MDA LTD.

Management's Discussion and Analysis

For the Fourth Quarters and Years Ended
December 31, 2022 and 2021

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Management’s Discussion and Analysis

*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 December 31, 2022 and its consolidated operating results for the fourth quarters and years ended December 31, 2022 and 2021. The MD&A should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the Company’s audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021 (“**2022 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 “Q4 2022” or “this quarter” are to the fiscal quarter ended December 31, 2022 and references to “Q4 2021” are to the fiscal quarter ended December 31, 2021. The MD&A is current to March 22, 2023, unless otherwise noted.*

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 2022 Audited Financial Statements, together with those described and listed under the heading “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2022 (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, Adjusted EBITDA Margin, 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.

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures 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.

We define EBITDA as net income (loss) before: i) depreciation and amortization expenses, ii) provision for (recovery of) income taxes, and iii) finance costs. Adjusted EBITDA is calculated by adding to and deducting from EBITDA, 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 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 including current portions, as presented in the 2022 Audited Financial Statements, less cash and excluding any lease liabilities. Net Debt is a liquidity metric used to determine how well the Company can pay its debt obligations if they were due immediately.

COMPANY OVERVIEW

We are an advanced technology, solutions and services provider to the burgeoning global space industry and play a critical role in enabling space-based connectivity, enhanced earth observation and exploration and in-space infrastructure development. 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 2,700 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 approximately 1,300 engineers averaging over 8 years of tenure with the Company; consistent investment in research and development and innovation; some of the most advanced equipment and resources in the industry; and MDA's world class portfolio of successful projects, technologies, and patents.

Across 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 and development of space infrastructure 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 and direct satellite-to-device connectivity from LEO satellite constellations as well as solutions that span across the full communication frequency spectrum.

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 integrated satellite and ground station network, combined with our value-added analytics capabilities, enables us to deliver an industry leading and fully integrated EO solution to our customers. 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) and direct satellite-to-device services.

Our customers, which include established and emerging space companies, 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.

Agility and Scale Positions Us to Serve Both Established Customers and Emerging Space Companies

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 large commercial and government customers that require customization and high-volume capabilities as well as emerging space companies that require fast and cost-efficient solutions.

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 900 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. Our track record of execution instilled confidence in OneWeb that we were the ideal partner that they could entrust with the success of their mission.

Entrepreneurial Go-to Market Strategy

We generate business opportunities by utilizing an entrepreneurial go-to market strategy. We empower our business development teams and encourage them to find creative ways to support the success of our customers. We build on our relationships with customers to find additional opportunities to deliver mission-enabling solutions. While working closely with customers in the development phases of missions, our engineers discuss future mission ideas, and proactively recommend potential solutions and enhancements to meet the customer's evolving needs. This forward-thinking approach regularly results in awards for follow-on solutions on subsequent missions which allow us to identify new business opportunities ahead of the competition.

Deep Team with a Winning Culture

We have a highly experienced management team and workforce of over 2,700 staff, which provides us with the critical expertise to execute complex space missions. Our position as an innovation leader allows us to recruit premium talent and retain our employees. Historically, our employees stay at MDA on average for over a decade, which deepens our institutional knowledge and domain expertise. Our entire team stands by our core values of integrity, responsibility, collaboration, fueling inspiration, and operational excellence, a culture that drives successful delivery on customer missions and continued growth.

GROWTH STRATEGIES

MDA is primed to maximize its market positon and capitalize on multiple waves of the expanding space market as they evolve and emerge over the next decade. With established industry leadership in three diverse areas of the space market, we are executing on specific strategies and leveraging our competitive strengths in Geointelligence, and Robotics and Space Operations and Satellite Systems. 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;
- **Growing 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 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) augment existing capabilities and our domain expertise; (ii) accelerate our technology roadmap to support strategic initiatives and our expansion into market adjacencies; and (iii) 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 maritime surveillance. The Company also 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.

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 and more than one million images of Earth. We also distribute high resolution optical imagery and satellite-based Automatic Identification System 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.

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.

- **Key Development Initiative – CHORUS:** We are currently developing CHORUS, 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 the Canadian Surface Combatant for which 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 and development of space infrastructure 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, in-space servicing, assembly and manufacturing, space tourism and space mining.

Our products include: robotic arms, robotic interfaces, tooling, robotic ground control stations and operations services, electro-optic and light detection and ranging ("LiDAR") sensors, vision and targeting systems, guidance/navigation/control subsystems, and planetary rover locomotion subsystems.

Demand for space robotics and mission-support services is primarily driven by the 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. As a result of this work, our experience spans over 3 million hours of technical support to on-orbit robotic operations. We are now working on the Canadarm3 program, our third generation Canadarm that will provide AI-based robotics for the NASA-led Gateway, the lunar-orbiting outpost of the Artemis program.

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 geosynchronous equatorial orbit (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. We have developed technology for multiple Mars missions, including the Phoenix Lander, the Curiosity Rover and the ExoMars Rover, with our sensors first operating on Mars in 2008. 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. MDA sensors have been operational on 8 missions for NASA's Cygnus spacecraft.

We also develop commercial space robotic solutions that serve the evolving 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 are also working on commercializing the 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 sub-systems and spacecraft to enable space-based services, including next generation communication technologies that will deliver space-based broadband Internet and direct satellite-to-device connectivity from LEO satellite constellations as well as solutions that span across the full communication frequency spectrum.

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. At MDA, payloads also include the delivery of major communications subsystems for space vehicles and space stations

We have provided satellite subsystems to enable next generation communication constellations such as O3B, Iridium Next, and OneWeb. We will continue to be at the forefront of LEO systems development as a provider of technology to LEO constellations. To support these 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.

