MacDonald, Dettwiler and Associates Ltd.

First Quarter Report 2014

Three Months Ended March 31, 2014

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements

Q1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2014

For purposes of this discussion, *MDA* and *the Company* refer to MacDonald, Dettwiler and Associates Ltd. and its subsidiaries. *This quarter* means the three months ended March 31, 2014.

ADVISORY

This management's discussion and analysis ("MD&A"), dated May 1, 2014, should be read in conjunction with the cautionary statement regarding forward-looking statements below and the Company's condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2014 (the "consolidated financial statements"), as well with the Company's consolidated financial statements and MD&A for the year ended December 31, 2013. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. An additional advisory with respect to the use of non-IFRS financial measures is set out in section "Non-IFRS Financial Measures" of this MD&A. All quarterly information disclosed in the MD&A is based on unaudited figures.

Unless otherwise indicated, the Company's significant accounting policies and estimates, contractual obligations, commitments, contingencies, and business risks and uncertainties, as described in its MD&A for the year ended December 31, 2013, are substantially unchanged.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect the Company's current view of future events and financial performance. Forward-looking statements in this MD&A include, but are not limited to, statements regarding: anticipated revenues and customer contract values under sections "Consolidated Results - Order backlog" and "Results By Segment"; impact of amendments to pension and other post-retirement plans under section "Consolidated Results - Net earnings"; progress on long-term construction contracts under section "Results By Segment"; the business outlook of the Company's operating segments under section "Results By Segment"; the sources of liquidity the Company expects to use to meet its anticipated cash requirements under section "Liquidity"; and the outcome of legal proceedings involving the Company under section "Liquidity - Legal proceedings".

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable. The material assumptions upon which such forward-looking statements are based include, among others, assumptions with respect to: market and general economic conditions; the operations of the operating businesses of the Company continuing on a basis consistent with prior years; growth in demand for the products and services of the Company's businesses; the ability of the Company to access financing from time to time on favourable terms; the ability of the Company to realize anticipated benefits of acquisitions; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; and currency exchange and interest rates being reasonably stable at current rates. As contained in this MD&A, the Company has made the following assumptions with respect to the forward-looking statements: anticipated revenues and customer contract values was based on the Company's continuing ability to effectively service customers and enter into more contracts for the sale of satellites and products and there being no adverse changes to customer priorities and funding levels; impact of amendments to pension and other post-retirement plans was based on management's best estimates and current operating plans; progress on long-term construction contracts was based on the Company's ability to complete the contracts with minimal cost overrun;

the business outlook of the Company's operating segments was based on current market conditions and business plans; the sources of liquidity the Company expects to use to meet its anticipated cash requirements was based on stable market conditions and the Company's current plans and forecasts; and the outcome of legal proceedings involving the Company was based on the Company's current plans to appeal the jury verdict in the lawsuit brought on by ViaSat, Inc. and ViaSat Communications, Inc. and that the final outcome of legal proceedings would not be material to the Company. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

Any such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from current expectations. MDA cautions readers that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. The risks that could cause actual results to differ materially from current expectations include, but are not limited to: changes in government policies, priorities, funding levels, contracts or regulations and the failure to obtain necessary regulatory approvals and licenses; growth in the commercial satellite market is dependent on the growth in the businesses of the Company's customers and the ability of its customers to develop new services; failure of third party subcontractors to complete contracts for which the Company is the prime contractor and the limited number of suppliers for some components; risks of performance on firm fixed price construction contracts and termination of contracts by customers for convenience; changes in estimates of total revenues and costs on contracts and non-receipt of payments on failure of the Company's satellites and products to perform successfully; potential for product liability or the occurrence of defects in products or systems and resulting loss of revenue and harm to the Company's reputation; quality issues and failure of systems to meet performance requirements or to be accepted by a customer; inclusion of construction performance incentives in many of the Company's customer contracts; potential for component failure or performance issues on the Company's on-orbit satellites and resulting loss of revenue and harm to MDA's reputation and failure of the Company to receive data for sales or of customers to purchase data; failure of the Company to manage its acquisitions and breaches of contract and indemnities and related risks on divestitures; certain customers are highly leveraged and may not fulfil their contractual payment obligations; MDA's ability to obtain certain satellite construction contracts depends, in part, on its ability to provide the customer with financing and any financing provided by the Company may not be repaid or the Company may be called upon to make payments; many of the Company's costs are fixed and MDA may not be able to cut costs sufficiently to maintain profitability in the event of a downturn in its business; the availability of facility space and qualified personnel may affect MDA's ability to perform its contracts as efficiently as planned; dependence on electronic systems may be subject to data and system security threats; detrimental reliance on third parties for data; dependence on key employees, potential for work stoppages and lack of oversight over a U.S. proxy board and management; failure to anticipate changes in technology, technical standards and offerings or comply with the requisite standards; failure to maintain technological advances and offer new products to retain customers and market position; significant competition with larger or greater resources; potential infringement of the intellectual property rights of others through licensed software or otherwise; inadequate protection of the Company's intellectual property rights; exposure to foreign currency fluctuations; changes in economic and political conditions; inability of suppliers or subcontractors to effect technology transfer; changes in customer security requirements and the resulting cancellation of contracts; failure to maintain business alliances; uncertainty in financing arrangements and failure to obtain required financing on acceptable terms; changes in regulations, telecommunication standards and laws due to political and economic instability in the countries in which MDA conducts business; changes in U.S. and foreign laws and regulations, including U.S. export control and economic sanction laws, governing MDA's business; wrongful call on letters of credit, guarantees and performance bonds; insufficient insurance against material claims or losses; exposure to fines and/or legal sanctions under anti-corruption laws; and failure to comply with environmental regulations.

For additional information with respect to certain of these risks or factors, reference should be made to section "Business Risks and Uncertainties" of the MD&A and notes to the consolidated financial statements for the year ended December 31, 2013, as well with the Company's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, which are available online at www.sedar.com or on the Company's website at www.mdacorporation.com.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. MDA disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law, rule or regulation. You should not place undue reliance on forward-looking statements.

COMPANY PROFILE

MDA is a global communications and information company providing operational solutions to commercial and government organizations worldwide.

MDA's business is focused on markets and customers with strong repeat business potential, primarily in the Communications sector and the Surveillance and Intelligence sector. In addition, the Company conducts a significant amount of advanced technology development.

The Company's comprehensive capabilities in business and program management, systems engineering, systems integration, testing, and support services address complex customer requirements through the full solutions life cycle.

MDA's established global customer base is served by more than 4,800 employees operating from 11 locations in the United States, Canada, and internationally.

The Company's common shares trade on the Toronto Stock Exchange under the symbol MDA.

Communications

In the Communications sector, MDA offers space-based solutions for cost-efficient global delivery of a broad range of services, including television and radio distribution, broadband internet, and mobile communications. The Company is a leading supplier of communication satellites, satellite antenna subsystems, and associated ground infrastructure and support services. MDA's principal customers in this sector are communication satellite operators, communication satellite manufacturers, and government agencies worldwide.

Surveillance and Intelligence

In the Surveillance and Intelligence sector, MDA offers end-to-end solutions to monitor and manage changes and activities around the globe to support the operational needs of government, both military and civilian, and commercial customers. The Company is a leading supplier of space-based and airborne surveillance solutions, imaging satellite ground systems, geospatial information services, and associated support services. The Company also supplies robotic systems for the space and terrestrial markets.

NON-IFRS FINANCIAL MEASURES

In addition to results reported in accordance with IFRS, the Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include *operating earnings*, *operating earnings per share* and *operating EBITDA*. The Company believes these supplementary financial measures reflect the

Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

The Company defines *operating earnings* as net earnings excluding the after-tax effects of specified items affecting comparability, including, where applicable, non-operational income and expenses, amortization of acquisition related intangible assets, share-based compensation, and other gains or losses. The use of the term "non-operational income and expenses" is defined by the Company as those that do not impact operating decisions taken by the Company's management and is based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal management reports. *Operating earnings per share* is calculated using diluted weighted average shares outstanding and does not represent actual earnings per share attributable to shareholders. The Company believes that the disclosure of operating earnings and operating earnings per share allows investors to evaluate the operational and financial performance of the Company's ongoing business using the same evaluation measures that its management uses, and is therefore a useful indicator of the Company's performance or expected performance of recurring operations.

