

## 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>	Notes	2024	2023
Revenue . . . . .	4	\$ 152,175	\$ 183,422
Operating expenses . . . . .	5	(47,112)	(53,472)
Depreciation . . . . .		(36,395)	(46,377)
Amortization . . . . .		(2,823)	(3,360)
Other operating gains (losses), net . . . . .		15	23
Operating income . . . . .		65,860	80,236
Interest expense . . . . .	6	(64,430)	(68,873)
Interest and other income . . . . .		21,128	15,467
Gain (loss) on foreign exchange . . . . .		(68,413)	10,136
Income (loss) before income taxes . . . . .		(45,855)	36,966
Tax (expense) recovery . . . . .	7	(6,482)	(8,549)
<b>Net income (loss) . . . . .</b>		<b><u>\$ (52,337)</u></b>	<b><u>\$ 28,417</u></b>
<b>Net income (loss) attributable to:</b>			
Telesat Corporation shareholders . . . . .		\$ (14,762)	\$ 8,009
Non-controlling interest . . . . .		(37,575)	20,408
		<b><u>\$ (52,337)</u></b>	<b><u>\$ 28,417</u></b>
<b>Net income (loss) per common share attributable to Telesat Corporation shareholders</b>			
Basic . . . . .		\$ (1.08)	\$ 0.61
Diluted. . . . .		\$ (1.08)	\$ 0.60
<b>Total Weighted Average Common Shares Outstanding</b>			
Basic . . . . .	15	13,706,546	13,022,905
Diluted. . . . .	15	13,706,546	14,638,067

