



MDA SPACE LTD.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended
September 30, 2024 and 2023

(In millions of Canadian dollars)

MDA Space Ltd.

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the three and nine months ended September 30, 2024 and 2023

(In millions of Canadian dollars except per share figures)

		Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
	Note				
Revenue	4	\$ 282.4	\$ 204.7	\$ 733.5	\$ 602.6
Cost of revenue					
Materials, labour and subcontractors	6	(197.0)	(138.2)	(502.6)	(394.0)
Depreciation and amortization of assets	8,9,10	(9.7)	(8.8)	(31.1)	(22.4)
Gross profit		75.7	57.7	199.8	186.2
Operating expenses					
Selling, general and administration	6	(18.4)	(17.8)	(57.9)	(52.2)
Research and development, net	6	(7.2)	(10.4)	(25.0)	(30.8)
Amortization of intangible assets	10	(11.6)	(11.0)	(35.5)	(34.8)
Share-based compensation	12	(3.0)	(2.8)	(8.6)	(6.9)
Operating income		35.5	15.7	72.8	61.5
Other income (expenses)					
Unrealized gain (loss) on financial instruments		—	1.0	1.2	(0.1)
Foreign exchange gain (loss)		7.2	0.6	8.7	(0.8)
Finance income		2.3	0.3	3.7	0.3
Finance costs		(4.4)	(2.7)	(18.4)	(7.0)
Other income		—	—	6.6	—
Income before taxes		40.6	14.9	74.6	53.9
Income tax expense		(11.1)	(5.6)	(20.3)	(18.6)
Net income		29.5	9.3	54.3	35.3
Other comprehensive income					
Gain (loss) on translation of foreign operations		(0.8)	0.3	(1.0)	—
Gain (loss) on cash flow hedges		(5.1)	2.2	(3.2)	4.1
Remeasurement gain on defined benefit plans	16	12.7	4.7	12.1	6.4
Total comprehensive income		\$ 36.3	\$ 16.5	\$ 62.2	\$ 45.8
Earnings per share:					
Basic	14	\$ 0.25	\$ 0.08	\$ 0.45	\$ 0.30
Diluted	14	0.24	0.08	0.44	0.29
Weighted-average common shares outstanding:					
Basic	14	120,107,965	119,329,839	119,874,946	119,191,837
Diluted	14	124,286,353	121,912,874	123,610,685	120,546,321

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

MDA Space Ltd.

Unaudited Interim Condensed Consolidated Statement of Financial Position

September 30, 2024

(In millions of Canadian dollars)

As at	Note	September 30, 2024	December 31, 2023
Assets			
Current assets:			
Cash		\$ 139.2	\$ 22.5
Trade and other receivables		143.7	169.5
Unbilled receivables		266.5	183.1
Inventories		10.1	9.9
Income taxes receivable		44.7	47.3
Other current assets	7	78.9	24.3
		683.1	456.6
Non-current assets:			
Property, plant and equipment	8	448.8	369.1
Right-of-use assets	9	87.2	71.8
Intangible assets	10	580.5	582.5
Goodwill	10	441.0	439.8
Deferred income tax assets		14.2	14.9
Other non-current assets	7	315.0	227.0
		1,886.7	1,705.1
Total assets		\$ 2,569.8	\$ 2,161.7
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 235.2	\$ 219.1
Income taxes payable		3.1	4.4
Contract liabilities		523.1	76.9
Current portion of net employee benefit payable		48.7	57.4
Current portion of lease liabilities	9	13.6	10.9
Other current liabilities		1.7	4.5
		825.4	373.2
Non-current liabilities:			
Net employee defined benefit payable		23.2	22.8
Lease liabilities	9	90.9	75.2
Long-term debt	11	293.8	438.9
Deferred income tax liabilities		190.0	180.8
Other non-current liabilities		6.6	6.1
		604.5	723.8
Total liabilities		1,429.9	1,097.0
Shareholders' equity			
Common shares		963.6	956.1
Contributed surplus		36.8	31.3
Accumulated other comprehensive income		26.5	18.6
Retained earnings		113.0	58.7
Total equity		1,139.9	1,064.7
Total liabilities and equity		\$ 2,569.8	\$ 2,161.7

Commitments are disclosed in financial statement notes 8, 9 and 10 below.

