MacDonald, Dettwiler and Associates Ltd.

Second Quarter Report 2014

Three and Six Months Ended June 30, 2014

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, 2014

For purposes of this discussion, *MDA* and *the Company* refer to MacDonald, Dettwiler and Associates Ltd. and its subsidiaries. *This quarter* means the three months ended June 30, 2014. *Year to date* means the six months ended June 30, 2014.

ADVISORY

This management's discussion and analysis ("MD&A"), dated July 30, 2014, should be read in conjunction with the cautionary statement regarding forward-looking statements below and the Company's condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2014, as well with the Company's consolidated financial statements and MD&A for the year ended December 31, 2013. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. An additional advisory with respect to the use of non-IFRS financial measures is set out in section "Non-IFRS Financial Measures" of this MD&A. All quarterly information disclosed in the MD&A is based on unaudited figures.

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

FORWARD-LOOKING STATEMENTS

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

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

adverse changes to customer priorities and funding levels; impact of amendments to pension and other post-retirement plans was based on management's best estimates and current operating plans; progress on certain long-term construction contracts was based on the Company's ability to meet technical specifications and complete the contracts with minimal cost overrun; the business outlook of the Company's operating segments was based on current market conditions and business plans; the sources of liquidity the Company expects to use to meet its anticipated cash requirements was based on stable market conditions and the Company's current plans and forecasts; and the outcome of legal proceedings involving the Company was based on the Company's current plans to appeal the jury verdict in the lawsuit brought on by ViaSat, Inc. and ViaSat Communications, Inc. and that the final outcome of legal proceedings would not be material to the Company. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

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

export control and economic sanction laws, governing MDA's business; wrongful call on letters of credit, guarantees and performance bonds; insufficient insurance against material claims or losses; exposure to fines and/or legal sanctions under anti-corruption laws; and failure to comply with environmental regulations.

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

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

COMPANY PROFILE

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

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

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

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

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

Communications

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

Surveillance and Intelligence

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

OVERVIEW

The following table provides selected financial information of the Company.

Results of Operations	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
($ millions, except per common share amounts)				
Consolidated revenues	552.7	450.4	1,045.2	879.0
Operating EBITDA[1]	90.7	81.5	176.0	163.1
Operating earnings[1]	51.5	43.3	100.9	85.1
Operating earnings per share[1]	1.43	1.20	2.80	2.50
Net earnings	36.5	31.1	61.4	33.4
Net earnings per share, basic and diluted	1.01	0.86	1.70	0.98
Weighted average number of common shares outstanding: *(millions)*				
Basic and diluted[2]	36.1	36.0	36.1	34.1

Financial Position	June 30, 2014	December 31, 2013
($ millions)		
Total assets	2,528.1	2,584.2
Total long-term debt	657.9	596.3
Shareholders' equity	840.3	796.1

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

Proposed business acquisition

Subsequent to June 30, 2014, the Company signed a definitive agreement to acquire a business that includes radar and other information sensors used for national security purposes. The business is expected to significantly strengthen the Company's ability to pursue future surveillance and intelligence programs in the United States. With about 170 employees and generating annual revenues of approximately US$40 million, the business will become part of MDA Information Systems LLC. The transaction is subject to certain closing conditions customary for this type of transaction, as well as approval by the Committee on Foreign Investment in the United States.

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,	
	2014	**2013**	**2014**	**2013**
($ millions, except per common share amounts)				
Consolidated revenues	552.7	450.4	1,045.2	879.0
Operating EBITDA	90.7	81.5	176.0	163.1
Operating EBITDA as a percentage of revenues	*16%*	*18%*	*17%*	*19%*
Corporate expense	(5.2)	(2.9)	(7.1)	(5.4)
Net finance expense	(8.3)	(11.8)	(16.8)	(25.0)
Depreciation and amortization	(11.9)	(11.3)	(23.8)	(22.2)
Income tax expense, excluding tax on items affecting comparability	(13.8)	(12.2)	(27.4)	(25.4)
Operating earnings	51.5	43.3	100.9	85.1
Operating earnings per share	*1.43*	*1.20*	*2.80*	*2.50*
Items affecting comparability:				
Share-based compensation	(6.1)	(6.3)	(21.3)	(36.8)
Amortization of acquisition related intangible assets	(8.0)	(7.4)	(16.2)	(14.7)
Pension and other post-retirement plan amendments	(2.1)	-	(4.4)	-
Foreign exchange gain (loss)	0.1	0.3	(2.2)	(3.2)
Business acquisition costs	-	-	-	(1.9)
Write-off of bank facility fees	-	-	-	(3.1)
Tax on items affecting comparability	1.1	1.2	4.6	8.0
Net earnings	36.5	31.1	61.4	33.4

Consolidated revenues

Consolidated revenues this quarter increased to $552.7 million compared to $450.4 million for the second quarter of 2013, reflecting higher activity levels and the favourable impact of foreign currency translation arising from a stronger U.S. dollar relative to the Canadian dollar.

For the year to date, consolidated revenues increased to $1.0 billion compared to $879.0 million for the six months ended June 30, 2013. The Communications segment accounted for revenues of $735.5 million (six months ended June 30, 2013 - $664.3 million) and the Surveillance and Intelligence segment accounted for revenues of $309.8 million (six months ended June 30, 2013 - $214.7 million). Refer to section “Results By Segment” of this MD&A for further discussion of the Company’s revenues by segment.

Order backlog

The Company’s high activity levels were driven by its strong order backlog, which amounted to $3.0 billion at June 30, 2014 (March 31, 2014 - $2.8 billion). 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. Refer to section “Results By Segment” of this MD&A for a discussion of booking activity by segment.

Operating EBITDA

Operating EBITDA, which is a measure utilized by management to evaluate the operational performance of the Company’s businesses, increased to $90.7 million for the second quarter of 2014 compared to $81.5 million for the same period of last year primarily due to higher volume. For the

year to date, operating EBITDA was $176.0 million and operating EBITDA as a percentage of revenues ("operating EBITDA margin percentage") was 17%. This is compared to operating EBITDA of $163.1 million and operating EBITDA margin percentage of 19% for the six months ended June 30, 2013. The decrease in operating EBITDA margin percentage reflected a higher proportion of satellite construction contracts in the sales mix for the first six months of 2014. Satellite construction contracts generally have a lower average margin percentage compared to the Company's other construction and service contracts. Refer to section "Results By Segment" of this MD&A for further discussion.

Corporate expense
Corporate expense for the second quarter of 2014 was $5.2 million compared to $2.9 million for the same period of 2013. The increase was primarily due to higher legal costs. Corporate expense on a year to date basis was $7.1 million compared to $5.4 million for the six months ended June 30, 2013. Corporate expense is not considered in management's evaluation of operating unit performance and includes such items as corporate head office costs, regulatory costs, executive and director compensation, strategic business development expenditures, and fees for audit, legal and consulting services.