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>	<b>2024</b>	<b>2023</b>
<b>Net income (loss)</b> . . . . .	\$ (52,337)	\$ 28,417
Other comprehensive income (loss)		
Items that may be reclassified into profit or loss		
Foreign currency translation adjustments . . . . .	95,755	(5,457)
Total other comprehensive income (loss) . . . . .	95,755	(5,457)
<b>Total comprehensive income (loss)</b> . . . . .	<u>\$ 43,418</u>	<u>\$ 22,960</u>
<b>Total comprehensive income (loss) attributable to:</b>		
Telesat Corporation shareholders . . . . .	\$ 11,254	\$ 6,456
Non-controlling interest . . . . .	32,164	16,504
	<u>\$ 43,418</u>	<u>\$ 22,960</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>	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
<b>Balance as at January 1, 2023</b> . .	\$ 46,554	\$ 356,273	\$ 57,756	\$ 20,853	\$ 78,609	\$ 481,436	\$ 1,358,716	\$ 1,840,152
Net income (loss) . . . . .	—	8,009	—	—	—	8,009	20,408	28,417
Issuance of share capital on settlement of restricted share units . . . . .	627	—	(31)	—	(31)	596	(1,169)	(573)
Exchange of Limited Partnership units for Public Shares . . . . .	1,457	16,282	2,375	1,084	3,459	21,198	(21,198)	—
Other comprehensive income (loss), net of tax (expense) recovery of \$Nil . . . . .	—	—	—	(1,553)	(1,553)	(1,553)	(3,904)	(5,457)
Share-based compensation . . .	—	—	1,834	—	1,834	1,834	7,161	8,995
<b>Balance as at March 31, 2023</b> . .	<u>\$ 48,638</u>	<u>\$ 380,564</u>	<u>\$ 61,934</u>	<u>\$ 20,384</u>	<u>\$ 82,318</u>	<u>\$ 511,520</u>	<u>\$ 1,360,014</u>	<u>\$ 1,871,534</u>
<b>Balance as at April 1, 2023</b> . . . .	\$ 48,638	\$ 380,564	\$ 61,934	\$ 20,384	\$ 82,318	\$ 511,520	\$ 1,360,014	\$ 1,871,534
Net income (loss) . . . . .	—	149,109	—	—	—	149,109	405,744	554,853
Issuance of share capital on settlement of restricted share units . . . . .	2,585	11	(630)	—	(630)	1,966	(4,524)	(2,558)
Issuance of share capital on exercise of stock options . . .	29	—	—	—	—	29	(13)	16
Exchange of Limited Partnership units for Public Shares . . . . .	—	5,295	—	274	274	5,569	(5,569)	—
Other comprehensive income (loss), net of tax (expense) recovery of \$1,665 . . . . .	—	(921)	—	(11,857)	(11,857)	(12,778)	(36,135)	(48,913)
Share-based compensation . . .	—	—	6,503	—	6,503	6,503	17,548	24,051
<b>Balance as at December 31, 2023</b> . . . . .	<u>\$ 51,252</u>	<u>\$ 534,058</u>	<u>\$ 67,807</u>	<u>\$ 8,801</u>	<u>\$ 76,608</u>	<u>\$ 661,918</u>	<u>\$ 1,737,065</u>	<u>\$ 2,398,983</u>
<b>Balance as at January 1, 2024</b> . .	\$ 51,252	\$ 534,058	\$ 67,807	\$ 8,801	\$ 76,608	\$ 661,918	\$ 1,737,065	\$ 2,398,983
Net income (loss) . . . . .	—	(14,762)	—	—	—	(14,762)	(37,575)	(52,337)
Issuance of share capital on settlement of restricted share units and deferred share units . . . . .	1,986	3,943	(502)	191	(311)	5,618	(7,776)	(2,158)
Other comprehensive income (loss), net of tax (expense) recovery of \$Nil . . . . .	—	—	—	26,016	26,016	26,016	69,739	95,755
Share-based compensation . . .	—	—	1,487	—	1,487	1,487	3,949	5,436
<b>Balance as at March 31, 2024</b> . .	<u>\$ 53,238</u>	<u>\$ 523,239</u>	<u>\$ 68,792</u>	<u>\$ 35,008</u>	<u>\$ 103,800</u>	<u>\$ 680,277</u>	<u>\$ 1,765,402</u>	<u>\$ 2,445,679</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>	<b>Notes</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>			
Cash and cash equivalents . . . . .		\$ 1,756,299	\$ 1,669,089
Trade and other receivables . . . . .		65,254	78,289
Other current financial assets . . . . .		667	631
Current income tax recoverable . . . . .		20,349	16,510
Prepaid expenses and other current assets . . . . .		55,563	52,169
<b>Total current assets</b> . . . . .		1,898,132	1,816,688
Satellites, property and other equipment . . . . .	4,8	1,271,646	1,260,298
Deferred tax assets . . . . .		2,824	2,954
Other long-term financial assets . . . . .		6,683	6,633
Long-term income tax recoverable . . . . .		7,497	7,497
Other long-term assets . . . . .	4	40,890	40,926
Intangible assets . . . . .	4,9	692,299	692,756
Goodwill . . . . .	9	2,489,883	2,446,603
<b>Total assets</b> . . . . .		<u>\$ 6,409,854</u>	<u>\$ 6,274,355</u>
<b>LIABILITIES</b>			
Trade and other payables . . . . .		\$ 51,590	\$ 43,626
Other current financial liabilities . . . . .		49,892	29,061
Income taxes payable . . . . .		2,762	1,921
Other current liabilities . . . . .		58,178	63,119
<b>Total current liabilities</b> . . . . .		162,422	137,727
Long-term indebtedness . . . . .	11	3,269,014	3,197,019
Deferred tax liabilities . . . . .		233,329	235,247
Other long-term financial liabilities . . . . .		14,585	14,938
Other long-term liabilities . . . . .		284,825	290,441
<b>Total liabilities</b> . . . . .		<u>3,964,175</u>	<u>3,875,372</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital . . . . .	12	53,238	51,252
Accumulated earnings . . . . .		523,239	534,058
Reserves . . . . .		103,800	76,608
<b>Total Telesat Corporation shareholders' equity</b> . . . . .		680,277	661,918
Non-controlling interest . . . . .	13	1,765,402	1,737,065
<b>Total shareholders' equity</b> . . . . .		<u>2,445,679</u>	<u>2,398,983</u>
<b>Total liabilities and shareholders' equity</b> . . . . .		<u>\$ 6,409,854</u>	<u>\$ 6,274,355</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>	<b>Notes</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>			
Net income (loss) . . . . .		\$ (52,337)	\$ 28,417
Adjustments to reconcile net income (loss) to cash flows from operating activities:			
Depreciation . . . . .		36,395	46,377
Amortization . . . . .		2,823	3,360
Tax expense (recovery) . . . . .		6,482	8,549
Interest expense . . . . .		64,430	68,873
Interest income . . . . .		(21,296)	(15,518)
(Gain) loss on foreign exchange . . . . .		68,413	(10,136)
Share-based compensation . . . . .		5,434	8,958
(Gain) loss on disposal of assets . . . . .		(15)	(23)
Deferred revenue amortization . . . . .		(13,659)	(15,474)
Pension expense . . . . .		1,409	1,419
Other . . . . .		197	571
Income taxes paid, net of income tax received . . . . .	20	(11,496)	(17,510)
Interest paid, net of interest received . . . . .	20	(18,147)	(24,153)
Operating assets and liabilities . . . . .	20	6,953	(21,061)
<b>Net cash from operating activities</b> . . . . .		<u>75,586</u>	<u>62,649</u>
<b>Cash flows (used in) generated from investing activities</b>			
Cash payments related to satellite programs . . . . .		(757)	(12,523)
Cash payments related to property and other equipment . . . . .		(19,278)	(12,436)
<b>Net cash (used in) generated from investing activities</b> . . . . .		<u>(20,035)</u>	<u>(24,959)</u>
<b>Cash flows (used in) generated from financing activities</b>			
Payments of principal on lease liabilities . . . . .	20	(647)	(523)
Satellite performance incentive payments . . . . .	20	(711)	(1,529)
Tax withholdings on settlement of restricted share units . . . . .		(2,116)	—
Government grant received . . . . .		1,194	—
<b>Net cash (used in) generated from financing activities</b> . . . . .		<u>(2,280)</u>	<u>(2,052)</u>
Effect of changes in exchange rates on cash and cash equivalents . . . . .		33,939	(3,853)
Changes in cash and cash equivalents . . . . .		87,210	31,785
Cash and cash equivalents, beginning of period . . . . .		1,669,089	1,677,792
<b>Cash and cash equivalents, end of period</b> . . . . .		<u>\$ 1,756,299</u>	<u>\$ 1,709,577</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, 2024**  
**(all amounts in thousands of Canadian dollars, except where otherwise noted)**