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

MDA Space Ltd.

Unaudited Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

For the nine months ended September 30, 2024 and 2023

(In millions of Canadian dollars)

		Common Shares		Contributed	Accumulated	Retained	Total
	Note	Number	Amount	Surplus	other comprehensive income	earnings	shareholders' equity
As at January 1, 2024		119,514,919	\$ 956.1	\$ 31.3	\$ 18.6	\$ 58.7	\$ 1,064.7
Share-based awards common shares issuance	12	893,140	7.5	(3.9)	—	—	3.6
Net income		—	—	—	—	54.3	54.3
Other comprehensive income		—	—	—	7.9	—	7.9
Share-based compensation	12	—	—	7.7	—	—	7.7
Tax effect of share-based compensation		—	—	1.7	—	—	1.7
As at September 30, 2024		120,408,059	\$ 963.6	\$ 36.8	\$ 26.5	\$ 113.0	\$ 1,139.9
As at January 1, 2023		119,014,233	\$ 951.6	\$ 25.0	\$ 14.1	\$ 9.9	\$ 1,000.6
Share-based awards common shares issuance	12	414,238	3.5	(2.9)	—	—	0.6
Net income		—	—	—	—	35.3	35.3
Other comprehensive income		—	—	—	10.5	—	10.5
Share-based compensation	12	—	—	6.9	—	—	6.9
As at September 30, 2023		119,428,471	\$ 955.1	\$ 29.0	\$ 24.6	\$ 45.2	\$ 1,053.9

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

MDA Space Ltd.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the three and nine months ended September 30, 2024 and 2023

(In millions of Canadian dollars)

		Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
	Note				
Cash flows from operating activities					
Net income		\$ 29.5	\$ 9.3	\$ 54.3	\$ 35.3
Items not affecting cash:					
Income tax expense		11.1	5.6	20.3	18.6
Depreciation of property, plant, and equipment	8	4.1	3.5	14.2	9.4
Depreciation of right-of-use assets	9	2.4	2.5	8.1	6.8
Amortization of intangible assets	10	14.8	13.8	44.3	41.0
Gain on disposal of assets		—	—	(5.8)	—
Write-down of assets		—	4.8	—	4.8
Share-based compensation expense	12	2.2	2.8	7.7	6.9
Investment tax credits accrued	15(a)	(10.5)	(6.0)	(29.7)	(18.7)
Finance costs, net		2.1	2.4	14.7	6.7
Unrealized (gain) loss on financial instruments		—	(1.0)	(1.2)	0.1
Changes in operating assets and liabilities	17	200.7	(59.9)	315.4	(38.8)
		256.4	(22.2)	442.3	72.1
Interest paid		(6.9)	(4.9)	(19.4)	(12.9)
Income tax received (paid)		9.3	(2.9)	9.6	(4.5)
Net cash generated (used in) in operating activities		258.8	(30.0)	432.5	54.7
Cash flows from investing activities					
Purchases of property and equipment		(36.8)	(37.1)	(86.4)	(100.7)
Purchases/development of intangible assets		(16.6)	(12.3)	(46.1)	(34.9)
Proceeds from disposal of assets		—	—	7.4	—
Investment in equity securities		—	—	(9.2)	—
Acquisition of subsidiary, net of cash		(4.0)	—	(27.3)	—
Net cash used in investing activities		(57.4)	(49.4)	(161.6)	(135.6)
Cash flows from financing activities					
Borrowings from senior credit facility		—	55.0	110.0	90.0
Repayments to senior credit facility		(105.0)	—	(255.0)	(30.0)
Payment of lease liability (principal portion)		(1.6)	(1.7)	(6.1)	(5.6)
Proceeds from stock options exercised		2.2	0.2	3.0	0.6
Net cash provided by (used in) financing activities		(104.4)	53.5	(148.1)	55.0
Net increase (decrease) in cash		97.0	(25.9)	122.8	(25.9)
Net foreign exchange difference on cash		(4.2)	0.3	(6.1)	—
Cash, beginning of period		46.4	39.0	22.5	39.3
Cash, end of period		\$ 139.2	\$ 13.4	\$ 139.2	\$ 13.4

