

D. Property, Plants and Equipment

For a description of our property, plants and equipment, see Item 4.B. “Business Overview”.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating results

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management’s discussion and analysis (the “MD&A”) for Telesat Corporation is dated March 16, 2026 and provides information concerning our financial condition and results of operations for the year ended December 31, 2025. You should read this MD&A together with Telesat Corporation’s audited consolidated financial statements and the related notes for the year ended December 31, 2025.

As used in this MD&A, unless the context states or requires otherwise, references to “Telesat,” “Company,” “we,” “our” and “us” refer to Telesat Corporation and its subsidiaries. Unless the context states or requires otherwise, reference herein to “the consolidated financial statements” or “the financial statements” or similar terms refer to Telesat Corporation’s audited financial statements included herein. References to Non-Guarantor(s) refers to entities which are not guarantors under the Telesat Canada credit agreement and indentures, which are Telesat Corporation and its subsidiaries excluding Telesat Canada and its Restricted Subsidiaries (as defined under the Telesat Canada credit Agreement and indentures). References to LEO Non-Guarantor(s) refers to the Non-Guarantors that own all of the assets related to the Telesat Lightspeed business and are developing and will deploy, operate and commercialize, the Telesat LightSpeed Constellation. LEO Non-Guarantors include Telesat LEO Holding ULC, Lightspeed LEO Limited Partnership, Telesat LEO ULC (formerly known as Telesat LEO Inc.) (“Telesat LEO”) and all of Telesat LEO’s subsidiaries.

All figures reported in this MD&A are in Canadian dollars, except where we indicate otherwise, and are referenced as “\$” and “dollars”.

This MD&A contains a translation of some Canadian dollar amounts into United States dollars at specified exchange rates solely for your convenience. All references to “US\$” and “U.S. dollar” refer to United States dollars.

Certain totals, subtotals and percentages may not reconcile due to rounding.

The information contained in this MD&A takes into account information available up to March 16, 2026, unless otherwise noted.

This MD&A makes reference to certain non-IFRS Accounting Standards measures, namely, Adjusted EBITDA, Adjusted EBITDA margin and Consolidated EBITDA. These measures are not recognized measures under IFRS[®] Accounting Standards and do not have a standardized meaning prescribed by the IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS Accounting Standards. Rather, these non-IFRS Accounting Standards measures are used 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 Accounting Standards measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS Accounting Standards measures in the evaluation of issuers. Our management also uses non-IFRS Accounting Standards 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. For a reconciliation of the non-IFRS Accounting Standards measure to the most closely comparable IFRS Accounting Standards measure, see below under the heading “Non-IFRS Accounting Standards Measures”.

FORWARD-LOOKING STATEMENTS

This MD&A contains statements that are not based on historical fact and are “forward-looking statements” and forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995 and Canadian securities laws. When used in this MD&A, statements which are not historical in nature, or which contain the words “believe,” “expect,” “plan,” “may,” “will,” “would,” “could,” “should,” “anticipate,” “estimate,” “project,” “intend” or “outlook”, or similar expressions, are forward-looking statements. In addition, Telesat or its representatives have made or may make forward-looking statements, or provide forward-looking information, orally or in writing, which may be included in, but are not limited to, various filings made from time to time with the U.S. Securities and Exchange Commission (“SEC”) and Canadian securities regulatory authorities, and press releases or oral statements made with the approval of an authorized executive officer of Telesat. Actual results may differ materially from the expectations expressed or implied in the forward-looking statements and forward-looking information as a result of known and unknown risks and uncertainties. All statements made in this MD&A are made only as of the date of this MD&A. 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. Telesat undertakes no obligation to update the statements made in this MD&A in the event facts or circumstances subsequently change after the date of this MD&A.

These forward-looking statements and this forward-looking information are not guarantees of future performance, are based on Telesat’s current expectations and are subject to a number of risks, uncertainties, assumptions, and other factors, some of which are beyond Telesat’s control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements and forward-looking information.

Known risks and uncertainties include but are not limited to: risks associated with financial factors, including swings in the global financial markets, access to capital to construct our LEO satellite constellation and refinance our GEO debt, the outcome of litigation related to the Telesat Canada Debt, volatility of securities values in an industry sector where values may be influenced by economic and other factors beyond Telesat’s control, inflation, rising or prolonged elevated interest rates, fluctuations in foreign exchange rates, and tariffs; risks associated with operating satellites and providing satellite services, including satellite construction or launch delays, launch failures, in-orbit failures, impaired satellite performance or dependence on large customers; the ability to deploy successfully an advanced global LEO satellite constellation and the timing of any such deployment; Telesat’s ability to meet the conditions for advance of the loans under the funding agreements for the constellation; technological hurdles, including Telesat’s and Telesat’s contractors’ development and deployment of the new technologies required to complete the constellation in time to meet Telesat’s schedule, or at all, the availability of services and components from Telesat’s and Telesat’s contractors’ supply chains; competition, including with other LEO systems, deployed and yet to be deployed; risks associated with domestic and foreign government regulation, including government restrictions and regulations, access to sufficient orbital spectrum to be able to deliver services effectively and access to sufficient geographic markets in which to sell those services; Telesat’s ability to develop significant commercial and operational capabilities; and the ability to expand Telesat’s existing satellite utilization. The foregoing list of important factors is not exhaustive.

In addition, assumptions and estimates of our and our industry’s future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section of our Annual Report entitled “Risk Factors.” These and other factors could cause our future performance to differ materially from our assumptions and estimates.

Any references to forward-looking statements in this MD&A include forward-looking information within the meaning of applicable Canadian securities laws.

Additional information regarding the Company, including results of operations and variances between the year ended December 31, 2024 and 2023, can be obtained in our Annual Report on Form 20-F for the year ended December 31, 2024 filed on March 27, 2025, on the SEC’s website at <https://www.sec.gov> and on SEDAR+ at <https://www.sedarplus.ca>.

HIGHLIGHTS

Telesat enters strategic partnership with Government of Canada

In December 2025, we announced a strategic partnership with the Government of Canada (“GoC”) and MDA Space to develop and deliver a multi-frequency, Arctic military satellite communications (“MILSATCOM”) capability to the Canadian Armed Forces.

Leveraging over 55 years of satellite engineering and operations excellence, we will play a pivotal role in delivering a state-of-the-art MILSATCOM architecture for Canada’s Enhanced Satellite Communications Project — Polar (“ESCP-P”). The narrowband and wideband solution will strengthen and safeguard Canada’s Arctic sovereignty while bolstering Canada’s NORAD and NATO commitments.

The ESCP-P procurement is being led by the newly formed Defence Investment Agency (“DIA”), leveraging a strategic partner model that will harness industry and government expertise in the design, development and delivery of advanced defence programs on a meaningfully accelerated timeline.

Our collaboration with the GoC will increase economic benefits and further strengthen Canada’s capabilities in space and defence.

Telesat adds Mil-Ka to the Telesat Lightspeed constellation

In 2026, Telesat announced the addition of Mil-Ka to its advanced Telesat Lightspeed network to meet the anticipated global demand for mission critical Mil-Ka capacity in LEO. Telesat Lightspeed Mil-Ka services extend the design principles of the network’s original Commercial Ka band architecture, which was developed to support mission critical enterprise and government connectivity requirements.

Equity distribution of Telesat Lightspeed business

In September 2025, Telesat Canada distributed 62% of the equity of its Telesat Lightspeed business to an indirect subsidiary of Telesat Corporation. The indirect subsidiary is wholly-owned by Telesat Canada’s parent entities and is a LEO Non-Guarantor (i.e. a non-guarantor under Telesat Canada’s debt documents). There were no changes to the Company’s operations as a result of this transaction. The distribution provides more flexibility to Telesat Corporation to raise capital in the future.

Funding for Telesat Lightspeed Satellite constellation

In 2025, we began receiving advances, pursuant to the financing agreements with the GoC and Government of Quebec (“GoQ”) for the Telesat Lightspeed constellation (“Telesat Lightspeed Financing”). The Telesat Lightspeed Financing total \$2.54 billion and carry a floating interest rate of 4.75% over CORRA and will mature in 2040. Interest will be capitalized to the loan until 12 months after the in service date. The loan is secured by substantially all present and future value of the assets of Telesat Lightspeed.

In total, during the year, we received \$690.0 million in advances pursuant to the Telesat Lightspeed Financing to fund the development of the Telesat Lightspeed constellation. As of December 31, 2025, \$1.85 billion was still available on the Telesat Lightspeed Financing to cover future project development and deployment costs of the Telesat Lightspeed constellation.

Progress of Telesat Lightspeed Satellite constellation development

We made important progress in 2025 on the development of the Telesat Lightspeed constellation. We continue to expect to launch the first Telesat Lightspeed satellites in late 2026 and expect to be in commercial operation around the end of 2027. We have increased our workforce by approximately 160 employees, or 36%, in the last 12 months with capital expenditures of \$704.7 million. In 2025, we held further design reviews with our satellite and dispenser manufacturers, and we progressed our work on user terminals, software development for network and satellite operation, and ground station deployment.

Repurchase of Notes

During the year ended December 31, 2025, we repurchased \$11.4 million (US\$8.2 million) of the 6.5% Senior Unsecured Notes for cash consideration of \$4.5 million (US\$3.3 million), resulting in a gain on repurchase of debt of \$6.9 million (US\$5.0 million). Since 2021 we have reduced the amount of total Telesat Canada indebtedness outstanding by US\$857 million at a cost of US\$450 million by repurchasing part of Telesat Canada's debt in the market at a material discount to par.

Backlog

Our backlog represents future cash inflows from capacity allocation or service delivery contracts. As of December 31, 2025, GEO backlog was \$0.8 billion and represents our expected future revenue from existing GEO service contracts (without discounting for present value) including any deferred revenue that we will recognize in the future in respect of cash already received. As of December 31, 2025, we have entered into customer agreements to provide service on Telesat Lightspeed that aggregate to \$1.0 billion in cash inflows. In 2025, we secured multi-year agreements with Viasat and Orange for Telesat Lightspeed connectivity services.

Liquidity and going concern

Our Term Loan B and Senior Notes, held in Telesat Canada, are scheduled to mature between December 2026 and October 2027, resulting in substantial obligations at the end of 2026 of approximately \$2.3 billion, that will require repayment or refinancing. Based on current projections, cash flows from operations and assets of the Company are expected to be sufficient to meet the Company's contractual obligations as they become due prior to the date of debt maturity. However, these cash flows alone are not expected to be sufficient to satisfy the obligations related to the settlement of the debt instruments as they become due in December 2026 and October 2027. Management is therefore actively engaged in discussions with lenders' advisors about refinancing the Telesat Canada Debt and at the time of issuing the financial statements, management expects to refinance the existing debt obligations before they become due. However, these refinancing activities are dependent on a number of factors outside of the Company's control. As such, there can be no assurance that these refinancing initiatives will be completed successfully. This material uncertainty, which relates solely to the upcoming Telesat Canada Debt maturities in December 2026, casts substantial doubt as to Telesat Canada's ability to meet its obligations as they come due. Accordingly, this material uncertainty raises substantial doubt for the Company in these consolidated financial statements.

Should Telesat Canada not be able to refinance its debt obligations prior to maturity, these financial statements may require significant adjustments. Such adjustments would have a material impact to the carrying amount and classification of reported assets, liabilities, revenues or expenses in these financial statements. For further discussion on management's activity to manage liquidity risk, refer to Liquidity & Capital Resources Note – Liquidity.

OVERVIEW OF THE BUSINESS

We are a leading global satellite services operator, providing our customers with mission-critical communications services since the start of the satellite communications industry in the 1960s. Through a combination of advanced satellites and ground facilities and a highly expert and dedicated staff, our communications solutions support the mission-critical requirements of companies and governments throughout the world. We report under two operating segments, which are GEO and LEO. Transactions that do not belong to a particular operating segment, such as certain corporate entities, are reported within "Other". Our LEO business segment is still in its development phase, and we expect satellites offering Telesat Lightspeed global services to be in commercial operation around the end of 2027.

The satellite services business is capital intensive, and the build-out of a satellite fleet requires substantial time and investment. Once the investment in a satellite is made, the incremental costs to maintain and operate the satellite are relatively low over the life of the satellite. Telesat and its affiliates operate their GEO satellites pursuant to authorizations granted by governments, including those of Canada, the United States, Brazil, the Kingdom of Tonga and the United Kingdom, to access and use certain geostationary orbital locations and associated spectrum resources. The use of these orbital locations, as well as our other operations, is subject to a variety of Canadian and international regulations.

As at December 31, 2025, the GEO business segment provided satellite services to customers from our fleet of 14 in-orbit geostationary satellites, as well as our Canadian payload on the ViaSat-1 satellite. We also manage the operations of additional satellites for third parties.

We are building, in our LEO business segment, what we believe will be one of the world’s most advanced constellations of low earth orbit satellites and integrated terrestrial infrastructure, called “Telesat Lightspeed” — a platform designed to revolutionize the provision of global broadband connectivity.

In September 2024, Telesat LEO completed the Telesat Lightspeed Financing with the GoC and GoQ for loans of \$2.14 billion and \$400 million, respectively, for the Telesat Lightspeed constellation. See “— Debt — Telesat Lightspeed Financing — Senior Secured Term Loan Facilities”, below.

Revenue

We currently earn most of our revenue by providing video and data services using geostationary satellite transponder capacity. We also earn revenue by providing ground-based transmit and receive services, selling equipment, managing satellite networks, and providing consulting services in the field of satellite communications.

