MacDonald, Dettwiler and Associates Ltd.

Third Quarter Report 2013

Three and Nine Months Ended September 30, 2013

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements

Q3

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2013

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

ADVISORY

This management's discussion and analysis ("MD&A"), dated November 1, 2013, should be read in conjunction with the cautionary statement regarding forward-looking statements below and the Company's consolidated financial statements for the three and nine months ended September 30, 2013, as well with the Company's consolidated financial statements and MD&A for the year ended December 31, 2012. Unless otherwise indicated, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars. An additional advisory with respect to the use of non-IFRS financial measures is set out in section "Non-IFRS Financial Measures" of this MD&A. All quarterly information disclosed in the MD&A is based on unaudited figures.

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

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect the Company's current view of future events and financial performance. Forward-looking statements in this MD&A include, but are not limited to, statements regarding: anticipated revenues and customer contract values under sections "Consolidated Results" and "Results By Segment"; impact of amendments to pension and other post-retirement plans under section "Consolidated Results - Net earnings"; legal actions under section "Consolidated Results - Financial position"; capabilities and benefits of recently launched satellites under section "Results By Segment"; the Company's liquidity and financial resources under section "Liquidity"; and progress of construction of a thermal vacuum test chamber under section "Liquidity - Investing activities".

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable. The material assumptions upon which such forward-looking statements are based include, among others, assumptions with respect to: market and general economic conditions; the operations of the operating businesses of the Company continuing on a basis consistent with prior years; growth in demand for the products and services of the Company's businesses; the ability of the Company to access financing from time to time on favourable terms; the ability of the Company to realize anticipated benefits of acquisitions; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; and currency exchange and interest rates being reasonably stable at current rates. As contained in this MD&A, the Company has made the following assumptions with respect to the forward-looking statements: anticipated revenues and customer contract values was based on the Company's continuing ability to effectively service customers and there being no adverse changes to customer priorities and funding levels; impact of amendments to pension and other post-retirement plans was based on management's best estimates and current operating plans; legal actions was based on management's best estimates and the current operating environment; capabilities and benefits of recently launched satellites was based on the Company building the satellites to reliable design specifications; the Company's liquidity and financial resources was based

on stable market conditions and the Company's current plans and forecasts; and progress of construction of a thermal vacuum test chamber was based on current construction plans and capital expenditure budgets. 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; failure of third party subcontractors to complete contracts for which the Company is the prime contractor; risks of performance on firm fixed price construction contracts; changes in estimates of total revenues and costs on contracts; potential for product liability or the occurrence of defects in products or systems and resulting loss of revenue and harm to the Company's reputation; quality issues and failure of systems to meet performance requirements; failure of the Company to manage its acquisitions and breaches of contracts and indemnities and related risks on divestitures; partial or complete satellite failure; dependence on electronic systems and data and system security threats; detrimental reliance on third parties for data; dependence on key employees, potential for work stoppages and lack of oversight over a U.S. proxy board and management; failure to anticipate changes in technology, technical standards and offerings or comply with the requisite standards; failure to maintain technological advances and market positions; significant competition; potential infringement of the intellectual property rights of others through licensed software or otherwise; inadequate protection of the Company's intellectual property rights; exposure to foreign currency fluctuations; changes in law and economic and political conditions; inability of suppliers or subcontractors to effect technology transfer; changes in customer security requirements and the resulting cancellation of contracts; failure to maintain business alliances; uncertainty in financing arrangements; failure of counterparties in financing arrangements and financial derivative contracts and potential breach of financial covenants in credit agreements and note purchase agreements; wrongful call on letters of credit and performance bonds; insufficient insurance against material claims or losses; and exposure to fines and/or legal sanctions under anti-corruption laws.

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

For additional information with respect to certain of these risks or factors, reference should be made to section "Business Risks and Uncertainties" of the MD&A and notes to the consolidated financial statements for the year ended December 31, 2012, as well with the Company's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, which are available online at www.sedar.com or on the Company's website at www.mdacorporation.com.

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

COMPANY PROFILE

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

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

The Company's comprehensive capabilities in business and program management, systems engineering, systems integration, testing, and support services address complex customer requirements through the full solutions life cycle. Customers that procure MDA's infrastructure and sustaining engineering services represent some of the world's leading commercial and government enterprises.

MDA's well-established global customer base is served by more than 4,500 employees operating from 11 locations in the United States, Canada, and internationally.

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

Communications

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

Surveillance and Intelligence

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

NON-IFRS FINANCIAL MEASURES

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

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

The Company defines *operating EBITDA* as earnings before corporate expense, net finance expense, income tax expense, depreciation and amortization, and items affecting comparability as specified in the calculation of operating earnings. Operating EBITDA is presented on a basis consistent with the Company's internal management reports. The Company discloses operating EBITDA to capture the profitability of its business before the impact of items not considered in management's evaluation of operating unit performance.

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

OVERVIEW

The following table provides selected financial information of the Company.

Results of Operations	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
($ millions, except per common share amounts)				
Revenues	463.3	171.4	1,342.3	507.4
Operating EBITDA[1]	77.3	45.8	234.3	140.8
Operating earnings[1]	46.6	27.9	131.7	85.4
Operating earnings per share[1]	1.29	0.88	3.79	2.68
Net earnings	46.5	41.0	79.9	72.8
Net earnings per share, basic and diluted	1.29	1.29	2.30	2.29
Weighted average number of common shares outstanding: *(millions)*				
Basic and diluted[2]	36.0	31.8	34.7	31.8

Financial Position	September 30, 2013	December 31, 2012
($ millions)		
Total assets	2,432.4	2,314.5
Long-term debt	665.9	847.7
Shareholders' equity	615.8	266.8

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

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

Net earnings for the three and nine months ended September 30, 2013 were impacted by the volatility of share-based compensation expense and higher depreciation and amortization of assets acquired on acquisition. In the third quarter of 2013, the Company also recognized a non-cash foreign exchange loss of $8.9 million upon final liquidation of an inactive foreign operation and past service credits of $40.1 million relating to pension and other post-retirement plan amendments. Refer to section "Consolidated Results – Net earnings" of this MD&A for further discussion of these items.

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

CONSOLIDATED RESULTS

The following table provides selected financial information for the periods indicated, including a reconciliation of operating EBITDA and operating earnings to net earnings.

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
($ millions, except per common share amounts)				
Revenues	463.3	171.4	1,342.3	507.4
Operating EBITDA	77.3	45.8	234.3	140.8
Operating EBITDA as a percentage of revenues	*17%*	*27%*	*17%*	*28%*
Corporate expense	(3.1)	(2.6)	(8.5)	(8.7)
Net finance expense	(7.4)	(0.1)	(26.3)	(2.5)
Depreciation and amortization	(11.8)	(3.6)	(34.0)	(10.1)
Income tax expense, excluding tax on items affecting comparability	(8.4)	(11.6)	(33.8)	(34.1)
Operating earnings	46.6	27.9	131.7	85.4
Operating earnings per share	*1.29*	*0.88*	*3.79*	*2.68*
Items affecting comparability:				
Past service credits on pension and other post-retirement plan amendments	40.1	-	40.1	-
Foreign currency translation adjustment reclassified to earnings on liquidation of foreign operation	(8.9)	-	(8.9)	-
Amortization of acquisition related intangible assets	(7.9)	-	(22.6)	-
Business acquisition costs	-	(2.7)	(1.9)	(4.6)
Other acquisition related expenses	(3.0)	-	(3.0)	-
Write-off of bank facility fees	-	-	(3.1)	-
Share-based compensation	(29.1)	11.0	(65.9)	(17.7)
Fair value adjustments on equity forward contracts	-	(1.0)	-	4.1
Foreign exchange gain (loss)	2.0	6.2	(1.2)	4.0
Tax on items affecting comparability	6.7	(0.4)	14.7	1.6
Net earnings	46.5	41.0	79.9	72.8

Revenues

Consolidated revenues for the third quarter of 2013 were $463.3 million, up from $171.4 million for the comparable period of 2012. For the year to date, consolidated revenues increased to $1,342.3 million compared to $507.4 million for the nine months ended September 30, 2012. The increase over the comparative prior year periods was driven by the acquisition of SSL. Refer to section “Results by Segment” of this MD&A for a review of the Company’s revenues by segment.

