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MacDonald, Dettwiler and Associates Ltd.

First Quarter Report 2016

Three Months Ended March 31, 2016

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements

MDA™

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2016

This management's discussion and analysis ("MD&A"), dated May 4, 2016, 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 interim financial statements and accompanying notes for the three months ended March 31, 2016, as well as the Company's annual MD&A and consolidated financial statements for the year ended December 31, 2015. 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 and consolidated financial statements for the year ended December 31, 2015, 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, 2016.

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 Company's goal to increase access to the U.S. market under section "Overview"; the scope and anticipated revenues of customer contracts under sections "Consolidated Results - Order backlog" and "Results By Segment"; the impact of share-based compensation on net earnings and future cash outlays under section "Consolidated Results - Net earnings"; the scope and expected benefits of the Company's enterprise improvement initiatives under section "Consolidated Results - Net earnings"; management's expectation of the impact of the construction suspension of a certain long-term construction contract under section "Results By Segment"; and the sources of liquidity the Company expects to use to meet its anticipated cash requirements under section "Liquidity".

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 Company's goal to increase access to the U.S. market was based on the Company's ability to execute its current plans to achieve that goal, including obtaining the required regulatory approval for security clearance of its facilities and employees in Palo Alto, California; the scope and anticipated revenues of 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 impact of share-based compensation on net earnings and future cash outlays was based on the Company's continuing ability to settle share-based compensation awards with equity; the scope and expected benefits of the Company's enterprise improvement initiatives was based on current market conditions in the commercial communication satellite market and the Company's continuing ability to implement various initiatives; management's expectation of the impact of the construction suspension of a certain long-term construction contract was based on management's assessment of the negotiations to date with the customer; and 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 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; inherent 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; 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; changes in customer security requirements and the resulting cancellation of contracts; 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, 2015, 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 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 payloads, 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, 2016	Three months ended March 31, 2015
($ millions, except per common share amounts)		
Consolidated revenues	562.4	533.9
Operating EBITDA[1]	97.2	93.5
Operating earnings[1]	55.9	55.1
Operating earnings per share[1]	1.53	1.53
Net earnings	40.7	38.2
Net earnings per share, basic	1.12	1.06
Net earnings per share, diluted[2]	1.10	1.06
Weighted average number of common shares outstanding: *(millions)*		
Basic	36.3	36.1
Diluted[2]	36.5	36.1
Financial Position	**March 31, 2016**	**December 31, 2015**
($ millions)		
Total assets	3,389.7	3,611.0
Total long-term debt	948.9	986.3
Shareholders' equity	1,055.4	1,107.7

[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] In May 2015, the Company received shareholder and regulatory approvals to issue common shares from treasury to settle share-based compensation awards with equity. The Company also changed its stated intent on method of settlement, such that certain awards are expected to be settled with equity. The effect of potentially dilutive share-based compensation awards on net earnings and weighted average number of common shares outstanding is taken into account in the calculation of diluted net earnings per share.

Access to the U.S. market

The Company is making progress in its strategic goal to increase access to the U.S. market and become a larger supplier to both the U.S. government and new entrants in the commercial space market. The Company announced a number of strategically important contracts in the first quarter of 2016, notably regarding space exploration missions and low Earth orbit satellites. Also, the Company is striving to obtain security clearance for its facilities and employees in Palo Alto, California, through which the Company can effectively pursue and execute the broad range of U.S. government contracts, including defence and intelligence work.

In line with its strategic plans, the Company has appointed Mr. Howard L. Lance as its President and Chief Executive Officer, effective May 16, 2016. Mr. Lance has extensive experience in both the government and commercial markets in the United States, having served as Chairman and Chief Executive Officer of Harris Corporation.

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, 2016	Three months ended March 31, 2015
($ millions, except per common share amounts)		
Consolidated revenues	562.4	533.9
Operating EBITDA	97.2	93.5
Operating EBITDA as a percentage of revenues	*17%*	*18%*
Corporate expense	(4.2)	(3.1)
Net finance expense	(12.9)	(11.6)
Depreciation and amortization[1]	(15.1)	(13.9)
Income tax expense on operating earnings	(9.1)	(9.8)
Operating earnings	55.9	55.1
Operating earnings per share	*1.53*	*1.53*
Items affecting comparability:		
Share-based compensation expense	(3.9)	(10.5)
Amortization of acquisition related intangible assets	(11.0)	(9.8)
Enterprise improvement costs	(4.8)	1.6
Foreign exchange gain (loss)	3.8	(1.5)
Income tax expense adjustment	0.7	3.3
Net earnings	40.7	38.2

[1] Excludes amortization of acquisition related intangible assets.

Consolidated revenues

Consolidated revenues for the first quarter of 2016 were $562.4 million compared to $533.9 million for the same period of last year. The Communications segment contributed revenues of $403.2 million (first quarter of 2015 - $389.0 million) and the Surveillance and Intelligence segment contributed revenues of $159.2 million (first quarter of 2015 - $144.9 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 $2.5 billion as at March 31, 2016 (December 31, 2015 - $2.9 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 further discussion of bookings activity by segment.

