MacDonald, Dettwiler and Associates Ltd.

Q3

Third Quarter Report 2012

Three and Nine Months Ended September 30, 2012

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements

MDA™

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2012

For purposes of this discussion, *MDA* and *the Company* refer to MacDonald, Dettwiler and Associates Ltd. and its subsidiaries. *This quarter* means the three months ended September 30, 2012. *Year to dat*e means the nine months ended September 30, 2012.

ADVISORY

This management's discussion and analysis ("MD&A"), dated November 5, 2012, should be read in conjunction with the cautionary statement regarding forward-looking statements below and the Company's consolidated financial statements and notes thereto for the three and nine months ended September 30, 2012 and for the year ended December 31, 2011, as well with the Company's MD&A for the year ended December 31, 2011. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. An additional advisory with respect to the use of non-IFRS financial measures is set out in section "Non-IFRS Financial Measures" of this MD&A. All quarterly information disclosed in the MD&A is based on unaudited figures.

Unless otherwise noted, the Company's significant accounting policies and estimates, contractual obligations, commitments, and business risks and uncertainties, as described in its MD&A for the year ended December 31, 2011, are substantially unchanged.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect the Company's current view of future events and financial performance. Forward-looking statements in this MD&A include, but are not limited to, statements regarding: anticipated revenues and customer contract values under section "Results of Continuing Operations - Order backlog"; and the Company's liquidity, financial resources and borrowing commitments under section "Liquidity".

The forward-looking statements in this MD&A are based on the Company's current expectations, estimates, projections and assumptions made in light of its experience and perception of historical trends. The Company has made the following assumptions with respect to the forward-looking statements: anticipated revenues and customer contract values was based on the Company's continuing ability to effectively service customers and there being no adverse changes to customer priorities and funding levels; and the Company's liquidity, financial resources and borrowing commitments was based on stable market conditions and the Company's current plans and forecasts.

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. Following the acquisition of Space Systems/Loral, Inc. ("SS/L"), there can be no assurance that MDA will realize the anticipated benefits or results due to risks which include, but are not limited to: the ability to promptly and effectively integrate the businesses of MDA and SS/L; higher than anticipated integration costs; diversion of management time on acquisition-related issues; and failure to obtain the consent or other agreement of certain counterparties whose consent or agreement is required in order for MDA to acquire certain business relationships. The anticipated benefits from the acquisition may not be realized in the time frame anticipated or at all due to risks which include, but are not limited to: changes in general economic and market conditions; customer demand for SS/L's products and services; laws and regulations and their enforcement; and the degree of competition in the business areas in which SS/L operates.

Other risks that could cause actual results to differ from current expectations include, but are not limited to: changes in government priorities, funding levels, contracts and regulations; failure of third parties and subcontractors to complete contracts for which the Company is the prime contractor; risks of performance on firm fixed price construction contracts; changes in estimates of total revenues and costs on contracts; potential for product liability or the occurrence of defects in software and other products and resulting loss of revenue and loss of the Company's reputation; quality issues and failure of systems to meet performance requirements; failure of the Company to manage its acquisitions and breaches of contracts and indemnities and related risks on divestitures; partial or complete satellite failure; dependence on electronic systems and data and system security threats; detrimental reliance on third parties for data; dependence on key employees, potential for work stoppages and lack of oversight over a U.S. proxy board and management; failure to anticipate changes in technology, technical standards and offerings or comply with the requisite standards; failure to maintain technological advances and market positions; significant competition; potential infringement of the intellectual property rights of others through licensed software or otherwise; inadequate protection of the Company's intellectual property rights; exposure to foreign currency fluctuations; changes in law and economic and political conditions; inability of suppliers or subcontractors to effect technology transfer; changes in customer security requirements and the resulting cancellation of contracts; failure to maintain business alliances; uncertainty in financing arrangements; failure of counterparties in financing arrangements and financial derivative contracts; wrongful call on letters of credit and performance bonds; and insufficient insurance against material claims or losses.

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, 2011, 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 unique 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.

MDA's well-established global customer base is served by more than 5,000 employees operating from 18 offices located in the United States, Canada, and internationally.

The Company's common shares trade under the symbol TSX:MDA.

NON-IFRS FINANCIAL MEASURES

In addition to results reported in accordance with IFRS, the Company uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. These non-IFRS financial measures include *operating earnings*, *operating earnings per share* and *operating EBITDA*. The Company believes these supplementary financial measures reflect the

Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

The Company defines *operating earnings* as net earnings excluding the after-tax effects of specified items affecting comparability, including share-based compensation, fair value adjustments on financial instruments not subject to hedge accounting, write-downs and other gains or losses. The Company uses operating earnings and operating earnings per share as a more meaningful way to compare financial results from one period to another. 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 defines *operating EBITDA* as earnings before corporate expense, net finance costs, income tax expense, depreciation and amortization, and items affecting comparability as specified in the calculation of operating earnings. Operating EBITDA is presented on a basis consistent with the Company's internal management reporting. The Company discloses operating EBITDA to capture the profitability of its business units before the impact of items not considered in management's evaluation of operating unit performance.

Operating earnings 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 September 30, 2012	2011	Nine months ended September 30, 2012	2011
($ millions, except per common share amounts)				
From continuing operations				
Revenues	171.4	181.5	507.4	582.9
Operating EBITDA[1]	46.2	46.8	141.9	141.7
Operating earnings[1]	28.2	30.3	86.2	85.8
Operating earnings per share[1], diluted	0.89	0.73	2.71	2.08
Net earnings	41.2	40.5	73.7	100.4
Net earnings per share, basic	1.30	0.98	2.31	2.44
Net earnings per share, diluted	1.30	0.98	2.31	2.44
From discontinued operations				
Gain (loss) on sale of discontinued operations, net of income taxes	-	(1.2)	-	53.0
Total				
Net earnings	41.2	39.3	73.7	153.4
Net earnings per share, basic	1.30	0.95	2.31	3.73
Net earnings per share, diluted	1.30	0.95	2.31	3.72
Weighted average number of common shares outstanding *(millions)*				
Basic[2]	31.8	41.2	31.8	41.2
Diluted[2]	31.8	41.2	31.8	41.2

Financial Position	September 30, 2012	December 31, 2011
($ millions)		
From continuing operations		
Total assets	676.5	765.2
Cash and cash equivalents	193.9	254.8
Short-term investments	14.9	26.6
Debt, long-term portion	99.8	103.8
Shareholders' equity	262.9	237.4

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

[2] On October 4, 2011, the Company repurchased and cancelled 9,433,962 of its common shares (representing approximately 22.9% of the shares outstanding) at a price of $53 per common share under a substantial issuer bid. After giving effect to the repurchase, the Company had approximately 31.8 million common shares outstanding at October 4, 2011. Refer to section "Quarterly Information" for comparison of weighted average number of common shares outstanding for the last eight quarters.

