MacDonald, Dettwiler and Associates Ltd.

Second Quarter Report 2015

Three and Six Months Ended June 30, 2015

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, 2015

This management's discussion and analysis ("MD&A"), dated July 30, 2015, should be read in conjunction with the cautionary statement regarding forward-looking statements below and MacDonald, Dettwiler and Associates Ltd.'s ("MDA" or the "Company") condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2015, as well as the Company's annual MD&A and consolidated financial statements for the year ended December 31, 2014. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars. An additional advisory with respect to the use of non-IFRS financial measures is set out in section "Non-IFRS Financial Measures" of this MD&A. All quarterly information disclosed in the MD&A is based on unaudited figures.

Unless otherwise indicated, the Company's significant accounting policies and estimates, contractual obligations, commitments, contingencies, and business risks and uncertainties, as described in its MD&A and financial statements for the year ended December 31, 2014, are substantially unchanged.

MDA and the Company refer to MacDonald, Dettwiler and Associates Ltd. and its subsidiaries. *This quarter* means the three-month period ended June 30, 2015. *Year to date* means the six-month period ended June 30, 2015.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect the Company's current view of future events and financial performance. Forward-looking statements in this MD&A include, but are not limited to, statements regarding: the expected benefits from enterprise improvement initiatives and the timeframe for implementing those initiatives under section "Consolidated Results - Net earnings"; anticipated revenues and customer contracts under sections "Consolidated Results - Order backlog" and "Results By Segment"; and the sources of liquidity the Company expects to use to meet its anticipated cash requirements under section "Liquidity".

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable. The material assumptions upon which such forward-looking statements are based include, among others, assumptions with respect to: market and general economic conditions; the operations of the operating businesses of the Company continuing on a basis consistent with prior years; growth in demand for the products and services of the Company's businesses; the ability of the Company to access financing from time to time on favourable terms; the ability of the Company to realize anticipated benefits of acquisitions; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; and currency exchange and interest rates being reasonably stable at current rates. As contained in this MD&A, the Company has made the following assumptions with respect to the forward-looking statements: the expected benefits from enterprise improvement initiatives and the timeframe for implementing those initiatives was based on current market conditions in the commercial communication satellite market and management's current plans; anticipated revenues and customer contracts was based on the Company's continuing ability to effectively service customers and enter into more contracts for the sale of satellites and products and there being no adverse changes to customer priorities and funding levels; and the sources of liquidity the Company expects to use to meet its anticipated cash requirements was based on stable market conditions and the Company's current plans and forecasts. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

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

For additional information with respect to certain of these risks or factors, reference should be made to section "Business Risks and Uncertainties" of the MD&A and notes to the consolidated financial statements for the year ended December 31, 2014, as well with the Company's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, which are available online at www.sedar.com or on the Company's website at www.mdacorporation.com.

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

COMPANY PROFILE

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

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

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

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

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

Communications

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

Surveillance and Intelligence

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

OVERVIEW

The following table provides selected financial information of the Company.

Results of Operations	**Three months ended June 30,**		**Six months ended June 30,**	
	2015	**2014**	**2015**	**2014**
($ millions, except per common share amounts)				
Consolidated revenues	523.7	552.7	1,057.6	1,045.2
Operating EBITDA[1]	94.6	90.7	188.1	176.0
Operating earnings[1]	56.6	53.9	111.7	103.3
Operating earnings per share[1]	1.56	1.50	3.09	2.87
Net earnings	43.6	36.5	81.7	61.4
Net earnings per share, basic and diluted	1.20	1.01	2.26	1.70
Weighted average number of common shares outstanding: *(millions)*				
Basic	36.2	36.1	36.1	36.1
Diluted[2]	36.2	36.1	36.2	36.1

Financial Position	**June 30, 2015**	**December 31, 2014**
($ millions)		
Total assets	3,199.9	2,981.4
Total long-term debt	879.7	754.4
Shareholders' equity	965.5	804.0

[1] This is a non-IFRS financial measure. Refer to section "Consolidated Results" for a reconciliation of operating EBITDA and operating earnings to net earnings.

[2] In May 2015, the Company received shareholder and regulatory approvals to issue common shares from treasury to settle share-based compensation awards with equity. The change impacts the calculation of earnings per share, as certain awards will prospectively qualify as potentially dilutive instruments. Refer to section "Consolidated Results - Financial position" of this MD&A for further discussion.

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, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
($ millions, except per common share amounts)				
Consolidated revenues	523.7	552.7	1,057.6	1,045.2
Operating EBITDA	94.6	90.7	188.1	176.0
Operating EBITDA as a percentage of revenues	*18%*	*16%*	*18%*	*17%*
Corporate expense	(2.2)	(2.8)	(5.3)	(4.7)
Net finance expense	(11.4)	(8.3)	(23.0)	(16.8)
Depreciation and amortization[1]	(13.7)	(11.9)	(27.6)	(23.8)
Income tax expense on operating earnings	(10.7)	(13.8)	(20.5)	(27.4)
Operating earnings	56.6	53.9	111.7	103.3
Operating earnings per share	*1.56*	*1.50*	*3.09*	*2.87*
Items affecting comparability:				
Share-based compensation	0.9	(6.1)	(9.6)	(21.3)
Amortization of acquisition related intangible assets	(9.6)	(8.0)	(19.4)	(16.2)
Enterprise improvement costs	0.3	-	1.9	-
Foreign exchange gain (loss)	1.5	0.1	(0.1)	(2.2)
ViaSat settlement and associated activities	-	(2.4)	-	(2.4)
Pension and other post-retirement plan amendments	-	(2.1)	-	(4.4)
Income tax expense adjustment	(6.1)	1.1	(2.8)	4.6
Net earnings	43.6	36.5	81.7	61.4

[1] Excludes amortization of acquisition related intangible assets.

Consolidated revenues

Consolidated revenues for the second quarter of 2015 were $524 million compared to $553 million for the same period of last year. The decrease was primarily due to lower activity levels on the Radarsat Constellation Mission program and lower volume of flowthrough items on satellite construction programs, partially offset by the favourable impact of foreign currency translation.

Consolidated revenues for the six months ended June 30, 2015 were $1.1 billion, consistent with the same period a year ago. The Communications segment contributed revenues of $771 million (six months ended June 30, 2014 - $735 million) and the Surveillance and Intelligence segment contributed revenues of $287 million (six months ended June 30, 2014 - $310 million). Refer to section “Results By Segment” of this MD&A for further discussion of the Company’s revenues by segment.

Order backlog

Order backlog, representing the estimated dollar value of firm funded contracts for which work has not been performed, was $2.6 billion as at June 30, 2015 (December 31, 2014 - $3.1 billion). Order backlog does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts. Refer to section “Results By Segment” of this MD&A for a discussion of bookings activity by segment.

Operating EBITDA

Operating EBITDA, which is a measure used by management to evaluate the operational performance of the Company’s operating segments, increased to $94.6 million for the second quarter of 2015 compared to $90.7 million for the same period of last year.

For the year to date, operating EBITDA was $188 million and operating EBITDA as a percentage of revenues (“operating EBITDA margin percentage”) was 18%. This is compared to operating EBITDA of $176 million and operating EBITDA margin percentage of 17% for the six months ended June 30, 2014. The increase in operating EBITDA margin percentage reflected lower volume of flowthrough items in the current period. Refer to section “Results By Segment” of this MD&A for further discussion.

