



MDA LTD.

Management's Discussion and Analysis

For the Second Quarters and Six Months Ended
June 30, 2022 and 2021

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Management's Discussion and Analysis

August 12, 2022

The following Management's Discussion and Analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition of MDA Ltd. (the "Company", "we", or "MDA") as at June 30, 2022 and its consolidated operating results for the second quarters and six months ended June 30, 2022 and 2021. The MD&A is current to August 12, 2022. The MD&A should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the Company's unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2022 and 2021 (the "Q2 2022 Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2021 and 2020 ("2021 Audited Financial Statements") filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. All dollar amounts are expressed in Canadian Dollars ("CAD") except where otherwise specified and all numbers are in millions, unless otherwise specified or for per share amounts or ratios. References to "Q2 2022" or "this quarter" are to the fiscal quarter ended June 30, 2022 and references to "Q2 2021" are to the fiscal quarter ended June 30, 2021.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information with respect to the Company's objectives and strategies to achieve these objectives, as well as information with respect to the Company's beliefs, plans, expectations, anticipations, estimates, intentions and views of future events. Discussions containing forward-looking information may be found, among other places, under the headings "Industry Trends", "Outlook", "Growth Strategies" and "Financial Overview" in this MD&A. In some cases, forward-looking information can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking information. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts. The Company has based the forward-looking information on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs.

Statements containing forward-looking information are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. These assumptions include, among others, our ability to maintain and expand the scope of our business; our ability to execute on our growth strategies; assumptions relating to government support and funding levels for space programs and missions; continued and accelerated growth in the global space economy; the impact of competition; our ability to retain key personnel; our ability to obtain and maintain existing financing on acceptable terms; changes and trends in our industry or the global economy; currency exchange and interest rates; and changes in laws, rules, regulations.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with the forward-looking information. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors. For additional information with respect to certain of these risks or factors, reference should be made to those described in this MD&A and to the 2021 Audited Financial Statements, together with those described and listed under the heading "Risk Factors" in the Company's Annual Information Form (AIF) available on SEDAR at www.sedar.com which are incorporated by reference into this MD&A.

The Company cautions investors that statements containing forward-looking information are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking information contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking information contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on the forward-looking information. Any forward-looking information that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking information or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, the measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including EBITDA, Adjusted EBITDA, Order Bookings, and Net Debt to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss) before: i) depreciation of property, plant and equipment and amortization of intangible assets, ii) provision for (recovery of) income taxes, and iii) finance costs. Adjusted EBITDA is a supplemental measure used by management and other users of our financial statements including our lenders and investors, to assess the financial performance of our business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses to assess the impact of potential strategic investing or financing opportunities. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is used by financial institutions to measure borrowing capacity.

Adjusted EBITDA is calculated by adding and deducting, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including i) unrealized foreign exchange gain or loss ii) unrealized gain or loss on financial instruments and iii) share-based compensation expenses, and iv) other items that may arise from time to time. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis reflecting factors and trends affecting our business. Adjusted EBITDA is not an IFRS measure.

Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue. We use Adjusted EBITDA margin to facilitate a comparison of the operating performance on a consistent basis reflecting factors and trends affecting our business.

For a reconciliation of Adjusted EBITDA to the most directly comparable measure calculated in accordance with IFRS see the section entitled “Reconciliation of Non-IFRS Measures”.

Order Bookings

Order Bookings is the dollar sum of contract values of firm customer contracts. Order Bookings is indicative of firm future revenues; however, it does not provide a guarantee of future net income and provides no information about the timing of future revenue.

Net Debt

Net Debt is the total carrying amount of long-term debt, as presented in the Q2 2022 Financial Statements, less cash. Net Debt is a liquidity metric used to determine how well the Company can pay all of its debts if they were due immediately.

COMPANY OVERVIEW

We are an advanced technology and service provider to the burgeoning global space industry and play a critical role in enabling space-based connectivity, enhanced earth observation and exploration and habitation of space. With world-class engineering capabilities, space mission expertise, and a portfolio of cutting-edge, next generation space technologies, we are the partner of choice for government agencies, prime contractors, and emerging space companies worldwide.

Today we employ over 2,500 staff spread across Canada, the UK, and the USA. We are differentiated by factors including our long track record of success and innovation in space; our profitable operations; the breadth of our customer relationships; our experienced team of engineers averaging over 9 years of tenure with the Company; some of the highest quality equipment and resources in the industry; and MDA's world class portfolio of successful projects, technologies, and patents.

Through our three business areas, **Geointelligence, Robotics & Space Operations**, and **Satellite Systems**, we serve nearly every sector of the rapidly growing space economy, with mission expertise and technology tailored to new space applications.

In **Geointelligence**, we provide end-to-end solutions and services related to Earth Observation (EO) and defence intelligence systems. We use satellite-generated imagery and analytic services to deliver critical and value-added insights for a wide range of use cases, including in the areas of national security, climate change monitoring, and maritime surveillance. We own and operate worldwide commercial data distribution for MDA's own satellite (RADARSAT-2) and act as a distributor for many other third party missions. We also derive revenue from products and services related to defence intelligence systems.

In **Robotics & Space Operations**, we enable humanity's exploration of space by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our innovative technologies are used for exploration mobility, space manipulation, control and autonomy, perception, robotic interfaces, vision and landing sensor systems, and on-orbit servicing.

In **Satellite Systems**, we provide systems and subsystems (including antennas, payloads and electronics) used in LEO (low earth orbit), MEO (medium earth orbit), and GEO (geosynchronous orbit) satellites for commercial and government customers worldwide. Our robotics based manufacturing environment enables us to offer high volume production capabilities for satellite constellations. Our solutions enable space-based services, including next generation communication technologies designed to deliver broadband Internet connectivity from LEO satellite constellations.

Our focus on technological innovation, coupled with mission-tested solutions has contributed to many of humanity's landmark achievements in space, and we expect to continue to play a major role in leading the space industry into the future.

COMPETITIVE STRENGTHS

As a leader in the space economy with a proven track record, we are well positioned to provide innovative, mission critical solutions to a wide range of customers. Our key competitive strengths include:

Full Mission Expertise and Advanced Technologies Tailored for the New Space Economy

We provide a cutting edge, end-to-end offering of technologies and solutions in each of our business areas. This differentiated full mission expertise enables us to deliver a seamless solution to customers in the fast-paced new space economy.

- In Geointelligence, we own and operate one of the world's most technologically sophisticated, taskable wide area SAR satellites (RADARSAT-2) and have developed one of the world's largest multi-sensor

ground station networks. Our ability to provide actionable information in near real-time through this integrated solution offering differentiates us from competitors who lack a fully integrated solution.

- In Robotics & Space Operations, we possess industry leading and end-to-end technological capabilities underscored by a rich patent portfolio and extensive on-orbit operational expertise. These technological capabilities enable us to provide mission critical solutions for advanced space applications including space station operations, on-orbit servicing, in-space manufacturing and assembly, space tourism, and space mining.
- In Satellite Systems, we have high volume assembly, integration, and testing facilities with differentiated technologies and expertise across the full spectrum of electromagnetic bands. These facilities, technologies, and expertise enable us to deliver customized solutions and aftermarket and replacement services at a pace that we believe is faster than our competitors. They are also critical in enabling us to address next generation space-based missions for broadband communications, IoT (Internet of Things) applications and 5G mobile services.

Many of our competitors possess expertise for a portion of a mission, but lack full end-to-end capabilities. Emerging space companies with new business models seek out MDA as a development partner because our technology and solutions offerings seamlessly enable their mission from early engineering, construction, and launch to servicing and replacement.

