

Unaudited Interim Condensed Consolidated Financial Statements

MDA Ltd.

For the three and nine months ended September 30, 2021
(In millions of Canadian dollars)

MDA Ltd.

Unaudited Interim Condensed Consolidated Statement of Operations and Comprehensive Income (Loss)
 For the three and nine months ended September 30, 2021
 (In millions of Canadian dollars except per share figures)

	Note	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
Revenue	4	\$ 111.3	\$ 98.4	\$ 361.4	\$ 195.4
Cost of revenue					
Materials, labour and subcontractors	6	(66.1)	(61.0)	(221.6)	(123.9)
Depreciation and amortization of assets	8, 9, 10	(5.8)	(6.9)	(17.4)	(11.0)
Gross profit		39.4	30.5	122.4	60.5
Operating expenses					
Selling, general and administration	6	(15.1)	(15.2)	(41.2)	(30.8)
Research and development, net	6	(7.5)	(2.6)	(12.8)	(3.2)
Amortization of intangible assets	10	(13.9)	(14.7)	(42.3)	(28.2)
Share-based compensation	13	(2.3)	—	(9.6)	—
Operating income (loss)		0.6	(2.0)	16.5	(1.7)
Other income (expenses)					
Government grant income	17	9.1	11.1	24.0	33.2
Unrealized gain on financial instruments	14	1.5	2.3	1.3	3.1
Foreign exchange gain (loss)		2.9	0.1	(2.0)	0.6
Finance costs		(5.7)	(12.9)	(30.0)	(20.7)
Other		—	(1.2)	0.9	(16.1)
Income (loss) before income taxes		8.4	(2.6)	10.7	(1.6)
Income tax recovery (expense)		(4.4)	0.7	(8.4)	(3.1)
Net income (loss)		4.0	(1.9)	2.3	(4.7)
Other comprehensive income (loss)					
Gain (loss) on translation of foreign operations		0.1	(2.1)	1.1	0.2
Remeasurement gain on defined benefit plans		—	—	—	(11.5)
Total comprehensive income (loss)		4.1	(4.0)	\$ 3.4	\$ (16.0)
Earnings (loss) per share:					
Basic	16	\$ 0.03	\$ (0.02)	\$ 0.02	\$ (0.06)
Diluted	16	0.03	(0.02)	0.02	(0.06)
Weighted-average common shares outstanding:					
Basic	16	118,691,624	80,634,307	106,137,609	80,627,554
Diluted	16	128,492,429	80,634,307	113,578,887	80,627,554

The accompanying notes are an integral part of interim condensed consolidated financial statements

MDA Ltd.

Unaudited Interim Condensed Consolidated Statement of Financial Position

(In millions of Canadian dollars)

As at	Note	September 30, 2021	December 31, 2020
Assets			
Current assets:			
Cash and equivalents		\$ 88.0	\$ 78.6
Trade and other receivables		196.3	158.0
Inventories		8.2	6.5
Income taxes receivable		58.0	72.4
Other current assets	7	21.4	12.2
		371.9	327.7
Non-current assets:			
Property, plant and equipment	8	91.6	69.3
Right-of-use assets	9	14.9	22.0
Intangible assets	10	572.3	589.0
Goodwill		419.9	419.9
Deferred income tax assets		19.3	11.2
Other non-current assets	7	15.0	16.1
Total assets		\$ 1,504.9	\$ 1,455.2
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 75.8	\$ 65.7
Income taxes payable		17.4	22.7
Contract liabilities		84.7	73.3
Provisions		4.0	17.8
Current portion of net employee benefit payable	12	32.7	32.0
Current portion of lease liabilities	9	7.4	7.8
Current portion of long-term debt	11	—	22.0
Other current liabilities		1.2	1.1
		223.2	242.4
Non-current liabilities:			
Net employee defined benefit payable	12	45.9	43.6
Lease liabilities	9	7.9	12.7
Long-term debt	11	144.8	537.7
Deferred income tax liabilities		141.6	158.7
Other non-current liabilities		2.4	2.7
Total liabilities		565.8	997.8
Shareholders' equity			
Common shares	15	950.7	480.4
Contributed surplus		12.9	4.9
Accumulated other comprehensive loss		(9.5)	(10.6)
Deficit		(15.0)	(17.3)
Total equity		939.1	457.4
Total liabilities and equity		\$ 1,504.9	\$ 1,455.2

The accompanying notes are an integral part of the interim condensed consolidated financial statements

MDA Ltd.

