MacDonald, Dettwiler and Associates Ltd.

Second Quarter Report 2013

Three and Six Months Ended June 30, 2013

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements

Q2

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2013

For purposes of this discussion, *MDA* and *the Company* refer to MacDonald, Dettwiler and Associates Ltd. and its subsidiaries. *This quarter* means the three months ended June 30, 2013. *Year to date* means the six months ended June 30, 2013.

ADVISORY

This management's discussion and analysis ("MD&A"), dated July 31, 2013, should be read in conjunction with the cautionary statement regarding forward-looking statements below and the Company's consolidated financial statements for the three and six months ended June 30, 2013, as well with the Company's consolidated financial statements and MD&A for the year ended December 31, 2012. Unless otherwise indicated, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. An additional advisory with respect to the use of non-IFRS financial measures is set out in section "Non-IFRS Financial Measures" of this MD&A. All quarterly information disclosed in the MD&A is based on unaudited figures.

Unless otherwise indicated, the Company's significant accounting policies and estimates, contractual obligations, commitments, and business risks and uncertainties, as described in its MD&A for the year ended December 31, 2012, are substantially unchanged.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect the Company's current view of future events and financial performance. Forward-looking statements in this MD&A include, but are not limited to, statements regarding: anticipated revenues and customer contract values under sections "Consolidated Results" and "Results By Segment"; progress of construction activity on the RADARSAT Constellation Mission under section "Results By Segment"; and the Company's liquidity and financial resources 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: anticipated revenues and customer contract values was based on the Company's continuing ability to effectively service customers and there being no adverse changes to customer priorities and funding levels; progress of construction activity on the RADARSAT Constellation Mission was based on current project plans; and the Company's liquidity and financial resources 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 from current expectations include, but are not limited to: changes in government policies, priorities, funding levels, contracts or regulations; failure of third party subcontractors to complete contracts for which the Company is the prime contractor; risks of performance on firm fixed price construction contracts; changes in estimates of total revenues and costs on contracts; 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; failure of the Company to manage its acquisitions and breaches of contracts and indemnities and related risks on divestitures; partial or complete satellite failure; dependence on electronic systems and data and system security threats; detrimental reliance on third parties for data; dependence on key employees, potential for work stoppages and lack of oversight over a U.S. proxy board and management; failure to anticipate changes in technology, technical standards and offerings or comply with the requisite standards; failure to maintain technological advances and market positions; significant competition; 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 law and 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; failure of counterparties in financing arrangements and financial derivative contracts and potential breach of financial covenants in credit agreements and note purchase agreements; wrongful call on letters of credit and performance bonds; insufficient insurance against material claims or losses; and exposure to fines and/or legal sanctions under anti-corruption laws.

The risks specific to the operation of MDA's wholly-owned subsidiary Space Systems/Loral, LLC ("SSL") that could cause actual results to differ materially from current expectations include, but are not limited to: significant competition in the satellite manufacturing market; unanticipated changes in SSL's end-user markets; inclusion of satellite performance incentives in many of SSL's customer contracts; failure to maintain technological advances that meet its customers' changing requirements; potential that SSL's satellites will not be successfully developed or manufactured; potential for component failure or performance issues on SSL's on-orbit satellites and resulting loss of revenue and harm to SSL's reputation; SSL's future operating results are dependent on the growth in the businesses of its customers and on its ability to sell to new customers; SSL's contracts are subject to adjustments, cost overruns and termination; certain of SSL's customers are highly leveraged and may not fulfill their contractual payment obligations with SSL; many of SSL's costs are fixed and SSL 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 SSL's ability to perform its contracts as efficiently as planned; SSL's ability to obtain certain satellite construction contracts depends, in part, on its ability to provide the customer with financing; reliance on key suppliers to provide certain component parts; changes in regulations, telecommunication standards and laws due to political and economic instability in the countries in which SSL conducts business; reliance on patents and potential infringement of third party patents by SSL; and changes in U.S. and foreign laws and regulations, including U.S. export control and economic sanction laws, governing SSL's business.

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, 2012, 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, principally 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. Customers that procure MDA’s infrastructure and sustaining engineering services represent some of the world’s leading commercial and government enterprises.

MDA’s well-established global customer base is served by more than 4,500 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

MDA designs, manufactures and integrates satellites, satellite sub-systems and advanced antennas for commercial and government customers worldwide. The Company’s solutions meet a broad range of customer requirements for broadband internet service to the home, mobile video and internet service, broadcast feeds for television and radio distribution, phone service, civil and defence communications, direct-to-home television broadcast, satellite radio, telecommunications backhaul and trunking, weather and environmental monitoring and air traffic control. In addition, the Company produces spacecraft subsystems and integrates government and other add-on missions on commercial satellites.

Surveillance and Intelligence

MDA provides ground-based and space-based information solutions that support the operational needs of government, both military and civilian, and commercial customers worldwide. MDA’s information solutions include Earth observation ground systems, defence information systems, airborne surveillance systems, transportation management systems, geospatial services, space-based platforms for Earth observation and advanced solutions for space exploration missions, as well as various mission sub-systems and support services.

NON-IFRS FINANCIAL MEASURES

In addition to results reported in accordance with IFRS, the Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include *operating earnings*, *operating earnings per share* and *operating EBITDA*. The Company believes these supplementary financial measures reflect the Company’s ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

The Company defines *operating earnings* as net earnings excluding the after-tax effects of specified items affecting comparability, including, where applicable, non-operational income and expenses, share-based compensation, fair value adjustments on financial instruments not subject to hedge accounting, and other gains or losses. The use of the term “non-operational income and expenses”

is defined by the Company as those that do not impact operating decisions taken by the Company's management and is based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal management reports. *Operating earnings per share* is calculated using diluted weighted average shares outstanding and does not represent actual earnings per share attributable to shareholders. The Company believes that the disclosure of operating earnings and operating earnings per share allows investors to evaluate the operational and financial performance of the Company's ongoing business using the same evaluation measures that its management uses, and is therefore a useful indicator of the Company's performance or expected performance of recurring operations.

The Company defines *operating EBITDA* as earnings before corporate expense, net finance expense, income tax expense, depreciation and amortization, 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.

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 June 30,**		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
($ millions, except per common share amounts)				
Revenues	450.4	164.0	879.0	336.0
Operating EBITDA[1]	78.4	47.4	157.0	95.0
Operating earnings[1]	43.3	28.6	85.1	57.5
Operating earnings per share[1]	1.20	0.90	2.50	1.81
Net earnings (loss)	31.1	(1.3)	33.4	31.8
Net earnings (loss) per share, basic and diluted	0.86	(0.04)	0.98	1.00
Weighted average number of common shares outstanding: *(millions)*				
Basic and diluted[2]	36.0	31.8	34.1	31.8

Financial Position	**June 30, 2013**	**December 31, 2012**
($ millions)		
Total assets	2,531.1	2,314.5
Cash and cash equivalents	13.5	24.8
Short-term investments	6.0	5.7
Long-term debt	787.3	847.7
Shareholders' equity	597.5	266.8

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

Revenues, operating EBITDA and operating earnings for the three and six months ended June 30, 2013 were higher compared to the same periods of 2012 due to the Company's acquisition of Space Systems/Loral, LLC and Space Systems/Loral Land, LLC (collectively "SSL") from Loral Space & Communications Inc. ("Loral") on November 2, 2012.

Comparative prior period information in this MD&A has been restated for retrospective application of amendments to IAS 19, *Employee Benefits*. The International Accounting Standards Board amended IAS 19 for annual accounting periods beginning January 1, 2013, with retrospective application. Refer to section "New Accounting Standard" of this MD&A for further information.

