MacDonald, Dettwiler and Associates Ltd.

Third Quarter Report 2015

Three and Nine Months Ended September 30, 2015

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, 2015

This management’s discussion and analysis (“MD&A”), dated October 28, 2015, should be read in conjunction with the cautionary statement regarding forward-looking statements below and MacDonald, Dettwiler and Associates Ltd.’s (“MDA” or the “Company”) condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2015, as well as the Company's annual MD&A and consolidated financial statements for the year ended December 31, 2014. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars. An additional advisory with respect to the use of non-IFRS financial measures is set out in section “Non-IFRS Financial Measures” of this MD&A. All quarterly information disclosed in the MD&A is based on unaudited figures.

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

COMPANY PROFILE

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

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

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

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

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

Communications

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

Surveillance and Intelligence

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

OVERVIEW

The following table provides selected financial information of the Company.

Results of Operations	**Three months ended September 30,**		**Nine months ended September 30,**	
	2015	**2014**	**2015**	**2014**
($ millions, except per common share amounts)				
Consolidated revenues	515.4	506.6	1,573.0	1,551.8
Operating EBITDA[1]	93.9	84.8	282.0	260.8
Operating earnings[1]	54.6	50.7	166.3	154.1
Operating earnings per share[1]	1.50	1.41	4.58	4.27
Net earnings	55.3	21.5	137.1	82.9
Net earnings per share, basic	1.53	0.60	3.79	2.30
Net earnings per share, diluted[2]	1.41	0.60	3.64	2.30
Weighted average number of common shares outstanding: *(millions)*				
Basic	36.3	36.1	36.2	36.1
Diluted[2]	36.5	36.1	36.3	36.1

Financial Position	**September 30, 2015**	**December 31, 2014**
($ millions)		
Total assets	3,417.3	2,981.4
Total long-term debt	963.1	754.4
Shareholders' equity	1,077.1	804.0

[1] This is a non-IFRS financial measure. Refer to section "Consolidated Results" for a reconciliation of operating EBITDA and operating earnings to net earnings.
[2] In May 2015, the Company received shareholder and regulatory approvals to issue common shares from treasury to settle share-based compensation awards with equity. The effect of potentially dilutive share-based compensation awards on net earnings and weighted average number of common shares outstanding is taken into account in the calculation of diluted net earnings per share. Refer to section "Consolidated Results - Financial position" of this MD&A for further discussion.

CONSOLIDATED RESULTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
($ millions, except per common share amounts)				
Consolidated revenues	515.4	506.6	1,573.0	1,551.8
Operating EBITDA	93.9	84.8	282.0	260.8
Operating EBITDA as a percentage of revenues	*18%*	*17%*	*18%*	*17%*
Corporate expense	(2.9)	(2.9)	(8.2)	(7.6)
Net finance expense	(11.6)	(8.5)	(34.6)	(25.3)
Depreciation and amortization[1]	(15.6)	(12.7)	(43.2)	(36.5)
Income tax expense on operating earnings	(9.2)	(10.0)	(29.7)	(37.3)
Operating earnings	54.6	50.7	166.3	154.1
Operating earnings per share	*1.50*	*1.41*	*4.58*	*4.27*
Items affecting comparability:				
Share-based compensation recovery (expense)	9.3	0.0	(0.3)	(21.3)
Amortization of acquisition related intangible assets	(10.5)	(8.0)	(29.9)	(24.2)
Enterprise improvement costs	(4.4)	(15.6)	(2.5)	(15.6)
Foreign exchange gain (loss)	2.4	(3.1)	2.4	(5.3)
ViaSat settlement and associated activities	-	(2.5)	-	(5.0)
Pension and other post-retirement plan amendments	-	(2.1)	-	(6.4)
Acquisition related expense	-	(0.7)	-	(0.7)
Income tax expense adjustment	3.9	2.8	1.1	7.3
Net earnings	55.3	21.5	137.1	82.9

[1] Excludes amortization of acquisition related intangible assets.

Consolidated revenues

Consolidated revenues for the third quarter of 2015 were $515 million, up slightly from $507 million for the same period of last year. The increase reflected the favourable impact of foreign currency translation and higher geospatial service revenues, partially offset by lower volume of flowthrough items on certain construction programs.

Consolidated revenues for the nine months ended September 30, 2015 were $1.6 billion, consistent with the same period a year ago. The Communications segment contributed revenues of $1,155 million (nine months ended September 30, 2014 - $1,108 million) and the Surveillance and Intelligence segment contributed revenues of $418 million (nine months ended September 30, 2014 - $443 million). Refer to section “Results By Segment” of this MD&A for further discussion of the Company’s revenues by segment.

Order backlog

Order backlog, representing the estimated dollar value of firm funded contracts for which work has not been performed, was $2.5 billion as at September 30, 2015 (December 31, 2014 - $3.1 billion). Order backlog does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity (“IDIQ”) contracts. Refer to section “Results By Segment” of this MD&A for a discussion of bookings activity by segment.

Subsequent to September 30, 2015, the Company signed a contract to provide the Azerspace-2/Intelsat 38 communication satellite to Azercosmos, the national satellite operator of Azerbaijan. The satellite will be designed to meet the objectives of Azercosmos and Intelsat S.A., who are working together in a collaborative project. In addition, the Company’s U.S. geospatial service business signed an IDIQ contract with an undisclosed customer. The IDIQ contract has a potential total value of up to US$350 million over five years, with each draw of funding to be separately approved.

Operating EBITDA

Operating EBITDA, which is a measure used by management to evaluate the operational performance of the Company's operating segments, increased to $93.9 million for the third quarter of 2015 compared to $84.8 million for the same period of last year.

For the year to date, operating EBITDA was $282 million and operating EBITDA as a percentage of revenues ("operating EBITDA margin percentage") was 18%. This is compared to operating EBITDA of $261 million and operating EBITDA margin percentage of 17% for the nine months ended September 30, 2014. The increase in margin percentage reflected lower levels of flowthrough items on certain construction programs in the current year. Refer to section "Results By Segment" of this MD&A for further discussion.

Corporate expense

Corporate expense for the third quarter of 2015 was $2.9 million, same as the corresponding period of 2014. Corporate expense for the year to date was $8.2 million compared to $7.6 million for the nine months ended September 30, 2014. Corporate expense is not considered in management's evaluation of operating unit performance and includes such items as corporate head office costs, regulatory costs, executive and director compensation, strategic business development expenditures, and fees for audit, legal and consulting services.

Net finance expense

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	**2014**	**2015**	**2014**
($ millions)				
Finance expense:				
Interest on long-term debt	7.9	7.6	23.7	19.1
Interest expense on defined benefit pension and other post-retirement benefit obligations	2.7	2.1	8.4	6.0
Capitalization of borrowing costs	(0.4)	(0.8)	(1.4)	(2.2)
Imputed interest and other	1.5	(0.3)	4.1	2.7
Finance income	(0.1)	(0.1)	(0.2)	(0.3)
Net finance expense	11.6	8.5	34.6	25.3

The increase in net finance expense reflected higher outstanding levels of long-term debt and net pension obligations, as well as the impact of foreign currency translation on interest expense denominated in U.S. dollars. Debt levels increased primarily as a result of working capital requirements.

