MacDonald, Dettwiler and Associates Ltd.

First Quarter Report 2015

Three Months Ended March 31, 2015

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements

Q1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2015

This management's discussion and analysis ("MD&A"), dated April 30, 2015, should be read in conjunction with the cautionary statement regarding forward-looking statements below and MacDonald, Dettwiler and Associates Ltd.'s ("MDA" or the "Company") condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2015, as well as the Company's annual MD&A and consolidated financial statements for the year ended December 31, 2014. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed 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, 2014, are substantially unchanged.

MDA and the Company refer to MacDonald, Dettwiler and Associates Ltd. and its subsidiaries. *This quarter* means the three months ended March 31, 2015.

CAUTION REGARDING 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: the expected benefits from enterprise improvement initiatives and the timeframe for implementing those initiatives under section "Consolidated Results - Net earnings"; anticipated revenues and customer contracts under sections "Consolidated Results - Order backlog" and "Results By Segment"; the sources of liquidity the Company expects to use to meet its anticipated cash requirements under section "Liquidity"; and the amendment to the syndicated credit facility under section "Liquidity - Credit facilities".

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: the expected benefits from enterprise improvement initiatives and the timeframe for implementing those initiatives was based on current market conditions in the commercial communication satellite market and management's current plans; anticipated revenues and customer contracts 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; 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; the amendment to the syndicated credit facility was based on negotiations and arrangements made to date. 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, including vendor financing; MDA's ability to obtain certain satellite construction contracts depends, in part, on its ability to provide the customer with partial financing of working capital 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 and malfunctions; 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 competitors that are larger or have greater resources and foreign currency fluctuations may increase competition from the Company's non-U.S. competitors; 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 sanctions 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; reliance on information technology systems and threats of disruption from security breaches and cyber-attacks; 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, 2014, 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 changes and activities around the globe to support the operational needs of government agencies, 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 impact 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. Income tax expense on operating earnings is computed using an estimated annual tax rate, adjusted to account for the specified items affecting comparability. *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, and 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, 2015	Three months ended March 31, 2014
($ millions, except per common share amounts)		
Consolidated revenues	533.9	492.6
Operating EBITDA[1]	93.5	85.3
Operating earnings[1]	55.1	49.4
Operating earnings per share[1]	1.53	1.37
Net earnings	38.2	25.0
Net earnings per share, basic and diluted	1.06	0.69
Weighted average number of common shares outstanding: *(millions)*		
Basic and diluted	36.1	36.1

Financial Position	March 31, 2015	December 31, 2014
($ millions)		
Total assets	3,145.1	2,981.4
Total long-term debt	764.8	754.4
Shareholders' equity	929.2	804.0

[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.

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, 2015	Three months ended March 31, 2014
($ millions, except per common share amounts)		
Consolidated revenues	533.9	492.6
Operating EBITDA	93.5	85.3
Operating EBITDA as a percentage of revenues	*18%*	*17%*
Corporate expense	(3.1)	(1.9)
Net finance expense	(11.6)	(8.5)
Depreciation and amortization	(13.9)	(11.9)
Income tax expense on operating earnings	(9.8)	(13.6)
Operating earnings	55.1	49.4
Operating earnings per share	*1.53*	*1.37*
Items affecting comparability:		
Share-based compensation	(10.5)	(15.2)
Amortization of acquisition related intangible assets	(9.8)	(8.1)
Enterprise improvement costs	1.6	-
Foreign exchange loss	(1.5)	(2.3)
Pension and other post-retirement plan amendments	-	(2.3)
Income tax expense adjustment	3.3	3.5
Net earnings	38.2	25.0

Consolidated revenues
Consolidated revenues for the first quarter of 2015 were $534 million compared to $493 million for the same period of last year. The Communications segment contributed revenues of $389 million (first quarter 2014 - $344 million) and the Surveillance and Intelligence segment contributed revenues of $145 million (first quarter 2014 - $148 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 $3.0 billion as at March 31, 2015 (December 31, 2014 - $3.1 billion). 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 bookings activity by segment.

Operating EBITDA
Operating EBITDA, which is a measure utilized by management to evaluate the financial performance of the Company's operating segments, increased to $93.5 million for the first quarter of 2015 compared to $85.3 million for the same period of last year. Operating EBITDA as a percentage of revenues ("operating EBITDA margin percentage") this quarter was 17.5%, consistent with the first quarter of 2014 and up from 16.6% for the full year 2014. Refer to section "Results By Segment" for further discussion.

Corporate expense
Corporate expense for the first quarter of 2015 was $3.1 million compared to $1.9 million for the corresponding period of last year. The expense for the prior period was unusually low due to the reversal of certain corporate provisions. 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, 2015	Three months ended March 31, 2014
($ millions)		
Finance expense:		
Interest on long-term debt	7.9	5.4
Interest expense on defined benefit pension and other post-retirement benefit obligations	2.8	1.9
Capitalization of borrowing costs	(0.4)	(0.7)
Imputed interest and other	1.4	2.1
Finance income	(0.1)	(0.2)
Net finance expense	11.6	8.5

The increase in net finance expense reflected higher levels of long-term debt and net pension obligations, partially offset by lower interest rates applicable on the revolving loan facility.

