

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Statements of Income (Loss)
For the three months ended March 31

<i>(in thousands of Canadian dollars, except per share amounts)</i>	<u>Notes</u>	<u>2026</u>	<u>2025</u>
Revenue	4	\$ 87,060	\$ 116,749
Operating expenses	5	(55,336)	(53,042)
Depreciation		(22,130)	(25,909)
Amortization		(8,611)	(10,899)
Other operating gains (losses), net	7	<u>(82,347)</u>	<u>3,950</u>
Operating (loss) income		(81,364)	30,849
Interest expense	6	(49,958)	(56,664)
Interest and other income		4,149	6,208
Gain (loss) on changes in fair value of financial instruments	19	(15,821)	(33,412)
Gain (loss) on foreign exchange		<u>(17,306)</u>	<u>2,480</u>
Income (loss) before income taxes		(160,300)	(50,539)
Tax (expense) recovery	8	9,351	(918)
Net income (loss)		<u><u>\$ (150,949)</u></u>	<u><u>\$ (51,457)</u></u>
Net income (loss) attributable to:			
Telesat Corporation shareholders		\$ (45,495)	\$ (15,538)
Non-controlling interest		<u>(105,454)</u>	<u>(35,919)</u>
		<u><u>\$ (150,949)</u></u>	<u><u>\$ (51,457)</u></u>
Net income (loss) per common share attributable to Telesat Corporation shareholders			
Basic		\$ (3.04)	\$ (1.08)
Diluted		\$ (3.04)	\$ (1.08)
Total Weighted Average Common Shares Outstanding			
Basic	16	14,979,228	14,381,205
Diluted	16	14,979,228	14,381,205

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three months ended March 31

<i>(in thousands of Canadian dollars)</i>	2026	2025
Net income (loss)	\$ (150,949)	\$ (51,457)
Other comprehensive income (loss)		
Items that may be reclassified into profit or loss		
Foreign currency translation adjustments	56,292	1,752
Total other comprehensive income (loss)	56,292	1,752
Total comprehensive income (loss)	<u>\$ (94,657)</u>	<u>\$ (49,705)</u>
Total comprehensive income (loss) attributable to:		
Telesat Corporation shareholders	\$ (28,943)	\$ (15,238)
Non-controlling interest	(65,714)	(34,467)
	<u>\$ (94,657)</u>	<u>\$ (49,705)</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements

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

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation 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, 2025	\$ 59,082	\$ 467,333	\$ 70,955	\$ 112,910	\$183,865	\$ 710,280	\$ 1,786,425	\$ 2,496,705
Net income (loss)	—	(15,538)	—	—	—	(15,538)	(35,919)	(51,457)
Issuance of share capital on settlement of restricted share units and performance share units	6,855	4,897	(994)	1,843	849	12,601	(19,374)	(6,773)
Exchange of Limited Partnership units for Public Shares	34	—	—	—	—	34	(34)	—
Other comprehensive income (loss), net of tax (expense) recovery of \$Nil	—	—	—	300	300	300	1,452	1,752
Share-based compensation	—	—	939	—	939	939	2,306	3,245
Balance as at March 31, 2025	<u>\$ 65,971</u>	<u>\$ 456,692</u>	<u>\$ 70,900</u>	<u>\$ 115,053</u>	<u>\$185,953</u>	<u>\$ 708,616</u>	<u>\$ 1,734,856</u>	<u>\$ 2,443,472</u>
Balance as at April 1, 2025	\$ 65,971	\$ 456,692	\$ 70,900	\$ 115,053	\$185,953	\$ 708,616	\$ 1,734,856	\$ 2,443,472
Net income (loss)	—	(139,816)	—	—	—	(139,816)	(338,944)	(478,760)
Issuance of share capital on settlement of restricted share units, deferred share units, performance share units and the exercise of stock options	3,347	1,762	(71)	380	309	5,418	(6,161)	(743)
Exchange of Limited Partnership units for Public Shares	679	8,755	1,131	1,073	2,204	11,638	(11,638)	—
Other comprehensive income (loss), net of tax (expense) recovery of \$(2,969)	—	3,421	—	(60,443)	(60,443)	(57,022)	(144,296)	(201,318)
Share-based compensation, net of tax (expense) recovery of \$6,046	—	—	1,986	—	1,986	1,986	4,959	6,945
Balance as at December 31, 2025	<u>\$ 69,997</u>	<u>\$ 330,814</u>	<u>\$ 73,946</u>	<u>\$ 56,063</u>	<u>\$130,009</u>	<u>\$ 530,820</u>	<u>\$ 1,238,776</u>	<u>\$ 1,769,596</u>
Balance as at January 1, 2026	\$ 69,997	\$ 330,814	\$ 73,946	\$ 56,063	\$130,009	\$ 530,820	\$ 1,238,776	\$ 1,769,596
Net income (loss)	—	(45,495)	—	—	—	(45,495)	(105,454)	(150,949)
Issuance of share capital on settlement of restricted share units, performance share units, and the exercise of stock options	17,116	(722)	(1,262)	958	(304)	16,090	(30,177)	(14,087)
Exchange of Limited Partnership units for Public Shares	4	108	6	4	10	122	(122)	—
Other comprehensive income (loss), net of tax (expense) recovery of \$Nil	—	—	—	16,552	16,552	16,552	39,740	56,292
Share-based compensation	—	—	926	—	926	926	2,206	3,132
Balance as at March 31, 2026	<u>\$ 87,117</u>	<u>\$ 284,705</u>	<u>\$ 73,616</u>	<u>\$ 73,577</u>	<u>\$147,193</u>	<u>\$ 519,015</u>	<u>\$ 1,144,969</u>	<u>\$ 1,663,984</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Balance Sheets