Order backlog

Order backlog at September 30, 2013 was $3.1 billion, comparable with $3.0 billion at June 30, 2013 (December 31, 2012 - $2.2 billion). Order booking activity remained strong in the third quarter of 2013 as the Company signed two contracts to provide communications satellites during this period. Refer to section “Results by Segment” of this MD&A for a review of order backlog by segment.

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

Operating EBITDA

Operating EBITDA for the third quarter of 2013 increased to $77.3 million compared to $45.8 million for the same period of 2012. For the year to date, operating EBITDA increased to $234.3 million compared to $140.8 million for the nine months ended September 30, 2012. The increase over the

comparative prior year periods was due to the acquisition of SSL. Operating EBITDA margin for the current year periods decreased with the addition of SSL's satellite construction contracts to the revenue mix.

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

Corporate expense

Corporate expense for the third quarter of 2013 was $3.1 million compared to $2.6 million for the same period of 2012. Corporate expense on a year to date basis was $8.5 million, comparable to $8.7 million for the nine months ended September 30, 2012. Corporate expense is not considered in management's evaluation of operating unit performance and includes such items as corporate head office costs, regulatory costs, executive and director compensation, strategic business development expenditures, and fees for audit, legal and consulting services.

Net finance expense

The following table shows the make-up of net finance expense for the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
($ millions)				
Finance expense[1]	7.5	1.7	27.2	5.2
Finance income	(0.1)	(1.6)	(0.9)	(2.7)
Net finance expense	7.4	0.1	26.3	2.5

[1] As presented in the reconciliation of operating EBITDA to operating earnings, finance expense excludes a $3.1 million charge recorded in the first quarter of 2013 to write-off the unamortized portion of prepaid bank facility fees relating to the term loans under the syndicated credit facility, which were fully repaid with proceeds from the share offering. Refer to section "Consolidated Results - Net earnings" of this MD&A for a discussion of the bank facility fee write-off.

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

Depreciation and amortization

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
($ millions)				
Property, plant and equipment	9.6	2.4	27.9	6.8
Intangible assets[1]	2.2	1.2	6.1	3.3
Depreciation and amortization	11.8	3.6	34.0	10.1

[1] As presented in the reconciliation of operating EBITDA to operating earnings, amortization of intangible assets excludes those intangible assets arising from the acquisition of SSL. Refer to section "Consolidated Results - Net earnings" of this MD&A for a discussion of amortization of intangible assets arising from the acquisition of SSL.

The increase in depreciation and amortization expense was primarily due to the addition of depreciable assets through the acquisition of SSL.

Income tax expense

For accounting purposes, income tax expense for the nine months ended September 30, 2013 was $19.1 million compared to $32.5 million for the same period of last year. Income tax expense was impacted by the variability of certain non-deductible expenses and valuation of deferred tax assets. After adjusting for items affecting comparability, the effective income tax rate on operating earnings for the nine months ended September 30, 2013 was 20% compared to 29% for the same period of last year. The decrease in the effective income tax rate on operating earnings was primarily due to the change in mix of income from various jurisdictions.

Operating earnings

Operating earnings, or net earnings excluding the after-tax effects of specified items affecting comparability, increased to $46.6 million ($1.29 per share) for the third quarter of 2013 compared to $27.9 million ($0.88 per share) for the same period of 2012. For the year to date, operating earnings increased to $131.7 million ($3.79 per share) compared to $85.4 million ($2.68 per share) for the nine months ended September 30, 2012. The increase over the comparative prior year periods was primarily due to higher operating EBITDA and a lower effective income tax rate on operating earnings. The share offering completed at the end of March 2013 has a dilutive effect on earnings per share for subsequent quarters.

Net earnings

Net earnings for the third quarter of 2013 increased to $46.5 million compared to $41.0 million for the third quarter of last year. For the nine months ended September 30, 2013, net earnings increased to $79.9 million compared to $72.8 million for the corresponding period of 2012. The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items which are generally not indicative of performance. These specified items affecting comparability are discussed below.

Past service credits on pension and other post-retirement plan amendments

During the third quarter of 2013, the Company restructured the pension and post-retirement benefit plans at SSL. The restructuring plan included amendments to the pension plans, post-retirement plans, 401(k) plans, and other benefits. As a result of these plan amendments, the Company recognized past service credits of $21.1 million for the defined benefit pension plans and $18.9 million for the post-retirement medical plan immediately in earnings in the third quarter of 2013, with offsetting reductions to employee benefit liabilities. In addition to the one-time retroactive adjustments, the Company expects to achieve an ongoing reduction in both cash contributions and pension and post-retirement benefits expense as a result of these amendments. The Company believes that exclusion of the past service credits facilitates the comparison of financial results across periods.

Foreign currency translation adjustment reclassified to earnings on liquidation of foreign operation

During the third quarter of 2013, the Company recorded a foreign exchange loss of $8.9 million for cumulative translation adjustments reclassified to earnings on final liquidation of a foreign operation. The foreign operation had been inactive since the Company disposed of its Property Information business. The foreign exchange loss has no bearing on operating performance, and the Company believes that exclusion of the foreign exchange loss improves the comparability of the Company's financial performance between periods.

Amortization of acquisition related intangible assets

In the three and nine months ended September 30, 2013, the Company recorded amortization expense of $7.9 million and $22.6 million, respectively, relating to intangible assets arising from the

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

Business acquisition costs
The Company had incurred costs, consisting of legal, tax, consulting and other professional fees, in respect of the acquisition of SSL. Since the business acquisition costs are transaction specific, the Company believes that the exclusion of these costs allows for more meaningful period-to-period comparisons of operating results.

Other acquisition related expenses
In the third quarter of 2013, the Company incurred expenses of $3.0 million for due diligence performed on a potential business acquisition that has been abandoned. The expenses consisted primarily of fees for consulting and other professional services. The Company believes that the identification and exclusion of these non-core operating costs enhances the comparability of its operating results from period to period.

Write-off of bank facility fees
In the first quarter of 2013, the Company recorded a $3.1 million charge to write-off the unamortized portion of prepaid facility fees relating to the term loans under the syndicated credit facility. The accounting charge has no relationship to the Company's on-going operations, and the Company believes that the exclusion of this amount provides for more meaningful comparison of operating results between periods.

Share-based compensation
Share-based compensation is an important aspect of compensation for management and key employees. However, the accounting expense or recovery based on fair valuation, which is estimated using complex option pricing models incorporating factors such as expected option lives and market volatility, is beyond the Company's control and can vary significantly from period to period. Further, the accounting fair value adjustments are not reflective of actual cash outlays by the Company in any particular period. The average cash outlay on share-based compensation was approximately $24.5 million per year over the rolling five-year period ended September 30, 2013. The Company believes that the exclusion of share-based compensation reduces volatility in net earnings and facilitates the comparison of financial results across periods.

