Telesat Corporation
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Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Telesat Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Telesat Corporation and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill and orbital slots (indefinite life intangible assets) impairment — Refer to Notes 4, 5, 17 and 18 of the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and orbital slots for impairment involves the comparison of the recoverable amount of the Company for goodwill, and of the cash generating units for orbital slots, (the "recoverable amounts") to their respective carrying values annually, or more frequently if indicators of impairment are identified. Recoverable amounts are defined as the higher of fair value less costs of disposal and value in use, which are determined using an income approach based on a discounted cash flow and a market approach based on market multiples. In determining the recoverable amounts, management made significant estimates and assumptions related to future revenue forecasts, future expenses and capital expenditures, costs of disposal, discount rates and market multiples. In addition, the Company plans to introduce new satellites under a Low Earth Orbit constellation (known as "Telesat Lightspeed") which significantly impacts the estimated cash flows used in determining the recoverable amount of the Company.

The Company performed its annual impairment tests for goodwill and orbital slots in the fourth quarter of 2023. Based on the results of the annual impairment tests, the recoverable amounts exceeded their carrying values and no impairment to goodwill or orbital slots was recorded. Subsequent to the annual impairment tests, the Company identified indicators of impairment related to orbital slots and performed additional impairment tests as of December 31, 2023. The carrying value of orbital slots exceeded its recoverable amount and the Company recorded an impairment loss.

While there are several estimates and assumptions that are required to determine the recoverable amounts, the estimates with the highest degree of subjectivity are future cash flows (future revenue forecasts and future capital expenditures), discount rates and market multiples ("key assumptions"). This required significant auditor attention as the key assumptions are subject to a high degree of judgment and there is limited historical data available for Telesat Lightspeed which resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the key assumptions used to determine the recoverable amounts for each impairment test included the following, among others:

- Evaluated the effectiveness of the internal controls over the assessments of goodwill and orbital slots for impairment, including those over the key assumptions;
- Evaluated management's ability to accurately forecast future cash flows by comparing actual results to historical forecasts;
- Evaluated the reasonableness of the future cash flows for:
    - Revenue forecast by comparing it to historical revenue, contracted revenue including backlogs of existing service contracts, results of the ongoing discussions with customers, due diligence reports, industry reports in respect of demand for satellite capacity and pricing, and communications to the board of directors and external stakeholders;
    - Future capital expenditures by comparing it to signed contracts, an independently developed estimate for future costs based on signed contracts, due diligence reports, industry reports, and communications to the board of directors and external stakeholders;
- With the assistance of fair value specialists:
    - Evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing to those selected by management;
    - Evaluated the market multiples by analyzing precedent market transactions and comparable public company multiples and developing a range of independent market multiples and comparing to those selected by management.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 27, 2024

We have served as the Company's auditor since 1993.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Telesat Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Telesat Corporation and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated March 27, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company's in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 27, 2024

We have served as the Company's auditor since 1993.

Telesat Corporation
Consolidated Statements of Income (Loss)

(in thousands of Canadian dollars, except per share amounts)	Notes	For the years ended December 31, 2023	2022 (Note 3)	2021 (Note 3)
Revenue	6	$ 704,161	$ 759,169	$ 758,212
Operating expenses	7	(204,552)	(258,989)	(236,949)
Depreciation		(182,669)	(188,755)	(203,772)
Amortization		(13,093)	(14,979)	(15,983)
Other operating gains (losses), net	8	264,999	7	107,615
Operating income		568,846	296,453	409,123
Interest expense	9	(270,350)	(221,756)	(187,994)
Gain on repurchase of debt	24	230,080	106,916	—
Interest and other income		66,532	23,476	3,418
Gain (loss) on changes in fair value of financial instruments		—	4,314	(18,684)
Gain (loss) on foreign exchange		77,758	(239,591)	27,539
Income (loss) before income taxes		672,866	(30,188)	233,402
Tax (expense) recovery	10	(89,596)	(51,409)	(71,035)
Net income (loss)		$ 583,270	$ (81,597)	$ 162,367
Net income (loss) attributable to:				
Telesat Corporation shareholders		$ 157,118	$ (23,764)	$ 92,532
Non-controlling interest		426,152	(57,833)	69,835
		$ 583,270	$ (81,597)	$ 162,367
Net income (loss) per common share attributable to Telesat Corporation shareholders				
Basic		$ 11.71	$ (1.93)	$ 2.05
Diluted		$ 11.29	$ (1.93)	$ 1.99
Total Weighted Average Common Shares Outstanding				
Basic	27	13,417,290	12,311,264	45,168,650
Diluted	27	15,288,221	12,311,264	46,620,495