Scalable Organizational Infrastructure

Our organizational structure and entrepreneurial culture enable us to respond rapidly to customer needs and market trends across all our business areas. We have significant scale with over 500,000 square feet of design, laboratories, manufacturing, and test facilities and the support of a supply chain of over 500 proven contractors. This provides us with the engineering capabilities necessary to deliver on large and complex missions, in a way that smaller emerging space companies may be unable to manage. The combination of our agility and scale positions us to service both emerging space companies that require fast and cost-efficient solutions as well as large commercial and government customers that require customization and high volume capabilities.

Trusted Partner with a Strong Track Record of Execution

Our reputation and track record for delivering mission critical solutions provides customers with confidence that we will enable the successful completion of their mission. The confidence we instill in our customers drives new business wins, and represents a powerful advantage that would take years for less experienced competitors to develop. Our reputational advantage is illustrated by our work for OneWeb on its 648 satellite LEO constellation. OneWeb sought out our assistance to develop the design requirements and then manufacture the components for their constellation due to our exemplary performance on the O3B communications constellation we completed for SES.

GROWTH STRATEGIES

We are executing on specific growth strategies and leveraging our competitive strengths to capitalize on the fastest growing areas of the space economy. To maximize our growth opportunities, we are investing in research and development, manufacturing, product development, and in scaling the business. Our primary strategic initiatives include:

- **Expanding Market Leadership in Geointelligence** – we are currently developing our next industry leading EO mission named CHORUS that is expected to provide the broadest SAR area coverage on the market with cloud-enabled ground infrastructure to provide best in class download times. The mission is expected to also include a trailing high-resolution X-band SAR satellite which enhances target monitoring performance and unlocks new use cases, including tipping and cueing techniques that allow MDA's leading broad area sensor to monitor an area of interest (the "tip") and to zoom in on the objects of interest (the "cue") using the trailing high-resolution sensor;

- **Deepening Constellation Market Share** – we are expanding our high volume production capacity by investing in new satellite manufacturing facilities and modernizing existing facilities with state-of-the-art digital capability to enable us to better service the expanding LEO satellite market. In addition to supporting high volume requirements, these modernized and scaled capabilities give us the capacity to capture incremental aftermarket and replacement services revenues, driven by the short lifespan of LEO satellites;
- **Developing Digital Solutions for Satellite Communications Industry** – we are further developing our digital satellite technologies to support the transition from analog to digital payloads for LEO, MEO and GEO satellites by providing customized digital payload solutions for specific applications, including 5G backhaul and rural broadband. This will enable us to offer critical solutions to satellite operators and to other manufacturers that lack digital payload capabilities;
- **Maximizing Robotics & Space Mission Participation** – we are investing to maintain our global leadership in space robotics and exploration mission solutions and leveraging our technologies and capabilities for emerging commercial on-orbit servicing applications. We intend to develop a portfolio of pre-qualified and multipurpose space robotics components, including sensors, autonomous robotics, and space manipulators to be used in debris removal, on-orbit satellite servicing, and in-space assembly applications; and
- **Utilizing Strategic M&A to Complement Organic Growth** – we are continuously evaluating acquisition opportunities that can complement our organic growth strategy and enhance our offering. Our M&A strategy has three pillars: (i) deepen existing capabilities and our domain expertise; (ii) accelerate our technology roadmap to support strategic initiatives and our expansion into market adjacencies; and (iii) deepen and expand our presence in international geographies to access new market sectors and customers.

BUSINESS AREAS

We sell our products and services into three end markets which include Geointelligence, Robotics & Space Operations and Satellite Systems. Below is a brief description of each business area.

GEOINTELLIGENCE

In Geointelligence, we provide end-to-end solutions and services related to EO and intelligence systems. We use satellite-generated imagery and data to deliver critical and value-added insights for a wide range of end uses, including in the areas of national security, climate change monitoring and global commerce.

Our EO business includes the collection, processing and dissemination of Earth imagery data from space. As the operator and owner of global commercial data distribution for the RADARSAT-2 satellite, we are one of the largest radar information providers worldwide. Our extensive data archive is comprised of approximately 90 billion square kilometers of Earth imagery data. We also distribute high resolution optical imagery and satellite-based Automatic Identification System (AIS) data from many other third party missions. Our imagery solutions provide customers with timely, accurate and mission-critical information about our changing planet and support a wide variety of uses and sectors, including defence and intelligence, energy and natural resources, industrials, agriculture and forestry, public authorities, services and weather.

We also provide geospatial services that combine imagery, contextual information, analytic expertise and innovative technology to deliver integrated intelligence solutions to customers. MDA provides analytic solutions that document change and enable geospatial modeling and analysis that is intended to predict where events will occur to help customers protect lives and make resource allocation decisions.

The largest market for our EO data and services is maritime surveillance. Government and commercial organizations rely on us for mission critical real-time data to track maritime activity, visualize maritime crime

patterns, identify and monitor illegal, unreported and unregulated fishing, track ice floes, shorelines and ocean winds, detect possible oil spills and monitor vessels. We have been a leading provider of these mission critical services for over 25 years and play an integral role in our customers' surveillance strategies.

Our end-to-end solutions include a full range of multi-satellite ground stations that receive, process, distribute, archive, and exploit imagery from RADARSAT-2 and other satellites. We have installed more than 70 receiving ground stations in more than 25 different countries, which process data from over 20 different satellites. The intelligence provided through our ground stations supports a broad range of applications, including national security, maritime transportation, urban development, land use, resource management, environmental monitoring, defence operations, law enforcement and mapping.

MDA also provides a number of defence information solutions, including command and control systems and airborne surveillance solutions. We are the original solution provider of many of these systems. The Company provides advanced aeronautical navigation information solutions that increase safety and efficiency of aircraft landings and departures, supporting the next generation of air traffic management. We also operate a long endurance unmanned aerial vehicle (UAV) surveillance service that provides real-time, multi-sensor intelligence to support critical operations.

We are currently developing CHORUS (formerly known as SARnext), a next-generation radar satellite system that will provide data continuity for RADARSAT-2 and is expected to enhance our EO solutions offering. CHORUS will fuse data from multiple sensors and will leverage artificial intelligence in order to manage larger volumes of data and provide enhanced analytics services. We also intend to launch our cloud-based ground station solution as part of our CHORUS offering. These expanded capabilities will grow our customer base and drive increased revenue from existing customers by providing additional services.

- **Key Program – Canadian Surface Combatant (CSC):** One of our key defence intelligence programs is our execution on the Canadian Surface Combatant project. We are designing and integrating the Electronic Warfare suite system for 15 Royal Canadian Navy warships. The ships are scheduled to be built over the next 20 years and are expected to serve the Royal Canadian Navy for decades. This program represents over \$1.5 billion of potential revenue for MDA. We plan to leverage the Canadian Surface Combatant's sensor, laser warning, and electronic system technologies to serve international defence customers as they upgrade their naval fleets over time.

ROBOTICS & SPACE OPERATIONS

In Robotics & Space Operations, we enable humanity's exploration of space by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our industry leading, end-to-end design and operations capabilities are critical for advanced space applications including space station operations, on-orbit servicing, manufacturing and assembly, space tourism and space mining.

Our products include: electro-optic and LiDAR sensors, robotic interfaces, robotic arms, tooling, robotic ground stations, vision and targeting systems, guidance/navigation/control subsystems, and rover locomotion subsystems.