<i>(in thousands of Canadian dollars)</i>	Notes	March 31, 2026	December 31, 2025
ASSETS			
Cash and cash equivalents		\$ 522,725	\$ 509,798
Trade and other receivables		58,823	58,422
Other current financial assets		426	430
Current income tax recoverable		10,054	5,952
Prepaid expenses and other current assets		265,780	257,456
Total current assets		857,808	832,058
Satellites, property and other equipment	4, 9	2,885,263	2,716,708
Deferred tax assets		4,773	4,231
Other long-term financial assets		17,160	18,283
Long-term income tax recoverable		6,993	6,993
Other long-term assets	4	326,440	368,657
Intangible assets	4, 10	435,544	442,278
Goodwill	10	2,158,085	2,214,575
Total assets		<u>\$ 6,692,066</u>	<u>\$ 6,603,783</u>
LIABILITIES			
Trade and other payables		\$ 88,845	\$ 57,447
Other current financial liabilities		889,850	857,637
Income taxes payable		44	2,772
Other current liabilities		59,704	58,431
Current indebtedness	12	2,374,537	2,341,145
Total current liabilities		3,412,980	3,317,432
Long-term indebtedness	12	1,270,275	1,152,462
Deferred tax liabilities		80,252	91,991
Other long-term financial liabilities		9,788	10,091
Other long-term liabilities		254,787	262,211
Total liabilities		<u>5,028,082</u>	<u>4,834,187</u>
SHAREHOLDERS' EQUITY			
Share capital	13	87,117	69,997
Accumulated earnings		284,705	330,814
Reserves		147,193	130,009
Total Telesat Corporation shareholders' equity		519,015	530,820
Non-controlling interest	14	1,144,969	1,238,776
Total shareholders' equity		<u>1,663,984</u>	<u>1,769,596</u>
Total liabilities and shareholders' equity		<u>\$ 6,692,066</u>	<u>\$ 6,603,783</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31

<i>(in thousands of Canadian dollars)</i>	Notes	2026	2025
Cash flows from operating activities			
Net income (loss)		\$ (150,949)	\$ (51,457)
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
Depreciation		22,130	25,909
Amortization		8,611	10,899
Tax expense (recovery)		(9,351)	918
Interest expense		49,958	56,664
Interest income		(4,400)	(6,342)
(Gain) loss on foreign exchange		17,306	(2,480)
(Gain) loss on changes in fair value of financial instruments		15,821	33,412
Share-based compensation		3,129	3,241
(Gain) loss on disposal of assets		(20)	(3,950)
Impairment		84,469	—
Deferred revenue amortization		(11,304)	(14,407)
Pension expense		1,125	1,366
Other		749	(691)
Income taxes paid, net of income tax received	21	(9,328)	(1,580)
Interest paid, net of interest received	21	(27,078)	(31,350)
Operating assets and liabilities	21	12,752	118,772
Net cash from operating activities		<u>3,620</u>	<u>138,924</u>
Cash flows (used in) generated from investing activities			
Cash payments related to satellite programs		(74,540)	(200,313)
Cash payments related to property and other equipment		(43,145)	(34,744)
Net proceeds from disposal of assets		—	4,500
Investments and other		(870)	—
Net cash (used in) generated from investing activities		<u>(118,555)</u>	<u>(230,557)</u>
Cash flows (used in) generated from financing activities			
Proceeds from indebtedness	12	130,218	340,000
Payments of principal on lease liabilities	21	(674)	(515)
Satellite performance incentive payments	21	(212)	(190)
Proceeds from exercise of stock options		599	—
Tax withholdings on settlement of restricted and performance share units		(9,551)	(6,788)
Net cash (used in) generated from financing activities		<u>120,380</u>	<u>332,507</u>
Effect of changes in exchange rates on cash and cash equivalents		7,482	4,433
Changes in cash and cash equivalents		12,927	245,307
Cash and cash equivalents, beginning of period		509,798	552,064
Cash and cash equivalents, end of period		<u>\$ 522,725</u>	<u>\$ 797,371</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements

Telesat Corporation
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2026
(all amounts in thousands of Canadian dollars, except where otherwise noted)

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.

Telesat is a leading global satellite operator, providing mission-critical communications solutions to support the requirements of sophisticated satellite users throughout the world.

The Company, through its wholly owned indirect subsidiary Telesat GEO Inc., formerly Telesat Canada (“Telesat GEO”) operates a state-of-the-art fleet consisting of 13 geostationary satellites and the Canadian payload on Viasat-1, ground infrastructure and highly expert and dedicated staff.

After a decade of development, the Company, through its wholly owned indirect subsidiary, Telesat LEO ULC, formerly Telesat LEO Inc. (“Telesat LEO”) is building a constellation of low earth orbit (“LEO”) satellites and integrated terrestrial infrastructure, called “Telesat Lightspeed”. Telesat Lightspeed will initially consist of 156 satellites capable of providing a highly advanced, global, enterprise-grade, integrated satellite and terrestrial network optimized to capture the growing demand for broadband connectivity in certain key market verticals around the world. Telesat Lightspeed is expected to be in service in 2028.

The Company 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>.

Effective April 27, 2026, the Company changed the name of its legacy GEO operating subsidiary from Telesat Canada to Telesat GEO Inc.

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 May 4, 2026, these financial statements were approved by the Audit Committee of the Board of Directors and authorized for issue.

2. BASIS OF PRESENTATION AND GOING CONCERN

Statement of Compliance

The financial statements represent the interim financial statements of the Company, 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, 2025 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 3 and 4 of the consolidated financial statements for the year ended December 31, 2025.

The results of operations for the three months ended March 31, 2026 are not necessarily indicative of the results that may be expected for the full fiscal year.

Telesat Corporation
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2026
(all amounts in thousands of Canadian dollars, except where otherwise noted)

2. BASIS OF PRESENTATION AND GOING CONCERN (cont.)

Telesat GEO Debt Refinancing and Going Concern

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Assessing the ability of the Company to continue as a going concern requires judgment that includes considering whether conditions or events, including those at any of its subsidiaries, impact the going concern assumption. In conducting this assessment, management identified an adverse event at Telesat GEO relating to significant obligations that will require repayment or refinancing. Consequently, the Company is required to evaluate the impact of this adverse event on its ability to continue as a going concern.

Telesat GEO is a wholly owned subsidiary of the Company. Telesat GEO's Term Loan B and Senior Notes, as disclosed in Note 12, are scheduled to mature between December 2026 and October 2027, resulting in significant obligations that will require repayment or refinancing. As a result of the refinancing requirement at the end of 2026, approximately \$2.4 billion of Telesat GEO's debt, comprising the Term Loan B and the 2026 Senior Secured Notes (collectively, the "Telesat GEO debt"), has been classified as a current liability in these financial statements as at March 31, 2026. The Telesat GEO debt obligations are guaranteed by certain direct and indirect subsidiaries of Telesat GEO ("Guarantors") and the obligation for repayment of the credit facilities upon maturity does not extend beyond these Guarantors. Other entities within the Telesat group, other than the Guarantors ("LEO Non-Guarantors") are primarily focused on the Telesat Lightspeed project. Telesat LEO, a subsidiary of the Company through which the Lightspeed project is being developed, has a segregated funding source to permit the build out of that project that includes the ability to acquire any necessary intercompany services, such as certain personnel, occupancy, and information systems, currently provided to Telesat LEO by Telesat GEO up to a specified maximum.