The Company defines *operating EBITDA* as earnings before interest, taxes, depreciation and amortization ("EBITDA") adjusted for certain corporate expenses and items affecting comparability as specified in the calculation of operating earnings. Operating EBITDA is presented on a basis consistent with the Company's internal management reports. The Company discloses operating EBITDA to capture the profitability of its business before the impact of items not considered in management's evaluation of operating unit performance. The Company also discloses segment operating EBITDA as a measure of each reporting segment's profitability and contribution to operating EBITDA.

Operating earnings, operating earnings per share and operating EBITDA do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. The Company cautions readers to consider these non-IFRS financial measures in addition to, and not as an alternative for, measures calculated in accordance with IFRS.

OVERVIEW

The following table provides selected financial information of the Company.

Results of Operations	**Three months ended March 31, 2014**	**Three months ended March 31, 2013**
($ millions, except per common share amounts)		
Revenues	492.6	428.6
Operating EBITDA[1]	85.3	81.6
Operating earnings[1]	49.4	41.8
Operating earnings per share[1]	1.37	1.30
Net earnings	25.0	2.2
Net earnings per share, basic and diluted	0.69	0.07
Weighted average number of common shares outstanding: *(millions)*		
Basic and diluted[2]	36.1	32.1

Financial Position	**March 31, 2014**	**December 31, 2013**
($ millions)		
Total assets	2,613.9	2,584.2
Total long-term debt	610.0	596.3
Shareholders' equity	834.7	796.1

[1] This is a non-IFRS financial measure. Refer to section "Consolidated Results" for a reconciliation of operating EBITDA and operating earnings to net earnings.
[2] On March 27, 2013, the Company completed a public offering of 4,145,750 common shares at a price of $69.40 per share for gross proceeds of $287.7 million.

Operating earnings for the first quarter of 2014 increased to $49.4 million, or $1.37 per share, compared to $41.8 million, or $1.30 per share, for the same period of 2013 as a result of higher volume. The share offering completed at the end of the first quarter of 2013 had a dilutive effect on earnings per share in following quarters.

Net earnings this quarter increased to $25.0 million compared to $2.2 million for the first quarter of 2013. Net earnings include the impact of share-based compensation expense, as well as depreciation and amortization of intangible assets acquired on the Company's purchase of Space Systems/Loral, LLC ("SSL") in 2012. Refer to section "Consolidated Results - Net earnings" of this MD&A for further discussion of these and other items impacting net earnings.

CONSOLIDATED RESULTS

The following table provides selected financial information for the periods indicated, including a reconciliation of operating EBITDA and operating earnings to net earnings.

	Three months ended March 31, 2014	Three months ended March 31, 2013
($ millions, except per common share amounts)		
Revenues	492.6	428.6
Operating EBITDA	85.3	81.6
Operating EBITDA as a percentage of revenues	*17%*	*19%*
Corporate expense	(1.9)	(2.5)
Net finance expense	(8.5)	(13.1)
Depreciation and amortization	(11.9)	(10.9)
Income tax expense, excluding tax on items affecting comparability	(13.6)	(13.3)
Operating earnings	49.4	41.8
Operating earnings per share	*1.37*	*1.30*
Items affecting comparability:		
Share-based compensation	(15.2)	(30.5)
Amortization of acquisition related intangible assets	(8.1)	(7.3)
Pension and other post-retirement plan amendments	(2.3)	-
Foreign exchange loss	(2.3)	(3.7)
Business acquisition costs	-	(1.9)
Write-off of bank facility fees	-	(3.1)
Tax on items affecting comparability	3.5	6.9
Net earnings	25.0	2.2

Revenues

Consolidated revenues for the first quarter of 2014 were $492.6 million, up from $428.6 million for the same period of 2013. The increase reflects execution on new business booked in the past year and favourable changes in foreign exchange rates. The Communications segment accounted for revenues of $344.2 million (first quarter 2013 - $330.3 million) and the Surveillance and Intelligence segment accounted for revenues of $148.4 million (first quarter 2013 - $98.4 million). Refer to section “Results By Segment” of this MD&A for further discussion of the Company’s revenues by segment.

Order backlog

Order backlog, representing the estimated dollar value of firm funded contracts for which work has not been performed, was $2.8 billion at March 31, 2014 (December 31, 2013 - $3.0 billion). Bookings during the quarter included a contract valued at $64 million with the Department of National Defence to provide eight radar surveillance systems for integration into Canada’s fleet of CP-140 Aurora surveillance and reconnaissance aircraft as well as a contract with Skybox Imaging to build an advanced constellation of 13 low Earth orbit satellites for Earth imaging. Subsequent to March 31, 2014, the Company booked contracts with:

- SKY Perfect JSAT Corporation to provide the JCSAT-15 and JCSAT-16 communication satellites;
- PT. Bank Rakyat Indonesia (Persero) Tbk. to provide the BRIsat communication satellite; and
- EchoStar Corporation to provide the EchoStar XXIII communication satellite.

Order backlog does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts. Refer to section “Results By Segment” of this MD&A for a discussion of order backlog by segment.

Operating EBITDA

Operating EBITDA, which is a measure utilized by management to evaluate the operational performance of the Company's businesses, increased to $85.3 million for the first quarter of 2014 compared to $81.6 million for the same period of last year. Operating EBITDA margin this quarter was 17.3%, consistent with the margin for the second half of 2013. Refer to section "Results By Segment" of this MD&A for further discussion.

Corporate expense

Corporate expense for the first quarter of 2014 was $1.9 million compared to $2.5 million for the corresponding period of 2013. Corporate expense is not considered in management's evaluation of operating unit performance and includes such items as corporate head office costs, regulatory costs, executive and director compensation, strategic business development expenditures, and fees for audit, legal and consulting services.

Net finance expense

The following table shows the components of net finance expense for the periods indicated.

	Three months ended March 31, 2014	Three months ended March 31, 2013
($ millions)		
Finance expense[1]	8.7	13.8
Finance income	(0.2)	(0.7)
Net finance expense	8.5	13.1

[1] Finance expense for the first quarter of 2013 excludes a $3.1 million charge to write-off the unamortized portion of prepaid bank facility fees relating to the term loans under the syndicated credit facility, which were fully repaid with proceeds from the share offering.

Finance expense consists primarily of interest expense on long-term debt and net interest expense on net pension obligations. Finance expense decreased from the comparative prior year period mainly due to lower levels of borrowings and net pension obligations outstanding. Finance income this quarter consisted primarily of interest income on cash balances.

Depreciation and amortization

The following table shows depreciation and amortization expense for the periods indicated.

	Three months ended March 31, 2014	Three months ended March 31, 2013
($ millions)		
Property, plant and equipment	10.3	8.9
Intangible assets[1]	1.6	2.0
Depreciation and amortization	11.9	10.9

[1] Excludes amortization of intangible assets arising from the acquisition of SSL. Refer to section "Consolidated Results - Net earnings" of this MD&A for a discussion of amortization of intangible assets arising from the acquisition of SSL.

The increase in depreciation and amortization expense was primarily due to higher capital expenditures to support the business growth.

Income tax expense

Income tax expense on operating earnings for the first quarter of 2014 was $13.6 million, reflecting an effective income tax rate of 22% compared to 19% for the 2013 fiscal year. Income tax expense on operating earnings excludes the impact of specified items affecting comparability, such as certain non-deductible share-based compensation and amortization of acquisition related intangible assets. The increase in the effective income tax rate on operating earnings was primarily due to the change in mix of income from various jurisdictions.

Operating earnings
Operating earnings, or net earnings excluding the after-tax effects of specified items affecting comparability, increased to $49.4 million ($1.37 per share) for the first quarter of 2014 compared to $41.8 million ($1.30 per share) for the same period of 2013. The increase reflects higher operating EBITDA.

Net earnings
Net earnings this quarter increased to $25.0 million compared to $2.2 million for the first quarter of 2013. The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items which are generally not indicative of performance. These specified items affecting comparability are discussed below.

Share-based compensation
Share-based compensation is an important aspect of compensation for management and key employees. However, the accounting expense or recovery based on fair valuation, which is estimated using complex option pricing models incorporating factors such as the expected life of options and market volatility, is beyond the Company's control and can vary significantly from period to period. Further, the accounting fair value adjustments are not reflective of actual cash outlays by the Company in any particular period. The average cash outlay on share-based compensation was approximately $29 million per year over the five-year period ended March 31, 2014. The Company believes that the exclusion of share-based compensation reduces volatility in net earnings and facilitates the comparison of financial results across periods.