Demand for space robotics and mission-support services is primarily driven by International Space Station (ISS) activities and lunar and deep space exploration. The increase in the number of satellites and other spacecraft is driving demand for emerging solutions in on-orbit servicing (e.g., the upgrade and repair, relocation and refueling of satellites in orbit) and manufacturing. We have a long history in space robotics, having developed the Canadarms for NASA's Space Shuttle program, and Canadarm2, which is currently in service on the ISS. We have provided robotics on over 100 space shuttle missions and sensors, which supported 49 space shuttle and ISS missions, and have supported Canadarm, Canadarm2 and Dextre (a space robotic system also known as the Special Purpose Dexterous Manipulator) operations on the ISS for the past 20 years.

We designed and built Orbital Express, the robotics system that enabled the world's first autonomous on-orbit servicing demonstration and have developed full interface solutions for on-orbit refueling for most western nation

satellites in GEO. We are now engaging in future missions for on-orbit assembly where our technology and on-orbit experience provide the foundation to deliver innovative solutions for space infrastructure assembly and maintenance, including the autonomous construction of human habitats in space.

Our LiDAR sensors are critical to rendezvous, docking, inspection, and landing activities as part of on-orbit and planetary missions. These sensors are used today to dock spacecraft with the ISS and next generation versions will be used to land spacecraft on the Moon and Mars. Our sensors and robotics, including the ExoMars Rover, the Phoenix Lander and the Curiosity Rover, have been operational on Mars for over 12 years. We built the LiDAR instrument for the OSIRIS-Rex mission that completed the world's first 3D scan of an asteroid from an orbiting spacecraft.

We also develop commercial space robotic solutions that serve the needs of the new space market. Our products and services support logistics delivery, satellite servicing, debris removal, relocation of assets and infrastructure maintenance. We have developed integrated space robotic systems, technologies, interfaces, tools, operational techniques, and control algorithms to enable the commercial space opportunity of on-orbit servicing using strategic intellectual property developed through years of R&D activities.

- **Key Program – Canadarm3:** Canadarm3, the third generation robotic technology developed by MDA, will be designed and built over a five-year period and is expected to generate \$1.4 billion of potential total revenue to the Company, including 15 years of ongoing service and support revenue. This advanced AI-enabled robotic system will be highly-autonomous, allowing the robotic elements to perform operations and make decisions during long periods when there is no contact with the Canada-based ground control operations centre. We also plan to commercialize our Canadarm3 robotic arm capabilities for applications in the growing on-orbit servicing and in-space manufacturing and assembly markets.

SATELLITE SYSTEMS

In Satellite Systems, we provide components and spacecraft to enable space-based services, including next generation communication technologies that will deliver space-based broadband Internet connectivity from LEO satellite constellations and solutions across the full communication frequency band.

We are a prime contractor and a supplier of satellite systems and sub-systems used in LEO, MEO and GEO satellites for commercial and government customers worldwide, including antennas, electronics and payloads. Our antenna products include L-band arrays, C and Ku reflector antennas, Ka band multi-beam antennas, steerable antennas, and LEO/MEO constellation antennas. Our electronics products include command and control, onboard signal processing, single board computers, frequency generation, frequency convertors, amplifiers, and power conditioners. Our payload products and services include communication payload design, manufacturing, integration and verification solutions for customers.

Payloads are the core business functionality of a satellite. For example, in an EO satellite, the payload is its cameras or radar system that will observe the Earth. In a communications satellite, the payload is its communication solution. The payload enables the satellite to fulfill its objectives. MDA delivers full payload systems, together with antennas and electronic products, and provides engineering support and services in connection with the integration and operation of the satellite.

We have provided satellite subsystems to enable next generation communication constellations such as O3B, Iridium Next, and OneWeb. To support our customers, MDA has continually adapted its satellite manufacturing base, which now includes fourth generation robotics-based technologies capable of manufacturing dozens of small satellites and satellite sub-systems each month. MDA technology has been integrated into more than 350 satellite missions to date, with more than 2,000 antenna subsystems and 3,000 electronic subsystems on approximately 850 satellites currently in orbit.

We have high-volume production capability for large satellite constellations. Our Satellite Systems facility in Sainte-Anne-de-Bellevue, Quebec, contains one of the largest compact ranges for satellite testing in the world, one of the largest near field ranges in the world, a wide range of thermal, environmental, PIM, and vibration test

facilities, and a recently established fourth generation manufacturing environment employing robotic assembly to produce high volume LEO satellite systems.

We are also developing a range of digital payload components (e.g., channelizer, on-board processor, active antennas) to address the industry transition from analog satellites to digital satellites. MDA has a proven Software Defined Radio (SDR) capability for space based communication solutions, with current contracts including the Power and Propulsion Element (PPE) module on the Lunar Gateway.

- **Key Program – Globalstar LEO Constellation Expansion:** In February 2022, Globalstar Inc. (Globalstar) announced that MDA has been selected as the prime contractor for Globalstar’s new LEO satellites. Globalstar is a leading provider of Mobile Satellite Services including customizable satellite IoT solutions for individuals and businesses globally. The contract, valued at \$327 million USD (~\$415 million CAD) includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites. The satellites built by MDA will integrate with Globalstar’s existing constellation, ensuring service continuity for Globalstar customers.
- **Program Update – Telesat Lightspeed:** In February 2021, Telesat announced that MDA has been selected for a major role on its upcoming Telesat Lightspeed LEO constellation program. MDA will develop the Direct Radiating Array (DRA). Additionally, we are in discussions to provide Telesat with gateway antennas as well as spacecraft assembly, integration and test (AI&T) services for its initial LEO satellites. The work scope to conduct AI&T or final assembly of these satellites will enable MDA to produce one satellite per day, a new global benchmark for high performance satellite production. Telesat is expected to build and launch these satellites over the next five years, which represents an estimated \$800 million of potential revenue to MDA. In November 2021, Telesat announced delays to the Lightspeed program resulting from supply chain disruptions and has subsequently revised the initial constellation size to 198 LEO satellites from 298 to fit the original capital expenditure envelope. On August 5, 2022, Telesat further disclosed that it continues to work with its suppliers and lenders to advance the program, with the start date for the program uncertain at this point. Given the delays versus MDA’s expectations of an early Q3 2022 start date for Telesat Lightspeed, we have revised our fiscal 2022 outlook to reflect these latest developments.

INDUSTRY TRENDS

Key industry trends that directly influence our business are summarized below.

New Space Business Opportunities Are Increasing

2021 marked a record year for investment in the space industry, with \$14.5 billion invested in commercial space infrastructure companies, a 50% increase compared to 2020. Additionally, numerous government programs have recently been established in countries such as Canada, the United States, France, the United Kingdom, Australia, New Zealand, and across the European Union to invest in space start-ups and create early-stage contracting opportunities. As space becomes more accessible and capital investment in space companies is increasing, the opportunity set for MDA is expanding. Our Geointelligence business activity increasingly involves engagement with EO start-up companies, providing the opportunity for MDA to offer RADARSAT-2 satellite imagery and analytic services through additional channels for advanced analytics and to partner with other satellite operators to obtain a greater range of source data for our analytics products and services. Our Robotics & Space Operations business is now engaged with multiple parties to provide advanced sensors to their spacecraft and lunar landing systems, as well as to provide robotics to commercial space stations and space tourism and on-orbit servicing spacecraft. Our Satellite Systems business is responding to multiple requests for communication satellite solutions for a growing number of commercial constellation projects. We see this specifically in key program wins such as the Globalstar LEO constellation program.