Acquisition

On June 26, 2012, the Company signed an agreement to acquire 100% of Space Systems/Loral, Inc. ("SS/L") from Loral Space & Communications Inc. for US$875 million. SS/L is the leading global provider of commercial communications satellites. The acquisition was completed on November 2, 2012.

Discontinued operations

On January 4, 2011, the Company completed the sale of all its Property Information business to a third party buyer. The Company has reported the results of the Property Information business as discontinued operations for all periods presented for comparative purposes.

Basis of management's discussion and analysis

The financial information and discussions presented in this MD&A refer to the Company's continuing operations, unless otherwise noted.

RESULTS OF CONTINUING OPERATIONS

The following table provides selected financial information for continuing operations, including a reconciliation of operating EBITDA and operating earnings to net earnings from continuing operations.

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
($ millions, except per common share amounts)				
Revenues from continuing operations	171.4	181.5	507.4	582.9
Operating EBITDA from continuing operations	46.2	46.8	141.9	141.7
Operating EBITDA as a percentage of revenues[1]	*27%*	*26%*	*28%*	*24%*
Corporate expense	(2.6)	(3.9)	(8.7)	(9.7)
Finance costs, net	(0.1)	(0.0)	(2.5)	(2.5)
Depreciation and amortization	(3.6)	(2.6)	(10.1)	(8.3)
Income tax expense, excluding tax on items affecting comparability	(11.7)	(10.0)	(34.4)	(35.4)
Operating earnings from continuing operations	28.2	30.3	86.2	85.8
Operating earnings per diluted share	*0.89*	*0.73*	*2.71*	*2.08*
Items affecting comparability:				
Share-based compensation	11.0	13.7	(17.7)	8.4
Fair value adjustments on equity forward contracts	(1.0)	(3.5)	4.1	2.8
Business acquisition costs	(2.7)	-	(4.6)	-
Foreign exchange timing differences on certain project-related foreign exchange forward contracts not subject to hedge accounting	2.7	3.1	2.5	1.8
Foreign exchange gain (loss) on translation of intercompany balances	4.9	(6.2)	4.3	(3.6)
Foreign exchange gain (loss) on conversion and translation of foreign cash balances	(1.5)	3.7	(2.7)	5.5
Tax on items affecting comparability	(0.4)	(0.6)	1.6	(0.3)
Net earnings from continuing operations	41.2	40.5	73.7	100.4

[1] Operating EBITDA as a percentage of revenues (operating EBITDA margin) will fluctuate from period to period with changes in the sales mix and contract life cycle of large dollar value contracts. The margin on a contract is impacted by the ratio of MDA value-added components to flowthrough costs. For contracts that include significant components of flowthrough costs with little added value, the main MDA components generally attract normal margins while the flowthrough costs attract lower margins. Additionally, the Company revises cost and revenue estimates on contracts in the ordinary course of business. The inception to date impact of changes in estimates of contract revenues or costs to complete is recognized in the period that the change is determined by management.

Revenues

Revenues this quarter were $171 million compared to $182 million for the third quarter of 2011. The decrease reflected the variability in quarterly revenues inherent in large dollar construction contracts and lower levels of space robotics activity, partially offset by higher revenues from geospatial services. For the year to date, revenues were $507 million compared to $583 million for the nine months ended September 30, 2011 primarily due to lower levels of pass-through items on certain communications satellite programs.

Operating EBITDA

Operating EBITDA of $46 million and $142 million for the three and nine months ended September 30, 2012, respectively, was comparable to the prior year periods. Operating EBITDA as a percentage of revenues was 28% for the year to date compared to 24% for the nine months ended September 30, 2011. The increase in operating EBITDA margin was primarily due to the mix of revenues and stage of completion on major programs.

Corporate expense

Corporate expense was $2.6 million this quarter (third quarter 2011 - $3.9 million) and $8.7 million for the year to date (nine months ended September 30, 2011 - $9.7 million). Corporate expense includes corporate head office costs, regulatory costs, executive and director compensation, strategic business development expenditures, and fees for audit, legal and consulting services. Corporate expense is not considered in management's evaluation of operating unit performance.

Net finance costs

Finance expense this quarter was $1.7 million compared to $1.4 million for the third quarter of 2011. For the year to date, finance expense was $5.2 million (nine months ended September 30, 2011 - $6.0 million). Finance expense includes interest on long-term debt, interest expense embedded in foreign exchange forward contracts, and imputed interest on long-term financial liabilities.

Finance income this quarter was $1.6 million compared to $1.4 million for the third quarter of 2011. For the year to date, finance income was $2.7 million compared to $3.5 million for the nine months ended September 30, 2011. Finance income consisted primarily of investment income earned on cash balances.

Depreciation and amortization

The following table shows the allocation of depreciation and amortization expense between property, plant and equipment and intangible assets for the periods indicated. Depreciation of the expanded satellite systems facilities in Montreal contributed to higher expense in the current year periods.

	Three months ended September 30,		**Nine months ended September 30,**	
	2012	**2011**	**2012**	**2011**
($ millions)				
Property, plant and equipment	2.4	1.6	6.8	5.3
Intangible assets	1.2	1.0	3.3	3.0
Depreciation and amortization	3.6	2.6	10.1	8.3

Income tax expense

Income tax expense for the year to date was $33 million, representing an effective tax rate for accounting purposes of 31%, compared to 26% for the first nine months of 2011. The effective tax rate for the current year was impacted by the amount of share-based compensation expense, a large portion of which was non-deductible for income tax purposes.

Operating earnings

Operating earnings, or net earnings excluding the after-tax effects of specified items affecting comparability, were $28 million ($0.89 per diluted share) this quarter compared to $30 million ($0.73 per diluted share) for the third quarter of 2011. For the year to date, operating earnings were $86 million ($2.71 per diluted share) compared to $86 million ($2.08 per diluted share) for the nine months ended September 30, 2011. The increase on a per share basis reflected the accretive effect of the substantial issuer bid completed in October 2011.