Operating EBITDA

Operating EBITDA is a measure utilized by management to evaluate the operational performance of the Company’s operating segments. For the first quarter of 2016, operating EBITDA was $97.2 million compared to $93.5 million for the first quarter of 2015. The Communications segment contributed operating EBITDA of $59.5 million (first quarter of 2015 - $52.4 million) and the Surveillance and Intelligence segment contributed operating EBITDA of $37.7 million (first quarter of 2015 - $41.1 million). Refer to section “Results By Segment” of this MD&A for further discussion of operating EBITDA by segment.

Corporate expense

Corporate expense for the first quarter of 2016 was $4.2 million compared to $3.1 million for the corresponding period of last year. 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, 2016	Three months ended March 31, 2015
($ millions)		
Finance expense:		
Interest on long-term debt	8.7	7.9
Interest expense on defined benefit pension and other post-retirement benefit obligations	3.3	2.8
Capitalization of borrowing costs	(0.6)	(0.4)
Imputed interest and other	1.5	1.4
Finance income	(0.0)	(0.1)
Net finance expense	12.9	11.6

The increase in net finance expense reflected the impact of foreign currency translation on interest expense denominated in U.S. dollars.

Depreciation and amortization

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
($ millions)		
Property, plant and equipment	11.7	11.0
Intangible assets[1]	3.4	2.9
Depreciation and amortization	15.1	13.9

[1] Excluding intangible assets arising from acquisitions.

The increase in depreciation and amortization expense reflected the impact of foreign currency translation on U.S. dollar denominated expenses.

Income tax expense on operating earnings

Income tax expense on operating earnings for the first quarter of 2016 was $9.1 million, representing an effective income tax rate of 14% compared to 15% for fiscal year 2015. 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, were $55.9 million ($1.53 per share) for the first quarter of 2016, consistent with $55.1 million ($1.53 per share) for the same period of last year. The reclassification of certain share-based awards as equity-settled awards in May 2015 had a dilutive effect on operating earnings per share in the current quarter.

Net earnings

The comparison of financial results under IFRS between periods 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. Giving effect to the specified items affecting comparability, net earnings for the first quarter of 2016 were $40.7 million compared to $38.2 million for the same period of last year. The specified items affecting comparability are discussed below.

Share-based compensation

Share-based compensation expense for the first quarter of 2016 was $3.9 million compared to $10.5 million for the same period of last year. Share-based compensation is an important aspect of compensation for management and key employees. However, the accounting expense 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. With the reclassification of certain share-based awards as equity-settled awards, the volatility to net earnings is expected to decrease as the accounting expense for equity-settled awards is based on fair value at the date of grant. Unlike cash-settled awards, the fair value of equity-settled awards is not re-measured at each period end. In the first quarter of 2016, the Company issued 6,536 common shares from treasury to settle the exercise of equity-settled awards.

The accounting expense for share-based compensation is not reflective of actual cash outlays by the Company in any particular period. The average cash outlay on share-based compensation was approximately $33 million per year over the five-year period ended March 31, 2016. Over the twelve-month period ended March 31, 2016, cash outlay on share-based compensation was equivalent to 1.1% of total salaries and benefits. The reclassification of certain share-based awards as equity-settled awards is also expected to reduce the cash outlay on share-based compensation for future periods.

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 acquisitions of Space Systems/Loral, LLC in 2012 and Advanced Systems in 2014 have resulted in fair value adjustments to finite life intangible assets, which are being amortized over estimated lives of five to twenty years. Amortization expense on acquisition related intangible assets for the first quarter of 2016 was $11.0 million compared to $9.8 million for the same period of last year. The increase was mainly due to the impact of foreign currency translation on U.S. dollar denominated expenses.

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.

In the first quarter of 2016, the Company recognized enterprise improvement costs of $4.8 million. Working with industry consultants, the Company has identified a number of new efficiency optimization projects. The consultants are also assisting the Company with the implementation of these projects over the next several quarters. The costs that were recognized this quarter relate to the expected consulting fees for the entire engagement, including applicable performance incentives.

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 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 financial 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 neither been hedged nor subject to hedge accounting, results in the recognition of unrealized foreign exchange gains and losses in the Company's consolidated 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. Fluctuations of the U.S. dollar relative to the Canadian dollar would result in variability to revenues and expenses from the Company's operations based in the United States, as well as to interest expense on long-term debt. The strengthening of the U.S. dollar relative to the Euro impacts the Company's ability to compete against its European competitors, putting pricing pressure on bids primarily in the commercial communication satellite market.

Financial position
The Company had total assets of $3.4 billion as at March 31, 2016 (December 31, 2015 - $3.6 billion). Changes in the balances of major classes of assets and liabilities, including trade

receivables and payables, construction contract assets and liabilities, inventories, non-financial assets and employee benefits, occurred in the ordinary course of business. Changes in the balances, including those of intangible assets and goodwill, also reflected the impact of foreign currency translation as the Canadian dollar strengthened against the U.S. dollar as at March 31, 2016 compared to December 31, 2015.

Total long-term debt as at March 31, 2016 was $948.9 million (December 31, 2015 - $986.3 million). The following table shows the changes to long-term debt for the three months ended March 31, 2016.