Government Agencies are Seeking Increased Commercial Collaboration

The growing commercial space economy has resulted in government customers, including civilian space agencies and defence departments, seeking commercial collaboration in business activities. MDA has responded, and continues to respond, to several future government initiatives regarding co-investment by industry, and/or an industry services model to provide EO as-a-service, on-orbit robotics operations as-a-service, and space based communications as-a-service. We see this on Government of Canada engagements on projects such as the Earth Observation Service Continuity (EOSC) program, Defence Enhanced Surveillance from Space program (DESSP), the Enhanced Satellite Communication Project - Polar, and Canadarm3.

The Pace and Density of Space Missions are Increasing

The intensity of new business development is rapidly increasing across MDA. Government agencies have increased demand for space-based initiatives for EO, space exploration, and space based communication, while commercial customers are exhibiting similar needs as they obtain record levels of financing. MDA is focused on staffing, financing new business development efforts and increasing the scale of the overall business in order to maximize our position in this growing market with increasing product and services volumes.

QUARTERLY HIGHLIGHTS

In Q2 2022, notable commercial activity included the following:

- Our Satellite Systems business was awarded a contract from Lockheed Martin as part of the Space Development Agency (SDA) Tranche 1 Transport Layer (T1TL) program, where MDA will design and build antennas and antenna control electronics for the 42 low Earth orbit (LEO) satellites to be produced by Lockheed Martin as part of SDA's T1TL constellation. The work is expected to be completed over the next 24 months.
- Our Robotics & Space Operations business completed its first commercial sale of its Canadarm3 technology to Axiom Space. The contract is for the delivery of 32 external robotic interfaces for Axiom Space's Axiom Station which is now under construction and on schedule to be the world's first commercial space station in orbit. The MDA technology destined for Axiom Station includes commercial variants of Canadarm3 interfaces destined for the Artemis Gateway, providing opportunities for efficiencies for commercial users that will help to enable a sustainable and competitive marketplace in space.
- MDA announced collaboration with Lockheed Martin and General Motors to integrate MDA's commercial robotic arm technology on their planned human-rated lunar mobility vehicles. The addition of MDA to the industrial lunar vehicle development team follows the announcement of a teaming agreement by Lockheed Martin and General Motors in 2021. NASA's Artemis program is currently scheduled to send humans back to the surface of the Moon in 2025 where they will explore and conduct scientific experiments using a variety of vehicles. The rovers would be permanently stationed on the surface of the Moon where they would be available for use by private and space agency astronauts.

DEBT REFINANCING

On May 5, 2022, the Company exercised its option to redeem all amounts outstanding under the second lien notes (bearing interest at 10% per annum). On redemption, the Company paid in cash the principal amount of \$150.0 million, accrued interest of \$1.2 million and a redemption premium of \$7.5 million due on exercise of its early redemption rights. Concurrently, the Company completed the refinancing of its senior revolving credit facility. The revolving credit facility was increased from \$428.3 million to \$600.0 million and the reducing feature of the available borrowing capacity was eliminated. The maturity date of the revolving credit facility was extended from April 8, 2025 to May 4, 2027. Drawings under the revolving credit facility and available excess cash were used to redeem the second lien notes. The refinancing of our debt facilities, which was strongly supported by our lenders, offers more favourable pricing and increases our borrowing flexibility while preserving sufficient liquidity to fund future growth.

The refinancing transactions triggered the recognition of \$21.1 million of finance costs in the second quarter of 2022. These non-recurring costs are summarized below.

Redemption premium paid on exercise of early redemption rights of second lien notes	\$	7.5 million
Upfront fees paid to refinance revolving credit facility		1.4 million
Non-cash expenses:		
Write-off of pre-existing deferred financing costs		9.4 million
Derecognition of redemption option derivative asset associated with second lien notes		2.8 million
	\$	21.1 million

FINANCIAL OVERVIEW

KEY INDICATORS SUMMARY

<i>(in millions of Canadian dollars, except for ratios)</i>	Second Quarters Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues	\$ 154.7	\$ 126.7	\$ 283.1	\$ 250.1
Gross profit	\$ 51.4	\$ 44.6	\$ 113.1	\$ 83.0
Gross margin	33.2%	35.2%	40.0%	33.2%
EBITDA ⁽¹⁾	\$ 31.3	\$ 37.1	\$ 66.9	\$ 66.6
Adjusted EBITDA ⁽¹⁾	\$ 34.7	\$ 39.4	\$ 79.2	\$ 78.5
Adjusted EBITDA margin	22.4%	31.1%	28.0%	31.4%

As at

<i>(in millions of Canadian dollars, except for ratios)</i>	June 30, 2022	December 31, 2021
Backlog	\$ 1,520.8	\$ 864.3
Net debt ⁽¹⁾ to Adjusted TTM ⁽²⁾ EBITDA ratio	1.2x	0.4x

⁽¹⁾ As defined in the 'Non-IFRS Financial Measures' section

⁽²⁾ TTM: trailing twelve months

REVENUES BY BUSINESS AREA

<i>(in millions of Canadian dollars)</i>	Second Quarters Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Geointelligence	\$ 47.0	\$ 48.2	\$ 95.9	\$ 97.2
Robotics & Space Operations	48.8	35.6	91.2	69.9
Satellite Systems	58.9	42.9	96.0	83.0
Consolidated revenues	\$ 154.7	\$ 126.7	\$ 283.1	\$ 250.1

Revenues

Consolidated revenues for the second quarter of 2022 were \$154.7 million, representing an increase of \$28.0 million (or 22.1%) compared to the second quarter of 2021 driven by higher revenues in our Robotics & Space Operations and Satellite Systems businesses.

By business area, Q2 2022 revenues in Geointelligence of \$47.0 million were largely in line with revenues of \$48.2 million in Q2 2021, reflecting steady work volume. Revenues in Robotics & Space Operations of \$48.8 million in Q2 2022 represents a \$13.2 million (or 37.1%) increase year over year, primarily driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems of \$58.9 million in the latest quarter were \$16.0 million (or 37.3%) higher compared to the same quarter in 2021. The revenue increase was driven by higher work volume as new programs ramp up including the Globalstar program which was awarded in Q1 2022.

For the six months ended June 30, 2022, consolidated revenues were \$283.1 million which were \$33.0 million (or 13.2%) higher than the same period in 2021. The increase in revenues was primarily driven by execution on our opening backlog as well as orders added to backlog in 2022, primarily in our Robotics & Space Operations and Satellite Systems businesses.

By business area, consolidated year to date revenues in Geointelligence of \$95.9 million were largely in line with revenues of \$97.2 million over the same period in 2021. Year to date revenues in Robotics & Space Operations of \$91.2 million in Q2 2022 represents a \$21.3 million (or 30.5%) increase year over year, largely driven by the ramp up of work performed on the Canadarm3 program since the beginning of 2022. Year to date revenues in Satellite Systems of \$96.0 million was \$13.0 million (or 15.7%) higher compared to the same period in 2021 driven by higher volumes on new programs including the Globalstar program.

Gross Profit and Gross Margin

Gross profit reflects our revenues less cost of revenues. Second quarter 2022 gross profit of \$51.4 million represents a \$6.8 million (or 15.2%) increase over 2021, primarily driven by higher work volume year over year. Gross margin in Q2 2022 was 33.2% compared to 35.2% for the same period in 2021 as a result of the Company's evolving program mix.