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 June 30,		**Six months ended June 30,**	
	2013	**2012**	**2013**	**2012**
($ millions, except per common share amounts)				
Revenues	450.4	164.0	879.0	336.0
Operating EBITDA	78.4	47.4	157.0	95.0
Operating EBITDA as a percentage of revenues	*17%*	*29%*	*18%*	*28%*
Corporate expense	(2.8)	(3.5)	(5.4)	(6.1)
Net finance expense	(8.8)	0.0	(18.9)	(2.4)
Depreciation and amortization	(11.3)	(3.5)	(22.2)	(6.5)
Income tax expense, excluding tax on items affecting comparability	(12.2)	(11.8)	(25.4)	(22.5)
Operating earnings	43.3	28.6	85.1	57.5
Operating earnings per share	*1.20*	*0.90*	*2.50*	*1.81*
Items affecting comparability:				
Amortization of acquisition related intangible assets	(7.4)	-	(14.7)	-
Business acquisition costs	-	(1.9)	(1.9)	(1.9)
Write-off of bank facility fees	-	-	(3.1)	-
Share-based compensation	(6.3)	(31.9)	(36.8)	(28.7)
Fair value adjustments on equity forward contracts	-	6.0	-	5.1
Foreign exchange timing differences on certain project-related foreign exchange forward contracts not subject to hedge accounting	1.9	0.0	2.2	(0.3)
Foreign exchange loss on translation of intercompany balances	(1.2)	(4.1)	(1.5)	(0.7)
Foreign exchange loss on translation of foreign currency long-term debt and cash balances	(0.4)	0.0	(3.9)	(1.2)
Tax on items affecting comparability	1.2	2.0	8.0	2.0
Net earnings (loss)	31.1	(1.3)	33.4	31.8

Revenues

Consolidated revenues for the second quarter of 2013 were $450.4 million, rising from $428.6 million for the first quarter of 2013 and $164.0 million for the second quarter of 2012. For the year to date, consolidated revenues increased to $879.0 million compared to $336.0 million for the first six months of 2012. The increase reflected higher revenues from the Communications segment, driven by the acquisition of SSL and growth of the communications satellite systems operation in Montreal. Refer to section "Results by Segment" of this MD&A for a review of the Company's revenues by segment.

Order backlog

Order backlog at June 30, 2013 was $3.0 billion, consistent with the balance at March 31, 2013. Since April 1, 2013, the Company has booked four contracts to provide communications satellites, of which two of these contracts were included in order backlog at June 30, 2013. Refer to section “Results by Segment” of this MD&A for a review of order backlog by segment.

Order backlog represents the estimated dollar value of firm funded contracts for which work has not been performed. Order backlog does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts.

Operating EBITDA

Operating EBITDA for the second quarter of 2013 increased to $78.4 million compared to $47.4 million for the same period of 2012. For the year to date, operating EBITDA increased to $157.0 million compared to $95.0 million for the first six months of 2012. The increase over the comparative prior year periods reflected a higher volume of activity.

Operating EBITDA as a percentage of revenues will fluctuate from period to period with changes in the sales mix and contract life cycle of large dollar value contracts. The margins on large dollar value contracts are impacted by the ratio of MDA value-added components to flowthrough costs, with MDA value-added components attracting a higher margin relative to flowthrough costs. In addition, the Company revises cost and revenue estimates on contracts in the ordinary course of business. Changes in estimates are included in the determination of estimated cumulative revenues in the period the changes are determined. Furthermore, any gains on contracts are recognized only when such amounts can be reliably determined and are reasonably assured of being realized.

Corporate expense

Corporate expense for the second quarter of 2013 decreased to $2.8 million compared to $3.5 million for the same period of 2012. For the year to date, corporate expense was $5.4 million (six months ended June 30, 2012 - $6.1 million). 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 make-up of net finance expense for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
($ millions)				
Finance expense[1]	8.9	0.5	19.7	3.5
Finance income	(0.1)	(0.5)	(0.8)	(1.1)
Net finance expense	8.8	0.0	18.9	2.4

[1] For purposes of calculating operating earnings, finance expense excluded a charge of $3.1 million recorded in the first quarter of 2013 to write-off the unamortized portion of prepaid bank facility fees relating to the term loans under the syndicated credit facility, which were fully repaid with proceeds from the share offering.

The increase to finance expense over the comparative prior year periods was primarily due to higher levels of debt to finance the acquisition of SSL.

Depreciation and amortization

The following table shows depreciation and amortization expense, excluding amortization of intangible assets arising from the acquisition of SSL, for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
($ millions)				
Property, plant and equipment	9.4	2.4	18.3	4.4
Intangible assets	1.9	1.1	3.9	2.1
Depreciation and amortization	11.3	3.5	22.2	6.5

The increase in depreciation and amortization expense was primarily due to significant additions of depreciable tangible assets as a result of the acquisition of SSL. Refer to section “Net earnings” of this MD&A for a discussion of amortization of intangible assets arising from the acquisition of SSL.

Income tax expense

For accounting purposes, income tax expense for the six months ended June 30, 2013 was $17.4 million compared to $20.5 million for the same period of last year. Income tax expense was impacted by the variability of non-deductible share-based compensation expense. After adjusting for items affecting comparability, the effective income tax rate on operating earnings for the six months ended June 30, 2013 was 23% compared to 28% for the same period of last year. The decrease in the effective income tax rate on operating earnings was due to the change in mix of income from various jurisdictions.

Operating earnings

Operating earnings, or net earnings excluding the after-tax effects of specified items affecting comparability, increased to $43.3 million ($1.20 per share) for the second quarter of 2013 compared to $28.6 million ($0.90 per share) for the same period of 2012. For the six months ended June 30, 2013, operating earnings increased to $85.1 million ($2.50 per share) compared to $57.5 million ($1.81 per share) for the corresponding period of 2012. The increase over the comparative prior year periods was due to higher levels of operating activity, including those of SSL. The share offering completed at the end of March 2013 has a dilutive effect on earnings per share for subsequent quarters.

Net earnings

Net earnings for the second quarter of 2013 were $31.1 million compared to a net loss of $1.3 million for the second quarter of last year. For the six months ended June 30, 2013, net earnings were $33.4 million (six months ended June 30, 2012 - $31.8 million). The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items which are generally not indicative of performance. These specified items affecting comparability are discussed below.

Amortization of acquisition related intangible assets

The Company recorded amortization expense of $7.4 million in the second quarter of 2013 (year to date - $14.7 million) relating to intangible assets arising from the acquisition of SSL. The acquisition of SSL resulted in significant fair value adjustments to definite life identifiable intangible assets, which are being amortized over estimated lives of five to twenty years. These intangible assets, consisting of technology, software, trade names and other intellectual property, are generally non-recurring expenditures as the Company does not need to replace these assets at the end of their lives to continue to operate its business. Ongoing maintenance and support costs are expensed as incurred and any internally developed technology and software that can be capitalized post-acquisition will be amortized in the normal course of business. All other research and development costs are expensed as incurred.

Business acquisition costs
In the first quarter of 2013, the Company incurred transaction costs of $1.9 million relating to the acquisition of SSL. Since the business acquisition costs are transaction specific, the Company believes that the exclusion of these costs allows for more meaningful period-to-period comparisons of operating results.

Write-off of bank facility fees
In the first quarter of 2013, the Company recorded a $3.1 million charge to write-off the unamortized portion of prepaid facility fees related to the term loans. This accounting charge has no relationship to the Company's operations, and which management believes reduces the comparability of the Company's financial performance between periods.

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 expected option lives 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 $20 million per year over the rolling five-year period ended June 30, 2013. The Company believes that the exclusion of share-based compensation reduces volatility in net earnings and facilitates the comparison of financial results across periods.

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.

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 these balances that impact the comparability of net earnings. These unrealized foreign exchange gains or losses will only reverse upon disposal or liquidation of the associated foreign operation.

Foreign exchange gains and losses on translation of foreign currency long-term debt and cash balances
A significant portion of the long-term debt issued to finance the acquisition of SSL was denominated in U.S. dollars and is neither hedged with foreign currency forward contracts nor designated as part of a net investment hedge. The Company recognizes unrealized foreign exchange gains and losses when translating the U.S. dollar denominated debt to Canadian dollars at each period end and realizes foreign exchange gains and losses when repaying U.S. dollar debt balances. Additionally, the Company received a significant amount of U.S. dollars from the sale of its Property Information Business in January 2011. The majority of the U.S. funds were converted to Canadian dollars to fund the 2011 substantial issuer bid and the remainder was used to finance the SSL acquisition. The Company realized foreign exchange gains and losses on translation and conversion of the U.S.

dollar cash balances to Canadian dollars during this period. The foreign exchange gains and losses described above can result in significant variability in net earnings but have little bearing on operating performance.