**1. BACKGROUND OF THE COMPANY**

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

The Corporation 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 Corporation 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 has 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 Corporation successfully launched its LEO 3 satellite into orbit and it has since replaced LEO 1.

The 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>.

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

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 9, 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 Corporation. 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 three months ended March 31, 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 with one operating segment to two operating segments. 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 “others”. As a result, the comparative period operating segment information has been restated. For additional details on the change in operating segments, refer to Note 4.

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.

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**3. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)**

***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 lowest level at which the goodwill is monitored for the purpose of impairment.

***Future Changes in Accounting Policies***

The IASB periodically issues new and amended accounting standards. There were no new and amended standards determined to be applicable to the Company.

**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.

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:

<b>Three months ended March 31, 2024</b>	<b>GEO</b>	<b>LEO</b>	<b>Other<sup>(3)</sup></b>	<b>Consolidated</b>
Revenue . . . . .	\$ 148,121	\$ 4,054	\$ —	\$ 152,175
Operating expenses . . . . .	(25,183)	(15,311)	(940)	(41,434)
Adjusted EBITDA <sup>(1)</sup> . . . . .	<u>\$ 122,938</u>	<u>\$ (11,257)</u>	<u>\$ (940)</u>	<u>110,741</u>
Stock-based compensation and non-recurring items <sup>(2)</sup> . . . . .				(5,678)
Depreciation . . . . .				(36,395)
Amortization . . . . .				(2,823)
Other operating gains (losses), net . . . . .				15
Operating income . . . . .				65,860
Interest expense . . . . .				(64,430)
Interest and other income . . . . .				21,128
Gain (loss) on foreign exchange . . . . .				(68,413)
Income (loss) before income taxes . . . . .				(45,855)
Tax (expense) recovery . . . . .				(6,482)
Net income (loss) . . . . .				<u>\$ (52,337)</u>
Capital expenditures . . . . .	<u>\$ 1,124</u>	<u>\$ 24,266</u>	<u>\$ —</u>	<u>\$ 25,390</u>

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**4. SEGMENT INFORMATION (cont.)**

Three months ended March 31, 2023	GEO	LEO	Other <sup>(3)</sup>	Consolidated
Revenue . . . . .	\$ 182,268	\$ 1,154	\$ —	\$ 183,422
Operating expenses . . . . .	(31,528)	(12,498)	(488)	(44,514)
Adjusted EBITDA <sup>(1)</sup> . . . . .	<u>\$ 150,740</u>	<u>\$ (11,344)</u>	<u>\$ (488)</u>	<u>138,908</u>
Stock-based compensation and non-recurring items <sup>(2)</sup> . . . . .				(8,958)
Depreciation . . . . .				(46,377)
Amortization . . . . .				(3,360)
Other operating gains (losses), net . . . . .				23
Operating income . . . . .				80,236
Interest expense . . . . .				(68,873)
Interest and other income . . . . .				15,467
Gain (loss) on foreign exchange . . . . .				10,136
Income (loss) before income taxes . . . . .				36,966
Tax (expense) recovery . . . . .				(8,549)
Net income (loss) . . . . .				<u>\$ 28,417</u>
Capital expenditures . . . . .	<u>\$ 11,352</u>	<u>\$ 10,496</u>	<u>\$ —</u>	<u>\$ 21,848</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. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and are 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 "others".

**Service Revenues**

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.