Unaudited Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

For the nine months ended September 30, 2021

(In millions of Canadian dollars)

	Note	Common shares		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
		Number ¹	Amount				
As at January 1, 2021		80,735,983	\$ 480.4	\$ 4.9	\$ (10.6)	\$ (17.3)	\$ 457.4
Share capital issued	15	37,955,641	470.3	—	—	—	470.3
Net income		—	—	—	—	2.3	2.3
Other comprehensive income		—	—	—	1.1	—	1.1
Share-based compensation	13	—	—	8.0	—	—	8.0
As at September 30, 2021		118,691,624	\$ 950.7	\$ 12.9	\$ (9.5)	\$ (15.0)	\$ 939.1
As at April 8, 2020		80,620,000	\$ 479.7	\$ —	\$ —	\$ —	\$ 479.7
Share capital issued		101,999	0.6	—	—	—	0.6
Net loss		—	—	—	—	(4.7)	(4.7)
Other comprehensive loss		—	—	—	(11.3)	—	(11.3)
As at September 30, 2020		80,721,999	\$ 480.3	\$ —	\$ (11.3)	\$ (4.7)	\$ 464.3

¹ Number of common shares reflect the six-to-one share consolidation described in note 15.*The accompanying notes are an integral part of the interim condensed consolidated financial statements*

MDA Ltd.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the three and nine months ended September 30, 2021

(In millions of Canadian dollars)

Note	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2021
Cash flows from operating activities				
	\$ 8.4	\$ (2.6)	\$ 10.7	\$ (1.6)
Income before income taxes				
Adjustments:				
Depreciation of property, plant and equipment	8 2.3	1.6	6.1	1.8
Depreciation of right-of-use assets	9 2.2	3.0	7.9	4.8
Amortization of intangible assets	10 15.2	17.0	45.7	32.7
Share-based compensation expense	13 2.3	—	9.6	—
Investment tax credits accrued during the period	17 (4.1)	(4.1)	(13.3)	(9.2)
Finance Costs	5.7	12.9	30.0	11.6
Unrealized gain on financial instruments	(1.5)	(2.3)	(1.3)	(3.1)
Changes in operating assets and liabilities				
Trade and other receivables	(25.0)	52.3	(38.0)	32.1
Inventories	(2.0)	(0.6)	(1.7)	(1.1)
Other assets	(4.4)	(1.6)	(8.7)	0.6
Trade and other payables	1.0	(4.1)	1.6	(25.2)
Contract liabilities	2.7	3.2	11.4	11.1
Employee benefits	12 (1.2)	0.8	2.2	2.1
Provisions	(1.0)	(1.3)	(13.8)	(0.9)
Other liabilities	(0.4)	(1.8)	(0.2)	(4.7)
	0.2	72.4	48.2	51.0
Interest paid	(1.1)	(5.1)	(15.5)	(11.1)
Income tax received (paid)	0.4	(0.7)	0.3	0.6
Net cash from (used in) operating activities	(0.5)	66.6	33.0	40.5
Cash flows from investing activities				
Purchases of property and equipment	8 (25.7)	(0.9)	(30.2)	(1.8)
Purchase/development of intangible assets	10 (4.6)	(2.2)	(27.4)	(4.9)
Proceeds from sale of intangible assets	10 2.0	—	2.0	
Acquisitions, net of cash acquired	—	—	—	(996.0)
Net cash used in investing activities	(28.3)	(3.1)	(55.6)	(1,002.7)
Cash flows from financing activities				
Repayments of long-term debt	11 —	(5.4)	(424.1)	(5.4)
Payment of lease liability (principal portion)	(2.2)	(1.9)	(6.0)	(3.8)
Proceeds from issuance of shares, net of costs	15 —	—	462.6	480.4
Proceeds from long-term debt, net of issuance costs	—	—	—	569.6
Payment of share-based compensation	—	—	(1.6)	—
Net cash provided by financing activities	(2.2)	(7.3)	30.9	1,040.8
Net increase in cash and cash equivalents	(31.0)	56.2	8.3	78.6
Net foreign exchange difference	0.1	(2.1)	1.1	(2.3)
Cash and cash equivalents, beginning of period	118.9	22.2	78.6	—
Cash and cash equivalents, end of period	\$ 88.0	\$ 76.3	\$ 88.0	\$ 76.3

The accompanying notes are an integral part of interim condensed consolidated financial statements

MDA LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

1. General business description

MDA Ltd. (formerly Neptune Acquisition Holdings Inc.) (“MDA” or the “Company”) is Canada’s largest space technology developer and manufacturer. Through a strong collaboration and partnership with the Government of Canada that spans several decades, the Company has delivered world-leading, iconic technologies such as the Canadarm family of space robotics for the U.S. Space Shuttle program and the International Space Station and three generations of RADARSAT Earth observation satellites for the Canadian Government. Additionally, the Company is one of the largest independent suppliers of space components and systems in the world, enabling it to be a merchant supplier to international prime contractors and a partner to governments around the globe who are investing in and growing their space programs. These services are provided through wholly owned subsidiaries of the Company.

On April 8, 2020, Neptune Acquisition Inc. (“NAI”), an affiliate of Northern Private Capital Ltd purchased 100% of the equity interest in the MDA GP Holdings Ltd., MDA Systems Inc, and Maxar Technologies ULC from Maxar Technologies Inc.

The consideration for this transaction was \$1 billion. Immediately after closing, NAI amalgamated with Maxar Technologies ULC, and changed its name to Neptune Operations Ltd. (“NOL”).

On June 2, 2020, Neptune Acquisition Holdings Inc. (“NAHI”) was formed under the laws of the Province of Ontario and became the parent of its wholly owned subsidiary NOL. In March 2021, NAHI changed its name to MDA Ltd.

On April 7, 2021, the Company completed an initial public offering (the “IPO”) and its shares began trading on the Toronto Stock Exchange under the symbol “MDA”.

References to the Company include MDA and its subsidiaries.