Depreciation and amortization

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
($ millions)		
Property, plant and equipment	11.0	10.3
Intangible assets[1]	2.9	1.6
Depreciation and amortization	13.9	11.9

[1] Excluding intangible assets arising from acquisitions. Amortization of acquisition related intangible assets is excluded from the calculation of operating earnings (refer to section "Consolidated Results - Net earnings").

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

Income tax expense on operating earnings

Income tax expense on operating earnings for the first quarter of 2015 was $9.8 million, representing an effective income tax rate of 15% compared to 18% for fiscal year 2014. Income tax expense on operating earnings is computed using an estimated annual tax rate, adjusted to account for specific items affecting comparability such as certain non-deductible share-based compensation and amortization of acquisition related intangible assets. The estimated annual tax rate on operating earnings is determined annually and may be adjusted during the year to take into account events or trends that may materially impact the rate, including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of income and other significant events.

Operating earnings

Operating earnings, or net earnings excluding the impact of specified items affecting comparability, increased to $55.1 million ($1.53 per share) for the first quarter of 2015 compared to $49.4 million ($1.37 per share) for the same period of 2014.

Net earnings

Net earnings for the first quarter of 2015 were $38.2 million ($1.06 per share) compared to $25.0 million ($0.69 per share) for the same period a year ago. The comparison of financial results under IFRS is hindered by the inclusion and variability of specified items that may not be indicative of the operational and financial performance of the Company's ongoing business. The specified items affecting the results for the first quarter of 2015 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 $37 million per year over the five-year period ended March 31, 2015. 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

The Company's prior acquisitions have resulted in significant fair value adjustments to finite life intangible assets, which are being amortized over estimated lives of five to twenty years. Consequently, net earnings for the first quarter of 2015 included amortization expense on acquisition related intangible assets of $9.8 million (first quarter 2014 - $8.1 million).

The acquisition related 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 are capitalized post-acquisition are amortized in the normal course of business. All other research and development costs are expensed as incurred.

The Company believes that the exclusion of amortization expense on acquisition related intangible assets provides a better representation of the results of the Company's ongoing operations.

Enterprise improvement costs
In 2014, the Company commenced a comprehensive review of its satellite manufacturing operations. With assistance from expert industry consultants, the Company has been identifying and implementing enterprise improvement initiatives that are aimed at reducing overhead costs, increasing supply chain value and improving overall production processes in particular via automation and standardization.

The Company recognized enterprise improvement costs of $15.6 million in fiscal year 2014, mainly for severance costs for employee terminations that have taken place in 2014 and consulting fees on the overall project. Certain of these costs were adjusted in the first quarter of 2015 to account for current estimates. Implementation of the enterprise improvement initiatives is expected to continue through 2016. The Company believes that the exclusion of costs relating to enterprise improvement initiatives from net earnings provides for better period-to-period comparisons of operating results for the Company's ongoing operations.

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) *Unrealized foreign exchange gains and losses on translation of long-term foreign currency denominated financial assets and liabilities*
The Company recognizes unrealized foreign exchange gains and losses when translating certain long-term foreign currency denominated assets and liabilities at each period end. For example,

the translation of a portion of the Company's U.S. dollar denominated long-term debt and Euro denominated orbital receivables, that have not been hedged or subject to hedge accounting, results in the recognition of unrealized foreign exchange gains and losses in the Company's financial statements. The Company excludes these amounts as they have little bearing on the current operating performance of the Company.

The Company conducts business internationally and is subject to fluctuations in foreign currencies, particularly the U.S. dollar and the Euro. The effect of foreign currency fluctuations impacts the Company's revenues, expenses, assets, liabilities and order backlog, as reported in Canadian dollars. The strengthening of the U.S. dollar relative to the Canadian dollar, as was the case for the first quarter of 2015, resulted in not only higher revenues from the Company's foreign operations, but also higher costs related to long-term debt, amortization and depreciation, and certain purchase commitments that could not be hedged. The weakening of the Euro relative to the U.S. dollar impacts the Company's ability to compete against its European rivals, putting pricing pressure on bids in the commercial communication satellite market.

Financial position

The Company had total assets of $3.1 billion as at March 31, 2015 (December 31, 2014 - $3.0 billion). Changes in the balances of major classes of assets and liabilities, including construction contract assets, inventories, orbital receivables, trade payables, and construction contract liabilities, occurred in the ordinary course of business. The Company recorded additional goodwill of $5.1 million as the purchase price allocation for the acquisition of Advanced Systems was finalized in the first quarter of 2015. The remainder of the increase to goodwill was due to foreign currency translation.

Total long-term debt as at March 31, 2015 was $765 million. During the quarter, the Company repaid $59 million of long-term debt with cash flows from operations. However, the impact of foreign currency translation offset the debt repayments and resulted in a net increase to the balance of long-term debt. The following table shows the changes to long-term debt for the three months ended March 31, 2015.

($ millions)	
Balance as at December 31, 2014	754.4
Repayment of promissory note	(42.7)
Repayment of syndicated credit facility and other long-term debt	(16.4)
Foreign currency translation and other	69.5
Balance as at March 31, 2015	764.8

Shareholders' equity as at March 31, 2015 was $929 million compared to $804 million as at December 31, 2014. The following table shows the changes to shareholders' equity for the three months ended March 31, 2015.