We recognize revenue from satellite services on a monthly basis as services are performed in an amount that reflects the consideration we expect to receive in exchange for those services. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability is considered probable.

Consulting revenue for cost plus contracts is recognized as the approved time and labor is completed by Telesat. We recognize consulting revenue for fixed price contracts using the input method to determine the progress towards complete satisfaction of the performance obligation. Equipment sale revenue is recognized when the customer obtains control of the equipment, being at the time the equipment is delivered to and accepted by the customer.

Expenses

Our operating expenses consist of labor and operating expenses which include direct-billed expenses such as third-party contractor services. As we progress our Telesat Lightspeed program, we are significantly increasing the number of employees that will engage in the successful deployment of the constellation. We anticipate that our labor costs will continue to increase, with a significant portion of the labor cost capitalized to the project.

Interest expense is significant and arises principally from our indebtedness, as elaborated in the “Debt” section. Interest expense relating to Telesat Lightspeed Financing is capitalized against the cost of the constellation until the constellation is in service.

Other significant operating expenses include the straight-line depreciation of the cost of each of our satellites over their useful lives and amortization expense related to various finite-life intangible assets.

FUTURE OUTLOOK

After decades of developing and successfully operating our GEO satellite services business, we are now poised to revolutionize the provision of global broadband connectivity by building what we believe will be one of the world’s most advanced constellations of LEO satellites and integrated terrestrial infrastructure, Telesat Lightspeed. Our commitment to providing the highest level of customer service, deep technical expertise and culture of innovation have enabled us to successfully develop our business to date. Leveraging these strengths, our focus is on profitably maximizing the utilization of our existing in-orbit satellites and on deploying our Telesat Lightspeed constellation.

RESULTS OF OPERATIONS

Review of financial performance

Telesat’s net loss for the year ended December 31, 2025, was \$530.2 million compared to net loss of \$302.5 million for the prior year. The variation of \$227.8 million was primarily due to a lower gain on repurchase of debt, loss on changes in fair value of the Telesat Lightspeed Financing Warrants, a reduction in revenue and higher impairment recognized on our orbital slots, satellites and goodwill. This was partially offset by variation in foreign exchange gain (loss) on the conversion of U.S. dollar debt into Canadian dollars.

For a discussion of our results of operations for the year ended December 31, 2024 compared to the year ended December 31, 2023, please refer to the “Operating and Financial Review and Prospects” section of our Annual Report on Form 20-F for the year ended December 31, 2024, filed with the SEC on March 27, 2025.

Revenue

(\$ millions except percentages)	Years ended December 31,		% Increase (Decrease)
	2025	2024	
Broadcast.	\$ 196.2	\$ 274.4	(28.5)%
Enterprise	206.6	267.8	(22.8)%
Consulting and other.	15.1	28.9	(47.6)%
Revenue	\$ 418.0	\$ 571.0	(26.8)%

Total revenue for the year ended December 31, 2025, as expected, decreased by \$153.1 million to \$418.0 million compared to \$571.0 million for the prior year as Broadcast revenue decreased by \$78.2 million and Enterprise revenue decreased by \$61.1 million.

The decrease in Broadcast revenue was primarily due to the full year impact of a lower rate on the renewal of a long-term agreement with a direct-to-home (“DTH”) customer in the fourth quarter of 2024, the non-renewal of an agreement with that same customer in the second quarter of 2025 on a satellite that reached the end of its station kept life, and the full year impact of the termination of service from another DTH customer in the third quarter of 2024, impacting our GEO business segment.

The decrease in Enterprise revenue was primarily due to reductions of services to certain customers, in particular services for an Indonesian rural broadband program as well as lower revenue from aero and maritime markets, impacting our GEO business segment. The full year impact of the sale of our Infosat subsidiary in August 2024 also negatively impacted our revenue in 2025 in our GEO business segment.

Consulting and other revenue decreased by \$13.7 million for the year ended December 31, 2025, when compared to the prior year primarily due to reduced consulting services provided to NASA Goddard Space Flight Center by our LEO business segment.

Expenses

(\$ millions except percentages)	Years ended December 31,		% Increase (Decrease)
	2025	2024	
Depreciation	\$ 104.7	\$ 127.3	(17.7)%
Amortization.	44.2	11.3	289.7%
Operating expenses.	211.8	207.8	1.9%
Other operating (gains) losses, net	361.2	264.9	36.3%
Total expenses	\$ 721.8	\$ 611.3	110.5%

Depreciation

Depreciation of satellites, property and other equipment decreased by \$22.6 million for the year ended December 31, 2025, when compared to the prior year. The decrease resulted from our Telstar 11N satellite and Nimiq 5 satellite reaching the end of their useful lives, for accounting purposes, in 2024.

Amortization

Amortization of intangible assets increased by \$32.8 million for the year ended December 31, 2025, when compared to the prior year as we started to amortize orbital slots, which were transferred from indefinite life assets to finite life assets effective January 1, 2025.

Operating Expenses

(\$ millions except percentages)	Years ended December 31,		% Increase (Decrease)
	2025	2024	
Compensation and employee benefits	\$ 92.6	\$ 110.3	(16.1)%
Other operating expenses	96.4	59.5	62.2%
Cost of sales	22.7	38.0	(40.1)%
Operating expenses	\$ 211.8	\$ 207.8	1.9%

Compensation and employee benefits decreased by \$17.7 million for the year ended December 31, 2025, in comparison to the prior year. The decrease was primarily due to higher capitalized engineering relating to LEO and lower share-based compensation, partially offset by an increase in wages and benefits relating to 170 employees and contractors added during the year, primarily in the LEO business segment.

Other operating expenses increased by \$37.0 million for the year ended December 31, 2025, in comparison to the prior year. The increases were primarily due to higher legal and other professional fees in our GEO business segment resulting from the equity distribution of the Telesat Lightspeed business and activities associated with the upcoming Telesat Canada Debt maturities.

Cost of sales decreased by \$15.2 million for the year ended December 31, 2025, when compared to the prior year. The decrease was primarily due to lower consulting costs in our LEO business segment tied to lower consulting revenue from NASA Goddard Space Flight Center.

Other Operating Gains (Losses), Net

(\$ millions)	Years ended December 31,	
	2025	2024
Impairment	\$ (365.2)	\$ (267.0)
Gain on disposal of subsidiaries	0.2	2.6
Other	3.8	(0.5)
Other operating gains (losses), net	\$ (361.2)	\$ (264.9)

Other operating gains (losses), net for the year ended December 31, 2025 primarily related to the impairment of goodwill, orbital slots and satellites related to our GEO business segment.

Other operating gains (losses), net for the year ended December 31, 2024 primarily related to the impairment on certain orbital slots and the Telstar 18 VANTAGE and Telstar 19 VANTAGE satellites.

Interest Expense

(\$ millions except percentages)	Years ended December 31,		% Increase (Decrease)
	2025	2024	
Debt service costs	\$ 232.8	\$ 227.4	2.4%
Interest on significant financing component	12.3	13.8	(11.1)%
Interest on satellite performance incentive payments	0.9	1.1	(18.4)%
Interest on employee benefit plans, net	(1.1)	(0.2)	612.0%
Interest on leases	2.1	1.5	38.8%
Capitalized interest	(29.4)	—	100.0%
Interest expense	\$ 217.7	\$ 243.8	(10.7)%

Interest expense included interest related to our debt, as well as interest related to our derivative instruments, significant financing components on certain revenue agreements, satellite performance incentive payments, employee benefit plans, leases and capitalized interest.

Debt service costs increased by \$5.4 million for the year ended December 31, 2025 when compared to the prior year. The increases were primarily due to \$29.4 million of interest on the Telesat Lightspeed Financing under which first draws occurred in 2025, partially offset by lower interest rates on the Term Loan B and lower amount of debt

outstanding due to our repurchases of US\$270.2 million of the Telesat Canada Debt in 2024 and 2025. In total, since 2023, we have repurchased US\$697.2 million of outstanding Telesat Canada Debt. All interest expense incurred on the Telesat Lightspeed Financing was capitalized to the Telesat Lightspeed constellation.

Interest expense on significant financing component decreased by \$1.5 million for the year ended December 31, 2025, when compared to the prior year as the balance of revenue agreements with a significant financing component is lower.

Gain on Repurchase of Debt

(\$ millions)	Years ended December 31,	
	2025	2024
Gain on repurchase of debt	\$ 6.9	\$ 202.5

The gain on repurchase of debt for the year ended December 31, 2025 resulted from our repurchases of 2027 Senior Unsecured Notes with a principal amount of \$11.4 million (US\$8.2 million) in exchange for \$4.5 million (US\$3.3 million).

The gain on repurchase of debt for the year ended December 31, 2024 resulted from our repurchases of: 2027 Senior Unsecured Notes with a principal amount of \$100.4 million (US\$73.8 million) in exchange for \$30.4 million (US\$22.3 million); 2027 Senior Secured Notes with a principal amount of \$103.3 million (US\$75.0 million) in exchange for \$48.4 million (US\$35.1 million); 2026 Senior Secured Notes with a principal amount of \$16.4 million (US\$12.0 million) in exchange for \$8.0 million (US\$5.9 million); and a portion of the Term Loan B with a principal amount of \$137.9 million (US\$101.2 million) in exchange for \$69.1 million (US\$50.7 million).

Interest and Other Income

(\$ millions)	Years ended December 31,	
	2025	2024
Interest and other income	\$ 26.2	\$ 23.3

Interest and other income increased by \$2.9 million for the year ended December 31, 2025, when compared to the prior year. The increase was primarily due to changes in our Other Post-Employment Benefit plans positively impacting our liability.

Foreign Exchange and Derivatives

(\$ millions)	Years ended December 31,	
	2025	2024
Gain (loss) on changes in fair value of financial instruments	\$ (215.3)	\$ (12.8)
Gain (loss) on foreign exchange	\$ 106.2	\$ (244.5)

The loss on changes in fair value of financial instruments for the year ended December 31, 2025 was \$215.3 million compared to loss of \$12.8 million for the year ended December 31, 2024, an increase of \$202.6 million. The variation is related to the changes in the fair value of the derivative liabilities associated with the warrants issued in conjunction with the Telesat Lightspeed Financing.

The foreign exchange gain for the year ended December 31, 2025 was \$106.2 million compared to a foreign exchange loss of \$244.5 million for the year ended December 31, 2024, resulting in a favorable change of \$350.7 million. The gain for the year ended December 31, 2025, resulted from the weakening of the U.S. dollar compared to Canadian dollar at year end compared to December 31, 2024 and the resulting primarily from the impact of the translation of our U.S. dollar and Canadian dollar denominated indebtedness and our Canadian dollar derivative warrant liabilities.

The loss for the year ended December 31, 2024 was mainly the result of a stronger U.S. dollar to Canadian dollar compared to December 31, 2023 and the resulting unfavorable impact on the translation of our U.S. dollar denominated Telesat Canada Debt.

Below are the foreign exchange rates used for our audited consolidated financial statements and this MD&A:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
US\$ to \$ spot rate as at December 31,	1.3724	1.4384	1.3243
US\$ to \$ average rate for the year ended December 31,	1.3975	1.3700	1.3493

Income Taxes

<u>(\$ millions)</u>	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Current tax expense	\$ 13.0	\$ 50.9
Deferred tax expense (recovery)	(80.3)	(64.0)
Tax expense (recovery)	<u>\$ (67.4)</u>	<u>\$ (13.0)</u>

The tax recovery for the year ended December 31, 2025, was \$54.3 million higher than the prior year. The variation was primarily due to lower operating income, higher asset impairment charges, and a reduced gain on debt repurchases, partially offset by lower interest expense and favorable foreign exchange gains.

Backlog

Our backlog represents future cash inflows from capacity allocation or service delivery contracts. As of December 31, 2025, GEO backlog was \$0.8 billion (December 31, 2024 - \$1.1 billion) and represents our expected future revenue from existing GEO service contracts (without discounting for present value) including any deferred revenue that we will recognize in the future in respect of cash already received. As at December 31, 2025, we have entered into customer agreements to provide service on Telesat Lightspeed that aggregate to \$1.0 billion in cash inflows.

Generally, following the successful launch of a satellite, if the satellite is operating nominally, our customers may only terminate their service agreements for satellite capacity by paying us all, or substantially all, of the payments that would have otherwise become due over the term of the service agreement. However, if certain of our existing satellites were to experience an in-orbit failure, or otherwise fail to operate as anticipated, our customers may be entitled to terminate their agreement, and we may be obligated to return all or a portion of the customer prepayments made under service agreements for that satellite and reduce the associated backlog. Any repayments under such conditions would be funded by insurance proceeds we may receive, cash on hand and short-term investments.

We expect our GEO backlog as at December 31, 2025 to be recognized as follows:

<u>(\$ millions)</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Thereafter</u>
Backlog	\$ 283.4	\$ 191.0	\$ 104.0	\$ 79.7	\$ 55.9	\$ 112.7

LIQUIDITY AND CAPITAL RESOURCES

Cash and Available Credit

As at December 31, 2025, we had \$509.8 million of cash and short-term investments, including \$303.2 million held in Non-Guarantor subsidiaries. We also have in aggregate \$1.85 billion of Telesat Lightspeed Financing available to draw, subject to certain conditions, to finance the deployment of the Telesat Lightspeed constellation.