($ millions)	
Balance as at December 31, 2015	986.3
Proceeds from revolving loan facility and other long-term debt	23.9
Foreign currency translation and other	(61.3)
Balance as at March 31, 2016	948.9

The decrease in the balance of long-term debt was attributed to foreign currency translation, net of draws on the revolving loan facility to fund working capital requirements and capital expenditures.

Shareholders' equity as at March 31, 2016 was $1,055.4 million compared to $1,107.7 million as at December 31, 2015. The following table shows the changes to shareholders' equity for the three months ended March 31, 2016.

($ millions)	
Balance as at December 31, 2015	1,107.7
Net earnings	40.7
Other comprehensive loss	(83.8)
Dividends	(13.4)
Equity-settled share-based compensation expense	2.8
Common shares issued under employee share purchase plan	1.4
Balance as at March 31, 2016	1,055.4

Other comprehensive loss was mainly comprised of unrealized foreign exchange losses 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.

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 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 payloads, 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, 2016	Three months ended March 31, 2015
($ millions)		
Revenues	403.2	389.0
Operating EBITDA	59.5	52.4

The increase in revenues from Communications reflected the net impact of foreign currency translation, lower volume of flowthrough items in the current quarter and the variability in quarterly revenues inherent in satellite construction programs.

For the first quarter of 2016, operating EBITDA as a percentage of revenues from Communications was 14.7% compared to 13.9% for fiscal year 2015 and 13.5% for the first quarter of last year. The increase reflected the mix of construction programs in progress.

Notable bookings in the Communications segment announced in the first quarter of 2016 included:

- contract with Eutelsat to construct the Eutelsat 7C satellite, a high-powered all-electric communication satellite that will provide broadcast services to multiple regions including Africa, the Middle East and Turkey. All-electric satellites provide efficient solutions for satellite operators by reducing launch mass while retaining payload performance;
- contract with Thales Alenia Space, prime contractor for the O3b constellation, to provide 96 communication antenna subsystems; and
- authorization to proceed from Airbus Defence and Space for the development of multiple communication subsystems to be integrated into the Inmarsat-6 mobile communication satellites.

In March 2016, the Eutelsat 65 West A satellite was launched and commenced post-launch maneuvers according to plan. The large multi-mission satellite is designed to provide video and data services and broadband connectivity in Brazil and Latin America. Post-launch, the Company and Eutelsat Communications have successfully carried out transmissions in Extremely High Frequencies using an experimental payload on the satellite. The two companies are analyzing the potential of the Q/V band as an enabler of future terabit satellite broadband programs.

In 2014, the Company declared force majeure with respect to the ground infrastructure of the Ukraine communication satellite program. The Company has completed work on the spacecraft, which is in storage. With force majeure in place and no new funding available at present to address the force majeure impact, any other further work on the program is uncertain.

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, 2016	Three months ended March 31, 2015
($ millions)		
Revenues	159.2	144.9
Operating EBITDA	37.7	41.1

The increase in revenues from Surveillance and Intelligence reflected higher volume of flowthrough items in the current quarter and the variability in revenues inherent in long-term construction contracts. Revenues from geospatial services for the first quarter of 2016 were comparable to the same period of last year.

The decrease in operating EBITDA from Surveillance and Intelligence reflected the particular mix of construction and service activities in the first quarter of 2016.

Notable bookings in the Surveillance and Intelligence segment announced in the first quarter of 2016 included:

- contract with Terra Bella, a subsidiary of Google Inc., to build six low Earth orbit satellites for Earth imaging;
- contract with NASA's Jet Propulsion Laboratory to conduct first phase design studies for a spacecraft on the Asteroid Redirect Mission. NASA is developing a first-ever robotic mission to visit a large near-Earth asteroid, collect a multi-ton boulder from its surface, and redirect the boulder into a lunar orbit so it can be explored by astronauts in the 2020s;
- contract with NASA's Jet Propulsion Laboratory to design and build the Sample Handling Assembly for the Mars 2020 Mission. The robotic arm will be used on a rover vehicle exploring Mars to collect, process and store rock and soil samples from the planet's surface; and
- contracts with DigitalGlobe Inc. to provide new ground station solutions to two international customers. The ground stations will receive and process imagery and data from DigitalGlobe's satellite constellation, and are also configurable to receive and process data from the RADARSAT-2 satellite.

QUARTERLY INFORMATION

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

	Q1 2016	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
($ millions, except per common share amounts)								
Consolidated revenues	562.4	544.3	515.4	523.7	533.9	547.0	506.6	552.7
Operating EBITDA[1]	97.2	94.8	93.9	94.6	93.5	87.4	84.8	90.7
Operating earnings[1]	55.9	54.9	54.6	56.6	55.1	53.9	50.7	53.9
Operating earnings per share	1.53	1.51	1.50	1.56	1.53	1.49	1.41	1.50
Net earnings (loss)	40.7	5.8	55.3	43.6	38.2	(35.8)	21.5	36.5
Net earnings (loss) per share, basic	1.12	0.16	1.53	1.20	1.06	(0.99)	0.60	1.01
Net earnings (loss) per share, diluted	1.10	0.16	1.41	1.20	1.06	(0.99)	0.60	1.01
Weighted average number of common shares outstanding: *(millions)*								
Basic	36.3	36.3	36.3	36.2	36.1	36.1	36.1	36.1
Diluted	36.5	36.4	36.5	36.2	36.1	36.1	36.1	36.1

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

Revenues and operating EBITDA may vary from quarter to quarter due to a number of factors. They include: the size and number of construction contracts in progress; changes in the revenue mix of service and construction contracts and the contract life cycle of large construction contracts; recognition of investment tax credits; fluctuations in foreign exchange rates; volume of flowthrough items; and the impact of revisions of total cost and revenue estimates on construction contracts, including recognition of expected contract losses.