Through our participation in many of the major satellite constellations to date, and with our new state-of-the art high volume satellite production facility in Montreal, we have solidified our position as a satellite prime contractor with the February 2022 selection as Globalstar's new LEO constellation provider. In this contract, MDA will be responsible for the complete satellite design, manufacture, assembly and test of 17 satellites with options for an additional nine satellites

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, Platform Independent Model (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 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. Globalstar's contract with MDA, 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. In September 2022, Globalstar disclosed that Apple Inc. is the primary customer for its current and future satellite network capacity which will support new satellite-enabled services for certain of Apple's products.

INDUSTRY TRENDS

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

New Space Business Opportunities Are Increasing

The U.S. Chamber of Commerce estimates the global space economy will expand by over US$1.1 trillion from 2017 to 2040, to US$1.5 trillion annually. This growth is expected to be driven by continuous commercial and government investments in space, which reflects the importance of space in an increasingly global, sophisticated, and data-driven world. Commercial spending on space is being driven by heightened levels of equity investment, which have exceeded $270 billion since 2013, according to Space Capital. Global government budgets for space also reached an all-time high of US$103 billion in 2022, a 9% increase over 2021, according to Euroconsult. In 2022 alone, industry milestones exemplifying the strength and growth of the global space economy included: (i) global launch attempts reached a record 186, up 27% from 2021; (ii) a record 2,521 spacecraft were launched; (iii) the world's largest and most powerful telescope, the James Webb Space Telescope, delivered its first images; and (iv) NASA launched Artemis I, which is expected to pave the way to return humans to the Moon. Our portfolio of world-class technology is well-positioned to take advantage of the fastest growing areas of the space economy, including the deployment of LEO satellite constellations for communications and EO applications, space exploration, space-based defence spending, and on-orbit servicing of satellites and spacecraft.

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 technology advancements and reduced launch and satellite costs has improved the economic feasibility of many space-based activities and services. 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.

FULL YEAR AND FOURTH QUARTER HIGHLIGHTS

FULL YEAR 2022 HIGHLIGHTS

In 2022, the MDA team made meaningful progress in executing against our strategic growth plan and saw significant expansion of our backlog driven by awards across our three business areas. Key financial and operational highlights for 2022 are summarized below.

Financial Highlights

- MDA continued to execute on its growth initiatives with robust order bookings of $1.2 billion for the full year, representing a 50% year over year increase with large awards in our Satellite Systems and Robotics & Space Operations businesses.
- Full year revenues of $641.2 million were up 34% year over year driven by execution on our backlog, with strong contributions from our Satellite Systems and Robotics & Space Operations businesses.
- Full year adjusted EBITDA[(1)] of $157.9 million was up 15% year over year driven by higher volumes across our businesses. Adjusted EBITDA margin[(1)] was 24.6% for the full year.
  - Excluding the impact of the Canada Emergency Wage Subsidy (CEWS) income received in 2021 and historical investment tax credits (ITC) settlement income recognized in 2022, adjusted EBITDA was $141.1 million in 2022, compared to $112.3 million in 2021, representing 26% year over year increase. Adjusted EBITDA margin excluding the aforementioned items was 22.0% in 2022 compared to 23.5% in the prior year reflecting MDA's strong program execution and cost control somewhat offset by higher R&D expenses as the Company continues to invest in its growth initiatives.
- Operating cash flow of $57.0 million in 2022 compares to $72.1 million in the prior year. The year over year reduction in operating cash flow is largely the result of a $12.7 million pre-payment made in 2022 for inventory to be received in 2023 and beyond to support our strategic initiatives.
- The Company continues to invest in a number of strategic initiatives that align with its long-term plan and are instrumental in driving future growth including developing CHORUS, investing in new satellite manufacturing capabilities and facilities, and developing commercial products of Canadarm3 technology. In 2022, MDA's capital expenditures totalled $180.1 million as we ramped up our development efforts.
- MDA completed the redemption of its $150 million second lien notes and refinancing of its revolving credit facility to $600 million from $428 million, meaningfully reducing annual interest costs and increasing borrowing flexibility while preserving liquidity to fund future growth.
- The Company added 880 new staff in 2022 as part of its focus on talent and recruitment to support current and future growth. This is in addition to 670 new hires added in 2021.

Operational Highlights

Geointelligence

- Made significant development progress on the CHORUS constellation program which includes a fourth generation MDA-built C-band SAR satellite in addition to an X-band satellite which will be supplied by ICEYE. In 2022, the team conducted the Mission Critical Design Review (CDR) and started unit level build activities. In 2023, the team is focused on continuing flight unit development and deliveries, building the ground segment subsystems and detailing constellation operations plans and processes.
- Secured special authorization from the Government of Canada to collect SAR satellite imagery over restricted areas in Ukraine. Images captured by MDA's SAR technology will be merged and analyzed with

[1] *As defined in the 'Non-IFRS Financial Measures' section*

other sources of imagery from commercial Earth observation companies to develop comprehensive near real time intelligence reports for Ukrainian government officials.

Robotics and Space Operations

- Awarded Phase B of the Canadarm3 program, valued at $269 million, from the Canadian Space Agency (CSA). Phase B of the program will see MDA complete the preliminary design of the Canadarm3 robotics system that will be used aboard the Lunar Gateway.
- Completed two commercial sales of products derived from Canadarm3 technology to Axiom Space. Under these contracts, MDA will deliver 62 payload interface pairs and 32 external robotic interfaces for Axiom Space's Axiom Station, setting the stage for further opportunities in advance of the first planned Axiom Station launch.
- Announced collaboration with Lockheed Martin and General Motors to integrate MDA's commercial robotic arm technology on their planned human-rated lunar mobility vehicles. NASA's Artemis program is currently scheduled to send humans back to the surface of the Moon 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.