Revenue derived from the above services were as follows:

Three months ended March 31, 2024	GEO	LEO	Consolidated
Broadcast . . . . .	\$ 72,512	\$ —	\$ 72,512
Enterprise . . . . .	72,843	—	72,843
Consulting and other . . . . .	2,766	4,054	6,820
<b>Total revenue</b> . . . . .	<u>\$ 148,121</u>	<u>\$ 4,054</u>	<u>\$ 152,175</u>

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**4. SEGMENT INFORMATION (cont.)**

<b>Three months ended March 31, 2023</b>	<b>GEO</b>	<b>LEO</b>	<b>Consolidated</b>
Broadcast. . . . .	\$ 85,578	\$ —	\$ 85,578
Enterprise <sup>(1)</sup> . . . . .	93,937	—	93,937
Consulting and other <sup>(1)</sup> . . . . .	2,753	1,154	3,907
<b>Total revenue</b> . . . . .	<b>\$ 182,268</b>	<b>\$ 1,154</b>	<b>\$ 183,422</b>

- (1) Revenues between Enterprise and Consulting and other were reclassified to correspond to the presentation in the current year.  
(2) There is no revenue recognized in Other in any of the periods presented

Equipment sales included within the various services were as follows:

<b>Three months ended March 31,</b>	<b>2024</b>	<b>2023</b>
Enterprise . . . . .	\$ 5,127	\$ 7,305
<b>Equipment sales</b> . . . . .	<b>\$ 5,127</b>	<b>\$ 7,305</b>

All revenue from equipment sales relate to the GEO.

**Geographic Information**

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

<b>Three months ended March 31,</b>	<b>2024</b>	<b>2023</b>
Canada. . . . .	\$ 70,906	\$ 88,723
United States. . . . .	55,623	59,037
Latin America & Caribbean . . . . .	9,073	14,462
Asia & Australia . . . . .	8,491	12,147
Europe, Middle East & Africa . . . . .	8,082	9,053
<b>Revenue</b> . . . . .	<b>\$ 152,175</b>	<b>\$ 183,422</b>

For the three months ended March 31, 2024 and 2023, the revenue from the LEO was from the United States geographic region.

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

<b>As at,</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Canada. . . . .	\$ 803,006	\$ 782,639
United Kingdom . . . . .	442,486	446,194
United States. . . . .	13,836	18,035
Europe, Middle East & Africa (excluding United Kingdom) . . . . .	10,408	11,395
All others. . . . .	1,910	2,035
<b>Satellites, property and other equipment</b> . . . . .	<b>\$ 1,271,646</b>	<b>\$ 1,260,298</b>

  

<b>As at,</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Canada. . . . .	\$ 650,247	\$ 650,528
United States. . . . .	26,545	25,999
Latin America & Caribbean . . . . .	11,423	11,963
All others. . . . .	4,084	4,266
<b>Intangible assets</b> . . . . .	<b>\$ 692,299</b>	<b>\$ 692,756</b>

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**4. SEGMENT INFORMATION (cont.)**

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

As at,	March 31, 2024	December 31, 2023
Canada . . . . .	\$ 40,890	\$ 40,926
<b>Other long-term assets</b> . . . . .	<b>\$ 40,890</b>	<b>\$ 40,926</b>

Goodwill was not allocated to geographic regions.

**Major Customers**

For the three months ended March 31, 2024 and 2023, there were two significant customers each representing more than 10% of consolidated revenue.

**5. OPERATING EXPENSES**

Three months ended March 31,	2024	2023
Compensation and employee benefits <sup>(a)</sup> . . . . .	\$ 25,294	\$ 29,974
Other operating expenses <sup>(b)</sup> . . . . .	11,121	12,586
Cost of sales <sup>(c)</sup> . . . . .	10,697	10,912
<b>Operating expenses</b> . . . . .	<b>\$ 47,112</b>	<b>\$ 53,472</b>

- (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, 2024 included \$0.5 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, 2023 — \$0.5 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. INTEREST EXPENSE**

Three months ended March 31,	2024	2023
Interest on indebtedness . . . . .	\$ 60,168	\$ 64,181
Interest on satellite performance incentive payments . . . . .	309	396
Interest on significant financing component . . . . .	3,623	4,110
Interest on employee benefit plans . . . . .	(40)	(193)
Interest on leases . . . . .	370	379
<b>Interest expense</b> . . . . .	<b>\$ 64,430</b>	<b>\$ 68,873</b>

**7. INCOME TAXES**

Three months ended March 31,	2024	2023
Current tax expense (recovery) . . . . .	\$ 7,941	\$ 13,749
Deferred tax expense (recovery) . . . . .	(1,459)	(5,200)
<b>Tax expense (recovery)</b> . . . . .	<b>\$ 6,482</b>	<b>\$ 8,549</b>

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**7. 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 months ended March 31,	2024	2023 <sup>(1)</sup>
Income (loss) before income taxes . . . . .	\$ (45,855)	\$ 36,966
Multiplied by the statutory income tax rates. . . . .	26.40%	26.44%
	(12,106)	9,774
Income tax recorded at rates different from the Canadian tax rate. . . . .	(1,587)	(1,637)
Permanent differences. . . . .	12,233	1,431
Effect of temporary differences not recognized as deferred tax assets. . . . .	10,016	(1,755)
Taxes related to prior periods . . . . .	(144)	—
Foreign exchange . . . . .	(1,930)	736
<b>Tax expense (recovery) . . . . .</b>	<b>\$ 6,482</b>	<b>\$ 8,549</b>
<b>Effective income tax rate . . . . .</b>	<b>(14.14)%</b>	<b>23.13%</b>

(1) The amounts for the three months ended March 31, 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.