Corporate expense

Corporate expense for the second quarter of 2015 was $2.2 million compared to $2.8 million for the corresponding period of 2014. Corporate expense for the year to date was $5.3 million compared to $4.7 million for the six months ended June 30, 2014. 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,**	
	2015	**2014**	**2015**	**2014**
($ millions)				
Finance expense:				
Interest on long-term debt	7.8	6.1	15.7	11.5
Interest expense on defined benefit pension and other post-retirement benefit obligations	2.8	2.1	5.6	4.0
Capitalization of borrowing costs	(0.5)	(0.8)	(0.9)	(1.5)
Imputed interest and other	1.3	1.0	2.7	3.0
Finance income	(0.0)	(0.1)	(0.1)	(0.2)
Net finance expense	11.4	8.3	23.0	16.8

The increase in net finance expense reflected higher outstanding levels of long-term debt and net pension obligations, as well as the impact of a stronger U.S. dollar when translating foreign currency transactions to Canadian dollars. Debt levels increased primarily as a result of working capital requirements.

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,**	
	2015	**2014**	**2015**	**2014**
($ millions)				
Property, plant and equipment	11.2	10.3	22.2	20.6
Intangible assets[1]	2.5	1.6	5.4	3.2
Depreciation and amortization	13.7	11.9	27.6	23.8

[1] Excluding intangible assets arising from acquisitions.

The increase in depreciation and amortization expense reflected high capital expenditure levels in 2014 to support the growth of the Company and the impact of foreign currency translation on U.S. dollar denominated transactions.

Income tax expense on operating earnings

Income tax expense on operating earnings for the six months ended June 30, 2015 was $20.5 million, representing an effective income tax rate of 16% compared to 18% for fiscal year 2014. Income tax expense on operating earnings is computed using an estimated annual tax rate, adjusted to account for specific items affecting comparability such as certain non-deductible share-based compensation and amortization of acquisition related intangible assets. The estimated annual tax rate on operating earnings is determined annually and may be adjusted during the year to take into account events or trends that may materially impact the rate, including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of income and other significant events.

Operating earnings

Operating earnings, or net earnings excluding the impact of specified items affecting comparability, increased to $56.6 million ($1.56 per share) for the second quarter of 2015 compared to $53.9 million ($1.50 per share) for the same period of last year. For the year to date, operating earnings increased to $112 million ($3.09 per share) compared to $103 million ($2.87 per share) for the six months ended June 30, 2014. The increase over the comparative prior year periods reflected higher operating EBITDA and a lower effective income tax rate on operating earnings.

Net earnings

The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items that may not be indicative of the operational and financial performance of the Company's ongoing business. Giving effect to the specified items affecting comparability, net earnings this quarter were $43.6 million compared to $36.5 million for the second quarter of 2014. For the six months ended June 30, 2015, net earnings were $81.7 million compared to $61.4 million for the corresponding period of 2014. Certain of 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 $36 million per year over the five-year period ended June 30, 2015. Having received shareholder and regulatory approvals to settle share-based compensation awards with equity, the cash outlay on share-based compensation is expected to decrease for future periods. The Company believes that the exclusion of share-based compensation reduces volatility in net earnings and facilitates the comparison of financial results across periods.

Amortization of acquisition related intangible assets

The Company's acquisitions of Space Systems/Loral, Inc. in 2012 and Advanced Systems in 2014 have resulted in fair value adjustments to finite life intangible assets, which are being amortized over estimated lives of five to twenty years. Amortization expense on acquisition related intangible assets for the second quarter of 2015 was $9.6 million (second quarter of 2014 - $8.0 million). For the six months ended June 30, 2015, amortization expense on acquisition related intangible assets was $19.4 million (six months ended June 30, 2014 - $16.2 million).

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

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

Enterprise improvement costs

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

The Company recognized enterprise improvement costs of $15.6 million in fiscal year 2014, mainly for severance costs for employee terminations that have taken place in 2014 and consulting fees on the overall project. In the six months ended June 30, 2015, the Company recorded a recovery of $1.9 million to account for current estimates. Implementation of the enterprise improvement initiatives is expected to continue through 2016. The Company believes that the exclusion of costs relating to enterprise improvement initiatives from net earnings provides for better period-to-period comparisons of operating results for the Company's ongoing operations.

Foreign exchange gains and losses

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

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

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

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

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

(c) Unrealized foreign exchange gains and losses on translation of long-term foreign currency denominated financial assets and liabilities

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

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

Financial position

The Company had total assets of $3.2 billion as at June 30, 2015 (December 31, 2014 - $3.0 billion). Changes in the balances of major classes of assets and liabilities, including construction contract assets, inventories, orbital receivables, goodwill, trade payables and construction contract liabilities, occurred in the ordinary course of business and included the impact of foreign currency translation.

Total long-term debt as at June 30, 2015 was $880 million, representing a net increase of $125 million from the balance as at December 31, 2014. The following table shows the changes to long-term debt for the six months ended June 30, 2015.

($ millions)	
Balance as at December 31, 2014	754.4
Repayment of promissory note	(42.7)
Proceeds from revolving loan facility and other long-term debt	109.5
Foreign currency translation and other	58.5
Balance as at June 30, 2015	879.7

In March 2015, the Company repaid the final installment of the promissory note payable to Loral Space & Communications Inc. The Company made draws on the revolving loan facility to fund working capital and general operations.

Shareholders' equity as at June 30, 2015 was $966 million compared to $804 million as at December 31, 2014. The following table shows the changes to shareholders' equity for the six months ended June 30, 2015.

($ millions)	
Balance as at December 31, 2014	804.0
Net earnings	81.7
Other comprehensive income	70.0
Dividends	(26.8)
Reclassification of equity-settled share-based compensation awards	32.5
Equity-settled share-based compensation expense	1.4
Common shares issued in conjunction with employee share purchase plan	2.7
Balance as at June 30, 2015	965.5

The Company awards share appreciation rights to certain employees under its share-based compensation plans and maintains a deferred share units plan for the Company's independent directors. In May 2015, the Company received shareholder and regulatory approvals to issue common shares from treasury to settle these share-based compensation awards with equity and changed its stated intent on method of settlement such that certain awards are expected to be settled with equity. As a result of these changes in circumstances, the Company reassessed the accounting classification and prospectively began accounting for certain share-based compensation awards as equity-settled awards.

Other comprehensive income was mainly comprised of unrealized foreign exchange gains arising from the translation of the results of foreign operations. Such foreign currency translation adjustments are wholly dependent on fluctuations of the Canadian dollar relative to foreign currencies and could result in unrealized gains or losses that may vary significantly from period to period.

The Company has maintained a solid financial position and good liquidity (refer to section "Liquidity" of this MD&A). The Company has significant unused borrowing capacity under its syndicated credit facility and ready access to capital markets on an as-required basis to finance growth initiatives.