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

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
($ millions)				
Finance expense[1]	8.4	11.9	17.0	25.8
Finance income	(0.1)	(0.1)	(0.2)	(0.8)
Net finance expense	8.3	11.8	16.8	25.0

[1] As presented in the reconciliation of operating EBITDA and operation earnings to net earnings, finance expense for the six months ended June 30, 2013 excludes a $3.1 million charge to write-off the unamortized portion of prepaid bank facility fees relating to the term loans under the syndicated credit facility, which were fully repaid with proceeds from the share offering.

Finance expense consists primarily of interest expense on long-term debt and net interest expense on net pension obligations. Finance expense decreased from the comparative prior year periods mainly due to lower levels of borrowings and net pension obligations outstanding.

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

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
($ millions)				
Property, plant and equipment	10.3	9.4	20.6	18.3
Intangible assets[1]	1.6	1.9	3.2	3.9
Depreciation and amortization	11.9	11.3	23.8	22.2

[1] As presented in the reconciliation of operating EBITDA and operating earnings to net earnings, amortization of intangible assets excludes those intangible assets arising from the Company's acquisition of Space Systems/Loral, LLC ("SSL"). Refer to section "Consolidated Results - Net earnings" of this MD&A for a discussion of amortization of intangible assets arising from the acquisition of SSL.

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

Income tax expense
Income tax expense on operating earnings for the first six months of 2014 was $27.4 million, reflecting an effective income tax rate of 21% compared to 19% for the 2013 fiscal year. Income tax expense on operating earnings excludes the impact of specified items affecting comparability, such as certain non-deductible share-based compensation and amortization of acquisition related intangible assets. The increase in the effective income tax rate on operating earnings was primarily due to the change in mix of income from various jurisdictions.

Operating earnings
Operating earnings, or net earnings excluding the after-tax effects of specified items affecting comparability, increased to $51.5 million ($1.43 per share) for the second quarter of 2014 compared to $43.3 million ($1.20 per share) for the same period of 2013. For the year to date, operating earnings increased to $100.9 million ($2.80 per share) compared to $85.1 million ($2.50 per share) for the six months ended June 30, 2013. The increase over the comparative prior year periods reflects higher operating EBITDA. 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 this quarter increased to $36.5 million compared to $31.1 million for the second quarter of 2013. For the six months ended June 30, 2014, net earnings increased to $61.4 million compared to $33.4 million for the corresponding period of 2013. The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items which are generally not indicative of performance. These specified items affecting comparability are discussed below.

Share-based compensation
Share-based compensation is an important aspect of compensation for management and key employees. However, the accounting expense or recovery based on fair valuation, which is estimated using complex option pricing models incorporating factors such as the expected life of options and market volatility, is beyond the Company's control and can vary significantly from period to period. Further, the accounting fair value adjustments are not reflective of actual cash outlays by the Company in any particular period. The average cash outlay on share-based compensation was approximately $31 million per year over the five-year period ended June 30, 2014. The Company believes that the exclusion of share-based compensation reduces volatility in net earnings and facilitates the comparison of financial results across periods.

Amortization of acquisition related intangible assets
The Company's 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. As a result, net earnings this quarter included amortization expense on acquisition related intangible assets of $8.0 million (second quarter 2013 - $7.4 million). For the year to date, amortization expense on acquisition related intangible assets amounted to $16.2 million (six months ended June 30, 2013 - $14.7 million).

The acquisition related intangible assets, consisting of technology, software, trade names and other intellectual property, are generally non-recurring expenditures as the Company does not need to replace these assets at the end of their lives to continue to operate its business. Ongoing maintenance and support costs are expensed as incurred and any internally developed technology and software that can be capitalized post-acquisition will be amortized in the normal course of business. All other research and development costs are expensed as incurred.

Pension and other post-retirement plan amendments
In 2013, the Company restructured the pension and post-retirement benefit plans at SSL. The restructuring plan included amendments to the pension plans, post-retirement plans, 401(k) plans,

and other benefits. As a result of these plan amendments, the Company recognized past service credits of $21.1 million for the defined benefit pension plans and $18.9 million for the post-retirement medical plan immediately in earnings in 2013, with offsetting reductions to employee benefit liabilities. In addition to the one-time retroactive adjustments, the Company incurred incremental costs of $2.1 million in the second quarter of 2014 (six months ended June 30, 2014 - $4.4 million) relating to 401(k) plans, which are expected to continue until the end of 2014. As a result of these plan amendments, the Company expects to achieve an ongoing reduction in both cash contributions and pension and post-retirement benefits expense. The Company believes that exclusion of the past service credits and incremental 401(k) costs facilitates the comparison of financial results across periods.

Foreign exchange gains and losses

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

(a) *Foreign exchange timing differences on certain project-related foreign exchange forward contracts not subject to hedge accounting*

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

(b) *Foreign exchange gains and losses on translation of intercompany balances*

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

(c) *Foreign exchange gains and losses on translation of foreign currency long-term debt and cash balances*

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

Financial position

The following table explains the significant changes in assets and liabilities as at June 30, 2014 relative to the balances six months earlier.

In $ millions	Increase (Decrease)	Explanation
Trade and other receivables	(82.4)	The net decrease was primarily due to the collection of certain large dollar value billings on satellite and other construction contracts in the ordinary course of business.
Inventories	(20.0)	The net decrease was primarily due to high manufacturing levels and the allocation of materials and parts to satellite construction programs.
Current non-financial assets	38.0	Current non-financial assets mainly consist of advances to suppliers and prepaid expenses. The net increase was primarily due to advances made to subcontractors on satellite construction and other construction programs.
Construction contract liabilities	(145.5)	Construction contract liabilities are advance payments received from customers in excess of revenue recognized. The net decrease represented the usage of customer advance payments to fund the construction of large dollar contracts, including the RADARSAT Constellation Mission and certain communication satellites.

Total long-term debt as at June 30, 2014 was $657.9 million, representing a net increase of $61.6 million from the balance as at December 31, 2013. The following table shows the changes to long-term debt for the six months ended June 30, 2014.

($ millions)	
Balance at December 31, 2013	596.3
Repayment of promissory note	(74.4)
Proceeds from revolving loans and other long-term debt	132.4
Foreign exchange and other	3.6
Balance at June 30, 2014	657.9

In March 2014, the Company made a scheduled principal repayment on the promissory note payable to Loral Space & Communications Inc. (“Loral”), the former parent of SSL. The Company made draws on the revolving loan facility to fund the repayment on the promissory note as well as general operations.

Shareholders’ equity as at June 30, 2014 was $840.3 million compared to $796.1 million as at December 31, 2013. The following table shows the changes to shareholders’ equity for the six months ended June 30, 2014.

