

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following management’s discussion and analysis (the “MD&A”) should be read in conjunction with Telesat Corporation’s unaudited interim condensed consolidated financial statements and the related notes for the three-month period ended March 31, 2023.

As a result of Telesat Canada’s transaction with Loral Space & Communications Inc. (“Loral”) and Public Sector Pension Investment Board (the “Transaction”), Loral’s stockholders and Telesat Canada’s other equity holders exchanged their interests for equity in the new public holding company. Unless the context states or requires otherwise, reference herein to “the consolidated financial statements” or “the financial statements” or similar terms refer to Telesat Corporation’s unaudited condensed consolidated financial statements included herein.

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

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

The financial statements presented herein have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting.

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

The information contained in this MD&A takes into account information available up to May 10, 2023, unless otherwise noted.

This MD&A makes reference to certain non-IFRS measures, namely, Adjusted EBITDA, Adjusted EBITDA margin and Consolidated EBITDA. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Rather, these non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For a reconciliation of the non-IFRS measure to the most closely comparable IFRS measure, see below under the heading “Non-IFRS Measures”.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When used in this MD&A, the words “believes,” “expects,” “plans,” “may,” “will,” “would,” “could,” “should,” “anticipates,” “estimates,” “project,” “intend” or “outlook” or other variations of these words or other similar expressions are intended to identify forward-looking statements and information. In addition, Telesat Corporation or its representatives have made or may make forward-looking statements, orally or in writing, which may be included in, but are not limited to, various filings made from time to time with the U.S. Securities and Exchange Commission (“SEC”) and Canadian securities regulatory authorities, and press releases or oral statements made with the approval of an authorized executive officer of Telesat Corporation. Statements containing forward-looking information are not historical facts nor assurances of future performance but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

These forward-looking statements and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Actual results may differ materially from anticipated results as a result of certain risks and uncertainties which are described, but are not limited to, the risks listed below and in the section entitled “Risk Factors” included in Telesat Corporation’s annual report on Form 20-F for the year ended December 31, 2022 (the “Annual Report”) filed with the SEC on March 29, 2023, which can be obtained on the SEC’s website at <http://www.sec.gov>. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business.

Factors that could cause actual results to differ from those projected include, but are not limited to (1) risks associated with financial factors, including swings in the global financial markets, increases in interest rates, fluctuations in foreign exchange rates, and access to capital; (2) risks associated with satellite services, including dependence on large customers, launch delays and failures, in-orbit failures and competition; (3) risks and uncertainties associated with Telesat Lightspeed, including overcoming technological challenges, access to spectrum and markets, governmental restrictions or regulations, supply chain disruptions, the impact of inflation on development costs and financing, raising sufficient capital to design and implement the system and competition from other low earth orbit systems; (4) regulatory risks, such as the effect of industry and government regulations that affect Telesat; and (5) other risks. The foregoing list of important factors is not exclusive. Furthermore, Telesat operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond Telesat’s control.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this MD&A. These forward-looking statements are based on our current expectations, estimates, forecasts and projections about our business and the industry in which we operate and management’s beliefs and assumptions, and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this MD&A may turn out to be inaccurate.

Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data. These forward-looking statements speak only as at the date of this MD&A. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC and the Canadian securities regulatory authorities, after the date of this MD&A.

This MD&A contains estimates, projections, market research and other information concerning our industry, our business, and the markets for our services. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information.

Unless otherwise expressly stated, we obtained this industry, business, market and other data from our own internal estimates and research as well as from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry and general publications, government data and similar sources.

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

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

Additional information regarding the Company, including the Annual Report, can be obtained on the SEC’s website at <http://www.sec.gov> and on SEDAR at <http://www.sedar.com>.

OVERVIEW OF THE BUSINESS

We are a leading global satellite services operator, providing our customers with mission-critical communications services since the start of the satellite communications industry in the 1960s. Through a combination of advanced satellites and ground facilities and a highly expert and dedicated staff, our communications solutions support the requirements of sophisticated satellite users throughout the world. We are organized into one operating segment, the satellite services business; however, we provide our services through three business categories: Broadcast, Enterprise and Consulting and other.

The satellite services business is capital intensive and the build-out of a satellite fleet requires substantial time and investment. Once the investment in a satellite is made, the incremental costs to maintain and operate the satellite are relatively low over the life of the satellite, with the exception of in-orbit insurance. Historically, we have been able to generate a large contracted revenue backlog by entering into long-term contracts with some of our customers for all or substantially all of a satellite's life. This has resulted in revenue from the satellite services business being fairly predictable.

As at March 31, 2023, we provided satellite services to customers from our fleet of 15 in-orbit geostationary satellites, as well as our Canadian payload on the ViaSat-1 satellite. We also manage the operations of additional satellites for third parties.

We have commenced the development of what we believe will be one of the world's most advanced constellations of low earth orbit ("LEO") satellites and integrated terrestrial infrastructure, called "Telesat Lightspeed" — a platform designed to revolutionize the provision of global broadband connectivity. In January 2018, our 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. We also installed ground infrastructure at our teleport in Allan Park in Canada to support testing with a variety of existing and prospective customers and potential suppliers of the Telesat Lightspeed system hardware who have been participating in trials since the second half of 2018.

Telesat and its affiliates operate satellites pursuant to authorizations granted by governments, including those of Canada, the United States, Brazil, the Kingdom of Tonga and the United Kingdom, to access and use certain geostationary orbital locations and associated spectrum resources. The use of these orbital locations, as well as our other operations, is subject to a variety of Canadian and international regulations.

Revenue

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

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

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

Expenses

Our operating expenses consist of labor, the cost of which has historically been relatively stable, and variable operating expenses which include in-orbit insurance and direct-billed expenses, such as third-party contractor services.

Interest expense is significant and arises principally from our: Senior Secured Credit Facilities comprised of two outstanding secured credit facilities, which include a revolving facility maturing in 2024 and Term Loan B (“U.S. TLB Facility”) maturing in 2026 (together, the “Senior Secured Credit Facilities”); 6.5% senior unsecured notes due in 2027 issued by Telesat Canada and Telesat LLC, as the co-issuer (the “Senior Unsecured Notes”); 4.875% senior secured notes due in 2027 issued by Telesat Canada and Telesat LLC, as the co-issuer (the “Senior Secured Notes”); and 5.625% senior secured notes due in December 2026 issued by Telesat Canada and Telesat LLC, as the co-issuer (the “2026 Senior Secured Notes”).

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

FUTURE OUTLOOK

Our desirable spectrum rights, commitment to providing the highest level of customer service, deep technical expertise and culture of innovation have enabled us to successfully develop our business to date. Leveraging these strengths and building on our existing contractual revenue backlog, our focus is on profitably growing our business by increasing the utilization of our in-orbit satellites and, in a disciplined manner, deploying expansion satellite capacity where we anticipate there will be strong market demand.

After decades of developing and successfully operating our geosynchronous orbit-based satellite services business, we are now poised to revolutionize the provision of global broadband connectivity by developing what we believe will be the one of world’s most advanced constellations of LEO satellites and integrated terrestrial infrastructure, Telesat Lightspeed.

We believe we are well-positioned to serve our customers and the markets in which we participate. We actively pursue opportunities to develop new satellites, particularly in conjunction with current or prospective customers who will commit to long-term service agreements prior to the time the satellite construction contract is signed. Although we regularly pursue opportunities to develop new satellites, we do not procure additional or replacement satellites until we believe there is a demonstrated need and a sound business plan for such satellite capacity.

As we move through 2023, we remain focused on increasing the utilization of our existing satellites, the development of our global Telesat Lightspeed constellation, and identifying and pursuing opportunities to invest in expansion satellite capacity all while maintaining our operating discipline.

RESULTS OF OPERATIONS

Review of financial performance

Telesat Corporation’s net income (loss) for the three months ended March 31, 2023, was \$28.6 million compared to net income (loss) of \$60.6 million for the same period in the prior year. The \$32.0 million decrease was primarily due to the gain on extinguishment of debt in the first quarter of 2022, combined with higher interest expense and lower foreign exchange gain, partially offset by higher interest income in the first quarter of 2023.