Cash Flows generated from Operating Activities

Cash generated from operating activities for the year ended December 31, 2025 was \$66.7 million, a \$4.2 million increase compared to the prior year as the reduction in adjusted EBITDA was more than offset by the receipt of certain other receivables outstanding as of December 31, 2024.

Cash Flows (used in) generated from Investing Activities

Cash used in investing activities for the year ended December 31, 2025 was \$761.2 million, down from \$1,091.6 million in 2024. This consisted primarily of capital expenditures associated with the Telesat Lightspeed constellation in both years.

Cash Flows (used in) generated from Financing Activities

Cash generated in financing activities for the year ended December 31, 2025 was \$672.4 million. This was primarily due to \$689.8 million of drawings under the Telesat Lightspeed Financing to fund capital expenditures associated with the Telesat Lightspeed constellation.

In the prior year, cash used in financing activities was \$170.2 million primarily due to the repurchase of US\$262.0 million of our Telesat Canada Debt for cash \$155.9 million in cash.

Government Grant

In 2019, we entered into an agreement with the GoC pursuant to which the GoC would contribute up to \$85.0 million to support the development of the Telesat Lightspeed constellation through the GoC Strategic Innovation Fund. In return for the grant, Telesat has made a number of commitments to the GoC, including commitments to conduct over \$200.0 million of research and development activities in Canada as well as to expand its Canadian workforce.

The costs that were incurred in connection with this program to date are summarized below:

(\$ millions)	Years ended December 31,		
	2025	2024	2023
Satellites, property and other equipment	\$ 686.2	\$ 1,088.4	\$ 106.9
Intangible assets	—	—	16.4
Operating expenses	69.3	77.4	48.3
Total costs incurred	<u>\$ 755.5</u>	<u>\$ 1,165.8</u>	<u>\$ 171.6</u>

Total research and development costs for Telesat Lightspeed for the year ended December 31, 2025 decreased by \$410.3 million to \$755.5 million, when compared to the prior year. The variation was primarily driven by our investment activities in the Telesat Lightspeed program.

The following claims against the government grant have been made against the costs incurred associated with the program:

(\$ millions)	Years ended December 31,		
	2025	2024	2023
Satellites, property and other equipment	\$ —	\$ 5.4	\$ 15.0
Operating expenses	3.6	8.0	4.5
Total claims	<u>\$ 3.6</u>	<u>\$ 13.4</u>	<u>\$ 19.5</u>

Liquidity

A large portion of our annual cash receipts are reasonably predictable because they are primarily derived from an existing backlog of long-term customer contracts. We believe cash and short-term investments as at December 31, 2025 and cash flows from operating activities expected to be generated in 2026 will be adequate to meet our expected cash requirements for at least the next twelve months for activities in the normal course of business, including required interest on our indebtedness. Similarly, we believe our drawings on our Telesat Lightspeed Financing will be adequate to cover the cost of the operating activities and ongoing development, construction and global service deployment of the Telesat Lightspeed constellation for our LEO business.

The Telesat Canada Term Loan B and Senior Notes are scheduled to mature between December 2026 and October 2027, resulting in significant obligations that will require repayment or refinancing. These maturities will create liquidity pressure if not addressed.

The Company has approximately \$509.8 million of cash and cash equivalent of which \$206.6 million is held within Telesat Canada as at December 31, 2025. The Company and Telesat Canada expect to generate sufficient cash flow to meet the requirements of their respective ongoing operations and debt servicing costs for the reasonably foreseeable future, including at least the one-year period following the date of the financial statements. However, the Company's consolidated cash flows and cash resources alone, which includes those of Telesat Canada, are not expected to be sufficient to meet Telesat Canada's debt maturity obligations as they come due.

Management is therefore actively engaged in discussions with lenders' advisors about refinancing the Telesat Canada Debt. However, these refinancing activities are dependent on a number of factors outside of the Company's control. As such, there can be no assurance that these refinancing initiatives will be completed successfully. This material uncertainty, that relates solely to the upcoming Telesat Canada Debt maturities in December 2026, casts substantial doubt as to Telesat Canada's ability to meet its obligations as they come due.

The debt obligations of Telesat Canada are guaranteed by certain direct and indirect subsidiaries of Telesat Canada ("Guarantor Entities") and the obligation for repayment of the credit facilities and senior secured notes upon maturity does not extend beyond these Guarantor Entities. Other entities within the Telesat group, other than Guarantor Entities ("Non-Guarantor Entities") are primarily focused on the Telesat Lightspeed project. The entities responsible for the Telesat Lightspeed project have a segregated funding source to permit the build out of that project that includes the ability to acquire any necessary intercompany services, such as personnel, occupancy, and information systems, currently provided to Telesat LEO ULC by Telesat Canada up to a specified maximum.

We are building our Telesat Lightspeed constellation in Telesat LEO ULC and intend to complete the deployment of, operate and commercialize our Telesat Lightspeed constellation through this entity. Telesat LEO ULC is an indirect wholly owned subsidiary of Telesat Corporation. Telesat LEO ULC is not a guarantor of the Telesat Canada Debt.

The construction of any satellite replacement or expansion program, including expansion of the Telesat Lightspeed constellation, will require significant capital expenditures and is expected to be fully funded by Telesat Lightspeed Financing, vendor financing, equity investments, including through the issuance of public equity, additional secured or unsecured debt financing, and government sources. We may also raise additional funding for expansion of the Telesat Lightspeed constellation through the issuance of additional equity of, or debt at, our LEO Non-Guarantor subsidiaries which own, and will operate and commercialize, the Telesat Lightspeed constellation. However, our ability to access these sources of funding is not guaranteed.

DEBT

Debt held in Telesat Canada consisted of: Senior Secured Credit Facilities comprised of two outstanding secured credit facilities, which included a revolving facility that matured and extinguished in 2024 and a Term Loan B maturing in December 2026; 6.5% senior unsecured notes due in October 2027 ("2027 Senior Unsecured Notes"); 4.875% senior secured notes due in June 2027 ("2027 Senior Secured Notes"); and 5.625% senior secured notes due in December 2026 ("2026 Senior Secured Notes"), collectively known as "Telesat Canada Debt".

Senior Secured Credit Facilities

The obligations under the credit agreement governing our Senior Secured Credit Facilities (the "Credit Agreement") and the guarantees of those obligations are secured, subject to certain exceptions, by a first priority security interest in the assets of Telesat Canada and certain of its subsidiaries ("Guarantors"). The Credit Agreement contains covenants that restrict the ability of Telesat Canada and the Guarantors to take specified actions, including, among other things and subject to certain significant exceptions: creating liens, incurring indebtedness, making investments, engaging in mergers, selling property, paying dividends, entering into sale-leaseback transactions, creating subsidiaries, repaying subordinated debt or amending organizational documents. The Credit Agreement contains customary events of default and affirmative covenants, including an excess cash sweep, that may require us to repay a portion of the outstanding principal under our Senior Secured Credit Facilities prior to the stated maturity.

As of December 31, 2025, our Senior Secured Credit Facilities are comprised only of the following:

Term Loan B

Telesat Canada's Term Loan B is a US\$1,908.5 million facility maturing in December 2026. As at December 31, 2025, the outstanding balance was US\$1,320.5 million.

The Term Loan B bear interest, at Telesat Canada's option, at either (i) a floating rate based on the base rate, plus an applicable margin of 1.75% or (ii) a floating rate based on SOFR, plus an applicable margin of 2.75% plus a small credit spread adjustment.

Senior Notes

Telesat Canada's Senior Notes comprise the 2026 Senior Secured Notes, the 2027 Senior Secured Notes and the 2027 Senior Unsecured Notes. The 2027 Senior Secured Notes, initially in the amount of US\$400.0 million, bear interest at an annual rate of 4.875% and are due in June 2027. As at December 31, 2025, the balance outstanding was US\$225.0 million. The 2026 Senior Secured Notes, initially in the amount of US\$500.0 million in aggregate bear interest at an annual rate of 5.625% and are due in December 2026. As at December 31, 2025, the balance outstanding was US\$387.0 million. Our 2027 Senior Secured Notes and 2026 Senior Secured Notes are secured by substantially all of our assets, excluding the assets relating to the Telesat Lightspeed business, which assets are held by the LEO Non-Guarantors.

The 2027 Senior Unsecured Notes in the original principal amount of US\$550.0 million, bear interest at an annual rate of 6.5% and are due in October 2027. As at December 31, 2025, the balance outstanding was US\$213.0 million.

The indentures governing the Senior Notes include covenants and terms that restrict our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments, investments or acquisitions, enter into certain transactions with affiliates, modify or cancel its satellite insurance, and effect mergers with another entity, in each case subject to exceptions provided in such indentures.

During the year ended December 31, 2025, we repurchased principal amount of \$11.4 million (US\$8.2 million) of 2027 Senior Unsecured Notes for consideration of \$4.5 million (US\$3.3 million). The repurchase resulted in a gain on repurchase of debt of \$6.9 million (US\$4.9 million). The repurchase also resulted in a write-off of the related debt issue costs and prepayment options.

Term Loan B and 2026 Senior Secured Notes Refinancing

Our Term Loan B and 2026 Senior Secured Notes issued by Telesat Canada, are scheduled to mature in December 2026, resulting in substantial obligations that will require repayment or refinancing. The Company and Telesat Canada's current projections indicate that cash flows from operations and assets of the company are expected to be sufficient to meet the company's contractual obligations (other than the aforementioned debt maturities) for the reasonably foreseeable future, including at least the one-year period following the date of the financial statements. However, the Company's consolidated cash flows alone, which includes those of Telesat Canada, are not expected to be sufficient to satisfy the obligations related to the settlement of the debt instruments as they become due in December 2026. For further discussion on management's activity to manage liquidity & capital resources risk, refer to Liquidity & Capital Resources Note – Liquidity.

Telesat Lightspeed Financing — Senior Secured Term Loan Facilities

To fund Telesat Lightspeed, on September 13, 2024, Telesat LEO, (a LEO Non-Guarantor and wholly-owned subsidiary of Telesat), entered into the Telesat Lightspeed Financing with the GoC and GoQ for senior secured non-revolving delayed draw term loan facilities in the principal amount of \$2,140 million and \$400 million, respectively.

The Telesat Lightspeed Financing carries a floating interest rate of 4.75% above the 3-month term CORRA on the outstanding drawn loan amount with a 15-year maturity. All interest accrued on the Telesat Lightspeed Financing until six months after the initial project completion date (a date upon which a certain number of satellites under the LEO project have been launched, with a certain number of satellites made operational and certain other milestones under the agreement being met) shall be added to the principal amount.

Unless accelerated on an event of default as defined in the Telesat Lightspeed Financing, principal repayment of the loan is required on a semi-annual installment basis in 10 years commencing one year after initial project completion date subject to the mandatory repayment of the full amount by the 15th anniversary of the initial draw on the loan. The amount of each semi-annual installment will be calculated as a percentage of the total loan amount as prescribed in the loan agreement.

In addition to the regular repayment, we will also be required to make mandatory prepayment or repayment under certain circumstances including in cases when Telesat LEO has excess cash flow. The Telesat Lightspeed Financing also provides a full or partial prepayment option to Telesat LEO.

The Telesat Lightspeed Financing includes both financial and non-financial covenants, with which we must comply.

As consideration for the Telesat Lightspeed Financing, Telesat LEO, before the initial draw on the loan, on November 15, 2024, entered into an agreement with the GoC and the GoQ which irrevocably granted warrants equivalent to 11.87% of common shares in the equity of Telesat LEO on a fully diluted basis (“Telesat Lightspeed Financing Warrants”). The Telesat Lightspeed Financing Warrants are exercisable in whole or in part, at any time after the second anniversary of the date of their original issuance (November 15, 2026) and up to 10 years from the issuance date (November 15, 2034) subject to certain terms and conditions of the warrant agreement based upon an equity valuation of US\$3 billion for Telesat LEO. In connection with a corporate reorganization of Telesat LEO completed in September 2025, the Telesat Lightspeed Financing Warrants became exercisable for 11.87% of the limited partnership units of Lightspeed LEO Limited Partnership, a limited partnership which holds all of the Telesat LEO shares.

On initial recognition, the Telesat Lightspeed Financing Warrants were recorded against other current and long-term assets with the derivative recorded against other current and long-term financial liabilities. The initial fair value impact, as at November 15, 2024, of the Telesat Lightspeed Financing Warrants was \$604.3 million. As the drawdowns are made against the Telesat Lightspeed Financing, the proportional amount of the current and long-term assets are transferred to the debt issue costs against the long-term indebtedness. These balances are amortized to the statement of income (loss) using the effective interest method. The carrying amount against the indebtedness as of December 31, 2025 was \$157.1 million.

Debt issue costs of \$37.5 million were incurred in connection with the Telesat Lightspeed Financing. These balances are recorded against prepaid expenses and other current assets and long-term assets. As the drawdowns are made against the Telesat Lightspeed Financing, the proportional amount of the prepaid expenses and other current assets and long-term assets are transferred to the debt issue costs against the long-term indebtedness. The liability is subsequently amortized using the effective interest method. The carrying amount against the indebtedness as of December 31, 2025 was \$9.8 million.

For the derivatives recorded against the current and long-term financial liabilities, the balances are marked to market at each reporting date thereafter in the statement of income (loss) as part of the gain (loss) on changes in fair value of financial instruments.

The Telesat Lightspeed Financing is secured by substantially all of the assets relating to the Telesat Lightspeed business, which assets are held by the LEO Non-Guarantors. As at November 15, 2024, all conditions precedent to drawdown of the loans under the Telesat Lightspeed Financing were met.