($ millions)	
Balance at December 31, 2013	796.1
Net earnings	61.4
Other comprehensive income	3.7
Dividends	(23.4)
Common shares issued in conjunction with employee share purchase plan	2.5
Balance at June 30, 2014	840.3

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

RESULTS BY SEGMENT

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

Communications

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

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

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
($ millions)				
Revenues	391.2	334.1	735.5	664.3
Operating EBITDA[1]	46.2	47.8	88.4	99.0

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

The increase in revenues from Communications over the comparative prior year periods reflected higher overall volume and favourable foreign currency translation on operations based in the United States. The increase in volume arose primarily from higher levels of activity on satellite construction programs.

Operating EBITDA and related margin percentage from Communications decreased compared to the prior year periods primarily due to the higher proportion of satellite construction programs in the segment revenue mix and increased competitiveness in the commercial communication satellite market.

Bidding activity in the Communications segment remains high. Notable bookings during the second quarter of 2014 included contracts with:

- SKY Perfect JSAT Corporation to construct the JCSAT-15 and JCSAT-16 communication satellites;
- PT. Bank Rakyat Indonesia (Persero) Tbk. to construct the BRIsat communication satellite;
- EchoStar Corporation to construct the EchoStar XXIII communication satellite;
- HISPASAT Group to construct the Hispasat 1F multi-mission communication satellite; and
- Aselsan Electronic Industries Inc. to provide an X-band communication hosted payload solution.

Operations

In May 2014, the Company returned the Optus 10 satellite to the factory for further testing after detecting a propulsion subsystem anomaly at the launch site. The Company expects to ship the satellite back to the launch site in August in preparation for a launch in September 2014.

In March 2014, the Company declared force majeure with respect to the ground infrastructure of the Ukraine communication satellite program. The Company is expecting to complete construction of the satellite and launch vehicle on the program in the third quarter of 2014. However, with the force majeure in place on the ground infrastructure and no new funding available at present to address the force majeure impact, any other further work on the program is uncertain.

Surveillance and Intelligence

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

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

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
($ millions)				
Revenues	161.4	116.3	309.8	214.7
Operating EBITDA[1]	44.5	33.7	87.6	64.1

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

The increase in revenues from Surveillance and Intelligence over the comparative prior year periods reflect a higher volume of activity, particularly on the RADARSAT Constellation Mission and space robotics programs.

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

Notable bookings in the Surveillance and Intelligence segment during the second quarter of 2014 included:

- a contract amendment with the Commonwealth of Australia to extend the Company's unmanned aerial surveillance services for the Australian Defence Force through to the end of 2014;
- a contract with DigitalGlobe, Inc. to expand its existing direct access ground systems to include the ability to task, downlink and process imagery from the WorldView-3 and GeoEye-1 satellites; and
- contracts with the Canadian Space Agency to define critical technologies and assess potential contributions that Canada could make to future space exploration missions beyond low-Earth orbit.

QUARTERLY INFORMATION

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

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
($ millions, except per common share amounts)								
Consolidated revenues	552.7	492.6	476.7	463.3	450.4	428.6	372.6	171.4
Operating EBITDA[1]	90.7	85.3	81.9	80.4	81.5	81.6	72.6	46.1
Operating earnings[1]	51.5	49.4	48.3	46.6	43.3	41.8	39.0	27.9
Operating earnings per share	1.43	1.37	1.34	1.29	1.20	1.30	1.22	0.88
Net earnings	36.5	25.0	25.2	46.5	31.1	2.2	11.0	41.0
Net earnings per share, basic and diluted	1.01	0.69	0.70	1.29	0.86	0.07	0.35	1.29
Weighted average number of common shares outstanding *(millions)*								
Basic and diluted[2]	36.1	36.1	36.0	36.0	36.0	32.1	31.9	31.8

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

The Company’s consolidated results include the results of SSL from the acquisition date of November 2, 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 public share offering completed in the first quarter of 2013 had a dilutive effect on earnings per share in subsequent periods.

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

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

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

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

LIQUIDITY

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

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

Summary of statement of cash flow

The following table provides selected cash flow information.

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
($ millions)				
Cash provided by operating activities[1]	73.9	72.5	155.8	139.8
Changes in operating assets and liabilities	(80.0)	(99.1)	(162.2)	(270.8)
Cash used in operating activities	(6.1)	(26.6)	(6.4)	(131.0)
Cash used in investing activities	(19.5)	(9.5)	(41.6)	(18.3)
Cash provided by financing activities	61.9	24.0	23.8	139.8
Effect of foreign currency on cash and cash equivalents	(0.7)	0.7	0.8	0.9
Cash and cash equivalents used in discontinued operations	-	-	-	(2.7)
Cash and cash equivalents, beginning of period	(8.7)	24.9	50.3	24.8
Cash and cash equivalents, end of period	26.9	13.5	26.9	13.5

[1] Before changes in operating assets and liabilities.

Operating activities

Cash flows from operating activities for the three and six months ended June 30, 2014 were relatively neutral as the Company continued to invest in working capital, which was efficiently funded by the revolving loan facility. The change in the working capital position at June 30, 2014 was mainly due to a decrease in construction contract liabilities and an increase in non-financial assets, partially offset by a decrease in trade receivables and inventories.

Investing activities

The increase in cash used in investing activities in the three and six months ended June 30, 2014 over the comparative prior year periods reflect higher levels of capital expenditures. For the year to date, the Company made capital expenditures of $36.9 million compared to $26.5 million for the first six months of 2013. Capital expenditures generally consisted of investments in infrastructure and technology, including construction of a second thermal vacuum test chamber to increase production capacity and support growth at SSL. Other investing activities in the year to date included a cash outflow of $5.0 million from an increase in restricted cash relating to long-term construction contracts (six months ended June 30, 2013 - cash inflow of $3.2 million).

Financing activities
The increase in cash provided by financing activities in the second quarter of 2014 compared to the prior year's second quarter was due to higher draws on the revolving loan facility to fund operating activities. For the six months ended June 30, 2014, financing activities included a dividend payment of $23.4 million (six months ended June 30, 2013 - $20.7 million) and principal repayments of $74.4 million on the promissory note payable to Loral.

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

	June 30, 2014	December 31, 2013
($ millions)		
Syndicated credit facility	244.6	112.7
Senior secured notes	373.7	372.3
Promissory note	35.9	107.4
Prepaid facility fees	(1.0)	(0.8)
Obligations under finance leases	4.7	4.7
Long-term debt	657.9	596.3

Syndicated credit facility
As at June 30, 2014, the Company had available a four-year senior secured syndicated credit facility with several North American and international banks. The syndicated credit facility is comprised of a revolving loan facility of up to US$600 million, which can be drawn in Canadian and U.S. dollars. The revolving loan facility includes a US$125 million sub limit under which letters of credit can be issued.