Net earnings

Net earnings this quarter were $41 million ($1.30 per diluted share) compared to $41 million ($0.98 per diluted share) for the third quarter of 2011. For the year to date, net earnings were $74 million ($2.31 per diluted share) compared to $100 million ($2.44 per diluted share) for the nine months ended September 30, 2011. The comparison of financial results under IFRS to other periods is hindered by the variability of a number of items that are not indicative of performance. These items include:

Items affecting comparability	Explanation
Share-based compensation and related equity forward contracts	Although share-based compensation is an important aspect of compensation for management and key employees, the accounting expense or recovery based on fair valuation can result in significant variability in net earnings and is not reflective of actual cash outlays by the Company in any particular period. Fair values of share-based compensation awards are estimated using complex option pricing models which incorporate factors, such as expected option lives and market volatility, that are beyond the Company's control. The average cash outlay on share-based compensation was approximately $27 million per year over the rolling three-year period ended September 30, 2012. The Company believes that it is useful to exclude share-based compensation to facilitate the comparison of operating results across periods. Share-based compensation expense was $18 million for the year to date compared to a recovery of $8.4 million for the nine months ended September 30, 2011. The variability in expense was primarily caused by large, unrealized fair value adjustments on share-based compensation awards as a result of fluctuations in the Company's share price. The Company has used equity forward contracts to hedge the economic risk of fluctuations in its share price on the share-based compensation plans. However, gains and losses on fair valuation of equity forward contracts can result in significant variability in net earnings and have no relationship to the Company's operating performance.
Business acquisition costs	For the year to date, the Company incurred costs of $4.6 million related to the acquisition of SS/L. The business acquisition costs consisted primarily of legal, tax, consulting and other professional fees. The Company believes that excluding the business acquisition costs allows for more meaningful period-to-period comparisons as these costs are not reflective of ongoing operating expenses.
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 with the recognition of revenues and costs, which were recognized on the percentage of completion basis using spot rates. The foreign exchange timing differences can result in significant variability in net earnings but have little bearing, other than timing, on the performance of the related programs.
Foreign exchange gains and losses on translation of intercompany balances	As part of its cash management efforts, the Company frequently advances funds between group entities that have differing functional currencies. The foreign currency exposure on these intercompany loans is not hedged. As a result, currency fluctuations, particularly between the Canadian and US dollar, can result in significant unrealized foreign exchange gains or losses on the translation of these balances that impact the comparability of net earnings. These unrealized foreign exchange gains or losses will only reverse upon disposal or liquidation of the associated foreign operation.

Foreign exchange gains and losses on conversion and translation of foreign cash balances	The Company received a significant amount of US dollars from the sale of its Property Information business, the majority of which was converted to Canadian dollars in anticipation of the October 2011 substantial issuer bid. The foreign exchange gains and losses resulting from the conversion and translation of US dollars can result in significant variability in net earnings but have little bearing on operating performance.

Order backlog

Order backlog, representing the estimated dollar value of firm funded contracts for which work has not yet been performed, was $752 million at September 30, 2012 compared to $656 million at June 30, 2012. Orders booked during the third quarter included contracts to provide the communications payload solution for the HYLAS-3 satellite and to extend surveillance services for the Australian Defence Force. The Company continues to work on the communications payload solution for the AMOS-6 satellite under an authorization to proceed (valued at $22 million) as the terms of the contract are being finalized. It is anticipated that the final contract for the AMOS-6 solution will be valued in excess of $90 million and be executed within the next few months. Order backlog also does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts.

Financial position

The Company had total assets of $677 million at September 30, 2012 (December 31, 2011 - $765 million), including cash balances and short-term investments of $209 million. The decrease in total assets reflected changes to working capital in the normal course of business.

The following table shows the changes to shareholders' equity for the nine months ended September 30, 2012.

($ millions)	
Balance at January 1, 2012	237.4
Net earnings	73.7
Payment of dividends	(41.4)
Issuance of common shares pursuant to an employee share purchase plan	2.0
Settlement of share-based compensation	(3.4)
Other comprehensive loss	(5.4)
Balance at September 30, 2012	262.9

QUARTERLY INFORMATION

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

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
($ millions, except per common share amounts)								
From continuing operations								
Revenues	171.4	164.0	172.0	178.2	181.5	194.9	206.5	208.4
Operating EBITDA[1]	46.2	47.8	48.0	52.6	46.8	49.2	45.7	50.8
Operating earnings[1]	28.2	28.9	29.1	31.3	30.3	28.8	26.8	31.7
Operating earnings per share, diluted	0.89	0.91	0.92	0.97	0.73	0.70	0.65	0.77
Net earnings (loss)	41.2	(1.0)	33.4	29.2	40.5	31.6	28.2	3.6
Net earnings (loss) per share, basic	1.30	(0.03)	1.05	0.91	0.98	0.77	0.69	0.09
Net earnings (loss) per share, diluted	1.30	(0.03)	1.05	0.91	0.98	0.77	0.69	0.09
Total								
Net earnings (loss)[2]	41.2	(1.0)	33.4	6.3	39.3	29.6	84.4	37.1
Net earnings (loss) per share, basic	1.30	(0.03)	1.05	0.20	0.95	0.72	2.05	0.90
Net earnings (loss) per share, diluted	1.30	(0.03)	1.05	0.20	0.95	0.72	2.05	0.90
Weighted average number of common shares outstanding *(millions)*								
Basic	31.8	31.8	31.8	32.2	41.2	41.2	41.1	41.0
Diluted	31.8	31.8	31.8	32.2	41.2	41.2	41.2	41.1

[1] Refer to section "Reconciliations" for reconciliation to net earnings from continuing operations for the last eight quarters.
[2] Total net earnings for the periods up to December 31, 2011 include the results of discontinued operations and gain/loss on disposal of discontinued operations.

Continuing operations

Revenue 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.

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

Net earnings can fluctuate significantly from quarter to quarter due to the variability in share-based compensation, fair value adjustments on financial instruments not subject to hedge accounting, and other gains and losses. Results for the second quarter of 2012 included share-based compensation expense of $32 million, which consisted predominantly of unrealized fair value adjustments on share-based compensation awards due to the sharp rise in the Company's share price during the quarter ended June 30, 2012.

Net earnings for the fourth quarter of 2010 included $17 million of income tax expense relating to foregone tax deductions following the enactment of Canadian income tax laws in December 2010 that changed the tax treatment of share-based compensation.