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

(a) *Foreign exchange timing differences on certain project-related foreign exchange forward contracts not subject to hedge accounting*
Certain foreign exchange derivative contracts entered into by the Company relating to certain large dollar satellite solution programs did not qualify for hedge accounting at inception of the contracts as the timing of the anticipated cash flows and/or the contract currency for certain subcontracts could not be predicted with sufficient certainty. Accordingly, the fair value adjustments on these derivative contracts were recognized in net earnings immediately, resulting in foreign exchange timing differences. The foreign exchange timing differences can

result in significant variability in net earnings but have little bearing, other than timing, on the performance of the related programs.

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

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

Financial position

The Company had total assets of $2.4 billion at September 30, 2013, up slightly from $2.3 billion at December 31, 2012. The purchase consideration for the acquisition of SSL was allocated to the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. During the nine months ended September 30, 2013, the Company made revisions to certain preliminary estimates that had the effect of increasing goodwill and contingent liabilities by $2.9 million. As of September 30, 2013, the Company has completed the initial accounting for the business combination, with the exception of the assessment of fair value for contract provisions, contingent liabilities and goodwill, which will be completed in the fourth quarter of 2013.

On September 5, 2013, ViaSat, Inc. filed a second lawsuit against SSL in the Southern District of California claiming that SSL infringed three additional ViaSat patents in connection with the manufacture of satellites by SSL for customers of SSL other than ViaSat. SSL is preparing its defenses to, and will vigorously defend, these claims.

Long-term debt at September 30, 2013 was $665.9 million, representing a decrease of $181.8 million from the balance at December 31, 2012. The following table shows the changes to long-term debt for the nine months ended September 30, 2013.

($ millions)	
Balance at January 1, 2013	847.7
Repayment of term loans	(252.1)
Proceeds from revolving loans and other long-term debt	42.1
Change in prepaid facility fees	3.3
Foreign exchange and other	24.9
Balance at September 30, 2013	665.9

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

Shareholders' equity at September 30, 2013 was $615.8 million compared to $266.8 million at December 31, 2012. The following table shows the changes to shareholders' equity for the nine months ended September 30, 2013.

($ millions)	
Balance at January 1, 2013	266.8
Net earnings	79.9
Other comprehensive income	32.7
Dividends	(44.1)
Common shares issued in conjunction with share offering	278.3
Common shares issued in conjunction with employee share purchase plan	2.3
Settlement of share-based compensation	(0.1)
Balance at September 30, 2013	615.8

Other comprehensive income consisted primarily of foreign currency translation adjustments from those subsidiaries not using the Canadian dollar as their functional currency.

RESULTS BY SEGMENT

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

Communications

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

Revenues from Communications for the third quarter of 2013 were $337.0 million compared to $334.1 million for the second quarter of 2013 and $51.8 million for the third quarter of last year. For the year to date, revenues from Communications were $1,001.3 million compared to $132.6 million for the first nine months of 2012. The increase over the comparative prior year periods was due to the acquisition of SSL and higher levels of activity at the Company's satellite systems facility in Montreal.

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

Order backlog from Communications at September 30, 2013 was $2.1 billion compared to $2.0 billion at June 30, 2013 (December 31, 2012 - $1.8 billion). The increase in order backlog compared to the balance at December 31, 2012 was primarily due to bookings of new orders to provide communications satellites.

During the third quarter of 2013, the Company also signed a number of contracts to provide advanced technology solutions for communications satellites, including several authorizations to proceed with key industry suppliers.

Operations
The EUTELSAT 25B/Es'hail 1 satellite, designed and built by the Company and jointly owned by Eutelsat Communications and Es'hailSat, was launched during the quarter and entered into service in October 2013. The satellite provides television broadcasting, video distribution, enterprise communications, and government communication services in the Middle East and North Africa.

The Sirius FM-6 satellite, designed and built by the Company for Sirius XM Radio, was launched in October 2013 and is currently performing post-launch maneuvers according to plan. The satellite is the seventh SSL-built spacecraft in the Sirius XM Radio fleet and it will help ensure continuous and reliable delivery of high quality audio entertainment and data services to over 25 million subscribers across North America.

Surveillance and Intelligence

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

Revenues from Surveillance and Intelligence this quarter were $126.2 million, up from $116.3 million for the second quarter of 2013 and $119.6 million for the third quarter of 2012. For the nine months ended September 30, 2013, revenues from Surveillance and Intelligence were $340.9 million compared to $374.8 million for the same period of 2012. The decrease for the nine month period, year over year, reflects the variability in revenues on large dollar construction contracts. Also, the Company sold its operations based in Los Alamitos, California at the end of 2012. This business unit, which provided satellite composite structures and assemblies, became non-strategic following the acquisition of SSL.

Revenues from geospatial services for the year to date increased to $107.6 million compared to $104.4 million for the nine months ended September 30, 2012 on strong order intake for RADARSAT-2 data.

Order backlog for Surveillance and Intelligence at September 30, 2013 was $976 million compared to $1,074 million at June 30, 2013 (December 31, 2012 - $348 million). During the third quarter of 2013, the Company signed multiple contract amendments valued at $18 million with the Canadian Space Agency to complete work on the RCM Design Phase and to enable the remaining long lead procurement of parts and equipment as planned.

Operations
CASSIOPE, a small satellite developed by a Canadian industrial team led by MDA, was successfully launched into orbit in September 2013. The satellite will help the Canadian Space Agency and the University of Calgary accomplish a science mission. CASSIOPE is currently going through commissioning according to plan, with all subsystems and instruments performing as expected.

QUARTERLY INFORMATION

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

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
($ millions, except per common share amounts)								
From continuing operations								
Revenues	463.3	450.4	428.6	372.6	171.4	164.0	172.0	178.2
Operating EBITDA[1]	77.3	78.4	78.6	70.3	45.8	47.4	47.6	52.3
Operating earnings[1]	46.6	43.3	41.8	39.0	27.9	28.6	28.9	31.1
Operating earnings per share	1.29	1.20	1.30	1.22	0.88	0.90	0.91	0.97
Net earnings (loss)	46.5	31.1	2.2	11.0	41.0	(1.3)	33.2	29.0
Net earnings (loss) per share, basic and diluted	1.29	0.86	0.07	0.35	1.29	(0.04)	1.04	0.90
From discontinued operations								
Loss on sale of discontinued operations, net of income taxes	-	-	-	-	-	-	-	(22.9)
Total								
Revenues	463.3	450.4	428.6	372.6	171.4	164.0	172.0	178.2
Net earnings (loss)	46.5	31.1	2.2	11.0	41.0	(1.3)	33.2	6.1
Net earnings (loss) per share, basic and diluted	1.29	0.86	0.07	0.35	1.29	(0.04)	1.04	0.19
Weighted average number of common shares outstanding *(millions)*								
Basic and diluted[2]	36.0	36.0	32.1	31.9	31.8	31.8	31.8	32.2

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

Continuing operations

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

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

The volatility of share-based compensation has a direct impact on the variability of quarterly net earnings. Share-based compensation varied from a recovery of $11.0 million for the third quarter of 2012 and $3.3 million for the first quarter of 2012, to an expense of $29.1 million for the third quarter of 2013 and $31.9 million for the second quarter of 2012. Share-based compensation includes realized and unrealized fair value adjustments on share-based compensation awards, which will vary with changes to the Company's share price and timing of award exercises.