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

	Q1 2023	March 31, 2023	December 31, 2022
US\$ to \$ spot rate	—	1.3516	1.3554
US\$ to \$ average rate	1.3519	—	—
	Q1 2022	March 31, 2022	December 31, 2021
US\$ to \$ spot rate	—	1.2505	1.2637
US\$ to \$ average rate	1.2667	—	—

Revenue

(\$ millions except percentages)	Three months ended March 31,		% Increase (Decrease)
	2023	2022	
Broadcast	\$ 85.6	\$ 97.0	(11.8)%
Enterprise	95.1	85.4	11.3%
Consulting and other	2.8	3.4	(18.5)%
Revenue	\$ 183.4	\$ 185.8	(1.3)%

Total revenue for the three months ended March 31, 2023, decreased by \$2.3 million to \$183.4 million, when compared to the same period in the prior year.

Revenue from Broadcast services decreased by \$11.4 million for the three months ended March 31, 2023, when compared to the same period in the prior year. The decrease was mainly due to a reduction of revenue from one of our North American DTH customers, partially offset by a favorable impact of the conversion of the U.S. dollar denominated revenue into Canadian dollars.

Revenue from Enterprise services increased by \$9.7 million for the three months ended March 31, 2023, when compared to the same period in the prior year. The increase was primarily due to a higher equipment sales to Canadian Government customers, combined with increased services provided to customers in the aero and maritime market.

Consulting and other revenue decreased by \$0.6 million for the three months ended March 31, 2023, when compared to the same period in the prior year. The decrease was primarily due to a decrease in consulting activity.

Expenses

(\$ millions except percentages)	Three months ended March 31,		% Increase (Decrease)
	2023	2022	
Depreciation	\$ 46.4	\$ 49.3	(5.9)%
Amortization	3.4	3.7	(9.1)%
Operating expenses	53.5	64.4	(16.9)%
Total expenses	\$ 103.2	\$ 117.4	(12.1)%

Depreciation

Depreciation of satellites, property and other equipment decreased by \$2.9 million for the three-month period ended March 31, 2023, when compared to the same period in the prior year. The decrease in depreciation was primarily due to the end of useful life, for accounting purposes, of our Anik F3 satellite in 2022, partially offset by depreciation on our newly acquired satellite, Anik F4.

Amortization

Amortization of intangible assets decreased by \$0.3 million for the three-month period ended March 31, 2023, when compared to the same period in the prior year. The decrease was primarily related to a reduction of amortization on revenue backlog due to the remaining expected period of revenue recognition associated with the related contracts.

Operating Expenses

(\$ millions except percentages)	Three months ended March 31,		% Increase (Decrease)
	2023	2022	
Compensation and employee benefits	\$ 30.0	\$ 43.1	(30.4)%
Other operating expenses	12.6	13.5	(6.5)%
Cost of sales	10.9	7.8	39.1%
Operating expenses	\$ 53.5	\$ 64.4	(16.9)%

Total operating expenses decreased by \$10.9 million for the three-month period ended March 31, 2023, when compared to the same period in the prior year.

Compensation and employee benefits decreased by \$13.1 million for the three-month period ended March 31, 2023, in comparison to the same period in the prior year. The decrease was primarily due to higher non-cash share-based compensation recognized in the three months ended March 31, 2022, as compared to the three-months ended March 31, 2023, related to the issuance of restricted share units in the second quarter of 2021.

Other operating expenses decreased by \$0.9 million for the three-month period ended March 31, 2023, in comparison to the same period in the prior year. The decrease was primarily due to lower insurance costs.

Cost of sales increased by \$3.1 million for the three-month period ended March 31, 2023, when compared to the same period in the prior year. The increase was primarily due to higher equipment sales to the Canadian Government.

Interest Expense

(\$ millions except percentages)	Three months ended March 31,		% Increase (Decrease)
	2023	2022	
Debt service costs	\$ 64.2	\$ 43.0	49.1%
Interest expense on significant financing component	4.1	4.4	(6.8)%
Interest expense on satellite performance incentive payments	0.4	0.5	(17.0)%
Interest expense on employee benefit plans	(0.2)	0.1	(265.0)%
Interest expense on leases	0.4	0.5	(18.5)%
Interest expense	\$ 68.9	\$ 48.5	42.0%

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

Debt service costs, which included interest expense on indebtedness and derivative instruments, increased by \$21.1 million for the three months ended March 31, 2023, when compared to the same period in the prior year. The increase in interest expense was primarily due to an increased interest rate on the U.S. TLB Facility, combined with an unfavorable foreign exchange impact on the conversion of U.S. dollar denominated debt service costs into the Canadian dollar equivalent. This was partially offset by the impact of the repurchase for retirement of Senior Unsecured Notes in 2022 combined with the impact of the maturity of one of our interest rate swaps in September 2022.

Interest expense on significant financing component decreased by \$0.3 million for the three months ended March 31, 2023, when compared to the same period in the prior year. The decrease in interest expense was primarily due to lower average prepayment balances for revenue agreements with a significant financing component.

Interest on satellite performance incentive payments decreased by \$0.1 million for the three months ended March 31, 2023, when compared to the same period in the prior year, primarily due to declining balances of satellite performance incentive liabilities.

Interest expense on employee benefit plans decreased by \$0.3 million for the three months ended March 31, 2023, when compared to the same period in the prior year.

Interest expense on leases decreased by \$0.1 million for the three months ended March 31, 2023, when compared to the same period in the prior year.

Gain on Extinguishment of Debt

(\$ millions)	Three months ended March 31,	
	2023	2022
Gain on extinguishment of debt	\$ —	\$ 21.0

The gain on extinguishment of debt for the three-month period ended March 31, 2022 resulted from our repurchase for retirement of Senior Unsecured Notes with a principal amount of \$40.0 million (US\$32.0 million) and carrying amount of \$40.5 million (US\$32.4 million) by way of open market purchase. There were no debt repurchases in the three-month period ended March 31, 2023.

Interest and Other Income

(\$ millions)	Three months ended March 31,	
	2023	2022
Interest and other income	\$ 15.5	\$ 0.7

Interest and other income increased by \$14.8 million for the three-month period ended March 31, 2023, when compared to the same period in the prior year. The increase was primarily due to higher interest rates earned on our outstanding cash and cash equivalent balances, combined with higher cash and cash equivalent balances.

Foreign Exchange and Derivatives

(\$ millions)	Three months ended March 31,	
	2023	2022
Gain (loss) on changes in fair value of financial instruments	\$ —	\$ 2.4
Gain (loss) on foreign exchange	\$ 10.1	\$ 36.1

The gain on changes in fair value of financial instruments for the three months ended March 31, 2022 primarily reflected changes in the fair values of our interest rate swaps, and prepayment options on our Senior Unsecured Notes, Senior Secured Notes and 2026 Senior Secured Notes.

The foreign exchange gain for the three months ended March 31, 2023, was \$10.1 million compared to a foreign exchange gain of \$36.1 million for the same period in the prior year, resulting in a negative change of \$26.0 million.

The gain for the three months ended March 31, 2023, was mainly the result of a weaker U.S. dollar to Canadian dollar spot rate as at March 31, 2023 (\$1.3516), compared to the spot rate as at December 31, 2022 (\$1.3554), and the resulting favorable impact on the translation of our U.S. dollar denominated indebtedness.

The gain for the three months ended March 31, 2022, was mainly the result of a weaker U.S. dollar to Canadian dollar spot rate as at March 31, 2022 (\$1.2505), compared to the spot rate as at December 31, 2021 (\$1.2637), and the resulting favorable impact on the translation of our U.S. dollar denominated indebtedness.