For the six months ended June 30, 2022, gross profit of \$113.1 million represents a \$30.1 million (or 36.3%) increase over 2021. The increase is driven by higher work volume year over year coupled with higher Investment Tax Credits (ITCs) income recognized which contributed to \$22.4 million of the increase. Of the higher ITC income recognized in 2022, \$16.8 million relates to a resolution of historical claims. These ITCs originated from prior years but were not recognized previously due to the uncertainty around the eligibility of the related costs. Year to date gross margin of 40.0% represents a 676 bps improvement compared to 2021. The improvement is largely driven by the aforementioned \$16.8 million resolution of historical ITC claims. Excluding the impact of these ITCs, year to date gross margin was 34.0% in 2022, largely in line with year to date gross margin of 33.2% in 2021.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the second quarter of 2022 was \$34.7 million compared to \$39.4 million in Q2 2021, representing a decrease of \$4.7 million (or 11.9%) year over year. Adjusted EBITDA margin declined to 22.4% in Q2 2022 from 31.1% in Q2 2021. The decrease in adjusted EBITDA margin is primarily attributable to the elimination of government grant income related to Canada Emergency Wage Subsidy (CEWS) in 2022. In the second quarter of 2022, no CEWS amount was recognized compared to \$4.8 million which was recognized in Q2 2021.

Excluding the impact of CEWS income contribution, adjusted EBITDA in Q2 2022 of \$34.7 million is comparable to adjusted EBITDA of \$34.6 million in Q2 2021. Adjusted EBITDA margin declined to 22.4% in Q2 2022 from 27.3% in Q2 2021, primarily resulting from higher R&D expenses on CHORUS and other technological developments incurred during the quarter.

For the six months ended June 30, 2022, adjusted EBITDA was \$79.2 million which was \$0.7 million (or 0.9%) higher than the same period in 2021. Adjusted EBITDA for this period in 2022 included \$16.8 million of ITC income from the aforementioned resolution of historical claims, while adjusted EBITDA in 2021 included \$14.9 million of CEWS income.

Excluding the impact of the ITCs claims resolution in 2022 and the CEWS income contribution in 2021, adjusted EBITDA declined to \$62.4 million in 2022 from \$63.6 million. The decrease of \$1.2 million is primarily the net effect of an improvement in gross profit of \$13.3 million (exclusive of the impact of the historical claims resolution in Q1 2022) offset by increased R&D expenses of \$11.9 million and increased SG&A expenses of \$2.0 million. Year to date adjusted EBITDA margin declined to 22.0% in 2022 from 25.4% in 2021, primarily resulting from higher R&D expenses incurred.

Adjusted EBITDA, excluding CEWS income and historical ITCs claims resolution, is summarized below.

<i>(in millions of Canadian dollars)</i>	Second Quarters Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Adjusted EBITDA	\$ 34.7	\$ 39.4	\$ 79.2	\$ 78.5
CEWS income	—	(4.8)	—	(14.9)
ITCs claims resolution	—	—	(16.8)	—
Adjusted EBITDA, excluding CEWS and ITCs claims resolution	\$ 34.7	\$ 34.6	\$ 62.4	\$ 63.6
Adjusted EBITDA margin, excluding CEWS and ITCs claims resolution	22.4%	27.3%	22.0%	25.4%

Backlog

Backlog as at June 30, 2022 was \$1,520.8 million, an increase of \$656.5 million compared to the backlog at December 31, 2021. The following table shows the build up of backlog for Q2 and the six months ended June 30, 2022 as compared to the same periods in 2021.

<i>(in millions of Canadian dollars)</i>	Second Quarters Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Opening Backlog	\$ 1,516.8	\$ 684.7	\$ 864.3	\$ 562.5
Less: Revenue recognized	(154.7)	(126.7)	(283.1)	(250.1)
Add: Order Bookings	158.7	82.0	939.6	327.6
Ending Backlog	\$ 1,520.8	\$ 640.0	\$ 1,520.8	\$ 640.0

2022 FINANCIAL OUTLOOK

As a leading space technology provider, we are leveraging our capabilities and expertise to execute on targeted growth strategies across our end markets and business areas. Our strategic initiatives, which span across our three businesses, include expanding our share of the growing constellation market, leveraging our leading robotics technology platform to capitalize on emerging commercial opportunities, and further strengthening our positioning in geointelligence through the development of our CHORUS Earth observation constellation. We are making good progress against our long term plan.

Underlying customer and market investment in space continue to be strong and market activity remains robust. While our growth pipeline is significant and underpinned by existing contract awards of key programs and our book of business, clearly evident in our strong backlog, remains healthy, in the short term slower customer ramp-up primarily related to Telesat Lightspeed, the Canadian Surface Combatant (CSC) and Canadarm3, has had a corresponding impact on our 2022 revenue profile.

Regarding Telesat Lightspeed, which was initially scheduled to start in early 2022 and was subsequently delayed, MDA remains in active discussions with Telesat to support evolving program requirements. While we are confident in MDA's position and opportunity to support the program, given Telesat's recently revised timeline for Telesat Lightspeed and the uncertain start date of the program versus our expectations of an early Q3 2022 start, we have elected to remove the program from our fiscal 2022 outlook.

We also experienced slower ramp-up on two of our large government programs, CSC and Canadarm3. The timing of CSC is driven by the cadence of awards received by MDA. For Canadarm3, we experienced a slower than planned ramp-up, primarily as a result of government security requirements delaying the on-boarding of some sub-contractors; we believe that such on-boarding delays have now been largely resolved.

Consequently we are revising our 2022 revenue target to \$630 – \$650 million from \$750 – \$800 million previously; the revised revenue target represents year-over-year growth of approximately 30% – 35% reflecting continued execution on our backlog. Our 2022 adjusted EBITDA target is revised to \$120 – \$130 million (from \$140 – \$160 million previously), representing an adjusted EBITDA margin of 19% – 20%. The adjusted EBITDA forecast excludes the \$16.8 million amount reported in Q1 2022 related to the resolution of historical ITC claims.

We expect Q3 2022 revenues to grow by approximately 40% – 50% compared to Q3 2021 levels. We expect capital expenditures in 2022 to be \$180 – \$220 million, unchanged from our prior outlook, primarily comprising of growth investments to support CHORUS and the previously outlined growth initiatives across our business areas.

RESULTS OF OPERATIONS

<i>(in millions of Canadian dollars, except per share data)</i>	Second Quarters Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues	\$ 154.7	\$ 126.7	\$ 283.1	\$ 250.1
Materials, labour and subcontractors costs	(97.5)	(76.4)	(158.4)	(155.5)
Depreciation and amortization of assets	(5.8)	(5.7)	(11.6)	(11.6)
Gross profit	\$ 51.4	\$ 44.6	\$ 113.1	\$ 83.0
Operating expenses:				
Selling, general & administration	\$ (13.8)	\$ (12.0)	\$ (28.1)	\$ (26.1)
Research & development, net	(8.7)	(3.0)	(17.2)	(5.3)
Amortization of intangible assets	(12.9)	(14.8)	(26.9)	(28.4)
Share-based compensation	(1.4)	(3.7)	(3.0)	(7.3)
Operating income	\$ 14.6	\$ 11.1	\$ 37.9	\$ 15.9
Other income (expense)	(2.0)	5.5	(9.5)	10.7
Finance costs	(24.7)	(13.9)	(29.0)	(24.3)
Income (loss) before income taxes	\$ (12.1)	\$ 2.7	\$ (0.6)	\$ 2.3
Income tax recovery (expense)	3.3	(2.8)	0.2	(4.0)
Net loss	\$ (8.8)	\$ (0.1)	\$ (0.4)	\$ (1.7)
Basic loss per share	\$ (0.07)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Diluted loss per share	(0.07)	(0.00)	(0.00)	(0.02)

Revenues

Consolidated revenues for the second quarter of 2022 were \$154.7 million, representing an increase of \$28.0 million (or 22.1%) compared to the second quarter of 2021. For the six months ended June 30, 2022, consolidated revenues were \$283.1 million which were \$33.0 million (or 13.2%) higher than the same period in 2021. Please refer to 'Financial Overview' for a detailed discussion of revenue drivers for the second quarter and for the six months ended June 30, 2022.