See accompanying notes to the consolidated financial statements

Telesat Corporation
Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Notes	For the years ended December 31, 2023	2022 (Note 3)	2021 (Note 3)
Net income (loss)		$ 583,270	$ (81,597)	$ 162,367
Other comprehensive income (loss)				
Items that may be reclassified into profit or loss				
Foreign currency translation adjustments		(50,985)	148,456	(17,555)
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	32	(5,050)	33,282	55,422
Income tax on items that will not be reclassified to profit or loss		1,665	(6,768)	(14,424)
Total other comprehensive income (loss)		(54,370)	174,970	23,443
Total comprehensive income (loss)		$ 528,900	$ 93,373	$ 185,810
Total comprehensive income (loss) attributable to:				
Telesat Corporation shareholders		$ 142,787	$ 19,889	$ 90,405
Non-controlling interest		386,113	73,484	95,405
		$ 528,900	$ 93,373	$ 185,810

See accompanying notes to the consolidated financial statements

Telesat Corporation
Consolidated Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)	Notes	Common shares/Public shares	Preferred shares	Total share capital	Accumulated earnings	Equity-settled employee benefits reserve	Foreign currency translation reserve	Total reserves	Total Telesat Corporation shareholders' equity	Non-controlling Interest	Total shareholders' equity
Balance as at January 1, 2021	3	$ 26,580	$ 129,118	$ 155,698	$ 1,264,344	$ 85,648	$ (47,924)	$ 37,724	$ 1,457,766	$ —	$ 1,457,766
Net income (loss)	3	—	—	—	92,532	—	—	—	92,532	69,835	162,367
Dividends declared on Director Voting Preferred shares	25	—	—	—	(10)	—	—	—	(10)	—	(10)
Issuance of share capital on settlement of restricted share units	25	—	16	16	—	—	—	—	16	—	16
Other comprehensive income (loss), net of tax (expense) recovery of $(14,424)		—	—	—	9,946	—	(12,073)	(12,073)	(2,127)	25,570	23,443
Share-based compensation		—	—	—	—	65,134	—	65,134	65,134	8,590	73,724
Reallocation related to transaction	3	16,261	(129,134)	(112,873)	(1,015,344)	(112,118)	44,137	(67,981)	(1,196,198)	1,181,115	(15,083)
Balance as at December 31, 2021		$ 42,841	$ —	$ 42,841	$ 351,468	$ 38,664	$ (15,860)	$ 22,804	$ 417,113	$ 1,285,110	$ 1,702,223
Balance as at January 1, 2022		$ 42,841	$ —	$ 42,841	$ 351,468	$ 38,664	$ (15,860)	$ 22,804	$ 417,113	$ 1,285,110	$ 1,702,223
Net income (loss)	3	—	—	—	(23,764)	—	—	—	(23,764)	(57,833)	(81,597)
Issuance of share capital on settlement of restricted share units	25	2,142	—	2,142	—	(1,224)	—	(1,224)	918	(2,991)	(2,073)
Exchange of Limited Partnership units for Public Shares	25	1,571	—	1,571	21,812	(14)	(183)	(197)	23,186	(23,186)	—
Other comprehensive income (loss), net of tax (expense) recovery of $(6,768)		—	—	—	6,757	—	36,896	36,896	43,653	131,317	174,970
Final Transaction adjustment	26	—	—	—	—	—	—	—	—	(20,790)	(20,790)
Share-based compensation		—	—	—	—	20,330	—	20,330	20,330	47,089	67,419
Balance as at December 31, 2022		$ 46,554	$ —	$ 46,554	$ 356,273	$ 57,756	$ 20,853	$ 78,609	$ 481,436	$ 1,358,716	$ 1,840,152
Balance as at January 1, 2023		$ 46,554	$ —	$ 46,554	$ 356,273	$ 57,756	$ 20,853	$ 78,609	$ 481,436	$ 1,358,716	$ 1,840,152
Net income (loss)		—	—	—	157,118	—	—	—	157,118	426,152	583,270
Issuance of share capital on settlement of restricted share units	25	3,212	—	3,212	11	(661)	—	(661)	2,562	(5,693)	(3,131)
Issuance of share capital on exercise of stock options	25	29	—	29	—	—	—	—	29	(13)	16
Exchange of Limited Partnership units for Public Shares	25	1,457	—	1,457	21,577	2,375	1,358	3,733	26,767	(26,767)	—
Other comprehensive income (loss), net of tax (expense) recovery of $1,665		—	—	—	(921)	—	(13,410)	(13,410)	(14,331)	(40,039)	(54,370)
Share-based compensation		—	—	—	—	8,337	—	8,337	8,337	24,709	33,046
Balance as at December 31, 2023		$ 51,252	$ —	$ 51,252	$ 534,058	$ 67,807	$ 8,801	$ 76,608	$ 661,918	$ 1,737,065	$ 2,398,983