Income Taxes

(\$ millions)	Three months ended March 31,	
	2023	2022
Current tax expense	\$ 13.7	\$ 21.6
Deferred tax recovery	(5.4)	(2.2)
Tax expense (recovery)	\$ 8.3	\$ 19.4

The tax expense (recovery) for the three months ended March 31, 2023, was \$11.1 million lower than the prior year. The decrease was primarily due to the increase in interest expense combined with lower gains on foreign exchange in the current year, and prior year gains on extinguishment of debt that did not recur.

Backlog

Contracted revenue backlog (“backlog”) represents our expected future revenue from existing service contracts (without discounting for present value) including any deferred revenue that we will recognize in the future in respect of cash already received. The majority of our contracted revenue backlog is generated from contractual agreements for satellite capacity. We do not include revenue beyond the stated expiration date of a contract regardless of the potential for a renewal. As at March 31, 2023, our contracted backlog was approximately \$1.7 billion, which does not include any backlog associated with the Telesat Lightspeed program.

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

We expect our backlog as at March 31, 2023 to be recognized as follows:

(\$ millions)	Remaining 2023	2024	2025	2026	2027	Thereafter
Backlog	\$ 438.6	\$ 388.2	\$ 261.5	\$ 196.5	\$ 128.8	\$ 282.4

LIQUIDITY AND CAPITAL RESOURCES

Cash and Available Credit

As at March 31, 2023, we had \$1,709.6 million of cash and short-term investments, including \$1,015.8 million held in unrestricted subsidiaries, as well as approximately US\$200.0 million (or Canadian dollar equivalent) borrowing availability under our Revolving Credit Facility.

Cash Flows generated from Operating Activities

Cash generated from operating activities for the three months ended March 31, 2023, was \$62.6 million, a \$19.2 million increase compared to the same period in the prior year. The increase was primarily due to an increase in cash flows from operating assets and liabilities, combined with lower income taxes paid, partially offset by lower operating income.

Cash Flows (used in) generated from Investing Activities

Cash used in investing activities for the three months ended March 31, 2023 was \$25.0 million. This consisted mainly of payments associated with the Telesat Lightspeed constellation and the newly acquired Anik F4 satellite.

Cash generated from investing activities for the three months ended March 31, 2022 was \$46.6 million. This consisted of proceeds received from the Phase I accelerated clearing payments for the repurposing of C-band spectrum. This cash inflow was partially offset by payments associated with the Telesat Lightspeed constellation.

Cash Flows (used in) generated from Financing Activities

Cash used in financing activities for the three months ended March 31, 2023 was \$2.1 million. This was primarily due to payments on the satellite performance incentive payments.

Cash used in financing activities for the three months ended March 31, 2022 was \$12.1 million. This was primarily due to the repurchase of a portion of the Senior Unsecured Notes for retirement, combined with payments on the satellite performance incentive payments. This was partially offset by cash received from our government grant.

Government Grant

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

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

(\$ millions)	Three months ended March 31, 2023	Year ended December 31, 2022
Satellites, property and other equipment	\$ 10.5	\$ 51.3
Operating expenses	10.4	65.8
Total costs incurred	\$ 20.9	\$ 117.1

Total research and development costs for Telesat Lightspeed for the three months ended March 31, 2023 increased by \$5.6 million from \$15.3 million to \$20.9 million, when compared to the same period in the prior year.

The increase was primarily driven by an increase in the development activities in the Telesat Lightspeed program for the three months ended March 31, 2023.

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

(\$ millions)	Three months ended March 31, 2023	Year ended December 31, 2022
Satellites, property and other equipment	\$ 0.7	\$ 3.5
Operating expenses	1.0	5.2
Prepaid expenses	—	0.1
Total claims	\$ 1.7	\$ 8.8

Liquidity

A large portion of our annual cash receipts are reasonably predictable because they are primarily derived from an existing backlog of long-term customer contracts and high contract renewal rates. We believe cash and short-term investments as at March 31, 2023, cash flows from operating activities, and drawings on the Revolving Credit Facility under our Senior Secured Credit Facilities will be adequate to meet our expected cash requirements for at least the next twelve months for activities in the normal course of business, including required interest and principal payments on our indebtedness and our capital requirements. This includes the commitments we have made to date for our Telesat Lightspeed program, but does not include the capital that would be required to commence construction of the constellation.

We have from time to time used available cash to repurchase some of our existing debt. In April 2023 and up to May 10, 2023, Telesat repurchased Senior Secured Notes, 2026 Senior Secured Notes and Senior Unsecured Notes with a principal amount of US\$48.2 million, US\$37.2 million and US\$17.7 million, respectively, by way of open market purchases at an aggregate cost of US\$56.0 million. We may from time to time continue to seek to repay, repurchase, exchange, refinance or otherwise retire our existing debt in open market transactions, privately negotiated transactions, tender offers, exchange offers, pursuant to the term of debt or otherwise. We may also incur additional debt to fund such transactions or exchange existing debt for newly issued debt obligations or equity or equity-like securities. Such transactions, if any, will depend on prevailing market conditions, trading prices of debt from time to time, our liquidity requirements and cash position, contractual restrictions and other factors. The amount involved in any such transactions, individually or in the aggregate, may be material. We cannot provide any assurance as to if or when we will consummate any such transactions or the terms of any such transactions.

The construction of any satellite replacement or expansion program will require significant capital expenditures, in particular the planned Telesat Lightspeed constellation. Cash required for any future satellite programs may be funded from a range of sources including: cash and short-term investments, cash flows generated from operating activities, cash flows from customer prepayments or through borrowings on the Revolving Credit Facility under the Senior Secured Credit Facilities; vendor financing; equity investments, including through the issuance of public equity; export credit agency financing; additional secured or unsecured debt financing; proceeds received from repurposing U.S. C-band spectrum; and from government sources. We may raise additional funding for the Telesat Lightspeed constellation through the issuance of additional equity of, or debt at, our unrestricted subsidiaries which will own, operate and commercialize the Telesat Lightspeed constellation.

In addition, Telesat may sell certain satellite assets and, in accordance with the terms and conditions of the Senior Secured Credit Facilities, reinvest the proceeds in replacement satellites or pay down indebtedness under the Senior Secured Credit Facilities. However, our ability to access these sources of funding is not guaranteed, and therefore, Telesat may not be able to fully fund additional replacement or new satellite programs.

We are developing our planned Telesat Lightspeed constellation in Unrestricted Subsidiaries (as defined in the credit agreement governing our Senior Secured Credit Facilities (the “Credit Agreement”) and indentures governing the Senior Unsecured Notes, Senior Secured Notes and 2026 Senior Secured Notes (together, the “Indentures”)), and we expect to complete the development of, fund, and operate our Telesat Lightspeed constellation through current or future Unrestricted Subsidiaries.

DEBT

Senior Secured Credit Facilities

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

Our Senior Secured Credit Facilities are comprised of the following facilities:

i — Revolving Credit Facility

Our Revolving Credit Facility (“Revolving Facility”) is a \$200.0 million loan facility available in either U.S. dollar or Canadian dollar equivalent, maturing in December 2024. Loans under the Revolving Facility bear interest at a floating interest rate. For Canadian Prime Rate and Alternative Base Rate (“ABR”) loans, an applicable margin ranging from 0.75% to 1.25% is applied to the Prime Rate and ABR as these interest rates are defined in the Senior Secured Credit Facilities. For Bankers Acceptance (“BA”) Loans and Eurodollar Loans, an applicable margin ranging from 1.75% to 2.25% is applied to either the BA interest rate or London Interbank Offered Rate (“LIBOR”). The rates on the Revolving Facility vary depending upon the results of the first lien leverage ratio. Our Revolving Facility currently has an unused commitment fee that ranges from 25 to 37.5 basis points per annum, depending upon the result of the total leverage ratio. As at March 31, 2023, other than approximately \$0.2 million in drawings related to letters of credit, there were no borrowings under this facility.

ii — Term Loan B — U.S. Facility

Our Term Loan B — U.S. Facility is a US\$1,908.5 million facility maturing in December 2026.