Satellite Systems

- Selected as the prime contractor for Globalstar's new LEO satellites. The satellites built by MDA will integrate with Globalstar's existing constellation, ensuring service continuity for Globalstar customers. The contract, valued at approximately $415 million, includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites.
- Announced a contract from York Space Systems where MDA will design and build Ka-Band steerable antennas for satellites to be produced by York Space Systems as part of a space security program.
- Awarded a contract from Airbus OneWeb Satellites, LLC (AOS) to design and build Ka-Band steerable antennas. AOS is producing satellites for Airbus U.S. Space & Defense, Inc., in support of U.S. government programs.
- 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.

FOURTH QUARTER 2022 HIGHLIGHTS

- Revenues of $186.1 million in Q4 2022 were up 61% year over year driven by strong contributions from Satellite Systems and Robotics & Space Operations as we continue to execute on our backlog.
- Adjusted EBITDA of $39.9 million in Q4 2022 was up 49% year over year driven by higher volumes across our businesses. Adjusted EBITDA margin of 21.4% in the latest quarter was consistent with management's expectations and compares to 23.2% margin in Q4 2021. The slight year over year decline in margin levels is driven by lower gross margin in Q4 2022 somewhat offset by strong SG&A cost control.
- Backlog of $1.4 billion at quarter end was up 59% year over year driven by sizeable awards in the first half of 2022 including Globalstar's LEO constellation (~$415 million), and Phase B of Canadarm3 ($269 million).
- Operating cash flow of $40.3 million in Q4 2022 compared to $34.5 million in Q4 2021, the year over year increase was driven by higher net income in Q4 2022 versus the prior quarter.

- Healthy financial position with net debt[1] to adjusted EBITDA ratio of 1.3x at quarter end.
- In the fourth quarter, notable activity included the following:
  - Our Satellite Systems business was awarded a new contract to design, build and supply all of the Ka-band multibeam antennas for ARSAT, which is the public national telecommunications company in Argentina. ARSAT-SG1 will provide high-speed internet as well as digital video and voice services across the country and to neighboring countries, Bolivia, Paraguay and Chile.
  - Our Satellite Systems business conducted the mission preliminary design review for Globalstar's LEO constellation program, and the program has now advanced to the satellite detailed design phase.

FINANCIAL OVERVIEW

KEY INDICATORS SUMMARY

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars, except for ratios)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Revenues	$ 186.1	$ 115.5	$ 641.2	$ 476.9
Gross profit	$ 58.9	$ 45.4	$ 228.4	$ 167.8
Gross margin	31.6%	39.3%	35.6%	35.2%
Adjusted EBITDA[1]	$ 39.9	$ 26.8	$ 157.9	$ 137.1
Adjusted EBITDA margin[1]	21.4%	23.2%	24.6%	28.7%

		As at
(in millions of Canadian dollars, except for ratios)	**December 31, 2022**	**December 31, 2021**
Backlog	$ 1,378.2	$ 864.3
Net debt[1] to Adjusted TTM[2] EBITDA ratio	1.3x	0.4x

REVENUES BY BUSINESS AREA

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Geointelligence	$ 53.9	$ 52.8	$ 195.3	$ 190.7
Robotics & Space Operations	47.9	29.9	193.7	132.9
Satellite Systems	84.3	32.8	252.2	153.3
Consolidated revenues	$ 186.1	$ 115.5	$ 641.2	$ 476.9

[1] *As defined in the 'Non-IFRS Financial Measures' section*

[2] *TTM: trailing twelve months*

Revenues

Consolidated revenues for the fourth quarter of 2022 were $186.1 million, representing an increase of $70.6 million (or 61.1%) compared to the fourth quarter of 2021. The year over year increase in revenues was primarily driven by higher revenues from our Satellite Systems and Robotics & Space Operations businesses.

By business area, Q4 2022 revenues in Geointelligence of $53.9 million represents an increase of $1.1 million (or 2.1%) compared to Q4 2021, reflecting steady work volume. Revenues in Robotics & Space Operations of $47.9 million in Q4 2022 represents an $18.0 million (or 60.2%) increase year over year, primarily driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems of $84.3 million in the latest quarter were $51.5 million (or 157.0%) higher compared to the same quarter in 2021. The revenue increase was driven by higher levels of activity as new programs ramp up including the Globalstar program which was awarded in Q1 2022.

For the full year ended December 31, 2022, consolidated revenues were $641.2 million which were $164.3 million (or 34.5%) 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 Satellite Systems and Robotics & Space Operations businesses.

By business area, full year 2022 revenues in Geointelligence of $195.3 million represents an increase of $4.6 million (or 2.4%) compared to 2021, largely driven by modest ramp up in the CSC program throughout 2022. Full year revenues in Robotics & Space Operations of $193.7 million in 2022 represents a $60.8 million (or 45.7%) increase year over year, largely driven by the ramp up of work performed on the Canadarm3 program since the beginning of 2022. Full year revenues in Satellite Systems of $252.2 million in 2022 was $98.9 million (or 64.5%) higher compared to 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. Q4 2022 gross profit of $58.9 million represents a $13.5 million (or 29.7%) increase over Q4 2021, primarily driven by higher volume of work performed year over year. Gross margin in Q4 2022 was 31.6%, which is in line with our expectations as the Company's program mix evolves. Comparatively, gross margin in Q4 2021 was 39.3%, which included a higher percentage of investment tax credits (ITCs) recognized against cost of revenues.