See accompanying notes to the consolidated financial statements

Telesat Corporation
Consolidated Balance Sheets

(in thousands of Canadian dollars)	Notes	December 31, 2023	December 31, 2022 (Note 3)
Assets			
Cash and cash equivalents		$ 1,669,089	$ 1,677,792
Trade and other receivables	11	78,289	41,248
Other current financial assets	12	631	515
Current income tax recoverable		16,510	18,409
Prepaid expenses and other current assets	13	52,169	50,324
Total current assets		1,816,688	1,788,288
Satellites, property and other equipment	6,16	1,260,298	1,364,084
Deferred tax assets	10	2,954	49,984
Other long-term financial assets	14	6,633	10,476
Long-term income tax recoverable		7,497	15,303
Other long-term assets	6,15	40,926	47,977
Intangible assets	6,17	692,756	756,878
Goodwill	18	2,446,603	2,446,603
Total assets		$ 6,274,355	$ 6,479,593
LIABILITIES			
Trade and other payables	19	$ 43,626	$ 43,555
Other current financial liabilities	20	29,061	48,397
Income taxes payable		1,921	3,476
Other current liabilities	21	63,119	75,968
Total current liabilities		137,727	171,396
Long-term indebtedness	24	3,197,019	3,850,081
Deferred tax liabilities	10	235,247	271,246
Other long-term financial liabilities	22	14,938	19,663
Other long-term liabilities	23	290,441	327,055
Total liabilities		3,875,372	4,639,441
SHAREHOLDERS' EQUITY			
Share capital	25	51,252	46,554
Accumulated earnings		534,058	356,273
Reserves		76,608	78,609
Total Telesat Corporation shareholders' equity		661,918	481,436
Non-controlling interest	26	1,737,065	1,358,716
Total shareholders' equity		2,398,983	1,840,152
Total liabilities and shareholders' equity		$ 6,274,355	$ 6,479,593

See accompanying notes to the consolidated financial statements

Telesat Corporation
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	For the years ended December 31, 2023	2022 (Note 3)	2021 (Note 3)
Cash flows from operating activities				
Net income (loss)		$ 583,270	$ (81,597)	$ 162,367
Adjustments to reconcile net income (loss) to cash flows from operating activities:				
Depreciation		182,669	188,755	203,772
Amortization		13,093	14,979	15,983
Tax expense (recovery)		89,596	51,409	71,035
Interest expense		270,350	221,756	187,994
Interest income		(63,838)	(23,564)	(4,392)
(Gain) loss on foreign exchange		(77,758)	239,591	(27,539)
(Gain) loss on changes in fair value of financial instruments		—	(4,314)	18,684
Share-based compensation	31	33,015	67,428	73,723
(Gain) loss on disposal of assets	8	(59)	(7)	848
Gain on repurchase of debt		(230,080)	(106,916)	—
Impairment	8	79,740	—	—
Deferred revenue amortization		(59,337)	(77,075)	(64,998)
Pension expense	32	5,674	7,587	8,133
C-band clearing income	8	(344,892)	—	(42,860)
Other		2,958	(1,184)	(1,953)
Income taxes paid, net of income tax received	33	(66,841)	(98,143)	(94,242)
Interest paid, net of interest received	33	(209,261)	(163,113)	(154,433)
Operating assets and liabilities	33	(39,212)	(6,744)	(58,625)
Net cash from operating activities		169,087	228,848	293,497
Cash flows (used in) generated from investing activities				
Cash payments related to satellite programs		(83,319)	(31,805)	(279,941)
Cash payments related to property and other equipment		(42,920)	(32,701)	(31,725)
Purchase of intangible assets		(13,267)	(71)	(1,162)
C-band clearing proceeds	8	351,438	64,651	42,860
Net cash (used in) generated from investing activities		211,932	74	(269,968)
Cash flows (used in) generated from financing activities				
Proceeds from indebtedness	33	—	—	619,900
Payment of debt issue costs	33	—	—	(6,834)
Repurchase of indebtedness	33	(344,014)	(97,234)	—
Payments of principal on lease liabilities	33	(2,171)	(2,498)	(2,178)
Satellite performance incentive payments	33	(6,385)	(6,667)	(6,914)
Tax withholdings on settlement of restricted share units		(3,198)	—	—
Proceeds from exercise of stock options		27	—	16
Government grant received		1,089	22,324	—
Initial costs from transaction		—	—	1,260
Final Transaction adjustment payment	26	—	(20,790)	—
Dividends on Director Voting Preferred shares	25	—	—	(10)
Net cash (used in) generated from financing activities		(354,652)	(104,865)	605,240
Effect of changes in exchange rates on cash and cash equivalents		(35,070)	104,142	2,446
Changes in cash and cash equivalents		(8,703)	228,199	631,215
Cash and cash equivalents, beginning of year		1,677,792	1,449,593	818,378
Cash and cash equivalents, end of year		$ 1,669,089	$ 1,677,792	$ 1,449,593