The volatility in the Company's net earnings quarter over quarter is primarily due to the impact of fair valuation on share-based compensation and fluctuations in foreign exchange rates, as well as the recognition of costs related to the settlement of the ViaSat litigation, enterprise improvement initiatives, and pension plan amendments. These and other factors affecting the comparability of net earnings over the last eight quarters are provided in section "Reconciliation" 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 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 facilities, equipment, technologies, and research and development 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, 2016	Three months ended March 31, 2015
($ millions)		
Cash provided by operations[1]	90.5	75.9
Changes in operating assets and liabilities	(90.7)	10.7
Cash provided by (used in) operating activities	(0.2)	86.6
Cash used in investing activities	(24.3)	(17.5)
Cash provided by (used in) financing activities	5.9	(75.5)
Effect of foreign currency on cash and cash equivalents	(5.0)	1.9
Cash and cash equivalents, beginning of period	41.6	17.1
Cash and cash equivalents, end of period	18.0	12.6

[1] Before changes in operating assets and liabilities.

Operating activities

In the first quarter of 2016, the Company used $235,000 in operating activities compared to having generated $86.6 million for the same period of last year. The net use of $90.7 million in non-cash working capital items this quarter mainly related to the drawdown of construction contract liabilities.

The timing of the Company's working capital inflows and outflows will always have an impact on the cash flow from operating activities, given its portfolio of large construction programs. 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

In the first quarter of 2016, the Company used $24.3 million for investing activities compared to $17.5 million for the same period of last year. The major investing activities were purchases of property, plant and equipment of $8.0 million (first quarter of 2015 - $10.1 million) and investments in technologies and software of $16.2 million (first quarter of 2015 - $6.4 million). Investments in technologies and software were greater this quarter as the Company capitalized higher levels of development costs on certain key satellite research programs that have progressed to the development phase.

Financing activities

The Company received $5.9 million from financing activities in the first quarter of 2016, compared to having used $75.5 million in the corresponding period of 2015. The variability in first quarter cash flows from financing activities, year over year, reflected the timing of draws and repayments of long-term debt. In the first quarter of 2016, the Company received proceeds of $23.9 million from long-term debt. Whereas in the same period of last year, the Company repaid $59.1 million in long-term debt, including the final installment on the promissory note payable to Loral Space & Communications Inc. that was issued as part of the Company's acquisition of Space Systems/Loral, LLC in 2012.

In the first quarter of 2016, the Company paid dividends of $13.4 million (first quarter of 2015 - $13.4 million), representing a quarterly dividend of $0.37 per common share.

Credit facilities

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

	March 31, 2016	**December 31, 2015**
($ millions)		
Syndicated credit facility	489.0	495.5
Senior term notes	454.0	484.4
Financing fees	(0.7)	(0.7)
Obligations under finance leases	6.6	7.1
Long-term debt	948.9	986.3

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 of up to US$700 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 2018. The syndicated credit facility is guaranteed by certain of the Company's 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, 2016, the applicable margin was 1.7%.

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.

The Company also has in place a total of US$100 million in letter of credit agreements with major banks.

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 certain of the Company’s 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, 2016, 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, 2016, 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, net investments and loans denominated in a currency other than the functional currency of the Company and its subsidiaries. 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, 2016, the Company had foreign exchange forward purchase contracts for $396 million (December 31, 2015 - $346 million) and foreign exchange forward sales contracts for $790 million (December 31, 2015 - $746 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, 2016, the Company's foreign exchange forward contracts had a cumulative net unrealized loss on fair valuation of $6 million (December 31, 2015 - cumulative net unrealized gain of $14 million). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $3 million recorded in other comprehensive income as at March 31, 2016 (December 31, 2015 - cumulative net gain of $17 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 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, 2016, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a gain of $1.1 million compared to a gain of $0.3 million for the same period of 2015.

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, 2015. In the first quarter of 2016, 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 controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS.

There were no changes in the Company's internal controls over financial reporting that occurred in the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls 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.

Dividends

Quarterly common share dividends paid in 2016:	
Dividend per share, paid March 31, 2016	$0.37

On May 4, 2016, the Company declared a quarterly dividend of $0.37 per common share payable on June 30, 2016 to shareholders of record at the close of business on June 15, 2016.

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. As at March 31, 2016, the Company had 36,250,373 common shares with no par value outstanding.

As at April 22, 2016, the Company had 36,254,629 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.