As at March 31, 2023, US\$1,552.8 million of this facility was outstanding, which represents the full amount available. The borrowings under our U.S. TLB Facility bear interest at a floating rate of either: (i) LIBOR as periodically determined for interest rate periods selected by Telesat in accordance with the terms of the Senior Secured Credit Facilities plus an applicable margin of 2.75%; or (ii) Alternative Base Rate as determined in accordance with the terms of the Senior Secured Credit Facilities plus an applicable margin of 1.75%.

The mandatory principal repayments on our U.S. TLB Facility are one quarter of 1.00% of the value of the loan, which must be paid on the last day of each quarter. There are currently no mandatory quarterly principal repayments required.

Transition from LIBOR to Secured Overnight Financing Rate (“SOFR”)

On May 9, 2023, Telesat Canada entered into a seventh amendment (the “Amendment”) to the Credit Agreement. The Amendment amends the Credit Agreement to replace LIBOR-based benchmark rates with SOFR-based benchmark rates and to make certain other conforming changes. Following the Amendment, loans under the Revolving Facility will bear interest, at Telesat Canada’s option, at either (x) in the case of loans denominated in Canadian Dollars, (i) a floating rate based on the Canadian prime rate, plus an applicable margin ranging from 0.75% to 1.25% or (ii) a floating rate based on the Canadian BA rate, plus an applicable margin ranging from 1.75% to 2.25%, or (y) in the case of loans denominated in Dollars, (i) a floating rate based on the base rate, plus an applicable margin ranging from 0.75% to 1.25% or (ii) a floating rate based on SOFR, plus an applicable margin ranging from 1.75% to 2.25%. Loans under the Term Loan B Facility will bear interest, at Telesat Canada’s option, at either (i) a floating rate based on the base rate, plus an applicable margin of 1.75% or (ii) a floating rate based on SOFR, plus an applicable margin of 2.75%. In addition, loans borrowed in SOFR will be subject to a credit spread adjustment of 0.11448% for a one-month interest period, 0.26161% for a three-month interest period and 0.42826% for a six-month interest period.

Senior Secured Notes

Our Senior Secured Notes, in the amount of US\$400.0 million, bear interest at an annual rate of 4.875% and are due in June 2027. The indenture governing the Senior Secured Notes includes covenants or terms that restrict our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments, investments or acquisitions, enter into certain transactions with affiliates, modify or cancel our satellite insurance, effect mergers with another entity, and redeem our Senior Secured Notes, without penalty, before December 1, 2024, in each case subject to exceptions provided in the Senior Secured Notes indenture.

2026 Senior Secured Notes

On April 27, 2021, we issued US\$500.0 million in aggregate principal amount of 2026 Senior Secured Notes which bear interest at an annual rate of 5.625% and are due in December 2026. The indenture governing the 2026 Senior Secured Notes includes covenants and terms that restrict our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments, investments or acquisitions, enter into certain transactions with affiliates, modify or cancel its satellite insurance, effect mergers with another entity, and redeem the 2026 Senior Secured Notes, without penalty, before December 6, 2023, in each case subject to exceptions provided in such indenture.

Senior Unsecured Notes

Our Senior Unsecured Notes, in the original principal amount of US\$550.0 million, bear interest at an annual rate of 6.5% and are due in October 2027.

As at March 31, 2023, the balance outstanding was US\$390.0 million after the repurchase of the Senior Unsecured Notes which took place in 2022. The indenture governing the Senior Unsecured Notes includes covenants or terms that restrict our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments, investments or acquisitions, enter into certain transactions with affiliates, modify or cancel our satellite insurance, effect mergers with another entity, and redeem our Senior Unsecured Notes, without penalty, before October 15, 2024, in each case subject to exceptions provided in the Senior Unsecured Notes indenture.

As at March 31, 2023, we were in compliance with the financial covenants of our Senior Secured Credit Facilities, the indenture governing our Senior Unsecured Notes, the indenture governing our Senior Secured Notes and the indenture governing our 2026 Senior Secured Notes.

Debt Service Cost

An estimate of the interest expense is based upon assumptions of foreign exchange rates, LIBOR, BA rates and the applicable margins of our Senior Secured Credit Facilities. Our interest expense for the year ending December 31, 2023, is expected to be approximately \$260.2 million. The interest expense excludes the amortization of our deferred financing costs, prepayment options and loss on repayment.

Derivatives

We use, from time to time, interest rate and currency derivatives to manage our exposure to changes in interest rates and foreign exchange rates.

We also have embedded derivatives that are accounted for separately at fair value. These embedded derivatives are related to the prepayment option on our Senior Unsecured Notes, the prepayment option on our Senior Secured Notes and the prepayment option on our 2026 Senior Secured Notes. As at March 31, 2023, the fair value of the embedded derivative related to the prepayment option on our Senior Unsecured Notes, Senior Secured Notes and 2026 Senior Secured Notes was \$Nil.

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

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

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

MARKET RISK

Credit Risk Related to Financial Instruments

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

Foreign Exchange Risk

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

For the three-month period ended March 31, 2023, we recorded a mainly non-cash foreign exchange gain of approximately \$10.1 million due to a weaker U.S. to Canadian dollar spot rate (\$1.3516) compared to December 31, 2022 (\$1.3554).

For the three-month period ended March 31, 2022, we recorded a mainly non-cash foreign exchange gain of approximately \$36.1 million due to a weaker U.S. to Canadian dollar spot rate (\$1.2505) compared to December 31, 2021 (\$1.2637).

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

Three months ended March 31,	2023	2022
Revenue	49.1%	53.5%
Operating expenses	41.4%	27.8%
Interest on our indebtedness	100.0%	100.0%

We use, from time to time, the following instruments to manage our exposure to foreign exchange risk:

- forward currency contracts to hedge foreign exchange risk on anticipated cash flows, mainly related to the construction of satellites and interest payments; and
- currency derivative instruments to hedge the foreign exchange risk on our U.S. dollar denominated indebtedness.

Our policy is that we do not use derivative instruments for speculative purposes. As at March 31, 2023, we have no forward currency contracts nor any currency derivative instruments.

A five percent increase (decrease) in the value of the U.S. dollar against the Canadian dollar would have increased (decreased) our indebtedness and (decreased) increased our net income (loss) as at March 31, 2023 by \$192.1 million.

A five percent increase (decrease) in the value of the U.S. dollar against the Canadian dollar would have increased (decreased) our cash and cash equivalents by \$79.8 million, increased (decreased) our net income (loss) by \$24.3 million and increased (decreased) our other comprehensive income (loss) by \$55.5 million as at and for the three months ended March 31, 2023.

A five percent increase (decrease) in the value of the U.S. dollar against the Canadian dollar would have increased (decreased) our revenue and certain expenses for the three months ended March 31, 2023, as summarized in the table below:

(\$ millions)	
Revenue	\$ 4.5
Operating expenses	\$ 1.1
Interest on our indebtedness	\$ 3.2

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

Through our U.S. dollar denominated indebtedness, we are exposed to foreign exchange fluctuations. The following table contains our existing U.S. dollar denominated indebtedness balances at the beginning of each respective period, which are net of our scheduled debt repayments, and based on the foreign exchange rate as at March 31, 2023.

(\$ millions, beginning of period)	Q2 2023	2024	2025	2026	2027
U.S. TLB Facility	\$ 2,098.8	\$ 2,098.8	\$ 2,098.8	\$ 2,098.8	\$ —
Senior Unsecured Notes	527.1	527.1	527.1	527.1	527.1
Senior Secured Notes	540.6	540.6	540.6	540.6	540.6
2026 Senior Secured Notes	675.8	675.8	675.8	675.8	—
U.S. dollar denominated debt balances	\$ 3,842.3	\$ 3,842.3	\$ 3,842.3	\$ 3,842.3	\$ 1,067.8

Interest Rate Risk

We are exposed to interest rate risk on our cash and short-term investments and on our indebtedness, a portion of the indebtedness which includes a variable interest rate. Changes in the interest rates could impact the amount of interest that we receive or are required to pay.