Financial position

The Company's total assets were $2.5 billion at June 30, 2013 compared to $2.3 billion at December 31, 2012. The increase reflected higher balances of trade and orbital receivables in the ordinary course of business, investment in capital expenditures, and the impact of foreign exchange translation, partially offset by depreciation and amortization. The purchase consideration for the acquisition of SSL was allocated to the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. Certain estimates of fair value, including those for definite life intangible assets, goodwill, contingent liabilities and provisions, remain preliminary and are subject to further adjustments.

Long-term debt at June 30, 2013 was $787.3 million, decreasing by $60.4 million from the balance at December 31, 2012. The following table shows the changes to long-term debt for the six months ended June 30, 2013.

($ millions)	
Balance at January 1, 2013	847.7
Repayment of term loans	(252.1)
Draws on revolving loans	151.4
Change in prepaid facility fees	3.3
Foreign exchange and other	37.0
Balance at June 30, 2013	787.3

In the first quarter of 2013, the Company fully repaid the Canadian dollar and U.S. dollar denominated term loans under the syndicated credit facility with proceeds from the share offering. The Company drew on the revolving loans to primarily fund general operating expenses and changes in non-cash working capital.

Shareholders' equity at June 30, 2013 was $597.5 million compared to $266.8 million at December 31, 2012. The following table shows the changes to shareholders' equity for the six months ended June 30, 2013.

($ millions)	
Balance at January 1, 2013	266.8
Net earnings	33.4
Payment of dividends	(20.7)
Common shares issued in conjunction with share offering	278.3
Common shares issued in conjunction with employee share purchase plan	1.4
Settlement of share-based compensation	(0.1)
Other comprehensive income	38.4
Balance at June 30, 2013	597.5

The Company recorded unrealized foreign exchange gains on translation of its foreign operations to Canadian dollars as a cumulative translation adjustment in other comprehensive income.

RESULTS BY SEGMENT

The Company analyzes results by segments, which regroup related activities within the Company consistent with the way management performance is evaluated. 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

The Company's Communications operations provide complete communications satellite solutions, satellite payloads, antenna and electronic subsystems, spacecraft subsystems and hosted payloads for commercial and government customers worldwide.

Revenues from Communications for the second quarter of 2013 were $334.1 million compared to $330.3 million for the first quarter of 2013 and $40.1 million for the second quarter of last year. For the year to date, revenues from Communications were $664.3 million compared to $80.8 million for the first six months of 2012. The increase over the comparative year periods of 2012 was due to the acquisition of SSL and higher levels of activity at the Company's communication satellite systems operation in Montreal.

Changes in revenues from period to period are influenced by the size, timing and number of satellite contracts awarded in the current and preceding years and the length of the construction period for satellite contracts awarded. Revenues on satellite contracts are recognized on a percentage of completion basis over the construction period, which usually ranges between 24 to 36 months. Large satellites with significant new development can require up to 48 months for completion.

Order backlog from Communications at June 30, 2013 was $2.0 billion compared to $1.9 billion at March 31, 2013. Bookings during the second quarter of 2013 included two contracts to provide communications satellites to satellite operators and a number of contracts to provide advanced technology solutions for communications satellites. Subsequent to June 30, 2013, the Company signed two more contracts with satellite operators to provide communications satellites.

Operations
The Company recently completed construction of a multi-mission communications satellite, designed and built for two satellite operators working together – Eutelsat Communications and Es'hailSat. The satellite will provide television broadcasting, video distribution, enterprise communications, and government communication services in the Middle East and North Africa.

Surveillance and Intelligence

In the Surveillance and Intelligence segment, MDA provides turnkey solutions developed around proprietary and purchased technologies and services, tailored to meet the operational requirements of military, civilian, and commercial customers worldwide. MDA's geospatial services operations provide optical and radar satellite imagery, and value added products derived from satellite and other data sources.

Revenues from Surveillance and Intelligence this quarter were $116.3 million, up from $98.4 million for the first quarter of 2013 and down slightly from $124.0 million for the second quarter of 2012. For the six months ended June 30, 2013, revenues from Surveillance and Intelligence were $214.7 million compared to $255.2 million for the same period of 2012.

The variability in revenues was primarily attributed to the timing and execution of activity on the RADARSAT Constellation Mission and other large dollar construction contracts. Year to date revenues were impacted by limited work on the construction phase of the RADARSAT Constellation Mission and lower levels of activity on space robotics programs. Also, the Company sold its operations based in Los Alamitos, California at the end of 2012. This business unit, which provided satellite composite structures and assemblies, became non-strategic following the acquisition of SSL.

The geospatial services business remained strong, as its revenues for the year to date increased to $68.5 million compared to $67.2 million for the six months ended June 30, 2012.

Order backlog for Surveillance and Intelligence at June 30, 2013 was $1.07 billion, consistent with the amount at March 31, 2013. Notable bookings in the second quarter of 2013 included a contract with Canada's Department of National Defence ("DND") to provide five years of operational support for a space-based surveillance solution, which the Company is developing to enable the DND to access timely and accurate surveillance information. The contract includes three one-year options to extend the support. In the geospatial services sector, the Company signed a strategic five-year agreement to provide space-based radar surveillance and intelligence information to a confidential customer, with a contract value not to exceed $50 million.

Operations

With respect to the RADARSAT Constellation Mission, the Company has resolved the way-forward on an important component of the RCM satellites. Work on RCM over the past several months has been limited awaiting resolution of this issue, but the Company now expects to begin ramping up work on the program.

QUARTERLY INFORMATION

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

	Q2 2013	**Q1 2013**	**Q4 2012**	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**	**Q3 2011**
($ millions, except per common share amounts)								
From continuing operations								
Revenues	450.4	428.6	372.6	171.4	164.0	172.0	178.2	181.5
Operating EBITDA[1]	78.4	78.6	70.3	45.8	47.4	47.6	52.3	46.5
Operating earnings[1]	43.3	41.8	39.0	27.9	28.6	28.9	31.1	30.1
Operating earnings per share	1.20	1.30	1.22	0.88	0.90	0.91	0.97	0.73
Net earnings (loss)	31.1	2.2	11.0	41.0	(1.3)	33.2	29.0	40.3
Net earnings (loss) per share, basic and diluted	0.86	0.07	0.35	1.29	(0.04)	1.04	0.90	0.98
From discontinued operations								
Loss on sale of discontinued operations, net of income taxes	-	-	-	-	-	-	(22.9)	(1.2)
Total								
Revenues	450.4	428.6	372.6	171.4	164.0	172.0	178.2	181.5
Net earnings (loss)	31.1	2.2	11.0	41.0	(1.3)	33.2	6.1	39.1
Net earnings (loss) per share, basic and diluted	0.86	0.07	0.35	1.29	(0.04)	1.04	0.19	0.95
Weighted average number of common shares outstanding *(millions)*								
Basic and diluted	36.0	32.1	31.9	31.8	31.8	31.8	32.2	41.2

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

Continuing operations

The Company acquired SSL on November 2, 2012. The operations of SSL are reported in the Company's financial results from the date of acquisition. Hence, revenues, operating EBITDA and operating earnings increased commencing in the fourth quarter of 2012.

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

The variability in share-based compensation expense over the last eight quarters largely explains the fluctuation in quarterly net earnings. Share-based compensation varied from a recovery of $13.7 million for the third quarter of 2011 and $11.0 million for the third quarter of 2012, to an expense of $31.9 million for the second quarter of 2012 and $30.5 million for the first quarter of 2013. 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.

The acquisition of SSL resulted in significant fair value adjustments to depreciable assets, including identifiable intangible assets. Accordingly, depreciation and amortization expense increased commencing in the fourth quarter of 2012. As well, the Company incurred significant business acquisition costs relating to SSL in the fourth quarter of 2012. Net earnings can also fluctuate significantly from quarter to quarter due to the variability of other non-operational income and expenses, fair value adjustments on financial instruments not subject to hedge accounting, and other gains and losses. For further information on the items affecting the comparability of quarterly net earnings, refer to section "Reconciliations" of this MD&A.

The substantial issuer bid completed in October 2011 has an accretive effect on earnings per share for subsequent quarters.

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.