Amortization of acquisition related intangible assets
In the first quarter of 2014, the Company recorded amortization expense of $8.1 million (first quarter 2013 - $7.3 million) relating to intangible assets arising from the acquisition of SSL. The acquisition of SSL resulted in significant fair value adjustments to definite life identifiable intangible assets, which are being amortized over estimated lives of five to twenty years. These intangible assets, consisting of technology, software, trade names and other intellectual property, are generally non-recurring expenditures as the Company does not need to replace these assets at the end of their lives to continue to operate its business. Ongoing maintenance and support costs are expensed as incurred and any internally developed technology and software that can be capitalized post-acquisition will be amortized in the normal course of business. All other research and development costs are expensed as incurred.

Pension and other post-retirement plan amendments
In 2013, the Company restructured the pension and post-retirement benefit plans at SSL. The restructuring plan included amendments to the pension plans, post-retirement plans, 401(k) plans, and other benefits. As a result of these plan amendments, the Company recognized past service credits of $21.1 million for the defined benefit pension plans and $18.9 million for the post-retirement medical plan immediately in earnings in 2013, with offsetting reductions to employee benefit liabilities. In addition to the one-time retroactive adjustments, the Company incurred incremental costs of $2.3 million in the first quarter of 2014 relating to 401(k) plans, which are expected to continue until the end of 2014. As a result of these plan amendments, the Company expects to achieve an ongoing reduction in both cash contributions and pension and post-retirement benefits expense. The Company believes that exclusion of the past service credits and incremental 401(k) costs facilitates the comparison of financial results across periods.

Foreign exchange gains and losses
As described below, certain foreign exchange gains and losses recognized by the Company can result in significant variability in net earnings but have little bearing on operating performance.

(a) *Foreign exchange timing differences on certain project-related foreign exchange forward contracts not subject to hedge accounting*
Certain foreign exchange derivative contracts entered into by the Company relating to certain large dollar satellite solution programs did not qualify for hedge accounting at inception of the contracts as the timing of the anticipated cash flows and/or the contract currency for certain subcontracts could not be predicted with sufficient certainty. Accordingly, the fair value adjustments on these derivative contracts were recognized in net earnings immediately, resulting in foreign exchange timing differences. The foreign exchange timing differences can result in significant variability in net earnings but have little bearing, other than timing, on the performance of the related programs.

(b) *Foreign exchange gains and losses on translation of intercompany balances*
As part of its cash management efforts, the Company frequently advances funds between group entities that have differing functional currencies. The foreign currency exposure on these intercompany loans is not hedged. As a result, currency fluctuations, particularly between the Canadian and U.S. dollar, can result in significant unrealized foreign exchange gains or losses on the translation of the intercompany loans. These unrealized foreign exchange gains or losses can impact the comparability of net earnings and will only reverse upon disposal or liquidation of the associated foreign operation.

(c) *Foreign exchange gains and losses on translation of foreign currency long-term debt and cash balances*
A significant portion of the long-term debt issued to finance the acquisition of SSL was denominated in U.S. dollars and is neither hedged with foreign currency forward contracts nor designated as part of a net investment hedge. The Company recognizes unrealized foreign exchange gains and losses when translating U.S. dollar denominated debt and cash balances to Canadian dollars at each period end and realizes foreign exchange gains and losses when repaying U.S. dollar debt balances.

Financial position

The Company had total assets of $2.6 billion at March 31, 2014, consistent with the amount at December 31, 2013. Changes in the balances of major classes of assets and liabilities, including trade and other receivables, construction contract assets and liabilities, orbital receivables, trade and other payables, and employee benefits, occurred in the ordinary course of business.

Total long-term debt at March 31, 2014 was $610.0 million, representing a net increase of $13.7 million from the balance at December 31, 2013. The following table shows the changes to long-term debt for the three months ended March 31, 2014.

($ millions)	
Balance at December 31, 2013	596.3
Repayment of promissory note	(74.4)
Proceeds from revolving loans and other long-term debt	62.9
Foreign exchange and other	25.2
Balance at March 31, 2014	610.0

In the first quarter of 2014, the Company made the scheduled principal repayments on the promissory note payable to Loral Space & Communications Inc. (“Loral”), the former parent of SSL. The Company made draws on the revolving loans under the syndicated credit facility primarily to fund the repayment on the promissory note.

Shareholders’ equity at March 31, 2014 was $834.7 million compared to $796.1 million at December 31, 2013. The Company recorded unrealized foreign exchange gains on translation of its foreign

operations to Canadian dollars as a cumulative translation adjustment in other comprehensive income. The following table shows the changes to shareholders' equity for the three months ended March 31, 2014.

($ millions)	
Balance at December 31, 2013	796.1
Net earnings	25.0
Other comprehensive income	35.6
Dividends	(23.4)
Common shares issued in conjunction with employee share purchase plan	1.4
Balance at March 31, 2014	834.7

Overall, the Company has maintained a solid financial position and good liquidity. The Company has significant unused borrowing capacity under its syndicated credit facility and ready access to capital markets on an as-required basis to finance growth initiatives.

RESULTS BY SEGMENT

The Company analyzes financial performance by segments, which regroup related activities within the Company. The Company's two reportable operating segments are *Communications* and *Surveillance and Intelligence*. Inter-segment transactions have been eliminated from the segmented financial information discussed below.

Communications

MDA offers space-based solutions for cost-efficient global delivery of a broad range of services, including television and radio distribution, broadband internet, and mobile communications. The Company is a leading supplier of communication satellites, satellite antenna subsystems, and associated ground infrastructure and support services. MDA's principal customers in this sector are communication satellite operators, communication satellite manufacturers, and government agencies worldwide.

The following table provides selected financial information for the Communications segment.

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
($ millions)		
Revenues	344.2	330.3
Operating EBITDA[1]	42.1	51.1

[1] Refer to section "Reconciliations" for a reconciliation of segment operating EBITDA to segment profit, as per the note to the consolidated financial statements on segmented information.

Revenues from Communications increased slightly over the comparative prior year period, reflecting the net impact of the variability in revenues on large dollar construction contracts and movement in foreign exchange rates.

Operating EBITDA and related margin from Communications decreased compared to the prior year period primarily due to the increasing competitive nature of the commercial communication satellite market.

Order backlog from Communications was $1.8 billion at March 31, 2014 (December 31, 2013 - $2.1 billion). Bidding activity in the commercial communication satellite market remains high and the pipeline in this market continues to be strong. Subsequent to March 31, 2014, the Company booked

contracts with: SKY Perfect JSAT Corporation to provide the JCSAT-15 and JCSAT-16 communication satellites; PT. Bank Rakyat Indonesia (Persero) Tbk. to provide the BRIsat communication satellite; and EchoStar Corporation to provide the EchoStar XXIII communication satellite.

Operations
In February 2014, the ABS-2 satellite was launched and commenced post-launch maneuvers according to plan. Designed and built for Asia Broadcast Satellite, ABS-2 is a sophisticated multi-mission satellite designed to provide broadcasting, telecommunications and data services across Africa, Asia Pacific, Europe, the Middle East, Russia and Commonwealth of Independent States.

The Company successfully completed the in-orbit tests and final acceptance of the Express AM5 communication satellite payload. Express AM5 will provide a range of services including digital television, radio, telephony and mobile applications.

The Company has declared force majeure with respect to the ground infrastructure of the Ukraine communication satellite program and the customer has accepted MDA's position. The Company is working with the customer to evaluate several go-forward scenarios with the goal to minimize the impact. The Company expects the program to be delayed.

Surveillance and Intelligence

MDA offers end-to-end solutions to monitor and manage changes and activities around the globe to support the operational needs of government, both military and civilian, and commercial customers. The Company is a leading supplier of space-based and airborne surveillance solutions, imaging satellite ground systems, geospatial information services, and associated support services. The Company also supplies robotic systems for the space and terrestrial markets.

The following table provides selected financial information for the Surveillance and Intelligence segment.

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
($ millions)		
Revenues	148.4	98.4
Operating EBITDA	43.2	30.5

The increase in first quarter revenues from Surveillance and Intelligence, year over year, reflects a higher volume of activity, particularly on the RADARSAT Constellation Mission and space robotics programs. Revenues from geospatial services this quarter were consistent with the first quarter of last year and in line with the Company's expectations.

The increase in operating EBITDA from Surveillance and Intelligence over the comparative prior year period was primarily due to higher volume of activity. Segment operating EBITDA margin was slightly lower compared with the prior year period as a result of the mix of revenues from construction and service contracts.

