PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Statements of Income (Loss)
For the periods ended June 30,

(in thousands of Canadian dollars, except per share amounts)	Notes	Three months 2024	Three months 2023	Six months 2024	Six months 2023
Revenue	4	$ 152,433	$ 179,752	$ 304,608	$ 363,174
Operating expenses	5	(56,283)	(51,634)	(103,395)	(105,106)
Depreciation		(31,644)	(46,632)	(68,039)	(93,009)
Amortization		(2,808)	(3,403)	(5,631)	(6,763)
Other operating gains (losses), net	6	(33)	344,890	(18)	344,913
Operating income		61,665	422,973	127,525	503,209
Interest expense	7	(61,942)	(68,550)	(126,372)	(137,423)
Gain on repurchase of debt	12	172,322	153,390	172,322	153,390
Interest and other income		20,237	17,116	41,365	32,583
Gain (loss) on foreign exchange		(34,477)	66,931	(102,890)	77,067
Income (loss) before income taxes		157,805	591,860	111,950	628,826
Tax (expense) recovery	8	(28,546)	(72,838)	(35,028)	(81,387)
Net income (loss)		$ 129,259	$ 519,022	$ 76,922	$ 547,439
Net income (loss) attributable to:					
Telesat Corporation shareholders		$ 35,452	$ 139,730	$ 20,690	$ 147,739
Non-controlling interest		93,807	379,292	56,232	399,700
		$ 129,259	$ 519,022	$ 76,922	$ 547,439
Net income (loss) per common share attributable to Telesat Corporation shareholders					
Basic		$ 2.55	$ 10.39	$ 1.50	$ 11.16
Diluted		$ 2.45	$ 10.05	$ 1.45	$ 10.80
Total Weighted Average Telesat Corporation Shares Outstanding					
Basic	16	13,910,463	13,452,279	13,808,505	13,238,960
Diluted	16	15,856,505	15,145,888	15,654,401	14,916,365

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
For the periods ended June 30,

(in thousands of Canadian dollars)	Three months 2024	Three months 2023	Six months 2024	Six months 2023
Net income (loss)	$ 129,259	$ 519,022	$ 76,922	$ 547,439
Other comprehensive income (loss)				
Items that may be reclassified into profit or loss				
Foreign currency translation adjustments	45,326	(44,434)	141,081	(49,891)
Total other comprehensive income (loss)	45,326	(44,434)	141,081	(49,891)
Total comprehensive income (loss)	$ 174,585	$ 474,588	$ 218,003	$ 497,548
Total comprehensive income (loss) attributable to:				
Telesat Corporation shareholders	$ 47,882	$ 128,198	$ 59,136	$ 134,654
Non-controlling interest	126,703	346,390	158,867	362,894
	$ 174,585	$ 474,588	$ 218,003	$ 497,548

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)	Common shares/Public shares	Accumulated earnings	Equity-settled employee benefits reserve	Foreign currency translation reserve	Total reserves	Total Telesat Corporation shareholders' equity	Non-controlling Interest	Total shareholders' equity
Balance as at January 1, 2023	$ 46,554	$ 356,273	$ 57,756	$ 20,853	$ 78,609	$ 481,436	$ 1,358,716	$ 1,840,152
Net income (loss)	—	147,739	—	—	—	147,739	399,700	547,439
Issuance of share capital on settlement of restricted share units	2,294	—	(280)	—	(280)	2,014	(4,154)	(2,140)
Exchange of Limited Partnership units for Public Shares	1,457	20,282	2,375	1,308	3,683	25,422	(25,422)	—
Other comprehensive income (loss), net of tax (expense) recovery of $Nil	—	—	—	(13,085)	(13,085)	(13,085)	(36,806)	(49,891)
Share-based compensation	—	—	4,529	—	4,529	4,529	14,509	19,038
Balance as at June 30, 2023	$ 50,305	$ 524,294	$ 64,380	$ 9,076	$ 73,456	$ 648,055	$ 1,706,543	$ 2,354,598
Balance as at July 1, 2023	$ 50,305	$ 524,294	$ 64,380	$ 9,076	$ 73,456	$ 648,055	$ 1,706,543	$ 2,354,598
Net income (loss)	—	9,379	—	—	—	9,379	26,452	35,831
Issuance of share capital on settlement of restricted share units	918	11	(381)	—	(381)	548	(1,539)	(991)
Issuance of share capital on exercise of stock options	29	—	—	—	—	29	(13)	16
Exchange of Limited Partnership units for Public Shares	—	1,295	—	50	50	1,345	(1,345)	—
Other comprehensive income (loss), net of tax (expense) recovery of $1,665	—	(921)	—	(325)	(325)	(1,246)	(3,233)	(4,479)
Share-based compensation	—	—	3,808	—	3,808	3,808	10,200	14,008
Balance as at December 31, 2023	$ 51,252	$ 534,058	$ 67,807	$ 8,801	$ 76,608	$ 661,918	$ 1,737,065	$ 2,398,983
Balance as at January 1, 2024	$ 51,252	$ 534,058	$ 67,807	$ 8,801	$ 76,608	$ 661,918	$ 1,737,065	$ 2,398,983
Net income (loss)	—	20,690	—	—	—	20,690	56,232	76,922
Issuance of share capital on settlement of restricted share units, deferred share units, and performance share units	5,096	12,666	(1,071)	855	(216)	17,546	(22,460)	(4,914)
Other comprehensive income (loss), net of tax (expense) recovery of $Nil	—	—	—	38,446	38,446	38,446	102,635	141,081
Share-based compensation	—	—	3,017	—	3,017	3,017	7,948	10,965
Balance as at June 30, 2024	$ 56,348	$ 567,414	$ 69,753	$ 48,102	$ 117,855	$ 741,617	$ 1,881,420	$ 2,623,037

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars)	Notes	June 30, 2024	December 31, 2023
Assets			
Cash and cash equivalents		$ 1,427,238	$ 1,669,089
Trade and other receivables		74,470	78,289
Other current financial assets		625	631
Current income tax recoverable		4,239	16,510
Prepaid expenses and other current assets		84,151	52,169
Total current assets		1,590,723	1,816,688
Satellites, property and other equipment	4,9	1,557,363	1,260,298
Deferred tax assets		2,478	2,954
Other long-term financial assets		6,456	6,633
Long-term income tax recoverable		7,497	7,497
Other long-term assets	4	40,072	40,926
Intangible assets	4,10	690,094	692,756
Goodwill	10	2,510,138	2,446,603
Total assets		$ 6,404,821	$ 6,274,355
LIABILITIES			
Trade and other payables		$ 161,982	$ 43,626
Other current financial liabilities		28,183	29,061
Income taxes payable		8,172	1,921
Other current liabilities		61,170	63,119
Total current liabilities		259,507	137,727
Long-term indebtedness	12	3,002,220	3,197,019
Deferred tax liabilities		230,230	235,247
Other long-term financial liabilities		14,023	14,938
Other long-term liabilities		275,804	290,441
Total liabilities		3,781,784	3,875,372
SHAREHOLDERS' EQUITY			
Share capital	13	56,348	51,252
Accumulated earnings		567,414	534,058
Reserves		117,855	76,608
Total Telesat Corporation shareholders' equity		741,617	661,918
Non-controlling interest	14	1,881,420	1,737,065
Total shareholders' equity		2,623,037	2,398,983
Total liabilities and shareholders' equity		$ 6,404,821	$ 6,274,355