For the full year ended December 31, 2022, gross profit of $228.4 million represents a $60.6 million (or 36.1%) increase over 2021. The increase is driven by higher work volume year over year coupled with higher ITCs income recognized which contributed $28.9 million of the $60.6 million increase. Of the higher ITC income recognized in 2022, $16.8 million relates to a resolution of historical claims which were recognized in Q1 2022. These ITCs originated from prior years but were not recognized previously due to the uncertainty around the eligibility of the related costs. Full year gross margin was 35.6% in 2022, which compares to gross margin of 35.2% in 2021. When excluding the impact of the aforementioned $16.8 million resolution of historical ITC claims recognized in 2022, full year gross margin for the current year was 33.0%, in line with our expectations and reflective of strong operating performance throughout 2022.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the fourth quarter of 2022 was $39.9 million compared to $26.8 million in Q4 2021, representing an increase of $13.1 million (or 48.9%) year over year primarily driven by higher gross profit as we continue to execute on our backlog. Adjusted EBITDA margin was 21.4% in Q4 2022 compared to 23.2% in Q4 2021 consistent with management's expectations. The slight decline in year over year adjusted EBITDA margin is largely driven by lower gross margin in the latest quarter somewhat offset by strong SG&A cost control.

For the full year ended December 31, 2022, adjusted EBITDA was $157.9 million which was $20.8 million (or 15.2%) higher than 2021. The full year adjusted EBITDA in 2022 included $16.8 million of ITC income from the aforementioned resolution of historical ITC claims, while the full year adjusted EBITDA in 2021 included $24.8 million of CEWS income.

Excluding the impact of the ITCs claims resolution in 2022 and the CEWS income contribution in 2021, adjusted EBITDA improved to $141.1 million in 2022 from $112.3 million in 2021. The increase of $28.8 million is primarily the net effect of an improvement in gross profit of $43.8 million (exclusive of the impact of the historical claims resolution in Q1 2022) offset by increased R&D expenses of $11.7 million and increased SG&A expenses of $1.7 million. Full year adjusted EBITDA margin excluding the aforementioned items was 22.0% in 2022 compared to 23.5% in 2021. Throughout 2022, we demonstrated strong operating performance focusing on program execution and cost control while simultaneously investing in the aforementioned growth initiatives which contributed to higher levels of R&D expenses.

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

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Adjusted EBITDA	$ 39.9	$ 26.8	$ 157.9	$ 137.1
CEWS income	—	(0.8)	—	(24.8)
ITCs claims resolution	—	—	(16.8)	—
Adjusted EBITDA, excluding CEWS and ITCs claims resolution	$ 39.9	$ 26.0	$ 141.1	112.3
Adjusted EBITDA margin, excluding CEWS and ITCs claims resolution	21.4%	22.5%	22.0%	23.5%

Backlog

Backlog as at December 31, 2022 was $1,378.2 million, an increase of $513.9 million compared to the backlog at December 31, 2021. The following table shows the build up of backlog for Q4 and the full year ended December 31, 2022 as compared to the same periods in 2021.

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Opening Backlog	$ 1,405.1	$ 828.9	$ 864.3	$ 562.5
Less: Revenue recognized	(186.1)	(115.5)	(641.2)	(476.9)
Add: Order Bookings	159.2	140.1	1,155.1	767.9
Adjustments[1]	—	10.8	—	10.8
Ending Backlog	$ 1,378.2	$ 864.3	$ 1,378.2	$ 864.3

[1] Adjustments in 2021 include reassessments of the values on certain customer contracts and effects of foreign exchange.

2023 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 continue to make good progress against our long term strategic plan.

MDA is well positioned to capitalize on strong customer demand and robust market activity given our diverse and proven technology offerings. Our growth pipeline is significant and underpinned by existing contract awards of key programs and our book of business is healthy. We see activities ramping up in line with our expectations on the majority of our programs, and are encouraged by the team's solid execution. We continue to closely monitor developments related to supply chain disruptions, and are taking pro-active measures across our three business areas to mitigate the impact on our operations to the extent possible.

For fiscal 2023, we expect full year revenues to be $750 – $800 million, representing robust year over year growth of approximately 20% at the mid-point of guidance. We expect full year adjusted EBITDA to be $145 – $155 million, representing approximately 19% – 20% adjusted EBITDA margin. We expect capital expenditures to be $220 – $240 million in 2023, primarily comprising of growth investments to support CHORUS and the previously outlined growth initiatives across our three business areas.

We expect Q1 2023 revenues to grow by approximately 50% compared to Q1 2022 levels as we continue to execute on our backlog.

RESULTS OF OPERATIONS

(in millions of Canadian dollars, except per share data)	Fourth Quarters Ended December 31, 2022	 December 31, 2021	Years Ended December 31, 2022	 December 31, 2021
Revenues	$ 186.1	$ 115.5	$ 641.2	$ 476.9
Materials, labour and subcontractors costs	(120.9)	(64.0)	(389.1)	(285.6)
Depreciation and amortization of assets	(6.3)	(6.1)	(23.7)	(23.5)
Gross profit	$ 58.9	$ 45.4	$ 228.4	$ 167.8
Operating expenses:				
Selling, general & administration	$ (16.4)	$ (17.1)	$ (60.0)	$ (58.3)
Research & development, net	(7.8)	(8.3)	(32.8)	(21.1)
Amortization of intangible assets	(12.8)	(14.0)	(52.5)	(56.3)
Share-based compensation	(3.0)	(3.9)	(8.5)	(13.5)
Operating income	$ 18.9	$ 2.1	$ 74.6	$ 18.6
Other income (expense)	(2.6)	0.7	(6.2)	24.9
Finance costs	(2.8)	(2.2)	(34.2)	(32.2)
Income before income taxes	$ 13.5	$ 0.6	$ 34.2	$ 11.3
Income tax expense	(4.7)	—	(7.9)	(8.4)
Net income	$ 8.8	$ 0.6	$ 26.3	$ 2.9
Basic earnings per share	$ 0.07	$ 0.01	$ 0.22	$ 0.03
Diluted earnings per share	0.07	0.00	0.21	0.02