Order backlog from Surveillance and Intelligence increased to $984.4 million at March 31, 2014 compared to $919.4 million at December 31, 2013. Notable bookings in the first quarter of 2014 included:

- a contract valued at $64 million with the Department of National Defence to provide eight radar surveillance systems for integration into Canada's fleet of CP-140 Aurora surveillance and reconnaissance aircraft;

- a contract with Skybox Imaging to build an advanced constellation of 13 low orbit Earth-imaging satellites. The small satellites, each less than a half cubic meter in size, will capture sub-meter colour imagery and high definition video. The contract award enables SSL to further expand its capabilities in building Low Earth Orbit ("LEO") satellites and helps the Company to pursue other Earth observation and LEO satellite opportunities in the United States and elsewhere;
- a contract valued at over $16 million with the Royal Canadian Navy to provide in-service support of simulators used to train personnel on the operation and maintenance of Victoria-class submarines;
- an initial order under an Indefinite Delivery/Indefinite Quantity ("IDIQ") agreement with the European Maritime Safety Agency to provide RADARSAT-2 information as part of the Agency's CleanSeaNet program. The IDIQ agreement has a ceiling value of $7.5 million; and
- multiple strategic technology development contracts with the Canadian Space Agency funded under its Space Technology Development Program. One project will focus on advancing the development of ultra-high frequency antennas, which can be folded for launch, to be used for satellite communications.

QUARTERLY INFORMATION

The following table summarizes selected financial information (unaudited) for the eight most recently completed quarters.

	Q1 2014	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**	**Q2 2012**
($ millions, except per common share amounts)								
Revenues	492.6	476.7	463.3	450.4	428.6	372.6	171.4	164.0
Operating EBITDA[1]	85.3	81.9	80.4	81.5	81.6	72.6	46.1	47.7
Operating earnings[1]	49.4	48.3	46.6	43.3	41.8	39.0	27.9	28.6
Operating earnings per share	1.37	1.34	1.29	1.20	1.30	1.22	0.88	0.90
Net earnings (loss)	25.0	25.2	46.5	31.1	2.2	11.0	41.0	(1.3)
Net earnings (loss) per share, basic and diluted	0.69	0.70	1.29	0.86	0.07	0.35	1.29	(0.04)
Weighted average number of common shares outstanding: *(millions)*								
Basic and diluted[2]	36.1	36.0	36.0	36.0	32.1	31.9	31.8	31.8

[1] Refer to section "Reconciliations" for reconciliation to net earnings for the last eight quarters.
[2] On March 27, 2013, the Company completed a public offering of 4,145,750 common shares at a price of $69.40 per share for gross proceeds of $287.7 million.

The Company acquired SSL on November 2, 2012. The results of SSL from the acquisition date have been included in the Company's consolidated results.

Revenues and operating EBITDA may vary from quarter to quarter due to changes in the sales mix and contract life cycle of large dollar value contracts. Revenues and operating EBITDA are also influenced by the size and number of satellite contracts under construction.

The public share offering completed in the first quarter of 2013 had a dilutive effect on earnings per share in subsequent periods.

Quarterly net earnings were impacted by the volatility of share-based compensation expense. Share-based compensation includes realized and unrealized fair value adjustments on share-based compensation awards, which will vary with changes to the Company's share price and timing of award exercises.

Net earnings for the third quarter of 2013 included past service credits of $40.1 million on pension and other post-retirement plan amendments, as well as a non-cash foreign exchange loss of $8.9 million for cumulative translation adjustments reclassified to earnings on final liquidation of an inactive foreign operation.

The acquisition of SSL in the fourth quarter of 2012 resulted in significant fair value adjustments to depreciable assets, and a corresponding increase to depreciation and amortization expense. As well, the Company incurred significant business acquisition costs relating to SSL, particularly in the fourth quarter of 2012. Net earnings can also fluctuate significantly from quarter to quarter due to the variability of other non-operational income and expenses, adjustments relating to hedge accounting, and other gains and losses. For further information on the items affecting the comparability of quarterly net earnings, refer to section "Reconciliations" of this MD&A.

While the Company reports quarterly, its results should be viewed from a long-term perspective. For this reason and the reasons cited above, the Company cautions readers that quarter to quarter comparisons of the Company's financial results may not necessarily be meaningful and should not be relied upon as an indication of future performance.

LIQUIDITY

The Company's principal sources of liquidity are cash provided by operations, including collection of orbital receivables and advance payments from customers related to long-term construction contracts, and access to credit facilities and equity capital resources, including public common share offerings. The Company's primary short-term cash requirement is to fund working capital, including supplier payments on long-term construction contracts and fixed overhead costs. Working capital requirements can vary significantly from period to period. The Company's medium-term cash requirements are to service and repay debt and to invest in the construction or acquisition of facilities, equipment and intangible assets for growth initiatives. Cash is also used to pay dividends and finance other long-term strategic business initiatives.

The Company believes that its expected cash flow from operations and access to credit facilities and equity capital resources will be sufficient to enable the Company to meet its anticipated operating, capital expenditure, growth, investment, debt service, dividend, and other financial requirements in the near term.

Summary of statement of cash flow

The following table provides selected cash flow information.

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
($ millions)		
Cash provided by operating activities[1]	81.9	67.3
Changes in operating assets and liabilities	(82.2)	(171.7)
Cash used in operating activities	(0.3)	(104.4)
Cash used in investing activities	(22.2)	(8.8)
Cash provided by (used in) financing activities	(38.1)	115.9
Effect of foreign currency on cash and cash equivalents	1.6	0.2
Cash and cash equivalents used in discontinued operations	-	(2.8)
Cash and cash equivalents, beginning of period	50.3	24.8
Cash and cash equivalents, end of period	(8.7)	24.9

[1] Before changes in operating assets and liabilities.

Cash and cash equivalents are comprised of the following:

	March 31, 2014	December 31, 2013
($ millions)		
Cash and cash equivalents	1.6	50.3
Bank overdraft	(10.3)	-
	(8.7)	50.3

Operating activities
Cash provided by operating activities, before changes in operating assets and liabilities, increased to $81.9 million for the first quarter of 2014 compared to $67.3 million for the same period of 2013, reflecting higher net earnings and lower cash income taxes paid. The Company used cash of $82.2 million this quarter to fund changes in operating assets and liabilities primarily due to the timing of milestone payments and receipts on large dollar construction contracts and changes in the balance of non-financial assets, trade and other payables, and employee benefits, all in the ordinary course of business. With its mix of large dollar construction contracts, the Company's cash requirements for operating expenses and to execute ongoing programs are subject to significant variability.

Investing activities
The Company made capital expenditures of $19.3 million in the first quarter of 2014 compared to $14.2 million in the first quarter of last year. Capital expenditures this quarter generally consisted of investments in infrastructure and technology, including construction of a second thermal vacuum test chamber to increase production capacity and support growth at SSL.

Other investing activities in the first quarter of 2014 included a cash outflow of $3.0 million from an increase in restricted cash relating to long-term construction contracts.

Financing activities
The Company used $38.1 million in financing activities in the first quarter of 2014 primarily for net repayment of long-term debt and payment of dividends and interest. In the first quarter of 2013, the Company received cash of $115.9 million in financing activities, reflecting proceeds from the share offering less net repayment of long-term debt and payment of dividends and interest.

Credit facilities
The following table summarizes the Company's long-term debt.

	March 31, 2014	December 31, 2013
($ millions)		
Syndicated credit facility	182.2	112.7
Senior secured notes	386.8	372.3
Promissory note	37.2	107.4
Prepaid facility fees	(0.8)	(0.8)
Obligations under finance leases	4.6	4.7
Long-term debt	610.0	596.3

Syndicated credit facility
At March 31, 2014, the Company had available a four-year senior secured syndicated credit facility with several North American and international banks. The syndicated credit facility is comprised of a revolving loan facility of up to US$600 million, which can be drawn in Canadian and U.S. dollars. The revolving loan facility includes a US$125 million sub limit under which letters of credit can be issued. The syndicated credit facility matures in November 2016. The syndicated credit facility had included

a term loan facility with principal amounts of $125 million and US$125 million. The term loan facility was fully repaid and permanently reduced in the first quarter of 2013 with proceeds from the share offering.

Loans under the syndicated credit facility bear interest at Bankers' Acceptance plus an applicable margin for Canadian dollar advances, and at U.S. LIBOR plus an applicable margin for U.S. dollar advances. The margin ranges from 1.5% to 3% and will vary with the Company's consolidated debt to EBITDA ratio. At March 31, 2014, the applicable margin was 2.0%. The syndicated credit facility is guaranteed by designated subsidiaries of the Company and the loans are secured by specific assets of the Company and its designated subsidiaries.

At March 31, 2014, the Company also had available a US$100 million letter of credit agreement with a major bank.