RESULTS BY SEGMENT

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

Communications

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

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

	Three months ended June 30,		**Six months ended June 30,**	
	2015	**2014**	**2015**	**2014**
($ millions)				
Revenues	381.7	391.2	770.7	735.5
Operating EBITDA	55.3	46.2	107.7	88.4

Revenues from Communications were comparable with prior year periods, reflecting the net impact of foreign currency translation and volatility in activity levels.

Operating EBITDA margin percentage from Communications for the six months ended June 30, 2015 was 14.0%, which improved on the margin percentage of 12.0% for the first six months of 2014. The increase reflected the mix of construction contracts in progress and lower volume of flowthrough items in the current period.

In the second quarter of 2015, bookings in the Communications segment included a contract with Broadcasting Satellite System Corporation, a leading broadcasting satellite operator in Japan, to construct the BSAT-4a communication satellite. The satellite will provide direct-to-home television services in Japan.

In July 2015, the Star One C4 satellite was launched and commenced post-launch maneuvers according to plan. Built by the Company for Embratel Star One, the satellite is designed to provide direct-to-home television service in Brazil and expand Embratel's broadcasting services to other Latin American countries and the United States.

Surveillance and Intelligence

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
($ millions)				
Revenues	142.0	161.4	286.9	309.8
Operating EBITDA	39.3	44.5	80.4	87.6

The decrease in revenues from Surveillance and Intelligence compared to prior year periods reflected lower activity levels on the Radarsat Constellation Mission program in 2015, net of contributions from Advanced Systems acquired in October 2014. Revenues from geospatial services were higher driven by strong bookings activity, particularly with the U.S. government.

Operating EBITDA margin percentage from Surveillance and Intelligence for the six months ended June 30, 2015 was 28.0% compared to 28.3% for the same period of last year. Operating EBITDA for the year to date included non-cash, foreign exchange losses of $3.9 million on fair valuation of unhedged commitments related to the Radarsat Constellation Mission launch. Operating EBITDA margin percentage can also vary from period to period with changes in the sales mix.

In the second quarter of 2015, bookings in the Surveillance and Intelligence segment included:

- a six-year contract with the European Space Agency to extend the provision of Radarsat-2 imagery in support of the European Union's Copernicus program;
- contracts with the Canadian Space Agency to extend on-going support for the Mobile Servicing System ("MSS") on the International Space Station and to design and develop upgraded camera systems for the MSS; and
- a five-year, indefinite delivery/indefinite quantity contract with the U.S. Air Force to provide support for the high-precision flight path safety system that aids the design of airport approach and departure flight paths.

QUARTERLY INFORMATION

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

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
($ millions, except per common share amounts)								
Consolidated revenues	523.7	533.9	547.0	506.6	552.7	492.6	476.7	463.3
Operating EBITDA[1]	94.6	93.5	87.4	84.8	90.7	85.3	81.9	80.4
Operating earnings[1]	56.6	55.1	53.9	50.7	53.9	49.4	48.3	46.6
Operating earnings per share	1.56	1.53	1.49	1.41	1.50	1.37	1.34	1.29
Net earnings (loss)	43.6	38.2	(35.8)	21.5	36.5	25.0	25.2	46.5
Net earnings (loss) per share, basic and diluted	1.20	1.06	(0.99)	0.60	1.01	0.69	0.70	1.29
Weighted average number of common shares outstanding: *(millions)*								
Basic and diluted	36.2	36.1	36.1	36.1	36.1	36.1	36.0	36.0

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

Revenues and operating EBITDA are influenced by the size and number of construction contracts in progress. Revenues and operating EBITDA may vary from quarter to quarter due to changes in the sales mix and contract life cycle of large dollar value contracts. Also, the recognition of a contract loss provision could impact the comparison of operating EBITDA from quarter to quarter. Quarterly financial results can vary with fluctuations in foreign exchange rates.

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

In the third quarter of 2014, the Company incurred costs of $15.6 million related to the enterprise improvement initiatives at its satellite manufacturing operations. In the first and second quarter of 2015, the Company recorded a recovery of $1.6 million and $0.3 million, respectively, to adjust for revised estimates.

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

Quarterly net earnings were impacted by the volatility of share-based compensation expense. Share-based compensation includes realized and unrealized fair value adjustments on share-based compensation awards, which will vary with changes to the Company's share price and timing of award exercises. Net earnings can also fluctuate significantly from quarter to quarter due to the variability of other non-operational income and expenses, adjustments relating to hedge accounting, acquisition related expense, and other gains and losses.

For further information on the items affecting the comparability of quarterly net earnings, refer to section "Reconciliations" of this MD&A.

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

LIQUIDITY

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

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

Summary of statement of cash flows

The following table provides selected cash flow information.

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
($ millions)				
Cash provided by operations[1]	93.6	73.9	169.5	155.8
Changes in operating assets and liabilities	(187.7)	(80.0)	(177.0)	(162.2)
Cash used in operating activities	(94.1)	(6.1)	(7.5)	(6.4)
Cash used in investing activities	(12.1)	(19.5)	(29.6)	(41.6)
Cash provided by financing activities	101.3	61.9	25.8	23.8
Effect of foreign currency on cash and cash equivalents	0.0	(0.7)	1.9	0.8
Cash and cash equivalents, beginning of period	12.6	(8.7)	17.1	50.3
Cash and cash equivalents, end of period[2]	7.7	26.9	7.7	26.9

[1] Before changes in operating assets and liabilities.
[2] Cash and cash equivalents as at June 30, 2015 included $10.9 million of bank overdraft (December 31, 2014 - $nil bank overdraft).

Operating activities

The Company continued to generate strong cash flows from operations, which were reinvested in working capital. The use of cash in working capital for the three and six months ended June 30, 2015 was primarily due to the timing of milestone payments and receipts on large dollar construction contracts and changes in the balance of inventories, current tax assets and employee benefits, all in the ordinary course of business.

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

Investing activities
The decrease in cash used in investing activities compared to the prior year periods reflected lower levels of capital expenditures. For the six months ended June 30, 2015, the Company made capital expenditures of $28.1 million compared to $36.9 million for the same period of last year. Capital expenditures consisted of additions to property, plant and equipment and intangible assets. Capital expenditures were higher in 2014 with the construction of a second thermal vacuum test chamber.

Other investing activities in the first six months of 2015 included cash outflow of $1.8 million from changes in restricted cash balances (six months ended June 30, 2014 - $5.0 million).

Financing activities
The variability in second quarter cash flows from financing activities, year over year, was primarily due to the timing of draws on the revolving loan facility to fund operations and payment of quarterly dividends.

The Company received $25.8 million from financing activities in the six months ended June 30, 2015 (six months ended June 30, 2014 - $23.8 million), representing net borrowings of long-term debt less payment of interest and dividends.

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

	June 30, 2015	**December 31, 2014**
($ millions)		
Syndicated credit facility	438.2	304.3
Senior term notes	436.6	406.0
Promissory note	-	39.1
Prepaid facility fees	(0.8)	(0.8)
Obligations under finance leases	5.7	5.8
Total long-term debt	879.7	754.4

Syndicated credit facility
The Company has in place a senior secured syndicated credit facility with several North American and international banks. The syndicated credit facility is comprised of a revolving loan facility, which can be drawn in Canadian and U.S. dollars. The revolving loan facility includes a US$125 million sub limit under which letters of credit can be issued. The syndicated credit facility is guaranteed by the Company and certain of its subsidiaries and the loans are secured by specific assets of the Company and its subsidiaries.