Net earnings for the third quarter of 2013 included past service credits of $40.1 million on pension and other post-retirement plan amendments. Also, net earnings this quarter included a non-cash foreign exchange loss of $8.9 million for cumulative translation adjustments reclassified to earnings on final liquidation of a foreign operation, which had been inactive since the Company disposed of its Property Information business.

The acquisition of SSL resulted in significant fair value adjustments to depreciable assets, including identifiable intangible assets. Accordingly, depreciation and amortization expense increased

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

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

Discontinued operations

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

LIQUIDITY

The Company's principal sources of liquidity are cash provided by operations, including collection of orbital receivables and advance payments from customers related to long-term construction contracts, and access to credit facilities and equity capital resources, including public common share offerings. The Company's primary short-term cash requirement is to fund working capital, including supplier payments on long-term construction contracts and fixed overhead costs. Working capital requirements can vary significantly from period to period. The Company's medium-term cash requirements are to service and repay debt and to invest in the construction or acquisition of facilities, equipment and intangible assets for growth initiatives. Cash is also used to pay dividends and finance other long-term strategic business initiatives. In 2012, the Company financed the acquisition of SSL with a combination of cash on hand, promissory notes and new long-term debt.

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

Summary of statement of cash flow

The following table provides selected cash flow information.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
($ millions)				
Cash provided by operating activities[1]	70.6	38.0	210.2	119.1
Changes in operating assets and liabilities	66.7	(34.9)	(204.0)	(98.8)
Cash provided by operating activities	137.3	3.1	6.2	20.3
Cash provided by (used in) investing activities	(13.3)	11.1	(31.5)	8.2
Cash provided by (used in) financing activities	(133.6)	(26.2)	6.2	(53.6)
Effect of foreign currency on cash and cash equivalents	(0.4)	(0.9)	0.5	(0.8)
Cash and cash equivalents used in discontinued operations[2]	-	-	(2.7)	(35.0)
Cash and cash equivalents, beginning of period	13.5	206.8	24.8	254.8
Cash and cash equivalents, end of period	3.5	193.9	3.5	193.9

[1] Before changes in operating assets and liabilities.

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

Key highlights for the nine-month period ended September 30, 2013:

- The Company generated cash flows of $210.2 million from operating activities before changes in operating assets and liabilities (September 30, 2012 - $119.1 million).
- On March 27, 2013, the Company closed a public offering of 4,145,750 common shares at a price of $69.40 per share for gross proceeds of $287.7 million. The Company paid share issuance costs of $12.5 million related to the share offering.
- The Company fully repaid the term loans under the syndicated credit facility, totaling $252.1 million, with proceeds from the share offering.
- The Company received government assistance amounting to $6.8 million from Investissement Quebec relating to the expansion of its satellite systems facility in Montreal (September 30, 2012 - $7.2 million).
- The Company invested $40.1 million in capital expenditures (September 30, 2012 - $12.7 million).
- The Company continued to return cash to shareholders, paying dividends totaling $44.1 million (September 30, 2012 - $41.4 million).

Operating activities

For the nine months ended September 30, 2013, the Company generated cash of $6.2 million from operating activities after changes in operating assets and liabilities compared to $20.3 million for the same period of last year. The variability of cash used in changes in operating assets and liabilities was primarily due to the timing of milestone receipts and payments on large dollar construction contracts and changes in the balances of inventories, orbital receivables and employee benefits, all in the ordinary course of business. With the acquisition of SSL, the Company's cash requirements for operating expenses and to execute ongoing programs are subject to greater variability.

Investing activities

The increase in the net cash used in investing activities for the nine months ended September 30, 2013 compared to the same period of 2012 reflected higher levels of capital expenditures following the acquisition of SSL. Capital expenditures include construction of a second thermal vacuum test chamber, which is used to expose payloads, satellites and mechanisms to representative space

conditions in order to assess their likely flight performance. Construction of the thermal vacuum test chamber is expected to be completed in the second half of 2014.

Financing activities
In the third quarter of 2013, the Company made net repayments of $106.8 million to long-term debt with cash generated from operating activities. The Company also paid a semi-annual dividend amounting to $23.4 million. For the nine months ended September 30, 2013, cash provided by financing activities reflected the net proceeds from the share offering, less repayment of long-term debt and payment of dividends and interest.

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

	September 30, 2013	December 31, 2012
($ millions)		
Syndicated credit facility:		
Term loans	-	249.6
Revolving loans	198.5	148.6
Senior secured notes	360.0	348.2
Promissory note	103.9	100.5
Prepaid facility fees	(0.6)	(3.9)
Obligations under finance leases	4.1	4.7
Long-term debt	665.9	847.7

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

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

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

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

The Company also has a long-term debt agreement for US$100 million with a private lender (the “2017 Term Notes”), which was amended in November 2012. The 2017 Term Notes bear interest at a fixed rate of 5.3% per annum and are repayable in full in February 2017.

The 2024 Term Notes and the 2017 Term Notes are together called the “senior secured notes”. The senior secured notes are guaranteed by designated subsidiaries of the Company and secured by specific assets of the Company and the designated subsidiaries. The senior secured notes can be repaid, at the Company’s option, in whole or in part, at any time, together with accrued interest and any applicable make-whole amount. The senior secured notes rank equally with the obligations under the credit agreements.

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

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

RELATED PARTY TRANSACTIONS

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

NEW ACCOUNTING STANDARDS

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

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

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

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

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

FINANCIAL INSTRUMENTS

The Company considers the management of financial risks to be an important part of its overall corporate risk management policy. Foreign exchange forward contracts are used to hedge the Company's exposure to currency risk on sales, purchases, cash and loans denominated in a currency other than the functional currency of the Company's domestic and foreign operations. The Company has historically used forward contracts on its common shares ("equity forward contracts") to reduce the cash exposure to settle obligations under certain long-term compensation plans. The Company uses derivative financial instruments to manage existing exposures, irrespective of whether the Company formally documents such relationships as hedges in accordance with hedge accounting requirements.

At September 30, 2013, the Company had foreign exchange forward purchase contracts for $314 million (December 31, 2012 - $314 million) and foreign exchange forward sale contracts for $325 million (December 31, 2012 - $425 million).

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

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

At September 30, 2013, the Company's foreign exchange forward contracts had a cumulative unrealized gain on fair valuation of $0.8 million (December 31, 2012 - cumulative unrealized loss of $4,000). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $3.8 million recorded in other comprehensive income at September 30, 2013 (December 31, 2012 - cumulative net gain of $2.6 million).

The Company enters into foreign exchange derivative contracts to hedge its exposure to non-Canadian dollar, or for its U.S. subsidiaries, non-U.S. dollar denominated anticipated cash inflows and outflows in certain construction contracts. Certain derivative contracts entered into by the Company did not qualify for hedge accounting as the timing of the anticipated cash flows and/or the contract currency for certain subcontracts could not be predicted with sufficient certainty. Accordingly, the fair value adjustments on these derivative contracts were recognized in net earnings immediately. This resulted in timing differences between the recognition of fair value adjustments in earnings versus revenues and costs, which were recognized on the percentage of

completion basis using spot rates. Had these derivative contracts qualified for hedge accounting, the fair value adjustments would have been deferred and accumulated in other comprehensive income until the hedged revenues or costs were recognized, eliminating the timing differences. For the nine months ended September 30, 2013, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a gain of $2.6 million compared to a gain of $2.5 million for the same period of 2012.

The Company settled all outstanding equity forward contracts in 2012. The equity forward contracts did not qualify for hedge accounting and all gains and losses on fair valuation were immediately recognized in earnings. For the nine months ended September 30, 2012, the Company recorded a fair value gain of $4.1 million relating to the equity forward contracts.