The Company has approximately \$522.7 million of cash and cash equivalent of which \$210.5 million is held within Telesat GEO, as at March 31, 2026. The Company and Telesat GEO 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 GEO, are not expected to be sufficient to meet Telesat GEO debt maturity obligations as they come due.

Management is engaged in discussions with lenders' advisors about refinancing the Telesat GEO 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 GEO debt maturities in December 2026, casts substantial doubt as to Telesat GEO's ability to meet its debt obligations as they come due. Accordingly, this material uncertainty raises substantial doubt for the Company in these unaudited interim condensed consolidated financial statements.

Should the Company not be able to refinance the Telesat GEO debt obligations prior to maturity, these financial statements may require significant adjustments. Such adjustments would have a material impact on the carrying amount and classification of reported assets, liabilities, revenues or expenses in these financial statements.

Telesat Corporation
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2026
(all amounts in thousands of Canadian dollars, except where otherwise noted)

3. MATERIAL ACCOUNTING POLICY INFORMATION

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 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 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 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.

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

4. SEGMENT INFORMATION

The Company reports 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”.

The Company’s Chief Operating Decision Maker (“CODM”), who is the Company’s Chief Executive Officer, 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.

Service Revenue

The Company derives revenue from the following services:

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

Telesat Corporation
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2026
(all amounts in thousands of Canadian dollars, except where otherwise noted)

4. SEGMENT INFORMATION (cont.)

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.

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:

Three-month ended March 31, 2026	GEO	LEO	Other⁽³⁾	Consolidated
Broadcast.	\$ 35,710	\$ —	\$ —	\$ 35,710
Enterprise	48,836	65	—	48,901
Consulting and other.	1,082	1,367	—	2,449
Revenue.	<u>85,628</u>	<u>1,432</u>	<u>—</u>	<u>87,060</u>
Operating expenses, net of share-based compensation and non-recurring items ⁽¹⁾	<u>(30,406)</u>	<u>(19,705)</u>	<u>(1,808)</u>	<u>(51,919)</u>
Adjusted EBITDA ⁽¹⁾	<u>\$ 55,222</u>	<u>\$ (18,273)</u>	<u>\$ (1,808)</u>	<u>35,141</u>
Share-based compensation				(3,129)
Non-recurring items ⁽²⁾				(288)
Depreciation				(22,130)
Amortization.				(8,611)
Other operating gains (losses), net				<u>(82,347)</u>
Operating income				(81,364)
Interest expense.				(49,958)
Gain (loss) on changes in fair value of financial instruments				(15,821)
Interest and other income				4,149
Gain (loss) on foreign exchange				<u>(17,306)</u>
Income (loss) before income taxes				(160,300)
Tax (expense) recovery				9,351
Net income (loss)				<u>\$ (150,949)</u>
Capital expenditures	<u>\$ 646</u>	<u>\$ 151,975</u>	<u>\$ —</u>	<u>\$ 152,621</u>

Telesat Corporation
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2026
(all amounts in thousands of Canadian dollars, except where otherwise noted)

4. SEGMENT INFORMATION (cont.)

<u>Three-month ended March 31, 2025</u>	<u>GEO</u>	<u>LEO</u>	<u>Other⁽³⁾</u>	<u>Consolidated</u>
Broadcast	\$ 55,056	\$ —	\$ —	\$ 55,056
Enterprise	56,843	—	—	56,843
Consulting and other	3,234	1,616	—	4,850
Revenue	<u>115,133</u>	<u>1,616</u>	<u>—</u>	<u>116,749</u>
Operating expenses, net of share-based compensation and non-recurring items ⁽¹⁾	(29,660)	(18,478)	(1,204)	(49,342)
Adjusted EBITDA ⁽¹⁾	<u>\$ 85,473</u>	<u>(16,862)</u>	<u>(1,204)</u>	<u>67,407</u>
Share-based compensation				(3,241)
Non-recurring items ⁽²⁾				(459)
Depreciation				(25,909)
Amortization				(10,899)
Other operating gains (losses), net				<u>3,950</u>
Operating income				30,849
Interest expense				(56,664)
Gain (loss) on foreign exchange				2,480
Gain (loss) on changes in fair value of financial instruments				(33,412)
Interest and other income				<u>6,208</u>
Income (loss) before income taxes				(50,539)
Tax (expense) recovery				(918)
Net income (loss)				<u>(51,457)</u>
Capital expenditures	<u>\$ 408</u>	<u>\$ 178,120</u>	<u>\$ —</u>	<u>\$ 178,528</u>

- (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.
- (2) Non-recurring payments include severance payments and special compensation and benefits.
- (3) Transactions that do not belong to a particular operating segment such as certain corporate entities are reported within "Other".

Equipment sales

Equipment sales included within the various services were as follows:

<u>Three-month ended March 31,</u>	<u>2026</u>	<u>2025</u>
GEO	\$ 3,736	\$ 1,148
LEO	65	—
Equipment sales	<u>\$ 3,801</u>	<u>\$ 1,148</u>

All equipment sales were from Enterprise services.

Telesat Corporation
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2026
(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-month ended March 31,	2026	2025
Canada	\$ 45,032	\$ 58,540
United States	28,471	38,579
Europe, Middle East & Africa	5,822	7,590
Latin America & Caribbean	5,726	7,550
Asia & Australia	2,009	4,490
Revenue	<u>\$ 87,060</u>	<u>\$ 116,749</u>

For the three months ended March 31, 2026 and 2025, all 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,	March 31, 2026	December 31, 2025
Canada	\$ 2,640,013	\$ 2,464,818
United Kingdom	232,074	238,478
United States	12,016	12,276
All others	1,160	1,136
Satellites, property and other equipment	<u>\$ 2,885,263</u>	<u>\$ 2,716,708</u>

As at,	March 31, 2026	December 31, 2025
Canada	\$ 422,301	\$ 428,909
United States	5,099	5,426
Latin America & Caribbean	8,144	7,943
Intangible assets	<u>\$ 435,544</u>	<u>\$ 442,278</u>

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

As at,	March 31, 2026	December 31, 2025
Canada	\$ 300,484	\$ 343,059
United States	25,956	25,598
Other long-term assets	<u>\$ 326,440</u>	<u>\$ 368,657</u>

Goodwill was not allocated to geographic regions.

Major Customers

For the three months ended March 31, 2026 and 2025, there were two significant customers each representing more than 10% of consolidated revenue totaling \$26.1 million and \$12.6 million respectively (March 31, 2025 — \$32.9 million and \$23.8 million).