Senior secured notes
At March 31, 2014, the Company had a twelve-year senior secured note purchase agreement for US$250 million with two major U.S. private lenders (the "2024 Term Notes"). The 2024 Term Notes bear interest at a fixed rate of 4.31% per annum and are repayable in five equal annual installments beginning in November 2020.

At March 31, 2014, the Company also had a long-term debt agreement for US$100 million with a private lender (the "2017 Term Notes"). The 2017 Term Notes bear interest at a fixed rate of 5.3% per annum and are repayable in full in February 2017.

The 2024 Term Notes and the 2017 Term Notes (collectively, the "senior secured notes") are guaranteed by designated subsidiaries of the Company and secured by specific assets of the Company and the designated subsidiaries. The senior secured notes can be repaid, at the Company's option, in whole or in part, at any time, together with accrued interest and any applicable make-whole amount. The senior secured notes rank equally with the obligations under the credit agreements.

Promissory note
At the close of the acquisition of SSL, the Company provided a US$101 million promissory note payable to Loral. The promissory note is secured by a bank letter of credit. Under the initial terms of the Purchase Agreement, the promissory note bears interest at a fixed rate of 1.0% per annum and is repayable in three equal annual installments beginning in March 2013. On March 28, 2013, the Company and Loral agreed to defer to March 31, 2014 the due date of the US$33.7 million principal repayment due originally on March 31, 2013, with an increase in the interest rate applicable to this tranche of the promissory note from 1.0% to 1.5% effective as of April 1, 2013. On March 31, 2014, the Company made the scheduled principal repayments of US$67.3 million on the promissory note.

Debt covenants
As at March 31, 2014, the Company was in compliance with all covenants under its various credit facilities and long-term debt agreements.

Legal proceedings
On April 24, 2014, a jury in the trial of the lawsuit by ViaSat, Inc. and ViaSat Communications, Inc. ("ViaSat") against SSL and SSL's former parent company Loral, involving claims of patent infringement and breach of contract, returned a verdict against SSL. The jury found that SSL infringed ViaSat patents and breached certain non-disclosure obligations to ViaSat and awarded US$283 million in damages for patent infringement and for breach of contract.

SSL will seek to overturn the verdict in post-trial motions it will file with the District Court, and if necessary, through the appeal process.

The ViaSat patents involved in this action may have some applicability to a limited number of satellite projects that are currently in SSL's factory and pipeline of identified bid opportunities.

Under the terms of the purchase agreement with Loral, the Company is indemnified for costs and damages, if upheld, under this action. In addition, under the terms of the purchase agreement, following a change of control of Loral, the indemnification liability of Loral for damages is subject to a dollar cap.

NEW ACCOUNTING STANDARDS

On January 1, 2014, the Company adopted the following amendments to accounting standards issued by the International Accounting Standards Board:

- *Offsetting Financial Assets and Liabilities*, an amendment to IAS 32 - *Financial Instruments: Presentation*; and
- Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets*.

The adoption of these amendments to accounting standards did not have a significant impact on the Company's consolidated financial statements.

RELATED PARTY TRANSACTIONS

At March 31, 2014, the Company had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship agreements.

FINANCIAL INSTRUMENTS

The Company considers the management of financial risks to be an important part of its overall corporate risk management policy. Foreign exchange forward contracts are used to hedge the Company's exposure to currency risk on sales, purchases, cash and loans denominated in a currency other than the functional currency of the Company's domestic and foreign operations. The Company uses derivative financial instruments to manage existing exposures, irrespective of whether the Company formally documents such relationships as hedges in accordance with hedge accounting requirements.

At March 31, 2014, the Company had foreign exchange forward purchase contracts for $270 million (December 31, 2013 - $321 million) and foreign exchange forward sale contracts for $301 million (December 31, 2013 - $358 million).

Derivative financial instruments are measured at fair values, which are determined with reference to quoted bid or ask prices where available. In the absence of an active market or direct quote, the Company determines fair value based on internal valuation models, such as discounted cash flow analysis, using management estimates and observable market-based inputs, as applicable. Management estimates include assumptions concerning the amount and timing of estimated future cash flows and application of appropriate discount rates. Observable market-based inputs are sourced from third parties and include interest rates and yield curves, currency spot and forward rates, and credit spreads, as applicable.

When derivative financial instruments are designated in a qualifying hedging relationship and hedge accounting is applied, the effectiveness of the hedges is measured at the end of each reporting period and the effective portion of changes in fair value is recognized in other comprehensive income and any ineffective portion is recognized immediately in earnings. For foreign exchange forward contracts used to manage risk associated with foreign currency rates, amounts are

transferred from accumulated other comprehensive income to revenue or direct costs, selling, general and administration when the underlying transaction affects earnings. For derivative financial instruments not in a qualifying hedging relationship, changes in fair value are recognized immediately in earnings as a foreign exchange gain or loss or other account, as appropriate.

At March 31, 2014, the Company's foreign exchange forward contracts had a cumulative unrealized loss on fair valuation of $1.7 million (December 31, 2013 - cumulative unrealized loss of $1.2 million). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $8.6 million recorded in other comprehensive income at March 31, 2014 (December 31, 2013 - cumulative net gain of $5.9 million).

Certain foreign exchange derivative contracts entered into by the Company to hedge foreign currency exposures did not qualify for hedge accounting as the timing of the anticipated cash flows and/or the contract currency for certain subcontracts could not be predicted with sufficient certainty. Accordingly, the fair value adjustments on these derivative contracts were recognized in net earnings immediately. This resulted in timing differences between the recognition of fair value adjustments in earnings versus revenues and costs, which were recognized on the percentage of completion basis using spot rates. Had these derivative contracts qualified for hedge accounting, the fair value adjustments would have been deferred and accumulated in other comprehensive income until the hedged revenues or costs were recognized, eliminating the timing differences. For the first quarter of 2014, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a loss of $0.9 million compared to a gain of $0.2 million for the same period of 2013.

The nature and extent of risks arising from financial instruments, and their related risk management, are described in the Company's MD&A and consolidated financial statements for the year ended December 31, 2013. In the first quarter of 2014, there was no material change to the nature of risks arising from or classification of financial instruments, or related risk management objectives.

ADDITIONAL INFORMATION

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released *Internal Control - Integrated Framework: 2013*, which is an update to the internal control framework previously issued in 1992. The Company will transition to the updated Framework during the transition period which extends to December 15, 2014, after which the 1992 Framework will be considered superseded by the 2013 Framework. Management is currently assessing the impact of this transition and will report any significant changes to the Company's internal control over financial reporting that may result.

Dividend

Semi-annual common share dividends paid in 2014:

Dividend per share, paid March 31, 2014	$0.65

Outstanding share data

The Company's articles of incorporation authorize the issuance of an unlimited number of common shares and an unlimited number of preferred shares issuable in series and convertible to common shares. As at March 31, 2014, the Company had 36,073,467 common shares with no par value outstanding.

As at April 25, 2014, the Company had 36,077,542 common shares with no par value outstanding.

Public securities filings
Additional information about MDA, including its most recent Annual Information Form, is available on the Company's website at www.mdacorporation.com, or on SEDAR at www.sedar.com.

RECONCILIATIONS

The following table reconciles operating EBITDA and operating earnings to net earnings for the last eight quarters.

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
($ millions)								
Operating EBITDA	85.3	81.9	80.4	81.5	81.6	72.6	46.1	47.7
Corporate expense	(1.9)	(2.8)	(3.1)	(2.9)	(2.5)	(4.0)	(2.6)	(3.5)
Net finance expense	(8.5)	(10.5)	(10.5)	(11.8)	(13.1)	(6.9)	(0.4)	(0.3)
Depreciation and amortization	(11.9)	(12.1)	(11.8)	(11.3)	(10.9)	(8.9)	(3.6)	(3.5)
Income tax expense, excluding tax on items affecting comparability	(13.6)	(8.2)	(8.4)	(12.2)	(13.3)	(13.8)	(11.6)	(11.8)
Operating earnings	49.4	48.3	46.6	43.3	41.8	39.0	27.9	28.6
Items affecting comparability:								
Share-based compensation	(15.2)	(14.3)	(29.1)	(6.3)	(30.5)	(11.6)	11.0	(31.9)
Amortization of acquisition related intangible assets	(8.1)	(8.2)	(7.9)	(7.4)	(7.3)	(4.8)	-	-
Pension and other post-retirement plan amendments	(2.3)	-	40.1	-	-	-	-	-
Foreign exchange gain (loss)	(2.3)	(4.7)	2.0	0.3	(3.7)	0.3	6.2	(4.1)
Foreign currency translation adjustment reclassified to earnings on liquidation of foreign operation	-	-	(8.9)	-	-	-	-	-
Business acquisition costs	-	-	-	-	(1.9)	(10.8)	(2.7)	(1.9)
Other acquisition related expenses	-	0.3	(3.0)	-	-	-	-	-
Write-off of bank facility fees	-	-	-	-	(3.1)	-	-	-
Loss on disposal of assets	-	-	-	-	-	(1.7)	-	-
Fair value adjustments on equity forward contracts	-	-	-	-	-	-	(1.0)	6.0
Tax on items affecting comparability	3.5	3.8	6.7	1.2	6.9	0.6	(0.4)	2.0
Net earnings (loss)	25.0	25.2	46.5	31.1	2.2	11.0	41.0	(1.3)

The following table reconciles segment operating EBITDA to segment profit for the periods indicated.