We use, from time to time, interest rate swaps to hedge the interest rate risk related to our indebtedness.

Our policy is that we do not use derivative instruments for speculative purposes. In October 2017, we entered into four interest rate swaps to hedge the interest rate risk associated with the variable interest rate on US\$1,800.0 million of the U.S. denominated Term Loan B at fixed interest rates, excluding applicable margins, ranging from 1.72% to 2.04%. All these interest rate swaps have already matured, and there are no outstanding interest rate swaps as at March 31, 2023.

If the interest rates on our variable rate debt increased (decreased) by 0.25%, the result would be a decrease (increase) of \$1.3 million to our net income (loss) for three months ended March 31, 2023.

As at March 31, 2023, through our U.S. TLB Facility we are exposed to interest rate fluctuations. The following table contains the balance of the U.S. TLB facility at the beginning of each respective period, net of our scheduled repayments, and based on the foreign exchange rate as at March 31, 2023.

(\$ millions)	Q2 2023	2024	2025	2026	2027
U.S. TLB Facility ⁽¹⁾	\$ 2,098.8	\$ 2,098.8	\$ 2,098.8	\$ 2,098.8	\$ —

(1) U.S. TLB Facility is U.S. dollar denominated and bears interest at LIBOR plus a spread.

NON-IFRS MEASURES

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure. The common definition of EBITDA is “Earnings Before Interest, Taxes, Depreciation and Amortization.” In evaluating financial performance, we use revenue and deduct certain operating expenses (including share-based compensation expense and unusual and non-recurring items, including restructuring related expenses) to obtain operating income before interest expense, taxes, depreciation and amortization (“Adjusted EBITDA”) and the Adjusted EBITDA margin (defined as the ratio of Adjusted EBITDA to revenue) as measures of our operating performance.

Adjusted EBITDA allows investors and us to compare our operating results with that of competitors exclusive of depreciation and amortization, interest and investment income, interest expense, taxes and certain other expenses. Financial results of competitors in the satellite services industry have significant variations that can result from timing of capital expenditures, the amount of intangible assets recorded, the differences in assets’ lives, the timing and amount of investments, the effects of other income (expense), and unusual and non-recurring items. The use of Adjusted EBITDA assists investors and us to compare operating results exclusive of these items. Competitors in the satellite services industry have significantly different capital structures. We believe the use of Adjusted EBITDA improves comparability of performance by excluding interest expense.

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

(\$ millions)	Three months ended March 31,	
	2023	2022
Net income (loss)	\$ 28.6	\$ 60.6
Tax expense (recovery)	8.3	19.4
(Gain) loss on changes in fair value of financial instruments	—	(2.4)
(Gain) loss on foreign exchange	(10.1)	(36.1)
Interest and other income	(15.5)	(0.7)
Interest expense	68.9	48.5
Gain on extinguishment of debt	—	(21.0)
Depreciation	46.4	49.3
Amortization	3.4	3.7
Non-cash expense related to share-based compensation	9.0	24.2
Adjusted EBITDA	<u>\$ 138.9</u>	<u>145.6</u>
Revenue	\$ 183.4	\$ 185.8
Adjusted EBITDA Margin	75.7%	78.4%

Adjusted EBITDA for Telesat Corporation decreased by \$6.7 million for the three-month period ended March 31, 2023, when compared to the same period in the prior year. The decrease was primarily due to a decrease in revenues, and higher operating expense, as discussed above.

Consolidated EBITDA for Covenant Purposes

Under the terms of the Credit Agreement for our Senior Secured Credit Facilities, we are required to comply with a senior secured leverage ratio maintenance covenant as well as with other financial ratio covenants that impact, among other items, our ability to incur debt and make dividend payments.

If our Revolving Credit Facility is drawn by more than 35% of the Credit Facility amount, our Credit Agreement requires us to comply with a first lien net leverage ratio of 5.75:1.00, tested quarterly, and failure to comply will result in an event of default. We refer to this first lien net leverage ratio as the Consolidated Total Secured Debt to Consolidated EBITDA for Covenant Purposes ratio.

Our Credit Agreement limits, among other items, our ability to incur debt and make dividend payments if the total leverage ratio is above 4.50:1.00, with certain exceptions. We refer to this total leverage ratio as the Consolidated Total Debt for Covenant Purposes to Consolidated EBITDA for the purposes of our Senior Secured Credit Facilities.

Our Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization for Covenant Purposes is defined as net income (loss) for Telesat and Restricted Subsidiaries plus interest expense, net of cash interest income earned on cash and cash equivalents, depreciation expense, amortization expense, extraordinary losses and unusual and non-recurring charges, non-cash charges, any expenses or charges incurred in connection with any issuance of debt, any impairment charges or asset write off, foreign withholding taxes paid or accrued, non-cash charges related to share-based compensation expense and consulting fees payable to Loral. Additional sums which may be added include projected cost savings from an acquisition and lost revenue which may have been earned by satellites that have been subject to an insured loss. Deductions which are made in calculating Consolidated EBITDA for Covenant Purposes include extraordinary, non-recurring gains and losses and non-cash gains and losses.

Further adjustments are made to account for income from Unrestricted Subsidiaries, and currency gains and losses (including non-cash gains or losses on derivative contracts). Unrestricted Subsidiaries are (a) any Subsidiary of Telesat that is formed or acquired after the closing date of the Credit Agreement, provided that such Subsidiary is designated as an Unrestricted Subsidiary, and (b) any Restricted Subsidiary subsequently re-designated as an Unrestricted Subsidiary.

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

The following is a reconciliation of net income, which is an IFRS measure of our operating results, to Consolidated EBITDA for Covenant Purposes, as defined in the Credit Agreement and the calculation of the ratio of Consolidated Total Secured Debt to Consolidated EBITDA for Covenant Purposes as defined in the Credit Agreement. The terms and related calculations are defined in the Credit Agreement, a copy of which is publicly available at www.sec.gov.

(in \$ millions)	Twelve months ended March 31, 2023
Net income (loss)	\$ (112.1)
Impact of unrestricted subsidiaries	21.1
Consolidated income for Covenant Purposes	(91.0)
<i>Plus:</i>	
Income taxes (Note 1)	33.3
Interest expense (Note 1)	209.5
Depreciation and amortization expense (Note 1)	198.9
Non-cash share-based compensation and pension expense	56.7
Other	17.2
<i>Decreased by:</i>	
Non-cash gains on changes in fair value of financial instruments and swap obligations and cash gains on the value of swap obligations	(2.0)
Gains on extinguishment of debt	(85.9)
Non-cash gains resulting from changes in foreign exchange rates	262.8
Consolidated EBITDA for Covenant Purposes	\$ 599.5

Note 1: Tax, interest, depreciation and amortization expense for covenant purposes excludes certain specific expenses as defined in the Credit Agreement. As a result, these items in the covenant calculation do not reconcile to the financial statement line items.

Consolidated Total Secured Debt and Consolidated Debt for Covenant Purposes

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

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

(in \$ millions)	As at March 31, 2023
U.S. dollar denominated debt	
Term Loan B U.S. Facility (US\$)	\$ 1,552.8
Senior Unsecured Notes (US\$)	390.0
Senior Secured Notes (US\$)	400.0
2026 Senior Secured Notes (US\$)	500.0
	2,842.8
Foreign exchange adjustment	999.5
Subtotal	3,842.3
Deferred financing costs and prepayment options	(2.8)
Indebtedness	\$ 3,839.5
 (in \$ millions)	
Indebtedness	\$ 3,839.5
Adjustments for covenant purposes:	
Deferred financing costs and prepayment options	2.8
Add: lease liabilities	33.6
Consolidated Total Debt	3,875.9
Less: Cash and cash equivalents (max. US\$100 million)	(135.2)
Consolidated Total Debt for Covenant Purposes	\$ 3,740.8
 Consolidated Total Debt	\$ 3,875.9
Less: Unsecured debt (Senior Unsecured Notes)	(527.1)
Consolidated Total Secured Debt	3,348.8
Less: Cash and cash equivalents (max. US\$100 million)	(135.2)
Consolidated Total Secured Debt for Covenant Purposes	\$ 3,213.6

As at March 31, 2023, the Consolidated Total Debt for Covenant Purposes to Consolidated EBITDA ratio, for the purposes of our Senior Secured Credit Facilities was 6.24:1.00. The Consolidated Total Secured Debt to Consolidated EBITDA for Covenant Purposes ratio, for the purposes of our Senior Secured Credit Facilities, was 5.36:1.00.