RECONCILIATION

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

	Q1 2016	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
($ millions)								
Operating EBITDA	97.2	94.8	93.9	94.6	93.5	87.4	84.8	90.7
Corporate expense	(4.2)	(2.7)	(2.9)	(2.2)	(3.1)	(2.5)	(2.9)	(2.8)
Net finance expense	(12.9)	(11.8)	(11.6)	(11.4)	(11.6)	(8.8)	(8.5)	(8.3)
Depreciation and amortization[1]	(15.1)	(15.6)	(15.6)	(13.7)	(13.9)	(12.7)	(12.7)	(11.9)
Income tax expense on operating earnings	(9.1)	(9.8)	(9.2)	(10.7)	(9.8)	(9.5)	(10.0)	(13.8)
Operating earnings	55.9	54.9	54.6	56.6	55.1	53.9	50.7	53.9
Items affecting comparability:								
Share-based compensation recovery (expense)	(3.9)	(13.9)	9.3	0.9	(10.5)	(28.1)	0.0	(6.1)
Amortization of acquisition related intangible assets	(11.0)	(10.7)	(10.5)	(9.6)	(9.8)	(8.9)	(8.0)	(8.0)
Enterprise improvement costs	(4.8)	(10.4)	(4.4)	0.3	1.6	-	(15.6)	-
Foreign exchange gain (loss)	3.8	(8.9)	2.4	1.5	(1.5)	(5.1)	(3.1)	0.1
ViaSat settlement and associated activities	-	-	-	-	-	(47.6)	(2.5)	(2.4)
Pension and other post-retirement plan amendments	-	-	-	-	-	(1.8)	(2.1)	(2.1)
Acquisition related expense	-	-	-	-	-	(0.2)	(0.7)	-
Income tax expense adjustment	0.7	(5.2)	3.9	(6.1)	3.3	2.0	2.8	1.1
Net earnings (loss)	40.7	5.8	55.3	43.6	38.2	(35.8)	21.5	36.5

[1] Excludes amortization of acquisition related intangible assets.

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three months ended March 31, 2016 and 2015
(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, 2016 and 2015

	Note	2016	2015
Revenues	3	$ 562,395	$ 533,896
Direct costs, selling, general and administration	4	468,176	444,563
Depreciation and amortization		26,059	23,719
Foreign exchange loss (gain)		(2,501)	490
Share-based compensation expense	9	3,930	10,516
Other expense (income)	5	4,771	(1,634)
Earnings before interest and income taxes		61,960	56,242
Finance income		(43)	(57)
Finance expense		12,934	11,642
Earnings before income taxes		49,069	44,657
Income tax expense		8,403	6,482
Net earnings		$ 40,666	$ 38,175
Net earnings per common share:			
Basic	8	$ 1.12	$ 1.06
Diluted	8	1.10	1.06

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

Three months ended March 31, 2016 and 2015

	2016	2015
Net earnings	$ 40,666	$ 38,175
Other comprehensive income (loss):		
Items that may be subsequently reclassified to earnings (loss):		
Foreign currency translation adjustment	(76,030)	90,512
Net gain (loss) on hedge of net investment in foreign operations (net of income tax expense of $834 and nil, respectively)	9,456	(16,230)
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax expense of $489 and $303, respectively)	(16,861)	27,873
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax recovery of $355 and $146, respectively)	(332)	(3,220)
Net change in fair value of available-for-sale financial assets (net of income tax recovery of $2 and income tax expense of $17, respectively)	(16)	111
Other comprehensive income (loss), net of income taxes	(83,783)	99,046
Comprehensive income (loss)	$ (43,117)	$ 137,221

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, 2016	December 31, 2015
Assets			
Current assets:			
Cash and cash equivalents		$ 18,022	$ 41,557
Trade and other receivables		361,371	379,033
Financial assets, other		49,958	65,542
Construction contract assets		173,924	198,316
Inventories		123,190	144,285
Non-financial assets		173,312	166,945
Current tax assets		71,492	69,368
		971,269	1,065,046
Non-current assets:			
Orbital receivables		539,073	566,995
Financial assets, other		83,463	76,283
Non-financial assets		5,666	4,808
Deferred tax assets		14,785	12,997
Property, plant and equipment		455,208	486,450
Intangible assets		409,194	433,757
Goodwill		911,009	964,695
		2,418,398	2,545,985
		$ 3,389,667	$ 3,611,031
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 229,465	$ 231,634
Current tax liabilities		66,395	63,863
Financial liabilities, other		46,070	44,235
Provisions		10,816	12,690
Employee benefits		94,950	106,495
Non-financial liabilities		21,727	22,540
Construction contract liabilities		510,973	606,708
Current portion of long-term debt	6	132,272	2,719
		1,112,668	1,090,884
Non-current liabilities:			
Financial liabilities, other		21,620	29,672
Provisions		37,709	39,974
Employee benefits		306,046	320,131
Non-financial liabilities		23,627	25,884
Deferred tax liabilities		16,042	13,172
Long-term debt	6	816,604	983,608
		2,334,316	2,503,325
Shareholders’ equity:			
Share capital	7	512,591	510,544
Contributed surplus		39,914	37,786
Retained earnings		251,813	224,560
Accumulated other comprehensive income		251,033	334,816
		1,055,351	1,107,706
		$ 3,389,667	$ 3,611,031