The nature and extent of risks arising from financial instruments, and their related risk management, are described in the Company's MD&A and consolidated financial statements for the year ended December 31, 2012. In the first nine months of 2013, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments.

ADDITIONAL INFORMATION

Internal Control over Financial Reporting

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

Dividend

Semi-annual common share dividends paid in the nine months ended September 30, 2013:

Dividend per share, paid March 28, 2013	$0.65
Dividend per share, paid September 30, 2013	$0.65

Outstanding share data

As at October 18, 2013, the Company had 36,041,340 common shares with no par value outstanding.

Public securities filings

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

RECONCILIATIONS

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

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
($ millions)								
Operating EBITDA	77.3	78.4	78.6	70.3	45.8	47.4	47.6	52.3
Corporate expense	(3.1)	(2.8)	(2.5)	(4.0)	(2.6)	(3.5)	(2.6)	(3.7)
Net finance expense	(7.4)	(8.8)	(10.1)	(4.6)	(0.1)	0.0	(2.4)	0.6
Depreciation and amortization	(11.8)	(11.3)	(10.9)	(8.9)	(3.6)	(3.5)	(3.0)	(3.0)
Income tax expense, excluding tax on items affecting comparability	(8.4)	(12.2)	(13.3)	(13.8)	(11.6)	(11.8)	(10.7)	(15.1)
Operating earnings	46.6	43.3	41.8	39.0	27.9	28.6	28.9	31.1
Items affecting comparability:								
Past service credits on pension and other post-retirement plan amendments	40.1	-	-	-	-	-	-	-
Foreign currency translation adjustment reclassified to earnings on liquidation of foreign operation	(8.9)	-	-	-	-	-	-	-
Amortization of acquisition related intangible assets	(7.9)	(7.4)	(7.3)	(4.8)	-	-	-	-
Business acquisition costs	-	-	(1.9)	(10.8)	(2.7)	(1.9)	-	-
Other acquisition related expenses	(3.0)	-	-	-	-	-	-	-
Write-off of bank facility fees	-	-	(3.1)	-	-	-	-	-
Loss on disposal of assets	-	-	-	(1.7)	-	-	-	-
Share-based compensation	(29.1)	(6.3)	(30.5)	(11.6)	11.0	(31.9)	3.3	(4.5)
Fair value adjustments on equity forward contracts	-	-	-	-	(1.0)	6.0	(0.9)	(0.1)
Foreign exchange gain (loss)	2.0	0.3	(3.7)	0.3	6.2	(4.1)	1.9	1.7
Tax on items affecting comparability	6.7	1.2	6.9	0.6	(0.4)	2.0	0.0	0.8
Net earnings (loss) from continuing operations	46.5	31.1	2.2	11.0	41.0	(1.3)	33.2	29.0

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three and nine months ended September 30, 2013 and 2012
(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, 2013	Three months ended September 30, 2012 (Restated - note 3)	Nine months ended September 30, 2013	Nine months ended September 30, 2012 (Restated - note 3)
Revenues		$ 457,036	$ 171,378	$ 1,324,249	$ 507,375
Orbital income		6,229	-	18,012	-
Total revenues	4	463,265	171,378	1,342,261	507,375
Direct costs, selling, general and administration	5	389,351	127,516	1,114,587	376,084
		73,914	43,862	227,674	131,291
Depreciation and amortization		19,688	3,607	56,570	10,114
Foreign exchange loss (gain)		6,509	(5,530)	11,902	(4,832)
Share-based compensation expense (recovery)	11	29,114	(10,981)	65,942	17,668
Fair value loss (gain) on equity forward contracts	11	-	1,014	-	(4,092)
Finance income		(37)	(1,572)	(877)	(2,670)
Finance expense		7,483	1,679	30,286	5,156
Other items	6	(37,051)	2,686	(35,120)	4,644
Earnings, before income taxes		48,208	52,959	98,971	105,303
Income tax expense		1,722	11,996	19,095	32,495
Net earnings		$ 46,486	$ 40,963	$ 79,876	$ 72,808
Net earnings per common share:					
Basic and diluted	10	$ 1.29	$ 1.29	$ 2.30	$ 2.29

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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		(Restated - note 3)		(Restated - note 3)
Net earnings	$ 46,486	$ 40,963	$ 79,876	$ 72,808
Other comprehensive income (loss):				
Items that may be subsequently reclassified to earnings:				
Foreign currency translation adjustment	(17,419)	(10,046)	24,034	(9,638)
Foreign currency translation adjustment reclassified to earnings on disposition or liquidation of foreign operations (net of income taxes of nil for all periods presented)	8,902	-	8,902	97
Net gain (loss) on hedge of net investment in foreign operations (net of income taxes of nil for all periods presented)	1,796	3,540	(2,664)	3,330
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax recovery of $103 and income tax expense of $552 for the three months ended September 30, 2013 and 2012, respectively; and net of income tax expense of $337 and $622 for the nine months ended September 30, 2013 and 2012, respectively)	(272)	1,505	832	2,095
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax recovery of $8 and $11 for the three months ended September 30, 2013 and 2012, respectively; and net of income tax expense of $32 and income tax recovery of $370 for the nine months ended September 30, 2013 and 2012, respectively)	(22)	(30)	18	(1,067)
Net change in fair value of available-for-sale financial assets (net of income tax expense of $8 and income tax recovery of $318 for the three months ended September 30, 2013 and 2012, respectively; and net of income tax expense of $17 and income tax recovery of $163 for the nine months ended September 30, 2013 and 2012, respectively)	55	(322)	94	226
	(6,960)	(5,353)	31,216	4,957
Items that will not be subsequently reclassified to earnings:				
Actuarial gains on defined benefit pension plans and other post-retirement benefit plans (net of income tax recovery of $1,355 and income tax expense of $106 for the three months ended September 30, 2013 and 2012, respectively; and net of income tax recovery of $1,513 and income tax expense of $695 for the nine months ended September 30, 2013 and 2012, respectively)	1,355	296	1,513	512
	1,355	296	1,513	512
Other comprehensive income (loss), net of income taxes	(5,605)	(5,057)	32,729	(4,445)
Comprehensive income	$ 40,881	$ 35,906	$ 112,605	$ 68,363

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Note	September 30, 2013	December 31, 2012 (Restated - note 3)
Assets			
Current assets:			
Cash and cash equivalents		$ 3,535	$ 24,836
Trade and other receivables		295,772	251,828
Financial assets, other		56,065	50,864
Construction contract assets		140,484	125,452
Inventories		104,766	82,291
Non-financial assets		69,715	94,769
Current tax assets		23,644	15,180
		693,981	645,220
Non-current assets:			
Orbital receivables		362,123	330,741
Financial assets, other		2,147	6,449
Non-financial assets		6,364	8,994
Deferred tax assets		29,238	12,806
Property, plant and equipment		344,914	336,157
Intangible assets		328,053	329,682
Goodwill		665,560	644,433
		1,738,399	1,669,262
		$ 2,432,380	$ 2,314,482
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 199,062	$ 214,337
Current tax liabilities		38,689	34,063
Financial liabilities, other		24,998	20,074
Provisions		2,744	4,568
Employee benefits		120,610	101,468
Non-financial liabilities		14,070	14,814
Construction contract liabilities		394,342	427,216
Current portion of long-term debt	8	70,817	48,207
		865,332	864,747
Non-current liabilities:			
Financial liabilities, other		8,548	6,394
Provisions		23,133	21,218
Employee benefits		304,964	339,966
Non-financial liabilities		8,290	8,572
Deferred tax liabilities		11,201	7,323
Long-term debt	8	595,100	799,453
		1,816,568	2,047,673
Shareholders' equity:			
Share capital	9	493,857	213,222
Contributed surplus		2,656	2,698
Retained earnings		109,902	74,221
Accumulated other comprehensive income (loss)		9,397	(23,332)
		615,812	266,809
		$ 2,432,380	$ 2,314,482