In the second quarter of 2014, the Company amended its syndicated credit facility. The amendment reduced the interest rates applicable to the drawn and undrawn borrowings under the facility and extended the maturity by 12 months to November 2017. In addition, certain financial covenants under the syndicated credit facility and the senior secured notes were either amended or eliminated.

Loans under the syndicated credit facility bear interest at Bankers' Acceptance plus an applicable margin for Canadian dollar advances, and at U.S. LIBOR plus an applicable margin for U.S. dollar advances. The margin ranges from 1.25% to 3% and will vary with the Company's consolidated debt to EBITDA ratio. As at June 30, 2014, the applicable margin was 1.75%.

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.

As at June 30, 2014, the Company also had available a US$100 million letter of credit agreement with a major bank.

Senior secured notes
As at June 30, 2014, the Company had a twelve-year senior secured note purchase agreement for US$250 million with two major U.S. private lenders (the "2024 Term Notes"). The 2024 Term Notes bear interest at a fixed rate of 4.31% per annum and are repayable in five equal annual installments beginning in November 2020. The Company also had a long-term debt agreement for US$100 million with a private lender (the "2017 Term Notes"). The 2017 Term Notes bear interest at a fixed rate of 5.3% per annum and are repayable in full in February 2017.

The 2024 Term Notes and the 2017 Term Notes (collectively, the "senior secured notes") are guaranteed by designated subsidiaries of the Company and secured by specific assets of the Company and the designated subsidiaries. The senior secured notes can be repaid, at the

Company's option, in whole or in part, at any time, together with accrued interest and any applicable make-whole amount. The senior secured notes rank equally with the obligations under the credit agreements.

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

Debt covenants
As at June 30, 2014, the Company was in compliance with all covenants under its various credit facilities and long-term debt agreements.

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

On June 13, 2014, Loral and SSL filed twelve post-trial motions seeking to overturn the verdict and damages.

ViaSat filed post-trial motions seeking, among other items, an injunction to prevent the manufacture and sale by SSL of additional satellites that are identical to, or not colourably different from, Hughes' Jupiter-1 satellite, which was found by the jury to have infringed ViaSat's patents, and to enjoin the continued use and/or disclosure by SSL of ViaSat's contractually protected technologies.

The parties have subsequently filed oppositions to the various motions, with Loral and SSL in particular filing an opposition to ViaSat's motion for a permanent injunction, asserting that ViaSat has not satisfied its heavy burden of showing entitlement to such a remedy.

The United States District Court for the Southern District of California (the "Court") has scheduled the hearing on these motions for August 7, 2014.

Under the terms of the purchase agreement with Loral, the Company is indemnified for certain costs and damages under this action, after a final judgment has been entered. The Court may require the Company to post an appeal bond covering the amount of the damages. In addition, under the terms of the purchase agreement, following a change of control of Loral, the indemnification liability of Loral for damages is subject to a dollar cap.

NEW ACCOUNTING STANDARDS

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

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

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

RELATED PARTY TRANSACTIONS

As at June 30, 2014, the Company had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship agreements.

FINANCIAL INSTRUMENTS

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

As at June 30, 2014, the Company had foreign exchange forward purchase contracts for $259 million (December 31, 2013 - $321 million) and foreign exchange forward sale contracts for $467 million (December 31, 2013 - $358 million).

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

When derivative financial instruments are designated in a qualifying hedging relationship and hedge accounting is applied, the effectiveness of the hedges is measured at the end of each reporting period and the effective portion of changes in fair value is recognized in other comprehensive income and any ineffective portion is recognized immediately in earnings. For foreign exchange forward contracts used to manage risk associated with foreign currency rates, amounts are transferred from accumulated other comprehensive income to revenue or direct costs, selling, general and administration when the underlying transaction affects earnings. For derivative financial instruments not in a qualifying hedging relationship, changes in fair value are recognized immediately in earnings as a foreign exchange gain or loss or other account, as appropriate.

As at June 30, 2014, the Company's foreign exchange forward contracts had a cumulative unrealized loss on fair valuation of $0.3 million (December 31, 2013 - cumulative unrealized loss of $1.2 million). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $6.3 million recorded in other comprehensive income as at June 30, 2014 (December 31, 2013 - cumulative net gain of $5.9 million).

Certain foreign exchange derivative contracts entered into by the Company to hedge foreign currency exposures did not qualify for hedge accounting as the timing of the anticipated cash flows and/or the contract currency for certain subcontracts could not be predicted with sufficient certainty. Accordingly, the fair value adjustments on these derivative contracts were recognized in net earnings immediately. This resulted in timing differences between the recognition of fair value adjustments in earnings versus revenues and costs, which were recognized on the percentage of

completion basis using spot rates. Had these derivative contracts qualified for hedge accounting, the fair value adjustments would have been deferred and accumulated in other comprehensive income until the hedged revenues or costs were recognized, eliminating the timing differences. For the first six months of 2014, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a loss of $1.9 million compared to a gain of $2.2 million for the same period of 2013.

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

ADDITIONAL INFORMATION

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

Dividend

Semi-annual common share dividends paid in 2014:

Dividend per share, paid March 31, 2014	$0.65

On July 30, 2014, the Company declared a semi-annual dividend of $0.65 per common share payable on September 30, 2014 to shareholders of record at the close of business on September 15, 2014.

Outstanding share data

The Company's articles of incorporation authorize the issuance of an unlimited number of common shares and an unlimited number of preferred shares issuable in series and convertible to common shares. As at June 30, 2014, the Company had 36,086,200 common shares with no par value outstanding.

As at July 18, 2014, the Company had 36,089,959 common shares with no par value outstanding.