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

Discontinued operations

The Company completed the sale of the Property Information business on January 4, 2011. As a result, total net earnings for the first quarter of 2011 included an after-tax gain on sale of discontinued operations of $56 million. Total net earnings for the fourth quarter of 2011 reflected a provision for warranty and other post-transaction obligations related to the products and infrastructure acquired by the buyer in the sale of the Property Information business.

LIQUIDITY

The Company's principal sources of liquidity are cash provided by operations, including advance payments from customers related to long-term construction contracts, and access to credit facilities and equity capital resources. As well, the Company received cash proceeds from the sale of its Property Information business in January 2011. Other sources of liquidity include the issuance of common shares pursuant to an employee share purchase plan and, if determined, as payment for acquisitions. The Company's primary short-term cash requirement is to fund working capital, including supplier payments on long-term construction contracts. During 2011, the Company used cash to repurchase its common shares for cancellation pursuant to a substantial issuer bid. 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 to finance acquisitions and other long-term strategic business initiatives. The Company currently does not operate capital intensive businesses.

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

Cash flow highlights

The following table provides selected cash flow information.

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
($ millions)				
Cash provided by (used in) operating activities	3.1	52.6	20.3	(20.6)
Cash provided by (used in) investing activities	11.1	(9.3)	8.2	734.4
Cash used in financing activities	(26.2)	(22.7)	(53.6)	(153.2)
Effect of foreign currency on cash and cash equivalents	(0.9)	23.5	(0.8)	8.6
Cash and cash equivalents used in discontinued operations[1]	-	-	(35.0)	(7.0)
Cash and cash equivalents, beginning of period	206.8	747.6	254.8	229.5
Cash and cash equivalents, end of period	193.9	791.7	193.9	791.7

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

Operating activities

The variability in cash flow from operating activities compared to prior year periods was primarily due to the timing of milestone receipts and payments on large dollar construction contracts and changes in working capital in the ordinary course of business. The Company generated cash of $38 million from operating activities before changes in working capital this quarter. Working capital requirements this quarter included cash outlays under share-based compensation plans.

Investing activities

Cash inflow from investing activities this quarter included proceeds of $11 million on disposal of short-term investments. Cash inflow for the year to date included $7.2 million of government assistance, received in the second quarter of 2012, under contribution agreements related to the expansion of the satellite systems facilities in Montreal.

Capital expenditures this quarter were $1.7 million (year to date - $13 million) compared to $8.5 million for the third quarter of 2011 (nine months ended September 30, 2011 - $18 million). Higher capital expenditures in the prior year were attributed to expansion of the satellite systems facilities in Montreal.

Cash provided by investing activities for the nine months ended September 30, 2011 included net proceeds received in January 2011 on the sale of the Property Information business.

Financing activities

Dividends paid to shareholders in the three and nine months ended September 30, 2012 were $21 million and $41 million, respectively, which were consistent with the prior year periods. The Company increased its cash dividend by 30% in 2012, raising the annualized dividend to $1.30 per common share.

Principal and interest payments on long-term debt were $2.9 million this quarter (third quarter 2011 - $2.3 million). For the year to date, principal and interest payments amounted to $10.5 million compared to $106 million for the nine months ended September 30, 2011, which included repayment of $101 million of long-term debt following the sale of the Property Information business.

Credit facilities

The following table provides details of the Company's long-term debt.

	September 30, 2012	**December 31, 2011**
($ millions)		
Term loan notes	98.4	101.7
Finance lease obligations	3.1	4.0
Total long-term debt	101.5	105.7

The term loan notes bear interest at a fixed rate of 5.3% and are repayable at maturity in February 2017. The term loan notes are provided under a long-term note purchase agreement with a private lender. The note purchase agreement includes a shelf facility that allows the Company to issue an additional US$50 million in loan notes at any time prior to February 2013. Amounts borrowed under the shelf facility will have a maturity of up to ten years and bear interest at the rates reflecting the market at the time of issue. At September 30, 2012, there were no borrowings outstanding under the shelf facility.

As of September 30, 2012, the Company was in compliance with all covenants under its various credit facilities.

Financing for the acquisition

The acquisition of SS/L subsequent to September 30, 2012 was financed by a combination of cash on hand, a three-year promissory note payable to Loral Space & Communications Inc. of US$101 million bearing interest at 1%, new twelve-year senior secured notes payable of US$250 million with two major U.S. financial institutions bearing interest at 4.31%, the existing term loan notes provided under the note purchase agreement, and approximately $613 million of variable rate term and revolving loans under a new four-year US$850 million senior secured syndicated credit facility. Refer to the notes to the financial statements for the three and nine months ended September 30, 2012 for information regarding other transactions related to the completion of the acquisition.

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. Forward contracts on the Company's common shares ("equity forward contracts") have been used to reduce the cash exposure to settle obligations under certain long-term compensation plans. Interest rate swap contracts have been used to reduce the Company's exposure to floating interest rates on long-term debt. The Company uses derivative financial instruments to manage existing exposures, irrespective of whether the Company formally documents such relationships as hedges in accordance with hedge accounting requirements.

At September 30, 2012, the Company had foreign exchange forward purchase contracts for $347 million (December 31, 2011 - $249 million) and foreign exchange forward sale contracts for $417 million (December 31, 2011 - $381 million).

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

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

At September 30, 2012, the Company's foreign exchange forward contracts had a cumulative unrealized gain on fair valuation of $4.0 million (December 31, 2011 - cumulative unrealized gain of $4.4 million). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $7.2 million recorded in other comprehensive income at September 30, 2012 (December 31, 2011 - cumulative net gain of $6.0 million).

The Company enters into foreign exchange derivative contracts to hedge its exposure to non-Canadian dollar denominated anticipated cash inflows and outflows in certain construction contracts. Certain derivative contracts entered into by the Company did not qualify for hedge accounting as the timing of the anticipated cash flows and/or the contract currency for certain subcontracts could not be predicted with sufficient certainty. Accordingly, the fair value adjustments on these derivative contracts were recognized in net earnings immediately. This resulted in timing differences between the recognition of fair value adjustments in earnings versus revenues and costs, which were recognized on the percentage of completion basis using spot rates. Had these derivative contracts qualified for hedge accounting, the fair value adjustments would have been deferred and accumulated in other comprehensive income until the hedged revenues or costs were recognized, eliminating the timing differences. For the nine months ended September 30, 2012, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a gain of $2.5 million compared to a gain of $1.8 million for the same period of 2011.