	Communications	Surveillance & Intelligence	Q1 2014 Total	Communications	Surveillance & Intelligence	Q1 2013 Total
($ millions)						
Operating EBITDA	42.1	43.2	85.3	51.1	30.5	81.6
Depreciation and amortization[1]	(10.5)	(1.4)	(11.9)	(9.0)	(1.9)	(10.9)
Segment profit	31.6	41.8	73.4	42.1	28.6	70.7

[1] Excludes amortization of acquisition related intangible assets.

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three months ended March 31, 2014 and 2013
(Unaudited)

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Statements of Earnings
(Unaudited)
(In thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2014 and 2013

	Note	2014	2013
Revenues		$ 485,709	$ 423,019
Orbital income		6,856	5,607
Total revenues	5	492,565	428,626
Direct costs, selling, general and administration	6	409,826	348,188
		82,739	80,438
Depreciation and amortization		20,057	18,205
Foreign exchange loss		1,608	4,973
Share-based compensation expense	11	15,250	30,486
Finance income		(150)	(732)
Finance expense		8,659	16,956
Other items	7	2,292	1,931
Earnings before income taxes		35,023	8,619
Income tax expense		10,066	6,374
Net earnings		$ 24,957	$ 2,245
Net earnings per common share:			
Basic and diluted	10	$ 0.69	$ 0.07

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Statements of Comprehensive Income
(Unaudited)
(In thousands of Canadian dollars)

Three months ended March 31, 2014 and 2013

	2014	2013
Net earnings	$ 24,957	$ 2,245
Other comprehensive income (loss):		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation adjustment	36,590	15,305
Net loss on hedge of net investment in foreign operations (net of income taxes of nil)	(2,964)	(1,543)
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax expense of $657 and $123, respectively)	1,818	207
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax expense of $51 and $65, respectively)	141	109
Net change in fair value of available-for-sale financial assets (net of income tax expense of $6 and $7, respectively)	39	50
	35,624	14,128
Items that will not be subsequently reclassified to earnings:		
Actuarial gains on defined benefit pension plans and other post-retirement benefit plans (net of income tax expense of nil and income tax recovery of $178, respectively)	-	178
	-	178
Other comprehensive income, net of income taxes	35,624	14,306
Comprehensive income	$ 60,581	$ 16,551

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Balance Sheets
(Unaudited)
(In thousands of Canadian dollars)

	Note	March 31, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$ 1,583	$ 50,307
Trade and other receivables		280,911	294,940
Financial assets, other		38,890	35,661
Construction contract assets		83,672	92,421
Inventories		115,650	115,302
Non-financial assets		131,546	109,512
Current tax assets		24,026	26,075
		676,278	724,218
Non-current assets:			
Orbital receivables		405,060	382,280
Financial assets, other		6,830	3,264
Non-financial assets		4,414	5,904
Deferred tax assets		29,576	27,173
Property, plant and equipment		382,434	365,247
Intangible assets		341,877	333,516
Goodwill		767,459	742,605
		1,937,650	1,859,989
		$ 2,613,928	$ 2,584,207
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank overdraft		$ 10,274	$ -
Trade and other payables		183,609	205,792
Current tax liabilities		51,823	49,170
Financial liabilities, other		23,507	26,731
Provisions		3,220	3,720
Employee benefits		143,689	126,516
Non-financial liabilities		17,075	15,355
Construction contract liabilities		497,691	524,111
Current portion of long-term debt	8	39,063	73,429
		969,951	1,024,824
Non-current liabilities:			
Financial liabilities, other		9,483	9,238
Provisions		26,159	24,966
Employee benefits		182,167	186,318
Non-financial liabilities		8,385	8,296
Deferred tax liabilities		12,149	11,530
Long-term debt	8	570,983	522,885
		1,779,277	1,788,057
Shareholders' equity:			
Share capital	9	496,744	495,376
Contributed surplus		2,656	2,656
Retained earnings		136,580	135,071
Accumulated other comprehensive income		198,671	163,047
		834,651	796,150
		$ 2,613,928	$ 2,584,207

Subsequent event (note 14)

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Statements of Change in Shareholders' Equity
(Unaudited)
(In thousands of Canadian dollars)

Three months ended March 31, 2014

	Share capital	Contributed surplus	Retained earnings	Net loss on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains on defined benefit pension plans and other post-retirement benefit plans	Total accumulated other comprehensive income	Total shareholders' equity
Balance as at January 1, 2014	$ 495,376	$ 2,656	$ 135,071	$ (1,266)	$ 47,264	$ 4,353	$ 631	$ 112,065	$ 163,047	$ 796,150
Common shares issued in conjunction with employee share purchase plan	1,368	-	-	-	-	-	-	-	-	1,368
Dividends	-	-	(23,448)	-	-	-	-	-	-	(23,448)
Comprehensive income (loss)	-	-	24,957	(2,964)	36,590	1,959	39	-	35,624	60,581
Balance as at March 31, 2014	$ 496,744	$ 2,656	$ 136,580	$ (4,230)	$ 83,854	$ 6,312	$ 670	$ 112,065	$ 198,671	$ 834,651

Three months ended March 31, 2013

	Share capital	Contributed surplus	Retained earnings	Net gain (loss) on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains (losses) on defined benefit pension plans and other post-retirement benefit plans	Total accumulated other comprehensive income (loss)	Total shareholders' equity
Balance as at January 1, 2013	$ 213,222	$ 2,698	$ 74,221	$ 3,900	$ (17,055)	$ 1,958	$ 448	$ (12,583)	$ (23,332)	$ 266,809
Common shares issued in conjunction with employee share purchase plan	599	-	-	-	-	-	-	-	-	599
Settlement of share-based compensation	-	(33)	(29)	-	-	-	-	-	-	(62)
Issuance of common shares	278,319	-	-	-	-	-	-	-	-	278,319
Dividends	-	-	(20,715)	-	-	-	-	-	-	(20,715)
Comprehensive income (loss)	-	-	2,245	(1,543)	15,305	316	50	178	14,306	16,551
Balance as at March 31, 2013	$ 492,140	$ 2,665	$ 55,722	$ 2,357	$ (1,750)	$ 2,274	$ 498	$ (12,405)	$ (9,026)	$ 541,501

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Statements of Cash Flows
(Unaudited)
(In thousands of Canadian dollars)

Three months ended March 31, 2014 and 2013

	Note	2014	2013
Cash flows provided by (used in):			
Operating activities:			
Net earnings from continuing operations		$ 24,957	$ 2,245
Adjustments to reconcile to net cash from operating activities:			
Depreciation of property, plant and equipment		10,328	8,928
Amortization of intangible assets		9,729	9,277
Share-based compensation expense	11	15,250	30,486
Finance income		(150)	(732)
Finance expense		6,753	13,906
Foreign exchange loss		5,793	4,625
Income tax expense		10,066	6,374
Income taxes paid		(5,778)	(9,409)
Income taxes recovered		4,933	1,520
Changes in operating assets and liabilities	13(a)	(82,163)	(171,656)
Cash used in operating activities of continuing operations		(282)	(104,436)
Investing activities:			
Purchase of property, plant and equipment		(14,023)	(8,383)
Purchase/development of intangible assets		(5,290)	(5,856)
Disposal of short-term investments		42	34
Decrease (increase) in restricted cash		(3,039)	3,634
Interest received on short-term investments and others		131	1,785
Cash used in investing activities of continuing operations		(22,179)	(8,786)
Financing activities:			
Repayment of promissory note payable	8	(74,423)	-
Proceeds from (repayment of) revolving loan facility and other long-term debt		62,882	(136,105)
Interest paid on long-term debt		(4,244)	(6,961)
Proceeds from interest free government assistance		-	3,092
Proceeds from issuance of common shares relating to public offering		-	287,715
Share issuance costs of public share offering		-	(11,616)
Proceeds from issuance of common shares relating to share-based compensation plans		1,163	509
Purchase of common shares for settlement of share-based compensation plans		-	(62)
Payment of dividends	9	(23,448)	(20,715)
Cash provided by (used in) financing activities of continuing operations		(38,070)	115,857
Cash and cash equivalents provided by (used in) continuing operations		(60,531)	2,635
Cash and cash equivalents used in discontinued operations		-	(2,752)
Effect of foreign currency on cash and cash equivalents		1,533	231
Cash and cash equivalents, beginning of period	13(b)	50,307	24,836
Cash and cash equivalents, end of period	13(b)	$ (8,691)	$ 24,950

See accompanying notes to condensed consolidated interim financial statements.