Discontinued operations

On January 4, 2011, the Company completed the sale of all its Property Information business to a third party buyer. The Company has reported the results of the Property Information business as discontinued operations for all periods presented. The net loss from discontinued operations for the fourth quarter of 2011 reflected a provision for warranty and other post-transaction obligations related to the products and infrastructure acquired by the buyer in the sale of the Property Information business.

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. In 2012, the Company financed the acquisition of SSL with a combination of cash on hand, promissory notes and new long-term debt.

The Company believes that its cash balances, expected cash flow from operations, and access to credit facilities and equity capital resources will be sufficient to enable the Company to meet its

anticipated operating, capital expenditure, growth, investment, debt service, dividend, and other financial requirements in the near term.

Summary of statement of cash flow

The following table provides selected cash flow information.

	Three months ended	June 30,	Six months ended	June 30,
	2013	**2012**	**2013**	**2012**
($ millions)				
Cash provided by operating activities[1]	72.5	37.0	139.8	81.0
Changes in operating assets and liabilities	(99.1)	(23.0)	(270.8)	(63.9)
Net cash provided by (used in) operating activities	(26.6)	14.0	(131.0)	17.1
Cash provided by (used in) investing activities	(9.5)	1.2	(18.3)	(2.9)
Cash provided by (used in) financing activities	24.0	(5.2)	139.8	(27.3)
Effect of foreign currency on cash and cash equivalents	0.7	0.3	0.9	0.1
Cash and cash equivalents used in discontinued operations[2]	-	(32.3)	(2.7)	(35.0)
Cash and cash equivalents, beginning of period	24.9	228.8	24.8	254.8
Cash and cash equivalents, end of period	13.5	206.8	13.5	206.8

[1] Before changes in operating assets and liabilities.

[2] In the second quarter of 2012, the Company settled all remaining obligations with the buyer of the Property Information business by making cash payments of US$22.5 million for warranty and other post-transaction obligations and US$10 million for remaining payments due under the license and reseller agreement. The Company also waived its right to any contingent consideration related to the sale of the Property Information business.

Key highlights for the six-month period ended June 30, 2013:

- The Company generated cash flows of $139.8 million from operating activities before changes in operating assets and liabilities (June 30, 2012 - $81.0 million).
- On March 27, 2013, the Company closed a public offering of 4,145,750 common shares at a price of $69.40 per share for gross proceeds of $287.7 million. The Company paid share issuance costs of $12.3 million related to the share offering.
- The Company fully repaid the term loans of $252.1 million under the syndicated credit facility with proceeds from the share offering.
- The Company received government assistance of $6.8 million from Investissement Quebec relating to the expansion of its satellite systems facility in Montreal (June 30, 2012 - $7.2 million).
- The Company invested $26.5 million in capital expenditures (June 30, 2012 - $11.0 million).
- The Company continued to return cash to shareholders, paying semi-annual dividends of $20.7 million (June 30, 2012 - $20.7 million).

Operating activities

The variability in cash flow from operating activities compared to prior year periods was primarily due to changes in operating assets and liabilities as a result of the timing of milestone receipts and payments on large dollar construction contracts in the ordinary course of business. With the acquisition of SSL, the Company's cash requirements for operating expenses and to execute ongoing programs are subject to greater variability.

Investing activities

The increase in the net cash used in investing activities for the three and six month periods was primarily attributed to higher levels of capital expenditures following the acquisition of SSL. Capital expenditures include construction of a second thermal vacuum test chamber, which is used to expose payloads, satellites and mechanisms to representative space conditions in order to assess

their likely flight performance. Construction of the thermal vacuum test chamber is expected to be completed in the fourth quarter of 2014.

Financing activities

Net cash provided by financing activities in the second quarter of 2013 primarily reflected net borrowings from long-term debt, less interest paid. In the three months ended June 30, 2012, net cash used in financing activities primarily reflected interest paid on long-term debt. For the year to date, net cash provided by financing activities was primarily attributed to proceeds from the share offering, less repayment of long-term debt and payment of dividends.

Credit facilities

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

	June 30, 2013	December 31, 2012
($ millions)		
Syndicated credit facility:		
Term loans	-	249.6
Revolving loans	309.8	148.6
Senior secured notes	367.9	348.2
Promissory note	106.2	100.5
Prepaid facility fees	(0.6)	(3.9)
Finance lease obligations	4.0	4.7
Long-term debt	787.3	847.7

Syndicated credit facility

At June 30, 2013, the Company had available a four-year senior secured syndicated credit facility with several North American and international banks. The syndicated credit facility is comprised of a revolving loan facility of up to US$600 million, which can be drawn in Canadian and U.S. dollars. The revolving loan facility includes a US$125 million sub limit under which letters of credit can be issued. The syndicated credit facility matures in November 2016. The syndicated credit facility had included a term loan facility with principal amounts of $125 million and US$125 million. The term loan facility was fully repaid and permanently reduced in the first quarter of 2013 with proceeds from the share offering.

Loans under the syndicated credit facility bear interest at Canadian LIBOR 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 ranges from 1.5% to 3% and will vary with the Company's consolidated debt to EBITDA ratio. At June 30, 2013, the applicable margin was 2.25%. The syndicated credit facility is guaranteed by designated subsidiaries of the Company and the loans are secured by specific assets of the Company and its designated subsidiaries. On May 30, 2013, the British Bankers' Association discontinued publication of Canadian Dollar fixings (Canadian LIBOR). The Company has subsequently rolled all Canadian LIBOR borrowings into Bankers' Acceptance borrowings.

At June 30, 2013, the Company also had available a US$100 million letter of credit agreement with a major bank.

Senior secured notes

At June 30, 2013, the Company had a twelve-year senior secured note purchase agreement for US$250 million with two major U.S. private lenders (the "2024 Term Notes"). The 2024 Term Notes bear interest at a fixed rate of 4.31% per annum and are repayable in five equal annual installments beginning in November 2020.

The Company also has a long-term debt agreement for US$100 million with a private lender (the "2017 Term Notes"), which was amended in November 2012. 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 are together called the "senior secured notes". The senior secured notes are guaranteed by designated subsidiaries of the Company and secured by specific assets of the Company and the designated subsidiaries. The senior secured notes can be repaid, at the Company's option, in whole or in part, at any time, together with accrued interest and any applicable make-whole amount. The senior secured notes rank equally with the obligations under the credit agreements.

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

Debt covenants
As at June 30, 2013, the Company was in compliance with all covenants under its various credit facilities and long-term debt agreements.

RELATED PARTY TRANSACTIONS

At June 30, 2013, the Company had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship agreements.

NEW ACCOUNTING STANDARD

In June 2011, the International Accounting Standards Board ("IASB") amended IAS 19, *Employee Benefits*, for annual accounting periods beginning January 1, 2013, with retrospective application. The new standard introduces a measure of net interest income (expense) computed on the net pension asset (obligation) that replaces separate measurement of the expected return on plan assets and interest expense on the benefit obligation. The new standard also requires immediate recognition of past service costs associated with benefit plan changes. Under the previous standard, past service costs were recognized over the remaining vesting period.

The Company has applied the amendments to IAS 19 to its financial statements beginning on January 1, 2013, with prior periods being restated accordingly. The effects to the financial statements include higher expenses related to pension and other post-retirement benefits recognized in the statement of earnings. The impact to the consolidated financial statements of prior periods was immaterial. For comparative purposes, the Company has also restated operating earnings and operating EBITDA for prior periods.

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 has historically used forward contracts on its common shares ("equity forward contracts")

to reduce the cash exposure to settle obligations under certain long-term compensation plans. The Company uses derivative financial instruments to manage existing exposures, irrespective of whether the Company formally documents such relationships as hedges in accordance with hedge accounting requirements.

At June 30, 2013, the Company had foreign exchange forward purchase contracts for $320 million (December 31, 2012 - $314 million) and foreign exchange forward sale contracts for $364 million (December 31, 2012 - $425 million).

The fair values of the Company's derivative financial instruments 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.

Gains and losses on fair valuation of derivative financial instruments that are subject to hedge accounting are deferred and accumulated in other comprehensive income. The gains and losses arising from these derivative financial instruments are transferred to earnings in the same period that the hedged item affects earnings. Gains and losses on the fair values of derivative financial instruments that are not subject to hedge accounting and the ineffective portion of any foreign currency hedging relationships are recorded in *foreign exchange loss (gain)* for foreign exchange forward contracts, and in *fair value loss (gain) on equity forward contracts* for equity forward contracts.