During the three months ended September 30, 2012, the Company settled all outstanding equity forward contracts. The equity forward contracts did not qualify for hedge accounting and all gains and losses on fair valuation have been recognized in earnings immediately. For the nine months ended September 30, 2012, the Company recorded a fair value gain of $4.1 million relating to the equity forward contracts compared to a gain of $2.8 million for the same period in 2011. Fair valuation adjustments are affected by a number of factors, including the movement of the Company's share price during the period and the market credit risk of the Company, and will result in a gain or loss as the Company's share price changes.

ADDITIONAL INFORMATION

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Proxy agreement

In September 2012, the Company established a proxy agreement for its geospatial services operations in the U.S. The proxy agreement places operational control of the Company's U.S. geospatial services operations to a proxy board composed of U.S. citizens with security clearances. The proxy agreement provides a high level of access to U.S. government contracts and enables MDA to continue to benefit from the profits of the subsidiary.

Dividend

Semi-annual common share dividends paid in the nine months ended September 30, 2012:

Dividend per share, paid March 30, 2012	$0.65
Dividend per share, paid September 28, 2012	$0.65

Outstanding share data

As at October 24, 2012, the Company had 31,845,359 common shares with no par value outstanding.

Public securities filings

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

RECONCILIATIONS

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

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
($ millions)								
Operating EBITDA from continuing operations	46.2	47.8	48.0	52.6	46.8	49.2	45.7	50.8
Corporate expense	(2.6)	(3.5)	(2.6)	(3.7)	(3.9)	(3.3)	(2.4)	(4.2)
Finance income (costs), net	(0.1)	0.0	(2.4)	0.6	0.0	(0.8)	(1.6)	(1.4)
Depreciation and amortization	(3.6)	(3.5)	(3.0)	(3.0)	(2.6)	(2.9)	(2.8)	(4.0)
Income tax expense, excluding tax on items affecting comparability	(11.7)	(11.9)	(10.9)	(15.2)	(10.0)	(13.4)	(12.1)	(9.5)
Operating earnings from continuing operations	28.2	28.9	29.1	31.3	30.3	28.8	26.8	31.7
Items affecting comparability:								
Share-based compensation	11.0	(31.9)	3.3	(4.5)	13.7	(1.5)	(3.8)	(14.6)
Fair value adjustments on equity forward contracts	(1.0)	6.0	(0.9)	(0.1)	(3.5)	1.8	4.5	6.0
Business acquisition costs	(2.7)	(1.9)	-	-	-	-	-	-
Foreign exchange timing differences on certain project-related foreign exchange forward contracts not subject to hedge accounting	2.7	0.0	(0.2)	(1.2)	3.1	(0.8)	(0.6)	(6.4)
Foreign exchange gain (loss) on translation of intercompany balances	4.9	(4.1)	3.4	4.4	(6.2)	1.1	1.4	-
Foreign exchange gain (loss) on conversion and translation of foreign cash balances	(1.5)	0.0	(1.3)	(1.5)	3.7	1.8	-	-
Tax on items affecting comparability	(0.4)	2.0	(0.0)	0.8	(0.6)	0.4	(0.1)	4.3
Foregone tax deductions on share-based compensation	-	-	-	-	-	-	-	(17.4)
Net earnings (loss) from continuing operations	41.2	(1.0)	33.4	29.2	40.5	31.6	28.2	3.6

Condensed Consolidated Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three and nine months ended September 30, 2012 and 2011
(Unaudited)

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Note	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenue	3	$ 171,378	$ 181,508	$ 507,375	$ 582,929
Direct costs, selling, general and administration	4	127,133	139,461	374,935	450,075
		44,245	42,047	132,440	132,854
Depreciation and amortization		3,607	2,564	10,114	8,292
Foreign exchange gain		(5,530)	(1,448)	(4,832)	(2,804)
Share-based compensation expense (recovery)	8	(10,981)	(13,708)	17,668	(8,421)
Fair value loss (gain) on equity forward contracts	8	1,014	3,525	(4,092)	(2,822)
Finance income		(1,572)	(1,389)	(2,670)	(3,494)
Finance expense		1,679	1,416	5,156	5,953
Business acquisition costs	11	2,686	-	4,644	-
Earnings from continuing operations, before income taxes		53,342	51,087	106,452	136,150
Income tax expense		12,097	10,550	32,798	35,752
Net earnings from continuing operations		41,245	40,537	73,654	100,398
Gain (loss) on sale of discontinued operations, net of income taxes	10	-	(1,202)	-	53,015
Net earnings		$ 41,245	$ 39,335	$ 73,654	$ 153,413
Net earnings (loss) per common share:	7				
Basic:					
Continuing operations		$ 1.30	$ 0.98	$ 2.31	$ 2.44
Discontinued operations		-	(0.03)	-	1.29
Net earnings		1.30	0.95	2.31	3.73
Diluted:					
Continuing operations		1.30	0.98	2.31	2.44
Discontinued operations		-	(0.03)	-	1.29
Net earnings		1.30	0.95	2.31	3.72

See accompanying notes to consolidated financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net earnings	$ 41,245	$ 39,335	$ 73,654	$ 153,413
Other comprehensive income (loss):				
Foreign currency translation adjustment	(10,046)	27,037	(9,638)	5,093
Foreign currency translation adjustment reclassified to earnings on disposition or liquidation of foreign operations (net of income tax expense of nil for all periods presented)	-	-	97	36,347
Net gain on hedge of net investment in foreign operations (net of income tax expense of nil for all periods presented)	3,540	-	3,330	-
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax expense of $552 and income tax recovery of $2,991 for the three months ended September 30, 2012 and 2011, respectively; and income tax expense of $622 and income tax recovery of $1,217 for the nine months ended September 30, 2012 and 2011, respectively)	1,505	(7,374)	2,095	(3,999)
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax recovery of $11 and $614 for the three months ended September 30, 2012 and 2011, respectively; and net of income tax recovery of $370 and $1,698 for the nine months ended September 30, 2012 and 2011, respectively)	(30)	(1,749)	(1,067)	(4,846)
Net change in fair value of available-for-sale financial assets (net of income tax recovery of $318 and $149 for the three months ended September 30, 2012 and 2011, respectively; and net of income tax recovery of $163 and income tax expense of $200 for the nine months ended September 30, 2012 and 2011, respectively)	(322)	(417)	226	(183)
Actuarial losses on defined benefit pension plans (net of income tax expense of nil and nil for the three months ended September 30, 2012 and 2011, respectively; and net of income tax expense of $376 and nil for the nine months ended September 30, 2012 and 2011, respectively)	-	-	(376)	-
Other comprehensive income (loss), net of income taxes	(5,353)	17,497	(5,333)	32,412
Comprehensive income	$ 35,892	$ 56,832	$ 68,321	$ 185,825