Telesat Corporation
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2026
(all amounts in thousands of Canadian dollars, except where otherwise noted)

5. OPERATING EXPENSES

Three months ended March 31,	2026	2025
Compensation and employee benefits ^(a)	\$ 24,488	\$ 26,073
Other operating expenses ^(b)	22,218	20,251
Cost of third-party satellites ^(c)	6,789	6,111
Cost of equipment sales ^(d)	1,841	607
Operating expenses	\$ 55,336	\$ 53,042

- (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 months ended March 31, 2026 included \$0.4 million of leases not capitalized due to exemptions and variable lease payments not included in the measurement of the lease liabilities (three months ended March 31, 2025 — \$0.8 million).
- (c) Cost of third-party satellites included the cost of third-party satellite capacity acquired to fulfill customer capacity requirements.
- (d) Cost of equipment sales included the cost of equipment and other costs directly attributable to fulfilling the Company's obligations under customer contracts, excluding the cost of third-party satellite capacity.

6. INTEREST EXPENSE

Three-month ended March 31,	2026	2025
Interest on indebtedness	\$ 61,468	\$ 56,452
Interest on significant financing component	2,784	3,284
Interest on leases	442	446
Interest on satellite performance incentive payments	199	252
Interest on employee benefit plans	(503)	(265)
Capitalized interest	(14,432)	(3,505)
Interest expense	\$ 49,958	\$ 56,664

7. OTHER OPERATING GAINS (LOSSES), NET

Three-month ended March 31,	2026	2025
Insurance proceeds and other	\$ 2,102	\$ 3,950
Gain on disposal of assets	20	—
Impairment	(84,469)	—
Other operating gains (losses), net.	\$ (82,347)	\$ 3,950

Impairment

During the three months ended March 31, 2026, an impairment loss of \$84.5 million was recognized against goodwill related to the aggregated GEO segment and GEO Cash Generating Unit ("GEO CGU") (Note 10).

8. INCOME TAXES

Three-month ended March 31,	2026	2025
Current tax expense (recovery)	\$ 2,185	\$ 2,432
Deferred tax expense (recovery)	(11,536)	(1,514)
Tax expense (recovery)	\$ (9,351)	\$ 918

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8. INCOME TAXES (cont.)

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-month ended March 31,	2026	2025
Income (loss) before income taxes	\$ (160,300)	\$ (50,539)
Multiplied by the statutory income tax rates	26.39%	26.39%
	(42,303)	(13,337)
Income tax recorded at rates different from the Canadian tax rate	(339)	(1,187)
Permanent differences	15,321	11,107
Effect of temporary differences not recognized as deferred tax assets	19,717	3,540
Foreign taxes	—	535
Impact of foreign exchange	(1,747)	260
Tax expense (recovery)	\$ (9,351)	\$ 918
Effective income tax rate	5.83%	(1.82)%

9. SATELLITES, PROPERTY AND OTHER EQUIPMENT

For the three months ended March 31, 2026, the Company had additions of \$152.6 million (March 31, 2025 — \$178.5 million) primarily related to acquisitions associated with the LEO program.

10. GOODWILL AND INTANGIBLE ASSETS

During the three months ended March 31, 2026, the Company assessed the most sensitive assumptions to determine whether or not there were any changes in the key assumptions used in the most recent impairment test as of December 31, 2025. Based on this assessment, no significant changes were identified for the LEO segment compared to the assumptions used in the December 31, 2025 valuation. Accordingly, no indicators of impairment were identified and no impairment of goodwill was recognized.

For the GEO segment and CGUs, the Company identified indicators of impairment, primarily as a result of an increase in the discount rate range from 9.3% – 10.3% used in the December 31, 2025 impairment test to 10.3% – 11.3%, reflecting changes in market-based inputs. Consequently, the Company performed impairment analyses as at March 31, 2026 for the GEO segment and GEO CGUs. There were no changes to the assumptions that underpin the impairment analyses as at March 31, 2026 other than increase in discount rate, relative to the impairment analyses undertaken as at December 31, 2025. As a result of the impairment analyses, an impairment loss of \$84.5 million was recognized against Goodwill relating to the GEO segment. No impairment was identified in the GEO CGUs.

Sensitivities

The GEO segment impairment analysis showed that an increase of 1% in the discount rate would have resulted in an increase to corresponding impairment of \$43.7 million.

Actual operating results and the related cash flows of the Company could differ from the estimated operating results and related cash flows used in the impairment analysis, and had different estimates been used, it could have resulted in a different fair value.

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11. LEASE LIABILITIES

The expected undiscounted contractual cash flows of the lease liabilities as at March 31, 2026 were as follows:

Remainder 2026	2027	2028	2029	2030	Thereafter	Total
\$ 3,693	\$ 4,790	\$ 4,648	\$ 4,956	\$ 4,721	\$ 33,514	\$ 56,322

The undiscounted contractual cash flows included \$16.8 million of interest payments.

In addition, there were certain leases which were signed but not capitalized as at March 31, 2026. Based upon the assessed lease term, the expected undiscounted cash flows totaled \$51.5 million.

12. INDEBTEDNESS

As at,	March 31, 2026	December 31, 2025
Telesat GEO Financing		
Term Loan B – U.S. Facility ⁽¹⁾ (March 31, 2026 and December 31, 2025 – US\$1,320,531)	\$ 1,837,650	\$ 1,812,296
2027 Senior Unsecured Notes ⁽²⁾ (March 31, 2026 and December 31, 2025 – US\$213,035)	296,460	292,369
2026 Senior Secured Notes ⁽³⁾ (March 31, 2026 and December 31, 2025 – US\$387,047)	538,615	531,183
2027 Senior Secured Notes ⁽⁴⁾ (March 31, 2026 and December 31, 2025 – US\$224,995)	313,103	308,783
Telesat Lightspeed Financing		
Government of Canada Telesat Lightspeed Financing ⁽⁵⁾	723,460	603,376
Government of Quebec Telesat Lightspeed Financing ⁽⁵⁾	135,226	112,780
	<u>3,844,514</u>	<u>3,660,787</u>
Deferred financing costs, prepayment options, warrants and loss on repayment	(199,702)	(167,180)
	<u>3,644,812</u>	<u>3,493,607</u>
Less: current indebtedness	(2,374,537)	(2,341,145)
Long-term indebtedness	<u>\$ 1,270,275</u>	<u>\$ 1,152,462</u>

- (1) On December 6, 2019, Telesat GEO 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 of up to \$200.0 million US dollars which matured in December 2024 and Term Loan B — U.S. Facility of US\$1,908.5 million maturing in December 2026. During the three months ended March 31, 2026 and March 31, 2025, there were no repurchases of debt.
- (2) On October 11, 2019, Telesat GEO issued, through a private placement, US\$550 million of 6.5% Senior Unsecured Notes, maturing in October 2027 (“2027 Senior Unsecured Notes”). During the three months ended March 31, 2026 and March 31, 2025, there were no repurchases of debt.
- (3) On April 27, 2021, Telesat GEO issued, through a private placement, US\$500 million in aggregate principal amount of 5.625% Senior Secured Notes maturing in December 2026 (“2026 Senior Secured Notes”). During the three months ended March 31, 2026 and March 31, 2025, there were no repurchases of debt.
- (4) On December 6, 2019, Telesat GEO issued, through a private placement, US\$400 million 4.875% Senior Secured Notes, maturing in June 2027 (“2027 Senior Secured Notes”). During the three months ended March 31, 2026 and March 31, 2025, there were no repurchases of debt.