Loans under the syndicated credit facility bear interest at CDOR or Bankers' Acceptance plus an applicable margin for Canadian dollar advances, and at U.S. LIBOR plus an applicable margin for U.S. dollar advances. The margin will vary with the Company's consolidated debt to EBITDA ratio. As at June 30, 2015, the applicable margin was 1.70%.

In the second quarter of 2015, the Company amended its syndicated credit facility. The amendment increased the revolving loan facility from US$600 million to US$700 million, reduced the interest rates applicable to the drawn and undrawn borrowings under the facility, and extended the maturity date by twelve months to November 2018. The Company plans to use the additional capacity to finance growth and to maintain its industry leadership.

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

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

The 2024 Term Notes and the 2017 Term Notes (collectively, the “senior term notes”) are guaranteed by the Company and certain of its subsidiaries and secured by specific assets of the Company and its subsidiaries. The senior term notes can be repaid, at the Company’s option, in whole or in part, together with accrued interest and a make-whole premium. The senior term notes rank equally with the obligations under the credit agreements.

Debt covenants
As at June 30, 2015, the Company was in compliance with all covenants under its various credit facilities and long-term debt agreements.

RELATED PARTY TRANSACTIONS

As at June 30, 2015, the Company had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

FINANCIAL INSTRUMENTS

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

As at June 30, 2015, the Company had foreign exchange forward purchase contracts for $300 million (December 31, 2014 - $229 million) and foreign exchange forward sales contracts for $729 million (December 31, 2014 - $572 million).

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

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

As at June 30, 2015, the Company's foreign exchange forward contracts had a cumulative net unrealized gain on fair valuation of $29 million (December 31, 2014 - cumulative net unrealized gain of $14 million). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $35 million recorded in other comprehensive income as at June 30, 2015 (December 31, 2014 - cumulative net gain of $25 million).

Certain foreign exchange derivative contracts entered into by the Company to hedge foreign currency exposures did not qualify for hedge accounting as the timing of the anticipated cash flows and/or the contract currency for certain subcontracts could not be predicted with sufficient certainty. Accordingly, the fair value adjustments on these derivative contracts were recognized in net earnings immediately. This resulted in timing differences between the recognition of fair value adjustments in earnings versus revenues and costs, which were recognized on the percentage of completion basis using spot rates. Had these derivative contracts qualified for hedge accounting, the fair value adjustments would have been deferred and accumulated in other comprehensive income until the hedged revenues or costs were recognized, eliminating the timing differences. For the six months ended June 30, 2015, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a loss of $0.7 million compared to a loss of $1.9 million for the same period of 2014.

The nature and extent of risks arising from financial instruments, and their related risk management, are described in the Company's MD&A and consolidated financial statements for the year ended December 31, 2014. In the first six months of 2015, there was no material change to the nature of risks arising from or classification of financial instruments, or related risk management objectives.

ADDITIONAL INFORMATION

Internal Control over Financial Reporting

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

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

Dividend

Quarterly common share dividends paid in 2015:

Dividend per share, paid March 31, 2015	$0.37
Dividend per share, paid June 30, 2015	$0.37

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

Outstanding share data

The Company's articles of incorporation authorize the issuance of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As at June 30, 2015, the Company had 36,192,603 common shares with no par value outstanding.

As at July 17, 2015, the Company had 36,197,317 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.

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
($ millions)								
Operating EBITDA	94.6	93.5	87.4	84.8	90.7	85.3	81.9	80.4
Corporate expense	(2.2)	(3.1)	(2.5)	(2.9)	(2.8)	(1.9)	(2.8)	(3.1)
Net finance expense	(11.4)	(11.6)	(8.8)	(8.5)	(8.3)	(8.5)	(10.5)	(10.5)
Depreciation and amortization	(13.7)	(13.9)	(12.7)	(12.7)	(11.9)	(11.9)	(12.1)	(11.8)
Income tax expense on operating earnings	(10.7)	(9.8)	(9.5)	(10.0)	(13.8)	(13.6)	(8.2)	(8.4)
Operating earnings	56.6	55.1	53.9	50.7	53.9	49.4	48.3	46.6
Items affecting comparability:								
Share-based compensation	0.9	(10.5)	(28.1)	0.0	(6.1)	(15.2)	(14.3)	(29.1)
Amortization of acquisition related intangible assets	(9.6)	(9.8)	(8.9)	(8.0)	(8.0)	(8.1)	(8.2)	(7.9)
Enterprise improvement costs	0.3	1.6	-	(15.6)	-	-	-	-
Foreign exchange gain (loss)	1.5	(1.5)	(5.1)	(3.1)	0.1	(2.3)	(4.7)	(6.9)
ViaSat settlement and associated activities	-	-	(47.6)	(2.5)	(2.4)	-	-	-
Acquisition related expense	-	-	(0.2)	(0.7)	-	-	0.3	(3.0)
Pension and other post-retirement plan amendments	-	-	(1.8)	(2.1)	(2.1)	(2.3)	-	40.1
Income tax expense adjustment	(6.1)	3.3	2.0	2.8	1.1	3.5	3.8	6.7
Net earnings (loss)	43.6	38.2	(35.8)	21.5	36.5	25.0	25.2	46.5

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three and six months ended June 30, 2015 and 2014
(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, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenues	4	$ 523,705	$ 552,677	$1,057,601	$1,045,242
Direct costs, selling, general and administration	5	431,862	465,266	876,425	875,092
Depreciation and amortization		23,355	19,916	47,074	39,973
Foreign exchange loss (gain)		(2,117)	(578)	(1,627)	1,030
Share-based compensation expense (recovery)	11(e)	(941)	6,094	9,575	21,344
Other expense (income)	6	(256)	4,498	(1,890)	6,790
Earnings before interest and income taxes		71,802	57,481	128,044	101,013
Finance income		(50)	(33)	(107)	(183)
Finance expense		11,449	8,355	23,091	17,014
Earnings before income taxes		60,403	49,159	105,060	84,182
Income tax expense		16,838	12,676	23,320	22,742
Net earnings		$ 43,565	$ 36,483	$ 81,740	$ 61,440
Net earnings per common share:					
Basic and diluted	10	$ 1.20	$ 1.01	$ 2.26	$ 1.70

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,	
	2015	2014	2015	2014
Net earnings	$ 43,565	$ 36,483	$ 81,740	$ 61,440
Other comprehensive income (loss):				
Items that may be subsequently reclassified to earnings:				
Foreign currency translation adjustment	(17,674)	(33,010)	72,838	3,580
Net gain (loss) on hedge of net investment in foreign operations (net of income taxes of nil for all periods presented)	3,135	2,790	(13,095)	(174)
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax recovery of $105 and $660 for the three months ended June 30, 2015 and 2014, respectively; and net of income tax expense of $198 and income tax recovery of $3 for the six months ended June 30, 2015 and 2014, respectively)	(8,193)	(1,608)	19,680	210
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax expense of $239 and income tax recovery of $19 for the three months ended June 30, 2015 and 2014, respectively; and net of income tax expense of $93 and $32 for the six months ended June 30, 2015 and 2014, respectively)	(6,330)	(47)	(9,550)	94
Net change in fair value of available-for-sale financial assets (net of income tax recovery of $4 and $1 for the three months ended June 30, 2015 and 2014, respectively; and net of income tax expense of $13 and $5 for the six months ended June 30, 2015 and 2014, respectively)	(23)	(9)	88	30
Other comprehensive income (loss), net of income taxes	(29,085)	(31,884)	69,961	3,740
Comprehensive income	$ 14,480	$ 4,599	$ 151,701	$ 65,180