At June 30, 2013, the Company's foreign exchange forward contracts had a cumulative unrealized loss on fair valuation of $2.8 million (December 31, 2012 - cumulative unrealized loss of $4 thousand). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $4.2 million recorded in other comprehensive income at June 30, 2013 (December 31, 2012 - cumulative net gain of $2.6 million).

The Company enters into foreign exchange derivative contracts to hedge its exposure to non-Canadian dollar, or for its U.S. subsidiaries, non-U.S. dollar denominated anticipated cash inflows and outflows in certain construction contracts. Certain derivative contracts entered into by the Company 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 six months ended June 30, 2013, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a gain of $2.2 million compared to a loss of $0.3 million for the same period of 2012.

The Company settled all outstanding equity forward contracts in 2012. The equity forward contracts did not qualify for hedge accounting and all gains and losses on fair valuation were immediately recognized in earnings. For the six months ended June 30, 2012, the Company recorded a fair value gain of $5.1 million relating to the equity forward contracts.

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, 2012. In the first six months of 2013, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments.

ADDITIONAL INFORMATION

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Dividend

Semi-annual common share dividend paid in the six months ended June 30, 2013:

Dividend per share, paid March 28, 2013	$0.65

On July 31, 2013, the Company declared a semi-annual dividend of $0.65 per common share payable on September 30, 2013 to shareholders of record at the close of business on September 13, 2013.

Outstanding share data

As at July 19, 2013, the Company had 36,029,910 common shares with no par value outstanding.

Public securities filings

Additional information related to MDA, including its most recent Annual Information Form and other disclosure documents, is available online at the Company's website at www.mdacorporation.com and on SEDAR at www.sedar.com.

RECONCILIATIONS

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

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
($ millions)								
Operating EBITDA	78.4	78.6	70.3	45.8	47.4	47.6	52.3	46.5
Corporate expense	(2.8)	(2.5)	(4.0)	(2.6)	(3.5)	(2.6)	(3.7)	(3.9)
Net finance expense	(8.8)	(10.1)	(4.6)	(0.1)	0.0	(2.4)	0.6	0.0
Depreciation and amortization	(11.3)	(10.9)	(8.9)	(3.6)	(3.5)	(3.0)	(3.0)	(2.6)
Income tax expense, excluding tax on items affecting comparability	(12.2)	(13.3)	(13.8)	(11.6)	(11.8)	(10.7)	(15.1)	(9.9)
Operating earnings	43.3	41.8	39.0	27.9	28.6	28.9	31.1	30.1
Items affecting comparability:								
Amortization of acquisition related intangible assets	(7.4)	(7.3)	(4.8)	-	-	-	-	-
Business acquisition costs	-	(1.9)	(10.8)	(2.7)	(1.9)	-	-	-
Write-off of bank facility fees	-	(3.1)	-	-	-	-	-	-
Loss on disposal of assets	-	-	(1.7)	-	-	-	-	-
Share-based compensation	(6.3)	(30.5)	(11.6)	11.0	(31.9)	3.3	(4.5)	13.7
Fair value adjustments on equity forward contracts	-	-	-	(1.0)	6.0	(0.9)	(0.1)	(3.5)
Foreign exchange timing differences on certain project-related foreign exchange forward contracts not subject to hedge accounting	1.9	0.2	(1.1)	2.8	0.0	(0.2)	(1.2)	3.1
Foreign exchange gain (loss) on translation of intercompany balances	(1.2)	(0.4)	(0.7)	4.9	(4.1)	3.4	4.4	(6.2)
Foreign exchange gain (loss) on translation of foreign currency long-term debt and cash balances	(0.4)	(3.5)	2.1	(1.5)	0.0	(1.3)	(1.5)	3.7
Tax on items affecting comparability	1.2	6.9	0.6	(0.4)	2.0	0.0	0.8	(0.6)
Net earnings (loss) from continuing operations	31.1	2.2	11.0	41.0	(1.3)	33.2	29.0	40.3

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three and six months ended June 30, 2013 and 2012
(Unaudited)

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2013	2012 (Restated - note 3)	2013	2012 (Restated - note 3)
Revenues		$ 444,194	$ 164,027	$ 867,213	$ 335,997
Orbital income		6,176	-	11,783	-
Total revenues	4	450,370	164,027	878,996	335,997
Direct costs, selling, general and administration	5	373,998	121,633	725,236	248,568
		76,372	42,394	153,760	87,429
Depreciation and amortization		18,677	3,460	36,882	6,507
Foreign exchange loss		420	2,613	5,393	698
Share-based compensation expense	10	6,342	31,931	36,828	28,649
Fair value gain on equity forward contracts	10	-	(6,016)	-	(5,106)
Finance income		(108)	(488)	(840)	(1,098)
Finance expense		8,897	457	22,803	3,477
Business acquisition costs		-	1,958	1,931	1,958
Earnings, before income taxes		42,144	8,479	50,763	52,344
Income tax expense		10,999	9,788	17,373	20,499
Net earnings (loss)		$ 31,145	$ (1,309)	$ 33,390	$ 31,845
Net earnings (loss) per common share:					
Basic and diluted	9	$ 0.86	$ (0.04)	$ 0.98	$ 1.00

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 June 30,		Six months ended June 30,	
	2013	2012	2013	2012
		(Restated - note 3)		(Restated - note 3)
Net earnings (loss)	$ 31,145	$ (1,309)	$ 33,390	$ 31,845
Other comprehensive income (loss):				
Items that may be subsequently reclassified to earnings:				
Foreign currency translation adjustment	26,148	6,741	41,453	408
Foreign currency translation adjustment reclassified to earnings on disposition or liquidation of foreign operations (net of income taxes of nil for all periods presented)	-	97	-	97
Net loss on hedge of net investment in foreign operations (net of income taxes of nil for all periods presented)	(2,917)	(2,000)	(4,460)	(210)
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax expense of $317 and income tax recovery of $388 for the three months ended June 30, 2013 and 2012, respectively; and net of income tax expense of $440 and $70 for the six months ended June 30, 2013 and 2012, respectively)	897	(1,061)	1,104	590
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax recovery of $25 and $297 for the three months ended June 30, 2013 and 2012, respectively; and net of income tax expense of $40 and income tax recovery of $359 for the six months ended June 30, 2013 and 2012, respectively)	(69)	(814)	40	(1,037)
Net change in fair value of available-for-sale financial assets (net of income tax expense of $2 and income tax recovery of $16 for the three months ended June 30, 2013 and 2012, respectively; and net of income tax expense of $9 and $155 for the six months ended June 30, 2013 and 2012, respectively)	(11)	69	39	548
	24,048	3,032	38,176	396
Items that will not be subsequently reclassified to earnings:				
Actuarial gains (losses) on defined benefit pension plans and other post-retirement benefit plans (net of income tax expense of $20 and $129 for the three months ended June 30, 2013 and 2012, respectively; and income tax recovery of $158 and income tax expense of $589 for the six months ended June 30, 2013 and 2012, respectively)	(20)	274	158	216
	(20)	274	158	216
Other comprehensive income, net of income taxes	24,028	3,306	38,334	612
Comprehensive income	$ 55,173	$ 1,997	$ 71,724	$ 32,457