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

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2024 and 2023

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

1. Nature of operations

MDA Space Ltd. and its subsidiaries (collectively “MDA Space”, or the “Company”) design, manufacture, and service space robotics, satellite systems and components, and intelligence systems. MDA Space also provides geointelligence and earth observation solutions that incorporate data from the Company’s owned and operated satellite, RADARSAT-2, as well as third party satellite missions. MDA Space operates across three business areas: Geointelligence, Robotics & Space Operations, and Satellite Systems, with facilities and sites in Canada, United Kingdom, and United States. The Company collaborates and partners with government agencies and businesses to develop and operate critical space infrastructure used for exploration and space-based science and research, to develop and operate space based communications, and to monitor global activities including climate change, forest fires, and detection of oil spills. Our technologies and solutions are also deployed for defence and intelligence applications and space observation missions. Notable MDA Space programs include the Canadarm family of space robotics for the U.S. Space Shuttle program and the International Space Station and three generations of RADARSAT Earth observation satellites for the Canadian Government.

The Company changed its name to MDA Space Ltd. in April 2024. MDA Space Ltd. is incorporated and domiciled in Canada, with its head office located at 7500 Financial Drive, Brampton, Ontario L6Y 6K7, Canada. MDA Space’s common shares are traded on the Toronto Stock Exchange under the symbol “MDA”.

2. Basis of preparation

(a) Statement of compliance

These accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). The same accounting policies and methods of computation as those used in the preparation of the consolidated financial statements for the year ended December 31, 2023 were followed in the preparation of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2023.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors of MDA Space on November 14, 2024.

(b) Basis of measurement

The interim condensed consolidated financial statements are presented in Canadian dollars, the Company’s functional currency.

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for pension plan assets and liabilities and the following assets and liabilities which are measured at fair value: financial instruments at fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”), derivative financial instruments, and initial recognition of assets acquired and liabilities assumed in a business combination. Pension plan assets and liabilities are recognized as the present value of the defined benefit obligation net of the fair value of the plan assets.

(c) Seasonality

The Company’s operations historically have not experienced seasonality. However, the Company’s results period over period are affected by its stage in the work in progress in each of its long-term contracts. Therefore, the results of operations over a given interim period may not be indicative of full fiscal year results.

(d) Critical accounting estimates and judgments

The preparation of the Company’s interim condensed consolidated financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Significant estimates and judgments used in preparation

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of the interim condensed consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2023.

3. Changes in accounting policies and accounting pronouncements:

(a) Adoption of 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. There have been no material impacts to the interim condensed consolidated financial statements.

(b) Forthcoming Issuance of IFRS 18 *Presentation and Disclosure in Financial Statements* replacing IAS 1, *Presentation of Financial Statements*

IFRS 18 aims to achieve comparability of the financial performance of similar entities and will impact the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. Management is currently assessing the impact of adopting IFRS 18 on its financial statements.

4. Revenue from contracts with customers

All of the Company's revenue is derived from contracts with customers. Disaggregation of revenue by service lines is presented in the table below:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<i>Service Lines</i>				
Geointelligence	\$ 48.3	\$ 48.4	\$ 154.7	\$ 147.6
Robotics and space operations	66.5	61.9	215.1	183.5
Satellite systems	167.6	94.4	363.7	271.5
	\$ 282.4	\$ 204.7	\$ 733.5	\$ 602.6

5. Geographic information

Segmented information is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), and reflects the way the CODM evaluates performance of, and allocates resources within, the business. The Company operates substantially all of its activities in one reportable segment, which includes the

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Geointelligence, Robotics & Space Operations and Satellite Systems operating segments. The reportable segment earns revenue by providing space solutions to customers in a similar market and is managed by the CODM.