As at December 31, 2025, \$716.2 million of the Telesat Lightspeed Financing was outstanding of which \$603.4 million and \$112.8 million was outstanding with the GoC and GoQ, respectively. The balance consists of \$690.0 million of draws combined with \$26.1 million of interest which was capitalized to the principal on the loan facility. The interest capitalized against the loan facility was split between \$22.0 million and \$4.1 million with the GoC and GoQ, respectively.

Covenant Compliance

As of the date hereof, we were in compliance with the financial covenants of our Telesat Canada Debt and the Telesat Lightspeed Financing.

As at December 31, 2025, the Consolidated Total Debt for Covenant Purposes to Consolidated EBITDA ratio, for the purposes of our Senior Secured Credit Facilities was 9.63:1.00. The Consolidated Total Secured Debt to Consolidated EBITDA for Covenant Purposes ratio, for the purposes of our Senior Secured Credit Facilities, was 8.64:1.00.

Debt Service Cost

The interest expense on our Telesat Canada Debt for the year ended December 31, 2025 was \$202.1 million (December 31, 2024 — \$226.6 million). The interest expense on our Telesat Lightspeed Financing for the year ended December 31, 2025 was \$29.4 million, which was capitalized against the assets under construction. Interest expense excludes the amortization of our deferred financing costs, prepayments options, warrants and loss on repayment.

Derivatives

We use, from time to time, interest rate and currency derivatives to manage our exposure to changes in interest rates and foreign exchange rates. As at December 31, 2025, there were no interest rate or currency derivatives that were outstanding.

We have embedded derivatives on certain of our Telesat Canada Debt that are accounted for separately at fair value. These embedded derivatives are related to the prepayment option on our 2027 Senior Unsecured Notes, the prepayment option on our 2027 Senior Secured Notes and the prepayment option on our 2026 Senior Secured Notes. As at December 31, 2025 and 2024, the fair value of the embedded derivatives related to the prepayment option on our 2027 Senior Unsecured Notes, 2027 Senior Secured Notes and 2026 Senior Secured Notes was \$Nil.

In addition, we have embedded derivatives associated with the Telesat Lightspeed Financing with the GoC and GoQ. As part of the Telesat Lightspeed Financing, Telesat LEO issued the Telesat Lightspeed Financing Warrants representing 11.87% of its total shares on a fully diluted basis, with standard anti-dilution adjustments. In connection with a corporate reorganization of Telesat LEO completed in September 2025, the Telesat Lightspeed Financing Warrants became exercisable for 11.87% of the limited partnership units of Lightspeed LEO Limited Partnership, a limited partnership which holds all of the Telesat LEO shares.

As at December 31, 2025, the fair value of the embedded derivatives with respect to the Telesat Lightspeed Financing Warrants were \$832.4 million (December 31, 2024 — \$617.1 million). As the warrants could be exercised at any time after November 15, 2026, we presented the derivative liabilities as current. We believe it is highly unlikely that the warrants will be exercised by the GoC and GoQ over the next twelve months as the underlying units of Lightspeed LEO Limited Partnership are illiquid and contain limitations to the unitholder's ability to further monetize their investment.

The changes in the fair value of these embedded derivatives are recorded on our consolidated statements of income as a gain or loss on changes in fair value of financial instruments and are non-cash.

All derivative instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market under current market conditions at the measurement date. Where possible, fair values are based on the quoted market values in an active market. In the absence of an active market, we determine fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models or frameworks and discounted cash flow analysis, using observable market-based inputs.

These estimates are affected significantly by the assumptions for the amount and timing of estimated future cash flows and discount rates, which all reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of our derivative instruments are not reflected in the fair values. The fair values also include an adjustment related to the counterparty credit risk. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were actually settled.

MATERIAL CASH REQUIREMENTS

A summary of the material cash requirements that are due in each of the next five years and after 2030 are summarized the table below:

(\$ millions)	2026	2027	2028	2029	2030	Thereafter	Total
Satellite performance							
incentive payments, including interest ⁽¹⁾	\$ 4.1	\$ 2.6	\$ 2.5	\$ 2.5	\$ 2.5	\$ 0.6	\$ 14.8
Telesat Canada Debt ⁽²⁾	\$ 2,343.5	\$ 601.2	\$ —	\$ —	\$ —	\$ —	\$ 2,944.7
Interest on Telesat Canada Debt ⁽²⁾	\$ 181.4	\$ 26.5	\$ —	\$ —	\$ —	\$ —	\$ 207.9
Telesat Lightspeed Financing ⁽³⁾	\$ —	\$ —	\$ 115.2	\$ 288.0	\$ 403.1	\$ 2,073.3	\$ 2,879.6
Interest on Telesat Lightspeed Financing ⁽³⁾	\$ —	\$ —	\$ 101.2	\$ 190.2	\$ 169.3	\$ 477.9	\$ 938.6
Lease liabilities ⁽⁴⁾	\$ 4.8	\$ 4.8	\$ 4.6	\$ 4.9	\$ 4.7	\$ 33.5	\$ 57.3
Property lease commitments ⁽⁵⁾	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 11.7	\$ 17.7
Commitments for capital expenditures ⁽⁶⁾	\$ 506.1	\$ 6.2	\$ —	\$ —	\$ —	\$ —	\$ 512.3
Other operating commitments ⁽⁷⁾	\$ 23.7	\$ 13.3	\$ 12.6	\$ 13.6	\$ 12.3	\$ 35.4	\$ 110.9
Contributions to defined benefit plans ⁽⁸⁾	\$ 2.2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2.2

- (1) Satellite performance incentive payments are obligations payable to satellite manufacturers over the lives of certain satellites. Satellite performance incentive payments will be paid through the usage of cash and short-term investments or cash flows from operating activities.
- (2) Balance relates to our Telesat Canada Debt and all corresponding interest thereon, excluding the impact of the amortization of deferred financing costs, loss on repayment and prepayment options. Over the next twelve months, the payments will be made through the usage of cash and short-term investments or cash flows from operating activities.
As of the date of this report, the Term Loan B and 2026 Senior Secured Notes are scheduled to mature in December 2026, resulting in substantial obligations that will require repayment or refinancing. For further discussion, refer to Liquidity & Capital Resources Note – Liquidity.
- (3) Balance relates to our Telesat Lightspeed Financing and all corresponding interest thereon, excluding the impact of the amortization of deferred financing costs and warrants. No payments are required over the next twelve months. The contractual cash flows for Telesat Lightspeed Financing include anticipated future drawings and mandatory repayments against the loan.
- (4) Balance relates to payments to be made in connection with leases. Over the next twelve months, the payments will be made through the usage of cash and short-term investments or cash flows from operating activities, or funds available under Telesat Lightspeed Financing.
- (5) Property lease commitments consist of off-balance sheet contractual obligations for land or building usage. Over the next twelve months, the payments will be made through the usage of cash and short-term investments, cash flows from operating activities, or funds available under Telesat Lightspeed Financing.
- (6) We have entered into contracts for the development of our Telesat Lightspeed constellation and other capital expenditures. These expenditures may be funded from some or all of the following: cash and short-term investments, cash flow from operating activities, cash flow from customer prepayments or funds available under Telesat Lightspeed Financing.
- (7) Other operating commitments consisted of third-party satellite capacity arrangements as well as other commitments that are not categorized as property leases or capital commitments. Over the next twelve months, the payments will be made through the usage of cash and short-term investments, cash flows from operating activities or funds available under the Telesat Lightspeed Financing.
- (8) Over the next twelve months, contributions to the defined benefit pension plans will be made through the usage of cash and short-term investments and cash flows from operating activities. Certain contributions subsequent to 2026 are not quantifiable as they are largely dependent on the result of actuarial valuations that are performed periodically and on the investment performance of the pension fund assets.

MARKET RISK

Credit Risk Related to Financial Instruments

Financial instruments that potentially subject us to a concentration of credit risk consist of cash and short-term investments, accounts receivable, derivative assets and other assets. Cash and short-term investments are invested with high quality financial institutions and are governed by our corporate investment policy, which aims to reduce credit risk by restricting investments to high-grade, mainly U.S. dollar and Canadian dollar denominated investments. Credit checks are performed to minimize exposure to any one customer. We are exposed to credit risk if counterparties to our derivative instruments are unable to meet their obligations. It is expected that these counterparties will be able to meet their obligations as they are institutions with strong credit ratings, but we continue to periodically monitor their credit risk and credit exposure.

Foreign Exchange Risk

Our operating results are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in currencies other than Canadian dollars or in cases where transactions are in Canadian dollars where the functional currency is other than Canadian dollars. The most significant impact of variations in the exchange rate is on our U.S. dollar denominated indebtedness and cash and short-term investments combined with the Canadian dollar indebtedness and derivative liabilities held in a subsidiary with other than a Canadian functional currency. In addition, a portion of our revenue and expenses, as well as the majority of our capital expenditures are denominated in U.S. dollars. As a result, the volatility of the U.S. currency, and in certain cases Canadian currency, exposes us to foreign exchange risks.

The approximate amount of our revenue and certain expenses denominated in U.S. dollars, as a percentage of their overall balance, is summarized in the table below:

Years ended December 31,	2025	2024
Revenue.	47.1%	52.6%
Operating expenses	52.1%	45.0%
Interest on our indebtedness	87.4%	100.0%

We use, from time to time, currency derivative instruments to hedge the foreign exchange risk on our U.S. dollar denominated indebtedness. Our policy is that we do not use derivative instruments for speculative purposes. As at December 31, 2025, we have no currency derivative instruments.

A five percent increase (decrease) in the value of the U.S. dollar against the Canadian dollar would have (decreased) increased our net income (loss) as at December 31, 2025 by \$113.0 million and increased (decreased) our other comprehensive income by \$34.2 million. This would have also increased (decreased) our indebtedness by \$147.2 million.

A five percent increase (decrease) in the value of the U.S. dollar against the Canadian dollar would have increased (decreased) our cash and cash equivalents by \$14.5 million, increased (decreased) our net income by \$0.9 million and increased (decreased) our other comprehensive income by \$15.5 million as at and for the year ended December 31, 2025.

A five percent increase (decrease) in the value of the U.S. dollar against the Canadian dollar would have increased (decreased) our revenue and certain expenses for the year ended December 31, 2025, as summarized in the table below:

(\$ millions)		
Revenue.	\$	9.8
Operating expenses	\$	5.3
Interest on our indebtedness	\$	10.2

The sensitivity analyses above assume that all other variables remain constant.

Through our Telesat Canada U.S. dollar denominated indebtedness, we are exposed to foreign exchange fluctuations. The following table contains our existing U.S. dollar denominated indebtedness balances at the beginning of each respective year, which are net of our scheduled debt repayments, and based on the foreign exchange rate as at December 31, 2025.

(\$ millions, beginning of year)	2026	2027	2028	2029	2030
Term Loan B	\$ 1,812.3	\$ —	\$ —	\$ —	\$ —
2027 Senior Unsecured Notes	292.4	292.4	—	—	—
2026 Senior Secured Notes	531.2	—	—	—	—
2027 Senior Secured Notes	308.8	308.8	—	—	—
U.S. dollar denominated debt balances	\$ 2,944.7	\$ 601.2	\$ —	\$ —	\$ —

Through our Telesat LEO Canadian dollar denominated indebtedness, we are exposed to foreign exchange fluctuations, as Telesat LEO has a U.S. dollar functional currency. The following table contains our existing and anticipated drawings on the Canadian dollar denominated indebtedness balances at the beginning of each respective period. The balances are net of our scheduled debt repayments.

(\$ millions, beginning of period)	2026	2027	2028	2029	2030	Thereafter
Telesat Lightspeed Financing	\$ 716.1	\$ 1,699.5	\$ 2,781.0	\$ 2,764.3	\$ 2,476.4	\$ 2,073.3

Interest Rate Risk

We are exposed to interest rate risk on our cash, short-term investments and on our Term Loan B and Telesat Lightspeed Financing, which have variable interest rates. Changes in the interest rates could impact the amount of interest that we receive or are required to pay.

We use, from time to time, interest rate swaps to hedge the interest rate risk related to our indebtedness. Our policy is that we do not use derivative instruments for speculative purposes. In the past, we entered into interest rate swaps to hedge the interest rate risk associated with the variable interest rate on the U.S. denominated Term Loan B. There were no outstanding interest rate swaps as at December 31, 2025 or as at December 31, 2024.

If the interest rates on our variable rate debt increased (decreased) by 0.25%, the result would be a decrease (increase) of \$5.5 million to our net income for year ended December 31, 2025, excluding any impact from interest which would be capitalized against the Telesat Lightspeed constellation.

The following table contains the balance of the Term Loan B and Telesat Lightspeed Financing at the beginning of each respective year, net of our scheduled repayments, and based on the foreign exchange rate as at December 31, 2025.

(\$ millions, beginning of period)	2026	2027	2028	2029	2030	Thereafter
Term Loan B	\$ 1,812.3	\$ —	\$ —	\$ —	\$ —	\$ —
Telesat Lightspeed Financing ⁽¹⁾	716.1	1,699.5	2,781.0	2,764.3	2,476.4	2,073.3
Debt balances exposed to interest rate fluctuation	\$ 2,528.4	\$ 1,699.5	\$ 2,781.0	\$ 2,764.3	\$ 2,476.4	\$ 2,073.3

(1) The contractual cash flows for Telesat Lightspeed Financing include anticipated future drawings and mandatory repayments against the loan.