See accompanying notes to the consolidated financial statements

Telesat Corporation
Notes to the 2023 Consolidated Financial Statements
(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.

The Corporation began trading on the Nasdaq Global Select Market and the Toronto Stock Exchange on November 19, 2021 under the ticker symbol "TSAT". This followed the closing of Telesat Canada's transaction with Loral Space & Communications Inc. ("Loral") and Public Sector Pension Investment Board ("PSP Investments") (the "Transaction"), in which Loral's stockholders and Telesat Canada's other equity holders exchanged their interests for equity in the new public holding company.

The Transaction resulted in the Loral stockholders, PSP Investments and certain individual shareholders (other than the Voting Directors) of Telesat Canada owning indirectly through the Corporation and Telesat Partnership LP (the "Partnership") approximately the same percentage of equity as they held in Telesat Canada; the Corporation becoming the publicly traded general partner of the Partnership; and the Partnership indirectly owning all of the economic interests in Telesat Canada and Loral becoming a wholly owned subsidiary of the Partnership.

For further details on the Transaction, refer to the Corporation's Registration Statement on Form F-4 filed with the U.S. Securities Exchange Commission ("SEC") on June 24, 2021, which can be obtained on the SEC's website at *https://www.sec.gov* and the Non-Offering Prospectus filed with the Ontario Securities Commission ("OSC") on November 16, 2021, which can be obtained on the website *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 audited consolidated financial statements of Telesat.

On March 27, 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 consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies in Note 4 were consistently applied to all years presented.

Basis of Consolidation

Subsidiaries

These consolidated financial statements include the results of the Telesat and subsidiaries controlled by the Company. Control is achieved when the Company has power over an entity, has exposure, or rights to variable returns from its involvement with an entity, and has the ability to use the power over an entity to affect the amount of its return. The most significant subsidiaries are listed in Note 35.

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

2. BASIS OF PRESENTATION (cont.)

The portion of equity ownership in a subsidiary that is not directly or indirectly attributable to the Company is accounted for as non-controlling interest. Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income (loss) are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income (loss) of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Joint arrangements

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to their share of the assets and revenue, and obligations for the liabilities and expenses, relating to the arrangement.

The Company's consolidated financial statements include the Company's share of the assets, liabilities, revenue and expenses of its interest in joint operations.

The consolidated financial statements have been prepared on an historical cost basis except for certain financial instruments which were measured at their fair values, as explained in the accounting policies below. Historical cost is based on the fair value of the consideration given or received in exchange for assets or liabilities.

3. CHANGE IN ACCOUNTING POLICY

Amendments to IAS 12, Income Taxes ("IAS 12")

In May 2021, the IASB issued amendments to IAS 12.

In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. The amendments clarify that such initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Accordingly, entities are required to recognize deferred tax associated with transactions, such as leases and decommissioning obligations, which give rise to equal and offsetting temporary differences.

The Company adopted the amendments effective for annual period beginning January 1, 2023. As a result of the amendment, the Company was required to recognize deferred tax on the prepayment options associated with the Senior Unsecured Notes, Senior Secured Notes and 2026 Senior Secured Notes.