Subsequent event (note 12)

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, 2016

				Accumulated other comprehensive income						
	Share capital	**Contributed surplus**	**Retained earnings**	Net gain (loss) on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains (losses) on cash flow hedges	Fair value gains (losses) 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, 2016	**$ 510,544**	**$ 37,786**	**$ 224,560**	$ (40,484)	$ 333,240	$ 18,190	$ 888	$ 22,982	**$ 334,816**	**$ 1,107,706**
Common shares issued under employee share purchase plan	**1,365**	**-**	**-**	-	-	-	-	-	**-**	**1,365**
Common shares issued upon exercise of share-based compensation awards	**682**	**(682)**	**-**	-	-	-	-	-	**-**	**-**
Equity-settled share-based compensation expense	**-**	**2,810**	**-**	-	-	-	-	-	**-**	**2,810**
Dividends	**-**	**-**	**(13,413)**	-	-	-	-	-	**-**	**(13,413)**
Comprehensive income (loss)	**-**	**-**	**40,666**	9,456	(76,030)	(17,193)	(16)	-	**(83,783)**	**(43,117)**
Balance as at March 31, 2016	**$ 512,591**	**$ 39,914**	**$ 251,813**	$ (31,028)	$ 257,210	$ 997	$ 872	$ 22,982	**$ 251,033**	**$ 1,055,351**

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 under 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**

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, 2016 and 2015

	Note	2016	2015
Cash flows provided by (used in):			
Operating activities:			
Net earnings		$ 40,666	$ 38,175
Adjustments to reconcile to net cash from operating activities:			
Depreciation of property, plant and equipment		11,669	11,017
Amortization of intangible assets		14,390	12,702
Share-based compensation expense	9	3,930	10,516
Finance income		(43)	(57)
Finance expense		9,584	8,810
Foreign exchange loss (gain)		6,988	(8,795)
Income tax expense		8,403	6,482
Income taxes paid		(5,227)	(2,951)
Income taxes recovered		148	24
Changes in operating assets and liabilities	11	(90,743)	10,720
Cash provided by (used in) operating activities		(235)	86,643
Investing activities:			
Purchase of property, plant and equipment		(8,024)	(10,083)
Purchase/development of intangible assets		(16,220)	(6,413)
Disposal of short-term investments		33	51
Increase in restricted cash		(163)	(1,266)
Interest received on short-term investments and other		43	57
Acquisition of Advanced Systems, net of cash acquired		-	121
Cash used in investing activities		(24,331)	(17,533)
Financing activities:			
Proceeds from (repayment of) revolving loan facility and other long-term debt		23,915	(16,421)
Repayment of promissory note payable		-	(42,699)
Interest paid on long-term debt		(5,482)	(4,232)
Repayment of interest free government assistance		(214)	-
Proceeds from issuance of common shares issued under employee share purchase plan		1,160	1,155
Payment of dividends	7	(13,413)	(13,367)
Cash provided by (used in) financing activities		5,966	(75,564)
Decrease in cash and cash equivalents		(18,600)	(6,454)
Effect of foreign currency on cash and cash equivalents		(4,935)	1,942
Cash and cash equivalents, beginning of period		41,557	17,130
Cash and cash equivalents, end of period		$ 18,022	$ 12,618

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, 2015. 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, 2015, which are included in the Company's 2015 annual report.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 4, 2016.

3. Revenue and segmented information:

The Company's business 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, 2015, 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.

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

3. Revenue and segmented information (continued):

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

Three months ended March 31, 2016	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 403,149	$ 159,246	$ -	$ 562,395
Internal revenue	1,117	353	(1,470)	-
	404,266	159,599	(1,470)	562,395
Segment earnings:				
Operating EBITDA	59,455	37,725	-	97,180
Depreciation and amortization	12,733	2,351	-	15,084
Segment profits	46,722	35,374	-	82,096
Capital expenditures:				
Property, plant and equipment	7,588	892	-	8,480
Intangible assets	14,897	1,323	-	16,220
	22,485	2,215	-	24,700

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

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

3. Revenue and segmented information (continued):

Reconciliation to earnings before income taxes:

	Three months ended March 31, 2016	2015
Segment profit	$ 82,096	$ 79,563
Corporate expenses	(4,231)	(3,108)
Amortization of acquisition related intangible assets	(10,975)	(9,813)
Foreign exchange differences	3,771	(1,518)
Share-based compensation expense (note 9)	(3,930)	(10,516)
Finance income	43	57
Finance expense	(12,934)	(11,642)
Other income (expense) (note 5)	(4,771)	1,634
Earnings before income taxes	$ 49,069	$ 44,657

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

	Three months ended March 31, 2016	2015
Construction contracts	$ 484,282	$ 458,091
Services	78,113	75,805
	$ 562,395	$ 533,896

Revenue from construction contracts includes orbital income of $8,942,000 (2015 - $8,373,000).