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12. INDEBTEDNESS (cont.)

- (5) On September 13, 2024, Telesat LEO entered into loan agreements with 16342451 Canada Inc., a subsidiary of Canada Development Investment Corporation (“Government of Canada”) and Investissement Quebec (“Government of Quebec”), for senior secured non-revolving delayed draw term loan facilities in the principal amount of \$2,140 million and \$400 million, respectively (“Telesat Lightspeed Financing”). The debt balances include \$38.6 million of interest that was added to the principal balance of the loan.

Telesat Lightspeed Financing Warrants

During 2024, as consideration for making available the loan facility, Telesat LEO entered into agreements with the lenders that irrevocably grant warrants equivalent to 11.87% of the equity of Telesat LEO on a fully diluted basis (“Telesat Lightspeed Financing Warrants”), which were fair valued upon the completion of the conditions precedent. 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 a Lightspeed LEO Limited Partnership which holds all of the Telesat LEO shares.

The Telesat Lightspeed Financing Warrants are exercisable in whole or in part, using a cash or cashless exercise feature (at the sole discretion of holder), at any time after the second anniversary of the original date of issuance of the warrants (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. The standard cash exercise of the warrants meets the definition of gross-settled equity instruments; on the other hand, if the cashless exercise is used, the number of units will vary depending on fair market value of the Lightspeed LEO Limited Partnership units at the time of exercise. Consequently, the Telesat Lightspeed Financing Warrants fail to meet fixed-for-fixed criteria for equity classification and have been designated at fair value through profit and loss classified as a Level 3 instrument (Note 19).

Deferred Financing Charges

Deferred financing charges include the debt issue costs associated with the Telesat Lightspeed Financing and the initial value of the Telesat Lightspeed Financing Warrants granted to the Government of Canada and the Government of Quebec. As drawdowns are made against the Telesat Lightspeed Financing, the proportional amount of the deferred financing charges will be transferred to debt issue costs against the long-term indebtedness and amortized to interest expense using the effective interest method.

The activity in deferred financing charges for the three months ended March 31, 2026 is as follows:

	Telesat Lightspeed Financing Warrants	Debt issue costs	Total
As at December 31, 2025	\$ 429,100	\$ 26,834	\$ 455,934
Transferred to debt issue costs	(30,575)	(1,912)	(32,487)
Impact of foreign exchange	6,004	375	6,379
As at March 31, 2026	<u>\$ 404,529</u>	<u>\$ 25,297</u>	<u>\$ 429,826</u>

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13. SHARE CAPITAL

The Class A Common shares together with the Class B Variable Voting shares represent 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:

	March 31, 2026		December 31, 2025	
	Number of shares	Stated value	Number of shares	Stated value
Telesat Public Shares.	15,105,250	\$ 80,777	14,730,782	\$ 63,657
Class C Shares.	112,841	6,340	112,841	6,340
	15,218,091	\$ 87,117	14,843,623	\$ 69,997

The breakdown of the number of shares of Telesat Public Shares, as at March 31, 2026, was as follows:

Telesat Public shares	
Class A Common shares	5,307,901
Class B Variable Voting shares	9,797,349
Total Telesat Public shares	15,105,250

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.

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 March 31, 2026 and December 31, 2025. 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, 2025 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 three months ended March 31, 2026, 404,827 Restricted Share Units (“RSUs”) were settled for 208,582 Telesat Public Shares, on a net settlement basis (Three months ended March 31, 2025 — 443,485 RSUs were settled for 223,671 Telesat Public Shares, on a net settlement basis).

During the three months ended March 31, 2026, 224,822 Performance Share Units (“PSUs”) were settled for 113,880 Telesat Public Shares (Three months ended March 31, 2025 — 93,454 PSUs were settled for 46,360 Telesat Public Shares).

During the three months ended March 31, 2026, no Deferred Share Units (“DSUs”) were settled (Three months ended March 31, 2025 — 12,434 DSUs were settled for an equal number of Telesat Public Shares).

During the three months ended March 31, 2026, 1,638 Telesat Public Shares were issued in exchange for an equal number of Class A Limited Partnership units (“LP Units”) in Telesat Partnership LP (the “Partnership”) (Three months ended March 31, 2025 — 12,500 Telesat Public Shares were issued in exchange for an equal number of Class A LP Units).

During the three months ended March 31, 2026, 50,368 stock options were exercised in exchange for an equal number of Telesat Public Shares. There were no options exercised during the three months ended March 31, 2025.

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13. SHARE CAPITAL (cont.)

The number and stated value of the outstanding LP Units of the Partnership as at March 31, 2026 and December 31, 2025 were as follows:

	March 31, 2026		December 31, 2025	
	Number of shares	Stated value	Number of shares	Stated value
Class B LP Units	18,059,646	\$ 49,424	18,061,284	\$ 49,428
Class C LP Units	18,098,362	38,893	18,098,362	38,893
	36,158,008	\$ 88,317	36,159,646	\$ 88,321

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 March 31, 2026, Telesat Corporation held a general partnership interest representing approximately 29% economic interest in the Partnership (December 31, 2025 — approximately 29%). The remaining 71% economic interest represents exchangeable units held by the limited partnership unit holders (December 31, 2025 — 71%).

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 which was amended and restated as at June 18, 2024 ("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.

Telesat Holdings Inc. (the predecessor entity to Telesat GEO and Telesat Corporation) adopted a management stock incentive plan in April 2013, as amended (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, 2026	49,526	\$ 71.33	699,159	\$ 13.28
Exercised	—	\$ —	(50,368)	\$ 11.89
Outstanding March 31, 2026	49,526	\$ 71.33	648,791	\$ 13.38

There were no stock options granted under the Historic Plan or Omnibus Plan during the three months ended March 31, 2026 or March 31, 2025. No further stock options will be granted under the Historic Plan.

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15. SHARE-BASED COMPENSATION PLANS (cont.)