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, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		$ 18,562	$ 17,130
Trade and other receivables		346,373	345,200
Financial assets, other		70,611	49,723
Construction contract assets		160,379	171,638
Inventories		130,596	100,725
Non-financial assets		155,621	142,057
Current tax assets		36,065	31,538
		918,207	858,011
Non-current assets:			
Orbital receivables		499,354	447,216
Financial assets, other		38,881	31,761
Non-financial assets		6,653	6,547
Deferred tax assets		25,264	23,208
Property, plant and equipment		445,790	424,519
Intangible assets		385,496	369,142
Goodwill		880,208	820,985
		2,281,646	2,123,378
		$ 3,199,853	$ 2,981,389
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank overdraft		$ 10,905	$ -
Trade and other payables		250,105	252,387
Current tax liabilities		65,615	57,901
Financial liabilities, other		34,873	30,954
Provisions		3,325	11,940
Employee benefits		107,713	175,880
Non-financial liabilities		21,175	16,840
Construction contract liabilities		454,487	499,416
Current portion of long-term debt	8	2,097	41,308
		950,295	1,086,626
Non-current liabilities:			
Financial liabilities, other		33,834	36,204
Provisions		34,680	29,150
Employee benefits		296,850	275,025
Non-financial liabilities		25,865	25,972
Deferred tax liabilities		15,167	11,353
Long-term debt	8	877,614	713,084
		2,234,305	2,177,414
Shareholders' equity:			
Share capital	9	507,689	500,203
Contributed surplus		31,800	2,656
Retained earnings		190,259	135,277
Accumulated other comprehensive income		235,800	165,839
		965,548	803,975
		$ 3,199,853	$ 2,981,389

Subsequent event (note 14)

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

Six months ended June 30, 2015

				Accumulated other comprehensive income						
	Share capital	**Contributed surplus**	**Retained earnings**	Net loss on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains on defined benefit pension plans and other post-retirement benefit plans	**Total accumulated other comprehensive income**	**Total shareholders' equity**
Balance as at January 1, 2015	**$ 500,203**	**$ 2,656**	**$ 135,277**	$ (11,625)	$ 137,528	$ 22,748	$ 744	$ 16,444	**$ 165,839**	**$ 803,975**
Common shares issued in conjunction with employee share purchase plan	**2,694**	**-**	**-**	-	-	-	-	-	**-**	**2,694**
Common shares issued upon exercise of share-based compensation awards	**4,792**	**(4,792)**	**-**	-	-	-	-	-	**-**	**-**
Reclassification of equity-settled share-based compensation awards	**-**	**32,533**	**-**	-	-	-	-	-	**-**	**32,533**
Equity-settled share-based compensation expense	**-**	**1,403**	**-**	-	-	-	-	-	**-**	**1,403**
Dividends	**-**	**-**	**(26,758)**	-	-	-	-	-	**-**	**(26,758)**
Comprehensive income (loss)	**-**	**-**	**81,740**	(13,095)	72,838	10,130	88	-	**69,961**	**151,701**
Balance as at June 30, 2015	**$ 507,689**	**$ 31,800**	**$ 190,259**	$ (24,720)	$ 210,366	$ 32,878	$ 832	$ 16,444	**$ 235,800**	**$ 965,548**

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**

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, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flows provided by (used in):					
Operating activities:					
Net earnings		$ 43,565	$ 36,483	$ 81,740	$ 61,440
Adjustments to reconcile to net cash from operating activities:					
Depreciation of property, plant and equipment		11,233	10,265	22,250	20,593
Amortization of intangible assets		12,122	9,651	24,824	19,380
Share-based compensation expense (recovery)	11(e)	(941)	6,094	9,575	21,344
Finance income		(50)	(33)	(107)	(183)
Finance expense		8,642	6,335	17,452	13,088
Foreign exchange loss (gain)		(549)	(2,441)	(9,344)	3,352
Income tax expense		16,838	12,676	23,320	22,742
Income taxes paid		(2,726)	(5,621)	(5,677)	(11,399)
Income taxes recovered		5,471	517	5,495	5,450
Changes in operating assets and liabilities	13(a)	(187,747)	(79,999)	(177,027)	(162,162)
Cash used in operating activities		(94,142)	(6,073)	(7,499)	(6,355)
Investing activities:					
Purchase of property, plant and equipment		(4,763)	(9,772)	(14,846)	(23,795)
Purchase/development of intangible assets		(6,882)	(7,816)	(13,295)	(13,106)
Disposal of short-term investments		27	20	78	62
Increase in restricted cash		(583)	(1,956)	(1,849)	(4,995)
Interest received on short-term investments and other		63	69	120	200
Acquisition of Advanced Systems, net of cash acquired	7	-	-	121	-
Cash used in investing activities		(12,138)	(19,455)	(29,671)	(41,634)
Financing activities:					
Repayment of promissory note payable	8	-	-	(42,699)	(74,423)
Proceeds from revolving loan facility and other long-term debt		125,950	69,516	109,529	132,398
Interest paid on long-term debt		(12,371)	(11,066)	(16,603)	(15,310)
Proceeds from interest free government assistance		-	2,505	-	2,505
Proceeds from issuance of common shares relating to employee share purchase plan		1,135	937	2,290	2,100
Payment of dividends	9	(13,391)	-	(26,758)	(23,448)
Cash provided by financing activities		101,323	61,892	25,759	23,822
Increase (decrease) in cash and cash equivalents		(4,957)	36,364	(11,411)	(24,167)
Effect of foreign currency on cash and cash equivalents		(4)	(727)	1,938	806
Cash and cash equivalents, beginning of period		12,618	(8,691)	17,130	50,307
Cash and cash equivalents, end of period	13(b)	$ 7,657	$ 26,946	$ 7,657	$ 26,946

See accompanying notes to condensed consolidated interim financial statements.

1. General business description:

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

2. Basis of preparation:

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended December 31, 2014. These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 - *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2014, which are included in the Company’s 2014 annual report.

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

3. New standards and interpretations not yet adopted:

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (“IASB”) issued IFRS 15 - *Revenue from Contracts with Customers*, which supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. On July 22, 2015, the IASB deferred the effective date of this standard to January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

(Tabular amounts in thousands of Canadian dollars)

4. Revenue and segmented information:

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

Segmented information is prepared using the accounting policies described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2014, except for the application of hedge accounting on designated hedging relationships that use derivative financial instruments to hedge foreign currency risk in customer and supplier contracts. For segment reporting, hedge accounting is applied to all such hedging relationships even when not qualifying for hedge accounting under IFRS.