Guarantees

In the normal course of business, we enter into agreements that provide for indemnification and guarantees to counterparties in transactions involving sales of assets, sales of services, purchases and development of assets, securitization agreements and operating leases. The nature of almost all of these indemnifications prevents us from making a reasonable estimate of the maximum potential amount that we could be required to pay counterparties. As a result, we cannot determine how they could affect future liquidity, capital resources or our credit risk profile. We have not made any significant payments under these indemnifications in the past. For more information, see Note 34 of our audited consolidated financial statements.

NON-IFRS ACCOUNTING STANDARDS MEASURES

Adjusted EBITDA

Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS Accounting Standards measures. EBITDA is defined as “Earnings Before Interest, Taxes, Depreciation and Amortization.” Adjusted EBITDA is used by management to measure our financial performance. Adjusted EBITDA is defined as operating income (excluding certain operating expenses such as share-based compensation expenses and unusual and non-recurring items, including restructuring related expenses) before interest expense, taxes, depreciation and amortization. Adjusted EBITDA margin is used by management to measure our operating performance. Adjusted EBITDA margin is defined as the ratio of Adjusted EBITDA to revenue.

Adjusted EBITDA and Adjusted EBITDA margin are not standardized financial measures under IFRS Accounting Standards and might not be comparable to similar financial measures disclosed by other issuers. Adjusted EBITDA allows investors and us to compare our operating results with that of competitors exclusive of depreciation and amortization, interest and investment income, interest expense, taxes and certain other expenses. Financial results of competitors in the satellite services industry have significant variations that can result from timing of capital expenditures, the amount of intangible assets recorded, the differences in assets’ lives, the timing and amount of investments, the effects of other income (expense), and unusual and non-recurring items. The use of Adjusted EBITDA assists investors and us to compare operating results exclusive of these items. Competitors in the satellite services industry have significantly different capital structures. We believe that the use of Adjusted EBITDA improves comparability of performance by excluding interest expense.

We believe that the use of Adjusted EBITDA and the Adjusted EBITDA margin along with IFRS Accounting Standards financial measures enhances the understanding of our operating results and is useful to investors and us in comparing performance with competitors, estimating enterprise value and making investment decisions. Adjusted EBITDA and Adjusted EBITDA margin as used here may not be the same as similarly titled measures reported by competitors. Adjusted EBITDA and Adjusted EBITDA margin should be used in conjunction with IFRS Accounting Standards financial measures and are not presented as a substitute for cash flows from operations as a measure of our liquidity or as a substitute for net income (loss) as an indicator of our operating performance.

The following table provides a quantitative reconciliation of net income to Adjusted EBITDA and Adjusted EBITDA margin, each of which are non-IFRS Accounting Standards measures.

(\$ millions)	Years ended December 31,	
	2025	2024
Net income (loss)	\$ (530.2)	\$ (302.5)
Tax expense (recovery)	(67.4)	(13.0)
(Gain) loss on changes in fair value of financial instruments	215.3	12.8
(Gain) loss on foreign exchange	(106.2)	244.5
Interest and other income	(26.2)	(23.3)
Interest expense	217.7	243.8
Gain on repurchase of debt	(6.9)	(202.5)
Depreciation	104.7	127.3
Amortization	44.2	11.3
Other operating (gains) losses, net	361.2	264.9
Non-recurring compensation expenses ⁽¹⁾	2.3	2.9
Non-cash expense related to share-based compensation	4.1	17.6
Adjusted EBITDA	<u>\$ 212.7</u>	<u>\$ 383.7</u>
Revenue	\$ 418.0	\$ 571.0
Adjusted EBITDA Margin	50.9%	67.2%

(1) Includes severance payments, special compensation and benefits for employees.

Adjusted EBITDA for Telesat Corporation decreased by \$171.0 million for the year ended December 31, 2025, when compared to the prior year. The decrease was primarily due to a decrease in revenues.

Consolidated EBITDA for Covenant Purposes

Consolidated EBITDA for Covenant Purposes is not a presentation made in accordance with IFRS Accounting Standards, is not a measure of financial condition or profitability, and should not be considered as an alternative to (1) net income (loss) determined in accordance with IFRS Accounting Standards or (2) cash flows from operating activities determined in accordance with IFRS Accounting Standards. Additionally, Consolidated EBITDA for Covenant Purposes is not intended to be a measure of free cash flow for management's discretionary use as it does not include certain cash requirements for such items as interest payments, tax payments and debt service requirements. We believe that the inclusion of Consolidated EBITDA for Covenant Purposes herein is appropriate to provide additional information concerning the calculation of the financial ratio maintenance covenant and other covenants on our Senior Secured Credit Facilities. Consolidated EBITDA for Covenant Purposes is a material component of these covenants. Non-compliance with the financial ratio maintenance covenant contained in our Senior Secured Credit Facilities could result in the requirement to immediately repay all amounts outstanding. This presentation of Consolidated EBITDA for Covenant Purposes is not comparable to other similarly titled measures of other companies because not all companies use identical calculations of EBITDA. We believe the disclosure of the calculation of Consolidated EBITDA for Covenant Purposes provides information that is useful to an investor's understanding of our liquidity and financial flexibility.

The following is a reconciliation of net income (loss), which is an IFRS Accounting Standards measure of our operating results, to Consolidated EBITDA for Covenant Purposes, as defined in the Credit Agreement and the calculation of the ratio of Consolidated Total Secured Debt to Consolidated EBITDA for Covenant Purposes as defined in the Credit Agreement. The terms and related calculations are defined in the Credit Agreement, a copy of which is publicly available at <https://www.sec.gov> and at <https://www.sedarplus.ca>.

(\$ millions)	Year Ended December 31, 2025	Year Ended December 31, 2024
Net income (loss)	\$ (530.2)	\$ (302.5)
Impact of unrestricted subsidiaries	(59.3)	58.6
Consolidated income (loss) for Covenant Purposes	(589.5)	(243.9)
<i>Plus:</i>		
Income taxes (Note 1)	(66.2)	(22.3)
Interest expense (Note 1)	195.4	219.6
Depreciation and amortization expense (Note 1)	144.7	136.5
Non-cash share-based compensation and pension expense (Note 1)	6.7	20.0
Impairment	365.2	267.0
Other	13.9	16.6
<i>Increased (decreased) by:</i>		
(Gain) loss on repurchase of debt	(6.9)	(202.5)
Loss on disposal of assets related to amalgamation of unrestricted subsidiaries	379.5	—
Non-cash (gains) losses resulting from changes in foreign exchange rates (Note 1)	(148.4)	255.9
Consolidated EBITDA for Covenant Purposes	\$ 294.4	\$ 446.9

Note 1: Some adjustments for covenant purposes excludes certain specific expenses as defined in the Credit Agreement. As a result, these items in the covenant calculation do not reconcile to the financial statement line items.

Consolidated Total Secured Debt and Consolidated Debt for Covenant Purposes

Consolidated Total Debt for Covenant Purposes and Consolidated Total Secured Debt for Covenant Purposes are non-IFRS Accounting Standards measures. We believe that the inclusion of Consolidated Total Debt for Covenant Purposes and Consolidated Total Secured Debt for Covenant Purposes herein are appropriate to provide additional information concerning the calculation of the financial ratio maintenance and other covenants under our Senior Secured Credit Facilities and provides information that is useful to an investor's understanding of our compliance with these financial covenants.

The following is a reconciliation of our Consolidated Total Debt for Covenant Purposes and Consolidated Total Secured Debt for Covenant Purposes to Indebtedness:

(in \$ millions)	As at December 31, 2025	As at December 31, 2024
Senior Secured Credit Facilities & Telesat Canada Debt:		
Term Loan B	\$ 1,812.3	\$ 1,889.5
2027 Senior Unsecured Notes	292.4	318.2
2026 Senior Secured Notes	531.2	566.7
2027 Senior Secured Notes	308.8	323.6
	<u>2,944.6</u>	<u>3,098.0</u>
Adjustments for covenant purposes:		
Add: lease liabilities	29.7	31.6
Consolidated Total Debt	<u>2,974.4</u>	<u>3,129.9</u>
Less: Cash and cash equivalents (max. US\$100 million)	(137.2)	(143.8)
Consolidated Total Net Debt for Covenant Purposes	<u>\$ 2,837.2</u>	<u>\$ 2,985.8</u>
Consolidated Total Debt	\$ 2,974.4	\$ 3,129.9
Less: Unsecured debt (2027 Senior Unsecured Notes)	(292.4)	(318.2)
Consolidated Total Secured Debt	<u>2,682.0</u>	<u>2,811.6</u>
Less: Cash and cash equivalents (max. US\$100 million)	(137.2)	(143.8)
Consolidated Total Secured Net Debt for Covenant Purposes	<u>\$ 2,544.8</u>	<u>\$ 2,667.6</u>

As at December 31, 2025, the Consolidated Total Debt for Covenant Purposes to Consolidated EBITDA ratio, for the purposes of our Senior Secured Credit Facilities was 9.63:1.00. The Consolidated Total Secured Debt to Consolidated EBITDA for Covenant Purposes ratio, for the purposes of our Senior Secured Credit Facilities, was 8.64:1.00.

Condensed Consolidating Financial Information

The condensed consolidating financial information reflects the investments, using the equity method of accounting, of Telesat in the Issuers, of the Issuers in their respective Guarantor and Non-Guarantor subsidiaries, and of the Guarantors in their Non-Guarantor subsidiaries. The financial information for the Non-Guarantor subsidiaries is in all material respects the financial information of the LEO Non-Guarantors, except as otherwise noted.

Telesat Corporation includes Telesat Partnership, Telesat CanHold Corporation, Telesat Can ULC, Loral Space & Communications Inc. and Loral Skynet Corporation.

Condensed Consolidating Statements of Income (Loss)
For the year ended December 31, 2025

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Revenue	\$ —	\$ 326,389	\$ 215,457	\$ 5,202	\$ (129,092)	\$ 417,956
Operating expenses	(4,017)	(225,429)	(38,003)	(73,415)	129,092	(211,772)
Depreciation	—	(13,639)	(81,688)	(3,871)	(5,516)	(104,714)
Amortization	—	(261)	(40,194)	(336)	(3,388)	(44,179)
Other operating gains (losses), net	<u>4,834,103</u>	<u>396,231</u>	<u>(1,162,339)</u>	<u>(4,455,056)⁽¹⁾</u>	<u>25,894</u>	<u>(361,167)</u>
Operating income (loss)	4,830,086	483,291	(1,106,767)	(4,527,476)	16,990	(303,876)
Income (loss) from equity investments	(5,388,635)	(2,258,789)	1,017,643	—	6,629,781	—
Interest expense	(172)	(204,818)	(16,903)	(730)	4,954	(217,669)
Gain on repurchase of debt	—	6,896	—	—	—	6,896
Interest and other income (expense)	305	65,796	5,792	13,596	(59,306)	26,183
Gain (loss) on changes in fair value of financial instruments	—	—	—	(215,338)	—	(215,338)
Gain (loss) on foreign exchange	<u>(203)</u>	<u>139,080</u>	<u>271</u>	<u>(41,884)</u>	<u>8,945</u>	<u>106,209</u>
Income (loss) before income taxes	(558,619)	(1,768,544)	(99,964)	(4,771,832)	6,601,364	(597,595)
Tax (expense) recovery	1,338	66,915	(597)	(206)	(72)	67,378
Net income (loss)	<u>\$ (557,281)</u>	<u>\$ (1,701,629)</u>	<u>\$ (100,561)</u>	<u>\$ (4,772,038)</u>	<u>\$ 6,601,292</u>	<u>\$ (530,217)</u>

(1) Includes \$2,035.6 million in Non-Guarantor subsidiaries not related to LEO.