The consolidated EBITDA for covenant purposes for the Senior Secured Credit Facilities for the twelve months ended March 31, 2022 was \$639.2 million. Detailed information of the calculation is included in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Telesat Corporation Quarterly Report for the three-month period ended March 31, 2022 on Form 6-K furnished with the SEC on May 6, 2022, which can be obtained on the SEC website at <http://www.sec.gov>.

As at the date hereof, we are in compliance with our debt covenants.

Unaudited Interim Condensed Consolidating Financial Information

The unaudited interim condensed consolidating financial information reflects the investments, using the equity method of accounting, of Telesat in the Issuers, of the Issuers in their respective Guarantor and Non-Guarantor subsidiaries, and of the Guarantors in their Non-Guarantor subsidiaries.

Balances of Telesat Partnership are inclusive of balances associated with Telesat Partnership LP, Telesat CanHoldco Corporation, Telesat Can ULC, Loral Space & Communications Inc. and Loral Skynet Corporation.

Unaudited Interim Condensed Consolidating Statements of Income (Loss)
For the three months ended March 31, 2023

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Revenue	\$ —	\$ —	\$ —	\$ 162,700	\$ 101,227	\$ 2,548	\$ (83,053)	\$ 183,422
Operating expenses	476	(272)	—	(103,941)	(22,823)	(9,965)	83,053	(53,472)
Depreciation	—	—	—	(9,092)	(34,235)	(358)	(2,692)	(46,377)
Amortization	—	—	—	(330)	(643)	(80)	(2,307)	(3,360)
Other operating gains (losses), net . . .	—	—	—	(2)	4	—	21	23
Operating income (loss)	476	(272)	—	49,335	43,530	(7,855)	(4,978)	80,236
Income (loss) from equity investments	36,252	36,658	—	40,356	749	—	(114,015)	—
Interest expense	—	(148)	—	(65,198)	(3,523)	(4)	—	(68,873)
Interest and other income (expense) . .	—	22	—	8,421	436	9,707	(3,119)	15,467
Gain (loss) on foreign exchange	2	(15)	—	10,005	67	77	—	10,136
Income (loss) before income taxes . . .	36,730	36,245	—	42,919	41,259	1,925	(122,112)	36,966
Tax (expense) recovery	—	7	—	(6,261)	(969)	(1,110)	—	(8,333)
Net income (loss)	<u>\$ 36,730</u>	<u>\$ 36,252</u>	<u>\$ —</u>	<u>\$ 36,658</u>	<u>\$ 40,290</u>	<u>\$ 815</u>	<u>\$ (122,112)</u>	<u>\$ 28,633</u>

Unaudited Interim Condensed Consolidating Statements of Comprehensive Income (Loss)
For the three months ended March 31, 2023

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Net income (loss)	\$ 36,730	\$ 36,252	\$ —	\$ 36,658	\$ 40,290	\$ 815	\$ (122,112)	\$ 28,633
Other comprehensive income (loss)								
Items that may be reclassified into profit or loss								
Foreign currency translation adjustments	31	30	—	(490)	(2,607)	22,307	(24,728)	(5,457)
Other comprehensive income (loss) from equity investments	19,240	19,210	—	19,700	25,853	—	(84,003)	—
Other comprehensive income (loss) . .	19,271	19,240	—	19,210	23,246	22,307	(108,731)	(5,457)
Total comprehensive income (loss) . . .	<u>\$ 56,001</u>	<u>\$ 55,492</u>	<u>\$ —</u>	<u>\$ 55,868</u>	<u>\$ 63,536</u>	<u>\$ 23,122</u>	<u>\$ (230,843)</u>	<u>\$ 23,176</u>

Unaudited Interim Condensed Consolidating Statements of Income (Loss)
For the three months ended March 31, 2022

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Revenue	\$ —	\$ —	\$ —	\$ 166,271	\$ 102,194	\$ 3,200	\$ (85,896)	\$ 185,769
Operating expenses	(1,010)	(274)	—	(117,825)	(23,057)	(8,096)	85,896	(64,366)
Depreciation	—	—	—	(8,511)	(37,948)	(272)	(2,577)	(49,308)
Amortization	—	—	—	(330)	(615)	(75)	(2,678)	(3,698)
Other operating gains (losses), net . . .	—	—	—	(9)	(28)	—	7	(30)
Operating income (loss)	(1,010)	(274)	—	39,596	40,546	(5,243)	(5,248)	68,367
Income (loss) from equity investments	66,858	67,311	—	30,943	796	—	(165,908)	—
Interest expense	—	(134)	—	(44,808)	(3,542)	(6)	(13)	(48,503)
Gain on extinguishment of debt	—	—	—	21,030	—	—	—	21,030
Interest and other income (expense) . .	—	(45)	—	235	(17)	496	(9)	660
Gain (loss) on change in fair value of financial instruments	—	—	—	2,358	—	—	—	2,358
Gain (loss) on foreign exchange	52	—	—	35,935	20	140	—	36,147
Income (loss) before income taxes . . .	65,900	66,858	—	85,289	37,803	(4,613)	(171,178)	80,059
Tax (expense) recovery	—	—	—	(17,978)	(860)	(591)	—	(19,429)
Net income (loss)	<u>\$ 65,900</u>	<u>\$ 66,858</u>	<u>\$ —</u>	<u>\$ 67,311</u>	<u>\$ 36,943</u>	<u>\$ (5,204)</u>	<u>\$ (171,178)</u>	<u>\$ 60,630</u>

Unaudited Interim Condensed Consolidating Statements of Comprehensive Income (Loss)
For the three months ended March 31, 2022

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Net income (loss)	<u>\$ 65,900</u>	<u>\$ 66,858</u>	<u>\$ —</u>	<u>\$ 67,311</u>	<u>\$ 36,943</u>	<u>\$ (5,204)</u>	<u>\$ (171,178)</u>	<u>\$ 60,630</u>
Other comprehensive income (loss) . .								
Items that may be reclassified into profit or loss								
Foreign currency translation adjustments	107	172	—	(156)	(5,902)	(35,397)	23,633	(17,543)
Other comprehensive income (loss) from equity investments	(41,283)	(41,455)	—	(41,299)	(6,350)	—	130,387	—
Other comprehensive income (loss) . .	(41,176)	(41,283)	—	(41,455)	(12,252)	(35,397)	154,020	(17,543)
Total comprehensive income (loss) . .	<u>\$ 24,724</u>	<u>\$ 25,575</u>	<u>\$ —</u>	<u>\$ 25,856</u>	<u>\$ 24,691</u>	<u>\$ (40,601)</u>	<u>\$ (17,158)</u>	<u>\$ 43,087</u>