($ millions)	
Balance as at December 31, 2014	804.0
Net earnings	38.2
Other comprehensive income	99.0
Dividends	(13.4)
Common shares issued in conjunction with employee share purchase plan	1.4
Balance as at March 31, 2015	929.2

Other comprehensive income was mainly comprised of unrealized foreign exchange gains arising from the translation of the results of foreign operations. Such foreign currency translation adjustments are wholly dependent on fluctuations of the Canadian dollar relative to foreign

currencies and could result in unrealized gains or losses that may vary significantly from period to period.

The Company has maintained a solid financial position and good liquidity (refer to section "Liquidity" of this MD&A). 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 group 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, 2015	**Three months ended March 31, 2014**
($ millions)		
Revenues	389.0	344.2
Operating EBITDA[1]	52.4	42.1

[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.

The increase in revenues from Communications included the impact of foreign currency translation.

Operating EBITDA margin percentage from Communications for the first quarter of 2015 was 13.5%, which improved on the margin percentage of 12.5% for the full year 2014. The increase reflected the mix of construction contracts in progress.

In the first quarter of 2015, bookings in the Communications segment included a contract with The Boeing Company to provide a communication antenna subsystem and a contract with Aselsan Electronic Industries Inc. to provide Ku-band payload equipment for a communication satellite subsystem.

In April 2015, the Thor 7 satellite was launched and commenced post-launch maneuvers according to plan. Built by the Company for Telenor Satellite Broadcasting, Thor 7 is a multi-mission satellite designed to serve the maritime market and offer high powered coverage over the North Sea, the Norwegian Sea, the Red Sea, the Baltic Sea and the Mediterranean. The satellite also has a Ku-band payload to provide broadcast and television services in Central and Eastern Europe.

Surveillance and Intelligence

MDA offers end-to-end solutions to monitor changes and activities around the globe to support the operational needs of government agencies, 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, 2015	Three months ended March 31, 2014
($ millions)		
Revenues	144.9	148.4
Operating EBITDA[1]	41.1	43.2

[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 Surveillance and Intelligence for the first quarter of 2015 were comparable with the same period of last year.

Operating EBITDA margin percentage from Surveillance and Intelligence this quarter was 28.3%, which is comparable to the margin percentage of 26.6% for the full year 2014. Operating EBITDA margin percentage can vary from period to period with changes in the sales mix.

In the first quarter of 2015, bookings in the Surveillance and Intelligence segment included multiple contracts with Airbus Defense and Space to modernize the U.S. Air Force's five Eagle Vision mobile ground stations and a contract amendment with the Canadian Space Agency to extend on-going support for the Mobile Servicing System on the International Space Station through to July 2017.

QUARTERLY INFORMATION

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

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
($ millions, except per common share amounts)								
Consolidated revenues	533.9	547.0	506.6	552.7	492.6	476.7	463.3	450.4
Operating EBITDA[1]	93.5	87.4	84.8	90.7	85.3	81.9	80.4	81.5
Operating earnings[1]	55.1	53.9	50.7	53.9	49.4	48.3	46.6	43.3
Operating earnings per share	1.53	1.49	1.41	1.50	1.37	1.34	1.29	1.20
Net earnings (loss)	38.2	(35.8)	21.5	36.5	25.0	25.2	46.5	31.1
Net earnings (loss) per share, basic and diluted	1.06	(0.99)	0.60	1.01	0.69	0.70	1.29	0.86
Weighted average number of common shares outstanding: *(millions)*								
Basic and diluted	36.1	36.1	36.1	36.1	36.1	36.0	36.0	36.0

[1] Refer to section "Reconciliations" for reconciliation to net earnings for the last eight quarters.

Revenues and operating EBITDA are influenced by the size and number of construction contracts in progress. 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. Also, the recognition of a contract loss provision could impact the comparison of operating EBITDA from quarter to quarter.

With respect to the settlement of the litigation brought by ViaSat, Inc. ("ViaSat") in the third quarter of 2014, the Company recorded a gain of $22.0 million for the reversal of certain related purchase accounting provisions that became redundant after the settlement. The gain was offset by an expense for the Company's estimate of the ViaSat settlement obligation recorded in the same quarter. In the fourth quarter of 2014, the Company recorded an expense of $47.6 million primarily to recognize the difference between the Company's final share of the ViaSat settlement obligation and the estimated amount recorded in the preceding quarter.

In the third quarter of 2014, the Company incurred costs of $15.6 million related to the enterprise improvement initiatives at its satellite manufacturing operations.

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.

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 can also fluctuate significantly from quarter to quarter due to the variability of other non-operational income and expenses, adjustments relating to hedge accounting, acquisition related expense, 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 flows
The following table provides selected cash flow information.

	Three months ended March 31, 2015	Three months ended March 31, 2014
($ millions)		
Cash provided by operations[1]	75.9	81.9
Changes in operating assets and liabilities	10.7	(82.2)
Cash provided by (used in) operating activities	86.6	(0.3)
Cash used in investing activities	(17.5)	(22.2)
Cash used in financing activities	(75.5)	(38.1)
Effect of foreign currency on cash and cash equivalents	1.9	1.6
Cash and cash equivalents, beginning of period	17.1	50.3
Cash and cash equivalents, end of period	12.6	(8.7)

[1] Before changes in operating assets and liabilities.