2. Basis of preparation

(a) Statement of compliance

These accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The same accounting policies and methods of computation as those used in the preparation of the consolidated financial statements for the period ended December 31, 2020 were followed in the preparation of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s consolidated financial statements for the period ended December 31, 2020.

As the Company commenced operations on April 8, 2020, the interim condensed consolidated financial statements (other than the condensed consolidated statement of financial position) include comparative information for the three month period ending September 30, 2020 and the period from April 8, 2020 to September 30, 2020.

These interim condensed consolidated financial statements were approved by the Board of Directors of MDA, and authorized for issue on November 11, 2021.

(b) Basis of measurement

The interim condensed consolidated financial statements of the Company are presented in Canadian dollars.

The interim condensed consolidated financial statements been prepared on the historical cost basis except those items measured at fair value where specifically indicated.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

These condensed interim consolidated financial statements comprise the accounts of MDA Ltd., the parent company, and its subsidiaries. The financial accounts and results of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. Upon consolidation, management eliminated all intercompany transactions and balances.

(c) Impact of COVID-19 pandemic

In the third quarter of fiscal 2021, the Company's financial performance continued to be impacted by COVID-19, notably in the areas of supply chain management, and restrictions affecting productivity and limiting direct customer engagement.

For the three-months ended September 30, 2021, the Company recognized \$9.1 of government grant income related to Canada Emergency Wage Subsidy ("CEWS") from the Canadian government, of which \$8.8 is receivable as at September 30, 2021.

(d) Seasonality and cyclicalities

The Company's operations historically have not experienced seasonality. However, the Company's results period over period are affected by its stage in the work in progress in each of its long-term contracts. Therefore, the results of operations for the three and nine months ended September 30, 2020 and for the period from April 8, 2020 to September 30, 2020 may not be indicative of the results of future periods.

(e) Use of estimates, assumptions and judgments

The preparation of the Company's interim condensed financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Significant estimates and judgements used in preparation of the interim condensed consolidated financial statements are described in Company's consolidated financial statements for the period ended December 31, 2020.

3. Changes in accounting policies and new accounting pronouncements

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with the significant accounting policies as outlined in note 3 of the consolidated financial statements for the period ended December 31, 2020.

New standards and interpretations not yet adopted:

(a) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1, which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

(b) Onerous Contracts – Costs of Fulfilling a Contract – Amendment to IAS 37

In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, ("IAS 37") to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Company is currently assessing the potential impacts of this amendment.

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(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

4. Revenue from contracts with customers

All of the Company's revenue represents revenue from contracts with customers. Disaggregation of revenue by types of contracts and by service lines are presented in the tables below:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
<i>Service Lines</i>				
Geointelligence	\$ 40.7	\$ 45.6	\$ 137.9	\$ 87.1
Robotics and space operations	33.1	31.2	103.0	59.6
Satellite systems	37.5	21.6	120.5	48.7
	\$ 111.3	\$ 98.4	\$ 361.4	\$ 195.4

5. Geographic information

Revenues are attributed to geographical regions based on the location of customers as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
<i>Revenue</i>				
Canada	\$ 52.0	\$ 44.8	\$ 156.8	\$ 87.2
United States	31.0	27.0	120.8	59.8
Europe	21.2	21.6	65.4	40.1
Asia	1.4	3.3	4.7	5.1
Other	5.7	1.7	13.7	3.2
	\$ 111.3	\$ 98.4	\$ 361.4	\$ 195.4

The Company's property, plant and equipment, right-of-use assets, intangible assets and goodwill are attributed to geographical regions based on the location of the assets as follows:

	September 30, 2021	December 31, 2020
<i>Property, plant and equipment, right-of-use assets, intangible assets and goodwill</i>		
Canada	\$ 1,097.9	\$ 1,093.1
Other	0.8	7.1
	\$ 1,098.7	\$ 1,100.2

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

6. Cost of revenue and operating expenses

The following table shows the breakdown of materials, labour and subcontractors costs included in cost of revenue:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
<i>Materials, labour and subcontractors</i>				
Wages, salaries and other cost of revenues	\$ 54.9	\$ 56.3	\$ 190.8	\$ 114.2
Subcontractor costs	11.7	5.6	33.1	12.2
Investment tax credits	(4.1)	(4.1)	(13.3)	(9.2)
Costs related to defined contribution plans	1.0	1.6	4.3	2.9
Costs related to defined benefit plans	2.1	1.6	5.3	3.1
Inventories used	0.5	—	1.4	0.7
	\$ 66.1	\$ 61.0	\$ 221.6	\$ 123.9

The following tables show the breakdowns of selling, general and administration expenses and research and development, net included in operating expenses:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
<i>Selling, general and administration</i>				
General and administration	\$ 9.2	\$ 9.0	\$ 23.5	\$ 18.8
Selling and marketing	5.9	6.2	17.7	12.0
	\$ 15.1	\$ 15.2	\$ 41.2	\$ 30.8
<i>Research and development, net</i>				
Research and development expense	\$ 9.5	\$ 5.0	\$ 20.5	\$ 9.2
Research and development expense recovery	(2.0)	(2.4)	(7.7)	(6.0)
	\$ 7.5	\$ 2.6	\$ 12.8	\$ 3.2