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

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

Three months ended June 30, 2015	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 381,686	$ 142,019	$ -	$ 523,705
Internal revenue	1,712	186	(1,898)	-
	383,398	142,205	(1,898)	523,705
Segment earnings:				
Operating EBITDA	55,305	39,312	-	94,617
Depreciation and amortization	11,598	2,151	-	13,749
Segment profit	43,707	37,161	-	80,868
Capital expenditures:				
Property, plant and equipment	4,469	957	-	5,426
Intangible assets	5,964	735	-	6,699
	10,433	1,692	-	12,125

(Tabular amounts in thousands of Canadian dollars)

4. Revenue and segmented information (continued):

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

Six months ended June 30, 2015	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 770,730	$ 286,871	$ -	$ 1,057,601
Internal revenue	3,033	337	(3,370)	-
	773,763	287,208	(3,370)	1,057,601
Segment earnings:				
Operating EBITDA	107,725	80,361	-	188,086
Depreciation and amortization	23,411	4,244	-	27,655
Segment profit	84,314	76,117	-	160,431
Capital expenditures:				
Property, plant and equipment	14,543	1,934	-	16,477
Intangible assets	12,082	1,030	-	13,112
	26,625	2,964	-	29,589

(Tabular amounts in thousands of Canadian dollars)

4. 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

Reconciliation to earnings before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Segment profit	$ 80,868	$ 78,812	$ 160,431	$ 152,199
Corporate expenses	(2,163)	(2,799)	(5,271)	(4,679)
Amortization of acquisition related intangible assets	(9,606)	(8,049)	(19,419)	(16,193)
Foreign exchange differences	1,506	109	(12)	(2,180)
Share-based compensation recovery (expense) (note 11(e))	941	(6,094)	(9,575)	(21,344)
Finance income	50	33	107	183
Finance expense	(11,449)	(8,355)	(23,091)	(17,014)
Other income (expense) (note 6)	256	(4,498)	1,890	(6,790)
Earnings before income taxes	$ 60,403	$ 49,159	$ 105,060	$ 84,182

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Construction contracts	$ 454,003	$ 483,833	$ 912,094	$ 912,681
Services	69,702	68,844	145,507	132,561
	$ 523,705	$ 552,677	$1,057,601	$1,045,242

(Tabular amounts in thousands of Canadian dollars)

4. Revenue and segmented information (continued):

Revenue from construction contracts includes orbital income of $8,002,000 for the three months ended June 30, 2015 (2014 - $6,708,000) and $16,375,000 for the six months ended June 30, 2015 (2014 - $13,564,000).

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue:				
United States	$ 137,625	$ 186,481	$ 301,470	$ 339,825
Asia	138,825	75,793	266,495	147,232
Europe	120,368	66,830	222,861	135,568
Canada	76,276	87,922	148,106	178,361
South America	37,426	57,635	89,699	103,905
Australia	12,867	76,817	26,592	138,691
Other	318	1,199	2,378	1,660
	$ 523,705	$ 552,677	$1,057,601	$1,045,242

Revenue from significant customers is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Commercial:				
Customer 1	$ 46,757	$ 84,775	$ 113,483	$ 168,857
Customer 2	36,043	56,682	87,658	102,026
Government:				
Canadian Federal Government and agencies	$ 69,426	$ 83,397	$ 135,127	$ 167,268
U.S. Federal Government and agencies	25,291	24,845	60,429	47,312

(Tabular amounts in thousands of Canadian dollars)

4. Revenue and segmented information (continued):

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

	June 30, 2015	December 31, 2014
United States	$ 1,564,303	$ 1,467,323
Canada	153,779	153,807
Europe	65	63
	$ 1,718,147	$ 1,621,193

5. Expenses by nature:

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Employee salaries and benefits	$ 163,123	$ 159,577	$ 339,193	$ 316,376
Costs related to defined benefit plans	2,907	1,699	5,519	3,248
Costs related to defined contribution plans	3,496	3,757	8,219	7,673
Inventories used	43,908	49,714	87,165	89,179
Subcontractor costs relating to construction and service contracts	125,740	165,996	286,576	301,292
Materials, equipment, professional fees, travel and other	92,688	84,523	149,753	157,324
Direct costs, selling, general and administration	431,862	465,266	876,425	875,092
Depreciation and amortization	23,355	19,916	47,074	39,973
Share-based compensation expense (recovery) (note 11(e))	(941)	6,094	9,575	21,344
Other expense (income) (note 6)	(256)	4,498	(1,890)	6,790
	$ 454,020	$ 495,774	$ 931,184	$ 943,199

(Tabular amounts in thousands of Canadian dollars)

6. Other expense (income):

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Enterprise improvement costs (recovery)	$ (256)	$ -	$ (1,890)	$ -
Employee benefit expense	-	2,070	-	4,362
Litigation fees	-	2,428	-	2,428
	$ (256)	$ 4,498	$ (1,890)	$ 6,790

In 2015, the Company revised its estimates and recognized a recovery to reverse certain enterprise improvement costs recorded in the prior year of $256,000 and $1,890,000 for the three and six months ended June 30, 2015, respectively.

In 2014, the Company incurred costs relating to the restructuring of pension and post-retirement benefit plans at one of its operating divisions of $2,070,000 and $4,362,000 for the three and six months ended June 30, 2014, respectively.

In the second quarter of 2014, the Company incurred litigation fees related to the Company's trial defense against ViaSat, Inc. of $2,428,000.

7. Business combination:

Acquisition of Advanced Systems:

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

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

(Tabular amounts in thousands of Canadian dollars)

7. Business combination (continued):

Acquisition of Advanced Systems (continued):

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

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

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

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

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

(Tabular amounts in thousands of Canadian dollars)

8. Long-term debt:

	June 30, 2015	December 31, 2014
Syndicated credit facility:		
Revolving loan payable in U.S. dollars (June 30, 2015 - U.S.$332,000; December 31, 2014 - U.S.$227,000)	$ 414,137	$ 263,343
Revolving loan payable in Canadian dollars	24,000	41,000
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (June 30, 2015 - U.S.$250,000; December 31, 2014 - U.S.$250,000)	311,850	290,025
2017 Term notes payable in U.S. dollars (June 30, 2015 - U.S.$100,000; December 31, 2014 - U.S.$100,000)	124,740	116,010
Promissory note payable:		
Promissory note payable in U.S. dollars (June 30, 2015 - nil; December 31, 2014 - U.S.$33,667)	-	39,057
Financing fees	(765)	(840)
Obligations under finance leases	5,749	5,797
Total long-term debt	879,711	754,392
Current portion	(2,097)	(41,308)
Non-current portion	$ 877,614	$ 713,084

In the second quarter of 2015, the Company amended its syndicated credit facility. The amendment increased the revolving loan facility from U.S.$600,000,000 to U.S.$700,000,000, reduced the interest rates applicable to the drawn and undrawn borrowings under the facility and extended the maturity date by 12 months to November 2018.

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

(Tabular amounts in thousands of Canadian dollars)

9. Shareholders' equity:

Share capital:

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

Common shares issued and fully paid:

	Number of shares	Amount
Balance as at January 1, 2015	36,113,830	$ 500,203
Common shares issued in conjunction with employee share purchase plan	28,101	2,694
Common shares issued upon exercise of share-based compensation awards	50,672	4,792
Balance as at June 30, 2015	36,192,603	$ 507,689

For the three months ended June 30, 2015, the Company declared and paid a quarterly dividend of $0.37 per common share (2014 - nil). For the six months ended June 30, 2015, the Company declared and paid two quarterly dividends totalling $0.74 per common share (2014 - semi-annual dividend of $0.65).