Public securities filings

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

RECONCILIATIONS

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

($ millions)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Operating EBITDA	90.7	85.3	81.9	80.4	81.5	81.6	72.6	46.1
Corporate expense	(5.2)	(1.9)	(2.8)	(3.1)	(2.9)	(2.5)	(4.0)	(2.6)
Net finance expense	(8.3)	(8.5)	(10.5)	(10.5)	(11.8)	(13.1)	(6.9)	(0.4)
Depreciation and amortization	(11.9)	(11.9)	(12.1)	(11.8)	(11.3)	(10.9)	(8.9)	(3.6)
Income tax expense, excluding tax on items affecting comparability	(13.8)	(13.6)	(8.2)	(8.4)	(12.2)	(13.3)	(13.8)	(11.6)
Operating earnings	51.5	49.4	48.3	46.6	43.3	41.8	39.0	27.9
Items affecting comparability:								
Share-based compensation	(6.1)	(15.2)	(14.3)	(29.1)	(6.3)	(30.5)	(11.6)	11.0
Amortization of acquisition related intangible assets	(8.0)	(8.1)	(8.2)	(7.9)	(7.4)	(7.3)	(4.8)	-
Pension and other post-retirement plan amendments	(2.1)	(2.3)	-	40.1	-	-	-	-
Foreign exchange gain (loss)	0.1	(2.3)	(4.7)	2.0	0.3	(3.7)	0.3	6.2
Foreign currency translation adjustment reclassified to earnings on liquidation of foreign operation	-	-	-	(8.9)	-	-	-	-
Business acquisition costs	-	-	-	-	-	(1.9)	(10.8)	(2.7)
Other acquisition related expenses	-	-	0.3	(3.0)	-	-	-	-
Write-off of bank facility fees	-	-	-	-	-	(3.1)	-	-
Loss on disposal of assets	-	-	-	-	-	-	(1.7)	-
Fair value adjustments on equity forward contracts	-	-	-	-	-	-	-	(1.0)
Tax on items affecting comparability	1.1	3.5	3.8	6.7	1.2	6.9	0.6	(0.4)
Net earnings	36.5	25.0	25.2	46.5	31.1	2.2	11.0	41.0

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

Three months ended June 30 ($ millions)	Communications	Surveillance & Intelligence	**2014 Total**	Communications	Surveillance & Intelligence	**2013 Total**
Operating EBITDA	46.2	44.5	90.7	47.8	33.7	81.5
Depreciation and amortization[1]	(10.4)	(1.5)	(11.9)	(9.5)	(1.8)	(11.3)
Segment profit	35.8	43.0	78.8	38.3	31.9	70.2

Six months ended June 30 ($ millions)	Communications	Surveillance & Intelligence	**2014 Total**	Communications	Surveillance & Intelligence	**2013 Total**
Operating EBITDA	88.4	87.6	176.0	99.0	64.1	163.1
Depreciation and amortization[1]	(20.9)	(2.9)	(23.8)	(18.6)	(3.6)	(22.2)
Segment profit	67.5	84.7	152.2	80.4	60.5	140.9

[1] Excludes amortization of acquisition related intangible assets.

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three and six months ended June 30, 2014 and 2013
(Unaudited)

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenues		$ 545,969	$ 444,194	$1,031,678	$ 867,213
Orbital income		6,708	6,176	13,564	11,783
Total revenues	5	552,677	450,370	1,045,242	878,996
Direct costs, selling, general and administration	6	467,694	370,948	877,520	719,136
		84,983	79,422	167,722	159,860
Depreciation and amortization		19,916	18,677	39,973	36,882
Foreign exchange loss (gain)		(578)	420	1,030	5,393
Share-based compensation expense	11	6,094	6,342	21,344	36,828
Finance income		(33)	(108)	(183)	(840)
Finance expense		8,355	11,947	17,014	28,903
Other items	7	2,070	-	4,362	1,931
Earnings before income taxes		49,159	42,144	84,182	50,763
Income tax expense		12,676	10,999	22,742	17,373
Net earnings		$ 36,483	$ 31,145	$ 61,440	$ 33,390
Net earnings per common share:					
Basic and diluted	10	$ 1.01	$ 0.86	$ 1.70	$ 0.98

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,	
	2014	2013	2014	2013
Net earnings	$ 36,483	$ 31,145	$ 61,440	$ 33,390
Other comprehensive income (loss):				
Items that may be subsequently reclassified to earnings:				
Foreign currency translation adjustment	(33,010)	26,148	3,580	41,453
Net gain (loss) on hedge of net investment in foreign operations (net of income taxes of nil for all periods presented)	2,790	(2,917)	(174)	(4,460)
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax recovery of $660 and income tax expense of $317 for the three months ended June 30, 2014 and 2013, respectively; and net of income tax recovery of $3 and income tax expense of $440 for the six months ended June 30, 2014 and 2013, respectively)	(1,608)	897	210	1,104
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax recovery of $19 and $25 for the three months ended June 30, 2014 and 2013, respectively; and net of income tax expense of $32 and $40 for the six months ended June 30, 2014 and 2013, respectively)	(47)	(69)	94	40
Net change in fair value of available-for-sale financial assets (net of income tax recovery of $1 and income tax expense of $2 for the three months ended June 30, 2014 and 2013, respectively; and net of income tax expense of $5 and $9 for the six months ended June 30, 2014 and 2013, respectively)	(9)	(11)	30	39
	(31,884)	24,048	3,740	38,176
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 of nil and income tax expense of $20 for the three months ended June 30, 2014 and 2013, respectively; and income tax of nil and income tax recovery of $158 for the six months ended June 30, 2014 and 2013, respectively)	-	(20)	-	158
	-	(20)	-	158
Other comprehensive income (loss), net of income taxes	(31,884)	24,028	3,740	38,334
Comprehensive income	$ 4,599	$ 55,173	$ 65,180	$ 71,724

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, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$ 26,946	$ 50,307
Trade and other receivables		212,528	294,940
Financial assets, other		33,465	35,661
Construction contract assets		95,380	92,421
Inventories		95,285	115,302
Non-financial assets		147,538	109,512
Current tax assets		27,341	26,075
		638,483	724,218
Non-current assets:			
Orbital receivables		401,514	382,280
Financial assets, other		8,157	3,264
Non-financial assets		6,893	5,904
Deferred tax assets		29,055	27,173
Property, plant and equipment		370,363	365,247
Intangible assets		328,666	333,516
Goodwill		744,989	742,605
		1,889,637	1,859,989
		$ 2,528,120	$ 2,584,207
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 188,881	$ 205,792
Current tax liabilities		55,666	49,170
Financial liabilities, other		18,539	26,731
Provisions		3,052	3,720
Employee benefits		141,514	126,516
Non-financial liabilities		14,840	15,355
Construction contract liabilities		378,624	524,111
Current portion of long-term debt	8	37,796	73,429
		838,912	1,024,824
Non-current liabilities:			
Financial liabilities, other		11,481	9,238
Provisions		24,700	24,966
Employee benefits		173,360	186,318
Non-financial liabilities		8,004	8,296
Deferred tax liabilities		11,207	11,530
Long-term debt	8	620,104	522,885
		1,687,768	1,788,057
Shareholders’ equity:			
Share capital	9	497,846	495,376
Contributed surplus		2,656	2,656
Retained earnings		173,063	135,071
Accumulated other comprehensive income		166,787	163,047
		840,352	796,150
		$ 2,528,120	$ 2,584,207

Contingencies (note 14)
Subsequent events (note 15)
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, 2014