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the year ended December 31, 2025

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Net income (loss)	\$ (557,281)	\$ (1,701,629)	\$ (100,561)	\$ (4,772,038)	\$ 6,601,292	\$ (530,217)
Other comprehensive income (loss)						
Items that may be reclassified into profit or loss						
Foreign currency translation adjustments	(76)	(41,405)	(5,670)	(99,745)	(64,425)	(211,321)
Other comprehensive income (loss) from equity investments	(146,820)	(37,285)	(41,945)	—	226,050	—
Items that will not be reclassified into profit or loss						
Actuarial gain (loss) on defined benefit plans	3,395	11,252	77	—	—	14,724
Income tax on items that will not be reclassified to profit or loss	—	(2,969)	—	—	—	(2,969)
Total other comprehensive income (loss) from equity investments	<u>8,360</u>	<u>77</u>	<u>—</u>	<u>—</u>	<u>(8,437)</u>	<u>—</u>
Total other comprehensive income (loss)	<u>(135,141)</u>	<u>(70,330)</u>	<u>(47,538)</u>	<u>(99,745)</u>	<u>153,188</u>	<u>(199,566)</u>
Total comprehensive income (loss)	<u>\$ (692,422)</u>	<u>\$ (1,771,959)</u>	<u>\$ (148,099)</u>	<u>\$ (4,871,783)</u>	<u>\$ 6,754,480</u>	<u>\$ (729,783)</u>

Condensed Consolidating Statements of Income (Loss)
For the year ended December 31, 2024

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Revenue	\$ —	\$ 438,711	\$ 304,889	\$ 19,598	\$ (192,154)	\$ 571,044
Operating expenses	(2,231)	(273,462)	(49,364)	(74,864)	192,154	(207,767)
Depreciation	—	(13,225)	(104,000)	(1,821)	(8,228)	(127,274)
Amortization	—	(242)	(2,548)	(330)	(8,217)	(11,337)
Other operating gains (losses), net	—	(4,847)	(238,609)	—	(21,475)	(264,931)
Operating income (loss)	(2,231)	146,935	(89,632)	(57,417)	(37,920)	(40,265)
Income (loss) from equity investments	9,822	(147,122)	1,609	—	135,691	—
Interest expense	(552)	(233,108)	(12,818)	370	2,351	(243,757)
Gain on repurchase of debt	—	202,493	—	—	—	202,493
Interest and other income (expense)	(3,040)	269,878	6,198	14,841	(264,563)	23,314
Gain (loss) on changes in fair value of financial instruments	—	—	—	(12,761)	—	(12,761)
Gain (loss) on foreign exchange	152	(255,380)	(524)	11,135	90	(244,527)
Income (loss) before income taxes	4,151	(16,304)	(95,167)	(43,832)	(164,351)	(315,503)
Tax (expense) recovery	(5,937)	26,126	(3,181)	(3,333)	(638)	13,037
Net income (loss)	<u>\$ (1,786)</u>	<u>\$ 9,822</u>	<u>\$ (98,348)</u>	<u>\$ (47,165)</u>	<u>\$ (164,989)</u>	<u>\$ (302,466)</u>

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the year ended December 31, 2024

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Net income (loss)	<u>\$ (1,786)</u>	<u>\$ 9,822</u>	<u>\$ (98,348)</u>	<u>\$ (47,165)</u>	<u>\$ (164,989)</u>	<u>\$ (302,466)</u>
Other comprehensive income (loss)						
Items that may be reclassified into profit or loss						
Foreign currency translation adjustments	(308)	20,636	11,660	178,114	161,918	372,020
Other comprehensive income (loss) from equity investments	210,410	189,774	49,668	—	(449,852)	—
Items that will not be reclassified into profit or loss						
Actuarial gain (loss) on defined benefit plans	4,277	18,411	(60)	—	—	22,628
Income tax on items that will not be reclassified to profit or loss	—	(4,857)	13	—	—	(4,844)
Total other comprehensive income (loss) from equity investments	<u>13,507</u>	<u>(47)</u>	<u>—</u>	<u>—</u>	<u>(13,460)</u>	<u>—</u>
Total other comprehensive income (loss)	<u>227,886</u>	<u>223,917</u>	<u>61,281</u>	<u>178,114</u>	<u>(301,394)</u>	<u>389,804</u>
Total comprehensive income (loss)	<u>\$ 226,100</u>	<u>\$ 233,739</u>	<u>\$ (37,067)</u>	<u>\$ 130,949</u>	<u>\$ (466,383)</u>	<u>\$ 87,338</u>

Condensed Consolidating Statements of Income (Loss)
For the year ended December 31, 2023

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Revenue	\$ —	\$ 598,083	\$ 372,844	\$ 14,850	\$ (281,616)	\$ 704,161
Operating expenses	(1,721)	(360,514)	(72,632)	(51,301)	281,616	(204,552)
Depreciation	—	(36,190)	(146,087)	(1,396)	1,004	(182,669)
Amortization	—	(781)	(2,669)	(324)	(9,319)	(13,093)
Other operating gains (losses), net	—	(11,466)	(534,146)	(2,039)	812,650	264,999
Operating income (loss)	(1,721)	189,132	(382,690)	(40,210)	804,335	568,846
Income (loss) from equity investments	28,873	(391,196)	634	—	361,689	—
Interest expense	(74)	(259,223)	(13,767)	4	2,710	(270,350)
Gain on repurchase of debt	—	230,080	—	—	—	230,080
Interest and other income (expense)	726	106,710	2,831	44,663	(88,398)	66,532
Gain (loss) on foreign exchange	(626)	75,667	632	1,939	146	77,758
Income (loss) before income taxes	27,178	(48,830)	(392,360)	6,396	1,080,482	672,866
Tax (expense) recovery	2,362	77,703	(576)	(4,022)	(165,063)	(89,596)
Net income (loss)	<u>\$ 29,540</u>	<u>\$ 28,873</u>	<u>\$ (392,936)</u>	<u>\$ 2,374</u>	<u>\$ 915,419</u>	<u>\$ 583,270</u>

Condensed Consolidating Statements of Comprehensive Income (Loss)
For the year ended December 31, 2023

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Net income (loss)	\$ 29,540	\$ 28,873	\$ (392,936)	\$ 2,374	\$ 915,419	\$ 583,270
Other comprehensive income (loss)						
Items that may be reclassified into profit or loss						
Foreign currency translation adjustments	904	(4,559)	(10,306)	(18,236)	(18,788)	(50,985)
Other comprehensive income (loss) from equity investments	(33,101)	(28,542)	(13,926)	—	75,569	—
Items that will not be reclassified into profit or loss						
Actuarial gain (loss) on defined benefit plans	1,246	(6,119)	(177)	—	—	(5,050)
Income tax on items that will not be reclassified to profit or loss	—	1,628	37	—	—	1,665
Total other comprehensive income (loss) from equity investments	(4,631)	(140)	—	—	4,771	—
Total other comprehensive income (loss)	(35,582)	(37,732)	(24,372)	(18,236)	61,552	(54,370)
Total comprehensive income (loss)	<u>\$ (6,042)</u>	<u>\$ (8,859)</u>	<u>\$ (417,308)</u>	<u>\$ (15,862)</u>	<u>\$ 976,971</u>	<u>\$ 528,900</u>

Condensed Consolidating Balance Sheets
As at December 31, 2025

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Assets						
Cash and cash equivalents . . .	\$ 11,756	\$ 166,211	\$ 38,948	\$ 292,883	\$ —	\$ 509,798
Trade and other receivables	1,136	28,383	7,282	21,621	—	58,422
Other current financial assets	—	2,274	187	35	(2,066)	430
Intercompany receivables . . .	11,240	228,848	71,194	188	(311,470)	—
Current income tax recoverable	5,114	—	1,622	128	(912)	5,952
Prepaid expenses and other current assets	3,034	5,801	1,776	246,799	46	257,456
Total current assets	<u>32,280</u>	<u>431,517</u>	<u>121,009</u>	<u>561,654</u>	<u>(314,402)</u>	<u>832,058</u>
Satellites, property and other equipment	—	70,373	314,349	2,330,533	1,453	2,716,708
Deferred tax assets	—	—	13,561	—	(9,330)	4,231
Other long-term financial assets	—	39,120	3,950	87	(24,874)	18,283
Long-term income tax recoverable	—	6,993	—	—	—	6,993
Other long-term assets	26,356	110,122	—	232,937	(758)	368,657
Intangible assets	—	1,342	316,315	151,844	(27,223)	442,278
Investment in affiliates	(287,590)	1,037,827	(71,057)	—	(697,180)	—
Goodwill	—	218,381	—	—	1,996,194	2,214,575
Total assets	<u>\$ (228,954)</u>	<u>\$ 1,915,675</u>	<u>\$ 698,127</u>	<u>\$ 3,277,055</u>	<u>\$ 941,880</u>	<u>\$ 6,603,783</u>
Liabilities						
Trade and other payables . . .	\$ 275	\$ 18,868	\$ 6,193	\$ 32,111	\$ —	\$ 57,447
Other current financial liabilities	—	21,564	5,707	832,432	(2,066)	857,637
Intercompany payables	2,535	73,895	231,413	3,626	(311,469)	—
Income taxes payable	—	3,757	—	589	(1,574)	2,772
Other current liabilities	118	35,202	16,589	6,476	46	58,431
Current indebtedness	—	2,341,145	—	—	—	2,341,145
Total current liabilities	<u>2,928</u>	<u>2,494,431</u>	<u>259,902</u>	<u>875,234</u>	<u>(315,063)</u>	<u>3,317,432</u>
Long-term indebtedness	—	603,213	—	549,249	—	1,152,462
Deferred tax liabilities	—	72,446	—	26,467	(6,922)	91,991
Other long-term financial liabilities	199	16	34,751	—	(24,875)	10,091
Other long-term liabilities	—	116,526	136,845	9,598	(758)	262,211
Total liabilities	<u>3,127</u>	<u>3,286,632</u>	<u>431,498</u>	<u>1,460,548</u>	<u>(347,618)</u>	<u>4,834,187</u>
Total shareholders' equity	<u>(232,081)</u>	<u>(1,370,957)</u>	<u>266,629</u>	<u>1,816,507⁽¹⁾</u>	<u>1,289,498</u>	<u>1,769,596</u>
Total liabilities and shareholders' equity	<u>\$ (228,954)</u>	<u>\$ 1,915,675</u>	<u>\$ 698,127</u>	<u>\$ 3,277,055</u>	<u>\$ 941,880</u>	<u>\$ 6,603,783</u>

(1) Includes \$928.0 million in Non-Guarantor subsidiaries not related to LEO.

Condensed Consolidating Balance Sheets
As at December 31, 2024

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Assets						
Cash and cash equivalents . . .	\$ 5,893	\$ 150,425	\$ 59,066	\$ 336,680	\$ —	\$ 552,064
Trade and other receivables . .	1,128	34,557	16,769	106,476	—	158,930
Other current financial assets	—	226	333	6	—	565
Intercompany receivables . .	2,017	237,804	12,885	284	(252,990)	—
Current income tax recoverable	1,817	26,602	823	526	(515)	29,253
Prepaid expenses and other current assets	—	4,735	6,716	273,836	(4,827)	280,460
Total current assets	<u>10,855</u>	<u>454,349</u>	<u>96,592</u>	<u>717,808</u>	<u>(258,332)</u>	<u>1,021,272</u>
Satellites, property and other equipment	—	81,255	467,204	1,721,521	7,163	2,277,143
Deferred tax assets	—	—	12,837	—	(9,778)	3,059
Other long-term financial assets	—	48,301	4,537	81	(43,152)	9,767
Long-term income tax recoverable	—	6,993	—	—	—	6,993
Other long-term assets	—	99,987	—	416,520	—	516,507
Intangible assets	—	362	363,320	188,774	(54,990)	497,466
Investment in affiliates	471,533	2,719,014	178,010	—	(3,368,557)	—
Goodwill	—	549,162	—	—	2,063,810	2,612,972
Total assets	<u>\$ 482,388</u>	<u>\$ 3,959,423</u>	<u>\$ 1,122,500</u>	<u>\$ 3,044,704</u>	<u>\$(1,663,836)</u>	<u>\$ 6,945,179</u>
Liabilities						
Trade and other payables . . .	\$ 44	\$ 21,409	\$ 7,132	\$ 129,691	\$ —	\$ 158,276
Other current financial liabilities	—	23,459	3,024	—	—	26,483
Intercompany payables	679	10,259	236,319	5,733	(252,990)	—
Income taxes payable	5,851	—	—	577	(515)	5,913
Other current liabilities	—	38,734	31,234	766	(4,828)	65,906
Total current liabilities	<u>6,574</u>	<u>93,861</u>	<u>277,709</u>	<u>136,767</u>	<u>(258,333)</u>	<u>256,578</u>
Long-term indebtedness	—	3,096,615	—	—	—	3,096,615
Deferred tax liabilities	—	156,000	—	27,742	(8,198)	175,544
Other long-term financial liabilities	209	19	56,345	617,135	(43,152)	630,556
Other long-term liabilities . .	3,217	123,382	160,800	1,782	—	289,181
Total liabilities	<u>10,000</u>	<u>3,469,877</u>	<u>494,854</u>	<u>783,426</u>	<u>(309,683)</u>	<u>4,448,474</u>
Total shareholders' equity	<u>472,388</u>	<u>489,546</u>	<u>627,646</u>	<u>2,261,278</u>	<u>(1,354,153)</u>	<u>2,496,705</u>
Total liabilities and shareholders' equity	<u>\$ 482,388</u>	<u>\$ 3,959,423</u>	<u>\$ 1,122,500</u>	<u>\$ 3,044,704</u>	<u>\$(1,663,836)</u>	<u>\$ 6,945,179</u>

Condensed Consolidating Statements of Cash Flows
For the year ended December 31, 2025