**8. SATELLITES, PROPERTY AND OTHER EQUIPMENT**

For the three months ended March 31, 2024, the Company had additions of \$25.4 million (March 31, 2023 — \$21.8 million) primarily related to acquisitions associated with the LEO program and the acquisition of a geostationary satellite in 2023.

**9. 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 the 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.

During the first quarter of 2024, we reviewed the most sensitive assumptions 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 were no changes to the assumptions from the valuation that was performed at the end of 2023, and as such there was no impairment on goodwill, orbital slots or trade name.

**10. LEASE LIABILITIES**

The expected undiscounted contractual cash flows of the lease liabilities as at March 31, 2024 were as follows:

Remainder 2024	2025	2026	2027	2028	Thereafter	Total
\$ 2,788	\$ 3,726	\$ 3,178	\$ 2,910	\$ 2,932	\$ 30,998	\$ 46,532

The undiscounted contractual cash flows included \$13.1 million of interest payments.

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**11. INDEBTEDNESS**

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 (or Canadian equivalent) maturing in December 2024 and Term Loan B — U.S. Facility of US\$1,908.5 million maturing in December 2026.

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”).

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”).

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”).

As at,	March 31, 2024	December 31, 2023
Senior Secured Credit Facilities		
Revolving Credit Facility . . . . .	\$ —	\$ —
Term Loan B – U.S. Facility (US\$1,421,767). . . . .	1,925,073	1,882,846
Senior Unsecured Notes (US\$295,000) . . . . .	399,430	390,669
2026 Senior Secured Notes (US\$399,040). . . . .	540,300	528,449
Senior Secured Notes (US\$299,995) . . . . .	406,193	397,283
	3,270,996	3,199,247
Deferred financing costs, prepayment options and loss on repayment. . . . .	(1,982)	(2,228)
	3,269,014	3,197,019
Less: current indebtedness . . . . .	—	—
<b>Long-term indebtedness</b> . . . . .	<u>\$ 3,269,014</u>	<u>\$ 3,197,019</u>

**12. SHARE CAPITAL**

The Class A Common shares together with the Class B Variable Voting shares represent the 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, 2024		December 31, 2023	
	Number of shares	Stated value	Number of shares	Stated value
Telesat Public Shares. . . . .	13,641,019	\$ 46,898	13,497,501	\$ 44,912
Class C Shares. . . . .	112,841	6,340	112,841	6,340
	<u>13,753,860</u>	<u>\$ 53,238</u>	<u>13,610,342</u>	<u>\$ 51,252</u>

The breakdown of the number of shares of Telesat Public Shares, as at March 31, 2024, was as follows:

Telesat Public shares	
Class A Common shares . . . . .	1,481,615
Class B Variable Voting shares . . . . .	12,159,404
Total Telesat Public shares . . . . .	<u>13,641,019</u>

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**12. SHARE CAPITAL (cont.)**

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 March 31, 2024.

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, 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 three months ended March 31, 2024, 285,985 Restricted Share Units ("RSUs") were settled for 131,084 Telesat Public Shares, on a net settlement basis (Three months ended March 31, 2023 — 103,071 RSUs were settled for 54,166 Telesat Public Shares, on a net settlement basis).

During the three months ended March 31, 2024, 12,434 Deferred Share Units ("DSUs") were settled for an equal number of Telesat Public Shares (Three months ended March 31, 2023 — Nil).

During the three months ended March 31, 2023, 532,423 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 three months ended March 31, 2024.

The number and stated value of the outstanding LP Units of Telesat Partnership LP (the "Partnership") as at March 31, 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
	<u>36,420,154</u>	<u>\$ 89,034</u>

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

**13. NON-CONTROLLING INTEREST**

Non-controlling interests represent equity interests in the Partnership that are not attributable to the Company. As at March 31, 2024, the Corporation held a general partnership interest representing approximately 27% economic interest in the Partnership (December 31, 2023 — approximately 27%). The remaining 73% 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).

**14. 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 performance share units ("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 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").