Revenues

Consolidated revenues for the fourth quarter of 2022 were $186.1 million, representing an increase of $70.6 million (or 61.1%) compared to the fourth quarter of 2021. For the year ended December 31, 2022, consolidated revenues were $641.2 million representing a $164.3 million (or 34.5%) increase over full year 2021. Please refer to 'Financial Overview' for a detailed discussion of revenue drivers for the fourth quarter and for the full year ended December 31, 2022.

Materials, labour and subcontractors costs

Materials, labour and subcontractor costs for the fourth quarter of 2022 were $120.9 million, representing a $56.9 million (or 88.9%) 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 full year basis, materials, labour and subcontractor costs of $389.1 million represents a $103.5 million (or 36.2%) 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. Fourth quarter costs of $6.3 million and the full year costs of $23.7 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 fourth quarter were $16.4 million, representing a slight decrease of $0.7 million (or 4.1%) over the same quarter in 2021. For the full year ended December 31, 2022, SG&A expenses of $60.0 million represents a $1.7 million (or 2.9%) increase over 2021 reflecting expansion of our SG&A functions as our work volume grows.

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 fourth quarter was $7.8 million, representing a slight decrease of $0.5 million (or 6.0%) from the same quarter in 2021. For the full year, net R&D expense of $32.8 million represents an increase of $11.7 million (or 55.5%) increase over 2021. The full year increase is primarily due to higher activity on the development of CHORUS and other proprietary technologies in 2022, where a portion of the costs are expensed in R&D as they do not qualify for asset capitalization.

Amortization of intangible assets

This line item includes the straight-line amortization expensed on intangible assets recognized as part of the Acquisition on 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 fourth quarter of 2022 was $12.8 million, representing a decrease of $1.2 million (or 8.6%) compared to the fourth quarter of 2021. For the full year ended December 31, 2022, the amortization expense of $52.5 million reflects a $3.8 million decrease (or 6.7%) compared to 2021. The year over year decreases over both time frames 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 graded basis over the awards' respective vesting periods.

The expense for the fourth quarter of 2022 was $3.0 million, which is slightly lower than the $3.9 million expensed in the fourth quarter of 2021. The expense for the full year ended December 31, 2022 was $8.5 million, representing a decrease of $5.0 million (or 37.0%) from 2021. The year over year decreases in expense over the fourth quarter and full year periods are largely due to the vesting periods of certain share-based awards ending in Q4 2021, therefore no amortization was recognized with respect to these awards in 2022. These decreases are partially offset by amortization from new RSUs and PSUs granted to eligible employees in 2022.

Other income and expenses

Other expenses of $2.6 million in the fourth quarter of 2022 captured amounts relating to foreign exchange and unrealized loss on financial instruments. In comparison, other income of $0.7 million in Q4 2021 largely comprised of CEWS income of $0.8 million.

For the full year ended December 31, 2022, we recognized other expenses of $6.2 million, comprising $9.9 million of unrealized loss on financial instruments offset by $3.7 million of foreign exchange gain. For full year 2021, we recognized other income of $24.9 million, which included $24.8 million in CEWS income. Included in the Company's unrealized loss on financial instruments is the fair value decline in the former redemption option derivative asset associated with the second lien notes up to its redemption on May 5, 2022. The fair value decline contributed $5.3 million of unrealized loss for the full year ended December 31, 2022. The Company's unrealized loss on financial instruments also includes fair value changes in our investment in equity securities, which contributed to $4.6 million for the full year ended December 31, 2022.

Finance costs

The Company's finance costs include interest expenses, net interest accrual on interest rate swaps, borrowing fees and gains or losses on modifications of debt facilities. In Q3 2022, the Company began to capitalize interest expense on certain qualifying capital assets under internal development.

Finance costs for the fourth quarter in 2022 were $2.8 million, which were net of $1.3 million of capitalized interest expense. Finance costs excluding capitalized interest expense totaled $4.1 million in Q4 2022, which represents an increase of $1.9 million (or 86.4%) compared to Q4 2021. Included in Q4 2021 was a recovery of other finance costs which offset interest expense on long-term borrowings.

For the full year ended December 31, 2022, finance costs were $34.2 million, which were net of $2.2 million of capitalized interest expense. Finance costs excluding capitalized interest expense totaled $36.4 million in 2022 compared to $32.2 million over full year 2021. Of the $36.4 million of finance costs in 2022, $21.1 million were non-recurring costs triggered from the redemption of the second lien notes and the refinancing of our revolving credit facility in Q2 of this year. The balance of $15.3 million represents interest expenses and borrowing fees. Comparatively, finance costs of $32.2 million in 2021 included $26.8 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 full year ended December 31, 2022 decreased by $11.5 million (or 42.9%) from 2021. The decrease in interest expenses and borrowing fees year over year reflects the Company's optimization of its borrowing arrangements.

In December 2022, the Company entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on $150.0 million of borrowing under its senior revolving credit facility. Please refer to the discussions under Interest Rate Risk in the 'Financial Instruments' section for details of the swap contracts.

A breakdown of finance costs is provided in note 16 of the 2022 Audited Financial Statements.