An adjustment was recorded as a decrease to the opening balance of accumulated earnings as at January 1, 2021 in the amount of $1,412.

The cumulative impact on the balance sheet and statement of changes in shareholders' equity was as follows:

As at December 31,	**2022**	**2021**
Deferred tax liabilities	$ (4,450)	
Accumulated earnings	$ 1,071	$ 1,439
Non-controlling interest	$ 3,379	$ 4,491

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

3. CHANGE IN ACCOUNTING POLICY (cont.)

As a result of the amendment, there was also a change in the reallocation related to Transaction in the year ended December 31, 2021 in the statement of changes in shareholders' equity.

The impact on the statements of income (loss) and the statements of comprehensive income (loss) was as follows:

For the years ended December 31,		2022		2021
Tax (expense) recovery	$	(1,480)	$	7,342
Net income (loss) per common share attributable to Telesat Corporation shareholders – Basic	$	(0.03)	$	0.16
Net income (loss) per common share attributable to Telesat Corporation shareholders – Diluted	$	(0.03)	$	0.16

4. MATERIAL ACCOUNTING POLICY INFORMATION

Segment Reporting

The Company operates in a single operating segment, in which it provides satellite-based services to its broadcast, enterprise and consulting customers around the world. Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Chief Operating Decision Maker, who is the Company's Chief Executive Officer. To be reported, a segment is usually based on quantitative thresholds but can also encompass qualitative factors management deems significant.

Foreign Currency Translation

Unless otherwise specified, all figures reported in the consolidated financial statements and associated note disclosures are presented in Canadian dollars, which is the functional and presentation currency of the Company. Each of the subsidiaries of the Company determines its own functional currency and uses that currency to measure items on their separate financial statements.

For the Company's non-foreign operations, foreign currency non-monetary assets and liabilities are translated at their historical exchange rates, foreign currency monetary assets and liabilities are translated at the year-end exchange rates, and foreign denominated revenue and expenses are translated at the average exchange rates of the month in which the transactions occurred. Gains or losses on translation of these items are recognized as a component of net income (loss).

Upon consolidation of the Company's foreign operations that have a functional currency other than the Canadian dollar, assets and liabilities are translated at the year-end exchange rate, and revenue and expenses are translated at the average exchange rates of the month in which the transactions occurred. Gains or losses on the translation of foreign subsidiaries are recognized in other comprehensive income (loss).

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less, or which are available upon demand with no penalty for early redemption, are classified as cash and cash equivalents. Cash and cash equivalents are comprised of cash on hand, demand deposits, short-term investments and restricted cash expected to be used within the next twelve months.

Revenue Recognition

Telesat recognizes revenue from satellite services on a monthly basis as services are performed in an amount that reflects the consideration the Company expects to receive in exchange for those services. Telesat accounts 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Revenue from a contract to sell consulting services is recognized as follows:

- Consulting revenue for cost plus contracts is recognized as the approved time and labor is completed by Telesat.
- Fixed price consulting revenue contracts use an input method to determine the progress towards complete satisfaction of the performance obligation. The input method is measured by comparing actual costs incurred to total cost expected.

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. Only equipment sales are subject to warranty or return and there is no general right of return. Historically, the Company has not incurred significant expenses for warranties.

When a transaction involves more than one product or service, revenue is allocated to each performance obligation based on its relative stand-alone selling price. Transactions are evaluated to determine whether the Company is the principal and if the transactions should be recorded on a gross or net basis.

Deferred Revenue

Deferred revenue represents the Company's liability for the provision of future services and is classified on the balance sheet in other current and long-term liabilities. Deferred revenue consists of remuneration received in advance of the provision of service and in the majority of cases is recognized in income on a straight-line basis over the term of the related customer contracts. In the case of certain deferred revenue for short-term services, balances are recognized into income upon the completion or using an input method to determine the progress towards complete satisfaction of the performance obligation of the related contract. Prepayments are evaluated to determine whether or not they constitute a significant financing component. The Company has elected a practical expedient whereby if the timing difference between the customer prepayment and the transfer of control of the promised goods and services is less than a year then it would not be considered as a significant financing component.

A significant financing component will only occur in the following circumstances:

- There is a timing difference between when the control of goods or services is transferred to the customer and when the customer pays for the goods;
- The timing difference between the customer prepayment and transfer of control of the promised goods and services is in excess of one year; and
- The primary reason for the prepayment is for financing purposes.