Unaudited Interim Condensed Consolidating Balance Sheets
As at March 31, 2023

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Assets								
Cash and cash equivalent	\$ 45	\$ 4,702	\$ —	\$ 533,572	\$ 159,950	\$ 1,011,308	\$ —	\$ 1,709,577
Trade and other receivables	—	—	—	28,535	16,249	7,049	—	51,833
Other current financial assets	—	—	—	—	70	404	—	474
Intercompany receivables	4,787	—	—	234,912	21,665	1,120	(262,484)	—
Current income tax recoverable	—	1,708	—	19,153	1,409	27	(51)	22,246
Prepaid expenses and other current assets	3,462	81	—	20,183	13,868	34,415	(10,305)	61,704
Total current assets	8,294	6,491	—	836,355	213,211	1,054,323	(272,840)	1,845,834
Satellites, property and other equipment	—	—	—	107,251	721,724	468,721	39,128	1,336,824
Deferred tax assets	—	—	—	—	6,800	—	43,114	49,914
Other long-term financial assets	—	765	—	2,730	5,923	—	—	9,418
Long-term income tax recoverable	—	—	—	15,303	—	—	—	15,303
Other long-term assets	—	—	—	47,047	291	—	—	47,338
Intangible assets	—	—	—	—	1,079,804	525,604	(851,679)	753,729
Investment in affiliates	541,123	638,505	—	3,615,458	137,968	—	(4,933,054)	—
Goodwill	—	—	—	549,162	—	—	1,897,441	2,446,603
Total assets	\$ 549,417	\$ 645,761	\$ —	\$ 5,173,306	\$ 2,165,721	\$ 2,048,648	\$ (4,077,890)	\$ 6,504,963
Liabilities								
Trade and other payables	\$ 204	\$ 154	\$ —	\$ 25,393	\$ 10,776	\$ 6,935	\$ —	\$ 43,462
Other current financial liabilities	—	—	—	69,923	2,342	—	(158)	72,107
Intercompany payables	11,664	92	—	71,249	170,720	8,759	(262,484)	—
Income taxes payable	—	3,234	—	—	149	625	—	4,008
Other current liabilities	—	—	—	59,901	22,463	381	(10,300)	72,445
Current indebtedness	—	—	—	—	—	—	—	—
Total current liabilities	11,868	3,480	—	226,466	206,450	16,700	(272,942)	192,022
Long-term indebtedness	—	—	—	3,839,510	—	—	—	3,839,510
Deferred tax liabilities	—	—	—	365,039	—	26,068	(120,928)	270,179
Other long-term financial liabilities	—	196	—	1,770	16,592	—	22	18,580
Other long-term liabilities	—	11,928	—	102,016	203,288	140	—	317,372
Total liabilities	11,868	15,604	—	4,534,801	426,330	42,908	(393,848)	4,637,663
Shareholders' equity	537,549	630,157	—	638,505	1,739,391	2,005,740	(3,684,042)	1,867,300
Total liabilities and shareholders' equity	\$ 549,417	\$ 645,761	\$ —	\$ 5,173,306	\$ 2,165,721	\$ 2,048,648	\$ (4,077,890)	\$ 6,504,963

Unaudited Interim Condensed Consolidating Balance Sheets
As at December 31, 2022

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Assets								
Cash and cash equivalents.	\$ 18	\$ 4,742	\$ —	\$ 496,106	\$ 136,713	\$ 1,040,213	\$ —	\$ 1,677,792
Trade and other receivables.	—	—	—	17,672	14,798	8,778	—	41,248
Other current financial assets.	—	—	—	—	95	420	—	515
Intercompany receivables.	4,543	—	—	240,093	21,864	1,229	(267,729)	—
Current income tax recoverable . . .	—	1,761	—	14,463	2,285	27	(127)	18,409
Prepaid expenses and other current assets.	3,282	78	—	13,336	13,842	30,627	(10,841)	50,324
Total current assets.	7,843	6,581	—	781,670	189,597	1,081,294	(278,697)	1,788,288
Satellites, property and other equipment.	—	—	—	104,600	757,113	460,623	41,748	1,364,084
Deferred tax assets.	—	—	—	—	6,642	—	43,342	49,984
Other long-term financial assets.	—	767	—	3,020	6,689	—	—	10,476
Long-term income tax recoverable.	—	—	—	15,303	—	—	—	15,303
Other long-term assets.	—	—	—	47,686	291	—	—	47,977
Intangible assets.	—	—	—	164	1,080,042	527,162	(850,490)	756,878
Investment in affiliates.	504,389	602,852	—	3,631,292	138,496	—	(4,877,029)	—
Goodwill.	—	—	—	549,162	—	—	1,897,441	2,446,603
Total assets.	\$ 512,232	\$ 610,200	\$ —	\$ 5,132,897	\$ 2,178,870	\$ 2,069,079	\$ (4,023,685)	\$ 6,479,593
Liabilities								
Trade and other payables.	\$ 257	\$ 164	\$ —	\$ 21,584	\$ 9,361	\$ 12,189	\$ —	\$ 43,555
Other current financial liabilities . .	—	—	—	45,549	3,015	—	(167)	48,397
Intercompany payables.	11,606	87	—	70,158	169,820	16,058	(267,729)	—
Income taxes payable.	—	3,233	—	—	—	319	(76)	3,476
Other current liabilities.	—	(3)	—	62,759	22,836	1,211	(10,835)	75,968
Current indebtedness.	—	—	—	—	—	—	—	—
Total current liabilities.	11,863	3,481	—	200,050	205,032	29,777	(278,807)	171,396
Long-term indebtedness.	—	—	—	3,850,081	—	—	—	3,850,081
Deferred tax liabilities.	—	—	—	370,433	—	26,141	(120,878)	275,696
Other long-term financial liabilities.	—	197	—	2,348	17,097	—	21	19,663
Other long-term liabilities.	—	11,641	—	107,132	208,037	245	—	327,055
Total liabilities.	11,863	15,319	—	4,530,044	430,166	56,163	(399,664)	4,643,891
Total shareholders' equity.	500,369	594,881	—	602,853	1,748,704	2,012,916	(3,624,021)	1,835,702
Total liabilities and shareholders' equity.	\$ 512,232	\$ 610,200	\$ —	\$ 5,132,897	\$ 2,178,870	\$ 2,069,079	\$ (4,023,685)	\$ 6,479,593

Unaudited Interim Condensed Consolidating Statements of Cash Flows
For the three months ended March 31, 2023

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Cash flows from (used in)								
operating activities								
Net income (loss)	\$ 36,730	\$ 36,252	\$ —	\$ 36,658	\$ 40,290	\$ 815	\$ (122,112)	\$ 28,633
Adjustment to reconcile net income (loss) to cash flows from operating activities								
Depreciation	—	—	—	9,092	34,235	358	2,692	46,377
Amortization	—	—	—	330	643	80	2,307	3,360
Tax expense (recovery)	—	(7)	—	6,261	969	1,110	—	8,333
Interest expense	—	148	—	65,198	3,523	4	—	68,873
Interest income	—	(22)	—	(5,244)	(544)	(9,708)	—	(15,518)
(Gain) loss on foreign exchange ...	(2)	15	—	(10,005)	(67)	(77)	—	(10,136)
Share-based compensation	(692)	—	—	11,901	422	(2,673)	—	8,958
(Income) loss from equity investments	(36,252)	(36,658)	—	(40,356)	(749)	—	114,015	—
(Gain) loss on disposal of assets ...	—	—	—	2	(4)	—	(21)	(23)
Deferred revenue amortization ...	—	—	—	(7,351)	(7,419)	(704)	—	(15,474)
Pension expense	—	172	—	1,247	—	—	—	1,419
Other	—	—	—	(61)	632	—	—	571
Income taxes paid, net of income taxes received	—	—	—	(16,345)	(386)	(779)	—	(17,510)
Interest paid, net of interest received	—	22	—	(34,039)	165	9,699	—	(24,153)
Operating assets and liabilities ...	243	52	—	(9,817)	(321)	(11,337)	119	(21,061)
Net cash from (used in) operating activities	27	(26)	—	7,471	71,389	(13,212)	(3,000)	62,649
Cash flows (used in) generated from investing activities								
Satellite programs	—	—	—	(8,909)	—	(3,614)	—	(12,523)
Purchase of other property and equipment	—	—	—	(3,150)	(271)	(9,015)	—	(12,436)
Return of capital to shareholder ...	—	—	—	44,692	—	—	(44,692)	—
Net cash (used in) generated investing activities	—	—	—	32,633	(271)	(12,629)	(44,692)	(24,959)
Cash flows (used in) generated from financing activities								
Payment of principal on lease liabilities	—	—	—	(296)	(126)	(101)	—	(523)
Satellite performance incentive payments	—	—	—	(1,089)	(440)	—	—	(1,529)
Return of capital to shareholder ...	—	—	—	—	(44,692)	—	44,692	—
Dividends paid	—	—	—	—	(3,000)	—	3,000	—
Net cash (used in) generated from financing activities	—	—	—	(1,385)	(48,258)	(101)	47,692	(2,052)
Effect of changes in exchange rate on cash and cash equivalent ...	—	(14)	—	(1,253)	377	(2,963)	—	(3,853)
Changes in cash and cash equivalents	27	(40)	—	37,466	23,237	(28,905)	—	31,785
Cash and cash equivalents, beginning of period	18	4,742	—	496,106	136,713	1,040,213	—	1,677,792
Cash and cash equivalents, end of period	<u>\$ 45</u>	<u>\$ 4,702</u>	<u>\$ —</u>	<u>\$ 533,572</u>	<u>\$ 159,950</u>	<u>\$ 1,011,308</u>	<u>\$ —</u>	<u>\$ 1,709,577</u>