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Note	June 30, 2013	December 31, 2012
			(Restated - note 3)
Assets			
Current assets:			
Cash and cash equivalents		$ 13,505	$ 24,836
Trade and other receivables		349,240	251,828
Financial assets, other		65,120	50,864
Construction contract assets		138,832	125,452
Inventories		104,212	82,291
Non-financial assets		76,882	94,769
Current tax assets		14,054	15,180
		761,845	645,220
Non-current assets:			
Orbital receivables		363,073	330,741
Financial assets, other		4,203	6,449
Non-financial assets		6,866	8,994
Deferred tax assets		26,713	12,806
Property, plant and equipment		352,935	336,157
Intangible assets		339,540	329,682
Goodwill		675,888	644,433
		1,769,218	1,669,262
		$ 2,531,063	$ 2,314,482
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 184,085	$ 214,337
Current tax liabilities		37,488	34,063
Financial liabilities, other		34,325	20,074
Provisions		3,143	4,568
Employee benefits		119,457	101,468
Non-financial liabilities		11,225	14,814
Construction contract liabilities		362,015	427,216
Current portion of long-term debt	7	72,329	48,207
		824,067	864,747
Non-current liabilities:			
Financial liabilities, other		8,187	6,394
Provisions		24,202	21,218
Employee benefits		347,209	339,966
Non-financial liabilities		8,511	8,572
Deferred tax liabilities		6,488	7,323
Long-term debt	7	714,947	799,453
		1,933,611	2,047,673
Shareholders' equity:			
Share capital	8	492,954	213,222
Contributed surplus		2,656	2,698
Retained earnings		86,840	74,221
Accumulated other comprehensive income (loss)		15,002	(23,332)
		597,452	266,809
		$ 2,531,063	$ 2,314,482

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)

Six months ended June 30, 2013

	Share capital	Contributed surplus	Retained earnings	Net gain (loss) on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains (losses) on defined benefits pension plans	Total accumulated other comprehensive income (loss)	Total shareholders' equity
Balance as at January 1, 2013 (Restated – note 3)	**$ 213,222**	$ **2,698**	$ **74,221**	$ 3,900	$ (17,055)	$ 1,958	$ 448	$ (12,583)	**$ (23,332)**	$ **266,809**
Common shares issued in conjunction with employee share purchase plan	**1,413**	**-**	**-**	-	-	-	-	-	**-**	**1,413**
Settlement of share-based compensation	**-**	**(42)**	**(56)**	-	-	-	-	-	**-**	**(98)**
Issuance of common shares	**278,319**	**-**	**-**	-	-	-	-	-	**-**	**278,319**
Dividends	**-**	**-**	**(20,715)**	-	-	-	-	-	**-**	**(20,715)**
Comprehensive income (loss)	**-**	**-**	**33,390**	(4,460)	41,453	1,144	39	158	**38,334**	**71,724**
Balance as at June 30, 2013	**$ 492,954**	**$ 2,656**	**$ 86,840**	$ (560)	$ 24,398	$ 3,102	$ 487	$ (12,425)	**$ 15,002**	**$ 597,452**

Six months ended June 30, 2012

	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 on available-for-sale financial assets	Actuarial gains (losses) on defined benefits pension plans	Total accumulated other comprehensive income (loss)	Total shareholders' equity
Balance as at January 1, 2012 (Restated – note 3)	**$ 210,505**	**$ 4,440**	**$ 34,162**	$ 1,690	$ (8,166)	$ 4,276	$ 934	$ (9,750)	**$ (11,016)**	**$ 238,091**
Common shares issued in conjunction with employee share purchase plan	**1,385**	**-**	**-**	-	-	-	-	-	**-**	**1,385**
Settlement of share-based compensation	**-**	**(197)**	**(40)**	-	-	-	-	-	**-**	**(237)**
Dividends	**-**	**-**	**(20,684)**	-	-	-	-	-	**-**	**(20,684)**
Comprehensive income (loss) (Restated – note 3)	**-**	**-**	**31,845**	(210)	505	(447)	548	216	**612**	**32,457**
Balance as at June 30, 2012 (Restated – note 3)	**$ 211,890**	**$ 4,243**	**$ 45,283**	$ 1,480	$ (7,661)	$ 3,829	$ 1,482	$ (9,534)	**$ (10,404)**	**$ 251,012**

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)

	Note	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
			(Restated - note 3)		(Restated - note 3)
Cash flows provided by (used in):					
Operating activities:					
Earnings, before income taxes		$ 42,144	$ 8,479	$ 50,763	$ 52,344
Adjustments to reconcile to net cash from operating activities:					
Depreciation of property, plant and equipment		9,354	2,320	18,282	4,380
Amortization of intangible assets		9,323	1,140	18,600	2,127
Share-based compensation expense	10	6,342	31,931	36,828	28,649
Fair value gain on equity forward contracts	10	-	(6,016)	-	(5,106)
Finance income		(108)	(488)	(840)	(1,098)
Finance expense		8,897	457	22,803	3,477
Foreign exchange loss		1,199	2,627	5,824	2,454
Income taxes paid		(4,660)	(4,978)	(14,069)	(8,358)
Income taxes recovered		21	1,544	1,541	2,133
Changes in operating assets and liabilities	12	(99,105)	(22,962)	(270,761)	(63,864)
Cash provided by (used in) operating activities of continuing operations		(26,593)	14,054	(131,029)	17,138
Investing activities:					
Purchase of property, plant and equipment		(7,594)	(798)	(15,977)	(4,563)
Proceeds from government assistance related to property, plant and equipment		1,800	7,200	1,800	7,200
Purchase/development of intangible assets		(4,675)	(6,082)	(10,531)	(6,392)
Disposal (purchase) of short-term investments		32	61	66	(381)
Decrease (increase) in restricted cash		(469)	-	3,165	-
Interest received on short-term investments and others		1,442	788	3,227	1,223
Cash provided by (used in) investing activities of continuing operations		(9,464)	1,169	(18,250)	(2,913)
Financing activities:					
Proceeds from (repayment of) long-term debt		32,826	(599)	(103,279)	(1,242)
Interest paid on long-term debt		(10,820)	(4,937)	(17,781)	(6,325)
Proceeds from interest free government assistance		1,950	-	5,042	-
Proceeds from issuance of common shares relating to public offering		-	-	287,715	-
Share issuance costs of public share offering		(656)	-	(12,272)	-
Proceeds from issuance of common shares relating to share-based compensation plans		692	485	1,201	1,177
Purchase of common shares for settlement of share-based compensation plans		(36)	(122)	(98)	(237)
Payment of dividends		-	-	(20,715)	(20,684)
Cash provided by (used in) financing activities of continuing operations		23,956	(5,173)	139,813	(27,311)
Cash and cash equivalents provided by (used in) continuing operations		(12,101)	10,050	(9,466)	(13,086)
Cash and cash equivalents used in discontinued operations		-	(32,327)	(2,752)	(35,058)
Effect of foreign currency on cash and cash equivalents of continuing operations		656	291	887	109
Cash and cash equivalents, beginning of period		24,950	228,782	24,836	254,831
Cash and cash equivalents, end of period		$ 13,505	$ 206,796	$ 13,505	$ 206,796

Supplementary cash flow information (note 12)

See accompanying notes to condensed consolidated interim financial statements.

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1. General business description:

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

2. Basis of preparation:

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2012, except as described in note 3. These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 – *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards 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, 2012, which are included in the Company's 2012 annual report.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on July 31, 2013.

3. Changes in accounting policies:

(a) Amendments to IAS 19 – *Employee Benefits*

On January 1, 2013, the Company adopted the amended version of IAS 19 – *Employee Benefits* and changed its basis for determining the expense for defined benefit pension plans and other post-retirement plans.

The Company now determines net interest expense on the net defined benefit liability for the period by applying the discount rate to the net defined benefit liability. The net interest on the net defined benefit liability comprises interest cost on the defined benefit obligation and interest income on plan assets. Previously, the Company determined interest income on plan assets based on a long-term rate of expected return. Additionally, the Company now recognizes unvested past service costs immediately in earnings whereas previously, the Company amortized unvested past service costs to earnings on a straight-line basis over the remaining vesting period.

3. Changes in accounting policies (continued):

(a) Amendments to IAS 19 – *Employee Benefits* (continued):

The change in accounting policy has been applied retrospectively with prior periods being restated accordingly. The impact to the consolidated financial statements of current and prior periods was immaterial. On the consolidated statement of earnings, the change in accounting policy resulted in an increase to direct costs, selling, general and administration and decreases to income tax expense, net earnings and earnings per share. On the consolidated balance sheet, the change in accounting policy resulted in an increase to accumulated other comprehensive income and decreases to retained earnings, employee benefit liabilities and deferred tax assets.