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

	Three months ended March 31, 2016	2015
Revenue:		
United States	$ 149,251	$ 163,845
Canada	140,043	71,830
Asia	133,494	127,670
Europe	117,368	102,493
South America	20,299	52,273
Australia	1,214	13,725
Other	726	2,060
	$ 562,395	$ 533,896

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

3. Revenue and segmented information (continued):

Revenue from significant customers is as follows:

	Three months ended March 31, 2016	2015
Commercial:		
Customer 1	$ 58,264	$ 40,421
Customer 2	57,801	-
Government:		
Canadian Federal Government and agencies	77,731	65,701
U.S. Federal Government and agencies	32,071	35,138

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

	March 31, 2016	December 31, 2015
United States	$ 1,619,847	$ 1,728,960
Canada	161,143	160,656
Europe	87	94
	$ 1,781,077	$ 1,889,710

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

4. Expenses by nature:

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

	Three months ended March 31, 2016	2015
Employee salaries and benefits	$ 187,860	$ 176,070
Costs related to defined benefit plans	2,338	2,612
Costs related to defined contribution plans	4,872	4,723
Inventories used	56,963	43,257
Subcontractor costs relating to construction and service contracts	147,176	160,836
Materials, equipment, professional fees, travel and other	68,967	57,065
Direct costs, selling, general and administration	468,176	444,563
Depreciation and amortization	26,059	23,719
Foreign exchange loss (gain)	(2,501)	490
Share-based compensation expense (note 9)	3,930	10,516
Other expense (income) (note 5)	4,771	(1,634)
	$ 500,435	$ 477,654

5. Other expense (income):

In the first quarter of 2016, the Company recognized enterprise improvement costs of $4,771,000 for consulting fees in connection with its formal restructuring plan and comprehensive review of its satellite manufacturing operations. A provision of $7,216,000 has been recognized on the balance sheet for these costs as at March 31, 2016. In the first quarter of 2015, the Company revised estimates and recognized a recovery of $1,634,000 to reverse certain enterprise improvement costs recorded in 2014.

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

6. Long-term debt:

	March 31, 2016	December 31, 2015
Syndicated credit facility:		
Revolving loan payable in U.S. dollars (March 31, 2016 - U.S.$377,000; December 31, 2015 - U.S.$358,000)	$ 489,007	$ 495,472
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (March 31, 2016 - U.S.$250,000; December 31, 2015 - U.S.$250,000)	324,275	346,000
2017 Term notes payable in U.S. dollars (March 31, 2016 - U.S.$100,000; December 31, 2015 - U.S.$100,000)	129,710	138,400
Financing fees	(677)	(710)
Obligations under finance leases	6,561	7,165
Total long-term debt	948,876	986,327
Current portion	(132,272)	(2,719)
Non-current portion	$ 816,604	$ 983,608

7. 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, 2016	36,227,952	$ 510,544
Common shares issued under employee share purchase plan	15,885	1,365
Common shares issued upon exercise of share-based compensation awards	6,536	682
Balance as at March 31, 2016	36,250,373	$ 512,591

For the three months ended March 31, 2016, the Company declared and paid a quarterly dividend of $0.37 per common share (2015 - quarterly dividend of $0.37).

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

8. Earnings per common share:

Basic earnings per common share is computed by dividing net earnings by the sum of the weighted average number of common shares outstanding during the period plus outstanding deferred share units awards.

The following table outlines the calculation of basic earnings per common share:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net earnings	$ 40,666	$ 38,175
Weighted average number of common shares outstanding	36,245,659	36,123,772
Deferred share units outstanding	79,885	-
Weighted average number of common shares outstanding - basic	36,325,544	36,123,772
Earnings per common share - basic	$ 1.12	$ 1.06

Diluted earnings per common share is computed by adjusting the basic earnings per common share calculation, as described above, for the effects of all potentially dilutive share appreciation rights.

The following table outlines the calculation of diluted earnings per common share:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net earnings - basic	$ 40,666	$ 38,175
Effect of potentially dilutive share appreciation rights	(340)	-
Net earnings - dilutive	$ 40,326	$ 38,175
Weighted average number of common shares outstanding - basic	36,325,544	36,123,772
Effect of potentially dilutive share appreciation rights	212,305	-
Weighted average number of common shares outstanding - diluted	36,537,849	36,123,772
Earnings per common share - diluted	$ 1.10	$ 1.06

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

8. Earnings per common share (continued):

As at March 31, 2016, 2,018,000 share-based compensation awards (2015 - nil) were excluded from the diluted weighted average number of ordinary shares outstanding calculation because their effect would have been anti-dilutive.

The average market value of the Company's common shares for the purpose of calculating the dilutive effect of share-based compensation awards was based on quoted market prices for the period during the year in which the share-based compensation awards were outstanding.

9. Share-based payment plans:

Total share-based compensation expense from all forms of share-based payment plans for the three months ended March 31, 2016 was $3,930,000 (2015 - $10,516,000). The details are as follows:

	Three months ended March 31,	
	2016	2015
Share appreciation rights:		
Cash-settled	$ 874	$ 9,950
Equity-settled	2,683	-
Deferred share units:		
Cash-settled	-	336
Equity-settled	127	-
Share matching program	41	27
Employee share purchase plan	205	203
	$ 3,930	$ 10,516

As at March 31, 2016, the intrinsic value for vested cash-settled 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 $9,728,000 (December 31, 2015 - $9,996,000).