In the case of the existence of a significant financing component, the amount of the consideration is adjusted to reflect what the cash selling price of the promised service would have been if payments had occurred as control of the service was transferred to the customer. The discount rate used in determining the significant financing component is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception.

Inventories

Inventories are valued at the lower of cost and net realizable value and consist of finished goods and work in process. Cost for substantially all network equipment inventories are determined on a weighted average cost basis. Cost for work in process and certain one-of-a-kind finished goods are determined using the specific identification method.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Borrowing Costs

Borrowing costs are incurred on the Company's debt financing. Borrowing costs attributable to the acquisition, production or construction of a qualifying asset are added to the cost of that asset. The Company has defined a qualifying asset as an asset that takes longer than twelve months to be ready for its intended use or sale. Capitalization of borrowing costs continues until such time that the asset is substantially ready for its intended use or sale. Borrowing costs are determined based on specific financing related to the asset, or in the absence of specific financing, the borrowing costs are calculated on the basis of a capitalization rate which is equal to the Company's weighted average cost of debt. All other borrowing costs are expensed when incurred.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether or not the contract conveys the right to control the use of the asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Each individual lease liability is initially measured at the present value of the lease payments over the respective lease term, discounted using the Company's incremental borrowing rate for that lease.

The lease term is the non-cancellable period determined for each of the leases considering the option to extend when it is reasonably certain that the Company will exercise the option or the option to terminate if it is reasonably certain that the Company will exercise the option.

After the commencement date, the right-of-use assets are measured applying the cost model and depreciated to the earlier of the end of the useful life of the asset or the end of the lease term on a straight-line basis. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured when there is a change in future lease payments, arising from a change in index or rate, or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option. The amount of the remeasurement of the lease liability is also recognized as an adjustment to the right-of-use asset, or is recorded in the statement of income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to not recognize a right-of-use asset or lease liability for any lease that has a lease term of 12 months or less. The payments associated with these agreements would be recognized as an operating expense on a straight-line basis over the lease term.

The Company has also elected the practical expedient, for property leases, not to separate the non-lease components from the lease components, and instead account for each lease and any associated non-lease components within the contract as a single lease component.

Government Grants

Government grants are recognized where there is a reasonable assurance that the grant will be received and the attached conditions will be complied with.

When the grant relates to an expense, the grant is recorded as a deduction to the related expense incurred over the same period.

When the grant relates to an asset, the grant is deducted from the carrying amount of the related asset as the grant is receivable.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Software as a Service arrangements

A Software as a Service ("SaaS") cloud computing arrangement is evaluated as to whether it met the criteria under IAS 38, *Intangible Assets ("*IAS 38*")* or IFRS 16, *Leases*. If an arrangement did not meet either of those criteria, the arrangement is accounted for as a service contract.

Telesat may enter into a SaaS cloud computing arrangement with a supplier where the contract conveys to Telesat a right to receive future access over the contract term to the supplier's application software running on the supplier's cloud infrastructure. The right to receive access does not provide Telesat with a software asset and, therefore, the access to the software is a service which is received over the contract term.

The assessment of whether configuration or customization of a software results in an intangible asset for Telesat depends on the nature and output of the configuration and customization performed. In some circumstances, the arrangement may result in additional code from which Telesat has the power to obtain the future economic benefits and to restrict others' access to those benefits. In that case, in determining whether to recognize the additional code as an intangible asset, Telesat assesses whether the additional code is identifiable and meets the recognition criteria under IAS 38.

Separately acquired intangible rights (i.e. software licenses in cloud computing arrangements) are normally recognized as assets.

Satellites, Property and Other Equipment

Satellites, property and other equipment, which are carried at cost, less accumulated depreciation and any accumulated impairment losses, include the contractual cost of equipment, capitalized engineering costs, capitalized borrowing costs during the construction or production of qualifying assets, and with respect to satellites, the cost of launch services, and launch insurance.

Depreciation is calculated using the straight-line method over the respective estimated useful lives of the assets.

Below are the estimated useful lives in years of satellites, property & other equipment as at December 31, 2023.

	Years
Satellites	3 to 15
Right-of-use assets	2 to 27
Antennas, satellite control & communication equipment	5 to 20
Building, equipment & other	3 to 25

Construction in progress is not depreciated as depreciation only commences when the asset is ready for its intended use. For satellites, depreciation commences on the day the satellite becomes available for service.