Depreciation and amortization

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	**2014**	**2015**	**2014**
($ millions)				
Property, plant and equipment	12.2	11.1	34.4	31.6
Intangible assets[1]	3.4	1.6	8.8	4.9
Depreciation and amortization	15.6	12.7	43.2	36.5

[1] Excluding intangible assets arising from acquisitions.

The increase in depreciation and amortization expense reflected the impact of foreign currency translation on U.S. dollar denominated transactions.

Income tax expense on operating earnings

Income tax expense on operating earnings for the nine months ended September 30, 2015 was $29.7 million, representing an effective income tax rate of 15% compared to 18% for fiscal year 2014. Income tax expense on operating earnings is computed using an estimated annual tax rate, adjusted to account for specific items affecting comparability such as certain non-deductible share-based compensation and amortization of acquisition related intangible assets. The estimated annual tax rate on operating earnings is determined annually and may be adjusted during the year to take into account events or trends that may materially impact the rate, including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of income and other significant events.

Operating earnings

Operating earnings, or net earnings excluding the impact of specified items affecting comparability, increased to $54.6 million ($1.50 per share) for the third quarter of 2015 compared to $50.7 million ($1.41 per share) for the same period of last year. For the year to date, operating earnings increased to $166 million ($4.58 per share) compared to $154 million ($4.27 per share) for the nine months ended September 30, 2014. The increase over the comparative prior year periods reflected higher operating EBITDA and a lower effective income tax rate on operating earnings.

Net earnings

The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items that may not be indicative of the operational and financial performance of the Company's ongoing business. Giving effect to the specified items affecting comparability, net earnings this quarter were $55.3 million compared to $21.5 million for the third quarter of 2014. For the nine months ended September 30, 2015, net earnings were $137 million compared to $83 million for the corresponding period of 2014. Certain of these specified items affecting comparability are discussed below.

Share-based compensation

Share-based compensation is an important aspect of compensation for management and key employees. However, the accounting expense or recovery based on fair valuation, which is estimated using complex option pricing models incorporating factors such as the expected life of options and market volatility, is beyond the Company's control and can vary significantly from period to period. Further, the accounting fair value adjustments are not reflective of actual cash outlays by the Company in any particular period. The average cash outlay on share-based compensation was approximately $36 million per year over the five-year period ended September 30, 2015. Over the twelve months ended September 30, 2015, cash outlay on share-based compensation was equivalent to 4.5% of total salaries and benefits. Having received shareholder and regulatory approvals to settle share-based compensation awards with equity, the cash outlay on share-based compensation is expected to decrease for future periods. The Company believes that the exclusion of share-based compensation reduces volatility in net earnings and facilitates the comparison of financial results across periods.

Amortization of acquisition related intangible assets

The Company's acquisitions of Space Systems/Loral, Inc. in 2012 and Advanced Systems in 2014 have resulted in fair value adjustments to finite life intangible assets, which are being amortized over estimated lives of five to twenty years. Amortization expense on acquisition related intangible assets for the third quarter of 2015 was $10.5 million (third quarter of 2014 - $8.0 million). For the nine months ended September 30, 2015, amortization expense on acquisition related intangible assets was $29.9 million (nine months ended September 30, 2014 - $24.2 million). The increase compared to prior year periods included the impact of foreign currency translation on U.S. dollar denominated transactions.

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

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

Enterprise improvement costs
In 2014, the Company commenced a comprehensive review of its satellite manufacturing operations. With assistance from expert industry consultants, the Company has been identifying and implementing enterprise improvement initiatives that are aimed at reducing overhead costs, increasing supply chain value and improving overall production processes in particular via automation and standardization. The Company recognized costs of $15.6 million in fiscal year 2014, mainly for severance for employee terminations that took place in 2014 and consulting fees on the overall project. In the third quarter of 2015, the Company recognized costs of $4.4 million related to severance for employee terminations occurring in the quarter. For the nine months ended September 30, 2015, costs amounted to $2.5 million as a result of recoveries recorded earlier in the year.

The Company continues to identify additional efficiencies in operations. These programs focus on countering the impact of the weak Euro.

The Company also regularly reviews the projected factory load and the plan to match operating capacity to order intake should the need arise.

The Company believes that the exclusion of costs relating to enterprise improvement initiatives from net earnings provides for better period-to-period comparisons of operating results of the Company's ongoing operations.

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

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

(b) *Foreign exchange gains and losses on translation of intercompany balances*
As part of its cash management efforts, the Company frequently advances funds between group entities that have differing functional currencies. The foreign currency exposure on these

intercompany loans is not hedged. As a result, currency fluctuations, particularly between the Canadian and U.S. dollar, can result in significant unrealized foreign exchange gains or losses on the translation of the intercompany loans. These unrealized foreign exchange gains or losses can impact the comparability of net earnings and will only reverse upon disposal or liquidation of the associated foreign operation.

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

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

Financial position

The Company had total assets of $3.4 billion as at September 30, 2015 (December 31, 2014 - $3.0 billion). Changes in the balances of major classes of assets and liabilities, including construction contract assets and liabilities, inventories, intangible assets, goodwill and trade payables, occurred in the ordinary course of business and included the impact of foreign currency translation. The increase in the balance of non-financial assets, consisting of advances to suppliers and prepaid expenses, was primarily due to higher advances made to subcontractors on construction programs. The increase to orbital receivables reflected the impact of foreign currency translation and additional progress on satellites under construction.

Total long-term debt as at September 30, 2015 was $963 million (December 31, 2014 - $754 million). A large part of the increase in the balance of long-term debt was attributed to foreign currency translation. The following table shows the changes to long-term debt for the nine months ended September 30, 2015.

($ millions)	
Balance as at December 31, 2014	754.4
Repayment of promissory note	(42.7)
Proceeds from revolving loan facility and other long-term debt	127.3
Foreign currency translation and other	124.1
Balance as at September 30, 2015	963.1

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

Shareholders’ equity as at September 30, 2015 was $1,077 million compared to $804 million as at December 31, 2014. The following table shows the changes to shareholders’ equity for the nine months ended September 30, 2015.

($ millions)	
Balance as at December 31, 2014	804.0
Net earnings	137.1
Other comprehensive income	135.9
Dividends	(40.2)
Reclassification of equity-settled share-based compensation awards	32.5
Equity-settled share-based compensation expense	3.7
Common shares issued under employee share purchase plan	4.1
Balance as at September 30, 2015	1,077.1

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

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

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

RESULTS BY SEGMENT

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

Communications

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
($ millions)				
Revenues	383.9	373.0	1,154.6	1,108.4
Operating EBITDA	57.4	50.6	165.2	139.0

Revenues from Communications were comparable with prior year periods, reflecting the net impact of foreign currency translation and variability in volume of flowthrough items on certain satellite construction programs.

Operating EBITDA margin percentage from Communications for the nine months ended September 30, 2015 was 14.3%, which improved on the margin percentage of 12.5% for the first nine months of 2014. The increase reflected the mix of construction contracts in progress, lower volume of flowthrough items in the current period, and improved margins resulting from the enterprise improvement initiatives.