See accompanying notes to consolidated financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Note	September 30, 2012	December 31, 2011
Assets			
Current assets:			
Cash and cash equivalents		$ 193,861	$ 254,831
Trade and other receivables		86,396	98,415
Financial assets, other		23,113	39,359
Construction contract assets		72,813	63,778
Inventories		2,059	2,621
Non-financial assets		34,206	53,713
Current tax assets		12,125	3,235
		424,573	515,952
Non-current assets:			
Financial assets, other		3,010	4,441
Non-financial assets		184	203
Deferred tax assets		15,082	10,477
Property, plant and equipment		41,028	42,256
Intangible assets		16,451	13,390
Goodwill		176,190	178,472
		251,945	249,239
		$ 676,518	$ 765,191
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 68,729	$ 87,098
Current tax liabilities		33,377	17,044
Financial liabilities, other		6,426	16,497
Provisions		1,868	26,772
Employee benefits		43,286	59,263
Non-financial liabilities		7,598	11,263
Construction contract liabilities		95,407	133,262
Current portion of long-term debt	5	1,722	1,834
		258,413	353,033
Non-current liabilities:			
Financial liabilities, other		1,779	17,522
Provisions		1,055	2,025
Employee benefits		38,015	40,268
Non-financial liabilities		6,404	7,546
Deferred tax liabilities		8,115	3,549
Long-term debt	5	99,801	103,849
		413,582	527,792
Shareholders’ equity:			
Share capital	6	212,519	210,505
Contributed surplus		3,033	4,440
Retained earnings		64,630	34,367
Accumulated other comprehensive loss		(17,246)	(11,913)
		262,936	237,399
		$ 676,518	$ 765,191

See accompanying notes to consolidated financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

Nine months ended September 30, 2012

	Share capital	Contributed surplus	Retained earnings	Net gain 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 losses on defined benefits pension plans	Total accumulated other comprehensive loss	Total shareholders' equity
Balance as at January 1, 2012	**$ 210,505**	**$ 4,440**	**$ 34,367**	$ 1,690	$ (8,166)	$ 4,276	$ 934	$ (10,647)	**$ (11,913)**	**$ 237,399**
Common shares issued in conjunction with employee share purchase plan	**2,014**	**-**	**-**	-	-	-	-	-	**-**	**2,014**
Settlement of share-based compensation	**-**	**(1,407)**	**(2,008)**	-	-	-	-	-	**-**	**(3,415)**
Dividends	**-**	**-**	**(41,383)**	-	-	-	-	-	**-**	**(41,383)**
Comprehensive income (loss)	**-**	**-**	**73,654**	3,330	(9,541)	1,028	226	(376)	**(5,333)**	**68,321**
Balance as at September 30, 2012	**$ 212,519**	**$ 3,033**	**$ 64,630**	$ 5,020	$ (17,707)	$ 5,304	$ 1,160	$ (11,023)	**$ (17,246)**	**$ 262,936**

Nine months ended September 30, 2011

	Share capital	Contributed surplus	Retained earnings	Substantial issuer bid	Foreign currency translation adjustment	Fair value gains (losses) on cash flow hedges	Fair value gains (losses) on available-for-sale financial assets	Actuarial losses on defined benefits pension plans	Total accumulated other comprehensive income (loss)	Total shareholders' equity
Balance as at January 1, 2011	**$ 266,811**	**$ 9,694**	**$ 361,569**	**$ -**	$ (42,360)	$ 9,857	$ 840	$ (3,863)	**$ (35,526)**	**$ 602,548**
Common shares issued on exercise of share options	**2,507**	**(35)**	**-**	**-**	-	-	-	-	**-**	**2,472**
Common shares issued in conjunction with employee share purchase plan	**2,305**	**-**	**-**	**-**	-	-	-	-	**-**	**2,305**
Settlement of share-based compensation	**-**	**(4,481)**	**(5,754)**	**-**	-	-	-	-	**-**	**(10,235)**
Dividends	**-**	**-**	**(41,158)**	**-**	-	-	-	-	**-**	**(41,158)**
Substantial issuer bid	**-**	**-**	**-**	**(500,674)**	-	-	-	-	**-**	**(500,674)**
Comprehensive income (loss)	**-**	**-**	**153,413**	**-**	41,440	(8,845)	(183)	-	**32,412**	**185,825**
Balance as at September 30, 2011	**$ 271,623**	**$ 5,178**	**$ 468,070**	**$ (500,674)**	$ (920)	$ 1,012	$ 657	$ (3,863)	**$ (3,114)**	**$ 241,083**

See accompanying notes to consolidated financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Statements of Cash Flows
(Unaudited)
(In thousands of Canadian dollars)