7. Other assets

	September 30, 2021	December 31, 2020
Advances to suppliers	\$ —	\$ 1.5
Prepaid expenses	13.5	9.9
Deferred financing fees on long-term debt	5.1	—
Held for trading investment	7.7	—
Derivative financial assets	9.9	9.9
Other	0.2	7.0
	\$ 36.4	\$ 28.3
Current portion	\$ 21.4	\$ 12.2
Non-current portion	\$ 15.0	\$ 16.1

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

8. Property, plant and equipment

	Land, buildings and leasehold improvements	Equipment	Furniture and fixtures and computer hardware	Capital work- in progress	Total
<i>Cost</i>					
As at December 31, 2020	\$ 57.4	\$ 9.1	\$ 5.3	\$ 2.8	\$ 74.6
Additions	0.5	0.9	2.2	22.5	26.1
Disposals	(0.2)	—	—	—	(0.2)
Transfers	0.1	3.1	0.4	(1.3)	2.3
As at September 30, 2021	\$ 57.8	13.1	7.9	24.0	102.8
<i>Accumulated depreciation</i>					
As at December 31, 2020	\$ (1.9)	\$ (2.2)	\$ (1.2)	\$ —	\$ (5.3)
Depreciation expense	(2.2)	(2.4)	(1.5)	—	(6.1)
Disposals	0.2	—	—	—	0.2
As at September 30, 2021	\$ (3.9)	(4.6)	(2.7)	—	(11.2)
<i>Net book value</i>					
December 31, 2020	\$ 55.5	\$ 6.9	\$ 4.1	\$ 2.8	\$ 69.3
September 30, 2021	\$ 53.9	\$ 8.5	\$ 5.2	\$ 24.0	\$ 91.6

Depreciation expense included in cost of revenue for the three and nine months ended September 30, 2021 is \$2.3 and \$6.1 (three months ended September 30, 2020 – \$1.6, from April 8, 2020 to September 30, 2020 – \$1.8).

9. Leases

The Company has lease contracts for buildings, equipment, furniture and fixtures and computer hardware used in its operations. Leases of buildings generally have lease terms between 3 and 5 years, while equipment, furniture and fixtures and computer hardware generally have lease terms between 1 and 5 years. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Buildings	Equipment	Furniture and fixtures and computer hardware	Total
As at December 31, 2020	\$ 19.2	\$ 0.1	\$ 2.7	\$ 22.0
Additions	0.8	—	—	0.8
Depreciation expense	(6.8)	—	(1.1)	(7.9)
As at September 30, 2021	\$ 13.2	\$ 0.1	\$ 1.6	\$ 14.9

Depreciation expense included in cost of revenue for the three and nine months ended September 30, 2021 is \$2.2 and \$7.9 (three months ended September 30, 2020 – \$3.0, from April 8, 2020 to September 30, 2020 – \$4.7).

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Lease liabilities
As at December 31, 2020	\$ 20.5
Additions	0.8
Accretion of interest	0.7
Payments	(6.7)
As at September 30, 2021	\$ 15.3

As of September 30, 2021, the current portion of lease liability is \$7.4 (December 31, 2020: \$7.8) and non-current portion is \$7.9 (December 31, 2020: \$12.7).

10. Intangible assets

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
<i>Cost</i>						
As at December 31, 2020	\$ 73.0	\$ 41.2	\$ 463.1	\$ 25.6	\$ 32.2	\$ 635.1
Additions	12.9	—	—	—	20.4	33.3
Disposals	(0.2)	—	(3.2)	—	—	(3.4)
Transfers	15.0	—	—	—	(17.3)	(2.3)
As at September 30, 2021	\$ 100.7	\$ 41.2	\$ 459.9	\$ 25.6	\$ 35.3	\$ 662.7
<i>Accumulated amortization</i>						
As at December 31, 2020	\$ (6.0)	\$ (10.8)	\$ (24.5)	\$ (1.1)	\$ (3.7)	\$ (46.1)
Amortization expense	(5.8)	(10.5)	(25.1)	(0.9)	(3.4)	(45.7)
Disposals	0.1	—	1.3	—	—	1.4
As at September 30, 2021	\$ (11.7)	\$ (21.3)	\$ (48.3)	\$ (2.0)	\$ (7.1)	\$ (90.4)
<i>Net book value</i>						
December 31, 2020	\$ 67.0	\$ 30.4	\$ 438.6	\$ 24.5	\$ 28.5	\$ 589.0
September 30, 2021	\$ 89.0	\$ 19.9	\$ 411.6	\$ 23.6	\$ 28.2	\$ 572.3

For the three and nine months ended September 30, 2021, the amortization expense related to software of \$1.3 and \$3.4 (three months ended September 30, 2020 – \$2.3, from April 8, 2020 to September 30, 2020 – \$4.5) are included in cost of revenue. For the three and nine months ended September 30, 2021, the amortization expense related to all other intangible assets in an amount of \$13.9 and \$42.3 (three months ended September 30, 2020 – 14.7, from April 8, 2020 to September 30, 2020 – \$28.2) are included in operating expenses.

During the nine months ended September 30, 2021, the Company did not identify any indicators of impairment.