In the third quarter of 2015, bookings in the Communications segment included a contract with the U.S. Defense Advanced Research Projects Agency (“DARPA”) to study on-orbit robotic assembly of geostationary communication satellites. The program will enable the Company to demonstrate its advanced robotics capabilities.

In August 2015, the Intelsat 34 satellite was launched and commenced post-launch maneuvers according to plan. Built by the Company for Intelsat S.A., the satellite is designed to provide direct-to-home television service and broadcast television distribution in Latin America, as well as broadband services for maritime and aeronautical use in the North Atlantic region.

In October 2015, the Sky Muster satellite was launched and commenced post-launch maneuvers according to plan. The high-throughput broadband satellite was built by the Company for NBN Co. Limited, a business enterprise wholly-owned by the Commonwealth of Australia. The satellite is designed to provide fast internet service to remote and rural areas throughout Australia and its coastal islands and territories.

Surveillance and Intelligence

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
($ millions)				
Revenues	131.5	133.6	418.4	443.4
Operating EBITDA	36.5	34.2	116.8	121.8

The decrease in revenues from Surveillance and Intelligence on a year to date basis reflected lower volume of flowthrough items on certain construction programs, net of contributions from Advanced Systems acquired in October 2014. Revenues from geospatial services were higher on strong activity with the U.S. government.

Operating EBITDA margin percentage from Surveillance and Intelligence for the nine months ended September 30, 2015 was 27.9%, comparable to the same period of last year. However, operating EBITDA for the three and nine months ended September 30, 2015 included non-cash, foreign exchange losses of $4.3 million and $8.2 million, respectively, on fair valuation of unhedged commitments related to the Radarsat Constellation Mission launch. Operating EBITDA margin percentage can also vary from period to period with changes in the sales mix.

In the third quarter of 2015, bookings in the Surveillance and Intelligence segment included a contract amendment, valued at $33.8 million, with the Canadian Space Agency to extend funding for ongoing support of the Mobile Servicing System on the International Space Station through to October 2017.

QUARTERLY INFORMATION

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

	Q3 2015	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**
($ millions, except per common share amounts)								
Consolidated revenues	515.4	523.7	533.9	547.0	506.6	552.7	492.6	476.7
Operating EBITDA[1]	93.9	94.6	93.5	87.4	84.8	90.7	85.3	81.9
Operating earnings[1]	54.6	56.6	55.1	53.9	50.7	53.9	49.4	48.3
Operating earnings per share	1.50	1.56	1.53	1.49	1.41	1.50	1.37	1.34
Net earnings (loss)	55.3	43.6	38.2	(35.8)	21.5	36.5	25.0	25.2
Net earnings (loss) per share, basic	1.53	1.20	1.06	(0.99)	0.60	1.01	0.69	0.70
Net earnings (loss) per share, diluted	1.41	1.20	1.06	(0.99)	0.60	1.01	0.69	0.70
Weighted average number of common shares outstanding: *(millions)*								
Basic	36.3	36.2	36.1	36.1	36.1	36.1	36.1	36.0
Diluted	36.5	36.2	36.1	36.1	36.1	36.1	36.1	36.0

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

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

In relation to the enterprise improvement initiatives at its satellite manufacturing operations, the Company incurred costs of $4.4 million in the third quarter of 2015 and $15.6 million in the third quarter of 2014.

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

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

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

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

LIQUIDITY

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

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

Summary of statement of cash flows

The following table provides selected cash flow information.

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
($ millions)				
Cash provided by operations[1]	90.6	58.4	260.2	214.3
Changes in operating assets and liabilities	(61.0)	(79.2)	(238.1)	(241.4)
Cash provided by (used in) operating activities	29.6	(20.8)	22.1	(27.1)
Cash used in investing activities	(14.2)	(11.0)	(43.9)	(52.6)
Cash provided by financing activities	1.6	17.6	27.4	41.4
Effect of foreign currency on cash and cash equivalents	2.6	1.0	4.6	1.8
Cash and cash equivalents, beginning of period	7.7	27.0	17.1	50.3
Cash and cash equivalents, end of period	27.3	13.8	27.3	13.8

[1] Before changes in operating assets and liabilities.

Operating activities
For the third quarter of 2015, the Company generated $29.6 million from operating activities. This is compared to cash outflows of $94.1 million in the second quarter of 2015 and $20.8 million in the third quarter of last year. The Company's cash flows from operating activities can vary quite significantly from quarter to quarter given its portfolio of large construction programs and the timing of milestone receipts and payments with customers and suppliers in the ordinary course of business. For the nine months ended September 30, 2015, the Company generated $22.1 million from operating activities compared to cash outflows of $27.1 million in the first nine months of 2014.

Investment in working capital is also necessary to build the Company's business and manage lead times in construction activities. The Company expects working capital account balances to remain uneven. The Company efficiently funds its working capital requirements with the revolving loan facility.

Investing activities
Investing activities for the third quarter of 2015 consisted of capital expenditures of $20.5 million (third quarter 2014 - $16.9 million) and cash inflows of $6.3 million (third quarter 2014 - $5.8 million) from changes in restricted cash balances. Capital expenditures consisted of additions to property, plant and equipment and intangible assets.

For the nine months ended September 30, 2015, capital expenditures amounted to $48.7 million compared to $53.8 million for the same period of last year. Capital expenditures were higher in the prior year with the construction of a second thermal vacuum test chamber at the Company's U.S. satellite manufacturing facility.

Financing activities
The Company received $1.6 million from financing activities in the third quarter of 2015 (third quarter of 2014 - $17.6 million), representing proceeds from draws on the revolving loan facility, government assistance on an interest free loan from Investissement Quebec, and issuance of common shares under an employee share purchase plan, less payment of interest and dividends.

For the nine months ended September 30, 2015, the Company received $27.4 million from financing activities compared to $41.4 million for the same period of 2014. The difference was primarily due to the timing of draws on the revolving loan facility and installment payments on the promissory note.

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

	September 30, 2015	December 31, 2014
($ millions)		
Syndicated credit facility	489.1	304.3
Senior term notes	468.8	406.0
Promissory note	-	39.1
Prepaid facility fees	(0.7)	(0.8)
Obligations under finance leases	5.9	5.8
Total long-term debt	963.1	754.4

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

Company and certain of its subsidiaries and the loans are secured by specific assets of the Company and its subsidiaries.

Loans under the syndicated credit facility bear interest at CDOR or Bankers' Acceptance plus an applicable margin for Canadian dollar advances, and at U.S. LIBOR plus an applicable margin for U.S. dollar advances. The margin will vary with the Company's consolidated debt to EBITDA ratio. As at September 30, 2015, the applicable margin was 2.0%.

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

The Company also has in place a total of US$150 million in letter of credit agreements with major banks.

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

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

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

RELATED PARTY TRANSACTIONS

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

FINANCIAL INSTRUMENTS

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

As at September 30, 2015, the Company had foreign exchange forward purchase contracts for $318 million (December 31, 2014 - $229 million) and foreign exchange forward sales contracts for $793 million (December 31, 2014 - $572 million).