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<i>Revenue</i>				
Canada	\$ 162.7	\$ 116.8	\$ 431.6	\$ 299.6
United States	102.7	79.0	252.3	252.6
Europe	12.1	0.5	30.5	30.2
Asia and Middle East	3.5	4.8	12.8	12.1
Other	1.4	3.6	6.3	8.1
	\$ 282.4	\$ 204.7	\$ 733.5	\$ 602.6

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

	September 30, 2024	December 31, 2023
Canada	\$ 1,486.5	\$ 1,394.0
Other	71.0	69.2
	\$ 1,557.5	\$ 1,463.2

6. Cost of revenue and operating expenses

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Labour, materials and other	\$ 98.1	\$ 95.2	\$ 301.0	\$ 270.3
Subcontractors	109.3	48.7	231.0	141.7
Investment tax credits recognized	(10.4)	(5.7)	(29.4)	(18.0)
	\$ 197.0	\$ 138.2	\$ 502.6	\$ 394.0

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<i>Selling, general and administration</i>				
General and administration	\$ 10.1	\$ 9.7	\$ 32.0	\$ 26.6
Selling and marketing	8.3	8.1	25.9	25.6
	\$ 18.4	\$ 17.8	\$ 57.9	\$ 52.2

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<i>Research and development, net</i>						
Research and development expense	\$	9.3	\$	11.7	\$ 29.8	\$ 34.1
Research and development expense recovery		(2.1)		(1.3)	(4.8)	(3.3)
	\$	7.2	\$	10.4	\$ 25.0	\$ 30.8

7. Other assets

	Note	September 30, 2024	December 31, 2023
Prepaid expenses and advances to suppliers		\$ 169.2	\$ 100.2
Investment tax credits receivable	15(a)	155.4	133.8
Investment in equity securities		12.5	2.1
Derivative financial assets		5.2	3.0
Pension plan assets		26.6	12.2
Long-term unbilled receivable		25.0	—
		\$ 393.9	\$ 251.3
Current portion		\$ 78.9	\$ 24.3
Non-current portion		\$ 315.0	\$ 227.0

8. Property, plant and equipment

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
<i>Cost</i>					
As at December 31, 2023	\$ 86.0	\$ 28.1	\$ 23.6	\$ 268.0	\$ 405.7
Additions	13.4	4.9	5.5	70.1	93.9
Transfers	39.4	6.0	5.1	(50.5)	—
As at September 30, 2024	\$ 138.8	\$ 39.0	\$ 34.2	\$ 287.6	\$ 499.6
<i>Accumulated depreciation</i>					
As at December 31, 2023	\$ (13.0)	\$ (11.7)	\$ (11.9)	\$ —	\$ (36.6)
Depreciation expense	(5.1)	(4.2)	(4.9)	—	(14.2)
As at September 30, 2024	\$ (18.1)	\$ (15.9)	\$ (16.8)	\$ —	\$ (50.8)
<i>Net book value</i>					
As at December 31, 2023	\$ 73.0	\$ 16.4	\$ 11.7	\$ 268.0	\$ 369.1
As at September 30, 2024	\$ 120.7	\$ 23.1	\$ 17.4	\$ 287.6	\$ 448.8

Depreciation expense included in cost of revenue for the three and nine months ended September 30, 2024 is \$4.1 and \$14.2, respectively (three and nine months ended September 30, 2023 – \$3.5 and \$9.4, respectively).

As at September 30, 2024, the Company is committed under legally enforceable agreements for purchases relating to property, plant and equipment of \$41.5 in 2024, and \$1.9 in 2025.

9. Leases

The Company has lease contracts for buildings and equipment used in its operations. Leases of buildings generally have lease terms between 5 and 20 years, while equipment generally has lease terms between 1 and 5 years.