10. Earnings per common share:

	Three months ended June 30,					
	2015			2014		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic	$ 43,565	36,157,128	$ 1.20	$ 36,483	36,081,666	$ 1.01
Share-based compensation awards	-	45,995	-	-	-	-
Diluted	$ 43,565	36,203,123	$ 1.20	$ 36,483	36,081,666	$ 1.01

(Tabular amounts in thousands of Canadian dollars)

10. Earnings per common share (continued):

	Six months ended June 30,					
	2015			2014		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic	$ 81,740	36,140,505	$ 2.26	$ 61,440	36,074,783	$ 1.70
Share-based compensation awards	-	23,125	-	-	-	-
Diluted	$ 81,740	36,163,630	$ 2.26	$ 61,440	36,074,783	$ 1.70

11. Share-based payment plans:

(a) Share appreciation rights:

The Company awards cash-settleable share appreciation rights ("SARs") to certain employees under its annual share-based compensation plans. Certain awards issued under the 2011 through 2015 plans remain outstanding as at June 30, 2015. The SARs vest over a period of three years, in the amount of one-third each year, and expire five years from their grant date.

Under certain SARs plans, the Company, at its sole discretion, has the ability to mandate equity settlement. Historically, the Company has settled in cash and has accounted for all SARs as cash-settled awards.

In May 2015, the Company received the required shareholder and regulatory approvals to issue shares from treasury to settle SARs with equity. The Company also changed its stated intent on method of settlement such that certain awards are expected to be settled with equity. As a result of these changes in circumstances, the Company reassessed the accounting classification and prospectively began accounting for certain SARs as equity-settled awards.

For equity-settled awards, share-based compensation expense is based on fair value at the date of grant including the impact of estimated forfeitures, and is recorded as an increase in equity. Unlike cash-settled awards, the fair value of equity-settled awards is not re-measured. In the case of the reclassified awards, share-based compensation expense is based on fair value at the date of reclassification. Accordingly, in May 2015, the Company reclassified $26,127,000 from employee benefit liabilities to contributed surplus. The reclassification from cash-settled SARs to equity-settled SARs may also impact diluted earnings per share, as certain awards will prospectively qualify as potentially dilutive instruments.

(Tabular amounts in thousands of Canadian dollars)

11. Share-based payment plans (continued):

(a) Share appreciation rights (continued):

(*i*) SARs accounted for as cash-settled awards:

A summary of the SARs accounted for as cash-settled awards for the three and six month periods ended June 30, 2015 and 2014 are presented below:

Three months ended June 30	2015 Number of SARs	2015 Weighted average exercise price per SAR	2014 Number of SARs	2014 Weighted average exercise price per SAR
SARs outstanding, beginning of period	3,390,224	$ 75.82	3,407,485	$ 62.82
SARs reclassified as equity-settled	(1,731,516)	77.93	-	-
SARs issued	366,375	94.07	210,225	88.00
SARs exercised	(99,734)	57.74	(226,160)	47.05
SARs cancelled	(13,636)	78.39	(22,803)	66.00
SARs outstanding, end of period	1,911,713	$ 78.33	3,368,747	$ 65.43

Six months ended June 30	2015 Number of SARs	2015 Weighted average exercise price per SAR	2014 Number of SARs	2014 Weighted average exercise price per SAR
SARs outstanding, beginning of period	3,876,164	$ 72.98	3,831,151	$ 61.19
SARs reclassified as equity-settled	(1,731,516)	77.93	-	-
SARs issued	385,375	94.09	220,225	87.48
SARs exercised	(572,704)	54.14	(638,457)	47.85
SARs cancelled	(45,606)	75.70	(44,172)	61.67
SARs outstanding, end of period	1,911,713	$ 78.33	3,368,747	$ 65.43
SARs exercisable, end of period	1,130,127	$ 71.50	815,179	$ 50.75

(Tabular amounts in thousands of Canadian dollars)

11. Share-based payment plans (continued):

(a) Share appreciation rights (continued):

(*i*) SARs accounted for as cash-settled awards (continued):

The following table summarizes information about outstanding SARs accounted for as cash-settled awards:

As at June 30, 2015

	SARs outstanding			SARs exercisable		
Prices per share	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR
$40.61 to $51.95	296,042	1.8	$ 49.12	284,999	1.8	$ 49.01
$56.95 to $68.95	198,663	2.6	61.80	178,806	2.6	61.72
$72.25 to $81.86	612,908	3.4	81.81	457,490	3.4	81.80
$83.60 to $89.19	434,725	4.3	87.50	189,056	4.2	87.35
$92.13 to $97.93	369,375	4.9	94.06	19,776	4.9	94.08
	1,911,713	3.6	$ 78.33	1,130,127	3.0	$ 71.50

As at June 30, 2014

	SARs outstanding			SARs exercisable		
Prices per share	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR
$35.50 to $39.69	8,167	0.8	$ 38.92	8,167	0.8	$ 38.92
$40.43 to $51.95	1,368,694	2.6	48.80	664,642	2.0	48.15
$56.95 to $68.95	488,227	3.6	59.87	120,204	3.6	60.84
$71.22 to $81.86	1,293,434	4.4	81.62	22,166	4.2	78.23
$83.60 to $89.19	210,225	4.9	88.00	-	-	-
	3,368,747	3.6	$ 65.43	815,179	2.3	$ 50.75

(Tabular amounts in thousands of Canadian dollars)

11. Share-based payment plans (continued):

(a) Share appreciation rights (continued):

(*ii*) SARs accounted for as equity-settled awards:

In May 2015, the Company prospectively began accounting for certain SARs as equity-settled awards. A summary of the SARs accounted for as equity-settled awards for the three and six months ended June 30, 2015 are presented below:

Three and six months ended June 30	2015 Number of SARs	2015 Weighted average exercise price per SAR
SARs outstanding, beginning of period	-	$ -
SARs reclassified as equity-settled	1,731,516	77.93
SARs exercised	(143,433)	63.74
SARs outstanding, end of period	1,588,083	$ 79.21
SARs exercisable, end of period	936,318	$ 75.23

The following table summarizes information about outstanding SARs accounted for as equity-settled awards:

As at June 30, 2015

	SARs outstanding			SARs exercisable		
Prices per share	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR
$40.61 to $57.05	294,613	2.3	$ 52.14	261,403	2.3	$ 51.92
$71.22 to $81.86	506,136	3.4	81.35	375,633	3.4	81.27
$87.70 to $95.67	787,334	4.4	87.97	299,282	4.3	87.99
	1,588,083	3.7	$ 79.21	936,318	3.4	$ 75.23

(Tabular amounts in thousands of Canadian dollars)

11. Share-based payment plans (continued):

(b) Deferred share units:

The Company maintains a deferred share units ("DSUs") plan whereby the Company's independent directors receive some or all of their annual retainers in DSUs. DSUs are granted at a price equal to the closing price of the common shares on the day before the date of grant. The DSUs are settled at retirement at the closing price of the common shares of the Company on the day before the retirement date.