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the six months ended June 30

(in thousands of Canadian dollars)	Notes	2024	2023
Cash flows from operating activities			
Net income (loss)		$ 76,922	$ 547,439
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
Depreciation		68,039	93,009
Amortization		5,631	6,763
Tax expense (recovery)		35,028	81,387
Interest expense		126,372	137,423
Interest income		(40,516)	(31,334)
(Gain) loss on foreign exchange		102,890	(77,067)
Share-based compensation		11,443	19,006
(Gain) loss on disposal of assets		18	(21)
Gain on repurchase of debt		(172,322)	(153,390)
Deferred revenue amortization		(27,361)	(30,580)
Pension expense		2,821	2,837
C-band clearing income		—	(344,892)
Other		3,011	854
Income taxes paid, net of income tax received	21	(20,846)	(24,119)
Interest paid, net of interest received	21	(75,520)	(97,057)
Operating assets and liabilities	21	(29,210)	(27,909)
Net cash from operating activities		66,400	102,349
Cash flows (used in) generated from investing activities			
Cash payments related to satellite programs		(188,250)	(34,149)
Cash payments related to property and other equipment		(31,725)	(20,353)
Purchase of intangible assets		(52)	(12,242)
Net cash (used in) generated from investing activities		(220,027)	(66,744)
Cash flows (used in) generated from financing activities			
Repurchase of indebtedness	12,21	(128,498)	(159,049)
Payments of principal on lease liabilities	21	(1,267)	(1,074)
Satellite performance incentive payments	21	(1,830)	(3,090)
Tax withholdings on settlement of restricted and performance share units		(5,396)	—
Government grant received		1,194	—
Net cash (used in) generated from financing activities		(135,797)	(163,213)
Effect of changes in exchange rates on cash and cash equivalents		47,573	(33,185)
Changes in cash and cash equivalents		(241,851)	(160,793)
Cash and cash equivalents, beginning of period		1,669,089	1,677,792
Cash and cash equivalents, end of period		$ 1,427,238	$ 1,516,999

See accompanying notes to the unaudited interim condensed consolidated financial statements

1. BACKGROUND OF THE COMPANY

Telesat Corporation was incorporated under the *Business Corporations Act* (British Columbia) in October 2020 and is headquartered in Ottawa, Canada.

References herein to "Telesat" or "Company" refer to Telesat Corporation and its subsidiaries.

The Company is a global satellite operator, providing mission-critical communications solutions to support the requirements of sophisticated satellite users throughout the world. The Company's state-of-the-art fleet consists of 15 geostationary satellites and the Canadian payload on Viasat-1.

The Company is developing a constellation of low earth orbit ("LEO") satellites and integrated terrestrial infrastructure, called "Telesat Lightspeed". In January 2018, the first LEO satellite, LEO 1, was successfully launched into orbit. The LEO 1 satellite demonstrated certain key features of the Telesat Lightspeed system design, specifically the capability of the satellite and customer terminals to deliver a low latency broadband experience. In July 2023, the Company successfully launched its LEO 3 satellite into orbit and it has since replaced LEO 1.

Telesat Corporation began trading on the Nasdaq Global Select Market and the Toronto Stock Exchange on November 19, 2021 under the ticker symbol "TSAT". Quarterly and annual financial statements, material change statements and other publicly available documents of the Company can be obtained from the U.S. Securities Exchange Commission ("SEC") at *https://www.sec.gov* and the System for Electronic Document Analysis and Retrieval ("SEDAR+") at *https://www.sedarplus.ca*.

Unless the context states or requires otherwise, references herein to the "financial statements" or similar terms refer to the unaudited interim condensed consolidated financial statements of Telesat.

On August 13, 2024, these financial statements were approved by the Audit Committee of the Board of Directors and authorized for issue.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements represent the interim financial statements of the Company and its subsidiaries, on a consolidated basis, prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34").

The financial statements should be read in conjunction with the December 31, 2023 consolidated financial statements of the Company. The financial statements use the same basis of presentation and accounting policies and critical accounting judgments and estimates as outlined in Notes 4 and 5 of the consolidated financial statements for the year ended December 31, 2023, with the exception of the changes outlined in Note 3, below.

The results of operations for the six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the full fiscal year.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Segment Reporting

As of January 1, 2024, the Company modified from reporting one operating segment to two operating segments. As a result, the comparative periods operating segment information has been restated. The two operating segments are geostationary ("GEO") and LEO. Transactions that do not belong to a particular operating segment such as certain corporate entities are reported within "Other". For additional details on the change in operating segments, refer to Note 4.

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Chief Operating Decision Maker ("CODM"), who is the Company's Chief Executive Officer.

Impairment of Goodwill and Indefinite Life Intangible Assets

An assessment for impairment of goodwill and indefinite life intangible assets is performed annually, or more frequently whenever events or changes in circumstances indicate that the carrying amounts of these assets are likely to exceed their recoverable amount.

Up to the year ended December 31, 2023, goodwill was tested for impairment at the entity-level which represented the lowest level within the Company at which the goodwill was monitored for internal management purposes. Due to the changes made to the operating segments explained in Note 4, as of January 1, 2024, the Company reallocated its goodwill to GEO and LEO segments on a relative fair value basis which are now considered to be the lowest level at which they are monitored for the purpose of impairment.

Future Changes in Accounting Policies

The International Accounting Standards Board ("IASB") periodically issues new and amended accounting standards. The new and amended standards determined to be applicable to the Company are disclosed below. The remaining new and amended standards have been excluded as they are not applicable.

IFRS 18, Presentation and Disclosures of Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosures of Financial Statements* ("IFRS 18") with the aim of improving companies' reporting of financial performance and giving 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 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.

The Company is currently evaluating the impact of this new standard.

4. SEGMENT INFORMATION

Beginning in the first quarter of 2024, Telesat modified its operating segments to align with changes to the internal reporting being provided to the CODM. The CODM is provided with information to review the operating results, assess performance of the operations and make capital allocation decisions at the operating segment level comprising GEO and LEO. The accounting policies of the reportable segments are the same as those described in Note 2 and Note 3 above.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

4. SEGMENT INFORMATION (cont.)

The segment information regularly reviewed by the CODM and the reconciliation thereof to the net income (loss) as well as the capital expenditures by operating segment are included in the following tables:

Six months ended June 30, 2024	GEO	LEO	Other[3]	Consolidated
Revenue	$ 292,067	$ 12,541	$ —	$ 304,608
Operating expenses, net of share-based compensation and non-recurring items[1]	(56,566)	(32,870)	(1,128)	(90,564)
Adjusted EBITDA[1]	$ 235,501	$ (20,329)	$ (1,128)	214,044
Share-based compensation				(11,443)
Non-recurring items[2]				(1,388)
Depreciation				(68,039)
Amortization				(5,631)
Other operating gains (losses), net				(18)
Operating income				127,525
Interest expense				(126,372)
Interest and other income				41,365
Gain on repurchase of debt				172,322
Gain (loss) on foreign exchange				(102,890)
Income (loss) before income taxes				111,950
Tax (expense) recovery				(35,028)
Net income (loss)				$ 76,922
Capital expenditures	$ 2,288	$ 331,979	$ —	$ 334,267