MDA LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

11. Long-term debt

The Company's long-term debt is comprised of the following:

	September 30, 2021	December 31, 2020	Maturity date
Term loan, interest rate of CDOR plus 3.5%, principal and interest payable quarterly	\$ —	\$ 411.9	April 8, 2025
Second lien notes, semi-annual interest commencing October 8, 2020, 10% paid in cash or 12% paid in-kind (6% cash, 6% in-kind)	144.8	147.8	April 8, 2027
	\$ 144.8	\$ 559.7	
Current	\$ —	\$ 22.0	
Non-current	\$ 144.8	\$ 537.7	

Term loan facility and revolving credit facility

The Company, through its wholly owned subsidiary NOL, had a term loan facility totaling \$435 of which the full amount was drawn at inception. In the second quarter, the Company used a portion of the net proceeds from the initial public offering and over-allotment option of common shares to repay in full the \$418.7 of outstanding principal under the term loan facility (December 31, 2020 – \$10.9).

Concurrent with the repayment in the second quarter, the Company converted the term loan to a reducing revolving credit facility, which was combined with the Company's existing revolving credit facility. Under the reducing revolving credit facility, the Company has available credit in the amount of \$439.1, of which \$15.3 was used as of September 30, 2021, (December 31, 2020 – \$15.5), all in respect of the Company's gross potential liability related to letters of credit. The outstanding letters of credit at September 30, 2021 had an applicable margin of 97 bps plus a fronting fee of 25 bps.

The available credit under the revolving credit facility will reduce on a quarterly basis at a rate of \$5.4 from December 31, 2021 to June 30, 2022, \$8.2 from September 30, 2022 to June 30, 2024 and \$10.9 from September 30, 2024 to March 31, 2025. The revolving credit facility matures on April 8, 2025. This facility bears interest at either the bank's prime rate or alternate base rate Canada plus an applicable margin of 45 to 175 basis points ("bps") or CDOR or LIBOR plus an applicable margin of 145 to 275 bps, based on the Company's total debt to EBITDA ratio.

Prior to the repayment and conversion that occurred in the second quarter, the term loan facility bore interest at either the bank's prime rate or alternate base rate Canada plus an applicable margin of 150 to 300 bps or CDOR or LIBOR plus an applicable margin of 250 to 400 bps, based on the Company's total debt to EBITDA ratio.

The Company accounted for the conversion from the term loan to the reducing revolving credit facility as a non-substantial debt modification. The Company recognized a loss on modification of \$5.4 in finance costs in the statement of comprehensive income (loss).

Second lien notes

The Company has unsecured second lien notes outstanding which bear interest at 10% per annum in cash, or 12% paid in-kind ("PIK") (6% cash, 6% in-kind) if the election is made by the Company. Interest is due semi-annually. If the PIK interest election is made by the Company, interest on the second lien notes for each interest period is payable by increasing the principal amount of the outstanding notes by the amount of interest then due and owing for such interest period. As at September 30, 2021, the PIK election was not made.

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Security and guarantees

The reducing revolving credit facility is guaranteed by all subsidiaries of NOL (other than certain excluded subsidiaries, including immaterial subsidiaries and non-wholly owned subsidiaries) and secured by all of the present and future assets, property and undertakings of NOL and its subsidiary guarantors, as well as a limited recourse guarantee and pledge of NOL from the Company.

The second lien notes are guaranteed by the same guarantors as the revolving credit facility and the term loan facility and secured by a second lien on the same collateral.

Covenants

Under the reducing revolving credit facility, the Company must satisfy certain financial covenants as defined by the credit agreement, including the following:

- The Company is required to maintain a fixed charge coverage ratio of at least 3.0 to 1 at all times
- The Company is required to maintain a specified total debt to EBITDA ratio of less than or equal to 4.0 to 1 at all times

As at September 30, 2021, the Company was in compliance with these covenants.

Interest expense on the Company's long-term debt for the three and nine months ended September 30, 2021 is \$3.8 and \$18.1 (three months ended September 30, 2020 – \$11.1, from April 8, 2020 to September 30, 2020 – \$18.6) included in finance costs in the statement of comprehensive income (loss).

The second lien notes include an embedded optional redemption feature, which allows the company to redeem all or part of the notes at rates that do not approximately equal the amortized cost. The fair value of this embedded derivative redemption feature as at September 30, 2021 is \$8.6 (December 31, 2020 – \$8.9).

12. Employee benefits

Employee benefit liabilities	September 30, 2021	December 31, 2020
Salary and benefits payable	\$ 28.0	\$ 27.1
Pension and other post-retirement benefits	50.6	48.5
	\$ 78.6	\$ 75.6
Current	\$ 32.7	\$ 32.0
Non-current	\$ 45.9	\$ 43.6

The Company maintains a defined benefit pension plan, a defined contribution pension plan and other post-retirement benefits comprised of extended health benefits, dental care and life insurance. The Company's contributions are set out below.