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

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

As at September 30, 2015, the Company's foreign exchange forward contracts had a cumulative net unrealized gain on fair valuation of $12 million (December 31, 2014 - cumulative net unrealized gain of $14 million). Derivative financial instruments that qualified for hedge accounting had a cumulative net gain on fair valuation of $28 million recorded in other comprehensive income as at September 30, 2015 (December 31, 2014 - cumulative net gain of $25 million).

Certain foreign exchange derivative contracts entered into by the Company to hedge foreign currency exposures did not qualify for hedge accounting as the timing of the anticipated cash flows 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, 2015, management's estimate of the foreign exchange timing differences on these derivative contracts not subject to hedge accounting was a gain of $0.8 million compared to a loss of $3.7 million for the same period of 2014.

The nature and extent of risks arising from financial instruments, and their related risk management, are described in the Company's MD&A and consolidated financial statements for the year ended December 31, 2014. In the nine months ended September 30, 2015, there was no material change to the nature of risks arising from or classification of financial instruments, or related risk management objectives.

ADDITIONAL INFORMATION

Internal Control over Financial Reporting

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

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

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

Dividend

Quarterly common share dividends paid in 2015:

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

On October 28, 2015, the Company declared a quarterly dividend of $0.37 per common share payable on December 31, 2015 to shareholders of record at the close of business on December 15, 2015.

Outstanding share data

The Company's articles of incorporation authorize the issuance of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As at September 30, 2015, the Company had 36,208,877 common shares with no par value outstanding.

As at October 16, 2015, the Company had 36,214,449 common shares with no par value outstanding.

Public securities filings

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

RECONCILIATIONS

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

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
($ millions)								
Operating EBITDA	93.9	94.6	93.5	87.4	84.8	90.7	85.3	81.9
Corporate expense	(2.9)	(2.2)	(3.1)	(2.5)	(2.9)	(2.8)	(1.9)	(2.8)
Net finance expense	(11.6)	(11.4)	(11.6)	(8.8)	(8.5)	(8.3)	(8.5)	(10.5)
Depreciation and amortization	(15.6)	(13.7)	(13.9)	(12.7)	(12.7)	(11.9)	(11.9)	(12.1)
Income tax expense on operating earnings	(9.2)	(10.7)	(9.8)	(9.5)	(10.0)	(13.8)	(13.6)	(8.2)
Operating earnings	54.6	56.6	55.1	53.9	50.7	53.9	49.4	48.3
Items affecting comparability:								
Share-based compensation recovery (expense)	9.3	0.9	(10.5)	(28.1)	0.0	(6.1)	(15.2)	(14.3)
Amortization of acquisition related intangible assets	(10.5)	(9.6)	(9.8)	(8.9)	(8.0)	(8.0)	(8.1)	(8.2)
Enterprise improvement costs	(4.4)	0.3	1.6	-	(15.6)	-	-	-
Foreign exchange gain (loss)	2.4	1.5	(1.5)	(5.1)	(3.1)	0.1	(2.3)	(4.7)
ViaSat settlement and associated activities	-	-	-	(47.6)	(2.5)	(2.4)	-	-
Acquisition related expense	-	-	-	(0.2)	(0.7)	-	-	0.3
Pension and other post-retirement plan amendments	-	-	-	(1.8)	(2.1)	(2.1)	(2.3)	-
Income tax expense adjustment	3.9	(6.1)	3.3	2.0	2.8	1.1	3.5	3.8
Net earnings (loss)	55.3	43.6	38.2	(35.8)	21.5	36.5	25.0	25.2

Condensed Consolidated Interim Financial Statements of

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Three and nine months ended September 30, 2015 and 2014
(Unaudited)

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenues	4	$ 515,443	$ 506,607	$1,573,044	$1,551,849
Direct costs, selling, general and administration	5	425,568	422,353	1,301,993	1,297,445
Depreciation and amortization		26,108	20,724	73,182	60,697
Foreign exchange loss (gain)		(3,533)	5,469	(5,160)	6,499
Share-based compensation expense (recovery)	11(e)	(9,290)	(39)	285	21,305
Other expense	6	4,378	20,909	2,488	27,699
Earnings before interest and income taxes		72,212	37,191	200,256	138,204
Finance income		(70)	(123)	(177)	(306)
Finance expense		11,679	8,611	34,770	25,625
Earnings before income taxes		60,603	28,703	165,663	112,885
Income tax expense		5,276	7,217	28,596	29,959
Net earnings		$ 55,327	$ 21,486	$ 137,067	$ 82,926
Net earnings per common share:					
Basic	10	$ 1.53	$ 0.60	$ 3.79	$ 2.30
Diluted	10	1.41	0.60	3.64	2.30

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,	
	2015	2014	2015	2014
Net earnings	$ 55,327	$ 21,486	$ 137,067	$ 82,926
Other comprehensive income (loss):				
Items that may be subsequently reclassified to earnings:				
Foreign currency translation adjustment	82,564	48,909	155,402	52,489
Net loss on hedge of net investment in foreign operations (net of income taxes of nil for all periods presented)	(9,200)	(5,255)	(22,295)	(5,429)
Effective portion of changes in fair value of derivatives designated as cash flow hedges (net of income tax recovery of $629 and income tax expense of $392 for the three months ended September 30, 2015 and 2014, respectively; and net of income tax recovery of $431 and income tax expense of $389 for the nine months ended September 30, 2015 and 2014, respectively)	(4,859)	10,096	14,821	10,306
Net change in fair value of derivatives designated as cash flow hedges transferred to earnings (net of income tax expense of $267 and income tax recovery of $153 for the three months ended September 30, 2015 and 2014, respectively; and net of income tax expense of $360 and income tax recovery of $121 for the nine months ended September 30, 2015 and 2014, respectively)	(2,545)	(414)	(12,095)	(320)
Net change in fair value of available-for-sale financial assets (net of income taxes of nil and income tax expense of $2 for the three months ended September 30, 2015 and 2014, respectively; and net of income tax expense of $13 and $7 for the nine months ended September 30, 2015 and 2014, respectively)	-	14	88	44
Other comprehensive income, net of income taxes	65,960	53,350	135,921	57,090
Comprehensive income	$ 121,287	$ 74,836	$ 272,988	$ 140,016

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, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		$ 27,257	$ 17,130
Trade and other receivables		330,542	345,200
Financial assets, other		70,085	49,723
Construction contract assets		197,052	171,638
Inventories		135,365	100,725
Non-financial assets		183,666	142,057
Current tax assets		40,784	31,538
		984,751	858,011
Non-current assets:			
Orbital receivables		543,028	447,216
Financial assets, other		38,195	31,761
Non-financial assets		6,245	6,547
Deferred tax assets		23,164	23,208
Property, plant and equipment		470,585	424,519
Intangible assets		414,188	369,142
Goodwill		937,110	820,985
		2,432,515	2,123,378
		$ 3,417,266	$ 2,981,389
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables		$ 243,719	$ 252,387
Current tax liabilities		64,703	57,901
Financial liabilities, other		48,532	30,954
Provisions		7,714	11,940
Employee benefits		100,214	175,880
Non-financial liabilities		24,390	16,840
Construction contract liabilities		462,271	499,416
Current portion of long-term debt	8	2,204	41,308
		953,747	1,086,626
Non-current liabilities:			
Financial liabilities, other		34,837	36,204
Provisions		37,387	29,150
Employee benefits		313,015	275,025
Non-financial liabilities		25,689	25,972
Deferred tax liabilities		14,592	11,353
Long-term debt	8	960,872	713,084
		2,340,139	2,177,414
Shareholders' equity:			
Share capital	9	509,038	500,203
Contributed surplus		34,140	2,656
Retained earnings		232,189	135,277
Accumulated other comprehensive income		301,760	165,839
		1,077,127	803,975
		$ 3,417,266	$ 2,981,389