Operating activities
In the first quarter of 2015, the Company generated $86.6 million from operating activities after changes in working capital. In the comparative period of last year, cash generated from operations was reinvested in working capital.

The Company continues to focus on managing its working capital while supporting growth. Investment in working capital is integral to the Company's business given its portfolio of long-term construction programs and commitment to meet short-term obligations. Investment in working capital is also necessary to build the Company's business and manage lead times in construction activities. The Company expects working capital account balances to remain uneven. The Company efficiently funds its working capital requirements with the revolving loan facility.

Investing activities
The Company used $17.5 million in investing activities in the first quarter of 2015 compared to $22.2 million for the same period of last year. The primary use of cash this quarter related to capital expenditures of $16.5 million (first quarter 2014 - $19.3 million). Capital expenditures consist of additions to property, plant and equipment and intangible assets.

Other investing activities in the first quarter of 2015 included cash outflow of $1.3 million from changes in restricted cash balances compared to $3.0 million in the same period of last year.

Financing activities
In the first quarter of 2015, the Company used $75.5 million in financing activities, representing repayments of the revolving loan facility and the final installment of the promissory note payable to Loral Space & Communications Inc. and payment of interest and dividends. The Company used $38.1 million in financing activities in first quarter of 2014, representing net repayment of long-term debt and payment of interest and dividends.

Credit facilities

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

	March 31, 2015	December 31, 2014
($ millions)		
Syndicated credit facility	315.6	304.3
Senior term notes	443.9	406.0
Promissory note	-	39.1
Prepaid facility fees	(0.8)	(0.8)
Obligations under finance leases	6.1	5.8
Long-term debt	764.8	754.4

Syndicated credit facility

The Company has in place a senior secured syndicated credit facility with several North American and international banks. The syndicated credit facility is comprised of a revolving loan facility, 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 is guaranteed by the Company and certain of its subsidiaries and the loans are secured by specific assets of the Company and its subsidiaries.

Loans under the syndicated credit facility bear interest at CDOR or 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 will vary with the Company's consolidated debt to EBITDA ratio. As at March 31, 2015, the applicable margin was 1.75%.

The Company is finalizing an amendment to its syndicated credit facility. The notable changes in the amendment will include an increase to the revolving loan facility of US$100 million to US$700 million, slight reductions to interest rate margins applicable to drawn and undrawn borrowings, and an extension of the maturity date by twelve months to November 2018. The Company plans to use the additional capacity to finance growth and to maintain its industry leadership.

The Company also has in place a US$100 million letter of credit agreement with a major bank.

Senior term notes

The Company has 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. The Company also has 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 term notes") are guaranteed by the Company and certain of its subsidiaries and secured by specific assets of the Company and its subsidiaries. The senior term notes can be repaid, at the Company's option, in whole or in part, together with accrued interest and a make-whole premium. The senior term notes rank equally with the obligations under the credit agreements.

Debt covenants

As at March 31, 2015, the Company was in compliance with all covenants under its various credit facilities and long-term debt agreements.

RELATED PARTY TRANSACTIONS

As at March 31, 2015, 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 arrangements.

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.

As at March 31, 2015, the Company had foreign exchange forward purchase contracts for $255 million (December 31, 2014 - $229 million) and foreign exchange forward sales contracts for $624 million (December 31, 2014 - $572 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.

As at March 31, 2015, the Company's foreign exchange forward contracts had a cumulative unrealized gain on fair valuation of $40 million (December 31, 2014 - cumulative unrealized gain of $14 million). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $50 million recorded in other comprehensive income as at March 31, 2015 (December 31, 2014 - cumulative net gain of $25 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 three months ended March 31, 2015, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a gain of $0.3 million compared to a loss of $0.9 million for the same period of 2014.

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, 2014. In the first quarter of 2015, 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

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the consolidated financial statements.

Dividend

Quarterly common share dividends paid in 2015:

Dividend per share, paid March 31, 2015	$0.37

On April 30, 2015, the Company declared a quarterly dividend of $0.37 per common share payable on June 30, 2015 to shareholders of record at the close of business on June 15, 2015.

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, 2015, the Company had 36,128,152 common shares with no par value outstanding.