RECONCILIATION OF NON-IFRS MEASURES

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

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Net income	$ 8.8	$ 0.6	$ 26.3	$ 2.9
Depreciation and amortization	6.3	6.1	23.7	23.5
Amortization of intangible assets	12.8	14.0	52.5	56.3
Income tax expense	4.7	—	7.9	8.4
Finance costs	2.8	2.2	34.2	32.2
EBITDA	$ 35.4	$ 22.9	$ 144.6	$ 123.3
Unrealized foreign exchange loss (gain)	0.7	(0.5)	(5.1)	2.0
Unrealized loss (gain) on financial instruments	0.8	0.5	9.9	(0.8)
Restructuring provision reversal	—	—	—	(0.9)
Share based compensation	3.0	3.9	8.5	13.5
Adjusted EBITDA	$ 39.9	$ 26.8	$ 157.9	$ 137.1

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

Financial Condition

Total assets of the Company as at December 31, 2022 were $1,750.8 million, representing a $216.2 million increase from $1,534.6 million as at December 31, 2021. The increase in asset balances is consistent with the execution of our growth initiatives. Over the year ended December 31, 2022, we continued to grow our long-term assets, highlighted by the strong levels of development activities on CHORUS and other planned capital expenditures. Our current assets also show higher levels at December 31, 2022 compared to December 31, 2021, consistent with our increased volume of work on revenue programs.

Total liabilities as at December 31, 2022 of $750.2 million increased by $177.3 million as compared to the balance of $572.9 million as at December 31, 2021. A notable contributor to the $177.3 million increase is an incremental debt balance of $98.9 million at December 31, 2022 as compared to December 31, 2021. The balance of increase in liabilities is largely attributable to higher current liabilities year over year, which corresponds to our increased volume of work.

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

	As at	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**
Non-cash current assets	$ 338.9	$ 210.2
Current liabilities	318.6	225.9
Net Working Capital	$ 20.3	$ (15.7)

Our Net Working Capital increased by $36.0 million from December 31, 2021 to December 31, 2022. This increase is largely due to higher receivables from customers carried at December 31, 2022 relative to December 31, 2021 which is in line with higher volume of work performed on our programs. The higher receivables at December 31, 2022 includes select accounts by a customer which were originally due by the end of Q4 2022. As such accounts were not paid by such customer by the end of Q4 2022, at the request of the customer, the Company agreed to forbear from exercising its rights and remedies until March 15, 2023. As of the date of this MD&A, the Company has received partial payment in relation to these outstanding balances. The Company remains in close discussions with the customer in an effort to resolve the matter.

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.

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Cash (bank indebtedness), beginning of period	$ (1.1)	$ 88.0	$ 83.6	$ 78.6
Total cash provided by (used in):				
Operating activities	$ 40.3	$ 34.5	$ 57.0	$ 72.1
Investing activities	(47.1)	(37.0)	(180.1)	(98.8)
Financing activities	48.2	(1.9)	78.8	30.6
Net foreign exchange impact	(1.0)	—	—	1.1
Increase (decrease) in cash	$ 40.4	$ (4.4)	$ (44.3)	$ 5.0
Cash, end of period	$ 39.3	$ 83.6	$ 39.3	$ 83.6

Net cash generated was $40.4 million in Q4 2022 which compares to a net cash usage of $4.4 million in Q4 2021. Operating activities in the latest quarter generated $40.3 million of cash compared to $34.5 million in Q4 2021. The year over year increase is largely driven by higher net income. Cash generated from operating activities helped partially fund our growth investments in CHORUS and other growth initiatives. Investing activities were $47.1 million in Q4 2022 compared to $37.0 million in Q4 2021 reflecting higher spending on CHORUS and the aforementioned capital programs. Financing activities in the latest quarter totalled $48.2 million which comprised primarily of borrowings against our revolving credit facility consistent with our plan to leverage the flexibility provided by our refinanced senior credit facility. Please refer to 'Debt Refinancing' under the Capital Management section for further details.

For the year ended December 31, 2022, net cash decreased by $44.3 million compared to a net cash increase of $5.0 million in 2021. The higher usage of cash by $49.3 million year over year is largely driven by cash requirements associated with investing activities. Investing activities consumed $180.1 million of cash in 2022 compared to $98.8 million in 2021 representing an $81.3 million increase year over year. This increase reflects our continued investment on CHORUS and other long-term assets in accordance with plan. Our investing activities were partially funded by cash generated from operations and supplemented by borrowings against our aforementioned credit facility. Operating activities generated $57.0 million of cash in 2022 compared to $72.1 million in 2021. A significant contributor to the $15.1 million decrease in cash provided by operating activities year over year is $12.7 million of prepayment made in 2022 for inventory to be received in 2023 and beyond to support our strategic initiatives.

As at December 31, 2022, the Company had funds available through its revolving credit facility of $331.0 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 December 31, 2022, the Company's outstanding debt stood at $243.6 million as compared to $144.7 million at December 31, 2021. Equity was $1,000.6 million as at December 31, 2022 compared to $961.7 million as at December 31, 2021.

Net debt was $204.3 million representing a net debt to adjusted trailing twelve month (TTM) EBITDA ratio of 1.3x, 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 investments.

		As at
(in millions of Canadian dollars, except for ratios)	**December 31, 2022**	**December 31, 2021**
Long-term debt	$ 243.6	$ 144.7
Less: Cash	(39.3)	(83.6)
Net Debt	$ 204.3	$ 61.1
Adjusted TTM EBITDA	$ 157.9	$ 137.1
Net Debt to Adjusted TTM EBITDA	1.3x	0.4x

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

As at December 31, 2022, the Company had $331.0 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.

The Company was in compliance with the financial covenants under the Company’s credit facilities throughout the year-ended December 31, 2022.