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
Defined benefit plan	\$ 1.9	\$ 1.4	\$ 4.9	\$ 2.6
Defined contribution plan	1.0	3.4	4.3	4.9
Other post-retirement benefits	0.1	0.2	0.4	0.3
	\$ 3.0	\$ 5.0	\$ 9.6	\$ 7.8

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13. Share-based compensation

Immediately prior to the IPO, the Company amended its pre-existing stock option plan to an equity incentive plan (the "Plan") on April 7th, 2021. Under the Plan, the Company, at its discretion, may grant stock options, deferred share units, restricted share units, performance share units and other share-based awards to any director, officer or employee of the Company. For the nine months ended September 30, 2021, the Company has granted stock options with an exercise price of \$14.00 to \$30.00. All stock options are equity-settled, with a maximum term of 10 years.

Employee Stock Option Plan

Under the stock option plan, the Company, at its discretion, may grant stock options to any director, officer or employee of the Company. The stock options are measured at fair value using the Black-Scholes option pricing model on the grant date and subsequently expensed on a straight-line basis over the vesting period. The amount expensed for three and nine months ended September 30, 2021 was \$1.7 and \$7.2.

The weighted average fair value of options granted during the nine months ended September 30, 2021 was \$4.13. These options were granted in the first six months of 2021. The fair value of these options granted were estimated on the date of grant using the following assumptions:

	Nine months ended September 30, 2021
Dividend yield	0.00%
Expected volatility	40.00%
Risk-free interest rate	0.45% - 1.27%
Expected life of share options	5.9 to 7.1 years
Weighted average share price	\$12.48

The expected life of the stock options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the share price volatility observed for comparable publicly traded companies over a period similar to the life of the options.

The table below shows the movement in the number of stock options outstanding over the nine months ended September 30, 2021.

	Number of stock options
Balance at January 1, 2021	7,338,100
Granted in the three months ended March 31, 2021	2,416,665
Forfeited in the three months ended March 31, 2021	(100,775)
Pre-IPO stock option amendment	(547,296)
Settled in the three months ended June 30, 2021	(199,700)
Granted in the three months ended June 30, 2021	160,000
Stock options outstanding at September 30, 2021	9,066,994

Concurrent with the Pre-IPO share consolidation described in note 15, the outstanding stock options reflect the six-to-one share consolidation.

Trustee Shares

Immediately prior to the IPO, the Company converted a total of 547,296 stock options to shares under an Employee Share Trust Agreement ("trustee shares") to employees at the IPO share price of \$14 per share. The amount expensed for three months ended September 30, 2021 was \$0.6. The amount expensed for the nine months ended September 30, 2021 was \$2.3, of which \$1.1 vested immediately on the grant date.

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14. 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, 2021:

Financial assets	Financial assets at fair value through profit or loss	Amortized cost
<i>Current</i>		
Cash and cash equivalents	\$ —	\$ 88.0
Trade receivables	—	61.9
Other receivables	—	32.0
Derivative financial instruments	0.2	—
Held for trading investment	7.7	—
	\$ 7.9	\$ 181.9
<i>Non-current</i>		
Derivative financial instruments	\$ 9.7	\$ —
	\$ 9.7	\$ —

Financial liabilities	Financial liabilities at fair value through profit or loss	Amortized cost
<i>Current</i>		
Accounts payable and accrued liabilities	\$ —	\$ 81.8
Non-trades payables	—	0.5
Lease liabilities	—	7.4
Derivative financial instruments	0.7	-
	\$ 0.7	\$ 89.7
<i>Non-current</i>		
Non-trades payables	\$ —	\$ 0.9
Lease liabilities	—	7.9
Second lien notes	—	144.8
	\$ —	\$ 153.6

The classification of financial instruments and their carrying amounts are as follows as at December 31, 2020:

Financial assets	Financial assets at fair value through profit or loss	Amortized cost
<i>Current</i>		
Cash and cash equivalents	\$ —	\$ 78.6
Trade receivables	—	48.7
Other receivables	—	26.2
Derivative financial instruments	0.8	—
	\$ 0.8	\$ 153.5
<i>Non-current</i>		
Derivative financial instruments	\$ 9.1	\$ —
	\$ 9.1	\$ —

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Financial liabilities	Financial liabilities at fair value through profit or loss		Amortized cost	
<i>Current</i>				
Accounts payable and accrued liabilities	\$	—	\$	65.7
Non-trades payables		—		0.8
Lease liabilities		—		7.8
Term loan		—		22.0
Derivative financial instruments		0.3		—
	\$	0.3	\$	96.3
<i>Non-current:</i>				
Non-trades payables	\$	—	\$	1.0
Lease liabilities		—		12.7
Term loan		—		390.0
Second lien notes		—		147.8
Derivative financial instruments		0.3		—
	\$	0.3	\$	551.5

(b) Fair value of financial instruments:

The table below shows the fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments measured at amortized cost if the carrying amount is a reasonable approximation of fair value.

	As at September 30, 2021				As at December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>Assets</i>								
Derivative financial instruments	\$ —	\$ 1.3	\$ 8.6	\$ 9.9	\$ —	\$ 1.0	\$ 8.9	\$ 9.9
Held for trading investment	7.7	—	—	7.7	—	—	—	—
<i>Liabilities</i>								
Derivative financial instruments	\$ —	\$ 0.7	\$ —	\$ 0.7	\$ —	\$ 0.6	\$ —	\$ 0.6
Term loan	—	—	—	—	—	411.9	—	411.9
Second lien notes	—	144.8	—	144.8	—	147.8	—	147.8

During the period, no transfers occurred between the different levels.