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

10. 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, 2016:

	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	$ -	$ -	$ 18,022	$ -	$ -	$ 18,022
Trade and other receivables:						
Trade accounts receivable	-	-	292,778	-	-	292,778
Orbital receivables	-	-	31,306	-	-	31,306
Other	-	-	6,674	-	30,613	37,287
	-	-	330,758	-	30,613	361,371
Financial assets, other:						
Short-term investments	-	-	-	7,562	-	7,562
Notes receivable	-	-	431	-	-	431
Derivative financial instruments	13,966	10,162	-	-	-	24,128
Restricted cash	-	-	17,837	-	-	17,837
	13,966	10,162	18,268	7,562	-	49,958
Non-current:						
Orbital receivables	-	-	539,073	-	-	539,073
Financial assets, other:						
Notes receivable	-	-	24,914	-	-	24,914
Derivative financial instruments	6,433	3,192	-	-	-	9,625
Long-term investments	-	-	-	32,713	-	32,713
Restricted cash	-	-	16,211	-	-	16,211
	6,433	3,192	41,125	32,713	-	83,463

As at March 31, 2016, long-term investments is comprised of an investment of $32,713,000 (December 31, 2015 - $32,713,000) in unquoted equity securities in which the Company does not have significant influence. The fair value of these unquoted equity securities cannot be reliably determined due to the lack of an active market and are carried at cost.

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

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

(a) Financial instruments by category (continued):

As at March 31, 2016:

	Financial assets 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	$ -	$ -	$ 229,465	$ 229,465
Financial liabilities, other:				
Non-trade payables	-	-	22,055	22,055
Derivative financial instruments	13,866	10,149	-	24,015
	13,866	10,149	22,055	46,070
Long-term debt:				
Current portion of long-term debt	-	-	129,557	129,557
Obligations under finance leases	-	-	2,715	2,715
	-	-	132,272	132,272
Non-current:				
Financial liabilities, other:				
Non-trade payables	-	-	11,451	11,451
Derivative financial instruments	2,933	7,236	-	10,169
	2,933	7,236	11,451	21,620
Long-term debt:				
Long-term debt	-	-	812,758	812,758
Obligations under finance leases	-	-	3,846	3,846
	-	-	816,604	816,604

As at March 31, 2016, the Company had designated $64,855,000 (U.S.$50,000,000) (December 31, 2015 - $138,400,000 (U.S.$100,000,000)) of its 2017 Term Notes and $43,583,000 (U.S.$33,600,000) (December 31, 2015 - $52,315,000 (U.S. $37,800,000)) of foreign exchange forward sell contracts as a hedge of its investment in certain U.S. subsidiaries.

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

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at March 31, 2016 and December 31 2015, the fair values of all financial instruments carried at amortized cost, other than long-term debt and orbital receivables, 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, 2016, was $968,736,000 (December 31, 2015 - $996,529,000) as compared to the carrying value of $942,315,000 (December 31, 2015 - $979,162,000). As at March 31, 2016, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $66,476,000 (December 31, 2015 - $142,546,000) and a carrying value of $64,855,000 (December 31, 2015 - $138,400,000). The fair value of obligations under finance leases approximates their carrying value.

The fair value of orbital receivables is estimated based on a discounted cash flow approach using discount rates that reflect the credit risk of counterparties. The estimated fair value of orbital receivables at March 31, 2016 was $627,702,000 (December 31, 2015 - $657,573,000) as compared to the carrying value of $570,379,000 (December 31, 2015 - $598,859,000).

As at March 31, 2016 and December 31, 2015, the carrying amount of financial assets pledged as collateral amounted to $2,038,407,000 and $2,189,345,000, 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).

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

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

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

Financial instruments carried at fair value (continued):

March 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 7,562	$ -	$ -	$ 7,562
Derivative financial instruments	-	33,753	-	33,753
Total assets	$ 7,562	$ 33,753	$ -	$ 41,315
Liabilities				
Derivative financial instruments	$ -	$ 34,184	$ -	$ 34,184

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

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.

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

11. Supplemental cash flow information:

	Three months ended March 31, 2016	2015
Change in operating assets and liabilities:		
Trade and other receivables	$ 5,699	$ 62,567
Construction contract assets	15,907	50,084
Financial assets, other	(16,393)	117
Inventories	12,797	(18,182)
Current tax assets	(3,443)	(6,825)
Non-financial assets	(17,577)	26,620
Orbital receivables	(7,998)	(7,068)
Trade and other payables	1,218	44,319
Financial liabilities, other	(5,652)	(4,612)
Provisions	(1,201)	(6,968)
Construction contract liabilities	(69,268)	(82,560)
Employee benefits	(3,149)	(47,475)
Non-financial liabilities	(1,683)	703
	$ (90,743)	$ 10,720

12. Subsequent event:

On May 4, 2016, the Company declared a quarterly dividend of $0.37 per common share payable on June 30, 2016 to shareholders of record at the close of business on June 15, 2016.

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