As of December 31, 2022, the Company had commitments of $17.9 million (December 31, 2021: $13.9 million) relating to purchase of property, plant and equipment, and intangible assets and had commitments of $99.4 million over 15 years (December 31, 2021 – $nil) relating to leases not yet commenced.

FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial 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.

Interest Rate Risk

The Company was exposed to interest rate risk from fluctuations in interest rates on its floating rate on its senior revolving credit facility. As at December 31, 2022, all of the Company’s borrowings, in the amount of $245.0 million, under its senior revolving debt carried floating rates. The weighted average interest rate on the outstanding borrowings at December 31, 2022 was 6.26%

The Company manages interest rate risk by monitoring the mix of fixed and floating rate debt in the respective environment and takes action as necessary to maintain an appropriate balance considering current market conditions. At December 31, 2022, the Company has entered into interest rate swap contracts to mitigate exposure to interest rate fluctuations on $150.0 million of borrowing under its senior revolving credit facility. As at December 31, 2022, the Company had outstanding interest rate swap contracts with third-party banks expiring December 15, 2027. The aggregate notional amount of the swap contracts is $150.0 million. Under the swap contracts, the Company pays interest at a fixed rate of 3.46% and receives interest at a variable rate equal to the 3-month CDOR for each 90 day period. The terms of the interest rate swap contracts with respect to the floating rate, maturity, and interest payment dates match that of the underlying borrowings, such that any hedge ineffectiveness is not expected to be significant. The fair value changes in these swap contracts were $2.0 million, before tax effects, for the year ended December 31, 2022 and are recorded in other comprehensive income.

At December 31, 2022, the interest rate risk related to $95.0 million of total borrowings was unhedged. Based on the total outstanding borrowings at December 31, 2022, and including the impact of the interest rate swap agreements, a 1.0% increase (decrease) in the average interest rate on our borrowings would have decreased (increased) income before taxes by $1.0 million annually (December 31, 2021 – $1.7 million). The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at the time.

Liquidity Risk

The Company’s liquidity risk is the risk it may not be able to meet its contractual obligations associated with financial liabilities as they come due. The Company’s principal sources of liquidity are cash provided by operations and access to credit facilities. The Company’s short-term cash requirements are primarily to fund working capital, with medium term requirements to service and repay debt, and invest in capital and intangible assets, and research and development for growth initiatives. Cash is also used to finance other long-term strategic initiatives.

For the foreseeable future, the Company believes that these principal sources of liquidity are sufficient to maintain the Company's capacity and to meet planned growth and development activities.

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2022 are shown in the following table:

(in millions of Canadian dollars)	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
Trade and other payables	$ 124.0	$ 124.0	$ 124.0	$ —	$ —
Non-trades payables	0.7	0.7	0.3	0.3	0.1
Senior revolving credit facility	243.6	245.0	—	245.0	—
	$ 368.3	$ 369.7	$ 124.3	$ 245.3	$ 0.1
Lease liabilities	$ 8.3	$ 8.3	6.7	1.6	—
Derivative instruments	0.3	0.3	0.3	—	—
	$ 8.6	$ 8.6	$ 7.0	$ 1.6	$ —
	$ 376.9	$ 378.3	$ 131.3	$ 246.9	$ 0.1

Foreign currency exchange risk

The Company is exposed to foreign exchange risk on sales contracts, purchase contracts as well as cash, receivable and payable balances denominated in currencies other than the functional currency of the Company's contracting entity. The currencies in which these transactions are primarily denominated are United States dollar ("USD") and euro, with USD representing the more significant exposure. The Company is also exposed to foreign currency risk on the net assets of its foreign operations.

The Company mitigates its foreign exchange risk through reducing mismatches between currencies in its foreign currency revenue contracts and the related purchase contracts to create natural economic hedges. The Company also utilizes foreign exchange forward contracts to supplement its natural hedge strategy, where needed, to further reduce the exposure arising from expected foreign currency denominated cash flows. The term of the foreign exchange forward contracts can range from less than one month to several years. At December 31, 2022, the Company had no outstanding foreign exchange forward contracts. The Company does not enter into foreign exchange forward contracts for trading or speculative purposes and does not have any qualifying hedges for accounting purposes.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company is primarily exposed to credit risk through its trade and other receivables and unbilled receivables.

The Company's credit exposure through receivables relates to a diverse group of customers, including government customers, in multiple geographic regions purchasing a wide variety of products and services from the Company, and is therefore mitigated by a reduced concentration of risk. The due date of these amounts can vary by agreement but in general balances over 90 days are considered past due. In monitoring credit risk, customers are grouped according to their credit characteristics, including whether the customer program is funded by a government or a non-government entity, the Company's credit history with the customer, and existence of previous or current financial challenges. Credit limits or maximum exposures under revenue contracts are identified, approved and monitored.

The gross amount of trade and other receivables disclosed in note 8 and the gross amount of unbilled receivables disclosed in note 9 of our 2022 Audited Financial Statements represent their respective maximum credit exposures. A summary of our allowance for credit losses is presented in note 19(d) of our 2022 Audited Financial Statements. The allowance for credit losses as at December 31, 2022 include estimates relating to one customer to which the Company has provided vendor financing at outset of the contract and since then agreed to defer the original payment dates to after year-end. The customer accounted for 37% of the Company's total trade and other receivables and unbilled receivables. Subsequent to December 31, 2022, the Company has received payment of $26.7 in relation to balances owing from the customer.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has off-balance sheet arrangements in the form of standby letters of credit used mainly in connection with obligations relating to performance and payment guarantees of customer contracts. As at December 31, 2022, the aggregate gross potential liability related to the Company's letters of credit was approximately $24.0 million (December 31, 2021: $15.6 million).