As at April 24, 2015, the Company had 36,132,555 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 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
($ millions)								
Operating EBITDA	93.5	87.4	84.8	90.7	85.3	81.9	80.4	81.5
Corporate expense	(3.1)	(2.5)	(2.9)	(2.8)	(1.9)	(2.8)	(3.1)	(2.9)
Net finance expense	(11.6)	(8.8)	(8.5)	(8.3)	(8.5)	(10.5)	(10.5)	(11.8)
Depreciation and amortization	(13.9)	(12.7)	(12.7)	(11.9)	(11.9)	(12.1)	(11.8)	(11.3)
Income tax expense on operating earnings	(9.8)	(9.5)	(10.0)	(13.8)	(13.6)	(8.2)	(8.4)	(12.2)
Operating earnings	55.1	53.9	50.7	53.9	49.4	48.3	46.6	43.3
Items affecting comparability:								
Share-based compensation	(10.5)	(28.1)	0.0	(6.1)	(15.2)	(14.3)	(29.1)	(6.3)
Amortization of acquisition related intangible assets	(9.8)	(8.9)	(8.0)	(8.0)	(8.1)	(8.2)	(7.9)	(7.4)
Foreign exchange gain (loss)	(1.5)	(5.1)	(3.1)	0.1	(2.3)	(4.7)	(6.9)	0.3
Enterprise improvement costs	1.6	-	(15.6)	-	-	-	-	-
ViaSat settlement and associated activities	-	(47.6)	(2.5)	(2.4)	-	-	-	-
Acquisition related expense	-	(0.2)	(0.7)	-	-	0.3	(3.0)	-
Pension and other post-retirement plan amendments	-	(1.8)	(2.1)	(2.1)	(2.3)	-	40.1	-
Income tax expense adjustment	3.3	2.0	2.8	1.1	3.5	3.8	6.7	1.2
Net earnings (loss)	38.2	(35.8)	21.5	36.5	25.0	25.2	46.5	31.1

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

	Communications	Surveillance & Intelligence	**Q1 2015 Total**	Communications	Surveillance & Intelligence	**Q1 2014 Total**
($ millions)						
Operating EBITDA	52.4	41.1	93.5	42.1	43.2	85.3
Depreciation and amortization[1]	(11.8)	(2.1)	(13.9)	(10.5)	(1.4)	(11.9)
Segment profit	40.6	39.0	79.6	31.6	41.8	73.4

[1] Excludes amortization of acquisition related intangible assets.

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three months ended March 31, 2015 and 2014
(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, 2015 and 2014

	Note	2015	2014
Revenues	4	$ 533,896	$ 492,565
Direct costs, selling, general and administration	5	444,563	409,826
Depreciation and amortization		23,719	20,057
Foreign exchange loss		490	1,608
Share-based compensation expense	11	10,516	15,250
Other expense (income)	6	(1,634)	2,292
Earnings before interest and income taxes		56,242	43,532
Finance income		(57)	(150)
Finance expense		11,642	8,659
Earnings before income taxes		44,657	35,023
Income tax expense		6,482	10,066
Net earnings		$ 38,175	$ 24,957
Net earnings per common share:			
Basic and diluted	10	$ 1.06	$ 0.69

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, 2015 and 2014

	2015	2014
Net earnings	$ 38,175	$ 24,957
Other comprehensive income (loss):		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation adjustment	90,512	36,590
Net loss on hedge of net investment in foreign operations (net of income taxes of nil)	(16,230)	(2,964)
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax expense of $303 and $657, respectively)	27,873	1,818
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax recovery of $146 and income tax expense of $51, respectively)	(3,220)	141
Net change in fair value of available-for-sale financial assets (net of income tax expense of $17 and $6, respectively)	111	39
Other comprehensive income, net of income taxes	99,046	35,624
Comprehensive income	$ 137,221	$ 60,581

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, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		$ 12,618	$ 17,130
Trade and other receivables		308,050	345,200
Financial assets, other		82,149	49,723
Construction contract assets		130,819	171,638
Inventories		128,383	100,725
Non-financial assets		127,293	142,057
Current tax assets		32,088	31,538
		821,400	858,011
Non-current assets:			
Orbital receivables		496,040	447,216
Financial assets, other		48,039	31,761
Non-financial assets		6,174	6,547
Deferred tax assets		24,223	23,208
Property, plant and equipment		458,913	424,519
Intangible assets		397,227	369,142
Goodwill		893,133	820,985
		2,323,749	2,123,378
		$ 3,145,149	$ 2,981,389
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 314,173	$ 252,387
Current tax liabilities		56,398	57,901
Financial liabilities, other		40,059	30,954
Provisions		5,705	11,940
Employee benefits		144,479	175,880
Non-financial liabilities		20,518	16,840
Construction contract liabilities		457,229	499,416
Current portion of long-term debt	8	2,207	41,308
		1,040,768	1,086,626
Non-current liabilities:			
Financial liabilities, other		38,422	36,204
Provisions		35,032	29,150
Employee benefits		300,438	275,025
Non-financial liabilities		27,309	25,972
Deferred tax liabilities		11,426	11,353
Long-term debt	8	762,567	713,084
		2,215,962	2,177,414
Shareholders' equity:			
Share capital	9	501,561	500,203
Contributed surplus		2,656	2,656
Retained earnings		160,085	135,277
Accumulated other comprehensive income		264,885	165,839
		929,187	803,975
		$ 3,145,149	$ 2,981,389

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, 2015

				Accumulated other comprehensive income						
	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, 2015	**$ 500,203**	**$ 2,656**	**$ 135,277**	$ (11,625)	$ 137,528	$ 22,748	$ 744	$ 16,444	**$ 165,839**	**$ 803,975**
Common shares issued in conjunction with employee share purchase plan	**1,358**	**-**	**-**	-	-	-	-	-	**-**	**1,358**
Dividends	**-**	**-**	**(13,367)**	-	-	-	-	-	**-**	**(13,367)**
Comprehensive income (loss)	**-**	**-**	**38,175**	(16,230)	90,512	24,653	111	-	**99,046**	**137,221**
Balance as at March 31, 2015	**$ 501,561**	**$ 2,656**	**$ 160,085**	$ (27,855)	$ 228,040	$ 47,401	$ 855	$ 16,444	**$ 264,885**	**$ 929,187**