Level 2 derivative financial instruments comprise of foreign exchange embedded derivatives within revenue and purchase contracts. 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 management estimates and observable market-based inputs. Management estimates include assumptions concerning the amount and timing of estimated future cash flows. Observable market-based inputs are sourced from third parties and include currency spot and forward rates.

The embedded derivative redemption feature as part of the second lien notes is classified as a Level 3 security. The fair value decrease on this instrument was recorded in the statement of operations and comprehensive

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income (loss). Below is the reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	Embedded derivative asset (Level 3)
As at April 8, 2020	\$ —
Additions	1.9
Unrealized gain recognized in the statement of operations and comprehensive income (loss)	7.0
As at December 31, 2020	\$ 8.9
Unrealized loss recognized in the statement of operations and comprehensive income (loss)	(0.3)
As at September 30, 2021	\$ 8.6

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at September 30, 2021 and December 31, 2020 are shown below:

Security	Valuation technique	Significant unobservable inputs	Input	Sensitivity analysis
Embedded derivative asset	Interest rate option pricing model	Credit spread	September 30, 2021: 5.57% (December 31, 2020: 6.17%)	September 30, 2021: 0.5% increase (decrease) in the credit spread would result in a decrease in the fair value by: \$2.6 and increase in the fair value by \$3.1 (December 31, 2020: 0.5% increase (decrease) in the credit spread would result in an decrease in the fair value by 2.6 and increase in the fair value by \$3.0)

(c) Foreign exchange risk:

The Company is exposed to foreign exchange risk, typically related to the United States dollar and the Pound Sterling, on both revenue and purchase contracts. The Company is also exposed to foreign currency risk on the net assets of its foreign operations.

As at September 30, 2021, the Company had Canadian dollar foreign exchange forward purchase contracts for \$4.0 (December 31, 2020: \$10). As at September 30, 2021 the Company did not have any Canadian dollar foreign exchange forward sales contracts (December 31, 2020: \$0.4).

15. Share Capital

Authorized:

The authorized share capital of the Company consists of an unlimited number of common shares.

Pre-IPO share consolidation

Immediately prior to the closing of the IPO, all of the Company's issued and outstanding common shares were consolidated on a six-to-one basis. The number of common shares are presented on a post-share consolidation basis.

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Issued and outstanding:

	Number of common shares	Amount
Common shares issued at April 8, 2020	80,620,000	\$ 479.7
Issuance of common shares	115,983	0.7
As at December 31, 2020	80,735,983	\$ 480.4
Issuance to private investor and employees (a)	5,098,416	30.6
IPO, issuance of common shares net of issuance costs and tax (b)	28,571,500	382.4
Exercise of over-allotment option (c)	4,285,725	57.3
As at September 30, 2021	118,691,624	\$ 950.7

(a) Issuance to private investor and employees

In the first quarter ended March 31, 2021, the Company issued 5,000,000 common shares for a subscription price of \$30.0 to a private investor and 98,416 common shares with a value of \$0.6 to employees.

(b) Initial Public Offering (IPO)

On April 7, 2021, the Company completed its IPO and issued 28,571,500 common shares at \$14 per share for total gross proceeds of \$400.0. Share issuance costs amounted to \$24.0 resulting in net cash proceeds of \$376.0. The Company also recognized an income tax recovery of \$6.4 on the share issuance costs resulting in net share capital increase of \$382.4.

(c) Exercise of over-allotment option

Following the close of the offering, on April 14, 2021 the over-allotment option granted to the underwriters to purchase up to an additional 4,285,725 common shares at a price of \$14.00 per common share was exercised in full, generating additional gross proceeds to the Company of \$60.0. Share issuance costs amounted to \$3.7 resulting in net cash proceeds of \$56.3. The Company also recognized an income tax recovery of \$1.0 on the share issuance costs resulting in net share capital increase of \$57.3.

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16. Earnings (loss) per share

The following table reflects the net income (loss) and share data used in the basic and diluted earnings (loss) per share calculations:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
Net income (loss)	\$ 4.0	\$ (1.9)	\$ 2.3	\$ (4.7)
Weighted average shares outstanding – basic	118,691,624	80,634,307	106,137,609	80,627,554
Adjustments for:				
Employee stock options	9,253,509	—	7,082,428	—
Trustee shares	547,296	—	358,850	—
Weighted average shares outstanding – diluted	128,492,429	80,634,307	113,578,887	80,627,554
Basic earnings (loss) per share	\$ 0.03	\$ (0.02)	\$ 0.02	\$ (0.06)
Diluted earnings (loss) per share	0.03	(0.02)	0.02	(0.06)

17. Government assistance

(a) Investment tax credits

For the three and nine months ended September 30, 2021, the Company recognized investment tax credits of \$4.1 and \$13.3 (three months ended September 30, 2020 – \$4.2, from April 8, 2020 to September 30, 2020 – \$9.4) as a reduction of cost of materials, labour, and subcontractors on the consolidated statement of operations and comprehensive income (loss) of which \$2.3 related to expenses incurred in prior years. As at September 30, 2021, the Company has investment tax credits of approximately \$54.1 available to offset future Canadian Federal and Provincial income taxes payable which expire between 2025 and 2039. Investment tax credits are only recognized in the financial statements when the recognition criteria have been met as described in note 3 of Company's annual consolidated financial statements as at December 31, 2020.