(b) Other accounting standards:

On January 1, 2013, the Company adopted the following accounting standards and amendments issued by the IASB:

- Amendments to IAS 1 – *Presentation of Financial Statements*
- Amendments to IFRS 7 – *Financial Instruments: Disclosures*
- IFRS 10 – *Consolidated Financial Statements*
- IFRS 11 – *Joint Arrangements*
- IFRS 12 – *Disclosure of Interests in Other Entities*
- IFRS 13 – *Fair Value Measurement*

The adoption of these accounting standards resulted in additional note disclosure and minor changes to presentation in the Company's statement of comprehensive income, but otherwise did not have a significant impact on the Company's consolidated financial statements.

(c) New standards and interpretations not yet adopted:

Recoverable Amount of Disclosures For Non-Financial Assets (Amendments to IAS 36)

In May 2013, the IASB issued *Recoverable Amount of Disclosures For Non-Financial Assets (Amendments to IAS 36).* The objective of the amendments was to clarify the disclosure requirements regarding the measurement of recoverable amounts related to goodwill and definite life intangible assets. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2014. As the amendments only require changes to certain disclosure requirements, the Company does not expect the amendments to have a material impact on the consolidated financial statements.

4. Revenue and segmented information:

The Company has two reportable operating segments: i) Communications; and ii) Surveillance and Intelligence.

The Company measures the performance of each segment based on revenue and segmented profits, which is equal to revenue less direct costs, selling, general and administration, and depreciation and amortization. Certain corporate expenses, foreign exchange gains and losses, share-based compensation expense or recovery, fair value gains and losses on equity forward contracts, finance income and expense, and income tax expense are managed on a total company basis and are not reflected in segmented results.

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

Three months ended June 30, 2013	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
External revenue	$ 334,050	$ 116,320	$ -	$ 450,370
Internal revenue	709	627	(1,336)	-
	334,759	116,947	(1,336)	450,370
Direct costs, selling, general and administration	288,806	83,665	(1,336)	371,135
Depreciation and amortization	16,905	1,772	-	18,677
Segment profits	29,048	31,510	-	60,558
Corporate expenses				(2,863)
Foreign exchange loss				(420)
Share-based compensation expense				(6,342)
Finance income				108
Finance expense				(8,897)
				(18,414)
Earnings before income taxes				42,144
Income tax expense				10,999
Net earnings				$ 31,145

4. Revenue and segmented information (continued):

Three months ended June 30, 2012	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total (Restated - note 3)
External revenue	$ 40,071	$ 123,956	$ -	$ 164,027
Internal revenue	1,370	748	(2,118)	-
	41,441	124,704	(2,118)	164,027
Direct costs, selling, general and administration	30,413	89,823	(2,118)	118,118
Depreciation and amortization	1,328	2,132	-	3,460
Segment profits	9,700	32,749	-	42,449
Corporate expenses				(3,515)
Foreign exchange loss				(2,613)
Share-based compensation expense				(31,931)
Fair value gain on equity forward contracts				6,016
Finance income				488
Finance expense				(457)
Business acquisition costs				(1,958)
				(33,970)
Earnings before income taxes				8,479
Income tax expense				9,788
Net loss				$ (1,309)

Six months ended June 30, 2013	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
External revenue	$ 664,315	$ 214,681	$ -	$ 878,996
Internal revenue	1,094	1,175	(2,269)	-
	665,409	215,856	(2,269)	878,996
Direct costs, selling, general and administration	569,576	152,535	(2,269)	719,842
Depreciation and amortization	33,237	3,645	-	36,882
Segment profits	62,596	59,676	-	122,272
Corporate expenses				(5,394)
Foreign exchange loss				(5,393)
Share-based compensation expense				(36,828)
Finance income				840
Finance expense				(22,803)
Business acquisition costs				(1,931)
				(71,509)
Earnings before income taxes				50,763
Income tax expense				17,373
Net earnings				$ 33,390

4. Revenue and segmented information (continued):

Six months ended June 30, 2012	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
				(Restated - note 3)
External revenue	$ 80,805	$ 255,192	$ -	$ 335,997
Internal revenue	2,529	1,516	(4,045)	-
	83,334	256,708	(4,045)	335,997
Direct costs, selling, general and administration	54,991	191,518	(4,045)	242,464
Depreciation and amortization	2,425	4,082	-	6,507
Segment profits	25,918	61,108	-	87,026
Corporate expenses				(6,104)
Foreign exchange loss				(698)
Share-based compensation expense				(28,649)
Fair value gain on equity forward contracts				5,106
Finance income				1,098
Finance expense				(3,477)
Business acquisition costs				(1,958)
				(34,682)
Earnings before income taxes				52,344
Income tax expense				20,499
Net earnings				$ 31,845

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Construction contracts	$ 390,787	$ 105,089	$ 760,272	$ 223,673
Services	59,583	58,938	118,724	112,324
	$ 450,370	$ 164,027	$ 878,996	$ 335,997

4. Revenue and segmented information (continued):

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue:				
United States	$ 152,135	$ 45,289	$ 271,812	$ 88,039
Australia	83,561	13,446	170,072	25,657
Europe	63,921	41,414	138,422	81,275
Canada	62,122	56,054	104,200	123,574
Asia	45,044	5,365	107,455	12,334
Brazil	36,207	641	72,312	863
Other	7,380	1,818	14,723	4,255
	$ 450,370	$ 164,027	$ 878,996	$ 335,997

Revenue from significant customers is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
NBN Co Limited	$ 65,376	$ -	$ 130,248	$ -
Canadian Federal Government and agencies	46,412	50,141	76,973	108,185
Intelsat S.A.	43,074	-	97,805	-
U.S. Federal Government and agencies	30,981	33,656	61,315	63,831

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

	June 30, 2013	December 31, 2012
United States	$ 1,223,903	$ 1,164,139
Canada	150,579	154,369
Europe	747	758
	$ 1,375,229	$ 1,319,266

5. Operating costs:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
		(Restated - note 3)		(Restated - note 3)
Employee salaries and benefits	$ 153,356	$ 55,478	$ 316,589	$ 113,321
Costs related to defined benefit plans	7,389	1,820	14,690	1,268
Subcontractor costs relating to construction and service contracts	120,496	40,228	260,168	78,688
Materials, equipment, professional fees, travel and other	92,757	24,107	133,789	55,291
Direct costs, selling, general and administration	373,998	121,633	725,236	248,568
Depreciation and amortization	18,677	3,460	36,882	6,507
Share-based compensation expense	6,342	31,931	36,828	28,649
Business acquisition costs	-	1,958	1,931	1,958
	$ 399,017	$ 158,982	$ 800,877	$ 285,682

6. Business combination:

On November 2, 2012, the Company acquired 100% equity interests in Space Systems/Loral, LLC and Space Systems/Loral Land, LLC (collectively “SSL”) from Loral Space & Communications Inc. (“Loral”) for cash consideration of U.S.$774,000,000, a promissory note payable of U.S.$101,000,000 and working capital and other adjustments of U.S.$231,352,000. Headquartered in Palo Alto, California, SSL is a global market leading provider of commercial communications satellites, serving a worldwide customer base.

In the first quarter of 2013, the Company and Loral amended the purchase agreement to modify SSL’s capped cost-sharing obligations relating to the lawsuit between SSL and ViaSat, Inc. that existed prior to the acquisition and to amend certain terms of the U.S.$101,000,000 promissory note payable from the Company to Loral (note 7).

The Company recognized the major classes of assets acquired and liabilities assumed at the acquisition date based on estimated fair values. During the six months ended June 30, 2013, the Company made revisions to certain preliminary estimates that had the effect of increasing goodwill and contingent liabilities by $1,089,000 (U.S.$1,093,000). Certain estimates of fair value, most notably, for definite life intangible assets, goodwill, contingent liabilities, and provisions, remain preliminary and are subject to further adjustments.