Three months ended March 31, 2014

				Accumulated other comprehensive income						
	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**

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, 2015 and 2014

	Note	2015	2014
Cash flows provided by (used in):			
Operating activities:			
Net earnings		$ 38,175	$ 24,957
Adjustments to reconcile to net cash from operating activities:			
Depreciation of property, plant and equipment		11,017	10,328
Amortization of intangible assets		12,702	9,729
Share-based compensation expense	11	10,516	15,250
Finance income		(57)	(150)
Finance expense		8,810	6,753
Foreign exchange loss (gain)		(8,795)	5,793
Income tax expense		6,482	10,066
Income taxes paid		(2,951)	(5,778)
Income taxes recovered		24	4,933
Changes in operating assets and liabilities	13	10,720	(82,163)
Cash provided by (used in) operating activities		86,643	(282)
Investing activities:			
Purchase of property, plant and equipment		(10,083)	(14,023)
Purchase/development of intangible assets		(6,413)	(5,290)
Disposal of short-term investments		51	42
Increase in restricted cash		(1,266)	(3,039)
Interest received on short-term investments and others		57	131
Acquisition of Advanced Systems, net of cash acquired	7	121	-
Cash used in investing activities		(17,533)	(22,179)
Financing activities:			
Repayment of promissory note payable	8	(42,699)	(74,423)
Proceeds from (repayment of) revolving loan facility and other long-term debt		(16,421)	62,882
Interest paid on long-term debt		(4,232)	(4,244)
Proceeds from issuance of common shares relating to share-based compensation plans		1,155	1,163
Payment of dividends	9	(13,367)	(23,448)
Cash used in financing activities		(75,564)	(38,070)
Decrease in cash and cash equivalents		(6,454)	(60,531)
Effect of foreign currency on cash and cash equivalents		1,942	1,533
Cash and cash equivalents, beginning of period		17,130	50,307
Cash and cash equivalents, end of period		$ 12,618	$ (8,691)

See accompanying notes to condensed consolidated interim financial statements.

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, 2014. 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, 2014, which are included in the Company's 2014 annual report.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on April 30, 2015.

3. New standards and interpretations not yet adopted:

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 - *Revenue from Contracts with Customers*, which supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. On April 28, 2015, the IASB voted to publish an Exposure Draft proposing a one-year deferral of the effective date of this standard to January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

4. 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, 2014, 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 income or expense. Segment profit is defined as operating EBITDA less depreciation and amortization expense, excluding amortization of acquisition related intangible assets.

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

Three months ended March 31, 2015	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 389,044	$ 144,852	$ -	$ 533,896
Internal revenue	1,321	151	(1,472)	-
	390,365	145,003	(1,472)	533,896
Segment earnings:				
Operating EBITDA	52,420	41,049	-	93,469
Depreciation and amortization	11,813	2,093	-	13,906
Segment profits	40,607	38,956	-	79,563
Capital expenditures:				
Property, plant and equipment	10,074	977	-	11,051
Intangible assets	6,118	295	-	6,413
	16,192	1,272	-	17,464

4. Revenue and segmented information (continued):

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 profits	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

Reconciliation to earnings before income taxes:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Segment profit	$ 79,563	$ 73,387
Corporate expenses	(3,108)	(1,880)
Amortization of acquisition related intangible assets	(9,813)	(8,144)
Foreign exchange differences	(1,518)	(2,289)
Share-based compensation expense (note 11)	(10,516)	(15,250)
Finance income	57	150
Finance expense	(11,642)	(8,659)
Other income (expense) (note 6)	1,634	(2,292)
Earnings before income taxes	$ 44,657	$ 35,023

4. Revenue and segmented information (continued):

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

	Three months ended March 31, 2015	2014
Construction contracts	$ 458,091	$ 428,848
Services	75,805	63,717
	$ 533,896	$ 492,565

Revenue from construction contracts includes orbital income of $8,373,000 (2014 - $6,856,000).

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

	Three months ended March 31, 2015	2014
Revenue:		
United States	$ 163,845	$ 153,344
Asia	127,670	71,439
Europe	102,493	68,738
Canada	71,830	90,439
South America	52,273	46,270
Australia	13,725	61,874
Other	2,060	461
	$ 533,896	$ 492,565

Revenue from significant customers is as follows:

	Three months ended March 31, 2015	2014
Commercial:		
Customer 1	$ 66,726	$ 84,082
Customer 2	51,615	45,344
Government:		
Canadian Federal Government and agencies	65,701	83,871
U.S. Federal Government and agencies	35,138	22,467

4. Revenue and segmented information (continued):

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

	March 31, 2015	December 31, 2014
United States	$ 1,602,512	$ 1,467,323
Canada	152,867	153,807
Europe	68	63
	$ 1,755,447	$ 1,621,193

5. Expenses by nature:

The following table classifies the Company's operating expenses by nature:

	Three months ended March 31,	
	2015	2014
Employee salaries and benefits	$ 176,070	$ 156,799
Costs related to defined benefit plans	2,612	1,549
Costs related to defined contribution plans	4,723	3,916
Inventories used	43,257	39,465
Subcontractor costs relating to construction and service contracts	160,836	135,296
Materials, equipment, professional fees, travel and other	57,065	72,801
Direct costs, selling, general and administration	444,563	409,826
Depreciation and amortization	23,719	20,057
Share-based compensation expense	10,516	15,250
Other expense (income) (note 6)	(1,634)	2,292
	$ 477,164	$ 447,425

6. Other expense (income):

The components of other expense (income) are as follows:

	Three months ended March 31,	
	2015	2014
Enterprise improvement costs (recovery)	$ (1,634)	$ -
Employee benefit expense	-	2,292
	$ (1,634)	$ 2,292

In the third quarter of 2014, the Company recognized enterprise improvement costs of $15,593,000 in connection with a formal restructuring plan and comprehensive review of its satellite manufacturing operations. In the first quarter of 2015, the Company revised its estimates and recognized a recovery of $1,634,000 to reverse certain costs recorded in the prior year.

In the first quarter of 2014, the Company incurred costs of $2,292,000 relating to the restructuring of pension and post-retirement benefit plans at one of its operating divisions.

7. Business combination:

Acquisition of Advanced Systems:

On October 3, 2014, the Company acquired the assets of Advanced Systems, a line of business from General Dynamics Advanced Information Systems, Inc. for cash consideration of U.S.$40,000,000 less working capital and other adjustments of U.S.$3,240,000. Located near Detroit, Michigan, the Advanced Systems business has approximately 170 employees and over 50 years of in-depth experience in development and application of radar and other information sensors for the U.S. Government.

The Company recognized the major classes of assets acquired and liabilities assumed at the acquisition date based on estimated fair values. The purchase price allocation was finalized in the first quarter of 2015. During the period ended March 31, 2015, the Company made revisions to certain preliminary estimates that are noted in the table below. No adjustments were made retrospectively to the comparative consolidated financial statements for the year ended December 31, 2014 as the impact was not material.

The following table summarizes the fair value of the consideration transferred and the final purchase price allocation based on estimated fair values of the major classes of assets acquired and liabilities assumed at the acquisition date.

7. Business combination (continued):

Acquisition of Advanced Systems (continued):

	U.S.$			Canadian$
	October 3, 2014	Purchase price adjustments	Total	Total
Purchase consideration	$ 36,867	$ (107)	$ 36,760	$ 41,377
Assets				
Trade and other receivables	$ 3,836	$ -	$ 3,836	$ 4,319
Restricted cash	16,000	-	16,000	18,010
Non-financial assets	399	-	399	449
Property, plant and equipment	8,335	(1,669)	6,666	7,503
Finite life intangible assets	10,200	700	10,900	12,269
	38,770	(969)	37,801	42,550
Liabilities				
Provisions	$ (251)	$ (2,506)	$ (2,757)	$ (3,103)
Non-financial liabilities	(16,000)	(1,136)	(17,136)	(19,288)
Employee benefits	(3,639)	-	(3,639)	(4,096)
	(19,890)	(3,642)	(23,532)	(26,487)
Fair value of net identifiable assets acquired	18,880	(4,611)	14,269	16,063
Goodwill	$ 17,987	$ 4,504	$ 22,491	$ 25,314

Trade and other receivables comprise gross amounts due of $4,319,000, of which nil was estimated to be uncollectable at the acquisition date. Intangible assets relate primarily to technologies and customer relationships.

The goodwill recognized on the acquisition is mainly attributable to expected growth opportunities in the U.S. surveillance market, anticipated synergies from integrating unique radar information processing capability with the Company's large space program capability, and the experience and expertise of Advanced Systems' workforce. Goodwill recognized from this business combination is not deductible for income tax purposes.

During the year ended December 31, 2014, the Company incurred acquisition related costs of $934,000 for legal, tax, consulting and other professional fees.

8. Long-term debt:

	March 31, 2015	December 31, 2014
Syndicated credit facility:		
Revolving loan payable in U.S. dollars (March 31, 2015 - U.S.$222,000; December 31, 2014 - U.S.$227,000)	$ 281,563	$ 263,343
Revolving loan payable in Canadian dollars	34,000	41,000
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (March 31, 2015 - U.S.$250,000; December 31, 2014 - U.S.$250,000)	317,075	290,025
2017 Term notes payable in U.S. dollars (March 31, 2015 - U.S.$100,000; December 31, 2014 - U.S.$100,000)	126,830	116,010
Promissory note payable:		
Promissory note payable in U.S. dollars (March 31, 2015 - nil; December 31, 2014 - U.S.$33,667)	-	39,057
Financing fees	(803)	(840)
Obligations under finance leases	6,109	5,797
Total long-term debt	764,774	754,392
Current portion	(2,207)	(41,308)
Non-current portion	$ 762,567	$ 713,084

On March 31, 2015, the Company repaid the final installment of $42,699,000 (U.S.$33,667,000) on its $128,098,000 (U.S.$101,000,000) promissory note payable to Loral.