Subsequent event (note 14)

See accompanying notes to condensed consolidated interim financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

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

Nine months ended September 30, 2015

				Accumulated other comprehensive income						
	Share capital	**Contributed surplus**	**Retained earnings**	Net loss on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains on defined benefit pension plans and other post-retirement benefit plans	**Total accumulated other comprehensive income**	**Total shareholders' equity**
Balance as at January 1, 2015	**$ 500,203**	**$ 2,656**	**$ 135,277**	$ (11,625)	$ 137,528	$ 22,748	$ 744	$ 16,444	**$ 165,839**	**$ 803,975**
Common shares issued under employee share purchase plan	**4,043**	**-**	**-**	-	-	-	-	-	**-**	**4,043**
Common shares issued upon exercise of share-based compensation awards	**4,792**	**(4,792)**	**-**	-	-	-	-	-	**-**	**-**
Reclassification of equity-settled share-based compensation awards	**-**	**32,533**	**-**	-	-	-	-	-	**-**	**32,533**
Equity-settled share-based compensation expense	**-**	**3,743**	**-**	-	-	-	-	-	**-**	**3,743**
Dividends	**-**	**-**	**(40,155)**	-	-	-	-	-	**-**	**(40,155)**
Comprehensive income (loss)	**-**	**-**	**137,067**	(22,295)	155,402	2,726	88	-	**135,921**	**272,988**
Balance as at September 30, 2015	**$ 509,038**	**$ 34,140**	**$ 232,189**	$ (33,920)	$ 292,930	$ 25,474	$ 832	$ 16,444	**$ 301,760**	**$ 1,077,127**

Nine months ended September 30, 2014

				Accumulated other comprehensive income						
	Share capital	**Contributed surplus**	**Retained earnings**	Net loss on hedge of net investment in foreign operations	Foreign currency translation adjustment	Fair value gains on cash flow hedges	Fair value gains on available-for-sale financial assets	Actuarial gains on defined benefit pension plans and other post-retirement benefit plans	**Total accumulated other comprehensive income**	**Total shareholders' equity**
Balance as at January 1, 2014	**$ 495,376**	**$ 2,656**	**$ 135,071**	$ (1,266)	$ 47,264	$ 4,353	$ 631	$ 112,065	**$ 163,047**	**$ 796,150**
Common shares issued under employee share purchase plan	**3,494**	**-**	**-**	-	-	-	-	-	**-**	**3,494**
Dividends	**-**	**-**	**(46,912)**	-	-	-	-	-	**-**	**(46,912)**
Comprehensive income (loss)	**-**	**-**	**82,926**	(5,429)	52,489	9,986	44	-	**57,090**	**140,016**
Balance as at September 30, 2014	**$ 498,870**	**$ 2,656**	**$ 171,085**	$ (6,695)	$ 99,753	$ 14,339	$ 675	$ 112,065	**$ 220,137**	**$ 892,748**

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, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash flows provided by (used in):					
Operating activities:					
Net earnings		$ 55,327	$ 21,486	$ 137,067	$ 82,926
Adjustments to reconcile to net cash from operating activities:					
Depreciation of property, plant and equipment		12,169	11,052	34,419	31,645
Amortization of intangible assets		13,939	9,672	38,763	29,052
Share-based compensation expense (recovery)	11(e)	(9,290)	(39)	285	21,305
Finance income		(70)	(123)	(177)	(306)
Finance expense		8,945	6,505	26,397	19,593
Foreign exchange loss (gain)		8,538	963	(806)	4,315
Income tax expense		5,276	7,217	28,596	29,959
Income taxes paid		(4,516)	(1,886)	(10,193)	(13,285)
Income taxes recovered		317	3,613	5,812	9,063
Changes in operating assets and liabilities	13	(61,049)	(79,230)	(238,076)	(241,392)
Cash provided by (used in) operating activities		29,586	(20,770)	22,087	(27,125)
Investing activities:					
Purchase of property, plant and equipment		(5,612)	(10,968)	(20,458)	(34,763)
Purchase/development of intangible assets		(14,903)	(5,930)	(28,198)	(19,036)
Disposal (purchase) of short-term investments		(16)	(9)	62	53
Decrease in restricted cash		6,251	5,768	4,402	773
Interest received on short-term investments and other		70	128	190	328
Acquisition of Advanced Systems, net of cash acquired	7	-	-	121	-
Cash used in investing activities		(14,210)	(11,011)	(43,881)	(52,645)
Financing activities:					
Repayment of promissory note payable	8	-	-	(42,699)	(74,423)
Proceeds from revolving loan facility and other long-term debt		17,805	43,747	127,334	176,145
Interest paid on long-term debt		(5,411)	(3,530)	(22,014)	(18,840)
Proceeds from interest free government assistance		1,453	-	1,453	2,505
Proceeds from common shares issued under employee share purchase plan		1,146	870	3,436	2,970
Payment of dividends	9	(13,397)	(23,464)	(40,155)	(46,912)
Cash provided by financing activities		1,596	17,623	27,355	41,445
Increase (decrease) in cash and cash equivalents		16,972	(14,158)	5,561	(38,325)
Effect of foreign currency on cash and cash equivalents		2,628	973	4,566	1,779
Cash and cash equivalents, beginning of period		7,657	26,946	17,130	50,307
Cash and cash equivalents, end of period		$ 27,257	$ 13,761	$ 27,257	$ 13,761

See accompanying notes to condensed consolidated interim financial statements.

1. General business description:

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

2. Basis of preparation:

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

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on October 28, 2015.