Three months ended June 30, 2024	GEO	LEO	Other[3]	Consolidated
Revenue	$ 143,946	$ 8,487	$ —	$ 152,433
Operating expenses, net of share-based compensation and non-recurring items[1]	(31,383)	(17,559)	(188)	(49,130)
Adjusted EBITDA[1]	$ 112,563	$ (9,072)	$ (188)	103,303
Share-based compensation				(6,009)
Non-recurring items[2]				(1,144)
Depreciation				(31,644)
Amortization				(2,808)
Other operating gains (losses), net				(33)
Operating income				61,665
Interest expense				(61,942)
Interest and other income				20,237
Gain on repurchase of debt				172,322
Gain (loss) on foreign exchange				(34,477)
Income (loss) before income taxes				157,805
Tax (expense) recovery				(28,546)
Net income (loss)				$ 129,259
Capital expenditures	$ 1,164	$ 307,713	$ —	$ 308,877

(all amounts in thousands of Canadian dollars, except where otherwise noted)

4. SEGMENT INFORMATION (cont.)

Six months ended June 30, 2023	GEO	LEO	Other[3]	Consolidated
Revenue	$ 358,831	$ 4,343	$ —	$ 363,174
Operating expenses, net of share-based compensation and non-recurring items[1]	(59,607)	(24,623)	(1,386)	(85,616)
Adjusted EBITDA[1]	$ 299,224	$ (20,280)	$ (1,386)	277,558
Share-based compensation				(19,006)
Non-recurring items[2]				(484)
Depreciation				(93,009)
Amortization				(6,763)
Other operating gains (losses), net				344,913
Operating income				503,209
Interest expense				(137,423)
Interest and other income				32,583
Gain on repurchase of debt				153,390
Gain (loss) on foreign exchange				77,067
Income (loss) before income taxes				628,826
Tax (expense) recovery				(81,387)
Net income (loss)				$ 547,439
Capital expenditures	$ 15,979	$ 52,767	$ —	$ 68,746

Three months ended June 30, 2023	GEO	LEO	Other[3]	Consolidated
Revenue	$ 176,563	$ 3,189	$ —	$ 179,752
Operating expenses, net of share-based compensation and non-recurring items[1]	(28,079)	(12,125)	(898)	(41,102)
Adjusted EBITDA[1]	$ 148,484	$ (8,936)	$ (898)	138,650
Share-based compensation				(10,048)
Non-recurring items[2]				(484)
Depreciation				(46,632)
Amortization				(3,403)
Other operating gains (losses), net				344,890
Operating income				422,973
Interest expense				(68,550)
Interest and other income				17,116
Gain on repurchase of debt				153,390
Gain (loss) on foreign exchange				66,931
Income (loss) before income taxes				591,860
Tax (expense) recovery				(72,838)
Net income (loss)				$ 519,022
Capital expenditures	$ 4,627	$ 42,271	$ —	$ 46,898

(1) The performance of each segment is evaluated by the CODM based on Adjusted EBITDA. 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 to measure Telesat's operating performance. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers.

(2) Non-recurring payments includes severance payments and special compensation and benefits for executives and employees

(3) Transactions that do not belong to a particular operating segment such as certain corporate entities are reported within "Other".

(all amounts in thousands of Canadian dollars, except where otherwise noted)

4. SEGMENT INFORMATION (cont.)

Service Revenue

The Company derives revenue from the following services:

Broadcast — Direct-to-home television, video distribution and contribution, and occasional use services.

Enterprise — Telecommunication carrier and integrator, government, consumer broadband, resource, maritime and aeronautical, retail and satellite operator services.

Consulting and other — Consulting services related to space and earth segments, government studies, satellite control services, and research and development.

Consolidated

Revenue derived from the above services was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023[(1)]	2024	2023[(1)]
Broadcast	$ 73,462	$ 86,291	$ 145,974	$ 171,869
Enterprise	67,120	87,181	139,963	181,118
Consulting and other	11,851	6,280	18,671	10,187
Revenue	$ 152,433	$ 179,752	$ 304,608	$ 363,174

Operating Segments

Revenue derived from the GEO operating segment was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Broadcast	$ 73,462	$ 86,291	$ 145,974	$ 171,869
Enterprise	67,120	87,181	139,963	181,118
Consulting and other	3,364	3,091	6,130	5,844
Revenue	$ 143,946	$ 176,563	$ 292,067	$ 358,831

(1) Revenue between Enterprise and Consulting and other were reclassified to correspond to the presentation in the current year.

Revenue derived from the LEO operating segment was $8,487 and $12,541 for three and six months ended June 30, 2024 (three and six months ended June 30, 2023 — $3,189 and $4,343). All revenue from the LEO segment was attributed to Consulting and other for the periods presented.

Equipment sales

Equipment sales included within the various services were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2023	2023
Broadcast	$ —	$ 10	$ —	$ 10
Enterprise	563	1,323	5,690	8,628
Equipment sales	$ 563	$ 1,333	$ 5,690	$ 8,638

All revenue from equipment sales relate to the GEO segment.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

4. SEGMENT INFORMATION (cont.)

Geographic Information

Revenue by geographic region was based on the point of origin of the revenue, which was the destination of the billing invoice, and was allocated as follows:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Canada	$ 65,634	$ 81,956	$ 136,540	$ 170,679
United States	61,536	62,809	117,159	121,846
Latin America & Caribbean	9,000	13,417	18,073	27,879
Asia & Australia	8,343	12,424	16,834	24,571
Europe, Middle East & Africa	7,920	9,146	16,002	18,199
Revenue	$ 152,433	$ 179,752	$ 304,608	$ 363,174

For the three and six months ended June 30, 2024 and 2023, the revenue from the LEO segment was from the United States geographic region.

The satellites and intangible assets have been classified based on ownership. Satellites, property and other equipment, and intangible assets by geographic region were allocated as follows:

As at,	**June 30, 2024**	**December 31, 2023**
Canada	$ 1,098,775	$ 782,639
United Kingdom	433,898	446,194
United States	13,608	18,035
Europe, Middle East & Africa (excluding United Kingdom)	9,422	11,395
All others	1,660	2,035
Satellites, property and other equipment	$ 1,557,363	$ 1,260,298

As at,	**June 30, 2024**	**December 31, 2023**
Canada	$ 649,407	$ 650,528
United States	26,779	25,999
Latin America & Caribbean	10,021	11,963
All others	3,887	4,266
Intangible assets	$ 690,094	$ 692,756

Other long-term assets by geographic region were allocated as follows:

As at,	**June 30, 2024**	**December 31, 2023**
Canada	$ 40,072	$ 40,926
Other long-term assets	$ 40,072	$ 40,926

Goodwill was not allocated to geographic regions.