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**14. SHARE-BASED COMPENSATION PLANS (cont.)**

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:

	<b>Historic plan</b>		<b>Omnibus Plan</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, January 1, 2024 . . . . .	199,634	\$ 38.76	803,265	\$ 13.38
Forfeited . . . . .	(413)		—	
Expired . . . . .	(75,552)		—	
Outstanding March 31, 2024. . . . .	<u>123,669</u>	\$ 46.00	<u>803,265</u>	\$ 13.38

The movement under the Historic Plan was as follows:

	<b>RSUs with time criteria</b>	<b>RSUs with time and performance criteria</b>
Outstanding, January 1, 2024 . . . . .	517,688	124,080
Forfeited . . . . .	—	—
Outstanding, March 31, 2024 . . . . .	<u>517,688</u>	<u>124,080</u>

The movement under the Omnibus Plan was as follows:

	<b>RSUs with time criteria</b>	<b>PSUs with time and performance criteria</b>	<b>DSUs</b>
Outstanding, January 1, 2024 . . . . .	784,725	375,137	124,616
Granted . . . . .	—	—	19,420
Settled . . . . .	(285,985)	—	(12,434)
Forfeited . . . . .	(5,024)	—	—
Outstanding, March 31, 2024 . . . . .	<u>493,716</u>	<u>375,137</u>	<u>131,602</u>

**15. 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:

<b>Three months ended March 31</b>	<b>2024</b>	<b>2023</b>
Net income (loss) attributable to Telesat Common Shares . . . . .	\$ (14,762)	\$ 8,009
Effect of diluted securities . . . . .	—	774
Diluted net income (loss) attributable to Telesat Common Shares . . . . .	<u>\$ (14,762)</u>	<u>\$ 8,783</u>

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**15. EARNINGS PER SHARE (cont.)**

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

<b>Three months ended March 31</b>	<b>2024</b>	<b>2023</b>
Basic total weighted average number of Telesat Common Shares outstanding . .	13,706,546	13,022,905
Effect of diluted securities		
Stock options. . . . .	—	—
RSUs, DSUs and PSUs. . . . .	—	1,615,162
Diluted total weighted average number of Telesat Common Shares outstanding.	<u>13,706,546</u>	<u>14,638,067</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.

The earnings per share for the three months ended March 31, 2023 reflects 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.

**16. 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 three months ended March 31, 2024, the Company recorded \$2.6 million relating to the agreement (Three months ended March 31, 2023 — \$1.7 million).

Of the amount recorded in the three months ended March 31, 2024, \$0.3 million was recorded as a reduction to satellites, property and other equipment and \$2.3 million was recorded as a reduction to operating expenses (Three months ended March 31, 2023 — \$0.7 million was recorded as a reduction to satellites, property and other equipment and \$1.0 million was recorded as a reduction to operating expenses).

**17. 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 March 31, 2024, the first lien net leverage ratio was 4.98:1.00, which was less than the maximum test ratio of 5.75:1.00.

The Company's operating results are tracked against budget on a monthly basis, and this analysis is reviewed by senior management.

**18. 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, 2024.

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
**(all amounts in thousands of Canadian dollars, except where otherwise noted)**

**18. FINANCIAL INSTRUMENTS (cont.)**

*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, 2024, the maximum exposure to credit risk is equal to the carrying value of the financial assets which totaled \$1,828.9 million (December 31, 2023 — \$1,754.6 million).

The following table provides breakdown by maturity of financial assets as at March 31, 2024:

	Carrying amount	Contractual cash flows					
		Remaining 2024	2025	2026	2027	2028	Thereafter
Cash and cash equivalents . . .	\$ 1,756,299	\$ 1,756,299	\$ —	\$ —	\$ —	\$ —	\$ —
Trade and other receivables, excluding deferred receivables . . . . .	62,495	62,495	—	—	—	—	—
Deferred receivables . . . . .	8,419	2,384	1,456	1,432	722	604	1,821
Other financial assets . . . . .	1,690	667	—	—	—	—	1,023
	<u>\$ 1,828,903</u>	<u>\$ 1,821,845</u>	<u>\$ 1,456</u>	<u>\$ 1,432</u>	<u>\$ 722</u>	<u>\$ 604</u>	<u>\$ 2,844</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, 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 March 31, 2024, North American and International customers made up 37% and 63% 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 March 31, 2024 was \$6.5 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 indebtedness with the most significant impact being on the U.S. dollar denominated indebtedness, cash and short-term investments. As at March 31, 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 \$3,271.0 million and \$3,199.2 million, respectively, before netting of deferred financing costs, prepayment options and loss on repayment.

As at March 31, 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 \$150.3 million (December 31, 2023 — \$146.4 million) and increased (decreased) other comprehensive income (loss) by \$70.0 million (December 31, 2023 — \$68.6 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
**(all amounts in thousands of Canadian dollars, except where otherwise noted)**

**18. 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 \$1.2 million for three months ended March 31, 2024 (three months ended March 31, 2023— \$1.3 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 March 31, 2024 were as follows:

	Carrying amount	Contractual cash flows (undiscounted)	Remaining 2024	2025	2026	2027	2028	Thereafter
Trade and other payables . . . .	\$ 51,590	\$ 51,590	\$ 51,590	\$ —	\$ —	\$ —	\$ —	\$ —
Customer and other deposits . .	1,552	1,552	637	544	51	—	167	153
Satellite performance incentive payments . . . . .	18,293	22,165	4,877	3,328	3,390	2,590	2,476	5,504
Other financial liabilities . . . .	2,431	2,431	2,431	—	—	—	—	—
Indebtedness <sup>(1)</sup> . . . . .	3,313,197	3,974,275	199,710	239,226	2,693,852	841,487	—	—
	<u>\$ 3,387,063</u>	<u>\$ 4,052,013</u>	<u>\$ 259,245</u>	<u>\$ 243,098</u>	<u>\$ 2,697,293</u>	<u>\$ 844,077</u>	<u>\$ 2,643</u>	<u>\$ 5,657</u>

(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 . . . . .	\$ 330	\$ 4,202
Indebtedness . . . . .	\$ 42,201	\$ 703,279

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, 2024	Amortized cost	Fair Value	Fair value hierarchy
Cash and cash equivalents . . . . .	\$ 1,756,299	\$ 1,756,299	Level 1
Trade and other receivables . . . . .	65,254	65,254	(1)
Other current financial assets . . . . .	667	667	Level 1
Other long-term financial assets . . . . .	6,683	6,683	Level 1
Trade and other payables . . . . .	(51,590)	(51,590)	(1)
Other current financial liabilities . . . . .	(49,892)	(50,093)	Level 2
Other long-term financial liabilities . . . . .	(14,585)	(14,083)	Level 2
Indebtedness <sup>(2)</sup> . . . . .	(3,270,996)	(1,691,835)	Level 2
	<u>\$ (1,558,160)</u>	<u>\$ 21,302</u>	

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**18. FINANCIAL INSTRUMENTS (cont.)**

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 <sup>(2)</sup> . . . . .	(3,199,247)	(1,950,811)	Level 2
	<u>\$ (1,532,230)</u>	<u>\$ (283,483)</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 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.

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, 2024, cash and cash equivalents included \$73.0 million (December 31, 2023 — \$245.2 million) of short-term investments.

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**18. FINANCIAL INSTRUMENTS (cont.)**

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, 2024 and December 31, 2023, the discount rate used was 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:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Term Loan B – U.S. Facility – Senior Secured Credit Facilities. . . . .	50.00%	63.75%
Senior Unsecured Notes . . . . .	43.69%	47.31%
Senior Secured Notes . . . . .	56.97%	59.42%
2026 Senior Secured Notes. . . . .	59.86%	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 March 31, 2024 ranged from 4.63% to 5.58% (December 31, 2023 — 4.06% to 5.59%).

**19. EMPLOYEE BENEFIT PLANS**

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

<b>Three months ended March 31, 2024</b>	<b>Pension Plans</b>			<b>Other Post-employment Benefit Plans</b>		
	<b>Canadian</b>	<b>US</b>	<b>Total</b>	<b>Canadian</b>	<b>US</b>	<b>Total</b>
Consolidated statements of income (loss)						
Operating expenses . . . . .	\$ 1,087	\$ 175	\$ 1,262	\$ 147	\$ —	\$ 147
Interest (income) expense . . . . .	\$ (421)	\$ 100	\$ (321)	\$ 235	\$ 46	\$ 281

<b>Three months ended March 31, 2023</b>	<b>Pension Plans</b>			<b>Other Post-employment Benefit Plans</b>		
	<b>Canadian</b>	<b>US</b>	<b>Total</b>	<b>Canadian</b>	<b>US</b>	<b>Total</b>
Consolidated statements of income (loss)						
Operating expenses . . . . .	\$ 1,131	\$ 171	\$ 1,302	\$ 117	\$ —	\$ 117
Interest (income) expense . . . . .	\$ (573)	\$ 142	\$ (431)	\$ 232	\$ 6	\$ 238

No amounts were recorded on the statements of comprehensive income (loss) for the three months ended March 31, 2024 or 2023.

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**19. EMPLOYEE BENEFIT PLANS (cont.)**

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

<b>As at March 31, 2024</b>	<b>Pension Plans</b>			<b>Other Post-employment Benefit Plans</b>		
	<b>Canadian</b>	<b>US</b>	<b>Total</b>	<b>Canadian</b>	<b>US</b>	<b>Total</b>
Included in other long-term liabilities . . . . .	\$ —	\$ 8,937	\$ 8,937	\$ 20,208	\$ 3,750	\$ 23,958
Included in other long-term assets . . . . .	\$ 40,187	\$ —	\$ 40,187	\$ —	\$ —	\$ —

<b>As at December 31, 2023</b>	<b>Pension Plans</b>			<b>Other Post-employment Benefit Plans</b>		
	<b>Canadian</b>	<b>US</b>	<b>Total</b>	<b>Canadian</b>	<b>US</b>	<b>Total</b>
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	\$ —	\$ —	\$ —