3. New standards and interpretations not yet adopted:

IFRS 15 - Revenue from Contracts with Customers

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

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

4. Revenue and segmented information:

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

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

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

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

Three months ended September 30, 2015	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 383,918	$ 131,525	$ -	$ 515,443
Internal revenue	1,330	609	(1,939)	-
	385,248	132,134	(1,939)	515,443
Segment earnings:				
Operating EBITDA	57,426	36,473	-	93,899
Depreciation and amortization	13,324	2,260	-	15,584
Segment profit	44,102	34,213	-	78,315
Capital expenditures:				
Property, plant and equipment	5,975	655	-	6,630
Intangible assets	12,487	2,416	-	14,903
	18,462	3,071	-	21,533

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

4. Revenue and segmented information (continued):

Three months ended September 30, 2014	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 372,972	$ 133,635	$ -	$ 506,607
Internal revenue	850	402	(1,252)	-
	373,822	134,037	(1,252)	506,607
Segment earnings:				
Operating EBITDA	50,622	34,165	-	84,787
Depreciation and amortization	11,238	1,448	-	12,686
Segment profit	39,384	32,717	-	72,101
Capital expenditures:				
Property, plant and equipment	10,129	1,687	-	11,816
Intangible assets	5,399	574	-	5,973
	15,528	2,261	-	17,789

Nine months ended September 30, 2015	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 1,154,648	$ 418,396	$ -	$ 1,573,044
Internal revenue	4,363	946	(5,309)	-
	1,159,011	419,342	(5,309)	1,573,044
Segment earnings:				
Operating EBITDA	165,151	116,834	-	281,985
Depreciation and amortization	36,735	6,504	-	43,239
Segment profit	128,416	110,330	-	238,746
Capital expenditures:				
Property, plant and equipment	20,518	2,589	-	23,107
Intangible assets	24,569	3,446	-	28,015
	45,087	6,035	-	51,122

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

4. Revenue and segmented information (continued):

Nine months ended September 30, 2014	Communications	Surveillance and Intelligence	Inter-segment eliminations	Total
Revenues:				
External revenue	$ 1,108,427	$ 443,422	$ -	$ 1,551,849
Internal revenue	3,065	3,096	(6,161)	-
	1,111,492	446,518	(6,161)	1,551,849
Segment earnings:				
Operating EBITDA	139,003	121,763	-	260,766
Depreciation and amortization	32,169	4,297	-	36,466
Segment profit	106,834	117,466	-	224,300
Capital expenditures:				
Property, plant and equipment	34,250	3,545	-	37,795
Intangible assets	17,846	1,203	-	19,049
	52,096	4,748	-	56,844

Reconciliation to earnings before income taxes:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Segment profit	$ 78,315	$ 72,101	$ 238,746	$ 224,300
Corporate expenses	(2,887)	(2,935)	(8,158)	(7,614)
Amortization of acquisition related intangible assets	(10,524)	(8,038)	(29,943)	(24,231)
Foreign exchange differences	2,396	(3,067)	2,384	(5,247)
Share-based compensation recovery (expense) (note 11(e))	9,290	39	(285)	(21,305)
Finance income	70	123	177	306
Finance expense	(11,679)	(8,611)	(34,770)	(25,625)
Other expense (note 6)	(4,378)	(20,909)	(2,488)	(27,699)
Earnings before income taxes	$ 60,603	$ 28,703	$ 165,663	$ 112,885

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Construction contracts	$ 440,270	$ 441,776	$1,352,364	$1,354,457
Services	75,173	64,831	220,680	197,392
	$ 515,443	$ 506,607	$1,573,044	$1,551,849

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

4. Revenue and segmented information (continued):

Revenue from construction contracts includes orbital income of $8,400,000 for the three months ended September 30, 2015 (2014 - $6,631,000) and $24,775,000 for the nine months ended September 30, 2015 (2014 - $20,195,000).

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue:				
United States	$ 161,784	$ 168,992	$ 463,254	$ 508,817
Europe	132,498	65,810	355,359	201,378
Asia	91,688	88,269	358,183	235,501
Canada	63,477	72,608	211,583	250,969
South America	48,876	59,249	138,575	163,154
Australia	16,955	51,213	43,547	189,904
Other	165	466	2,543	2,126
	$ 515,443	$ 506,607	$1,573,044	$1,551,849

Revenue from significant customers is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Commercial:				
Customer 1	$ 69,814	$ 9,251	$ 162,949	$ 14,166
Customer 2	48,820	58,408	136,478	160,434
Customer 3	36,580	85,941	150,063	254,798
Government:				
Canadian Federal Government and agencies	$ 59,501	$ 66,545	$ 194,628	$ 233,813
U.S. Federal Government and agencies	32,770	24,191	93,199	71,503

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

4. Revenue and segmented information (continued):

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

	September 30, 2015	December 31, 2014
United States	$ 1,672,615	$ 1,467,323
Canada	155,433	153,807
Europe	80	63
	$ 1,828,128	$ 1,621,193

5. Expenses by nature:

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Employee salaries and benefits	$ 181,508	$ 168,725	$ 520,701	$ 485,101
Costs (recovery) related to defined benefit plans	(4,207)	1,696	1,312	4,944
Costs related to defined contribution plans	5,437	3,723	13,656	11,396
Inventories used	68,016	47,476	155,181	136,655
Subcontractor costs relating to construction and service contracts	118,566	148,675	405,142	449,967
Materials, equipment, professional fees, travel and other	56,248	52,058	206,001	209,382
Direct costs, selling, general and administration	425,568	422,353	1,301,993	1,297,445
Depreciation and amortization	26,108	20,724	73,182	60,697
Share-based compensation expense (recovery) (note 11(e))	(9,290)	(39)	285	21,305
Other expense (note 6)	4,378	20,909	2,488	27,699
	$ 446,764	$ 463,947	$1,377,948	$1,407,146

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

6. Other expense:

The components of other expense are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Enterprise improvement costs	$ 4,378	$ 15,591	$ 2,488	$ 15,591
Employee benefit expense	-	2,071	-	6,433
Litigation fees	-	2,525	-	4,953
Acquisition related expense	-	722	-	722
	$ 4,378	$ 20,909	$ 2,488	$ 27,699

In the third quarter of 2015, the Company recognized enterprise improvement costs of $4,378,000 for severance related to employee terminations in connection with its formal restructuring plan and comprehensive review of its satellite manufacturing operations. A provision of $4,100,000 has been recognized on the balance sheet for these costs as at September 30, 2015. In the first six months of 2015, the Company revised estimates and recognized a recovery of $1,890,000 to reverse certain enterprise improvement costs recorded in the prior year. For the three and nine months ended September 30, 2014, the Company incurred enterprise improvement costs of $15,591,000 for severance and consulting fees related to the overall project.

In 2014, the Company incurred costs relating to the restructuring of pension and post-retirement benefit plans at one of its operating divisions of $2,071,000 and $6,433,000 for the three and nine months ended September 30, 2014, respectively.

In 2014, the Company incurred litigation fees related to the Company's trial defense against ViaSat, Inc. of $2,525,000 and $4,953,000 for the three and nine months ended September 30, 2014, respectively.

Acquisition related expense includes legal, tax, consulting and other professional fees. Acquisition related expense incurred in the third quarter of 2014 related to the acquisition of the Advanced Systems business line from General Dynamics Advanced Information Systems, Inc. (see note 7).

7. Business combination:

Acquisition of Advanced Systems:

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

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

7. Business combination (continued):

Acquisition of Advanced Systems (continued):

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

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

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

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

The goodwill recognized on the acquisition is mainly attributable to expected growth opportunities in the U.S. surveillance market, anticipated synergies from integrating unique radar information processing capability with the Company’s large space program capability, and the experience and

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

7. Business combination (continued):

Acquisition of Advanced Systems (continued):

expertise of Advanced Systems' workforce. Goodwill recognized from this business combination is not deductible for income tax purposes.