Major Customers

For the three and six months ended June 30, 2024 and 2023, there were two significant customers each representing more than 10% of consolidated revenue.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

5. OPERATING EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Compensation and employee benefits[(a)]	$ 28,377	$ 31,774	$ 53,671	$ 61,748
Other operating expenses[(b)]	16,815	11,401	27,936	23,987
Cost of sales[(c)]	11,091	8,459	21,788	19,371
Operating expenses	$ 56,283	$ 51,634	$ 103,395	$ 105,106

(a) Compensation and employee benefits included salaries, bonuses, commissions, post-employment benefits and charges arising from share-based compensation.

(b) Other operating expenses included general and administrative expenses, marketing expenses, in-orbit insurance expenses, professional fees and facility costs. The balance for the three and six months ended June 30, 2024 included $0.6 million and $1.1 million of leases not capitalized due to exemptions and variable lease payments not included in the measurement of the lease liabilities (three and six months ended June 30, 2023 — $0.5 million and $1.0 million).

(c) Cost of sales included the cost of third-party satellite capacity, the cost of equipment sales and other costs directly attributable to fulfilling the Company's obligations under customer contracts.

6. OTHER OPERATING GAINS (LOSSES), NET

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Gain (loss) on disposal of assets	$ (33)	$ (2)	$ (18)	$ 21
C-band clearing income	—	344,892	—	344,892
Other operating gains (losses), net	$ (33)	$ 344,890	$ (18)	$ 344,913

C-Band Clearing

In 2020, the United States Federal Communications Commission adopted a Report and Order in connection with the clearing of a 300 MHz band of C-band downlink spectrum between 3,700 and 4,000 MHz to support the deployment of terrestrial 5G services in the United States.

An amount of US$259.6 million was accrued during the six months ended June 30, 2023, relating to accelerated clearing of the C-band spectrum, and the proceeds were subsequently received later in 2023.

7. INTEREST EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Interest on indebtedness	$ 57,788	$ 63,997	$ 117,956	$ 128,178
Interest on satellite performance incentive payments	294	378	603	774
Interest on significant financing component	3,524	3,982	7,147	8,092
Interest on employee benefit plans	(38)	(195)	(78)	(388)
Interest on leases	374	388	744	767
Interest expense	$ 61,942	$ 68,550	$ 126,372	$ 137,423

(all amounts in thousands of Canadian dollars, except where otherwise noted)

8. INCOME TAXES

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Current tax expense (recovery)	$ 31,165	$ 27,279	$ 39,106	$ 41,028
Deferred tax expense (recovery)	(2,619)	45,559	(4,078)	40,359
Tax expense (recovery)	$ 28,546	$ 72,838	$ 35,028	$ 81,387

A reconciliation of the statutory income tax rate, which is a composite of Canadian federal and provincial rates, to the effective income tax rate was as follows:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Income (loss) before tax	$ 157,805	$ 591,860	$ 111,950	$ 628,826
Multiplied by the statutory income tax rates	26.40%	26.43%	26.40%	26.43%
	41,661	156,429	29,555	166,199
Income tax recorded at rates different from the Canadian tax rate	(6,287)	(1,938)	(7,874)	(3,575)
Permanent differences[1]	(14,502)	(72,660)	(2,269)	(71,229)
Effect on deferred tax balances due to the change in income tax rates	—	(102)	—	(102)
Effect of temporary differences not recognized as deferred tax assets	8,272	(8,908)	18,563	(10,663)
Change in estimates related to prior periods	182	(2,013)	38	(2,013)
Foreign exchange	(832)	1,668	(3,037)	2,404
Other[1]	52	362	52	366
Tax expense (recovery)	$ 28,546	$ 72,838	$ 35,028	$ 81,387
Effective income tax rate	18.09%	12.31%	31.29%	12.94%

(1) The amounts for the three and six months ended June 30, 2023 reflect the adjustments made as a result of the adoption of the amendments to *IAS 12, Income Taxes* ("IAS 12") effective for annual period beginning January 1, 2023.

9. SATELLITES, PROPERTY AND OTHER EQUIPMENT

For the six months ended June 30, 2024, the Company had additions of $332.1 million (June 30, 2023 — $51.1 million) primarily related to acquisitions associated with the LEO program (June 30, 2023 — primarily related to acquisitions associated with the LEO program and the acquisition of a geostationary satellite).

10. GOODWILL AND INTANGIBLE ASSETS

Indefinite life intangible assets are tested for impairment at the CGU level. An assessment is performed annually, or more frequently whenever events or changes in circumstances indicate that the carrying amounts of these assets are likely to exceed their recoverable amount.

As stated in Note 4, commencing on January 1, 2024, Telesat reports on two operating segments — GEO and LEO which are considered to be the lowest-level within the Company at which goodwill is monitored for impairment. As such, the goodwill was allocated as of January 1, 2024 to and is tested for impairment at the GEO and LEO operating segment level rather than the previous entity levels.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

10. GOODWILL AND INTANGIBLE ASSETS (cont.)

The most sensitive assumptions were reviewed to determine whether or not there were any changes in the assumptions from the valuation that was performed at the end of 2023. Based upon this review, there was no impairment on goodwill, orbital slots or trade name.

11. LEASE LIABILITIES

The expected undiscounted contractual cash flows of the lease liabilities as at June 30, 2024 were as follows:

Remainder 2024	2025	2026	2027	2028	Thereafter	Total
$ 1,818	$ 3,734	$ 3,184	$ 2,916	$ 2,938	$ 31,052	$ 45,642

The undiscounted contractual cash flows included $12.7 million of interest payments.

12. INDEBTEDNESS

As at,	June 30, 2024	December 31, 2023
Senior Secured Credit Facilities		
Revolving Credit Facility	$ —	$ —
Term Loan B – U.S. Facility(1) (June 30, 2024 – US$1,363,031 and December 31, 2023 – US$1,421,767)	1,864,489	1,882,846
Senior Unsecured Notes(2) (June 30, 2024 – US$221,250 and December 31, 2023 – US$295,000)	302,648	390,669
2026 Senior Secured Notes(3) (June 30, 2024 – US$387,047 and December 31, 2023 – US$399,040)	529,441	528,449
Senior Secured Notes(4) (June 30, 2024 – US$224,995 and December 31, 2023 – US$299,995)	307,771	397,283
	3,004,349	3,199,247
Deferred financing costs, prepayment options and loss on repayment	(2,129)	(2,228)
	3,002,220	3,197,019
Less: current indebtedness	—	—
Long-term indebtedness	$ 3,002,220	$ 3,197,019

(1) On December 6, 2019, Telesat Canada entered into a new amended and restated Credit Agreement with a syndicate of banks which provides for the extension of credit under the Senior Secured Credit Facilities (“Senior Secured Credit Facilities”). The Senior Secured Credit Facilities are comprised of two tranches — a revolving credit facility (“Revolving facility”) of up to $200.0 million US dollars maturing in December 2024 and Term Loan B — U.S. Facility of US$1,908.5 million maturing in December 2026.

During the three and six months ended June 30, 2024, Telesat repurchased a portion of Term Loan B — U.S. Facility with a principal amount of $80.2 million (US$58.7 million) in exchange for $41.7 million (US$30.5 million).