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

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		Buildings		Equipment		Total
As at December 31, 2023	\$	69.4	\$	2.4	\$	71.8
Additions		21.3		2.1		23.4
Depreciation expense		(7.5)		(0.6)		(8.1)
Disposal		—		—		—
Effect of movements in exchange rates		0.1		—		0.1
As at September 30, 2024	\$	83.3	\$	3.9	\$	87.2

Depreciation expense included in cost of revenue for the three and nine months ended September 30, 2024 is \$2.4 and \$8.1, respectively (three and nine months ended September 30, 2023 – \$2.5 and \$6.8, respectively).

(b) Lease Liabilities

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

		Lease liabilities
As at December 31, 2023	\$	86.1
Additions		24.5
Accretion of interest		5.3
Payments		(11.5)
Effect of movements in exchange rates		0.1
As at September 30, 2024	\$	104.5

Accretion of interest is included in finance costs in the consolidated statement of comprehensive income.

Set out below are the commitments over 15 years in relation to leases not yet commenced, as at September 30, 2024:

Year		Commitments
2024	\$	0.1
2025		1.6
2026		1.6
2027		1.6
2028		1.6
Thereafter		19.5
Total	\$	26.0

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10. Intangible assets and Goodwill

	Goodwill	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
<i>Cost</i>							
As at December 31, 2023	\$ 439.8	\$ 228.7	\$ 41.2	\$ 459.9	\$ 25.6	\$ 46.4	\$ 1,241.6
Additions	—	36.5	—	—	—	3.1	\$ 39.6
Disposals	—	—	(0.2)	(1.4)	—	—	\$ (1.6)
Adjustments	(0.2)	—	—	—	—	—	\$ (0.2)
Effect of movements in exchange rates	1.4	3.5	—	—	—	—	\$ 4.9
As at September 30, 2024	\$ 441.0	\$ 268.7	\$ 41.0	\$ 458.5	\$ 25.6	\$ 49.5	\$ 1,284.3
<i>Accumulated amortization</i>							
As at December 31, 2023	\$ —	\$ (33.7)	\$ (40.3)	\$ (121.7)	\$ (4.8)	\$ (18.8)	\$ (219.3)
Amortization expense	—	(12.8)	(0.9)	(24.3)	(0.9)	(5.4)	\$ (44.3)
Disposals	—	—	0.2	0.4	—	—	\$ 0.6
Effect of movements in exchange rates	—	0.2	—	—	—	—	\$ 0.2
As at September 30, 2024	\$ —	\$ (46.3)	\$ (41.0)	\$ (145.6)	\$ (5.7)	\$ (24.2)	\$ (262.8)
<i>Net book value</i>							
As at December 31, 2023	\$ 439.8	\$ 195.0	\$ 0.9	\$ 338.2	\$ 20.8	\$ 27.6	\$ 1,022.3
As at September 30, 2024	\$ 441.0	\$ 222.4	\$ —	\$ 312.9	\$ 19.9	\$ 25.3	\$ 1,021.5

For the three and nine months ended September 30, 2024, the amortization expense related to a portion of proprietary technologies, and software of \$3.2 and \$8.8, respectively (three and nine months ended September 30, 2023 – \$2.8 and \$6.2, respectively) are included in cost of revenue. For the three and nine months ended September 30, 2024, the amortization expense related to all other intangible assets of \$11.6 and \$35.5, respectively (three and nine months ended September 30, 2023 – \$11.0 and \$34.8, respectively) are included in operating expenses.

In the three and nine months ended September 30, 2024 the Company finalized a working capital adjustment of \$0.2 related to its acquisition of SatixFy Space Systems UK Ltd. on October 31, 2023 and recorded a corresponding reduction in goodwill.

As at September 30, 2024, the Company is committed under legally enforceable agreements relating to purchases of intangible assets of \$5.7 in 2024 and \$12.2 in 2025.