In prior periods, the Company accounted for DSUs as cash-settled awards. In May 2015, the Company modified its DSUs plan to change the settlement method from cash to equity and received the required shareholder and regulatory approvals to issue shares from treasury to settle DSUs with equity. Accordingly, the Company prospectively began accounting for the DSUs as equity-settled awards and reclassified $6,406,000 from employee benefit liabilities to contributed surplus. The reclassification from cash-settled DSUs to equity-settled DSUs may also impact diluted earnings per share, as the DSUs will prospectively qualify as potentially dilutive instruments.

(c) Valuation of cash-settled SARs:

The fair value of the SARs were estimated at each reporting period using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2015	June 30, 2014
Risk-free interest rate	0.5% - 0.6%	1.1% - 1.2%
Dividend yield	1.6%	1.5%
Expected award lives	4 - 43 months	4 - 35 months
Volatility	13% - 21%	18% - 24%

(d) Valuation of equity-settled SARs and DSUs:

The fair value of the DSUs and equity-settled SARs were estimated on the date of the grant or the date of accounting reclassification using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.7% - 1.1%
Dividend yield	1.5% - 1.6%
Expected award lives	5 - 60 months
Volatility	18% - 26%

(Tabular amounts in thousands of Canadian dollars)

11. Share-based payment plans (continued):

(e) Total share-based compensation expense:

Total share-based compensation from all forms of share-based payment plans for the three and six months ended June 30, 2015 was a recovery of $941,000 and an expense of $9,575,000, respectively (2014 - expense of $6,094,000 and $21,344,000, respectively). The details are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Share appreciation rights:				
Cash-settled	$ (1,894)	$ 5,787	$ 8,056	$ 20,264
Equity-settled	1,306	-	1,306	-
Deferred share units:				
Cash-settled	(675)	116	(339)	637
Equity-settled	97	-	97	-
Share matching program	24	26	51	73
Employee share purchase plan	201	165	404	370
	$ (941)	$ 6,094	$ 9,575	$ 21,344

As at June 30, 2015, the intrinsic value for vested cash-settled share-based payment plans, being the positive difference between the market price of the Company's share and the exercise price of the award, was $22,400,000 (December 31, 2014 - $31,200,000).

(Tabular amounts in thousands of Canadian dollars)

12. Financial instruments and fair value disclosures:

(a) Financial instruments by category:

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

As at June 30, 2015:

	Financial assets at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount
Financial assets:						
Current:						
Cash and cash equivalents	$ -	$ -	$ 18,562	$ -	$ -	$ 18,562
Trade and other receivables:						
Trade accounts receivable	-	-	289,861	-	-	289,861
Orbital receivables	-	-	26,529	-	-	26,529
Other	-	-	4,170	-	25,813	29,983
	-	-	320,560	-	25,813	346,373
Financial assets, other:						
Short-term investments	-	-	-	7,278	-	7,278
Notes receivable	-	-	389	-	-	389
Derivative financial instruments	20,388	21,419	-	-	-	41,807
Restricted cash	-	-	21,137	-	-	21,137
	20,388	21,419	21,526	7,278	-	70,611
Non-current:						
Orbital receivables	-	-	499,354	-	-	499,354
Financial assets, other:						
Notes receivable	-	-	1,132	-	-	1,132
Derivative financial instruments	6,930	9,300	-	-	-	16,230
Restricted cash	-	-	21,519	-	-	21,519
	6,930	9,300	22,651	-	-	38,881

(Tabular amounts in thousands of Canadian dollars)

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

(a) Financial instruments by category (continued):

As at June 30, 2015 (continued):

	Financial liabilities at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Other financial liabilities	Total carrying amount
Financial liabilities:				
Current:				
Bank overdraft	$ -	$ -	$ 10,905	$ 10,905
Trade and other payables	-	-	250,105	250,105
Financial liabilities, other:				
Non-trade payables	-	-	20,838	20,838
Derivative financial instruments	11,616	2,419	-	14,035
	11,616	2,419	20,838	34,873
Long-term debt:				
Obligations under finance leases	-	-	2,097	2,097
	-	-	2,097	2,097
Non-current:				
Financial liabilities, other:				
Non-trade payables	-	-	26,229	26,229
Derivative financial instruments	6,439	1,166	-	7,605
	6,439	1,166	26,229	33,834
Long-term debt:				
Long-term debt	-	-	873,962	873,962
Obligations under finance leases	-	-	3,652	3,652
	-	-	877,614	877,614

(Tabular amounts in thousands of Canadian dollars)

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

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at June 30, 2015 and December 31, 2014, the fair values of all financial instruments carried at amortized cost, other than long-term debt, approximated their carrying value. The fair value of long-term debt is estimated based on a discounted cash flow approach, categorized as Level 2 as outlined in the descriptions below. The estimated fair value of long-term debt, excluding obligations under finance leases, at June 30, 2015, was $887,610,000 (December 31, 2014 - $763,063,000) as compared to the carrying value of $873,962,000 (December 31, 2014 - $748,595,000). As at June 30, 2015, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $194,374,000 (December 31, 2014 - $181,865,000) and a carrying value of $187,110,000 (December 31, 2014 - $174,015,000). The fair value of obligations under finance leases approximates their carrying value.

As at June 30, 2015 and December 31, 2014, the carrying amount of financial assets pledged as collateral amounted to $1,929,863,000 and $1,792,000,000, respectively.

Financial instruments carried at fair value:

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

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

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

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

June 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 7,278	$ -	$ -	$ 7,278
Derivative financial instruments	-	58,037	-	58,037
Total assets	$ 7,278	$ 58,037	$ -	$ 65,315
Liabilities				
Derivative financial instruments	$ -	$ 21,640	$ -	$ 21,640

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

(Tabular amounts in thousands of Canadian dollars)

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

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

Financial instruments carried at fair value (continued):

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

13. Supplemental cash flow information:

(a) Changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Trade and other receivables	$ (41,951)	$ 63,730	$ 20,616	$ 84,168
Construction contract assets	(30,802)	(13,187)	19,282	(3,183)
Financial assets, other	(50)	(57)	67	(44)
Inventories	(4,098)	16,824	(22,280)	20,830
Current tax assets	(12,143)	(6,381)	(18,968)	(13,898)
Non-financial assets	(30,701)	(23,043)	(4,081)	(40,148)
Orbital receivables	(11,337)	(10,489)	(18,405)	(18,273)
Trade and other payables	(55,322)	12,761	(11,003)	(15,407)
Financial liabilities, other	(3,434)	(273)	(8,046)	(7,724)
Provisions	(2,078)	(673)	(9,046)	(1,062)
Construction contract liabilities	4,507	(107,214)	(78,053)	(147,087)
Employee benefits	262	(9,630)	(47,213)	(19,529)
Non-financial liabilities	(600)	(2,367)	103	(805)
	$ (187,747)	$ (79,999)	$ (177,027)	$ (162,162)

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

	June 30, 2015	December 31, 2014	June 30, 2014
Cash and cash equivalents	$ 18,562	$ 17,130	$ 26,946
Bank overdraft	(10,905)	-	-
	$ 7,657	$ 17,130	$ 26,946

14. Subsequent event:

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