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

8. Long-term debt:

	September 30, 2015	December 31, 2014
Syndicated credit facility:		
Revolving loan payable in U.S. dollars (September 30, 2015 - U.S.$351,000; December 31, 2014 - U.S.$227,000)	$ 470,129	$ 263,343
Revolving loan payable in Canadian dollars	19,000	41,000
Senior term notes payable:		
2024 Term notes payable in U.S. dollars (September 30, 2015 - U.S.$250,000; December 31, 2014 - U.S.$250,000)	334,850	290,025
2017 Term notes payable in U.S. dollars (September 30, 2015 - U.S.$100,000; December 31, 2014 - U.S.$100,000)	133,940	116,010
Promissory note payable:		
Promissory note payable in U.S. dollars (September 30, 2015 - nil; December 31, 2014 - U.S.$33,667)	-	39,057
Financing fees	(748)	(840)
Obligations under finance leases	5,905	5,797
Total long-term debt	963,076	754,392
Current portion	(2,204)	(41,308)
Non-current portion	$ 960,872	$ 713,084

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

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

8. Long-term debt (continued):

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

9. Shareholders' equity:

Share capital:

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

Common shares issued and fully paid:

	Number of shares	Amount
Balance as at January 1, 2015	36,113,830	$ 500,203
Common shares issued under employee share purchase plan	44,375	4,043
Common shares issued upon exercise of share-based compensation awards	50,672	4,792
Balance as at September 30, 2015	36,208,877	$ 509,038

For the three months ended September 30, 2015, the Company declared and paid a quarterly dividend of $0.37 per common share (2014 - semi-annual dividend of $0.65 per common share). For the nine months ended September 30, 2015, the Company declared and paid three quarterly dividends totalling $1.11 per common share (2014 - two semi-annual dividends totalling $1.30 per common share).

10. Earnings per common share:

Basic earnings per common share is computed by dividing net earnings by the sum of the weighted average number of common shares outstanding during the period plus outstanding deferred share units awards (see note 11(b)).

The following table outlines the calculation of basic earnings per common share:

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

10. Earnings per common share (continued):

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net earnings	$ 55,327	$ 21,486	$ 137,067	$ 82,926
Weighted average number of common shares outstanding	36,203,077	36,094,227	36,161,510	36,081,265
Deferred share units outstanding	73,314	-	40,038	-
Weighted average number of common shares outstanding - basic	36,276,391	36,094,227	36,201,548	36,081,265
Earnings per common share - basic	$ 1.53	$ 0.60	$ 3.79	$ 2.30

Diluted earnings per common share is computed by adjusting the basic earnings per common share calculation, as described above, for the effects of all potentially dilutive share appreciation rights (see note 11(a)).

The following table outlines the calculation of diluted earnings per common share:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net earnings – basic	$ 55,327	$ 21,486	$ 137,067	$ 82,926
Effect of potentially dilutive share appreciation rights	(3,810)	-	(4,890)	-
Net earnings - dilutive	$ 51,517	$ 21,486	$ 132,177	$ 82,926
Weighted average number of common shares outstanding - basic	36,276,391	36,094,227	36,201,548	36,081,265
Effect of potentially dilutive share appreciation rights	189,345	-	91,025	-
Weighted average number of common shares outstanding - diluted	36,465,736	36,094,227	36,292,573	36,081,265
Earnings per common share - diluted	$ 1.41	$ 0.60	$ 3.64	$ 2.30

At September 30, 2015, 1,754,971 share-based compensation awards (2014 - nil) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's common shares for the purpose of calculating the dilutive effect of share-based compensation awards was based on quoted market prices for the period during the year in which the share-based compensation awards were outstanding.

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

11. Share-based payment plans:

(a) Share appreciation rights:

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

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

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

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

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

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

	2015		2014	
Three months ended September 30	Number of SARs	Weighted average exercise price per SAR	Number of SARs	Weighted average exercise price per SAR
SARs outstanding, beginning of period	1,911,713	$ 78.33	3,368,747	$ 65.43
SARs issued	-	-	4,750	82.84
SARs exercised	(6,484)	49.05	(296,397)	49.07
SARs cancelled	(13,536)	81.13	(2,250)	86.75
SARs outstanding, end of period	1,891,693	$ 78.41	3,074,850	$ 67.02

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

11. Share-based payment plans (continued):

(a) Share appreciation rights (continued):

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

Nine months ended September 30	2015 Number of SARs	2015 Weighted average exercise price per SAR	2014 Number of SARs	2014 Weighted average exercise price per SAR
SARs outstanding, beginning of period	3,876,164	$ 72.98	3,831,151	$ 61.19
SARs reclassified as equity-settled	(1,731,516)	77.93	-	-
SARs issued	385,375	94.09	224,975	87.38
SARs exercised	(579,188)	54.09	(934,854)	48.23
SARs cancelled	(59,142)	76.94	(46,422)	62.88
SARs outstanding, end of period	1,891,693	$ 78.41	3,074,850	$ 67.02
SARs exercisable, end of period	500,535	$ 64.19	504,282	$ 50.85

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

As at September 30, 2015

	SARs outstanding			SARs exercisable		
Prices per share	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR
$40.61 to $51.95	288,724	1.6	$ 49.12	210,048	1.3	$ 48.05
$56.95 to $68.95	198,329	2.3	61.80	97,656	2.4	62.28
$72.25 to $81.86	604,540	3.2	81.81	155,785	3.2	81.73
$83.60 to $89.19	430,725	4.0	87.50	37,046	3.6	86.92
$92.13 to $97.93	369,375	4.7	94.06	-	-	-
	1,891,693	3.3	$ 78.41	500,535	2.3	$ 64.19

As at September 30, 2014

	SARs outstanding			SARs exercisable		
Prices per share	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR
$35.50 to $39.69	8,167	0.6	$ 38.92	8,167	0.6	$ 38.92
$40.43 to $51.95	1,095,162	2.6	48.92	391,110	1.9	48.04
$56.95 to $68.95	465,362	3.3	59.96	97,339	3.3	61.52
$71.22 to $81.86	1,295,184	4.2	81.62	7,666	3.6	71.35
$83.60 to $89.19	210,975	1.0	87.96	-	-	-
	3,074,850	3.5	$ 67.02	504,282	2.2	$ 50.85

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

11. Share-based payment plans (continued):

(a) Share appreciation rights (continued):

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

A summary of the SARs accounted for as equity-settled awards for the three and nine months ended September 30, 2015 is presented below:

Three months ended September 30, 2015	Number of SARs	Weighted average exercise price per SAR
SARs outstanding, beginning of period	1,588,083	$ 79.21
SARs issued	7,000	82.06
SARs outstanding, end of period	1,595,083	$ 79.23

Nine months ended September 30, 2015	Number of SARs	Weighted average exercise price per SAR
SARs outstanding, beginning of period	-	$ -
SARs reclassified as equity-settled	1,731,516	77.93
SARs issued	7,000	82.06
SARs exercised	(143,433)	63.74
SARs outstanding, end of period	1,595,083	$ 79.23
SARs exercisable, end of period	217,529	$ 70.90

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

As at September 30, 2015

	SARs outstanding			SARs exercisable		
Prices per share	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR	Number of SARs	Weighted average remaining contractual life (in years)	Weighted average exercise price per SAR
$40.61 to $57.05	294,613	2.1	$ 52.14	70,269	1.7	$ 47.37
$71.22 to $82.06	513,136	3.2	81.36	122,596	3.1	80.70
$87.70 to $95.67	787,334	4.1	87.97	24,664	3.7	89.19
	1,595,083	3.4	$ 79.23	217,529	2.7	$ 70.90

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

11. Share-based payment plans (continued):

(b) Deferred share units:

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

In prior periods, the Company accounted for DSUs as cash-settled awards. In May 2015, the Company modified its DSUs plan to change the settlement method from cash to equity and received the required shareholder and regulatory approvals to issue shares from treasury to settle DSUs with equity. Accordingly, the Company prospectively began accounting for the DSUs as equity-settled awards and reclassified $6,406,000 from employee benefit liabilities to contributed surplus.