As at December 31, 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. For the fourth quarter and year ended December 31, 2022, the Company's compensation expense incurred in relation to its key management personnel was $4.0 million and $15.9 million (for the fourth quarter and year ended December 31, 2021 – $4.5 million and $17.8 million), which consisted of short-term and post-employment benefits and share-based compensation.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

The Company's 2022 Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. A summary of the Company's significant accounting policies is disclosed in note 3 of the 2022 Audited Financial Statements.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgments 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.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements included the following:

- *Revenue*: The Company recognizes revenues from fixed-price contracts and cost-plus contracts with ceilings using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. On a monthly basis, the Company reviews the costs incurred to date and the estimated costs to complete for each project to determine whether the percentage of completion remains appropriate. Estimating total costs requires judgments to be made around items including, but not limited to, labour productivity, complexity and scope of work to be performed, cost of materials, the length of time to complete the work, and execution by subcontractors. This estimate directly affects revenue recognized in each reporting period as well as the balances of unbilled receivables and contract liabilities at the reporting date. Changes in estimates are recognized on a cumulative catch-up basis and could lead to reversals to revenues.

- *Impairment of non-financial assets*: The value in use ("VIU") of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by management for the next five years. In preparing the forecasts, management uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, and terminal growth rate. These estimates are based on past experience and management's expectations of future changes in the market and planned growth initiatives. Actual results could vary from these estimated future cash flows which may cause significant adjustments to the assets in subsequent reporting periods. Estimation uncertainty in calculating the VIU also include the determination of appropriate discount rates.
- *Investment tax credits*: Investment tax credits, whether or not recognized in the consolidated financial statements, may be carried forward to reduce future Canadian Federal and Provincial income taxes payable. The Company applies judgment when determining whether the reasonable assurance threshold has been met to recognize investment tax credits in the consolidated financial statements. The Company must interpret eligibility requirements in accordance with Canadian income tax laws and must assess whether future taxable income will be available against which the investment tax credits can be utilized. For investment tax credits that have not met the criteria to be recognized in the consolidated financial statements, management continually reviews these interpretations and assessments and recognizes the investment tax credits relating to prior period expenses in the period when the reasonable assurance criteria have been met. Any changes in the interpretations and assessments could have an impact on the amount and timing of investment tax credits recognized in the consolidated financial statements.
- *Income taxes*: The calculation of current and deferred income taxes requires management to make certain judgments in interpreting tax rules and regulations. The application of judgment is also required to evaluate whether the Company can recover a deferred tax asset based on management's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

RECENT ACCOUNTING PRONOUNCEMENTS

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

The Company adopted the amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, effective January 1, 2022. The amendment clarifies that when measuring an onerous contract provision, the costs relating directly to the contract include both incremental costs and an allocation of costs directly related to contract activities. The Company recognized a cumulative effect of $2.0 million upon applying this amendment in the opening retained deficit as at January 1, 2022.

(b) Forthcoming Amendment to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1, Presentation of Financial Statements, which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2024. The Company does not expect the amendments to have material impacts to its consolidated financial statements.

(c) Forthcoming Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB issued amendments to IAS 12, Income taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability need to be recognized for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has determined the impact of this amendment to be immaterial as at January 1, 2023.

SUMMARY OF QUARTERLY RESULTS

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

	2022				2021			
(in millions of Canadian dollars, except per share data)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	$ 186.1	172.0	$ 154.7	$ 128.4	$ 115.5	$ 111.3	$ 126.7	$ 123.4
Gross profit	58.9	56.4	51.4	61.7	45.4	39.4	44.6	38.4
EBITDA	35.4	42.3	31.3	35.6	22.9	33.8	37.1	29.5
Adjusted EBITDA	39.9	38.8	34.7	44.5	26.8	31.8	39.4	39.1
Net income (loss)	8.8	17.9	(8.8)	8.4	0.6	4.0	(0.1)	(1.6)
Earnings/loss per share								
Basic	0.07	0.15	(0.07)	0.07	0.01	0.03	0.00	0.00
Diluted	0.07	0.15	(0.07)	0.07	0.00	0.03	0.00	0.00
Backlog	1,378.2	1,405.1	1,520.8	1,516.8	864.3	828.9	640.0	684.7

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 in the first half of 2022 are largely due to non-recurring items including the 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.

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. At December 31, 2022, the CEO and CFO, based on investigation and advice of those under their supervision, have concluded that the design and operation of the Company's DC&P were effective and that material information relating to the Company, was made known to them and was recorded, processed, summarized, and reported within the time periods specified under applicable securities legislation.

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. At December 31, 2022, the CEO and CFO, based on investigation and advice of those under their supervision, have concluded that the design and operation of the Company's ICFR were effective. The CEO and CFO have also evaluated, or caused to be evaluated by those under their supervision, and concluded that there were no changes to the Company's ICFR during the three months ended December 31, 2022 that have materially affected, or reasonably likely to materially affect the Company's ICFR.

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.

OUTSTANDING SHARE INFORMATION

The Company's common shares are traded on the Toronto Stock Exchange under the symbol "MDA". The Company is authorized to issue an unlimited number of common shares. At December 31, 2022, the Company had 119,014,233 common shares outstanding. At March 22, 2023, the Company had 119,071,341 common shares outstanding.

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 2022 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 2022 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

"**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.

"**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.

"**MEO**" means medium Earth orbit

"**Net Debt**" means the sum of the total carrying amount of long-term debt including current portions, as presented on the consolidated statement of financial position, less cash and excluding any lease liabilities.

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

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

"**SAR**" means Synthetic Aperture Radar

"**TAM**" means total addressable market