	Note	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Cash flows provided by (used in):					
Operating activities:					
Earnings from continuing operations, before income taxes		$ 53,342	$ 51,087	$ 106,452	$ 136,150
Adjustments to reconcile to net cash from operating activities:					
Depreciation of property, plant and equipment		2,394	1,537	6,774	5,322
Amortization of intangible assets		1,213	1,027	3,340	2,970
Share-based compensation expense (recovery)	8	(10,981)	(13,708)	17,668	(8,421)
Fair value loss (gain) on equity forward contracts	8	1,014	3,525	(4,092)	(2,822)
Finance income		(1,572)	(1,389)	(2,670)	(3,494)
Finance expense		1,679	1,416	5,156	5,953
Foreign exchange		(4,637)	(6,235)	(2,183)	(7,709)
Income taxes paid		(4,234)	(3,292)	(12,592)	(22,769)
Income taxes recovered		229	432	2,362	1,131
Changes in operating assets and liabilities	9	(35,330)	18,202	(99,960)	(126,889)
Cash provided by (used in) operating activities of continuing operations		3,117	52,602	20,255	(20,578)
Investing activities:					
Purchase of property, plant and equipment		(1,442)	(8,156)	(6,005)	(17,245)
Proceeds from government assistance related to property, plant and equipment		-	-	7,200	-
Purchase/development of intangible assets		(301)	(325)	(6,693)	(1,190)
Disposal (purchase) of short-term investments		11,293	(605)	10,912	1,406
Interest received on short-term investments and other		1,592	803	2,815	2,628
Net proceeds from sale of Property Information business	10	-	(976)	-	748,782
Cash provided by (used in) investing activities of continuing operations		11,142	(9,259)	8,229	734,381
Financing activities:					
Repayment of long-term debt		(572)	(554)	(1,814)	(101,191)
Interest and financing fees paid on long-term debt		(2,360)	(1,732)	(8,685)	(5,104)
Proceeds from issuance of common shares relating to share-based compensation plans		535	1,150	1,712	4,432
Purchase of common shares for settlement of share-based compensation plans		(3,178)	(960)	(3,415)	(10,235)
Payment of dividends		(20,699)	(20,602)	(41,383)	(41,158)
Cash used in financing activities of continuing operations		(26,274)	(22,698)	(53,585)	(153,256)
Cash and cash equivalents provided by (used in) continuing operations		(12,015)	20,645	(25,101)	560,547
Cash and cash equivalents used in discontinued operations		-	-	(35,058)	(6,992)
Effect of foreign currency on cash and cash equivalents on continuing operations		(920)	23,453	(811)	8,637
Cash and cash equivalents, beginning of period		206,796	747,552	254,831	229,458
Cash and cash equivalents, end of period		$ 193,861	$ 791,650	$ 193,861	$ 791,650

Supplementary cash flow information (note 9)

See accompanying notes to consolidated financial statements.

(Tabular amounts in thousands of Canadian dollars)

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. The Company provides solutions that capture and process large amounts of data, produce essential information, and improve the decision making and operational performance of businesses and government organizations worldwide. MDA's business is focused on information solutions for market sectors which offer strong repeat business potential, principally the surveillance and intelligence sector and the communications sector. In addition, the Company conducts a broad range of customer funded advanced technology development for various other market sectors.

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, 2011. These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 - *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2011, which are included in the Company's 2011 annual report.

3. Revenue and segmented information:

The Company's business of providing advanced information solutions to business and government organizations worldwide is reported as one operating segment.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Construction contracts	$ 111,002	$ 127,030	$ 334,675	$ 403,971
Services	60,376	54,478	172,700	178,958
	$ 171,378	$ 181,508	$ 507,375	$ 582,929

(Tabular amounts in thousands of Canadian dollars)

3. Revenue and segmented information (continued):

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

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenue:				
Canada	$ 48,793	$ 57,321	$ 172,367	$ 192,506
Europe	48,069	53,456	129,344	183,832
United States	45,219	48,916	133,258	140,791
Other	29,297	21,815	72,406	65,800
	$ 171,378	$ 181,508	$ 507,375	$ 582,929

Revenue from significant customers is as follows:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Canadian Federal Government and agencies	$ 39,165	$ 47,255	$ 147,350	$ 169,546
U.S. Federal Government and agencies	33,588	29,569	97,419	83,946
Radio Research and Development Institute	9,957	32,186	39,001	106,939

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

	September 30, 2012	December 31, 2011
Canada	$ 148,624	$ 143,691
United States	84,462	89,893
Europe	767	737
	$ 233,853	$ 234,321

(Tabular amounts in thousands of Canadian dollars)

4. Operating costs:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Employee salaries and benefits	$ 53,247	$ 58,188	$ 166,568	$ 178,265
Costs related to defined benefit plans	1,052	1,221	1,554	2,160
Subcontractor costs relating to construction and service contracts	53,772	57,579	132,460	179,861
Materials, equipment, professional fees, travel and other	19,062	22,473	74,353	89,789
Direct costs, selling, general and administration	127,133	139,461	374,935	450,075
Depreciation and amortization	3,607	2,564	10,114	8,292
Share-based compensation expense (recovery)	(10,981)	(13,708)	17,668	(8,421)
Business acquisition costs	2,686	-	4,644	-
	$ 122,445	$ 128,317	$ 407,361	$ 449,946

5. Long-term debt:

	September 30, 2012	December 31, 2011
Term loan note payable:		
Term loan payable in U.S. dollars (September 30, 2012 - U.S.$100,000,000; December 31, 2011 - U.S.$100,000,000), interest at fixed rate of 5.30%, repayable at maturity on February 22, 2017	$ 98,370	$ 101,700
Prepaid facility fees	(58)	(40)
Obligations under finance leases	3,211	4,023
Total long-term debt	101,523	105,683
Current portion	(1,722)	(1,834)
Non-current portion	$ 99,801	$ 103,849

(Tabular amounts in thousands of Canadian dollars)

6. Shareholders' equity:

Share capital:

Authorized:

Unlimited number of common shares with no par value

Unlimited number of preferred shares, issuable in series, convertible to common shares

Common shares issued and fully paid:

	Number of shares	Amount
Balance as at December 31, 2011	31,802,982	$ 210,505
Common shares issued in conjunction with employee share purchase plan	42,377	2,014
Balance as at September 30, 2012	31,845,359	$ 212,519

For the three months ended September 30, 2012, the Company declared and paid a semi-annual dividend of $0.65 per common share (2011 - $0.50 per common share).

7. Earnings (loss) per common share:

	Three months ended September 30,					
	2012			2011		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings (loss)	Weighted average number of common shares outstanding	Per share amount
Continuing operations:						
Earnings per common share:						
Basic	$ 41,245	31,842,022	$ 1.30	$ 40,537	41,195,854	$ 0.98
Share options	-	-	-	-	12,686	-
Diluted	$ 41,245	31,842,022	$ 1.30	$ 40,537	41,208,540	$ 0.98
Discontinued operations:						
Earnings (loss) per common share:						
Basic	$ -	31,842,022	$ -	$ (1,202)	41,195,854	$ (0.03)
Share options	-	-	-	-	12,686	-
Diluted	$ -	31,842,022	$ -	$ (1,202)	41,208,540	$ (0.03)

(Tabular amounts in thousands of Canadian dollars)