Unaudited Interim Condensed Consolidating Statements of Cash Flows
For the three months ended March 31, 2022

<i>(in thousands of Canadian dollars)</i>	Telesat Corporation	Telesat Partnership	Telesat LLC	Telesat Canada	Guarantor subsidiaries	Non- guarantor subsidiaries	Adjustments	Consolidated
Cash flows from (used in)								
operating activities								
Net income (loss)	\$ 65,900	\$ 66,858	\$ —	\$ 67,311	\$ 36,943	\$ (5,204)	\$ (171,178)	\$ 60,630
Adjustment to reconcile net income (loss) to cash flows from operating activities								
Depreciation	—	—	—	8,511	37,948	272	2,577	49,308
Amortization	—	—	—	330	615	75	2,678	3,698
Tax expense	—	—	—	17,978	860	591	—	19,429
Interest expense	—	134	—	44,808	3,542	6	13	48,503
Interest income	—	—	—	(235)	(138)	(591)	—	(964)
(Gain) loss on foreign exchange . .	(52)	—	—	(35,935)	(20)	(140)	—	(36,147)
(Gain) loss on change in fair value of financial instruments	—	—	—	(2,358)	—	—	—	(2,358)
Share-based compensation	—	—	—	22,469	1,700	—	—	24,169
(Income) loss from equity investments	(66,858)	(67,311)	—	(30,943)	(796)	—	165,908	—
(Gain) loss on disposal of assets . .	—	—	—	9	28	—	(7)	30
Gain on extinguishment of debt . .	—	—	—	(21,030)	—	—	—	(21,030)
Deferred revenue amortization . . .	—	—	—	(9,837)	(6,597)	—	—	(16,434)
Pension expense	—	130	—	1,763	—	—	—	1,893
Other	—	—	—	(653)	143	—	—	(510)
Income taxes paid, net of income taxes received	—	—	—	(27,755)	(378)	(1,338)	—	(29,471)
Interest paid, net of interest received	—	—	—	(22,361)	(304)	556	—	(22,109)
Operating assets and liabilities . . .	1,012	348	—	(28,757)	9,152	(16,958)	9	(35,194)
Net cash from (used in)								
operating activities	2	159	—	(16,685)	82,698	(22,731)	—	43,443
Cash flows (used in) generated from investing activities								
Satellite programs	—	—	—	—	—	(8,420)	—	(8,420)
Purchase of other property and equipment	—	—	—	(393)	(7,149)	(2,091)	—	(9,633)
Return of capital to shareholder . .	—	—	—	54,824	—	—	(54,824)	—
C-band clearing proceeds	—	—	—	—	—	64,651	—	64,651
Net cash (used in) generated from investing activities	—	—	—	54,431	(7,149)	54,140	(54,824)	46,598
Cash flows (used in) generated from financing activities								
Repayment of indebtedness	—	—	—	(14,880)	—	—	—	(14,880)
Payment of principal on lease liabilities	—	—	—	(287)	—	(81)	—	(368)
Satellite performance incentive payments	—	—	—	(958)	(406)	—	—	(1,364)
Government grant received	—	—	—	—	—	4,541	—	4,541
Return of capital to shareholder . .	—	—	—	—	(54,824)	—	54,824	—
Net cash (used in) generated from financing activities	—	—	—	(16,125)	(55,230)	4,460	54,824	(12,071)
Effect of changes in exchange rate on cash and cash equivalent . . .	—	(15)	—	(4,238)	(201)	(10,519)	—	(14,973)
Changes in cash and cash equivalents	2	144	—	17,383	20,118	25,350	—	62,997
Cash and cash equivalents, beginning of period	4	904	—	368,778	101,335	978,572	—	1,449,593
Cash and cash equivalents, end of period	<u>\$ 6</u>	<u>\$ 1,048</u>	<u>\$ —</u>	<u>\$ 386,161</u>	<u>\$ 121,453</u>	<u>\$ 1,003,922</u>	<u>\$ —</u>	<u>\$ 1,512,590</u>

CURRENT SHARE INFORMATION

The number of shares and stated value of the outstanding Class A common shares and Class B variable voting shares (“Telesat Public shares”), and Class C fully voting shares and Class C limited voting shares (together, the “Class C shares”) as at March 31, 2023, were as follows:

	Number of shares	Stated value
Telesat Public shares	13,279,039	\$ 42,298
Class C shares	112,841	6,340
	<u>13,391,880</u>	<u>\$ 48,638</u>

The breakdown of the number of shares of Telesat Public Shares, as at March 31, 2023, was as follows:

Telesat Public shares	
Class A Common shares	1,012,172
Class B Variable Voting shares	12,266,867
Total Telesat Public shares	<u>13,279,039</u>

The split between the Class A Common shares and Class B Variable Voting shares in the table above is based on information available to the Company as at April 3, 2023.

In addition, we have one Class A Special Voting Share, one Class B Special Voting Share, one Class C Special Voting Share and one Golden Share outstanding, each with a nominal stated value as at March 31, 2023.

The number of outstanding stock options, restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”) issued under our Omnibus Plan and Historic Plan as at March 31, 2023 were as follows:

	Historic Plan	Omnibus Plan
Stock Options	788,099	275,069
RSUs with time criteria	940,250	239,868
RSUs with time and performance criteria	124,080	—
PSUs with time and performance criteria	—	133,128
DSUs	—	66,240
	<u>1,852,429</u>	<u>714,305</u>

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

During the 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, 2023, 532,423 Telesat Public Shares were issued in exchange for an equal number of Class B Limited Partnership units (“LP Units”).

The number and stated value of the outstanding LP Units issued by Telesat Partnership LP as at March 31, 2023, were as follows:

	Number of units	Stated value
Class A and Class B LP Units	18,321,842	\$ 50,141
Class C LP Units	18,098,362	38,893
	<u>36,420,204</u>	<u>\$ 89,034</u>

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

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the amounts of revenue and expenses reported for the year. Actual results could differ from these estimates under different assumptions and conditions. For more details on these estimates, refer to Note 5 of our audited consolidated financial statements for the year ended December 31, 2022.

The critical accounting judgements and estimates used in the application of our accounting policies are consistent with those outlined in Note 5 of the consolidated financial statements for the year ended December 31, 2022.

ACCOUNTING STANDARDS

Future Changes in Accounting Policies

Amendments to IAS 1

In October 2022, IASB amended IAS 1, *Presentation of Financial Statements* with the aim of improving the information companies provide about long-term debt covenants.

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. The amendment requires a company to disclose information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Such disclosure includes information about covenants and facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with early adoption permitted.

We are currently evaluating the impact of the amendment.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Item. 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the section “Market Risk”.