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Cash flows from (used in) operating activities						
Net income (loss)	\$ (557,281)	\$ (1,701,629)	\$ (100,561)	\$ (4,772,038)	\$ 6,601,292	\$ (530,217)
Adjustment to reconcile net income (loss) to cash flows from operating activities						
Depreciation	—	13,639	81,688	3,871	5,516	104,714
Amortization		261	40,194	336	3,388	44,179
Tax expense (recovery)	(1,338)	(66,915)	596	206	73	(67,378)
Interest expense	172	204,818	16,903	730	(4,954)	217,669
Interest income	(398)	(11,534)	(3,044)	(13,882)	5,061	(23,797)
(Gain) loss on foreign exchange	203	(139,080)	(271)	41,885	(8,946)	(106,209)
(Gain) loss on changes in fair value of financial instruments	—	—	—	215,338	—	215,338
Share-based compensation	447	2,422	1,204	72	—	4,145
(Income) loss from equity investments	5,388,635	2,258,789	(1,017,643)	—	(6,629,781)	—
(Gain) loss on disposal of assets	(4,834,103)	(698,479)	1,099,593	4,455,056 ⁽¹⁾	(25,894)	(3,827)
Gain on disposal of a subsidiary	—	—	(230)	—	—	(230)
Gain on repurchase of debt	—	(6,896)	—	—	—	(6,896)
Impairment	—	302,248	62,976	—	—	365,224
Deferred revenue amortization	—	(17,620)	(38,601)	—	—	(56,221)
Pension expense	540	3,015	—	1,897	—	5,452
Other	—	1,900	6,112	—	—	8,012
Income taxes paid, net of income taxes received	(7,649)	18,678	(2,380)	(429)	—	8,220
Interest paid, net of interest received	282	(194,745)	(3,739)	13,415	—	(184,787)
Operating assets and liabilities	(19,198)	66,526	(63,320)	97,827	(8,522)	73,313
Net cash from (used in) operating activities	<u>(29,688)</u>	<u>35,398</u>	<u>79,477</u>	<u>44,284</u>	<u>(62,767)</u>	<u>66,704</u>
Cash flows (used in) generated from investing activities						
Cash payments related to satellite programs	—	—	—	(624,597)	—	(624,597)
Cash payments related to property and other equipment	—	(3,028)	(90)	(137,408)	—	(140,526)
Net proceeds from disposal of subsidiaries	—	—	235	—	—	235
Proceeds from disposal of assets	—	4,519	—	—	—	4,519
Return of capital to shareholder	35,501	40,566	—	—	(76,067)	—
Investments and other	—	—	—	(858)	—	(858)
Investment in affiliates	—	(11)	—	—	11	—
Net cash (used in) generated from investing activities	<u>35,501</u>	<u>42,046</u>	<u>145</u>	<u>(762,863)</u>	<u>(76,056)</u>	<u>(761,227)</u>
Cash flows (used in) generated from financing activities						
Proceeds from indebtedness	—	—	—	689,789	—	689,789
Repurchase of indebtedness	—	(4,501)	—	—	—	(4,501)
Payment of principal on lease liabilities	—	(1,500)	(582)	(627)	—	(2,709)
Satellite performance incentive payments	—	—	(2,035)	—	—	(2,035)
Return of capital to shareholder	—	(35,501)	(40,566)	—	76,067	—
Proceeds from exercise of stock options	550	—	—	—	—	550
Tax withholdings on settlement of restricted share units	(224)	(7,614)	(491)	(405)	—	(8,734)
Proceeds from issuance of share capital	—	—	—	11	(11)	—
Dividends paid	—	(8,381)	(54,386)	—	62,767	—
Net cash (used in) generated from financing activities	<u>326</u>	<u>(57,497)</u>	<u>(98,060)</u>	<u>688,768</u>	<u>138,823</u>	<u>672,360</u>
Effect of changes in exchange rates on cash and cash equivalents	(276)	(4,161)	(1,680)	(13,986)	—	(20,103)
Changes in cash and cash equivalents	5,863	15,786	(20,118)	(43,797)	—	(42,266)
Cash and cash equivalents, beginning of year	5,893	150,425	59,066	336,680	—	552,064
Cash and cash equivalents, end of year	<u>\$ 11,756</u>	<u>\$ 166,211</u>	<u>\$ 38,948</u>	<u>\$ 292,883</u>	<u>\$ —</u>	<u>\$ 509,798</u>

(1) Includes \$2,035.6 million in Non-Guarantor subsidiaries not related to LEO.

Condensed Consolidating Statements of Cash Flows
For the year ended December 31, 2024

	Telesat Corporation	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Cash flows from (used in) operating activities						
Net income (loss)	\$ (1,786)	\$ 9,822	\$ (98,348)	\$ (47,165)	\$ (164,989)	\$ (302,466)
Adjustment to reconcile net income (loss) to cash flows from operating activities						
Depreciation	—	13,225	104,000	1,821	8,228	127,274
Amortization	—	242	2,548	330	8,217	11,337
Tax expense (recovery)	5,937	(26,126)	3,181	3,333	638	(13,037)
Interest expense	552	233,108	12,818	(370)	(2,351)	243,757
Interest income	(240)	(7,005)	(6,414)	(54,688)	2,351	(65,996)
(Gain) loss on foreign exchange	(152)	255,380	524	(11,135)	(90)	244,527
(Gain) loss on changes in fair value of financial instruments	—	—	—	12,761	—	12,761
Share-based compensation	—	14,859	2,578	120	—	17,557
(Income) loss from equity investments	(9,822)	147,122	(1,609)	—	(135,691)	—
(Gain) loss on disposal of assets	—	216	318	—	—	534
Gain on disposal of a subsidiary	—	4,631	—	—	(7,251)	(2,620)
Gain on repurchase of debt	—	(202,493)	—	—	—	(202,493)
Impairment	—	—	238,291	—	28,726	267,017
Deferred revenue amortization	—	(21,294)	(36,750)	—	—	(58,044)
Pension expense	712	4,936	—	—	—	5,648
Non-cash other income (expense)	3,281	425	—	30,196	—	33,902
Other	—	951	6,529	31	—	7,511
Income taxes paid, net of income taxes received . .	(227)	(52,005)	(2,585)	(5,693)	—	(60,510)
Interest paid, net of interest received	114	(223,857)	5,040	57,108	—	(161,595)
Government grant received	—	—	—	2,520	—	2,520
Operating assets and liabilities	(1,152)	(116,920)	100,272	(27,056)	(264)	(45,120)
Net cash from (used in) operating activities	(2,783)	35,217	330,393	(37,887)	(262,476)	62,464
Cash flows (used in) generated from investing activities						
Cash payments related to satellite programs	—	—	—	(1,045,671)	—	(1,045,671)
Cash payments related to property and other equipment	—	(3,446)	(388)	(61,765)	795	(64,804)
Purchase of intangible assets	—	—	(52)	(4,995)	4,995	(52)
Net proceeds from disposal of subsidiaries	—	3,613	—	—	—	3,613
Proceeds from disposal of assets	—	5,790	—	—	(5,790)	—
Government grant received	—	—	—	15,359	—	15,359
Return of capital to shareholder	—	151,274	—	—	(151,274)	—
Investment in affiliates	—	(163,224)	—	—	163,224	—
Net cash (used in) generated from investing activities	—	(5,993)	(440)	(1,097,072)	11,950	(1,091,555)
Cash flows (used in) generated from financing activities						
Repurchase of indebtedness	—	(155,903)	—	—	—	(155,903)
Payment of principal on lease liabilities	—	(1,492)	(563)	(367)	—	(2,422)
Satellite performance incentive payments	—	(2,321)	(2,251)	—	—	(4,572)
Return of capital to shareholder	—	—	(151,274)	—	151,274	—
Proceeds from exercise of stock options	—	426	—	—	—	426
Tax withholdings on settlement of restricted share units	(346)	(6,918)	(378)	(90)	—	(7,732)
Proceeds from issuance of share capital	—	—	—	163,224	(163,224)	—
Dividends paid	—	—	(262,476)	—	262,476	—
Net cash (used in) generated from financing activities	(346)	(166,208)	(416,942)	162,767	250,526	(170,203)
Effect of changes in exchange rates on cash and cash equivalents	514	6,550	5,494	69,711	—	82,269
Changes in cash and cash equivalents	(2,615)	(130,434)	(81,495)	(902,481)	—	(1,117,025)
Cash and cash equivalents, beginning of year	8,508	280,859	140,561	1,239,161	—	1,669,089
Cash and cash equivalents, end of year	<u>\$ 5,893</u>	<u>\$ 150,425</u>	<u>\$ 59,066</u>	<u>\$ 336,680</u>	<u>\$ —</u>	<u>\$ 552,064</u>

Condensed Consolidating Statements of Cash Flows
For the year ended December 31, 2023

	<u>Telesat Corporation</u>	<u>Telesat Canada</u>	<u>Guarantor subsidiaries</u>	<u>Non- guarantor subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Cash flows from (used in) operating activities						
Net income (loss)	\$ 29,540	\$ 28,873	\$ (392,936)	\$ 2,374	\$ 915,419	\$ 583,270
Adjustment to reconcile net income (loss) to cash flows from operating activities						
Depreciation	—	36,190	146,087	1,396	(1,004)	182,669
Amortization	—	781	2,669	324	9,319	13,093
Tax expense (recovery)	(2,362)	(77,703)	576	4,022	165,063	89,596
Interest expense	74	259,223	13,767	(4)	(2,710)	270,350
Interest income	(112)	(17,043)	(4,726)	(44,667)	2,710	(63,838)
(Gain) loss on foreign exchange	626	(75,667)	(632)	(1,939)	(146)	(77,758)
Share-based compensation	(692)	32,473	3,774	(2,540)	—	33,015
(Income) loss from equity investments	(28,873)	391,196	(634)	—	(361,689)	—
(Gain) loss on disposal of assets	—	11,466	(36)	2,039	(13,528)	(59)
Gain on repurchase of debt	—	(230,080)	—	—	—	(230,080)
Impairment	—	—	534,182	—	(454,442)	79,740
Deferred revenue amortization	—	(28,284)	(30,080)	(973)	—	(59,337)
Pension expense	684	4,990	—	—	—	5,674
Other	—	1,299	1,659	—	—	2,958
C-band clearing income	—	—	—	—	(344,892)	(344,892)
Income taxes paid, net of income taxes received . .	(186)	(58,227)	(5,748)	(2,680)	—	(66,841)
Interest paid, net of interest received	48	(255,642)	3,110	43,223	—	(209,261)
Government grant received	—	—	—	972	—	972
Operating assets and liabilities	(6,752)	(8,344)	(1,800)	(17,328)	(4,988)	(39,212)
Net cash from (used in) operating activities	(8,005)	15,501	269,232	(15,781)	(90,888)	170,059
Cash flows (used in) generated from investing activities						
Cash payments related to satellite programs	—	(8,934)	—	(74,385)	—	(83,319)
Cash payments related to property and other equipment	—	(12,297)	(635)	(29,988)	—	(42,920)
Purchase of intangible assets	—	(13,211)	(56)	—	—	(13,267)
Return of capital to shareholder	11,807	172,074	—	—	(183,881)	—
Investment in affiliates	—	—	(750)	—	750	—
Government grant received	—	—	—	117	—	117
C-band clearing proceeds	—	—	—	351,438	—	351,438
Net cash (used in) generated from investing activities	11,807	137,632	(1,441)	247,182	(183,131)	212,049
Cash flows (used in) generated from financing activities						
Repurchase of indebtedness	—	(344,014)	—	—	—	(344,014)
Payment of principal on lease liabilities	—	(1,277)	(492)	(402)	—	(2,171)
Satellite performance incentive payments	—	(4,437)	(1,948)	—	—	(6,385)
Return of capital to shareholder	—	(11,807)	(172,074)	—	183,881	—
Proceeds from exercise of stock options	—	27	—	—	—	27
Tax withholdings on settlement of restricted share units	—	(2,883)	(247)	(68)	—	(3,198)
Proceeds from issuance of share capital	—	—	—	750	(750)	—
Dividends paid	—	(10)	(85,545)	(5,333)	90,888	—
Net cash (used in) generated from financing activities	—	(364,401)	(260,306)	(5,053)	274,019	(355,741)
Effect of changes in exchange rates on cash and cash equivalents	(54)	(3,979)	(3,637)	(27,400)	—	(35,070)
Changes in cash and cash equivalents	3,748	(215,247)	3,848	198,948	—	(8,703)
Cash and cash equivalents, beginning of year	4,760	496,106	136,713	1,040,213	—	1,677,792
Cash and cash equivalents, end of year	<u>\$ 8,508</u>	<u>\$ 280,859</u>	<u>\$ 140,561</u>	<u>\$ 1,239,161</u>	<u>\$ —</u>	<u>\$ 1,669,089</u>

CURRENT SHARE INFORMATION

The number of shares and stated value of the outstanding Class A common shares and Class B variable voting shares (“Telesat Public shares”), and Class C fully voting shares and Class C limited voting shares (together, the “Class C shares”) as at December 31, 2025, were as follows:

<i>(in thousands of \$, except number of shares)</i>	Number of shares	Stated value
Telesat Public Shares.	14,730,782	\$ 63,657
Class C Shares.	112,841	6,340
	14,843,623	\$ 69,997

The breakdown of the number of Telesat Public Shares, as at December 31, 2025, was as follows:

Telesat Public shares	
Class A Common shares	4,383,668
Class B Variable voting shares	10,347,114
Total Telesat Public shares	14,730,782

The split between the Class A Common shares and Class B Variable Voting shares in the table above is based on information available to us as at December 31, 2025.

In addition, we have one Class A Special Voting Share, one Class B Special Voting Share, one Class C Special Voting Share and one Golden Share outstanding, each with a nominal stated value as at December 31, 2025 and 2024.

The number of outstanding stock options, restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”) issued under our Omnibus Plan and Historic Plans as at December 31, 2025 were as follows:

	Historic Plan	Omnibus Plan
Stock Options	49,526	699,159
RSUs with time criteria.	—	707,466
PSUs with time and performance criteria	—	530,056
DSUs.	—	232,163
	49,526	2,168,844

Each of the foregoing securities can be settled or exercised, as applicable, for Telesat Public Shares.

The number and stated value of the outstanding LP Units issued by Telesat Partnership LP as at December 31, 2025, were as follows:

<i>(in thousands of \$, except number of units)</i>	Number of units	Stated value
Class A and Class B LP Units.	18,061,284	\$ 49,428
Class C LP Units.	18,098,362	38,893
	36,159,646	\$ 88,321

On consolidation into Telesat Corporation, the stated value of the LP Units is included in non-controlling interest.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board (“IASB”) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the amounts of revenue and expenses reported for the year. Actual results could differ from these estimates under different assumptions and conditions. For more details on these estimates, refer to Note 4 of our audited consolidated financial statements.