7. Earnings per common share (continued):

	Three months ended September 30,					
	2012			2011		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Net earnings:						
Earnings per common share:						
Basic	$ 41,245	31,842,022	$ 1.30	$ 39,335	41,195,854	$ 0.95
Share options	-	-	-	-	12,686	-
Diluted	$ 41,245	31,842,022	$ 1.30	$ 39,335	41,208,540	$ 0.95

	Nine months ended September 30,					
	2012			2011		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Continuing operations:						
Earnings per common share:						
Basic	$ 73,654	31,829,204	$ 2.31	$ 100,398	41,155,699	$ 2.44
Share options	-	-	-	-	30,897	-
Diluted	$ 73,654	31,829,204	$ 2.31	$ 100,398	41,186,596	$ 2.44
Discontinued operations:						
Earnings per common share:						
Basic	$ -	31,829,204	$ -	$ 53,015	41,155,699	$ 1.29
Share options	-	-	-		30,897	-
Diluted	$ -	31,829,204	$ -	$ 53,015	41,186,596	$ 1.29
Net earnings:						
Earnings per common share:						
Basic	$ 73,654	31,829,204	$ 2.31	$ 153,413	41,155,699	$ 3.73
Share options	-	-	-	-	30,897	-
Diluted	$ 73,654	31,829,204	$ 2.31	$ 153,413	41,186,596	$ 3.72

(Tabular amounts in thousands of Canadian dollars)

8. Share-based payment plans:

Total share-based compensation, excluding the impact of equity forward contracts, from all forms of share-based compensation for the three and nine months ended September 30, 2012 was a recovery of $10,981,000 and expense of $17,668,000, respectively (2011 - recovery of $13,708,000 and $8,421,000, respectively). The details are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Employee share purchase plan	$ 94	$ 128	$ 302	$ 346
Share appreciation rights	(10,762)	(13,493)	16,660	(8,879)
Share matching program	6	(24)	117	74
Deferred share units	(319)	(319)	589	38
	$ (10,981)	$ (13,708)	$ 17,668	$ (8,421)

The intrinsic value of a share-based payment plan is the positive difference between the market price of the Company's share and the exercise price of the award. At September 30, 2012, the intrinsic value for vested share-based payment plans is $8,129,000 (December 31, 2011 - $8,477,000).

The Company uses equity forward purchase agreements to manage the risk associated with fluctuations in the share price of the Company relating to share-based compensation plans. During the quarter, the Company settled the remaining equity forward purchase agreements for 450,600 common shares of the Company. For the three and nine months ended September 30, 2012, the Company recorded a fair value loss of $1,014,000 and gain of $4,092,000, respectively (2011 - loss of $3,525,000 and gain of $2,822,000) relating to the equity forward purchase agreements.

9. Supplemental cash flow information:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Change in operating assets and liabilities:				
Trade and other receivables	$ 260	$ 20,436	$ 4,759	$ (3,074)
Construction contract assets	(3,497)	(3,530)	(9,379)	(6,459)
Financial assets, other	3	65	(47)	(1,482)
Inventories	1,670	730	533	1,502
Current tax assets	(4,351)	(1,288)	(16,040)	(6,617)
Non-financial assets	11,862	8,340	23,995	237
Trade and other payables	6,208	2,416	(18,255)	(6,613)
Current tax liabilities	-	-	-	(966)
Financial liabilities, other	(1,824)	582	(4,186)	(7,195)
Provisions	(1,535)	(777)	(3,476)	(1,139)
Construction contract liabilities	(16,839)	(11,189)	(37,765)	(68,408)
Employee benefits	(26,923)	1,043	(35,429)	(22,259)
Non-financial liabilities	(364)	1,374	(4,670)	(4,416)
	$ (35,330)	$ 18,202	$ (99,960)	$ (126,889)

(Tabular amounts in thousands of Canadian dollars)

10. Discontinued operations:

On January 4, 2011, the Company completed the sale of its Property Information business to a third party buyer for cash consideration of U.S.$814,995,000, after tax and working capital adjustments. In the nine months ended September 30, 2011, the Company recorded a gain on sale of discontinued operations of $53,015,000 after income taxes. The gain on sale was adjusted in the fourth quarter of 2011 to record additional transaction costs and a provision of U.S.$22,500,000 for warranty and other post transaction obligations. The cumulative gain on sale of discontinued operations in 2011 amounted to $30,132,000 after income taxes.

Net earnings (loss) from discontinued operations is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Gain (loss) on sale of discontinued operations	$ -	$ (1,202)	$ -	$ 51,718
Income tax recovery on gain on sale of discontinued operations	-	-	-	(1,297)
Net earnings (loss) from discontinued operations	$ -	$ (1,202)	$ -	$ 53,015

11. Approval of financial statements:

These interim consolidated financial statements were approved for issuance by the Board of Directors on November 5, 2012.

12. Subsequent event:

On November 2, 2012, the Company completed the previously announced acquisition of a 100% equity interest in Space Systems/Loral LLC ("SS/L") from Loral Space & Communications Inc. ("Loral") for cash consideration of U.S.$774,000,000 and a three-year note payable of U.S.$101,000,000. Headquartered in Palo Alto, California, SS/L is a global market leading provider of commercial communications satellites, serving a global customer base. In addition to the purchase price consideration, the Company paid U.S.$193,658,000 to Loral under a lockbox completion arrangement to acquire restricted cash of U.S.$90,704,000, to fund working capital adjustments and to settle certain pre-existing intercompany liabilities between SS/L and Loral. The Company also paid U.S.$48,442,000 to SS/L to fund the repayment and discharge of SS/L's credit facility and to cash collateralize certain existing letters of credit. The acquisition is being financed by a combination of cash on hand, a three-year promissory note payable to Loral of U.S.$101,000,000 bearing interest at 1%, new twelve-year senior secured notes payable of U.S.$250,000,000 with two major U.S. financial institutions bearing interest at 4.31%, and approximately $613,000,000 of variable rate term and revolving loans under a new four-year U.S.$850,000,000 secured syndicated credit facility.

12. Subsequent event (continued):

Due to the timing of the closing date relative to the date of issuance of these financial statements, the Company has not yet been able to determine the purchase price allocation of assets acquired and liabilities assumed.

During the three and nine month periods ended September 30, 2012, the Company recorded expenses of $2,686,000 and $4,644,000, respectively for legal, tax, consulting and other business acquisition costs incurred that were not contingent upon closing the transaction. Further business acquisition costs that were either contingent upon closing or incurred subsequent to September 30, 2012 will be expensed in the fourth quarter of 2012.

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