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1. General business description:

MacDonald, Dettwiler and Associates Ltd. (the "Company" or "MDA") is a Canadian corporation with common shares listed on the Toronto Stock Exchange ("TSX"). The Company's head office is located at 13800 Commerce Parkway, Richmond, British Columbia, Canada. MDA is a global communications and information company providing operational solutions to commercial and government organizations worldwide. MDA's business is focused on markets and customers with strong repeat business potential. In addition, the Company conducts a significant amount of advanced technology development.

2. Basis of preparation:

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2013, except as described in note 3. These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 - *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013, which are included in the Company's 2013 annual report.

Certain immaterial amounts of the prior year related to finance expense and direct costs, selling, general and administration have been reclassified to conform with the presentation adopted in the current year.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 1, 2014.

3. Changes in accounting policies:

On January 1, 2014, the Company adopted the following amendments to accounting standards issued by the International Accounting Standards Board ("IASB"):

- *Offsetting Financial Assets and Liabilities*, an amendment to IAS 32 - *Financial Instruments: Presentation*
- Amendments to IAS 36 - *Recoverable Amount Disclosures For Non-Financial Assets*

The adoption of these amendments to accounting standards resulted in changes to presentation and disclosure in the Company's notes to consolidated financial statements, but otherwise did not have a significant impact on the Company's consolidated financial statements.

4. New standards and interpretations not yet adopted:

IFRS 9 - Financial Instruments

In November 2013, the IASB issued IFRS 9 - *Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)*. IFRS 9 (2009) establishes the measurement and classification of financial assets. Financial assets are measured either at fair value through earnings or at amortized cost if certain conditions are met. IFRS 9 (2010) includes guidance on the classification and measurement of financial liabilities. The most recent amendment, IFRS 9 (2013) includes a new general hedge accounting model which will align hedge accounting more closely with risk management. Additionally, the new standard removes the January 1, 2015 effective date. The IASB has tentatively determined that the new mandatory effective date will be for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its financial statements and expects to apply the standard in accordance with its tentative mandatory effective date of January 1, 2018.

5. Revenue and segmented information:

The Company is organized into market sectors based on its products and services and has two reportable operating segments: (*i*) Communications; and (*ii*) Surveillance and Intelligence.

Segmented information is prepared using the accounting policies described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2013, except for the application of hedge accounting on designated hedging relationships that use derivative financial instruments to hedge foreign currency risk in customer and supplier contracts. For segment reporting, hedge accounting is applied to all such hedging relationships even when not qualifying for hedge accounting under IFRS.

The Company measures the performance of each segment based on revenue, operating EBITDA and segment profit. Operating EBITDA is a non-IFRS measure and is defined as earnings before interest, taxes, depreciation and amortization adjusted for items that management does not consider when evaluating segment performance including certain corporate expenses, foreign exchange gains and losses, adjustments relating to hedge accounting as described above, share-based compensation expense or recovery, and other items. Segment profit is defined as operating EBITDA less depreciation and amortization expense, excluding amortization of acquisition related intangible assets.

5. Revenue and segmented information (continued):

The following table summarizes the operating performance of the reporting segments:

Three months ended March 31, 2014	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 344,209	$ 148,356	$ -	$ 492,565
Internal revenue	1,107	1,481	(2,588)	-
	345,316	149,837	(2,588)	492,565
Segment earnings:				
Operating EBITDA	42,146	43,154	-	85,300
Depreciation and amortization	10,496	1,417	-	11,913
Segment profit	31,650	41,737	-	73,387
Capital expenditures:				
Property, plant and equipment	13,821	718	-	14,539
Intangible assets	5,031	274	-	5,305
	18,852	992	-	19,844

Three months ended March 31, 2013	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 330,265	$ 98,361	$ -	$ 428,626
Internal revenue	385	548	(933)	-
	330,650	98,909	(933)	428,626
Segment earnings:				
Operating EBITDA	51,136	30,481	-	81,617
Depreciation and amortization	9,048	1,873	-	10,921
Segment profit	42,088	28,608	-	70,696
Capital expenditures:				
Property, plant and equipment	8,619	876	-	9,495
Intangible assets	5,667	203	-	5,870
	14,286	1,079	-	15,365

5. Revenue and segmented information (continued):

Reconciliation to earnings before income taxes:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Segment profit	$ 73,387	$ 70,696
Corporate expenses	(1,880)	(2,531)
Amortization of acquisition related intangible assets	(8,144)	(7,284)
Difference in hedge accounting policy	(681)	1,352
Foreign exchange loss	(1,608)	(4,973)
Share-based compensation expense	(15,250)	(30,486)
Finance income	150	732
Finance expense	(8,659)	(16,956)
Other items	(2,292)	(1,931)
Earnings before income taxes	$ 35,023	$ 8,619

The Company's primary sources of revenue are as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Construction contracts	$ 428,848	$ 369,485
Services	63,717	59,141
	$ 492,565	$ 428,626

The approximate revenue based on geographic location of customers is as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue:		
United States	$ 153,344	$ 119,677
Canada	90,439	42,078
Asia	71,439	62,411
Europe	68,738	74,501
Australia	61,874	86,511
South America	46,270	36,957
Other	461	6,491
	$ 492,565	$ 428,626

5. Revenue and segmented information (continued):

Revenue from significant customers is as follows:

	Three months ended March 31, 2014	2013
Commercial:		
Customer 1	$ 84,082	$ 29,913
Customer 2	45,344	38,146
Customer 3	44,243	65,935
Customer 4	33,444	50,290
Government:		
Canadian Federal Government and agencies	$ 83,871	$ 30,561
U.S. Federal Government and agencies	22,467	30,334

The Company's non-current non-financial assets, property, plant and equipment, intangible assets and goodwill are geographically located as follows:

	March 31, 2014	December 31, 2013
United States	$ 1,344,307	$ 1,294,539
Canada	151,839	151,984
Europe	38	749
	$ 1,496,184	$ 1,447,272

6. Operating costs:

	Three months ended March 31, 2014	2013
Employee salaries and benefits	$ 160,715	$ 163,233
Costs related to defined benefit plans	1,549	4,251
Subcontractor costs relating to construction and service contracts	135,296	139,672
Materials, equipment, professional fees, travel and other	112,266	41,032
Direct costs, selling, general and administration	409,826	348,188
Depreciation and amortization	20,057	18,205
Share-based compensation expense	15,250	30,486
Other items (note 7)	2,292	1,931
	$ 447,425	$ 398,810

7. Other items:

The components of other items are as follows:

	Three months ended March 31,	
	2014	2013
Employee benefit expense	$ 2,292	$ -
Business acquisition costs	-	1,931
	$ 2,292	$ 1,931

In the third quarter of 2013, the Company restructured the pension and post-retirement benefit plans at one of its operating divisions. The restructuring plan included amendments to the defined benefit pension plans, post-retirement plans, 401(k) plans, and other benefits. As a result of these plan amendments, the Company recognized past service credits of $21,134,000 for the defined benefit pension plans and $18,917,000 for the post-retirement medical plan immediately in earnings in 2013, with offsetting reductions to employee benefit liabilities. In addition to the one-time retroactive adjustments, the Company incurred incremental costs of $2,292,000 in the first quarter of 2014 relating to 401(k) plans.

Business acquisition costs include legal, tax, consulting and other professional fees that were related to the acquisition of Space Systems/Loral, LLC and Space Systems/Loral Land, LLC.