7. Long-term debt:

	June 30, 2013	December 31, 2012
Syndicated credit facility:		
Term loan payable in Canadian dollars	$ -	$ 125,175
Term loan payable in U.S. dollars (June 30, 2013 - U.S. nil; December 31, 2012 - U.S.$125,000)	-	124,363
Revolving loan payable in U.S. dollars (June 30, 2013 - U.S.$230,000; December 31, 2012 - U.S.$73,000)	241,779	72,628
Revolving loan payable in Canadian dollars	68,000	76,000
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (June 30, 2013 - U.S.$250,000; December 31, 2012 - U.S.$250,000)	262,800	248,725
2017 Term notes payable in U.S. dollars (June 30, 2013 - U.S.$100,000; December 31, 2012 - U.S.$100,000)	105,120	99,490
Promissory note payable:		
Promissory note payable in U.S. dollars (June 30, 2013 - U.S.$101,000; December 31, 2012 - U.S.$101,000)	106,171	100,485
Financing fees	(584)	(3,901)
Obligations under finance leases	3,990	4,695
Total long-term debt	787,276	847,660
Current portion	(72,329)	(48,207)
Non-current portion	$ 714,947	$ 799,453

On March 27, 2013, the Company repaid the U.S. and Canadian dollar denominated term loans under the Syndicated Credit Facility with net proceeds from a public offering of common shares (note 8).

On March 28, 2013, the Company and Loral agreed to defer the principal repayment of U.S.$33,667,000 originally due on March 31, 2013 under the U.S.$101,000,000 Promissory note payable to March 31, 2014. The Company and Loral also agreed to an increase in the interest rate applicable to this tranche from 1.0% to 1.5% effective April 1, 2013.

8. Shareholders' equity:

Share capital:

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

Common shares issued and fully paid:

	Number of shares	Amount
Balance as at December 31, 2012	31,858,716	$ 213,222
Common shares issued in conjunction with public share offering	4,145,750	278,319
Common shares issued in conjunction with employee share purchase plan	21,370	1,413
Balance as at June 30, 2013	36,025,836	$ 492,954

On March 27, 2013, the Company completed a public share offering of 4,145,750 common shares at a price of $69.40 per share for gross proceeds of $287,715,000. In conjunction with the public share offering, the Company incurred share issuance costs of $9,396,000, net of income tax benefit of $3,132,000.

For the six months ended June 30, 2013, the Company declared and paid a semi-annual dividend of $0.65 per common share (2012 - $0.65).

9. Earnings (loss) per common share:

	Three months ended June 30,					
	2013			2012 (Restated – note 3)		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net loss	Weighted average number of common shares outstanding	Per share amount
Earnings (loss) per common share:						
Basic and diluted	$ 31,145	36,021,040	$ 0.86	$ (1,309)	31,829,791	$ (0.04)

9. Earnings (loss) per common share (continued):

	Six months ended June 30,					
	2013			2012 (Restated – note 3)		
	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	$ 33,390	34,069,433	$ 0.98	$ 31,845	31,822,795	$ 1.00

10. Share-based payment plans:

Total share-based compensation expense, excluding the impact of equity forward contracts, from all forms of share-based compensation for the three and six months ended June 30, 2013 was $6,342,000 and $36,828,000, respectively (2012 - $31,931,000 and $28,649,000, respectively). The details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Share appreciation rights	$ 6,072	$ 30,878	$ 35,320	$ 27,422
Deferred share units	94	882	1,110	908
Share matching program	54	85	186	111
Employee share purchase plan	122	86	212	208
	$ 6,342	$ 31,931	$ 36,828	$ 28,649

The intrinsic value of a share-based payment plan is the positive difference between the market price of the Company's share and the exercise price of the award. At June 30, 2013, the intrinsic value for vested share-based payment plans is $26,705,000 (December 31, 2012 - $13,427,000).

The Company had historically entered into forward purchase agreements for common shares of the Company in order to manage the economic risks associated with fluctuations in the share price of the Company relating to share-based compensation plans. In the third quarter of 2012, the Company settled the remaining equity forward purchase agreements for 450,600 common shares of the Company. For the three and six months ended June 30, 2012, the Company recorded a fair value gain of $6,016,000 and $5,106,000, respectively, relating to the equity forward purchase agreements.

11. Financial instruments and fair value disclosures:

(a) Financial instruments by category:

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

At June 30, 2013:

	Financial assets at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Loans and receivables	Available-for-sale financial assets	Not considered financial instruments	Total carrying amount
Financial assets:						
Current:						
Cash and cash equivalents	$ -	$ -	$ 13,505	$ -	$ -	$ 13,505
Trade and other receivables:						
Trade accounts receivable	-	-	314,325	-	-	314,325
Orbital receivables	-	-	16,969	-	-	16,969
Other	-	-	-	-	17,946	17,946
	-	-	331,294	-	17,946	349,240
Financial assets, other:						
Short-term investments	-	-	-	6,015	-	6,015
Notes receivable	-	-	393	-	-	393
Derivative financial instruments	11,797	4,614	-	-	-	16,411
Restricted cash	-	-	42,301	-	-	42,301
	11,797	4,614	42,694	6,015	-	65,120
Non-current:						
Orbital receivables	-	-	363,073	-	-	363,073
Financial assets, other:						
Notes receivable	-	-	860	-	-	860
Derivative financial instruments	2,637	706	-	-	-	3,343
	2,637	706	860	-	-	4,203

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

(a) Financial instruments by category (continued):

At June 30, 2013 (continued):

	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	$ -	$ -	$ 184,085	$ 184,085
Financial liabilities, other:				
Non-trade payables	-	-	12,956	12,956
Derivative financial instruments	10,381	2,992	-	13,373
Contingent liabilities	-	-	7,996	7,996
	10,381	2,992	20,952	34,325
Long-term debt:				
Long-term debt	-	-	70,676	70,676
Obligations under finance leases	-	-	1,653	1,653
	-	-	72,329	72,329
Non-current:				
Financial liabilities, other:				
Non-trade payables	-	-	4,978	4,978
Derivative financial instruments	2,725	484	-	3,209
	2,725	484	4,978	8,187
Long-term debt:				
Long-term debt	-	-	712,609	712,609
Obligations under finance leases	-	-	2,338	2,338
	-	-	714,947	714,947

As at June 30, 2013, the Company had designated U.S.$78,131,000 (December 31, 2012 – U.S.$79,215,000) of its U.S.$100,000,000 2017 Term Notes Payable as a hedge of its investment in certain U.S. subsidiaries.

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

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at June 30, 2013 and December 31, 2012, the fair values of all financial instruments carried at amortized cost, other than long-term debt, approximate their carrying value. The fair value of long-term debt is estimated based on a discounted cash flow approach. The estimated fair value of long-term debt, excluding obligations under finance leases, at June 30, 2013, was $780,958,000 (December 31, 2012 - $852,075,000) as compared to the carrying value of $783,286,000 (December 31, 2012 - $842,965,000). The fair value of obligations under finance leases approximates their carrying value. As at June 30, 2013, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $87,691,000 (December 31, 2012 - $85,151,000) and a carrying value of $82,131,000 (December 31, 2012 - $78,811,000).

Financial instruments carried at fair value:

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

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

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

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

June 30, 2013	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 6,015	$ -	$ -	$ 6,015
Derivative financial instruments	-	19,754	-	19,754
Total assets	$ 6,015	$ 19,754	$ -	$ 25,769
Liabilities				
Derivative financial instruments	$ -	$ 16,582	$ -	$ 16,582

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

11. 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.

12. Supplemental cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
		(Restated - note 3)		(Restated - note 3)
Change in operating assets and liabilities:				
Trade and other receivables	$ (106,046)	$ (1,325)	$ (92,544)	$ 6,493
Construction contract assets	(10,022)	7,669	(9,993)	(5,882)
Financial assets, other	955	(58)	(33)	(50)
Inventories	(9,321)	1,220	(16,774)	(1,137)
Current tax assets	(9,906)	(8,926)	(13,958)	(11,689)
Non-financial assets	8,921	6,225	22,919	12,133
Orbital receivables	(5,899)	-	(13,131)	-
Trade and other payables	18,963	(9,477)	(36,159)	(24,463)
Financial liabilities, other	(1,525)	553	723	(2,362)
Provisions	1,388	(879)	160	(1,941)
Construction contract liabilities	33,761	(7,993)	(77,146)	(20,304)
Employee benefits	(17,296)	(2,358)	(30,726)	(7,740)
Non-financial liabilities	(3,078)	(7,613)	(4,099)	(6,922)
	$ (99,105)	$ (22,962)	$ (270,761)	$ (63,864)

13. Subsequent event:

On July 31, 2013, the Company declared a semi-annual dividend of $0.65 per common share payable on September 30, 2013 to shareholders of record at the close of business on September 13, 2013.

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