The movement in share units under the Omnibus Plan was as follows:

	<u>RSUs with time criteria</u>	<u>PSUs with time and performance criteria</u>	<u>DSUs</u>
Outstanding, January 1, 2026	707,466	530,056	232,163
Granted	149,360	101,115	8,438
Settled	<u>(404,827)</u>	<u>(224,822)</u>	<u>—</u>
Outstanding, March 31, 2026	<u>451,999</u>	<u>406,349</u>	<u>240,601</u>

Employee Share Purchase Plan

In 2025, the Company established an Employee Share Purchase Plan (“ESPP”). The ESPP is a cash-settled share-based payment plan, whereby employees of the Company can acquire common shares through regular payroll deductions. Company-matched employee contributions, up to a maximum of five thousand dollars per annum, are subject to a one year holding period. The employee and Company’s contributions are remitted to an independent plan administrator who is responsible for purchasing common shares on the market on behalf of the employee.

The amount expensed for the three months ended March 31, 2026 was \$0.3 million (March 31, 2025 — \$Nil).

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:

<u>Three months ended March 31</u>	<u>2026</u>	<u>2025</u>
Net income (loss) attributable to Telesat Common Shares	\$ (45,495)	\$ (15,538)
Effect of diluted securities	<u>—</u>	<u>—</u>
Diluted net income (loss) attributable to Telesat Common Shares	<u>\$ (45,495)</u>	<u>\$ (15,538)</u>

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

<u>Three-month ended March 31</u>	<u>2026</u>	<u>2025</u>
Basic total weighted average number of Telesat Common Shares outstanding	14,979,228	14,381,205
Effect of diluted securities		
Stock options	<u>—</u>	<u>—</u>
RSUs, DSUs and PSUs	<u>—</u>	<u>—</u>
Diluted total weighted average number of Telesat Common Shares outstanding . . .	<u>14,979,228</u>	<u>14,381,205</u>

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.

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

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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 June 30, 2028 relating to the Telesat Lightspeed constellation.

For the three months ended March 31, 2026, the Company recorded \$1.1 million relating to the agreement (three months ended March 31, 2025 — \$nil).

Of the amount recorded during the three months ended March 31, 2026, no amount was recorded as a reduction to satellites, property and other equipment and \$1.1 million was recorded as a reduction to operating expenses.

18. CAPITAL DISCLOSURES

The Company's financial strategy is designed to maintain compliance with the financial covenants under the Telesat GEO Financing and Telesat Lightspeed Financing (Note 12), and to maximize returns to its shareholders and other stakeholders. The Company meets these objectives through regular monitoring of the financial covenant and operating results on a quarterly basis.

The Company defines its capital as Telesat Corporation's shareholders' equity (comprising issued share capital, accumulated earnings and excluding reserves), non-controlling interest and debt financing (comprising indebtedness and excluding deferred financing costs, prepayment options, warrants and loss on repayment as defined in Note 12).

The Company's capital was as follows:

As at	March 31, 2026	December 31, 2025
Shareholders' equity (excluding reserves)	\$ 371,822	\$ 400,811
Non-controlling interest	\$ 1,144,969	\$ 1,238,776
Debt financing (excluding deferred financing costs, prepayment options, warrants and loss on repayment).	\$ 3,844,514	\$ 3,660,787

The Company's operating results are tracked against budget on a regular basis, 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 March 31, 2026.

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 March 31, 2026, the maximum exposure to credit risk is equal to the carrying value of the financial assets which totaled \$599.1 million (December 31, 2025 — \$586.9 million).

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19. FINANCIAL INSTRUMENTS (cont.)

The following table provides breakdown by maturity of financial assets as at March 31, 2026:

	Carrying amount	Contractual cash flows					Thereafter
		Remaining 2026	2027	2028	2029	2030	
Cash and cash equivalents.	\$ 522,725	\$ 522,725	\$ —	\$ —	\$ —	\$ —	\$ —
Trade and other receivables, excluding deferred receivables.	51,394	51,394	—	—	—	—	—
Deferred receivables	23,263	6,026	14,318	715	706	698	800
Other financial assets	1,752	426	—	—	—	—	1,326
	<u>\$ 599,134</u>	<u>\$ 580,571</u>	<u>\$ 14,318</u>	<u>\$ 715</u>	<u>\$ 706</u>	<u>\$ 698</u>	<u>\$ 2,126</u>

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, primarily 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 March 31, 2026, North American and International customers made up 66% and 34% of the outstanding trade receivable balance, respectively (December 31, 2025 — 67% and 33%, respectively). Anticipated bad debt losses have been provided for in the allowance for doubtful accounts. The allowance for doubtful accounts as at March 31, 2026 was \$14.9 million (December 31, 2025 — \$13.8 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 indebtedness with the most significant impact being on the U.S. dollar denominated indebtedness, cash and short-term investments. As at March 31, 2026, a portion of the indebtedness was denominated in U.S. dollars, with the Canadian dollar equivalent of the U.S. dollar denominated indebtedness equaling \$2,985.8 million (\$2,944.6 million as of December 31, 2025), before netting of deferred financing costs, prepayment options, warrants and loss on repayment.

In addition, there is also an impact as a result of the exchange rate variations to the extent that transactions and denominated in Canadian dollars in entities who have a functional currency other than Canadian dollars with the most significant impact being on the Telesat Lightspeed Financing Warrant derivative liabilities and Telesat Lightspeed Financing indebtedness. As at March 31, 2026, the derivative liabilities and indebtedness had balances of \$848.3 million and \$858.7 million, respectively (December 31, 2025 — \$832.4 million and \$716.2, respectively), with \$404.5 million recorded against deferred charges (December 31, 2025 — \$429.1 million).

As at March 31, 2026, the impact of a 5 percent increase (decrease) in the value of the Canadian dollar against the U.S. dollar on financial assets and liabilities would have decreased (increased) net income (loss) by \$63.1 million (December 31, 2025 — \$70.8 million) and increased (decreased) other comprehensive income (loss) by \$70.5 million (December 31, 2025 — \$62.0 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

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19. FINANCIAL INSTRUMENTS (cont.)

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 \$1.6 million for three months ended March 31, 2026 (three months ended March 31, 2025 — \$1.3 million), excluding any impact from the capitalization of interest tied to the Telesat Lightspeed Financing.

Liquidity risk

The Company manages liquidity risk through active cash forecasting and by maintaining sufficient cash and cash equivalents.