8. Long-term debt:

	March 31, 2014	December 31, 2013
Syndicated credit facility:		
Revolving loan payable in U.S. dollars (March 31, 2014 - U.S.$144,000; December 31, 2013 - U.S.$106,000)	$ 159,163	$ 112,742
Revolving loan payable in Canadian dollars (March 31, 2014 - $23,000; December 31, 2013 - nil)	23,000	-
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (March 31, 2014 - U.S.$250,000; December 31, 2013 - U.S.$250,000)	276,325	265,900
2017 Term notes payable in U.S. dollars (March 31, 2014 - U.S.$100,000; December 31, 2013 - U.S. $100,000)	110,530	106,360
Promissory note payable:		
Promissory note payable in U.S. dollars (March 31, 2014 - U.S.$33,667; December 31, 2013 - U.S. $101,000)	37,212	107,424
Financing fees	(763)	(827)
Obligations under finance leases	4,579	4,715
Total long-term debt	610,046	596,314
Current portion	(39,063)	(73,429)
Non-current portion	$ 570,983	$ 522,885

On March 31, 2014, the Company made principal repayments of U.S.$67,333,000 on its U.S.$101,000,000 promissory note payable to Loral. The final installment of U.S.$33,667,000 is due on March 31, 2015.

9. Shareholders' equity:

Share capital:

Authorized:
Unlimited number of common shares with no par value
Unlimited number of preferred shares, issuable in series, convertible to common shares

Common shares issued and fully paid:

	Number of shares	Amount
Balance as at December 31, 2013	36,056,381	$ 495,376
Common shares issued in conjunction with employee share purchase plan	17,086	1,368
Balance as at March 31, 2014	36,073,467	$ 496,744

For the three months ended March 31, 2014, the Company declared and paid a semi-annual dividend of $0.65 per common share (2013 - $0.65).

10. Earnings per common share:

	Three months ended March 31,					
	2014			2013		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic and diluted	$ 24,957	36,067,901	$ 0.69	$ 2,245	32,093,039	$ 0.07

11. Share-based payment plans:

Total share-based compensation expense from all forms of share-based compensation for the three months ended March 31, 2014 was $15,250,000 (2013 - $30,486,000). The details are as follows:

	Three months ended March 31,	
	2014	2013
Share appreciation rights	$ 14,477	$ 29,248
Deferred share units	521	1,016
Share matching program	47	132
Employee share purchase plan	205	90
	$ 15,250	$ 30,486

11. Share-based payment plans (continued):

At March 31, 2014, the intrinsic value for vested share-based payment plans, being the positive difference between the market price of the Company's share and the exercise price of the award, was $37,398,000 (December 31, 2013 - $32,629,000).

12. Financial instruments and fair value disclosures:

(a) Financial instruments by category:

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

At March 31, 2014:

	Financial assets at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount
Financial assets:						
Current:						
Cash and cash equivalents	$ -	$ -	$ 1,583	$ -	$ -	$ 1,583
Trade and other receivables:						
Trade accounts receivable	-	-	234,633	-	-	234,633
Orbital receivables	-	-	19,899	-	-	19,899
Other receivables	-	-	1,781	-	24,598	26,379
	-	-	256,313	-	24,598	280,911
Financial assets, other:						
Short-term investments	-	-	-	6,453	-	6,453
Notes receivable	-	-	378	-	-	378
Derivative financial instruments	8,985	4,271	-	-	-	13,256
Restricted cash	-	-	18,803	-	-	18,803
	8,985	4,271	19,181	6,453	-	38,890
Non-current:						
Orbital receivables	-	-	405,060	-	-	405,060
Financial assets, other:						
Notes receivable	-	-	951	-	-	951
Derivative financial instruments	1,077	1,703	-	-	-	2,780
Restricted cash	-	-	3,099	-	-	3,099
	1,077	1,703	4,050	-	-	6,830

12. Financial instruments and fair value disclosures (continued):

(a) Financial instruments by category (continued):

At March 31, 2014 (continued):

	Financial liabilities at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Loans and receivables	Other financial liabilities	Total carrying amount
Financial liabilities:					
Current:					
Bank overdraft	$ -	$ -	$ 10,274	$ -	$ 10,274
Trade and other payables	-	-	-	183,609	183,609
Financial liabilities, other:					
Non-trade payables	-	-	-	9,779	9,779
Derivative financial instruments	10,515	3,213	-	-	13,728
	10,515	3,213	-	9,779	23,507
Long-term debt:					
Long-term debt	-	-	-	37,037	37,037
Obligations under finance leases	-	-	-	2,026	2,026
	-	-	-	39,063	39,063
Non-current:					
Financial liabilities, other:					
Non-trade payables	-	-	-	8,406	8,406
Derivative financial instruments	1,049	28	-	-	1,077
	1,049	28	-	8,406	9,483
Long-term debt:					
Long-term debt	-	-	-	568,430	568,430
Obligations under finance leases	-	-	-	2,553	2,553
	-	-	-	570,983	570,983

As at March 31, 2014, the Company had designated U.S.$71,071,000 (December 31, 2013 - U.S.$71,071,000) of its U.S.$100,000,000 2017 Term Notes payable as a hedge of its investment in certain U.S. subsidiaries.

12. Financial instruments and fair value disclosures (continued):

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at March 31, 2014 and December 31 2013, the fair values of all financial instruments carried at amortized cost, other than long-term debt, approximate their carrying value. The fair value of long-term debt is estimated based on a discounted cash flow approach. The estimated fair value of long-term debt, excluding obligations under finance leases, at March 31, 2014, was $605,946,000 (December 31, 2013 - $588,779,000) as compared to the carrying value of $605,467,000 (December 31, 2013 - $591,599,000). The fair value of obligations under finance leases approximates their carrying value. As at March 31, 2014, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $83,651,000 (December 31, 2013 - $80,910,000) and a carrying value of $78,555,000 (December 31, 2013 - $75,591,000).

Financial instruments carried at fair value:

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At March 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 6,453	$ -	$ -	$ 6,453
Derivative financial instruments	-	16,036	-	16,036
Total assets	$ 6,453	$ 16,036	$ -	$ 22,489
Liabilities				
Derivative financial instruments	$ -	$ 14,805	$ -	$ 14,805

During the quarter, no transfers occurred between Level 1 and Level 2 financial instruments.

12. Financial instruments and fair value disclosures (continued):

(b) Fair value of financial instruments (continued):

Financial instruments carried at fair value (continued):

The fair values of the short-term investments are based on their quoted prices. The Company determines fair value of its derivative financial instruments based on internal valuation models, such as discounted cash flow analysis, using management estimates and observable market-based inputs, as applicable. Management estimates include assumptions concerning the amount and timing of estimated future cash flows and application of appropriate discount rates. Observable market-based inputs are sourced from third parties and include interest rates and yield curves, currency spot and forward rates, and credit spreads, as applicable.

13. Supplemental cash flow information:

(a) Changes in operating assets and liabilities:

	Three months ended March 31,	
	2014	2013
Trade and other receivables	$ 20,438	$ 13,502
Construction contract assets	10,004	29
Financial assets, other	13	(988)
Inventories	4,006	(7,453)
Current tax assets	(7,517)	(4,052)
Non-financial assets	(17,105)	13,998
Orbital receivables	(7,784)	(7,232)
Trade and other payables	(28,168)	(55,122)
Financial liabilities, other	(7,451)	2,248
Provisions	(389)	(1,228)
Construction contract liabilities	(39,873)	(110,907)
Employee benefits	(9,899)	(13,430)
Non-financial liabilities	1,562	(1,021)
	$ (82,163)	$ (171,656)

(b) Cash and cash equivalents on the consolidated statement of cash flows are comprised of the following:

	March 31, 2014	December 31, 2013	March 31, 2013
Cash and cash equivalents	$ 1,583	$ 50,307	$ 24,950
Bank overdraft	(10,274)	-	-
	$ (8,691)	$ 50,307	$ 24,950

14. Subsequent event:

On April 24, 2014, a jury in the United States District Court for the Southern District of California returned a verdict in the action of ViaSat, Inc. and ViaSat Communications, Inc. ("ViaSat") against the Company's subsidiary Space Systems/Loral, LLC ("SSL") involving claims of patent infringement and breach of contract. The jury found that SSL infringed ViaSat patents and breached certain non-disclosure obligations to ViaSat and awarded U.S.$283,000,000 in damages for patent infringement and for breach of contract.

SSL will seek to overturn the verdict in post-trial motions it will file with the District Court, and if necessary, through the appeal process. Under the terms of the purchase agreement with Loral Space & Communications Inc. ("Loral"), the Company is indemnified for costs and damages, if upheld, under this action. In addition, under the terms of the purchase agreement, following a change of control of Loral, the indemnification liability of Loral for damages is subject to a dollar cap.

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