**20. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash and cash equivalents were comprised of the following:

<b>As at March 31,</b>	<b>2024</b>	<b>2023</b>
Cash. . . . .	\$ 1,683,347	\$ 1,630,473
Short-term investments <sup>(1)</sup> . . . . .	72,952	79,104
Cash and cash equivalents. . . . .	<u>\$ 1,756,299</u>	<u>\$ 1,709,577</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:

<b>Three months ended March 31,</b>	<b>2024</b>	<b>2023</b>
Income taxes paid . . . . .	\$ (18,384)	\$ (17,513)
Income taxes received . . . . .	6,888	3
	<u>\$ (11,496)</u>	<u>\$ (17,510)</u>

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

<b>Three months ended March 31,</b>	<b>2024</b>	<b>2023</b>
Interest paid. . . . .	\$ (40,344)	\$ (39,079)
Interest received . . . . .	22,197	14,926
	<u>\$ (18,147)</u>	<u>\$ (24,153)</u>

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**20. SUPPLEMENTAL CASH FLOW INFORMATION (cont.)**

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, 2024.....	\$ 3,197,019	\$ 18,271	\$ 33,339
Cash outflows .....	—	(711)	(647)
Amortization of deferred financing costs, prepayment options and loss on repayment .....	246	—	—
Interest paid. ....	—	—	(370)
Interest accrued. ....	—	—	370
Non-cash addition .....	—	—	297
Impact of foreign exchange. ....	71,749	403	121
Balance as at March 31, 2024.....	<u>\$ 3,269,014</u>	<u>\$ 17,963</u>	<u>\$ 33,110</u>

	<u>Indebtedness</u>	<u>Satellite performance incentive payments</u>	<u>Lease liabilities</u>
Balance as at January 1, 2023.....	\$ 3,850,081	\$ 25,124	\$ 34,106
Cash outflows .....	—	(1,529)	(523)
Amortization of deferred financing costs, prepayment options and loss on repayment .....	231	—	—
Interest paid. ....	—	—	(379)
Interest accrued. ....	—	—	379
Non-cash disposal .....	—	—	(10)
Impact of foreign exchange. ....	(10,802)	(71)	(10)
Balance as at March 31, 2023.....	<u>\$ 3,839,510</u>	<u>\$ 23,524</u>	<u>\$ 33,563</u>

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

<u>Three months ended March 31,</u>	<u>2024</u>	<u>2023</u>
Trade and other receivables.....	\$ 12,392	\$ (9,890)
Financial assets .....	25	1,071
Other assets .....	(968)	(11,656)
Trade and other payables.....	5	1,967
Financial liabilities .....	123	(47)
Other liabilities .....	(4,624)	(2,506)
	<u>\$ 6,953</u>	<u>\$ (21,061)</u>

Non-cash investing activities were comprised of:

<u>Three months ended March 31,</u>	<u>2024</u>	<u>2023</u>
Satellites, property and other equipment .....	\$ 13,028	\$ 977

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
(all amounts in thousands of Canadian dollars, except where otherwise noted)

**21. COMMITMENTS AND CONTINGENT LIABILITIES**

The following were the Company's off-balance sheet contractual obligations as at March 31, 2024:

	<u>Remaining 2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>	<u>Total</u>
Property leases . . . . .	\$ 887	\$ 1,217	\$ 1,219	\$ 1,021	\$ 1,007	\$ 10,576	\$ 15,927
Capital commitments . . . . .	68,277	58,306	5,416	6,092	—	—	138,091
Other operating commitments . . . . .	27,970	16,407	10,783	8,796	18,733	69,983	152,672
	<u>\$ 97,134</u>	<u>\$ 75,930</u>	<u>\$ 17,418</u>	<u>\$ 15,909</u>	<u>\$ 19,740</u>	<u>\$ 80,559</u>	<u>\$ 306,690</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 2024 to 2039.

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 March 31, 2024 were included in capital commitments. Subsequent to March 31, 2024, the Company's capital commitments through May 9, 2024 increased by US\$71.5 million.

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, 2024, customer prepayments of \$269.9 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.

**Telesat Corporation**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**March 31, 2024**  
**(all amounts in thousands of Canadian dollars, except where otherwise noted)**

**21. COMMITMENTS AND CONTINGENT LIABILITIES (cont.)**

**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 2003 to 2018. The total disputed amount for the period 2003 to 2018, including interest and penalties, is now \$112.1 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, 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.

**22. 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 months ended March 31, 2024 were \$0.6 million (Three months ended March 31, 2023 — \$0.3 million).

**23. SUBSEQUENT EVENTS**

**Debt repurchases**

In April 2024 and up to May 9, 2024, Telesat repurchased Senior Secured Notes, 2026 Senior Secured Notes, Senior Unsecured Notes and the Term Loan B with a principal amount of US\$75.0 million, US\$12.0 million, US\$73.8 million and US\$58.7 million, respectively at an aggregate cost of US\$98.9 million, inclusive of accrued interest of US\$5.0 million.