				Accumulated other comprehensive income						
	Share capital	**Contributed surplus**	**Retained earnings**	Net loss on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains on defined benefit pension plans and other post-retirement benefit plans	**Total accumulated other comprehensive income**	**Total shareholders' equity**
Balance as at January 1, 2014	**$ 495,376**	**$ 2,656**	**$ 135,071**	$ (1,266)	$ 47,264	$ 4,353	$ 631	$ 112,065	**$ 163,047**	**$ 796,150**
Common shares issued in conjunction with employee share purchase plan	**2,470**	**-**	**-**	-	-	-	-	-	**-**	**2,470**
Dividends	**-**	**-**	**(23,448)**	-	-	-	-	-	**-**	**(23,448)**
Comprehensive income (loss)	**-**	**-**	**61,440**	(174)	3,580	304	30	-	**3,740**	**65,180**
Balance as at June 30, 2014	**$ 497,846**	**$ 2,656**	**$ 173,063**	$ (1,440)	$ 50,844	$ 4,657	$ 661	$ 112,065	**$ 166,787**	**$ 840,352**

Six months ended June 30, 2013

				Accumulated other comprehensive income						
	Share capital	**Contributed surplus**	**Retained earnings**	Net gain (loss) on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains (losses) on defined benefit pension plans and other post-retirement benefit plans	**Total accumulated other comprehensive income (loss)**	**Total shareholders' equity**
Balance as at January 1, 2013	**$ 213,222**	**$ 2,698**	**$ 74,221**	$ 3,900	$ (17,055)	$ 1,958	$ 448	$ (12,583)	**$ (23,332)**	**$ 266,809**
Common shares issued in conjunction with employee share purchase plan	**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**

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, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows provided by (used in):					
Operating activities:					
Net earnings from continuing operations		$ 36,483	$ 31,145	$ 61,440	$ 33,390
Adjustments to reconcile to net cash from operating activities:					
Depreciation of property, plant and equipment		10,265	9,354	20,593	18,282
Amortization of intangible assets		9,651	9,323	19,380	18,600
Share-based compensation expense	11	6,094	6,342	21,344	36,828
Finance income		(33)	(108)	(183)	(840)
Finance expense		6,335	8,897	13,088	22,803
Foreign exchange loss (gain)		(2,441)	1,199	3,352	5,824
Income tax expense		12,676	10,999	22,742	17,373
Income taxes paid		(5,621)	(4,660)	(11,399)	(14,069)
Income taxes recovered		517	21	5,450	1,541
Changes in operating assets and liabilities	13	(79,999)	(99,105)	(162,162)	(270,761)
Cash used in operating activities of continuing operations		(6,073)	(26,593)	(6,355)	(131,029)
Investing activities:					
Purchase of property, plant and equipment		(9,772)	(7,594)	(23,795)	(15,977)
Proceeds from government assistance related to property, plant and equipment		-	1,800	-	1,800
Purchase / development of intangible assets		(7,816)	(4,675)	(13,106)	(10,531)
Disposal of short-term investments		20	32	62	66
Decrease (increase) in restricted cash		(1,956)	(469)	(4,995)	3,165
Interest received on short-term investments and others		69	1,442	200	3,227
Cash used in investing activities of continuing operations		(19,455)	(9,464)	(41,634)	(18,250)
Financing activities:					
Repayment of promissory note payable	8	-	-	(74,423)	-
Proceeds from (repayment of) revolving loan facility and other long-term debt		69,516	32,826	132,398	(103,279)
Interest paid on long-term debt		(11,066)	(10,820)	(15,310)	(17,781)
Proceeds from interest free government assistance		2,505	1,950	2,505	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		937	692	2,100	1,201
Purchase of common shares for settlement of share-based compensation plans		-	(36)	-	(98)
Payment of dividends	9	-	-	(23,448)	(20,715)
Cash provided by financing activities of continuing operations		61,892	23,956	23,822	139,813
Cash and cash equivalents provided by (used in) continuing operations		36,364	(12,101)	(24,167)	(9,466)
Cash and cash equivalents used in discontinued operations		-	-	-	(2,752)
Effect of foreign currency on cash and cash equivalents of continuing operations		(727)	656	806	887
Cash and cash equivalents, beginning of period		(8,691)	24,950	50,307	24,836
Cash and cash equivalents, end of period		$ 26,946	$ 13,505	$ 26,946	$ 13,505

See accompanying notes to condensed consolidated interim financial statements.

1. General business description:

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

2. Basis of preparation:

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

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

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on July 30, 2014.

3. Changes in accounting policies:

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

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

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

4. New standards and interpretations not yet adopted:

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 - *Financial Instruments*, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, which supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

5. Revenue and segmented information:

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

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

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

5. Revenue and segmented information (continued):

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

Three months ended June 30, 2014	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 391,246	$ 161,431	$ -	$ 552,677
Internal revenue	1,108	1,213	(2,321)	-
	392,354	162,644	(2,321)	552,677
Segment earnings:				
Operating EBITDA	46,235	44,444	-	90,679
Depreciation and amortization	10,435	1,432	-	11,867
Segment profit	35,800	43,012	-	78,812
Capital expenditures:				
Property, plant and equipment	10,300	1,140	-	11,440
Intangible assets	7,416	355	-	7,771
	$ 17,716	$ 1,495	$ -	$ 19,211

Three months ended June 30, 2013	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 334,050	$ 116,320	$ -	$ 450,370
Internal revenue	709	627	(1,336)	-
	334,759	116,947	(1,336)	450,370
Segment earnings:				
Operating EBITDA	47,841	33,628	-	81,469
Depreciation and amortization	9,513	1,772	-	11,285
Segment profit	38,328	31,856	-	70,184
Capital expenditures:				
Property, plant and equipment	7,993	379	-	8,372
Intangible assets	5,188	18	-	5,206
	$ 13,181	$ 397	$ -	$ 13,578

5. Revenue and segmented information (continued):

Six months ended June 30, 2014	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 735,455	$ 309,787	$ -	$ 1,045,242
Internal revenue	2,215	2,694	(4,909)	-
	737,670	312,481	(4,909)	1,045,242
Segment earnings:				
Operating EBITDA	88,381	87,598	-	175,979
Depreciation and amortization	20,931	2,849	-	23,780
Segment profit	67,450	84,749	-	152,199
Capital expenditures:				
Property, plant and equipment	24,121	1,858	-	25,979
Intangible assets	12,447	629	-	13,076
	$ 36,568	$ 2,487	$ -	$ 39,055

Six months ended June 30, 2013	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 664,315	$ 214,681	$ -	$ 878,996
Internal revenue	1,094	1,175	(2,269)	-
	665,409	215,856	(2,269)	878,996
Segment earnings:				
Operating EBITDA	98,977	64,109	-	163,086
Depreciation and amortization	18,561	3,645	-	22,206
Segment profit	80,416	60,464	-	140,880
Capital expenditures:				
Property, plant and equipment	16,612	1,255	-	17,867
Intangible assets	10,855	221	-	11,076
	$ 27,467	$ 1,476	$ -	$ 28,943