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 January 1, 2015	36,113,830	$ 500,203
Common shares issued in conjunction with employee share purchase plan	14,322	1,358
Balance as at March 31, 2015	36,128,152	$ 501,561

For the three months ended March 31, 2015, the Company declared and paid a quarterly dividend of $0.37 per common share (2014 - semi-annual dividend of $0.65).

10. Earnings per common share:

	Three months ended March 31,					
	2015			2014		
	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	$ 38,175	36,123,772	$ 1.06	$ 24,957	36,067,901	$ 0.69

11. Share-based payment plans:

Total share-based compensation from all forms of share-based payment plans for the three months ended March 31, 2015 was an expense of $10,516,000 (2014 - $15,250,000). The details are as follows:

	Three months ended March 31,	
	2015	2014
Share appreciation rights	$ 9,950	$ 14,477
Deferred share units	336	521
Share matching program	27	47
Employee share purchase plan	203	205
	$ 10,516	$ 15,250

As at March 31, 2015, 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 $30,038,000 (December 31, 2014 - $31,200,000).

12. Financial instruments and fair value disclosures:

(a) Financial instruments by category:

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

As at March 31, 2015:

	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	$ -	$ -	$ 12,618	$ -	$ -	$ 12,618
Trade and other receivables:						
Trade accounts receivable	-	-	247,686	-	-	247,686
Orbital receivables	-	-	26,450	-	-	26,450
Other	-	-	3,781	-	30,133	33,914
	-	-	277,917	-	30,133	308,050
Financial assets, other:						
Short-term investments	-	-	-	7,437	-	7,437
Notes receivable	-	-	377	-	-	377
Derivative financial instruments	21,051	32,151	-	-	-	53,202
Restricted cash	-	-	21,133	-	-	21,133
	21,051	32,151	21,510	7,437	-	82,149
Non-current:						
Orbital receivables	-	-	496,040	-	-	496,040
Financial assets, other:						
Notes receivable	-	-	1,106	-	-	1,106
Derivative financial instruments	9,344	16,228	-	-	-	25,572
Restricted cash	-	-	21,361	-	-	21,361
	9,344	16,228	22,467	-	-	48,039

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

(a) Financial instruments by category (continued):

As at March 31, 2015:

	Financial liabilities at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Other financial liabilities	Total carrying amount
Financial liabilities:				
Current:				
Trade and other payables	$ -	$ -	$ 314,173	$ 314,173
Financial liabilities, other:				
Non-trade payables	-	-	20,786	20,786
Derivative financial instruments	16,552	2,721	-	19,273
	16,552	2,721	20,786	40,059
Long-term debt:				
Obligations under finance leases	-	-	2,207	2,207
	-	-	2,207	2,207
Non-current:				
Financial liabilities, other:				
Non-trade payables	-	-	30,510	30,510
Derivative financial instruments	7,701	211	-	7,912
	7,701	211	30,510	38,422
Long-term debt:				
Long-term debt	-	-	758,665	758,665
Obligations under finance leases	-	-	3,902	3,902
	-	-	762,567	762,567

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

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at March 31, 2015 and December 31 2014, the fair values of all financial instruments carried at amortized cost, other than long-term debt, approximated their carrying value. The fair value of long-term debt is estimated based on a discounted cash flow approach, categorized as Level 2 as outlined in the descriptions below. The estimated fair value of long-term debt, excluding obligations under finance leases, at March 31, 2015, was $779,570,000 (December 31, 2014 - $763,063,000) as compared to the carrying value of $758,665,000 (December 31, 2014 - $748,595,000). As at March 31, 2015, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $199,592,000 (December 31, 2014 - $181,865,000) and a carrying value of $190,245,000 (December 31, 2014 - $174,015,000). The fair value of obligations under finance leases approximates their carrying value.

As at March 31, 2015 and December 31, 2014, the carrying amount of financial assets pledged as collateral amounted to $1,937,843,000 and $1,792,000,000, respectively.

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).

March 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 7,437	$ -	$ -	$ 7,437
Derivative financial instruments	-	78,774	-	78,774
Total assets	$ 7,437	$ 78,774	$ -	$ 86,211
Liabilities				
Derivative financial instruments	$ -	$ 27,185	$ -	$ -

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:

	Three months ended March 31,	
	2015	2014
Changes in operating assets and liabilities:		
Trade and other receivables	$ 62,567	$ 20,438
Construction contract assets	50,084	10,004
Financial assets, other	117	13
Inventories	(18,182)	4,006
Current tax assets	(6,825)	(7,517)
Non-financial assets	26,620	(17,105)
Orbital receivables	(7,068)	(7,784)
Trade and other payables	44,319	(28,168)
Financial liabilities, other	(4,612)	(7,451)
Provisions	(6,968)	(389)
Construction contract liabilities	(82,560)	(39,873)
Employee benefits	(47,475)	(9,899)
Non-financial liabilities	703	1,562
	$ 10,720	$ (82,163)

14. Subsequent event:

On April 30, 2015, the Company declared a quarterly dividend of $0.37 per common share payable on June 30, 2015 to shareholders of record at the close of business on June 15, 2015.

www.mdacorporation.com