facility (December 31, 2022 – $331.0). 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's performance against its financial covenants is discussed in detail in note 16. The Company was in compliance with the financial covenants under the Company's credit facilities throughout the year ended December 31, 2023.

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

22. 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, 2022		118,691,628	$	950.7
Conversion of share-based awards to common shares		322,605		0.9
As at December 31, 2022		119,014,233	$	951.6
Conversion of share-based awards to common shares	19(e)	500,686		4.5
As at December 31, 2023		119,514,919	$	956.1

All issued common shares are fully paid.

23. Income taxes

(a) Income tax expense

	December 31, 2023		December 31, 2022	
Current tax expense:				
Current period	$	13.4	$	14.1
Change in estimate for prior periods		(2.5)		(10.7)
	$	10.9	$	3.4
Deferred tax expense:				
Origination and reversal of temporary difference		6.9		(3.5)
Change in estimate for prior periods		0.4		7.7
Change in unrecognized deductible temporary differences		0.3		0.3
	$	7.6	$	4.5
Income tax expense	$	18.5	$	7.9

(b) Income taxes recognized in OCI

	December 31, 2023		December 31, 2022	
Opening	$	(5.3)	$	(3.4)
Income tax expense on remeasurement of defined benefit pension plans		(2.6)		(1.3)
Other		0.9		(0.6)
Closing	$	(7.0)	$	(5.3)

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

(c) Income tax rate reconciliation

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

	December 31, 2023	December 31, 2022
Statutory Federal and Provincial tax rate in Canada	26.5%	26.5%
Income tax expense at statutory tax rates	$ 17.9	$ 9.0
Earnings subject to different rates	0.2	(0.1)
Change in statutory rates	—	(0.3)
Change in unrecognized deferred tax assets	1.3	0.3
Change in uncertain tax positions	(2.0)	(1.9)
Share-based compensation	1.0	2.1
Change in estimate for prior periods	(0.4)	(3.0)
Other, including permanent differences	0.5	1.8
	$ 18.5	$ 7.9

(d) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at December 31, 2023 are attributable to the following:

	Assets	Liabilities	Net
Unbilled receivables and contract liabilities	$ —	$ 11.1	$ (11.1)
Property, plant and equipment	1.1	19.5	(18.4)
Intangible assets and goodwill	—	131.3	(131.3)
Investment tax credits	8.5	43.1	(34.6)
Trade and other payables	2.1	—	2.1
Employee benefits	5.2	—	5.2
Tax loss carry forwards	20.4	—	20.4
Other items, including financing fees	6.9	5.1	1.8
Tax assets (liabilities)	$ 44.2	$ 210.1	$ (165.9)
Set off of tax	(29.3)	(29.3)	—
Net tax assets (liabilities)	$ 14.9	$ 180.8	$ (165.9)

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)

The Company has recognized deferred tax assets of $14.9 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.

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

(e) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses of $52.1 as at December 31, 2023 (December 31, 2022 – $10.3). These tax losses have no expiry date. Deferred tax assets have also not been recognized in respect of capital losses of $4.1 (December 31, 2022 - $3.6). These capital losses have no expiry date.

(f) Movement in deferred taxes

Movement in deferred taxes for the year ended December 31, 2023 is set out below:

	As at January 1, 2023	Recognized in net income in year	Recognized in equity in year	Recognized in goodwill in year	As at December 31, 2023
Unbilled receivables and contract liabilities	$ (6.3)	$ (4.8)	$ —	$ —	$ (11.1)
Property, plant and equipment	(16.9)	(1.6)	—	—	(18.5)
Intangible assets and goodwill	(133.9)	14.5	—	(12.0)	(131.4)
Investment tax credits	(19.2)	(15.4)	—	—	(34.6)
Trade and other payables	1.4	0.7	—	—	2.1
Employee benefits	5.3	2.5	(2.6)	—	5.2
Tax loss carry forwards	17.6	2.8	—	—	20.4
Other items, including financing fees	7.3	(6.3)	1.0	—	2.0
	$ (144.7)	$ (7.6)	$ (1.6)	$ (12.0)	$ (165.9)

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)

As at December 31, 2023, 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)

24. Earnings per share

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

	Year ended December 31, 2023	Year ended December 31, 2022
Net earnings	$ 48.8	$ 26.3
Weighted average shares outstanding – basic	119,253,279	119,011,468
Adjustments for		
Employee stock options	1,046,712	2,742,457
Trustee shares	26,871	228,381
DSUs	154,474	41,998
RSUs and PSUs	695,512	426,838
Weighted average shares outstanding – diluted	121,176,848	122,451,142
Basic earnings per share	$ 0.41	$ 0.22
Diluted earnings per share	0.40	0.21

At December 31, 2023, 6,401,667 options and 52,512 trustee shares (December 31, 2022 – 5,904,864 options and 202,903 trustee shares) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

25. Government assistance

(a) Investment tax credits

During the year ended December 31, 2023, the Company recognized investment tax credits of $33.3 million, respectively (year ended December 31, 2022 – $54.5, respectively) as a reduction in cost of materials, labour and subcontractors, and research and development, net, on the consolidated statement of comprehensive income, and $12.5 million as a reduction in the carrying amount of related assets on the consolidated statement of financial position. Of these recognized amounts, $10.2 million is related to expenses incurred in prior years.

The Company has investment tax credits of approximately $150.0 million (December 31, 2022 - $120.9 million) available to offset future Canadian Federal and Provincial income taxes payable which expire between 2029 and 2043. Investment tax credits are only recognized in the consolidated financial statements when the recognition criteria have been met as described in note 3(q).

(b) 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, 2023, the Company has recorded a recovery of $1.5 against cost of revenues and $10.7 against long-term assets (December 31, 2022 – $2.7 and $5.4) and has received $3.9 in proceeds in respect of its claim for eligible expenditures(December 31, 2022 - $0.6).

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

26. Supplementary cash flow information

The below table provides changes in operating assets and liabilities:

	2023	2022
Trade and other receivables	$ (7.5)	(62.9)
Unbilled receivables	(62.1)	(37.3)
Inventories	(2.4)	0.5
Prepaid expenses and advances to suppliers	(60.2)	(24.6)
Other assets	0.5	(1.0)
Trade and other payables	66.3	59.6
Contract liabilities	(35.4)	19.3
Employee benefits	3.3	17.2
Other liabilities	1.9	2.4
	$ (95.6)	$ (26.8)

27. 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, 2023	December 31, 2022
Short-term and post-employment benefits	$ 9.9	$ 10.7
Share-based compensation expense	5.5	5.2
Total key management personnel compensation	$ 15.4	$ 15.9

28. Contingencies and commitments

(a) As at December 31, 2023, the Company is committed under legally enforceable agreements for purchases relating to property, plant and equipment and intangible assets of $20.2 in 2024 and $0.3 thereafter. As at December 31, 2023, the Company had commitments to leases commenced of $6.3 in 2024 and $133.9 thereafter over 19 years. Commitments relating to leases not yet commenced total $10.4 in 2024 and $26.0 over 14 years.

(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.

29. Changes to classification

Certain comparative amounts for the prior period have been reclassified to conform to current period presentation on the consolidated statement of comprehensive income. Such reclassifications had no effect on the consolidated statement of financial position or shareholders' equity.