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

Nine months ended September 30, 2013

	Share capital	**Contributed surplus**	**Retained earnings**	Net gain (loss) on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains (losses) on defined benefit pension plans and other post-retirement benefit plans	**Total accumulated other comprehensive income (loss)**	**Total shareholders' equity**
Balance as at January 1, 2013 (Restated – note 3)	**$ 213,222**	$ **2,698**	$ **74,221**	$ 3,900	$ (17,055)	$ 1,958	$ 448	$ (12,583)	**$ (23,332)**	**$ 266,809**
Common shares issued in conjunction with employee share purchase plan	**2,316**	**-**	**-**	-	-	-	-	-	**-**	**2,316**
Settlement of share-based compensation	**-**	**(42)**	**(56)**	-	-	-	-	-	**-**	**(98)**
Issuance of common shares	**278,319**	**-**	**-**	-	-	-	-	-	**-**	**278,319**
Dividends	**-**	**-**	**(44,139)**	-	-	-	-	-	**-**	**(44,139)**
Comprehensive income (loss)	**-**	**-**	**79,876**	(2,664)	32,936	850	94	1,513	**32,729**	**112,605**
Balance as at September 30, 2013	**$ 493,857**	**$ 2,656**	**$ 109,902**	$ 1,236	$ 15,881	$ 2,808	$ 542	$ (11,070)	**$ 9,397**	**$ 615,812**

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 gains (losses) on defined benefit pension plans and other post-retirement benefit plans	**Total accumulated other comprehensive loss**	**Total shareholders' equity**
Balance as at January 1, 2012 (Restated – note 3)	**$ 210,505**	**$ 4,440**	**$ 34,162**	$ 1,690	$ (8,166)	$ 4,276	$ 934	$ (9,750)	**$ (11,016)**	**$ 238,091**
Common shares issued in conjunction with employee share purchase plan	**2,014**	**-**	**-**	-	-	-	-	-	**-**	**2,014**
Settlement of share-based compensation	**-**	**(1,407)**	**(2,008)**	-	-	-	-	-	**-**	**(3,415)**
Dividends	**-**	**-**	**(41,383)**	-	-	-	-	-	**-**	**(41,383)**
Comprehensive income (loss) (Restated – note 3)	**-**	**-**	**72,808**	3,330	(9,541)	1,028	226	512	**(4,445)**	**68,363**
Balance as at September 30, 2012 (Restated – note 3)	**$ 212,519**	**$ 3,033**	**$ 63,579**	$ 5,020	$ (17,707)	$ 5,304	$ 1,160	$ (9,238)	**$ (15,461)**	**$ 263,670**

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 September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
			(Restated - note 3)		(Restated - note 3)
Cash flows provided by (used in):					
Operating activities:					
Earnings, before income taxes		$ 48,208	$ 52,959	$ 98,971	$ 105,303
Adjustments to reconcile to net cash from operating activities:					
Depreciation of property, plant and equipment		9,585	2,394	27,867	6,774
Amortization of intangible assets		10,103	1,213	28,703	3,340
Share-based compensation expense (recovery)	11	29,114	(10,981)	65,942	17,668
Fair value loss (gain) on equity forward contracts	11	-	1,014	-	(4,092)
Past service credits on pension and other post-retirement plan amendments	6	(40,051)	-	(40,051)	-
Finance income		(37)	(1,572)	(877)	(2,670)
Finance expense		7,483	1,679	30,286	5,156
Foreign exchange loss (gain)		5,430	(4,637)	11,254	(2,183)
Income taxes paid		(3,673)	(4,234)	(17,742)	(12,592)
Income taxes recovered		4,385	229	5,926	2,362
Changes in operating assets and liabilities	14	66,728	(34,947)	(204,033)	(98,811)
Cash provided by operating activities of continuing operations		137,275	3,117	6,246	20,255
Investing activities:					
Purchase of property, plant and equipment		(7,796)	(1,442)	(23,773)	(6,005)
Proceeds from government assistance related to property, plant and equipment		-	-	1,800	7,200
Purchase/development of intangible assets		(5,755)	(301)	(16,286)	(6,693)
Disposal (purchase) of short-term investments		(34)	11,293	32	10,912
Decrease (increase) in restricted cash		(152)	-	3,013	-
Interest received on short-term investments and others		444	1,592	3,671	2,815
Cash provided by (used in) investing activities of continuing operations		(13,293)	11,142	(31,543)	8,229
Financing activities:					
Repayment of term loans under Syndicated Credit Facility	8	-	-	(252,125)	-
Proceeds from (repayment of) revolving loan facility and other long-term debt		(106,785)	(572)	42,061	(1,814)
Interest paid on long-term debt		(3,870)	(2,360)	(21,651)	(8,685)
Proceeds from interest free government assistance		-	-	5,042	-
Proceeds from issuance of common shares relating to public offering		-	-	287,715	-
Share issuance costs of public share offering		(256)	-	(12,528)	-
Proceeds from issuance of common shares relating to share-based compensation plans		768	535	1,969	1,712
Purchase of common shares for settlement of share-based compensation plans		-	(3,178)	(98)	(3,415)
Payment of dividends		(23,424)	(20,699)	(44,139)	(41,383)
Cash provided by (used in) financing activities of continuing operations		(133,567)	(26,274)	6,246	(53,585)
Cash and cash equivalents used in continuing operations		(9,585)	(12,015)	(19,051)	(25,101)
Cash and cash equivalents used in discontinued operations		-	-	(2,752)	(35,058)
Effect of foreign currency on cash and cash equivalents of continuing operations		(385)	(920)	502	(811)
Cash and cash equivalents, beginning of period		13,505	206,796	24,836	254,831
Cash and cash equivalents, end of period		$ 3,535	$ 193,861	$ 3,535	$ 193,861

Supplementary cash flow information (note 14)

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, 2012, except as described in note 3. These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 – *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2012, which are included in the Company's 2012 annual report.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on November 1, 2013.