11. Long-term debt

(a) Senior revolving credit facility

On March 22, 2024, the Company, through its wholly owned subsidiary Neptune Operations Ltd. (“NOL”), exercised the accordion feature of its senior revolving credit facility which increased available capacity of the senior credit facility from \$600.0 to \$700.0. The Company also amended the existing interest rate base references from CDOR to CORRA in anticipation of the discontinuance of CDOR. Individual Bankers’ Acceptances continued to reference CDOR until their first renewal after March 18, 2024. All other terms of the senior credit facility remain unchanged. Transaction costs incurred totaled \$0.4 and was recognized on the consolidated statement of financial position, net against long-term debt.

As at September 30, 2024, the Company through NOL has borrowings of \$295.0 (December 31, 2023 - \$440.0) under the senior revolving credit facility in the form of CORRA Loans, which is recorded at a carrying amount of \$293.8 (December 31, 2023 - \$438.9) on the consolidated statement of financial position, classified as non-current. This facility bears interest at the bank’s prime rate or alternate base rate of Canada plus an applicable margin of 45 to 175 basis points (“bps”) or CORRA plus an applicable margin of 145 to 275 bps, based on the Company’s total debt to

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EBITDA ratio. At September 30, 2024, the weighted average interest rate on the outstanding CORRA Loans was 6.66% (December 31, 2023 – Bankers' Acceptances at 7.18%). The Company also had \$6.7 letters of credit outstanding at September 30, 2024 (December 31, 2023 – \$13.3), bearing an applicable margin of 97 bps plus a fronting fee of 25 bps.

(b) Security and guarantees

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

The Company must satisfy certain financial covenants as defined by the credit agreement, including the following:

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

As at September 30, 2024 the Company was in compliance with these covenants.

(c) Interest expense on long-term debt

Interest expense on the Company's long-term debt for the three and nine months ended September 30, 2024 is \$6.3 and \$22.2, respectively (three and nine months ended September 30, 2023 – \$4.0 and \$10.7, respectively). This amount is included in finance costs in the consolidated statement of comprehensive income.

Interest expense is net of the expense capitalized on certain qualifying assets that take a substantial period of time to prepare for their intended use. Capitalized interest is a component of both property, plant and equipment and intangible assets. The capitalization amount for the three and nine months ended September 30, 2024 is \$4.8 and \$12.3 respectively (three and nine months ended September 30, 2023 - \$2.2 and \$5.3, respectively) and the capitalization rate used to capitalize interest was 6.79% (September 30, 2023 – 5.45%).

12. Share-based compensation

In 2021, the Company established an Omnibus Long-term Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based plan, under which the Company receives services from directors and employees as consideration for equity instruments of the Company. The Company can issue stock options, deferred share units ("DSUs"), restricted share units ("RSUs"), and performance share units ("PSUs") pursuant to the terms and conditions of the Omnibus Plan and the related award agreements entered into thereunder.

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.

In the second quarter of 2024, the Company established an employee share purchase plan ("ESPP"). The ESPP is a cash settled share-based payment plan whereby employees of the Company can acquire common shares through regular payroll deductions. Company-matched employee contributions, up to a maximum of five thousand dollars per annum, are restricted to a one year holding period. The employee and Company's contributions are remitted to an independent plan administrator who are responsible for purchasing common shares on the market on behalf of the employee.

(a) Stock Options

The Company did not grant any stock options during the three and nine months ended September 30, 2024. The existing granted stock options have graded vesting schedules ranging from 1 to 4 years from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date. The stock options have a maximum term of 10 years.

The stock options are measured at fair value using the Black-Scholes option pricing model on the grant date and subsequently expensed on a graded basis over the vesting period. The amount expensed for the three and nine months ended September 30, 2024 was \$0.5 and \$1.6, respectively (three and nine months ended September 30, 2023 – \$1.1 and \$2.2, respectively).

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(b) Trustee Shares

Trustee Shares have graded vesting schedules ranging from 1 to 4 years from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date and the meeting of specified price targets. The amount expensed for the three and nine months ended September 30, 2024 was \$0.1 and \$0.2, respectively (three and nine months ended September 30, 2023 – \$nil and recovery of \$0.1, respectively).