5. Revenue and segmented information (continued):

Reconciliation to earnings before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Segment profit	$ 78,812	$ 70,184	$ 152,199	$ 140,880
Corporate expenses	(5,227)	(2,863)	(7,107)	(5,394)
Amortization of acquisition related intangible assets	(8,049)	(7,392)	(16,193)	(14,676)
Difference in hedge accounting policy	(469)	816	(1,150)	2,168
Foreign exchange gain (loss)	578	(420)	(1,030)	(5,393)
Share-based compensation expense	(6,094)	(6,342)	(21,344)	(36,828)
Finance income	33	108	183	840
Finance expense	(8,355)	(11,947)	(17,014)	(28,903)
Other items	(2,070)	-	(4,362)	(1,931)
Earnings before income taxes	$ 49,159	$ 42,144	$ 84,182	$ 50,763

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Construction contracts	$ 483,833	$ 390,787	$ 912,681	$ 760,272
Services	68,844	59,583	132,561	118,724
	$ 552,677	$ 450,370	$1,045,242	$ 878,996

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenue:				
United States	$ 186,481	$ 152,135	$ 339,825	$ 271,812
Canada	87,922	62,122	178,361	104,200
Australia	76,817	83,561	138,691	170,072
Asia	75,793	45,044	147,232	107,455
Europe	66,830	63,921	135,568	138,422
South America	57,635	37,048	103,905	74,005
Other	1,199	6,539	1,660	13,030
	$ 552,677	$ 450,370	$1,045,242	$ 878,996

5. Revenue and segmented information (continued):

Revenue from significant customers is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Commercial:				
Customer 1	$ 84,775	$ 41,462	$ 168,857	$ 71,375
Customer 2	59,923	66,441	104,166	132,376
Customer 3	56,682	37,929	102,026	76,075
Customer 4	51,758	39,386	85,202	89,676
Government:				
Canadian Federal Government and agencies	$ 83,397	$ 46,412	$ 167,268	$ 76,973
U.S. Federal Government and agencies	24,845	30,981	47,312	61,315

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

	June 30, 2014	December 31, 2013
United States	$ 1,299,109	$ 1,294,539
Canada	151,757	151,984
Europe	45	749
	$ 1,450,911	$ 1,447,272

6. Operating costs:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Employee salaries and benefits	$ 163,334	$ 153,356	$ 324,049	$ 316,589
Costs related to defined benefit plans	1,699	4,339	3,248	8,590
Subcontractor costs relating to construction and service contracts	165,996	120,496	301,292	260,168
Materials, equipment, professional fees, travel and other	136,665	92,757	248,931	133,789
Direct costs, selling, general and administration	467,694	370,948	877,520	719,136
Depreciation and amortization	19,916	18,677	39,973	36,882
Share-based compensation expense	6,094	6,342	21,344	36,828
Other items (note 7)	2,070	-	4,362	1,931
	$ 495,774	$ 395,967	$ 943,199	$ 794,777

7. Other items:

The components of other items are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Employee benefit expense	$ 2,070	$ -	$ 4,362	$ -
Business acquisition costs	-	-	-	1,931
	$ 2,070	$ -	$ 4,362	$ 1,931

In the third quarter of 2013, the Company restructured the pension and post-retirement benefit plans at one of its operating divisions. The restructuring plan included amendments to the defined benefit pension plans, post-retirement plans, 401(k) plans, and other benefits. As a result of these plan amendments, the Company recognised past service credits of $21,134,000 for the defined benefit pension plans and $18,917,000 for the post-retirement medical plan immediately in earnings in 2013, with offsetting reductions to employee benefit liabilities. In addition to the one-time retroactive adjustments, the Company incurred incremental costs relating to 401(k) plans of $2,070,000 and $4,362,000 for the three and six months ended June 30, 2014, respectively.

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

8. Long-term debt:

	June 30, 2014	December 31, 2013
Syndicated credit facility:		
Revolving loan payable in U.S. dollars (June 30, 2014 - U.S.$201,000; December 31, 2013 - U.S.$106,000)	$ 214,587	$ 112,742
Revolving loan payable in Canadian dollars	30,000	-
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (June 30, 2014 - U.S.$250,000; December 31, 2013 - U.S.$250,000)	266,900	265,900
2017 Term notes payable in U.S. dollars (June 30, 2014 - U.S.$100,000; December 31, 2013 - U.S.$100,000)	106,760	106,360
Promissory note payable:		
Promissory note payable in U.S. dollars (June 30, 2014 - U.S.$33,667; December 31, 2013 - U.S.$101,000)	35,943	107,424
Financing fees	(961)	(827)
Obligations under finance leases	4,671	4,715
Total long-term debt	657,900	596,314
Current portion	(37,796)	(73,429)
Non-current portion	$ 620,104	$ 522,885

On March 31, 2014, the Company made principal repayments of $74,423,000 (U.S.$67,333,000) on its $107,828,000 (U.S.$101,000,000) promissory note payable to Loral. The final installment of $35,943,000 (U.S.$33,667,000) is due on March 31, 2015.

In the second quarter of 2014, the Company amended its syndicated credit facility. The amendment reduced the interest rates applicable to the drawn and undrawn borrowings under the facility and extended the maturity by 12 months to November 2017. In addition, certain financial covenants under the syndicated credit facility and the senior secured notes were either amended or eliminated.

9. Share capital:

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

Common shares issued and fully paid:

	Number of shares	Amount
Balance as at December 31, 2013	36,056,381	$ 495,376
Common shares issued in conjunction with employee share purchase plan	29,819	2,470
Balance as at June 30, 2014	36,086,200	$ 497,846

For the six months ended June 30, 2014, the Company declared and paid a semi-annual dividend of $0.65 per common share (2013 - $0.65).

10. Earnings per common share:

	Three months ended June 30,					
	2014			2013		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic and diluted	$ 36,483	36,081,666	$ 1.01	$ 31,145	36,021,040	$ 0.86

	Six months ended June 30,					
	2014			2013		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic and diluted	$ 61,440	36,074,783	$ 1.70	$ 33,390	34,069,433	$ 0.98

11. Share-based payment plans:

Total share-based compensation expense from all forms of share-based compensation for the three and six months ended June 30, 2014 was $6,094,000 and $21,344,000, respectively (2013 - $6,342,000 and $36,828,000, respectively). The details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Share appreciation rights	$ 5,787	$ 6,072	$ 20,264	$ 35,320
Deferred share units	116	94	637	1,110
Share matching program	26	54	73	186
Employee share purchase plan	165	122	370	212
	$ 6,094	$ 6,342	$ 21,344	$ 36,828

At June 30, 2014, the intrinsic value for vested share-based payment plans, being the positive difference between the market price of the Company's share and the exercise price of the award, was $29,580,000 (December 31, 2013 - $32,629,000).