Materials, labour and subcontractors costs

Materials, labour and subcontractor costs for the second quarter of 2022 were \$97.5 million, representing a \$21.1 million (or 27.6%) increase compared to the same quarter 2021. The increase is due to higher volume of work performed as we execute on our backlog.

On a year-to-date basis, materials, labour and subcontractor costs of \$158.4 million represents a \$2.9 million (or 1.9%) increase over 2021. The increase reflects higher volume of work performed during this period offset by \$16.8 million of ITC income recognized in Q1 2022 (as a result of a historical claims resolution). The Company's accounting policy is to recognize ITCs net of the related costs they are intended to compensate when there is reasonable assurance that the ITCs will be received. The \$16.8 million of ITCs recognized in the period were originated in prior years but were not recognized previously due to the uncertainty around the eligibility of the related costs. We reached reasonable assurance in relation to the eventual receipt of these claims and consequently recognized the cumulative effect in Q1 2022.

Depreciation and amortization of assets

Included in this line item are the depreciation and amortization costs of those assets directly used to support our revenues. These assets are depreciated and amortized on a straight-line basis over their useful lives. Second quarter costs of \$5.8 million and the year to date costs of \$11.6 million are in line with the costs in the comparative periods in 2021.

Selling, general and administration (SG&A)

SG&A expenses include administrative support functions, as well as, business development and bids and proposals costs. In addition, audit fees, public company expenses, recruitment and other consulting fees are included in this line item. SG&A expenses for the second quarter were \$13.8 million, representing an increase of \$1.8 million (or 15.0%) over the same quarter in 2021. For the six months ended June 30, 2022, SG&A expenses of \$28.1 million represents a \$2.0 million (or 7.7%) increase over 2021.

Research and development (R&D)

MDA's net R&D expenses comprise costs incurred on R&D activities that are expensed to the income statement in the period, offset by funding received on certain R&D programs. The Company expenses research costs as they are incurred. Development costs are expensed when they do not meet the asset capitalization criteria (e.g. when technical feasibility and/or a market has not yet been established), or the costs are not directly attributable to developing the asset.

Net R&D expense for the second quarter was \$8.7 million, representing an increase of \$5.7 million (or 190.0%) from the same quarter in 2021. On a year-to-date basis, net R&D expense of \$17.2 million represents an \$11.9 million (or 224.5%) increase over 2021. The increases are primarily due to higher activity on the development of CHORUS and other proprietary technologies compared to the same periods last year.

Amortization of intangible assets

This line item includes the straight-line amortization expensed on intangible assets recognized as part of the Acquisition at April 8, 2020, which comprise contractual backlog, customer relationships, proprietary technologies, and the MDA trademark. These intangible assets are amortized over various useful lives, ranging from 2 to 20 years. The amount expensed in the second quarter of 2022 was \$12.9 million, representing a decrease of \$1.9 million (or 12.8%) compared to the second quarter of 2021. For the six months ended June 30, 2022, the amortization expense of \$26.9 million reflects a \$1.5 million decrease (or 5.3%) compared to the same period in 2021. The year over year decreases over both periods are attributable to a portion of contractual backlog assets being fully amortized by the end of Q1 2022.

Share-based compensation

In April 2021, the Company established an Omnibus Long-term Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based plan, under which the Company can issue stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs") to directors and employees. The Company also has in place an Employee Share Trust Agreement arrangement, where eligible employees are issued shares held in a company trust ("Trustee Shares") and released upon meeting prescribed conditions.

Share-based compensation expense represents the vesting of the Company's share-based awards on a straight-line basis over the awards' respective vesting periods.

The expense for the second quarter of 2022 was \$1.4 million, representing a decrease of \$2.3 million (or 62.2%) from 2021 to 2022. The expense for the six months ended June 30, 2022 was \$3.0 million, representing a decrease of \$4.3 million (or 58.9%) from the same period in 2021. The expenses in Q2 2022 and over the six months period ended June 30, 2022 were lower than the comparable periods in 2021 as the vesting periods of

certain award tranches ended in Q4 2021, therefore no amortization was recognized with respect to these awards in 2022.

In June 2022, the Company granted new RSUs and PSUs to eligible employees in accordance with terms of the Omnibus Plan. These awards contributed minimally to the share-based compensation expense in the second quarter of 2022.

Other income and expenses

We recognized other expenses of \$2.0 million in the second quarter of 2022. This amount comprises \$4.1 million of unrealized loss on financial instruments net of \$2.1 million in foreign exchange gain. In comparison, we recognized other income of \$5.5 million in Q2 2021, which included CEWS income of \$4.8 million.

For the six months ended June 30, 2022, we recognized other expenses of \$9.5 million, of which \$9.4 million was related to unrealized loss recognized on financial instruments. For the comparative period in 2021, we recognized other income of \$10.7 million, which included \$14.9 million in CEWS income and \$4.9 million in foreign exchange loss.

Included in the Company's unrealized loss on financial instruments are fair value changes in the redemption option derivative asset associated with the second lien notes up to its redemption on May 5, 2022. The derivative asset declined from \$8.1 million at December 31, 2021 to \$3.9 million at March 31, 2022 and further to \$2.8 million at the time of redemption, driven by interest rate increases in 2022. The fair value decline contributed \$1.1 million of unrealized loss in Q2 2022 and \$5.3 million of unrealized loss for the six months ended June 30, 2022. The derivative asset was fully derecognized upon our redemption of the second lien notes (please refer to the 'Debt Refinancing' section for details of the redemption). The Company's unrealized loss on financial instruments also includes fair value changes in our investment in equity securities, which contributed to \$3.0 million of the unrealized loss in Q2 2022 and \$4.1 million for the six months ended June 30, 2022.

Finance costs

Finance costs for the second quarter in 2022 were \$24.7 million, compared to \$13.9 million in 2021. Of the \$24.7 million of finance costs in the second quarter of 2022, \$21.1 million resulted from the redemption of the second lien notes and the refinancing of our revolving credit facility as described in the 'Debt Refinancing' section, and the remaining \$3.6 million represents interest expenses and borrowing fees. Comparatively, finance costs of \$13.9 million in Q2 2021 included \$8.5 million of interest expenses and borrowing fees and \$5.4 million of loss recognized upon modification of debt in Q2 2021. Interest expenses and borrowing fees in Q2 2022 decreased by \$4.9 million (or 57.6%) from 2021.

For the six months ended June 30, 2022, finance costs were \$29.0 million, compared to \$24.3 million in 2021. Excluding the finance costs of \$21.1 million triggered by our debt refinancing, interest expenses and borrowing fees totalled \$7.9 million. Comparatively, finance costs of \$24.3 million in 2021 included \$18.9 million of interest expenses and borrowing fees and \$5.4 million of loss recognized upon the Q2 2021 debt modification. Interest expenses and borrowing fees for the six months ended June 30, 2022 decreased by \$11.0 million (or 58.2%) from 2021.

The decrease in interest expenses and borrowing fees year over year reflects the Company's optimization of its borrowing arrangements through negotiating terms reflective of the Company's strong financial health and aligned with the Company's planned strategic initiatives.

A breakdown of finance costs is provided in note 12 of the Q2 2022 Financial Statements.