3. Changes in accounting policies:

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

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

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

3. Changes in accounting policies (continued):

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

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

(b) Other accounting standards:

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

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

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

(c) New standards and interpretations not yet adopted:

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

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

4. Revenue and segmented information:

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

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

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

Three months ended September 30, 2013	Communications	Surveillance and intelligence	Inter-segment eliminations	Total
External revenue	$ 337,030	$ 126,235	$ -	$ 463,265
Internal revenue	431	412	(843)	-
	337,461	126,647	(843)	463,265
Direct costs, selling, general and administration	292,948	94,175	(843)	386,280
Depreciation and amortization	17,876	1,812	-	19,688
Segment profits	26,637	30,660	-	57,297
Corporate expenses				(3,071)
Foreign exchange loss				(6,509)
Share-based compensation expense				(29,114)
Finance income				37
Finance expense				(7,483)
Other items				37,051
				(9,089)
Earnings before income taxes				48,208
Income tax expense				1,722
Net earnings				$ 46,486

4. Revenue and segmented information (continued):

Three months ended September 30, 2012	Communications	Surveillance and intelligence	Inter-segment eliminations	Total
				(Restated - note 3)
External revenue	$ 51,788	$ 119,590	$ -	$ 171,378
Internal revenue	992	482	(1,474)	-
	52,780	120,072	(1,474)	171,378
Direct costs, selling, general and administration	43,422	82,995	(1,474)	124,943
Depreciation and amortization	1,398	2,209	-	3,607
Segment profits	7,960	34,868	-	42,828
Corporate expenses				(2,573)
Foreign exchange gain				5,530
Share-based compensation recovery				10,981
Fair value loss on equity forward contracts				(1,014)
Finance income				1,572
Finance expense				(1,679)
Other items				(2,686)
				10,131
Earnings before income taxes				52,959
Income tax expense				11,996
Net earnings				$ 40,963

Nine months ended September 30, 2013	Communications	Surveillance and intelligence	Inter-segment eliminations	Total
External revenue	$ 1,001,345	$ 340,916	$ -	$ 1,342,261
Internal revenue	1,525	1,587	(3,112)	-
	1,002,870	342,503	(3,112)	1,342,261
Direct costs, selling, general and administration	862,524	246,710	(3,112)	1,106,122
Depreciation and amortization	51,113	5,457	-	56,570
Segment profits	89,233	90,336	-	179,569
Corporate expenses				(8,465)
Foreign exchange loss				(11,902)
Share-based compensation expense				(65,942)
Finance income				877
Finance expense				(30,286)
Other items				35,120
				(80,598)
Earnings before income taxes				98,971
Income tax expense				19,095
Net earnings				$ 79,876

4. Revenue and segmented information (continued):

Nine months ended September 30, 2012	Communications	Surveillance and intelligence	Inter-segment eliminations	Total
				(Restated - note 3)
External revenue	$ 132,593	$ 374,782	$ -	$ 507,375
Internal revenue	3,521	1,998	(5,519)	-
	136,114	376,780	(5,519)	507,375
Direct costs, selling, general and administration	98,413	274,513	(5,519)	367,407
Depreciation and amortization	3,823	6,291	-	10,114
Segment profits	33,878	95,976	-	129,854
Corporate expenses				(8,677)
Foreign exchange gain				4,832
Share-based compensation expense				(17,668)
Fair value gain on equity forward contracts				4,092
Finance income				2,670
Finance expense				(5,156)
Other items				(4,644)
				(24,551)
Earnings before income taxes				105,303
Income tax expense				32,495
Net earnings				$ 72,808

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Construction contracts	$ 399,155	$ 111,002	$ 1,159,427	$ 334,675
Services	64,110	60,376	182,834	172,700
	$ 463,265	$ 171,378	$ 1,342,261	$ 507,375

4. Revenue and segmented information (continued):

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenue:				
United States	$ 153,438	$ 45,219	$ 425,250	$ 133,258
Australia	87,671	13,362	257,743	39,019
Canada	64,664	48,793	168,864	172,367
Europe	57,294	48,069	195,716	129,344
South America	53,270	800	127,275	2,946
Asia	45,865	14,017	153,320	26,351
Other	1,063	1,118	14,093	4,090
	$ 463,265	$ 171,378	$ 1,342,261	$ 507,375

Revenue from significant customers is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
NBN Co Limited	$ 68,069	$ -	$ 198,317	$ -
Canadian Federal Government and agencies	54,440	39,165	131,413	147,350
U.S. Federal Government and agencies	26,866	33,588	88,181	97,419

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

	September 30, 2013	December 31, 2012
United States	$ 1,194,622	$ 1,164,139
Canada	149,492	154,369
Europe	777	758
	$ 1,344,891	$ 1,319,266

5. Operating costs:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		(Restated - note 3)		(Restated - note 3)
Employee salaries and benefits	$ 148,274	$ 53,247	$ 464,863	$ 166,568
Costs related to defined benefit plans	6,998	1,435	21,688	2,703
Subcontractor costs relating to construction and service contracts	147,879	53,772	408,047	132,460
Materials, equipment, professional fees, and service contracts	86,200	19,062	219,989	74,353
Direct costs, selling, general and administration	389,351	127,516	1,114,587	376,084
Depreciation and amortization	19,688	3,607	56,570	10,114
Share-based compensation expense (recovery)	29,114	(10,981)	65,942	17,668
Past service credits on pension and other post-retirement plan amendments	(40,051)	-	(40,051)	-
Business acquisition costs	-	2,686	1,931	4,644
Other acquisition related expenses	3,000	-	3,000	-
	$ 401,102	$ 122,828	$ 1,201,979	$ 408,510

6. Other items:

The components of other items are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Past service credits on pension and other post-retirement plan amendments	$ (40,051)	$ -	$ (40,051)	$ -
Business acquisition costs	-	2,686	1,931	4,644
Other acquisition related expenses	3,000	-	3,000	-
	$ (37,051)	$ 2,686	$ (35,120)	$ 4,644

During the three month period ended September 30, 2013, the Company announced to certain affected employees and retirees changes in the defined benefit pension plans and post-retirement medical plan at one of its operating divisions. Benefits under the defined benefit pension plans will be frozen effective December 31, 2013 and participants in the post-retirement medical plan will receive a modified fixed medical plan subsidy effective January 1, 2014. As a result of these plan amendments, the Company recognized past service credits of $21,134,000

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6. Other items (continued):

for the defined benefit pension plans and $18,917,000 for the post-retirement medical plan immediately in earnings for the three month period ended September 30, 2013, with offsetting reductions to employee benefit liabilities. These measurements are based on actuarial assumptions in effect as of September 30, 2013, including an updated discount rate of 4.65%.

Business acquisition costs include legal, tax, consulting and other professional fees that were related to the acquisition as described in note 7.

Other acquisition related expenses include consulting and other professional fees for due diligence performed on a potential acquisition no longer being pursued.

7. Business combination:

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

In the first quarter of 2013, the Company and Loral amended the purchase agreement to modify SSL's capped cost-sharing obligations relating to the lawsuit between SSL and ViaSat, Inc. that existed prior to the acquisition and to amend certain terms of the U.S.$101,000,000 promissory note payable from the Company to Loral (note 8). In the third quarter of 2013, SSL reached a preliminary agreement relating to a contingent liability that existed prior to the acquisition.

The Company recognized the major classes of assets acquired and liabilities assumed at the acquisition date based on estimated fair values. During the nine months ended September 30, 2013, as a result of the subsequent agreements described above, the Company made revisions to certain preliminary estimates that had the effect of increasing goodwill and contingent liabilities by $2,919,000 (U.S.$2,930,000). As of September 30, 2013, the Company has completed the initial accounting for the business combination, with the exception of the assessment of fair value for contract provisions, contingent liabilities and goodwill, which will be completed in the fourth quarter of 2013.

8. Long-term debt:

	September 30, 2013	December 31, 2012
Syndicated credit facility:		
Term loan payable in Canadian dollars	$ -	$ 125,175
Term loan payable in U.S. dollars (September 30, 2013 - U.S. nil; December 31, 2012 - U.S.$125,000)	-	124,363
Revolving loan payable in U.S. dollars (September 30, 2013 - U.S.$159,000; December 31, 2012 - U.S.$73,000)	163,531	72,628
Revolving loan payable in Canadian dollars	35,000	76,000
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (September 30, 2013 - U.S.$250,000; December 31, 2012 - U.S.$250,000)	257,125	248,725
2017 Term notes payable in U.S. dollars (September 30, 2013 - U.S.$100,000; December 31, 2012 - U.S.$100,000)	102,850	99,490
Promissory note payable:		
Promissory note payable in U.S. dollars (September 30, 2013 - U.S.$101,000; December 31, 2012 - U.S.$101,000)	103,879	100,485
Financing fees	(561)	(3,901)
Obligations under finance leases	4,093	4,695
Total long-term debt	665,917	847,660
Current portion	(70,817)	(48,207)
Non-current portion	$ 595,100	$ 799,453

On March 27, 2013, the Company repaid the U.S. and Canadian dollar denominated term loans under the Syndicated Credit Facility with net proceeds from a public offering of common shares (note 9).