Critical judgments in applying accounting policies

Telesat Canada liquidity considerations

The ability and likelihood of Telesat Canada, a subsidiary consolidated by Telesat Corporation, to refinance its debt obligations at maturity that fall due within 12 months of the balance sheet date requires management judgment.

The Company has approximately \$509.8 million of cash and cash equivalent of which \$206.6 million is held within Telesat Canada as at December 31, 2025. The Company and Telesat Canada expect to generate sufficient cash flow to meet the requirements of their respective ongoing operations and debt servicing costs for the reasonably foreseeable future, including at least the one-year period following the date of these financial statements. However, the Company's consolidated cash flows and cash resources alone, which includes those of Telesat Canada, are not expected to be sufficient to meet Telesat Canada's debt maturity obligations in December 2026.

Deferred revenue

Certain of our revenue agreements were noted to have a significant financing component. Judgment by management is required to determine the discount rate used in the significant financing component calculation. There were no new agreements entered into in 2025 which included a significant financing component.

Lease liabilities

Judgment by management is required in the determination of the likelihood that the lease renewal periods will be exercised as well as the determination of the incremental borrowing rate. There were no new material lease agreements in 2025.

Uncertain income tax positions

We operate in numerous jurisdictions and are subject to country-specific tax laws. We use significant judgment when determining the worldwide provision for tax and estimate provisions for uncertain tax positions as the amounts expected to be paid based on a qualitative assessment of all relevant factors. In the assessment, we consider risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. We review the provisions at each balance sheet date.

Software as a service arrangements

Judgment by management is required to determine whether configuration or customization of a software results in an intangible asset for Telesat.

Critical accounting estimates and assumptions

Derivative financial instruments measured at fair value

Derivative financial assets and liabilities are measured at fair value. When quoted market values are unavailable for our financial instruments, and in the absence of an active market, we determine fair value for financial instruments based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or we make use of internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market-based inputs. The determination of fair value is significantly impacted by the assumptions used for the amount and timing of estimated future cash flows and discount rates. As a result, the fair value of financial assets and liabilities, and the amount of gains or losses on changes in fair value recorded to net income could vary. The discount rates used to discount cash flows as at December 31, 2025 ranged from 3.74% to 3.97% while as at December 31, 2024 the discount rates ranged from 4.37% to 4.63%.

Impairment of goodwill

Goodwill represented \$2,214.6 million of our total assets as at December 31, 2025, of which \$214.6 million was allocated to the GEO cash generating unit and \$2,000.0 million was allocated to the LEO cash generating unit. As at December 31, 2024, goodwill represented \$2,613.0 million of our total assets of which \$516.9 million was allocated to the GEO cash generating unit and \$2,096.1 million was allocated to the LEO cash generating unit.

Determining whether goodwill is impaired using a quantitative approach requires an estimation of our fair value, which requires us to estimate the future cash flows expected to arise from operations and to make assumptions regarding the underlying business plan, discount rates, and growth rate assumptions. Actual operating results and our related cash flows could differ from the estimates used for the impairment analysis. The discount rate utilized on the goodwill impairment assessment ranged from 9.75% to the midpoint between 15% and 19% in 2025 (2024 – 10.0% to the midpoint between 15% and 20%).

During the year ended December 31, 2025, a \$302.2 million impairment loss was recognized against goodwill. The goodwill impairment was driven by a reduced number of GEO contract renewals arising from increased competition from newer LEO technology, coupled with sustained pricing pressure in broadcast services. Following the goodwill impairment, the recoverable amount of the GEO CGU approximates its carrying amount. Accordingly, any reasonably possible adverse change in key assumptions would result in further impairment. Impairment losses recognised in respect of goodwill are not reversed in subsequent periods. For additional details of the impairment that was recorded, refer to Notes 18 of our consolidated financial statements for the year ended December 31, 2025.

Impairment of intangible assets

Intangible assets represented a significant portion of our total assets as at December 31, 2025. Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually and whenever indicators arise. All other intangible assets are tested when indicators of impairment exist. The quantitative impairment analysis requires us to estimate the future cash flows expected to arise from operations, and to make assumptions regarding the underlying business plan, discount rates, growth rate assumptions and royalty rate. Significant judgments are made in establishing these assumptions. Actual operating results and our related cash flows could differ from the estimates used for the impairment analysis. The discount rate utilized on the intangible assets impairment assessment ranged from 9.50% to the midpoint between 15% and 19% in 2025 (2024 — ranged from 10% to the midpoint between 15% and 20%).

Indefinite life intangible assets are tested for impairment at the individual CGU level. During 2025, we revised our CGU structure given the adoption of a finite life estimate for all orbital slots on January 1, 2025, such that impairment testing is now performed at the disaggregated GEO CGU level (excluding goodwill), comprising four CGUs: Media Distribution Satellite Services, Data Connectivity Satellite Services, Regionally Focused Satellite Services, and Dedicated Satellite Program Services. Impairment testing is also performed at the LEO CGU level, consistent with the LEO operating segment.

During the year ended December 31, 2025, as a result of impairment testing of the CGUs, there was an impairment of \$7.1 million recorded against intangible assets and \$55.9 million recorded against satellites, property and other equipment (2024 — \$191.0 and \$36.3 million respectively). For additional details of the impairment that was recorded, refer to Note 16 and Note 17 of our consolidated financial statements for the year ended December 31, 2025.

Employee benefits

The cost of defined benefit pension plans, other post-employment benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, future pension increases and return on plan assets. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually. See Note 32 of our audited consolidated financial statements for a sensitivity analysis of the assumptions used in the actuarial valuation.

Share-based compensation

The expense for stock options is based on the fair value of the awards granted using the Black-Scholes option pricing model. The Black-Scholes option pricing model includes estimates of the dividend yield, expected volatility, risk-free interest rate and the expected life in years. Any changes in these estimates may have a significant impact on the amounts reported.

Determination of useful life of satellites and finite life intangible assets

The estimated useful life and depreciation method for satellites and finite life intangible assets are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Any change in these estimates may have a significant impact on the amounts reported. Other than the change in estimated useful lives of our GEO orbital slots, there were no changes in the estimated useful lives of satellites and intangible assets during 2025.

Prior to January 1, 2025, our accounting estimates concerning the appropriate useful economic lives of GEO orbital slots have been that they have indefinite lives as it was expected, with a relatively high level of certainty, that we would maintain continued occupancy of an assigned GEO orbital slot either during the operational life of an existing orbiting satellite or upon replacement by a new satellite once the operational life of the existing orbiting satellite is over.

To respond to market dynamics, we are focused on developing our constellation of LEO satellites. A large part of our current and future capital expenditures is expected to be related to this constellation. In light of market developments, the number of occupied operational GEO orbital slots is likely to decline over time, and we no longer believe that the existing GEO orbital slots will continue to be utilized for an indefinite period of time.

As a result, we have updated our estimates in this area such that all GEO orbital slots are now presented as finite life assets. For those orbital slots which were formerly presented as indefinite life assets, their residual carrying values will generally be amortized over the remaining life of the on-station satellite operating at that orbital position in accordance with the provisions of International Accounting Standard 38, Intangible Assets (“IAS 38”). Where more than one satellite is co-located at one position then the latest end of life amongst those satellites is used. Where the likelihood of procuring a new or replacement satellite is probable, we calculate the end of life of that uncommitted replacement and apply it in computing the amortization life of the relevant orbital slot. The useful lives applied in the amortization of orbital slots range from 1 to 34 years.

The change resulted in additional amortization expense of \$33.9 million in the current year. The impact on future periods will largely depend on asset usage amongst other factors. For the upcoming year ending December 31, 2026, the expected amortization is approximately \$26.6 million.

Income taxes

We assess the recoverability of deferred tax assets based upon an estimation of our projected taxable income using enacted or substantially enacted tax laws, and our ability to utilize future tax deductions before they expire. Actual results could differ from expectations.

Telesat Lightspeed Financing Warrants

Lightspeed LEO Limited Partnership issued the Telesat Lightspeed Financing Warrants as part of the Telesat Lightspeed Financing. The Telesat Lightspeed Financing Warrants are measured at fair value. The determination of fair value is significantly impacted by the assumptions used for the amount and timing of estimated future cash flows, value of Telesat Lightspeed operations and discount rates. As a result, the fair value of financial liabilities, and the amount of gains or losses on changes in fair value recorded to net income could vary. The discount rate used as at December 31, 2025 was 4.09% (December 31, 2024 – 4.58%).

ACCOUNTING STANDARDS

Future Changes in Accounting Policies

The IASB periodically issues new and amended accounting standards. The new and amended standards determined to be applicable to us are disclosed below. The remaining new and amended standards have been excluded as they are not applicable.

IFRS 18, Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosures in Financial Statements* (“IFRS 18”) with the aim of improving companies’ reporting of financial performance and give investors a better basis for analyzing and comparing companies.

IFRS 18 introduces three new sets of requirements:

- 1) Improved comparability in the statement of profit or loss (income statement) which introduces three defined categories for income and expenses: operating, investing and financing. These changes would require all companies to use the same structure of the income statement, and provide new defined subtotals, including operating profit.

- 2) Enhanced transparency of management-defined performance measures which would require companies to disclose explanations of those company specific measures that are related to the income statement.
- 3) More useful grouping of information in the financial statements which provides enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted.

We are currently evaluating the impact of this new standard.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Evaluation of Disclosure Controls and Procedures

“Disclosure controls and procedures”, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management in a timely manner. As of December 31, 2025, Telesat Corporation conducted an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based on this evaluation and as a result of a material weakness in our internal control over financial reporting described below, Telesat’s Chief Executive Officer and Chief Financial Officer concluded that Telesat Corporation’s disclosure controls and procedures were not effective as of December 31, 2025 to provide reasonable assurance that information required to be disclosed by it in the reports it files or submits under the Exchange Act and Canadian securities laws is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Telesat’s management is responsible for establishing and maintaining adequate “internal control over financial reporting”, as such term is defined in Rule 13a-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements in a timely manner, and can provide only reasonable assurances that the objectives of the control system have been met. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the underlying policies and procedures.

An evaluation of the effectiveness of Telesat’s internal control over financial reporting was conducted by Telesat’s management, under the supervision and with the participation of Telesat’s Chief Executive Officer and Chief Financial Officer, based on the framework set forth in the *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Material Weakness

As of December 31, 2025, management identified a material weakness in the Company’s internal control over financial reporting (“ICFR”) related to balance sheet presentation and classification. A “material weakness” is a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Specifically, management identified a deficiency in the design and operating effectiveness of a control intended to review and approve the financial reporting implications of significant technical accounting and disclosure matters, and specifically the classification of the balance sheet between current and non-current. As a result, the control did not operate effectively during the period.

This control deficiency resulted in the misclassification of a derivative liability relating to Telesat Lightspeed Financing Warrants that will become exercisable in November 2026 as long-term liabilities, instead of current liabilities, on the balance sheet. The deficiency did not impact the measurement of the underlying liabilities and did not affect net income, cash flows, or compliance with key covenant ratios. Management corrected the misclassification between current and non-current derivative liabilities prior to the issuance of this Annual Report.

However, because the control deficiency created a reasonable possibility that a material misstatement of the Company's annual or interim financial statements could occur and not be prevented or detected on a timely basis, management concluded that this deficiency constitutes a **material weakness in ICFR** as of December 31, 2025.

Remediation Plan

Management has initiated a remediation plan designed to address the identified material weakness and to improve the overall effectiveness of the Company's ICFR. Key elements of the remediation plan will include:

Formal process and control for technical accounting and disclosure matters

- Management will design and implement a formal process and control to identify, track, and monitor significant technical accounting and disclosure matters. This control will include the maintenance of a centralized repository documenting the nature of each matter, supporting analyses, status updates, and assigned ownership that will be subject to a quarterly review for completeness and appropriateness of the conclusions reached.

Strengthening continuity and oversight

- Management will enhance continuity of oversight by designating qualified personnel, responsibility for review and monitoring of significant accounting matters, including during periods of employee absence or transition.

The remediation of the material weakness will require the design and implementation of effective controls, followed by a period of sustained operating effectiveness sufficient to allow management to conclude that the material weakness has been remediated. Until such time, management cannot conclude that the Company's ICFR is effective.

While management believes that these remediation measures are appropriate and responsive to the identified material weakness, there can be no assurance that these efforts will fully remediate the material weakness or that additional material weaknesses will not be identified in the future.

Auditor Attestation

This Annual Report includes an attestation report of Telesat's independent registered public accounting firm regarding internal control over financial reporting as well as the report of such independent registered public accounting firm regarding the Company's consolidated financial statements as of and for the year ended December 31, 2025.

Changes in Internal Control over Financial Reporting

During the period covered by this Annual Report, there have been no changes in Telesat Corporation's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Telesat Corporation Audit Committee is composed of Michael Boychuk, who acts as chair of the committee, Jane Craighead and Henry Intven. Michael Boychuk, Jane Craighead and Henry Intven are persons determined by our board of directors to meet the independence requirements for audit committees under the rules of the NASDAQ and NI 52-110. Each of our Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. The board of directors has also determined that Michael Boychuk, Jane Craighead and Henry Intven are financially literate within the meaning of the rules and regulations of the NASDAQ and NI 52-110 and that they each qualify as an "audit