RECONCILIATION OF NON-IFRS MEASURES

The following table provides a reconciliation of net loss to EBITDA and adjusted EBITDA:

<i>(in millions of Canadian dollars)</i>	Second Quarters Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net loss	\$ (8.8)	\$ (0.1)	\$ (0.4)	\$ (1.7)
Depreciation and amortization	5.8	5.7	11.6	11.6
Amortization of intangible assets	12.9	14.8	26.9	28.4
Income tax expense (recovery)	(3.3)	2.8	(0.2)	4.0
Finance costs	24.7	13.9	29.0	24.3
EBITDA	\$ 31.3	\$ 37.1	\$ 66.9	\$ 66.6
Unrealized foreign exchange loss (gain)	(2.1)	1.3	(0.1)	5.3
Unrealized loss (gain) on financial instruments	4.1	(1.8)	9.4	0.2
Restructuring provision reversal	—	(0.9)	—	(0.9)
Share based compensation	1.4	3.7	3.0	7.3
Adjusted EBITDA	\$ 34.7	\$ 39.4	\$ 79.2	\$ 78.5

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

Financial Condition

Total assets of the Company as at June 30, 2022 were \$1,582.5 million, representing a \$47.9 million increase from \$1,534.6 million as at December 31, 2021. Overall, the fluctuations in our asset balances are in the normal course of our operations and aligned with our growth initiatives. Over the six months ended June 30, 2022, we continued to grow our long-term assets, highlighted by the strong levels of development activities on CHORUS and other proprietary technologies. We also made a prepayment of \$12.7 million for inventory to be received in 2023 and beyond to support our strategic initiatives.

Total liabilities as at June 30, 2022 of \$601.9 million increased by \$29.0 million as compared to the balance of \$572.9 million as at December 31, 2021. A notable contributor to this increase is an incremental debt balance of \$23.7 million at June 30, 2022 as compared to December 31, 2021.

The following table represents our working capital position as at June 30, 2022 and December 31, 2021:

<i>(in millions of Canadian dollars)</i>	As at	
	June 30, 2022	December 31, 2021
Non-cash current assets	\$ 246.7	\$ 210.2
Current liabilities	249.7	225.9
Net Working Capital	\$ (3.0)	\$ (15.7)

Our Net Working Capital increased by \$12.7 million from December 31, 2021 to June 30, 2022. This increase is largely due to higher receivables from customers carried at June 30, 2022 relative to December 31, 2021 as a result of higher volume of work performed on our programs and vendor financing extended to select customers.

Management monitors our net working capital levels on a continuous basis, to ensure the Company has sufficient liquidity to fund our short-term usages of cash necessary in our normal course of operations.

Cash Flows

The Company's consolidated cash flows are summarized in the table below.

<i>(in millions of Canadian dollars)</i>	Second Quarters Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash, beginning of period	\$ 59.5	\$ 90.9	\$ 83.6	\$ 78.6
Total cash provided by (used in):				
Operating activities	\$ (5.0)	\$ 31.8	\$ 9.7	\$ 31.9
Investing activities	(55.0)	(17.2)	(92.1)	(27.3)
Financing activities	9.2	11.9	7.1	34.7
Net foreign exchange difference	0.1	1.5	0.5	1.0
Increase (decrease) in cash	\$ (50.7)	\$ 28.0	\$ (74.8)	\$ 40.3
Cash, end of period	\$ 8.8	\$ 118.9	\$ 8.8	\$ 118.9

Net cash decreased by \$50.7 million in the second quarter of 2022 which compares to a net cash increase of \$28.0 million in Q2 2021. This difference of \$78.7 million in the year over year cash flows is largely driven by cash flows in operating activities and investing activities. Operating activities consumed \$5.0 million of cash in Q2 2022 whereas operating activities provided \$31.8 million of cash in Q2 2021. This is largely due to higher receivable balances carried at June 30, 2022 versus June 30, 2021. Cash consumed by investing activities totalled \$55.0 million in the latest quarter, an increase of \$37.8 million over the same period in 2021, reflecting higher development activities on CHORUS and other proprietary technologies along with investments in other growth initiatives.

For the six months ended June 30, 2022, net cash decreased by \$74.8 million compared to a net cash increase of \$40.3 million over the same period in 2021. Operating activities provided \$9.7 million of cash year to date in 2022, compared to \$31.9 million in the prior year. The decrease in cash provided by operating activities year over year is largely driven by a \$12.7 million inventory prepayment that was made in 2022 as well as \$11.1 million of CEWS receipts in 2021 which did not repeat in this year. Cash consumed by investing activities totalled \$92.1 million year to date in 2022, compared to \$27.3 million in the prior year, reflecting higher spend on CHORUS and other technological developments. Cash provided by financing activities totalled \$7.1 million year to date in 2022, reflecting additional amounts borrowed under our refinanced senior revolving credit facility offset by transaction costs incurred on our debt refinancing. In the prior year, cash provided by financing activities totalled \$34.7 million, largely contributed by equity issuances.

As at June 30, 2022, the Company had funds available through its revolving credit facility of \$414.8 million. The Company has ample liquidity to fund working capital requirements of its operations, capital expenditures, debt service costs, and general corporate costs.

Capital Management

The Company defines its capital as the aggregate of long-term debt and shareholder's equity. The Company's primary capital management objectives are to provide an appropriate return to shareholders, safeguard working capital over the annual operating cycle, provide financial resources to grow operations to meet long-term customer demand, and comply with financial covenants under credit facilities.

The Company's strategy to managing its capital structure is to utilize its borrowing arrangements to obtain operating credit facilities in support of its working capital and planned capital expenditures. When needed, the Company also has access to capital markets to raise equity financing. At June 30, 2022, the Company's outstanding debt stood at \$168.4 million as compared to \$144.7 million at December 31, 2021. Equity was \$980.6 million as at June 30, 2022 compared to \$961.7 million as at December 31, 2021.

Net debt was \$159.6 million representing a net debt to adjusted trailing twelve month (TTM) EBITDA ratio of 1.2x, compared to 0.4x as at December 31, 2021. The higher ratio reflects increased Company borrowings as it funds the planned development activities on CHORUS and other proprietary technologies.

	As at	
<i>(in millions of Canadian dollars, except for ratios)</i>	June 30, 2022	December 31, 2021
Long-term debt	\$ 168.4	\$ 144.7
Less: Cash	(8.8)	(83.6)
Net Debt	\$ 159.6	\$ 61.1
Adjusted TTM EBITDA	\$ 137.8	\$ 137.1
Net Debt to Adjusted TTM EBITDA	1.2x	0.4x

As at June 30, 2022, the Company had \$414.8 million of available liquidity under its revolving credit facility. The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

In the quarter, the Company completed the refinancing of its debt facilities – see discussion under the 'Debt refinancing' section. The refinancing of our debt facilities offers more favourable pricing and increases our borrowing flexibility while preserving sufficient liquidity to fund future growth.

As at June 30, 2022, the Company was in compliance with the financial covenants under the Company's credit facilities.

As of June 30, 2022, the Company had commitments of \$16.8 million (December 31, 2021: \$13.9 million) relating to purchase of property, plant and equipment, and intangible assets.

FINANCIAL INSTRUMENTS

The Company's financial assets include cash, trade and other receivables, investments in equity securities, and derivative assets. Financial liabilities include accounts payable and accrued liabilities, long-term debt, and derivative liabilities.

The Company's activities expose its financial instruments to a variety of risks: interest rate risk, liquidity risk, foreign exchange risk, and credit risk. Risk management is carried out by the Company by identifying and evaluating the financial risks inherent within its operations. The Company's overall risk management activities seek to minimize potential adverse effects on the Company's financial performance.