(2) On October 11, 2019, Telesat Canada issued, through a private placement, US$550 million of 6.5% Senior Unsecured Notes, which mature in October 2027 (“Senior Unsecured Notes”).

During the three and six months ended June 30, 2024, Telesat repurchased 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).

During the three and six months ended June 30, 2023, Telesat repurchased Senior Unsecured Notes with a principal amount of $128.9 million (US$95.0 million) in exchange for $53.7 million (US$39.5 million).

(all amounts in thousands of Canadian dollars, except where otherwise noted)

12. INDEBTEDNESS (cont.)

(3) On December 6, 2019, Telesat Canada issued, through a private placement, US$400 million 4.875% Senior Secured Notes, which mature in June 2027 ("Senior Secured Notes").

During the three and six months ended June 30, 2024, Telesat repurchased 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).

During the three and six months ended June 30, 2023, Telesat repurchased Senior Secured Notes with a principal amount of $124.4 million (US$93.1 million) in exchange for $71.5 million (US$53.5 million).

(4) On April 27, 2021, Telesat Canada issued, through a private placement, US$500 million in aggregate principal amount of 5.625% Senior Secured Notes maturing on December 6, 2026 ("2026 Senior Secured Notes").

During the three and six months ended June 30, 2024, Telesat repurchased 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).

During the three and six months ended June 30, 2023, Telesat repurchased 2026 Senior Secured Notes with a principal amount of $58.9 million (US$43.7 million) in exchange for $34.0 million (US$25.2 million).

As a result of the repurchases of the Senior Unsecured Notes, Senior Secured Notes, the 2026 Senior Secured Notes and the Term Loan B — U.S. Facility for the three and six month ended June 30, 2024, a gain on repurchase of debt of $172.3 million, inclusive of a write-off of the related debt costs and prepayment options of $0.4 million, was recorded.

As a result of the repurchases of the Senior Unsecured Notes, Senior Secured Notes and the 2026 Senior Secured Notes for the three and six month periods ended June 30, 2023, a gain on repurchase of debt of $153.4 million, inclusive of a write-off of the related debt costs and prepayment options of $0.2 million, was recorded.

13. SHARE CAPITAL

The Class A Common shares together with the Class B Variable Voting shares represent the Telesat Corporation's Public Shares ("Telesat Public Shares"). The Class C Fully Voting shares and Class C Limited Voting shares shall be referred to as ("Class C Shares"). The Telesat Public Shares and Class C Shares together represent Telesat Corporation Shares ("Telesat Corporation Shares").

The number of shares and stated value of the outstanding shares were as follows:

	June 30, 2024		December 31, 2023	
	Number of shares	Stated value	Number of shares	Stated value
Telesat Public Shares	13,933,343	$ 50,008	13,497,501	$ 44,912
Class C Shares	112,841	6,340	112,841	6,340
	14,046,184	$ 56,348	13,610,342	$ 51,252

The breakdown of the number of shares of Telesat Public Shares, as at June 30, 2024, was as follows:

Telesat Public shares	
Class A Common shares	1,987,288
Class B Variable Voting shares	11,946,055
Total Telesat Public shares	13,933,343

The number of Class A Common shares and Class B Variable Voting shares in the table above is based on information available to the Company as at June 30, 2024.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

13. SHARE CAPITAL (cont.)

In addition, the Company has 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 June 30, 2024 and December 31, 2023. The voting rights of the Special Voting Shares and the Golden Share are more fully described in the Company's Annual Report filed on Form 20-F for the year ended December 31, 2023 that can be obtained on the SEC's website at *https://www.sec.gov* and on the SEDAR+ at *https://www.sedarplus.ca*.

During the six months ended June 30, 2024, 741,633 Restricted Share Units ("RSUs") were settled for 356,127 Telesat Public Shares, on a net settlement basis (Six months ended June 30, 2023 — 449,117 RSUs were settled for 231,417 Telesat Public Shares, on a net settlement basis).

During the six months ended June 30, 2024, 12,434 Deferred Share Units ("DSUs") were settled for an equal number of Telesat Public Shares (Six months ended June 30, 2023 — Nil).

During the six months ended June 30, 2024, 93,896 Performance Share Units ("PSU") were settled for 67,281 Telesat Public Shares (Six months ended June 30, 2023 — Nil).

During the six months ended June 30, 2023, 532,473 Telesat Public Shares were issued in exchange for an equal number of Class B Limited Partnership units ("LP Units"). There were no exchanges of LP Units in the six months ended June 30, 2024.

The number and stated value of the outstanding LP Units of Telesat Partnership LP (the "Partnership") as at June 30, 2024 and December 31, 2023 were as follows:

	Number of units	Stated value
Class A and Class B LP Units	18,321,792	$ 50,141
Class C LP Units	18,098,362	38,893
	36,420,154	$ 89,034

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

14. NON-CONTROLLING INTEREST

Non-controlling interests represent equity interests in the Partnership that are not attributable to the Company. As at June 30, 2024, Telesat Corporation held a general partnership interest representing approximately 28% economic interest in the Partnership (December 31, 2023 — approximately 27%). The remaining 72% economic interest represents exchangeable units held by the limited partnership unit holders (December 31, 2023 — 73%).

Net income (loss) attributable to non-controlling interests represents the non-controlling interests' portion of the Partnership's net income (loss).

15. SHARE-BASED COMPENSATION PLANS

On November 19, 2021, Telesat Corporation adopted an omnibus long-term incentive plan ("Omnibus Plan"). The Omnibus Plan allows for a variety of equity-based awards including stock options, RSUs, DSUs and PSUs. The stock options, RSUs, DSUs and PSUs are collectively referred to as "Award". Each Award will represent the right to receive Public Shares or, in the case of PSUs, RSUs or DSUs, Public Shares or cash, in accordance with the terms of the Omnibus Plan.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

15. SHARE-BASED COMPENSATION PLANS (cont.)

Telesat Holdings Inc. (the predecessor entity to Telesat Canada and Telesat Corporation) adopted a management stock incentive plan in September 2008, as amended (the "2008 Telesat Plan") and a second management stock incentive plan in April 2013, as amended (the "2013 Telesat Plan"). In the first half of 2021, Telesat Canada also adopted a restricted share unit plan (the "RSU Plan" together with the 2008 Telesat Plan and 2013 Telesat Plan, the "Historic Plan").

The changes in number of time vesting stock options outstanding and their weighted average exercise price under the Omnibus Plan and Historic Plan have been summarized below:

	Historic plan		**Omnibus Plan**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding, January 1, 2024	199,634	$ 38.76	803,265	$ 13.38
Forfeited	(2,068)		—	
Expired	(144,938)		—	
Outstanding June 30, 2024	52,628	$ 70.83	803,265	$ 13.38

The movement under the Historic Plan was as follows:

	RSUs with time criteria	**RSUs with time and performance criteria**
Outstanding, January 1, 2024	517,688	124,080
Settled	(455,648)	—
Outstanding, June 30, 2024	62,040	124,080

The movement under the Omnibus Plan was as follows:

	RSUs with time criteria	**PSUs with time and performance criteria**	**DSUs**
Outstanding, January 1, 2024	784,725	375,137	124,616
Granted	504,670	410,888	41,759
Settled	(285,985)	(93,896)	(12,434)
Forfeited	(14,993)	—	—
Outstanding, June 30, 2024	988,417	692,129	153,941

(all amounts in thousands of Canadian dollars, except where otherwise noted)

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income (loss) for the period attributable to shareholders of each class of shares by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated to give effect to equity Awards.