12. Financial instruments and fair value disclosures:

(a) Financial instruments by category:

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

At June 30, 2014:

	Financial assets at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount
Financial assets:						
Current:						
Cash and cash equivalents	$ -	$ -	$ 26,946	$ -	$ -	$ 26,946
Trade and other receivables:						
Trade accounts receivable	-	-	163,006	-	-	163,006
Orbital receivables	-	-	19,160	-	-	19,160
Other receivables	-	-	5,001	-	25,361	30,362
	-	-	187,167	-	25,361	212,528
Financial assets, other:						
Short-term investments	-	-	-	6,231	-	6,231
Notes receivable	-	-	343	-	-	343
Derivative financial instruments	6,877	1,728	-	-	-	8,605
Restricted cash	-	-	18,286	-	-	18,286
	6,877	1,728	18,629	6,231	-	33,465
Non-current:						
Orbital receivables	-	-	401,514	-	-	401,514
Financial assets, other:						
Notes receivable	-	-	1,016	-	-	1,016
Derivative financial instruments	1,028	992	-	-	-	2,020
Restricted cash	-	-	5,121	-	-	5,121
	1,028	992	6,137	-	-	8,157

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

(a) Financial instruments by category (continued):

At June 30, 2014 (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	$ -	$ -	$ 188,881	$ 188,881
Financial liabilities, other:				
Non-trade payables	-	-	9,133	9,133
Derivative financial instruments	8,601	805	-	9,406
	8,601	805	9,133	18,539
Long-term debt:				
Long-term debt	-	-	35,756	35,756
Obligations under finance leases	-	-	2,040	2,040
	-	-	37,796	37,796
Non-current:				
Financial liabilities, other:				
Non-trade payables	-	-	10,371	10,371
Derivative financial instruments	925	185	-	1,110
	925	185	10,371	11,481
Long-term debt:				
Long-term debt	-	-	617,473	617,473
Obligations under finance leases	-	-	2,631	2,631
	-	-	620,104	620,104

As at June 30, 2014, the Company had designated $80,070,000 (U.S.$75,000,000) (December 31, 2013 - $75,591,000 (U.S.$71,071,000)) of its $106,760,000 (U.S.$100,000,000) 2017 Term Notes Payable as a hedge of its investment in certain U.S. subsidiaries.

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

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at June 30, 2014 and December 31, 2013, the fair values of all financial instruments carried at amortized cost, other than long-term debt, approximate their carrying value. The fair value of long-term debt is estimated based on a discounted cash flow approach. The estimated fair value of long-term debt, excluding obligations under finance leases, at June 30, 2014, was $663,609,000 (December 31, 2013 - $588,779,000) as compared to the carrying value of $653,229,000 (December 31, 2013 - $591,599,000). The fair value of obligations under finance leases approximates their carrying value. As at June 30, 2014, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $85,561,000 (December 31, 2013 - $80,910,000) and a carrying value of $80,070,000 (December 31, 2013 - $75,591,000).

Financial instruments carried at fair value:

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

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

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

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

June 30, 2014	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 6,231	$ -	$ -	$ 6,231
Derivative financial instruments	-	10,625	-	10,625
Total assets	$ 6,231	$ 10,625	$ -	$ 16,856
Liabilities				
Derivative financial instruments	$ -	$ 10,516	$ -	$ 10,516

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

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

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

Financial instruments carried at fair value (continued):

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

13. Supplemental cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Change in operating assets and liabilities:				
Trade and other receivables	$ 63,730	$ (106,046)	$ 84,168	$ (92,544)
Construction contract assets	(13,187)	(10,022)	(3,183)	(9,993)
Financial assets, other	(57)	955	(44)	(33)
Inventories	16,824	(9,321)	20,830	(16,774)
Current tax assets	(6,381)	(9,906)	(13,898)	(13,958)
Non-financial assets	(23,043)	8,921	(40,148)	22,919
Orbital receivables	(10,489)	(5,899)	(18,273)	(13,131)
Trade and other payables	12,761	18,963	(15,407)	(36,159)
Financial liabilities, other	(273)	(1,525)	(7,724)	723
Provisions	(673)	1,388	(1,062)	160
Construction contract liabilities	(107,214)	33,761	(147,087)	(77,146)
Employee benefits	(9,630)	(17,296)	(19,529)	(30,726)
Non-financial liabilities	(2,367)	(3,078)	(805)	(4,099)
	$ (79,999)	$ (99,105)	$ (162,162)	$ (270,761)

14. Contingencies:

On April 24, 2014, a jury in the trial of the lawsuit brought by ViaSat, Inc. and ViaSat Communications, Inc. ("ViaSat") against the Company's subsidiary Space Systems/Loral, LLC ("SSL") and SSL's former parent company Loral Space & Communications Inc. ("Loral"), involving claims of patent infringement and breach of contract, returned a verdict against SSL. The jury found that SSL infringed the three asserted ViaSat patents and breached certain non-disclosure obligations to ViaSat and awarded U.S.$283,000,000 in damages to ViaSat.

On June 13, 2014, Loral and SSL filed twelve post-trial motions seeking to overturn the verdict and damages.

ViaSat filed post-trial motions seeking, among other items, an injunction to prevent the manufacture and sale by SSL of additional satellites that are identical to, or not colourably different from, Hughes' Jupiter-1 satellite, which was found by the jury to have infringed ViaSat's patents, and to enjoin the continued use and/or disclosure by SSL of ViaSat's contractually protected technologies.

The parties have subsequently filed oppositions to the various motions, with Loral and SSL in particular filing an opposition to ViaSat's motion for a permanent injunction, asserting that ViaSat has not satisfied its heavy burden of showing entitlement to such a remedy.

The United States District Court for the Southern District of California (the "Court") has scheduled the hearing on these motions for August 7, 2014.

Under the terms of the purchase agreement with Loral, the Company is indemnified for certain costs and damages under this action, after a final judgment has been entered. The Court may require the Company to post an appeal bond covering the amount of the damages. In addition, under the terms of the purchase agreement, following a change of control of Loral, the indemnification liability of Loral for damages is subject to a dollar cap.

15. Subsequent events:

(a) Pending acquisition:

On July 14, 2014, the Company signed a definitive agreement to acquire a business that includes radar and other information sensors used for U.S. national security purposes. The transaction is subject to certain closing conditions as well as approval by the Committee on Foreign Investment in the United States. The Company expects the transaction to close in 2014.

(b) Semi-annual dividend:

On July 30, 2014, the Company declared a semi-annual dividend of $0.65 per common share payable on September 30, 2014 to shareholders of record at the close of business on September 15, 2014.

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