Descriptions of financial instrument risks along with how they are managed are disclosed in the Company's MD&A for the year ended in December 31, 2021 as well as in note 19 of the 2021 Audited Financial Statements. There were no significant changes to financial instrument risks in the second quarter of 2022.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has off-balance sheet arrangements in the form of standby and documentary letters of credit used mainly in connection with obligations relating to performance and payment guarantees of customer contracts. As at June 30, 2022, the aggregate gross potential liability related to the Company's letters of credit was approximately \$15.2 million (December 31, 2021: \$15.6 million).

As at June 30, 2022 and December 31, 2021, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company's related parties are its key management personnel. Key management personnel have authority and responsibility for overseeing, planning, directing, and controlling its activities and consist of the members of the board and the senior members of the management team. During the second quarter of 2022, the nature and extent of related party transactions were not materially different from those disclosed in note 25 of the 2021 Audited Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES

The Company's Q2 2022 Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board. The same accounting policies and methods of computation as those used in the preparation of the 2021 Audited Financial Statements were followed in the preparation of the Q2 2022 Financial Statements, except for the adoption of a new accounting standard effective January 1, 2022. A summary of the Company's significant accounting policies is disclosed in note 3 of the 2021 Audited Financial Statements.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

A summary of critical estimates and judgments that have the most significant effects on the amounts recognized in the consolidated financial statements is disclosed in note 2 of the 2021 Audited Financial Statements.

New accounting standards

The Company's adoption of an IFRS amendment that became effective on January 1, 2022 is discussed in note 3 of the Q2 2022 Financial Statements. The cumulative effect recognized upon adoption had no material impact on the Company's consolidated financial results.

Note 3 of the Q2 2022 Financial Statements also discusses forthcoming IFRS amendments that are issued but not yet effective.

SUMMARY OF QUARTERLY RESULTS

The following table provides select unaudited quarterly financial results for the eight most recently completed quarters.

	2022		2021				2020	
<i>(in millions of Canadian dollars, except per share data)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	\$ 154.7	\$ 128.4	\$ 115.5	\$ 111.3	\$ 126.7	\$ 123.4	\$ 100.2	\$ 98.4
Gross profit	51.4	61.7	45.4	39.4	44.6	38.4	28.6	30.5
EBITDA	31.3	35.6	22.9	33.8	37.1	29.5	11.6	31.9
Adjusted EBITDA	34.7	44.5	26.8	31.8	39.4	39.1	30.1	35.1
Net income (loss)	(8.8)	8.4	0.6	4.0	(0.1)	(1.6)	(12.6)	(1.9)
Earnings/loss per share								
Basic	(0.07)	0.07	0.01	0.03	0.00	0.00	(0.16)	(0.06)
Diluted	(0.07)	0.07	0.00	0.03	0.00	0.00	(0.16)	(0.06)
Backlog	1,520.8	1,516.8	864.3	828.9	640.0	684.7	562.5	503.8

The Company's operations historically have not experienced pronounced seasonality. The Company's revenues, gross profit, EBITDA and adjusted EBITDA period over period are affected by the stages of work on its programs and timing of backlog execution. The fluctuations in net income experienced to date in 2022 are largely due to non-recurring items, such as transaction costs of \$21.1 million triggered by our Q2 2022 debt refinancing and the \$16.8 million of ITC income recognized in Q1 2022 pursuant to resolution of historical claims. The fluctuations in net income experienced in 2020 primarily resulted from the timing of the one-time expenses that arose from the Acquisition and fluctuations in CEWS income received period over period.

CONTROLS AND PROCEDURES

The Company's CEO and CFO are responsible for establishing and maintaining Disclosure Controls and Procedures (DC&P) and have caused them to be designed under their supervision to provide reasonable assurance that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosure.

The Company's CEO and CFO are also responsible for establishing and maintaining Internal Control over Financial Reporting (ICFR) and have caused ICFR to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our ICFR includes policies and procedures that pertain to the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS. In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 version of Internal Control – Integrated Framework.

The CEO and CFO have evaluated, or caused to be evaluated by those under their supervision, whether there were changes to the Company's ICFR during the three months ended June 30, 2022 that have materially affected, or reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

Due to the inherent limitations of DC&P and ICFR, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, management does not expect that DC&P and ICFR can prevent or detect all errors.

RISK FACTORS

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and special considerations. For additional information with respect to certain of these risks or factors, reference should be made to those described and listed under the heading “Risk Factors”, in the Company’s AIF available on SEDAR at www.sedar.com, which are incorporated by reference into this MD&A, except for the following:

- The war in Ukraine may result in additional risks to our business through direct and/or indirect exposure. Countries around the world, including Canada and UK, have implemented sanctions on conducting business with Russian and Belarusian entities and individuals. Non-compliance with such sanctions may expose the Company to government enforcement and reputational risk. The Company is currently not engaged in any business with Russian and Belarusian entities and individuals. We will continue to exercise due diligence to ensure the same going forward.

OUTSTANDING SHARE INFORMATION

MDA is authorized to issue an unlimited number of common shares. The Company also has outstanding instruments that are convertible into common shares. Under the Company’s Omnibus Long-term Incentive Plan (“Omnibus Plan”), the Company can issue stock options, restricted share units (“RSUs”), performance share units (“PSUs”), and deferred share units (“DSUs”). The Company also has in place an Employee Share Trust Agreement arrangement, where employees are issued shares held in a trust (“Trustee Shares”) and released upon vesting.

Details of the outstanding number of units of each type of instruments are as follows.

	June 30, 2022
Common shares outstanding	118,691,628
Outstanding instruments convertible into common shares:	
Trustee shares	547,292
Stock options	8,923,381
Restricted share units	541,148
Performance share units	219,786
Deferred share units	47,695

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

This glossary defines certain business, industry, technical and legal terms used in this MD&A for the convenience of the reader. It is not a comprehensive list of all defined terms used in this MD&A.

All references to the "Company", "MDA", "we", "us" or "our" refer to MDA Ltd. together with its subsidiaries or its predecessors, as the context requires.

"Acquisition" means the April 8, 2020 acquisition of the Predecessor as described in note 1 of the 2021 Audited Financial Statements

"Backlog" means the dollar sum of revenue that is expected to be recognized from firm customer contracts and carries the same meaning as remaining performance obligations that is disclosed in note 5 of our 2021 Audited Financial Statements

"CHORUS" (formerly SARnext) means the Company's initiative to build our next generation commercial EO satellite mission providing Synthetic Aperture Radar (**SAR**)-based imagery, analytics, and information services

"CSA" means Canadian Space Agency

"CSC" means Canadian Surface Combatant

"DRA" means Direct Radiating Array

"EO" means earth observation

"GEO" means geosynchronous orbit

"IFRS" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"IPO" means the Company's initial public offering that was completed on April 7, 2021

"LEO" means low Earth orbit

"MD&A" means Management's Discussion and Analysis

"MDA" means MDA Ltd., its subsidiaries or its predecessors, as the context requires.

"2021 Audited Financial Statements" means the audited consolidated financial statements of the Company for the year ended December 31, 2021 and the accompanying notes filed on SEDAR.

"MEO" means medium Earth orbit

"Net Debt" means the sum of the total carrying amount of long-term debt, as presented on the consolidated statement of financial position in the 2021 Audited Financial Statements, less cash.

"Order Bookings" means the dollar sum of contract values of firm customer contracts.

"Predecessor" means the predecessor MDA Canada, comprising of the Canadian, U.K. and certain U.S. operations of Maxar Technologies Inc. – namely MDA GP Holdings Ltd., MDA Systems Inc., and Maxar Technologies ULC – prior to the Acquisition

"**R&D**" means research and development

"**SAR**" means Synthetic Aperture Radar

"**TAM**" means total addressable market

"**Telesat Lightspeed**" means the Telesat LEO Constellation program