The following table presents reconciliations of the numerators of the basic and diluted per share computations:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net income (loss) attributable to Telesat Corporation Shares	$ 35,452	$ 139,730	$ 20,690	$ 147,739
Effect of diluted securities	3,460	12,425	2,009	13,358
Diluted net income (loss) attributable to Telesat Corporation Shares	$ 38,912	$ 152,155	$ 22,699	$ 161,097

The following table presents reconciliations of the denominators of the basic and diluted per share computations:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Basic total weighted average number of Telesat Corporation Shares outstanding	13,910,463	13,452,279	13,808,505	13,238,960
Effect of diluted securities				
Stock options	—	—	1,691	—
RSUs	1,176,124	1,382,651	1,207,028	1,401,155
DSUs	146,822	81,966	138,060	70,888
PSUs	623,096	228,992	499,117	205,362
Diluted total weighted average number of Telesat Corporation Shares outstanding	15,856,505	15,145,888	15,654,401	14,916,365

Effect of diluted securities represents Telesat Public Shares and Class C Shares assumed to be issued for no consideration. The difference between the number of Telesat Public Shares and Class C Shares assumed issued on exercise and the number of Telesat Public Shares and Class C Shares assumed repurchased are treated as an issue of common shares for no consideration.

The earnings per share for the three and six months ended June 30, 2023 reflect the adjustment as a result of adoption of amendments to IAS 12, effective for annual period beginning January 1, 2023.

For the purpose of earnings per share, all of the Telesat Public Shares and Class C Shares have equivalent economic rights.

17. GOVERNMENT GRANT

In May 2019, Telesat entered into an agreement for a non-refundable government contribution of a value up to $85 million for a period until December 31, 2024 relating to the Telesat Lightspeed constellation.

For the six months ended June 30, 2024, the Company recorded $7.3 million relating to the agreement (Six months ended June 30, 2023 — $3.1 million).

Of the amount recorded in the six months ended June 30, 2024, $2.1 million was recorded as a reduction to satellites, property and other equipment and $5.2 million was recorded as a reduction to operating expenses (Six months ended June 30, 2023 — $0.9 million was recorded as a reduction to satellites, property and other equipment and $2.2 million was recorded as a reduction to operating expenses).

(all amounts in thousands of Canadian dollars, except where otherwise noted)

18. CAPITAL DISCLOSURES

The Senior Secured Credit Facilities, Senior Secured Notes and 2026 Senior Secured Notes are secured by substantially all of the Company's assets, excluding the assets of unrestricted subsidiaries. If the Revolving Facility is drawn, the Senior Secured Credit Facilities require the Company to comply with a first lien net leverage ratio test. As at June 30, 2024, the first lien net leverage ratio was 5.02:1.00, which was less than the maximum test ratio of 5.75:1.00.

The Company's operating results are tracked against budget and this analysis is reviewed by senior management.

19. FINANCIAL INSTRUMENTS

Measurement of Risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at June 30, 2024.

Credit risk

Credit risk is the risk that a counterparty to a financial asset will default, resulting in the Company incurring a financial loss. As at June 30, 2024, the maximum exposure to credit risk is equal to the carrying value of the financial assets which totaled $1,508.8 million (December 31, 2023 — $1,754.6 million).

The following table provides breakdown by maturity of financial assets as at June 30, 2024:

		Contractual cash flows					
	Carrying amount	Remaining 2024	2025	2026	2027	2028	Thereafter
Cash and cash equivalents	$ 1,427,238	$ 1,427,238	$ —	$ —	$ —	$ —	$ —
Trade and other receivables, excluding deferred receivables	72,285	72,285	—	—	—	—	—
Deferred receivables	7,617	1,359	1,640	1,439	729	610	1,840
Other financial assets	1,649	625	—	—	—	—	1,024
	$ 1,508,789	$ 1,501,507	$ 1,640	$ 1,439	$ 729	$ 610	$ 2,864

Cash and cash equivalents are invested with high quality investment grade financial institutions and are governed by the Company's corporate investment policy, which aims to reduce credit risk by restricting investments to high-grade, mainly U.S. dollar and Canadian dollar denominated investments.

The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks related to trade accounts receivable. The Company's standard payment terms are 30 days with interest typically charged on balances remaining unpaid at the end of standard payment terms. The Company's historical experience with customer defaults has been minimal. As at June 30, 2024, North American and International customers made up 56% and 44% of the outstanding trade receivable balance, respectively (December 31, 2023 — 49% and 51%, respectively). Anticipated bad debt losses have been provided for in the allowance for doubtful accounts. The allowance for doubtful accounts as at June 30, 2024 was $9.8 million (December 31, 2023 — $6.5 million).

The Company mitigates the credit risk associated with derivative instruments by entering into them with only high-quality financial institutions.

Foreign exchange risk

The Company's 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. The Company's main currency exposures lie in its U.S. dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and

(all amounts in thousands of Canadian dollars, except where otherwise noted)

19. FINANCIAL INSTRUMENTS (cont.)

indebtedness with the most significant impact being on the U.S. dollar denominated indebtedness, cash and short-term investments. As at June 30, 2024 and December 31, 2023, the entire indebtedness was denominated in U.S. dollars, with the Canadian dollar equivalent of the U.S. dollar denominated indebtedness equaling $3,004.3 million and $3,199.2 million, respectively, before netting of deferred financing costs, prepayment options and loss on repayment.

As at June 30, 2024, the impact of a 5 percent increase (decrease) in the value of the U.S. dollar against the Canadian dollar on financial assets and liabilities would have decreased (increased) net income (loss) by $145.3 million (December 31, 2023 — $146.4 million) and increased (decreased) other comprehensive income (loss) by $58.0 million (December 31, 2023 — $68.6 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents and its indebtedness. The interest rate risk on the indebtedness is from a portion of the indebtedness having a variable interest rate. Changes in the interest rates could impact the amount of interest that the Company is required to pay or receive.

If the interest rates on the variable rate indebtedness change by 0.25%, the result would be an increase or decrease to net income (loss) of $1.2 million and $2.4 million for three and six months ended June 30, 2024 (three and six months ended June 30, 2023 — $1.3 million and $2.6 million).

Liquidity risk

The Company maintains credit facilities to ensure it has sufficient funds available to meet current and foreseeable financial requirements.

The contractual maturities of financial liabilities as at June 30, 2024 were as follows:

	Carrying amount	Contractual cash flows (undiscounted)	Remaining 2024	2025	2026	2027	2028	Thereafter
Trade and other payables	$ 161,982	$ 161,982	$ 161,982	$ —	$ —	$ —	$ —	$ —
Customer and other deposits	1,394	1,394	576	494	—	—	169	155
Satellite performance incentive payments	17,351	20,969	3,504	3,363	3,425	2,617	2,501	5,559
Other financial liabilities	2,437	2,437	2,437	—	—	—	—	—
Indebtedness[(1)]	3,025,373	3,591,380	125,319	222,473	2,605,995	637,593	—	—
	$ 3,208,537	$ 3,778,162	$ 293,818	$226,330	$2,609,420	$640,210	$2,670	$ 5,714

(1) Indebtedness excludes deferred financing costs, prepayment options and loss on repayment.