(c) Valuation of cash-settled SARs:

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

	September 30, 2015	September 30, 2014
Risk-free interest rate	0.5% - 0.7%	1.1%
Dividend yield	2.0%	1.6%
Expected award lives	4 - 50 months	2 - 32 months
Volatility	19% - 25%	15% - 22%

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

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

Risk-free interest rate	0.7% - 1.1%
Dividend yield	1.5% - 2.0%
Expected award lives	5 - 60 months
Volatility	18% - 26%

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

11. Share-based payment plans (continued):

(e) Total share-based compensation expense (recovery):

Total share-based compensation from all forms of share-based payment plans for the three and nine months ended September 30, 2015 was a recovery of $9,290,000 and an expense of $285,000, respectively (2014 - recovery of $39,000 and expense of $21,305,000, respectively). The details are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Share appreciation rights:				
Cash-settled	$ (11,823)	$ (122)	$ (3,767)	$ 20,142
Equity-settled	2,246	-	3,552	-
Deferred share units:				
Cash-settled	-	(85)	(339)	552
Equity-settled	94	-	191	-
Share matching program	(10)	14	41	87
Employee share purchase plan	203	154	607	524
	$ (9,290)	$ (39)	$ 285	$ 21,305

As at September 30, 2015, the intrinsic value for vested cash-settled share-based payment plans, being the positive difference between the market price of the Company's share and the exercise price of the award, was $6,158,000 (December 31, 2014 - $31,200,000).

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

12. Financial instruments and fair value disclosures:

(a) Financial instruments by category:

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

As at September 30, 2015:

	Financial assets at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Loans and receivables	Available-for-sale financial assets	Other	Total carrying amount
Financial assets:						
Current:						
Cash and cash equivalents	$ -	$ -	$ 27,257	$ -	$ -	$ 27,257
Trade and other receivables:						
Trade accounts receivable	-	-	264,104	-	-	264,104
Orbital receivables	-	-	31,922	-	-	31,922
Other	-	-	4,820	-	29,696	34,516
	-	-	300,846	-	29,696	330,542
Financial assets, other:						
Short-term investments	-	-	-	7,760	-	7,760
Notes receivable	-	-	395	-	-	395
Derivative financial instruments	25,038	18,802	-	-	-	43,840
Restricted cash	-	-	18,090	-	-	18,090
	25,038	18,802	18,485	7,760	-	70,085
Non-current:						
Orbital receivables	-	-	543,028	-	-	543,028
Financial assets, other:						
Notes receivable	-	-	1,168	-	-	1,168
Derivative financial instruments	9,333	7,789	-	-	-	17,122
Restricted cash	-	-	19,905	-	-	19,905
	9,333	7,789	21,073	-	-	38,195

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

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

(a) Financial instruments by category (continued):

As at September 30, 2015 (continued):

	Financial liabilities at fair value through earnings	Derivative instruments in a qualifying hedging relationship	Other financial liabilities	Total carrying amount
Financial liabilities:				
Current:				
Trade and other payables	$ -	$ -	$ 243,719	$ 243,719
Financial liabilities, other:				
Non-trade payables	-	-	22,653	22,653
Derivative financial instruments	18,162	7,717	-	25,879
	18,162	7,717	22,653	48,532
Long-term debt:				
Obligations under finance leases	-	-	2,204	2,204
	-	-	2,204	2,204
Non-current:				
Financial liabilities, other:				
Non-trade payables	-	-	22,238	22,238
Derivative financial instruments	9,041	3,558	-	12,599
	9,041	3,558	22,238	34,837
Long-term debt:				
Long-term debt	-	-	957,171	957,171
Obligations under finance leases	-	-	3,701	3,701
	-	-	960,872	960,872

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

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

(b) Fair value of financial instruments:

Financial instruments carried at amortized cost:

As at September 30, 2015 and December 31, 2014, the fair values of all financial instruments carried at amortized cost, other than long-term debt, approximated their carrying value. The fair value of long-term debt is estimated based on a discounted cash flow approach, categorized as Level 2 as outlined in the descriptions below. The estimated fair value of long-term debt, excluding obligations under finance leases, at September 30, 2015, was $973,943,000 (December 31, 2014 - $763,063,000) as compared to the carrying value of $957,171,000 (December 31, 2014 - $748,595,000). As at September 30, 2015, included in long-term debt is the designated portion of the net investment hedge, which had a fair value of $138,836,000 (December 31, 2014 - $181,865,000) and a carrying value of $133,940,000 (December 31, 2014 - $174,015,000). The fair value of obligations under finance leases approximates their carrying value.

As at September 30, 2015 and December 31, 2014, the carrying amount of financial assets pledged as collateral amounted to $2,022,362,000 and $1,792,000,000, respectively.

Financial instruments carried at fair value:

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

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

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

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

September 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	$ 7,760	$ -	$ -	$ 7,760
Derivative financial instruments	-	60,962	-	60,962
Total assets	$ 7,760	$ 60,962	$ -	$ 68,722
Liabilities				
Derivative financial instruments	$ -	$ 38,478	$ -	$ 38,478

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

(Tabular amounts in thousands of Canadian dollars, except shares, share-based compensation awards, and per share amounts)

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

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

Financial instruments carried at fair value (continued):

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

13. Supplemental cash flow information:

Changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Trade and other receivables	$ 31,647	$ (76,368)	$ 52,263	$ 7,800
Construction contract assets	(26,607)	(10,430)	(7,325)	(13,613)
Financial assets, other	29	(92)	96	(136)
Inventories	4,553	3,498	(17,727)	24,328
Current tax assets	(5,823)	(4,822)	(24,791)	(18,720)
Non-financial assets	(16,457)	21,380	(20,538)	(18,768)
Orbital receivables	(6,689)	(4,830)	(25,094)	(23,103)
Trade and other payables	(18,914)	17,540	(29,917)	2,133
Financial liabilities, other	(6,117)	(174)	(14,163)	(7,898)
Provisions	4,259	12,095	(4,787)	11,033
Construction contract liabilities	(17,604)	(25,685)	(95,657)	(172,772)
Employee benefits	(4,203)	(12,354)	(51,416)	(31,883)
Non-financial liabilities	877	1,012	980	207
	$ (61,049)	$ (79,230)	$ (238,076)	$ (241,392)

14. Subsequent event:

On October 28, 2015, the Company declared a quarterly dividend of $0.37 per common share payable on December 31, 2015 to shareholders of record at the close of business on December 15, 2015.