(c) DSUs

The Company offers DSUs to the Company's independent directors, where they are entitled to receive all or a portion of their annual compensation in the form of DSUs in place of cash commencing in 2022. The DSUs vest immediately upon grant and are equity-settled, entitling participants to receive one common share for each DSU. The amount expensed for the three and nine months ended September 30, 2024 is \$0.3 and 1.0, respectively (for the three and nine months ended September 30, 2023 - \$0.3 and 0.8, respectively).

(d) RSUs and PSUs

The Company grants RSUs and PSUs to eligible employees. The RSUs vest over 1 to 3 years in annual instalments from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date. The PSUs vest over 3 years from the grant date and is conditional on continuous employment as well as performance targets. The amounts expensed for the three and nine months ended September 30, 2024 are \$1.2 and \$4.8, respectively (three and nine months ended September 30, 2023 – \$1.4 and \$4.0, respectively).

(e) Award units continuity – Stock Options, Trustee Shares, DSUs, RSUs and PSUs

The table below shows the movement in the award units outstanding over the nine months ended September 30, 2024

	Stock Options	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2024	9,187,881	79,383	215,163	1,126,871	452,777
Granted	—	—	71,523	511,484	205,185
Forfeited/Cancelled	(80,156)	—	—	(99,130)	(105,359)
Exercised/Converted	(429,338)	—	(33,907)	(429,895)	—
As at September 30, 2024	8,678,387	79,383	252,779	1,109,330	552,603

13. Financial instruments and fair value disclosures

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

	September 30, 2024	December 31, 2023
<i>Financial assets (liabilities) measured at FVTPL</i>		
Derivative financial assets	\$ 5.2	\$ 2.2
Derivative financial liabilities	(0.3)	(6.0)
Investment in equity securities	12.5	2.1
<i>Financial assets (liabilities) measured at FVOCI</i>		
Derivative financial assets (liabilities)	\$ (5.7)	\$ 0.8
<i>Financial assets (liabilities) measured at amortized cost</i>		
Cash	\$ 139.2	\$ 22.5
Trade and other receivables	143.7	169.5
Unbilled receivables	266.5	183.1
Accounts payable and accrued liabilities	(235.2)	(219.1)
Long-term debt	(293.8)	(438.9)

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Derivative assets and investment in equity securities are included in other assets on the consolidated statement of financial position, as presented in note 7. Derivative liabilities are included in other liabilities.

The fair values of cash, trade and other receivables, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. For the other financial instruments presented, the table below shows their respective fair values with their levels in the fair value hierarchy:

	September 30, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>Assets</i>								
Derivative financial instruments	\$ —	\$ 5.2	\$ —	\$ 5.2	\$ —	\$ 3.0	\$ —	\$ 3.0
Investment in equity securities	3.4	9.1	—	12.5	2.1	—	—	2.1
<i>Liabilities</i>								
Derivative financial instruments	\$ —	\$ 6.0	\$ —	\$ 6.0	\$ —	\$ 6.0	\$ —	\$ 6.0

Over the nine months ended September 30, 2024, no transfers occurred between levels of the fair value hierarchy.

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

Level 2 investment in equity securities comprise a 0.8% equity ownership in a private foreign company purchased in USD. The Company determines the fair value based on the value per share of the same class of shares issued to income investors as this company is still in its growth phase. Management estimates include assumptions concerning the amount and timing of estimated future cash flows, which are not observable market-based inputs. Observable market-based inputs are sourced from third parties and include currency spot rates.

At September 30, 2024, the Company has interest rate swap contracts with third-party banks to mitigate exposure to interest rate fluctuations on \$225.0 of borrowing under its senior revolving credit facility. These contracts expire December 15, 2027. The aggregate notional amount of the swap contracts is \$225.0. Under the swap contracts, the Company pays interest at a fixed rate of 3.47% - 4.14% and receives interest at a variable rate equal to the 3-month CORRA 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 resulted in an unrealized loss of \$6.9 and a unrealized loss \$4.3 before tax effects for the three and nine months ended September 30, 2024 (three and nine months ended September 30, 2023 – gain of \$3.0 and \$5.6, respectively) and is recorded in other comprehensive income.