The interest payable and interest payments included in the carrying value and contractual cash flows, respectively, in the above table, were as follows:

	Interest payable	Interest payments
Satellite performance incentive payments	$ 317	$ 3,935
Indebtedness	$ 21,024	$ 587,031

(all amounts in thousands of Canadian dollars, except where otherwise noted)

19. FINANCIAL INSTRUMENTS (cont.)

Financial assets and liabilities recorded on the balance sheets and the fair value hierarchy levels used to calculate those values were as follows:

As at June 30, 2024	Amortized cost	Fair Value	Fair value hierarchy
Cash and cash equivalents	$ 1,427,238	$ 1,427,238	Level 1
Trade and other receivables	74,470	74,470	(1)
Other current financial assets	625	625	Level 1
Other long-term financial assets	6,456	6,456	Level 1
Trade and other payables	(161,982)	(161,982)	(1)
Other current financial liabilities	(28,183)	(28,473)	Level 2
Other long-term financial liabilities	(14,023)	(13,426)	Level 2
Indebtedness(2)	(3,004,349)	(1,343,896)	Level 2
	$ (1,699,748)	$ (38,988)	

As at December 31, 2023	Amortized cost	Fair value	Fair value hierarchy
Cash and cash equivalents	$ 1,669,089	$ 1,669,089	Level 1
Trade and other receivables	78,289	78,289	(1)
Other current financial assets	631	631	Level 1
Other long-term financial assets	6,633	6,633	Level 1
Trade and other payables	(43,626)	(43,626)	(1)
Other current financial liabilities	(29,061)	(29,300)	Level 2
Other long-term financial liabilities	(14,938)	(14,388)	Level 2
Indebtedness(2)	(3,199,247)	(1,950,811)	Level 2
	$ (1,532,230)	$ (283,483)	

(1) Trade and other receivables and trade and other payables approximate fair value due to the short-term maturity of these instruments.
(2) Indebtedness excludes deferred financing costs, prepayment options and loss on prepayment.

Assets pledged as security

The Senior Secured Credit Facilities, Senior Secured Notes and 2026 Senior Secured Notes are secured by substantially all of Telesat's assets excluding the assets of unrestricted subsidiaries.

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, the Company determines 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 and discounted cash flow analysis, using observable market-based inputs.

The fair value hierarchy is as follows:

Level 1 is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

19. FINANCIAL INSTRUMENTS (cont.)

Level 2 is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially all of the full term of the assets or liabilities.

Level 3 is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Estimates of fair values 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 these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were actually settled.

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate fair value due to the short-term maturity of these instruments. As at June 30, 2024, cash and cash equivalents included $12.3 million (December 31, 2023 — $245.2 million) of short-term investments.

The fair value of the satellite performance incentive payments, included in other current and long-term financial liabilities, was determined using a discounted cash flow methodology. The calculation is performed on a recurring basis. As at June 30, 2024 and December 31, 2023, the discount rate used was 7.5% and 7.4%.

The fair value of the indebtedness was based on transactions and quotations from third parties considering market interest rates and excluding deferred financing costs, prepayment options and loss on repayment. The calculation of the fair value of the indebtedness is performed on a recurring basis. The rates used, which are a percentage of face value of the indebtedness, were as follows:

	June 30, 2024	December 31, 2023
Term Loan B – U.S. Facility – Senior Secured Credit Facilities	46.25%	63.75%
Senior Unsecured Notes	31.91%	47.31%
Senior Secured Notes	44.67%	59.42%
2026 Senior Secured Notes	46.75%	62.38%

Fair value of derivative financial instruments

Derivatives were valued using a discounted cash flow methodology. The calculations of the fair value of the derivatives are performed on a recurring basis.

Prepayment option cash flows were calculated with a third party option valuation model which is based on the current price of the debt instrument and discounted based on a discount curve.

The discount rates used to discount cash flows as at June 30, 2024 ranged from 4.78% to 5.60% (December 31, 2023 — 4.06% to 5.59%).

(all amounts in thousands of Canadian dollars, except where otherwise noted)

20. EMPLOYEE BENEFIT PLANS

The expenses included on the condensed consolidated statements of income (loss) were as follows:

	Pension Plans			Other Post-employment Benefit Plans		
Three months ended June 30, 2024	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Consolidated statements of income (loss)						
Operating expenses	$ 1,087	$ 178	$ 1,265	$ 147	$ —	$ 147
Interest (income) expense	$ (421)	$ 101	$ (320)	$ 235	$ 47	$ 282

	Pension Plans			Other Post-employment Benefit Plans		
Three months ended June 30, 2023	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Consolidated statements of income (loss)						
Operating expenses	$ 1,131	$ 171	$ 1,302	$ 116	$ —	$ 116
Interest (income) expense	$ (573)	$ 140	$ (433)	$ 232	$ 6	$ 238

	Pension Plans			Other Post-employment Benefit Plans		
Six months ended June 30, 2024	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Consolidated statements of income (loss)						
Operating expenses	$ 2,174	$ 353	$ 2,527	$ 294	$ —	$ 294
Interest (income) expense	$ (842)	$ 201	$ (641)	$ 470	$ 93	$ 563

	Pension Plans			Other Post-employment Benefit Plans		
Six months ended June 30, 2023	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Consolidated statements of income (loss)						
Operating expenses	$ 2,262	$ 342	$ 2,604	$ 233	$ —	$ 233
Interest (income) expense	$ (1,146)	$ 282	$ (864)	$ 464	$ 12	$ 476

No amounts were recorded on the statements of comprehensive income (loss) for the three and six months ended June 30, 2024 or 2023.

The balance sheet obligations, distributed between pension and other post-employment benefits were as follows:

	Pension Plans			Other Post-employment Benefit Plans		
As at June 30, 2024	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Included in other long-term liabilities	$ —	$ 8,990	$ 8,990	$ 20,442	$ 3,744	$ 24,186
Included in other long-term assets	$ 39,347	$ —	$ 39,347	$ —	$ —	$ —

	Pension Plans			Other Post-employment Benefit Plans		
As at December 31, 2023	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Included in other long-term liabilities	$ —	$ 8,633	$ 8,633	$ 19,999	$ 3,720	$ 23,719
Included in other long-term assets	$ 40,624	$ —	$ 40,624	$ —	$ —	$ —

(all amounts in thousands of Canadian dollars, except where otherwise noted)

21. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents were comprised of the following:

As at June 30,	2024	2023
Cash	$ 1,414,933	$ 1,508,288
Short-term investments[(1)]	12,305	8,711
Cash and cash equivalents	$ 1,427,238	$ 1,516,999

(1) Consisted of short-term investments with an original maturity of three months or less or which are available on demand with no penalty for early redemption.