(b) Government grants

(i) Technology Demonstration Program:

On May 5, 2016, the Company was awarded a contribution agreement valued at \$54.0 by Innovation, Science and Economic Development under the Technology Demonstration Program ("TDP"). The TDP program contributes funding towards large-scale research and development projects that typically require the integration of several different technologies and the coordination of activities of many partners. The Company will coordinate with a team of Canadian partners, both in industry and academia, to develop innovative technology for space communications and space surveillance. Under the agreement, the Company and its partners can claim 50% of eligible costs up to \$108.0 for the period August 12, 2014 through to March 31, 2022. Of this total, the Company is eligible to receive a maximum contribution of \$31.5 based on 50% of eligible costs up to \$63.0. During the three and nine months ended September 30, 2021, the Company recorded a recovery against direct costs, selling, general and

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administration of \$nil and \$0.2 (three months ended September 30, 2020 – \$0.2, from April 8, 2020 to September 30, 2020 – \$1.5) for its portion of 50% of eligible costs incurred. For the three and nine months ended September 30, 2021, the Company received proceeds of \$0.1 and \$0.6 (three months ended September 30, 2020 – \$1.2, from April 8, 2020 to September 30, 2020 – \$1.2) in respect of its claim for 50% of eligible expenditures.

(ii) CEWS:

In response to the Covid-19 pandemic, the Government of Canada offered employers a wage subsidy to assist in retaining employees throughout the pandemic. For the three and nine months ended September 30, 2021, the Company recognized \$9.1 and \$24.0 (three months ended September 30, 2020 – \$4.9, from April 8, 2020 to September 30, 2020 – \$27.0) of government grant income related to CEWS from the Canadian government, of which \$8.8 is receivable as at September 30, 2021.

(iii) Next Generation Manufacturing Canada (“NGen”):

In December 2020, the Company entered into a contribution agreement for a maximum of \$5.0. NGen is dedicated to building up next generation manufacturing capabilities and promoting collaboration in advanced manufacturing and innovation by strengthening linkages across industry, academia and research institutes in Canada. The Company will coordinate with a team of Canadian partners to develop advanced manufacturing for highly adaptive manufacturing environments. Under the agreement, the Company and its partners can claim 44.4% of eligible costs up to \$11.3 for the period January 1, 2021 through to March 21, 2023. Out of this total, the Company is eligible to receive a maximum contribution of \$3.4 based on 44.4% of eligible costs up to \$7.7 and so far, has received proceeds of \$0.8. For the three and nine months ended September 30, 2021, the Company received proceeds of \$0.5 and \$0.5 (three months ended September 30, 2020 – \$nil, from April 8, 2020 to September 30, 2020 – \$nil) in respect of its claim for 44.4% of eligible expenditures.

18. Related party transactions

The below table provides the total amount of transactions that have been entered into with related parties along with their relationship.

Compensation of key management personnel

The remuneration of key management personnel consisted of salaries, short-term benefits and share-based compensation expense. During the three and nine months ended September 30, 2021, the compensation for key management personnel are summarized below:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	April 8, 2020 to September 30, 2020
Short-term and post-employment benefits	\$ 1.7	\$ 3.8	\$ 6.3	\$ 5.7
Termination benefits	—	1.7	—	4.5
Share-based compensation expense	1.6	—	7.0	—
Total key management personnel compensation	\$ 3.3	\$ 5.5	\$ 13.3	\$ 10.2

19. Contingencies and commitments

(a) As of September 30, 2021, the Company had commitments of \$14.0 (December 31, 2020: \$4.7) relating to purchase of property, plant and equipment, and intangible assets.

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- (b) The Company enters into agreements in the ordinary course of business with resellers and others. Most of these agreements require the Company to indemnify the other party against third-party claims alleging that one of its products infringes or misappropriates a patent, copyright, trademark, trade secret or other intellectual property right. Certain of these agreements require the Company to indemnify the other party against claims relating to property damage, personal injury or acts or omissions by the Company, its employees, agents or representatives.
- (c) From time to time, the Company has made guarantees regarding the performance of its systems to its customers. Some of these agreements do not limit the maximum potential future payments the Company could be obligated to make. The Company evaluates and estimates potential losses from such indemnification based on the likelihood that the future event will occur. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any liabilities related to such indemnification and guarantees in the combined financial statements.
- (d) The Company has entered into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to entering into contracts for its products and services from certain customers in foreign countries. These agreements are designed to return economic value to the foreign country and may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training and other consulting support to in-country projects. These agreements may provide for penalties in the event the Company fails to perform in accordance with offset requirements. The Company has historically not been required to pay any such penalties.
- (e) The Company is a party to various other legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company analyzes all legal proceedings and the allegations therein. The outcome of any of these other proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

20. Changes to classification

Certain comparative amounts for the prior period have been reclassified to conform to current period presentation on the condensed statement of financial position and condensed consolidated statement of operations and comprehensive income (loss). Such reclassifications had no effect on shareholders' equity.