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14. Earnings per share

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net income	\$ 29.5	\$ 9.3	\$ 54.3	\$ 35.3
Weighted average shares outstanding – basic	120,107,965	119,329,839	119,874,946	119,191,837
<i>Adjustments for</i>				
Employee stock options	2,746,551	1,453,561	2,509,716	776,575
Trustee shares	71,824	98,726	71,337	88,849
DSUs	232,306	173,215	208,168	103,051
RSUs and PSUs	1,127,707	857,533	946,518	386,009
Weighted average shares outstanding – diluted	124,286,353	121,912,874	123,610,685	120,546,321
Basic earnings per share	\$ 0.25	\$ 0.08	\$ 0.45	\$ 0.30
Diluted earnings per share	0.24	0.08	0.44	0.29

15. Government assistance

(a) Investment tax credits

During the three and nine months ended September 30, 2024, the Company recognized investment tax credits of \$10.5 and \$29.7, respectively (three and nine months ended September 30, 2023 – \$6.0 and \$18.7 respectively) as a reduction in cost of materials, labour and subcontractors, and research and development, net, on the consolidated statement of comprehensive income.

As at September 30, 2024, the Company has investment tax credits of approximately \$174.0 available to offset future Canadian Federal and Provincial income taxes payable which expire between 2030 and 2044. Investment tax credits are only recognized in the consolidated financial statements when the recognition criteria have been met as described in note 3(q) of the Company's consolidated financial statements for the year ended December 31, 2023. Investment tax credits that are expected to be realized within 12 months are classified as current; investment tax credits that are expected to be realized beyond 12 months are classified as non-current.

(b) Long-Term Economic Benefits to Province of Ontario Grant (the "Ontario Grant"):

The Ontario Grant was awarded to the Company in March 2022 by the Minister of Economic Development, Job Creation and Trade to encourage investment in Ontario, which will benefit Ontario's economic growth. Under this grant agreement, the Ontario Government will fund 24.74% of eligible spending to a maximum of \$25.0, conditional on the Company investing a minimum of \$101.0 in eligible project expenditures. The Company uses the funding received under the grant towards the building of the Space Robotics Centre of Excellence in Brampton, Ontario, as well as development of proprietary technology. For the three and nine months ended September 30, 2024, the Company has not recorded a recovery against cost of revenues and \$nil and \$2.5, respectively against long-term assets (three and nine months ended September 30, 2023 – \$0.4 and \$1.1, and \$2.1 and \$5.0, respectively) and has received \$8.1 for the nine months ended September 30, 2024 in proceeds in respect of its claims for eligible expenditures.

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16. Remeasurement gain on defined benefit plans

A remeasurement of the assets and obligations in the Company's defined benefit pension plans and other post-retirement benefit plans was performed and an actuarial gain, net of tax, of \$12.7 and \$12.1 were recorded for the three and nine months ended September 30, 2024, respectively (three and nine months ended September 30, 2023 – gain of \$4.7 and \$6.4, respectively) in other comprehensive income mainly due to the increase of fair value of pension assets.

17. Supplementary cash flow information

The below table provides changes in operating assets and liabilities:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Trade and other receivables	\$ (22.8)	\$ 12.6	\$ 28.3	80.3
Unbilled receivables	5.6	(55.8)	(108.4)	(100.1)
Inventories	0.1	0.6	(0.2)	(3.2)
Prepaid expenses and advances to suppliers	(19.9)	(8.1)	(69.0)	(29.7)
Other assets	(5.0)	—	(3.1)	0.5
Trade and other payables	23.3	37.2	36.0	64.9
Contract liabilities	222.7	(46.0)	446.2	(44.9)
Employee benefits	0.9	(0.4)	(6.7)	(5.6)
Other liabilities	(4.2)	—	(7.7)	(1.0)
	\$ 200.7	\$ (59.9)	\$ 315.4	\$ (38.8)

18. Changes to classification

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