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

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 December 31, 2012	31,858,716	$ 213,222
Common shares issued in conjunction with public share offering	4,145,750	278,319
Common shares issued in conjunction with employee share purchase plan	33,446	2,316
Balance as at September 30, 2013	36,037,912	$ 493,857

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

During the three months ended September 30, 2013, the Company declared and paid a semi-annual dividend of $0.65 per common share (2012 - $0.65). During the nine months ended September 30, 2013, the Company declared and paid dividends of $1.30 per common share (2012 - $1.30).

10. Earnings per common share:

	Three months ended September 30,					
	2013			2012 (Restated – note 3)		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic and diluted	$ 46,486	36,033,964	$ 1.29	$ 40,963	31,842,022	$ 1.29

10. Earnings per common share (continued):

	Nine months ended September 30,					
	2013			2012 (Restated – note 3)		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic and diluted	$ 79,876	34,741,904	$ 2.30	$ 72,808	31,829,204	$ 2.29

11. Share-based payment plans:

Total share-based compensation expense, excluding the impact of equity forward contracts, from all forms of share-based compensation for the three and nine months ended September 30, 2013 was $29,114,000 and $65,942,000, respectively (2012 – recovery of $10,981,000 and expense of $17,668,000, respectively). The details are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Share appreciation rights	$ 27,984	$ (10,762)	$ 63,304	$ 16,660
Deferred share units	789	(319)	1,899	589
Share matching program	206	6	392	117
Employee share purchase plan	135	94	347	302
	$ 29,114	$ (10,981)	$ 65,942	$ 17,668

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, 2013, the intrinsic value for vested share-based payment plans was $17,672,000 (December 31, 2012 - $13,427,000).

The Company had historically entered into forward purchase agreements for common shares of the Company in order to manage the economic risks associated with fluctuations in the share price of the Company relating to share-based compensation plans. In the third quarter of 2012, the Company settled the remaining equity forward purchase agreements for 450,600 common shares of the Company. For the three and nine months ended September 30, 2012, the Company recorded a fair value loss of $1,014,000 and gain of $4,092,000, respectively, relating to the equity forward purchase agreements.

12. Financial instruments and fair value disclosures:

(a) Financial instruments by category:

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

At September 30, 2013:

	Financial assets at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Loans and receivables	Available-for-sale financial assets	Not considered financial instruments	Total carrying amount
Financial assets:						
Current:						
Cash and cash equivalents	$ -	$ -	$ 3,535	$ -	$ -	$ 3,535
Trade and other receivables:						
Trade accounts receivable	-	-	258,680	-	-	258,680
Orbital receivables	-	-	14,682	-	-	14,682
Other	-	-	-	-	22,410	22,410
	-	-	273,362	-	22,410	295,772
Financial assets, other:						
Short-term investments	-	-	-	5,994	-	5,994
Notes receivable	-	-	249	-	-	249
Derivative financial instruments	5,427	2,753	-	-	-	8,180
Restricted cash	-	-	41,642	-	-	41,642
	5,427	2,753	41,891	5,994	-	56,065
Non-current:						
Orbital receivables	-	-	362,123	-	-	362,123
Financial assets, other:						
Notes receivable	-	-	856	-	-	856
Derivative financial instruments	644	647	-	-	-	1,291
	644	647	856	-	-	2,147

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

(a) Financial instruments by category (continued):

At September 30, 2013 (continued):

	Financial liabilities at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Other financial liabilities	Total carrying amount
Financial liabilities:				
Current:				
Trade and other payables	$ -	$ -	$ 199,062	$ 199,062
Financial liabilities, other:				
Non-trade payables	-	-	9,590	9,590
Derivative financial instruments	3,575	1,936	-	5,511
Contingent liabilities	-	-	9,897	9,897
	3,575	1,936	19,487	24,998
Long-term debt:				
Long-term debt	-	-	69,165	69,165
Obligations under finance leases	-	-	1,652	1,652
	-	-	70,817	70,817
Non-current:				
Financial liabilities, other:				
Non-trade payables	-	-	8,017	8,017
Derivative financial instruments	493	38	-	531
	493	38	8,017	8,548
Long-term debt:				
Long-term debt	-	-	592,659	592,659
Obligations under finance leases	-	-	2,441	2,441
	-	-	595,100	595,100

As at September 30, 2013, the Company had designated U.S.$71,071,000 (December 31, 2012 – U.S.$79,215,000) of its U.S.$100,000,000 2017 Term Notes Payable as a hedge of its investment in certain U.S. subsidiaries.

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

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at September 30, 2013 and December 31, 2012, 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. The estimated fair value of long-term debt, excluding obligations under finance leases, at September 30, 2013, was $659,085,000 (December 31, 2012 - $852,075,000) as compared to the carrying value of $661,824,000 (December 31, 2012 - $842,965,000). The fair value of obligations under finance leases approximates their carrying value. As at September 30, 2013, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $78,059,000 (December 31, 2012 - $85,151,000) and a carrying value of $73,097,000 (December 31, 2012 - $78,811,000).

Financial instruments carried at fair value:

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

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

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

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

September 30, 2013	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 5,994	$ -	$ -	$ 5,994
Derivative financial instruments	-	9,471	-	9,471
Total assets	$ 5,994	$ 9,471	$ -	$ 15,465
Liabilities				
Derivative financial instruments	$ -	$ 6,042	$ -	$ 6,042

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

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

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

Financial instruments carried at fair value (continued):

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

13. Contingencies:

On September 5, 2013, ViaSat, Inc. ("ViaSat") filed additional complaints for patent infringement against SSL in the United States District Court for the Southern District of California. The patents involved are continuations of the patents allegedly infringed in a pre-existing lawsuit between ViaSat, SSL and Loral. The Company intends to vigorously defend its position that its conduct was consistent with, and in due regard for, any applicable and valid intellectual property rights of ViaSat.

14. Supplemental cash flow information:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
		(Restated - note 3)		(Restated - note 3)
Change in operating assets and liabilities:				
Trade and other receivables	$ 49,138	$ (40,304)	$ (43,406)	$ (33,811)
Construction contract assets	(2,930)	(3,497)	(12,923)	(9,379)
Financial assets, other	134	3	101	(47)
Inventories	(2,775)	1,670	(19,549)	533
Current tax assets	(7,022)	(4,351)	(20,980)	(16,040)
Non-financial assets	6,572	11,862	29,491	23,995
Orbital receivables	(6,951)	-	(20,082)	-
Trade and other payables	13,815	6,208	(22,344)	(18,255)
Financial liabilities, other	173	(1,824)	896	(4,186)
Provisions	(917)	(1,535)	(757)	(3,476)
Construction contract liabilities	37,220	18,384	(39,926)	(1,920)
Employee benefits	(22,508)	(26,540)	(53,234)	(34,280)
Non-financial liabilities	2,779	4,977	(1,320)	(1,945)
	$ 66,728	$ (34,947)	$ (204,033)	$ (98,811)

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