The contractual maturities of financial liabilities as at March 31, 2026 were as follows:

	Carrying amount	Contractual cash flows (undiscounted)	Remaining 2026	2027	2028	2029	2030	Thereafter
Trade and other payables	\$ 88,845	\$ 88,845	\$ 88,845	\$ —	\$ —	\$ —	\$ —	\$ —
Customer and other deposits	1,391	1,391	576	520	137	—	—	158
Satellite performance incentive payments . .	12,735	14,752	3,890	2,662	2,544	2,544	2,544	568
Derivative liabilities . . .	848,313	848,313	848,313	—	—	—	—	—
Other financial liabilities	2,196	2,196	2,196	—	—	—	—	—
Indebtedness ⁽¹⁾	<u>3,879,505</u>	<u>6,966,433</u>	<u>2,537,737</u>	<u>636,464</u>	<u>215,254</u>	<u>475,444</u>	<u>568,793</u>	<u>2,532,741</u>
	<u>\$ 4,832,985</u>	<u>\$ 7,921,930</u>	<u>\$ 3,481,557</u>	<u>\$ 639,646</u>	<u>\$ 217,935</u>	<u>\$ 477,988</u>	<u>\$ 571,337</u>	<u>\$ 2,533,467</u>

(1) Indebtedness excludes deferred financing costs, prepayment options, warrants and loss on repayment. The contractual cash flows for Telesat Lightspeed Financing include anticipated future drawings and mandatory repayments against the loan.

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	\$ 422	\$ 2,439
Indebtedness	\$ 34,991	\$ 1,126,045

The ability of Telesat GEO to meet its financial obligations depends on its capacity to generate sufficient cash flow and access financing on acceptable terms. As of the date of this report, the Term Loan B and 2026 Senior Secured Notes are scheduled to mature in December 2026, which will require significant repayment or refinancing. Refer to Note 2 for further discussion on management's actions in managing the liquidity risk associated with the term loans and 2026 Senior Secured Notes that become due in December 2026.

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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 March 31, 2026	Amortized cost	Fair value through profit or loss	Fair value	Fair value hierarchy
Cash and cash equivalents.	\$ 522,725	\$ —	\$ 522,725	Level 1
Trade and other receivables.	58,823	—	58,823	(1)
Other current financial assets	426	—	426	Level 1
Other long-term financial assets.	17,160	—	17,160	Level 1
Trade and other payables.	(88,845)	—	(88,845)	(1)
Other current financial liabilities	(41,537)	(848,313)	(889,831)	Level 2, Level 3
Other long-term financial liabilities	(9,788)	—	(9,776)	Level 2
Indebtedness ⁽²⁾	(3,844,514)	—	(3,008,025)	Level 2
	<u>\$ (3,385,550)</u>	<u>\$ (848,313)</u>	<u>\$ (3,397,343)</u>	

As at December 31, 2025	Amortized cost	Fair value through profit or loss	Fair value	Fair value hierarchy
Cash and cash equivalents.	\$ 509,798	\$ —	\$ 509,798	Level 1
Trade and other receivables.	58,422	—	58,422	(1)
Other current financial assets	430	—	430	Level 1
Other long-term financial assets.	18,283	—	18,283	Level 1
Trade and other payables.	(57,447)	—	(57,447)	(1)
Other current financial liabilities	(25,205)	(832,432)	(857,652)	Level 2
Other long-term financial liabilities	(10,091)	—	(10,014)	Level 2, Level 3
Indebtedness ⁽²⁾	(3,660,787)	—	(2,845,442)	Level 2
	<u>\$ (3,166,597)</u>	<u>\$ (832,432)</u>	<u>\$ (3,183,622)</u>	

- (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, warrants and loss on prepayment.

Assets pledged as security

The Term Loan B, 2027 Senior Secured Notes and 2026 Senior Secured Notes are secured by substantially all of Telesat's assets excluding the assets relating to the Telesat Lightspeed business.

The Telesat Lightspeed Financing is secured by substantially all the assets relating to the Telesat Lightspeed business.

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.

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19. FINANCIAL INSTRUMENTS (cont.)

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.

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 March 31, 2026, cash and cash equivalents included \$14.7 million (December 31, 2025 — \$15.5 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 March 31, 2026 and December 31, 2025, the discount rate used was 6.9% and 7.0%, respectively.

The fair value of the indebtedness, excluding the Telesat Lightspeed Financing, 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 rate used in the calculation of the fair value of the Telesat Lightspeed Financing is a percentage of face value of the indebtedness. The fair value of the Telesat Lightspeed Financing excludes deferred financing costs and warrants. 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:

	March 31, 2026	December 31, 2025
Term Loan B – U.S. Facility	80.12%	79.21%
2027 Senior Unsecured Notes	47.44%	46.84%
2027 Senior Secured Notes	77.89%	77.41%
2026 Senior Secured Notes	80.36%	80.16%
Telesat Lightspeed Financing	83.66%	84.92%

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 March 31, 2026 ranged from 4.00% to 4.01% (December 31, 2025 — 3.74% to 3.97%).

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19. FINANCIAL INSTRUMENTS (cont.)

Telesat Lightspeed Financing Warrants were valued based upon an option pricing framework, incorporating an American-style exercise option, which allows for early exercise before expiry. In determining the unobservable inputs, the Company uses observable market inputs such as industry reports, interest rate yield curves, current rates and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The movements in Telesat Lightspeed Financing Warrants were as follows:

	<u>Government of Canada</u>	<u>Government of Quebec</u>	<u>Total</u>
As at December 31, 2025	\$ 701,340	\$ 131,092	\$ 832,432
Change in fair value	13,329	2,492	15,821
Impact of foreign exchange	51	9	60
As at March 31, 2026	<u>\$ 714,720</u>	<u>\$ 133,593</u>	<u>\$ 848,313</u>

20. EMPLOYEE BENEFIT PLANS

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

<u>Three months ended March 31, 2026</u>	<u>Pension Plans</u>			<u>Other Post-employment Benefit Plans</u>		
	<u>Canadian</u>	<u>US</u>	<u>Total</u>	<u>Canadian</u>	<u>US</u>	<u>Total</u>
Consolidated statements of income (loss)						
Operating expenses	\$ 895	\$ 72	\$ 967	\$ 158	\$ —	\$ 158
Interest (income) expense	\$ (772)	\$ (20)	\$ (792)	\$ 280	\$ 9	\$ 289

<u>Three months ended March 31, 2025</u>	<u>Pension Plans</u>			<u>Other Post-employment Benefit Plans</u>		
	<u>Canadian</u>	<u>US</u>	<u>Total</u>	<u>Canadian</u>	<u>US</u>	<u>Total</u>
Consolidated statements of income (loss)						
Operating expenses	\$ 1,061	\$ 138	\$ 1,199	\$ 167	\$ —	\$ 167
Interest (income) expense	\$ (618)	\$ 36	\$ (582)	\$ 263	\$ 54	\$ 317

No amounts were recorded on the statements of comprehensive income (loss) for the three months ended March 31, 2026 or 2025.