Income taxes paid, net of income taxes received was comprised of the following:

Six months ended June 30,	2024	2023
Income taxes paid	$ (28,200)	$ (24,122)
Income taxes received	7,354	3
	$ (20,846)	$ (24,119)

Interest paid, net of interest received was comprised of the following:

Six months ended June 30,	2024	2023
Interest paid	$ (119,610)	$ (128,454)
Interest received	44,090	31,397
	$ (75,520)	$ (97,057)

The reconciliation of the liabilities arising from financing activities were as follows:

	Indebtedness	Satellite performance incentive payments	Lease liabilities
Balance as at January 1, 2024	$ 3,197,019	$ 18,271	$ 33,339
Cash outflows	(128,498)	(1,830)	(1,267)
Amortization of deferred financing costs, prepayment options and loss on repayment	538	—	—
Gain on repurchase of debt	(172,322)	—	—
Interest paid	—	—	(744)
Interest accrued	—	—	744
Non-cash additions	—	—	294
Impact of foreign exchange	105,483	593	177
Balance as at June 30, 2024	$ 3,002,220	$ 17,034	$ 32,543

(all amounts in thousands of Canadian dollars, except where otherwise noted)

21. SUPPLEMENTAL CASH FLOW INFORMATION (cont.)

	Indebtedness	Satellite performance incentive payments	Lease liabilities
Balance as at January 1, 2023	$ 3,850,081	$ 25,124	$ 34,106
Cash outflows	(159,049)	(3,090)	(1,074)
Amortization of deferred financing costs, prepayment options and loss on repayment	489	—	—
Gain on repurchase of debt	(153,390)	—	—
Non-cash additions	—	—	1,414
Interest paid	—	—	(767)
Interest accrued	—	—	767
Impact of foreign exchange	(84,048)	(527)	(140)
Balance as at June 30, 2023	$ 3,454,083	$ 21,507	$ 34,306

The net change in operating assets and liabilities was comprised of the following:

Six months ended June 30,	2024	2023
Trade and other receivables	$ (974)	$ (10,286)
Financial assets	317	2,814
Other assets	(29,209)	(4,878)
Trade and other payables	670	(14,969)
Financial liabilities	(583)	(938)
Other liabilities	569	348
	$ (29,210)	$ (27,909)

Non-cash investing activities were comprised of:

Six months ended June 30,	2024	2023
Satellites, property and other equipment	$ 120,624	$ 1,331
Intangible assets	$ —	$ 4,528

22. COMMITMENTS AND CONTINGENT LIABILITIES

The following were the Company's off-balance sheet contractual obligations as at June 30, 2024:

	Remaining 2024	2025	2026	2027	2028	Thereafter	Total
Property leases	$ 614	$ 1,218	$ 1,220	$ 1,021	$ 1,007	$ 10,575	$ 15,655
Capital commitments	682,070	17,930	5,472	6,156	—	—	711,628
Other operating commitments	16,994	15,945	11,114	9,387	19,845	70,961	144,246
	$ 699,678	$ 35,093	$ 17,806	$ 16,564	$ 20,852	$ 81,536	$ 871,529

Property leases consisted of off-balance sheet contractual obligations for land or building usage, while capital commitments included commitments for capital projects. 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. The Company's off-balance sheet obligations included the future minimum payments for the non-cancellable period of each respective obligation, which have various terms and expire between 2024 to 2039.

22. COMMITMENTS AND CONTINGENT LIABILITIES (cont.)

Certain variable costs associated with the capitalized leases have been included in property leases commitments with a termination date co-terminus with the lease liability.

The Company has entered into contracts for the development of the Telesat Lightspeed constellation and other capital expenditures. The outstanding commitments as at June 30, 2024 were included in capital commitments.

The Company has agreements with various customers for prepaid revenue on several service agreements which take effect when the satellite is placed in service. The Company is responsible for operating and controlling these satellites. As at June 30, 2024, customer prepayments of $263.7 million (December 31, 2023 — $279.4 million), a portion of which is refundable under certain circumstances, were reflected in other current and long-term liabilities.

In the normal course of business, the Company has executed agreements that provide for indemnification and guarantees to counterparties in various transactions. These indemnification undertakings and guarantees may require the Company to compensate the counterparties for costs and losses incurred as a result of certain events including, without limitation, loss or damage to property, change in the interpretation of laws and regulations (including tax legislation), claims that may arise while providing services, or as a result of litigation that may be suffered by the counterparties. The nature of substantially all of the indemnification undertakings prevents the Company from making a reasonable estimate of the maximum potential amount the Company could be required to pay counterparties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments under such indemnifications.

Telesat Corporation and Telesat CanHold Corporation have entered into an indemnification agreement with Public Sector Pension Investment Board ("PSP Investments") where they will indemnify PSP Investments on a grossed-up basis for PSP Investment's pro rata share of the costs relating to: (a) certain losses and litigation proceedings related to the transaction to become a public company in 2021, (b) certain losses with regard to Loral Space & Communications Inc. ("Loral") and out-of-pocket expenses of Loral and (c) certain tax matters.

In the case of indemnification for certain tax matters only, there will be a cap of US$50 million (other than with respect to defense costs and grossed-up payments) and all other indemnification obligations will be uncapped.

Legal Proceedings

The Company participates from time to time in legal proceedings arising in the normal course of its business.

Telesat previously received assessments from Brazilian tax authorities alleging that additional taxes are owed on revenue earned for the period 2000 to 2021. The total disputed amount for the period 2000 to 2021, including interest and penalties, is now $110.0 million. The disputes relate to the Brazilian tax authorities' characterization of revenue. The Company has challenged the assessments. The Company believes the likelihood of a favorable outcome in these disputes is more likely than not and, as such, no reserve has been established.

Other than the legal proceedings disclosed above and in Note 34 of the Company's December 31, 2023 consolidated financial statements, the Company is not aware of any proceedings outstanding or threatened as at the date hereof by or against it or relating to its business which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

23. RELATED PARTY TRANSACTIONS

Transactions with subsidiaries

The Company and its subsidiaries regularly engage in inter-group transactions. These transactions include the purchase and sale of satellite services and communications equipment, providing and receiving network and call centre services, access to orbital slots and management services. The transactions have been entered into over the normal course of operations. Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and therefore have not been disclosed.

Compensation of executives and Board level directors

Compensation of the Company's executives consists of short-term benefits (including salaries), post-employment benefits and share-based compensation. Compensation of the Company's Board level directors consists of cash and share-based compensation. The transactions have been entered into with the Company in the normal course of operations.

Transactions with related parties

The Company and certain of its subsidiaries regularly engage in transactions with related parties. The Company's related parties included Red Isle Private Investments Inc. ("Red Isle") and MHR. There were no transactions or balances with Red Isle or MHR during any of the periods presented.

Other related party transactions

The Company funds certain defined benefit pension plans. Contributions made to the plans for the three and six months ended June 30, 2024 were $0.7 million and $1.3 million (three and six months ended June 30, 2023 — $0.4 million and $0.7 million).

24. SUBSEQUENT EVENTS

Debt repurchases

In August 2024, Telesat repurchased a portion of the Term Loan B loans with a principal amount of $58.1 million (US$42.5 million) for retirement at an aggregate cost of $27.6 million (US$20.2 million).