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

<u>As at March 31, 2026</u>	<u>Pension Plans</u>			<u>Other Post-employment Benefit Plans</u>		
	<u>Canadian</u>	<u>US</u>	<u>Total</u>	<u>Canadian</u>	<u>US</u>	<u>Total</u>
Included in other long-term liabilities	\$ 42,903	\$ (1,164)	\$ 41,739	\$ 22,589	\$ 436	\$ 23,025
Included in other long-term assets	\$ 109,386	\$ —	\$ 109,386	\$ —	\$ —	\$ —

<u>As at December 31, 2025</u>	<u>Pension Plans</u>			<u>Other Post-employment Benefit Plans</u>		
	<u>Canadian</u>	<u>US</u>	<u>Total</u>	<u>Canadian</u>	<u>US</u>	<u>Total</u>
Included in other long-term liabilities	\$ 43,288	\$ (952)	\$ 42,336	\$ 22,400	\$ 424	\$ 22,824
Included in other long-term assets	\$ 109,812	\$ —	\$ 109,812	\$ —	\$ —	\$ —

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21. SUPPLEMENTAL CASH FLOW INFORMATION

<u>As at March 31,</u>	<u>2026</u>	<u>2025</u>
Cash	\$ 507,990	\$ 764,098
Short-term investments ⁽¹⁾	14,735	33,273
Cash and cash equivalents	<u>\$ 522,725</u>	<u>\$ 797,371</u>

(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:

<u>Three months ended March 31,</u>	<u>2026</u>	<u>2025</u>
Income taxes paid	\$ (9,328)	\$ (1,580)
Income taxes received	—	—
	<u>\$ (9,328)</u>	<u>\$ (1,580)</u>

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

<u>Three months ended March 31,</u>	<u>2026</u>	<u>2025</u>
Interest paid	\$ (31,537)	\$ (36,708)
Interest received	4,459	5,358
	<u>\$ (27,078)</u>	<u>\$ (31,350)</u>

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

	<u>Indebtedness</u>	<u>Satellite performance incentive payments</u>	<u>Lease liabilities</u>
Balance as at January 1, 2026	\$ 3,493,607	\$ 12,355	\$ 40,109
Cash inflows	130,218	—	—
Cash outflows	—	(212)	(674)
Amortization of deferred financing costs, prepayment options, warrants and loss on repayment	2,325	—	—
Interest paid	—	—	(404)
Interest accrued	12,477	—	442
Non-cash transfer from deferred charges to indebtedness of debt issue costs and warrants	(32,865)	—	—
Non-cash addition	—	—	100
Non-cash transfer	—	—	(29)
Impact of foreign exchange	39,050	171	30
Balance as at March 31, 2026	<u>\$ 3,644,812</u>	<u>\$ 12,314</u>	<u>\$ 39,574</u>

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21. SUPPLEMENTAL CASH FLOW INFORMATION (cont.)

	<u>Indebtedness</u>	<u>Satellite performance incentive payments</u>	<u>Lease liabilities</u>
Balance as at January 1, 2025	\$ 3,096,615	\$ 15,060	\$ 33,375
Cash inflows	340,000	—	—
Cash outflows	—	(190)	(515)
Amortization of deferred financing costs, prepayment options, warrants and loss on repayment	727	—	—
Interest paid	—	—	(446)
Interest accrued	3,076	—	446
Non-cash transfer from deferred charges to indebtedness of debt issue costs and warrants	(85,943)	—	—
Non-cash addition	—	—	4,215
Impact of foreign exchange	(1,267)	2	(82)
Balance as at March 31, 2025	<u>\$ 3,353,208</u>	<u>\$ 14,872</u>	<u>\$ 36,993</u>

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

<u>Three months ended March 31,</u>	<u>2026</u>	<u>2025</u>
Trade and other receivables	\$ (755)	\$ 98,059
Financial assets	1,399	(3,305)
Other assets	8,398	(3,346)
Trade and other payables	9,905	(1,573)
Financial liabilities	(53)	325
Other liabilities	(6,142)	28,612
	<u>\$ 12,752</u>	<u>\$ 118,772</u>

Non-cash investing activities were comprised of:

<u>Three months ended March 31,</u>	<u>2026</u>	<u>2025</u>
Satellites, property and other equipment	\$ 48,341	\$ 52,309

22. COMMITMENTS AND CONTINGENT LIABILITIES

The following were the Company's off-balance sheet contractual obligations as at March 31, 2026:

	<u>Remaining 2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Thereafter</u>	<u>Total</u>
Property leases	\$ 902	\$ 1,203	\$ 1,203	\$ 1,203	\$ 1,203	\$ 11,935	\$ 17,649
Capital commitments	507,654	6,262	—	—	—	—	513,916
Other operating commitments	27,033	15,367	17,149	14,076	12,646	35,882	122,153
	<u>\$ 535,589</u>	<u>\$ 22,832</u>	<u>\$ 18,352</u>	<u>\$ 15,279</u>	<u>\$ 13,849</u>	<u>\$ 47,817</u>	<u>\$ 653,718</u>

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 2026 to 2051.

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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. To the extent that these contracts are non-cancellable, or the Company incurs an unavoidable obligation to make payments, a liability is recognized in the interim condensed consolidated financial statements. The total outstanding commitments as at March 31, 2026 were included in capital commitments.

The Company has entered into a service agreement with a supplier that is subject to an alternative payment structure. Based on the contractual terms in effect as at March 31, 2026, the Company has assessed the obligation of C\$84.4 million (US\$ 60.0 million) under the arrangement as an executory contract, as performance obligations under the agreement are not met and the Company does not have an unavoidable present obligation to transfer economic resources as at the reporting date. Accordingly, this obligation is not recognized in the interim condensed consolidated financial statements and has not been included in the 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 March 31, 2026, customer prepayments of \$198.4 million (December 31, 2025 — \$190.3 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 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, (b) certain losses with regard to 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 2002 to 2021. The total disputed amount for the period 2002 to 2021, including interest and penalties, is now \$120.1 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, 2025 consolidated financial statements, the Company is not aware of any proceedings outstanding or threatened as of 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.

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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

Related parties included Red Isle Private Investments Inc. and MHR Fund Management LLC. There were no transactions or balances with Red Isle Private Investments Inc. or MHR Fund Management LLC 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 months ended March 31, 2026 were \$0.6 million (Three-month ended March 31, 2025 — \$0.6 million).

The Company funds certain defined contribution pension plans. Contributions made to the plans for the three months ended March 31, 2026 were \$0.7 million (Three-month ended March 31, 2025 — \$0.5 million).