The investment in each satellite is derecognized when the satellite is retired. When other property is retired from operations at the end of its useful life, the cost of the asset and accumulated depreciation are removed from the accounts. Earnings are credited with the amount of any net salvage value and charged with any net cost of removal. When an asset is sold prior to the end of its useful life, the gain or loss is recognized immediately in other operating gains (losses), net.

In the event of an unsuccessful launch or total in-orbit satellite failure, all unamortized costs that are not recoverable under launch or in-orbit insurance are recorded in other operating gains (losses), net.

Liabilities related to decommissioning and restoration of retiring property and other equipment are measured at fair value with a corresponding increase to the carrying amount of the related asset. The liability is accreted over the period of expected cash flows with a corresponding charge to interest expense. The liabilities recorded to date have not been significant and are reassessed at the end of each reporting period. There are no decommissioning or restoration obligations for satellites.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Satellite Performance Incentive Payments

Satellite performance incentive payments are obligations payable to satellite manufacturers over the lives of certain satellites. The present value of the payments is capitalized as part of the cost of the satellite and recognized as part of the depreciation of the satellite.

Impairment of Long-Lived Assets

Tangible fixed assets and finite life intangible assets are assessed for impairment on an annual basis or more frequently when events or changes in circumstances indicate that the carrying value of an asset exceeds the recoverable amount. Tangible fixed assets and finite life intangible assets are also assessed for indicators of impairment or impairment reversals at each reporting period.

In cases where there are indicators of impairment, the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use, is determined. If it is not possible to measure the recoverable amount for a particular asset, the Company determines the recoverable amount of the cash generating unit ("CGU") with which it is associated. A CGU is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The Company measures value in use on the basis of the estimated future cash flows to be generated by an asset or CGU. These future cash flows are based on the Company's latest business plan information and are discounted using rates that best reflect the time value of money and the specific risks associated with the underlying asset or assets in the CGU.

The fair value less costs of disposal is the price that would be received to sell an asset or CGU in an orderly transaction between market participants at the measurement date. For the impairment assessment, the fair value is calculated on a recurring basis and is calculated using Level 3 of the fair value hierarchy.

An impairment loss is the amount by which the carrying amount of an asset or CGU exceeds its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised measure of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. Impairment losses and reversals of impairment losses are recognized in other operating gains (losses), net.

Goodwill and Intangible Assets

The Company accounts for business combinations using the acquisition method of accounting, which establishes specific criteria for the recognition of intangible assets separately from goodwill. Goodwill represents the excess between the total of the consideration transferred over the fair value of net assets acquired. After initial recognition at cost, goodwill is measured at cost less any accumulated impairment losses.

The Company distinguishes intangible assets between assets with finite and indefinite useful lives. Intangible assets with indefinite useful lives are comprised of the Company's trade name, intellectual property, and orbital slots. These assets are carried at cost less any accumulated impairment losses. Finite life intangible assets, which are carried at cost less accumulated amortization and any accumulated impairment losses, consist of revenue backlog, customer relationships, customer contracts, concession rights, transponder rights, software and patents. Intangible assets with finite lives are amortized over their estimated useful lives using the straight-line method of amortization, except for revenue backlog which is based on the expected period of recognition of the related revenue.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Below are the estimated useful lives in years of the finite life intangible assets as at December 31, 2023.

	Years
Revenue backlog	17
Customer relationships	20 to 21
Customer contracts	15
Concession rights	3 to 15
Transponder rights	16
Software	5
Patents	18

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. Goodwill is tested for impairment at the entity level as this represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment. With the exception of trade name, which has not been allocated to any CGU and is tested for impairment at the asset level, indefinite life intangible assets are tested for impairment at the CGU level. In the case of orbital slots, the CGU is based on geography.

A quantitative impairment test consists of assessing the recoverable amount of an asset, which is the higher of its fair value less costs of disposal and its value in use. For the quantitative impairment assessment, fair value is calculated on a recurring basis and is calculated using Level 2 or Level 3 of the fair value hierarchy depending on the valuation approach being utilized.

Impairment losses are recognized in other operating gains (losses), net. For indefinite life intangible assets, reversals of impairment losses are also recognized in other operating gains (losses), net.

Orbital Slots

In performing the orbital slot impairment analysis, the Company determines, for each CGU, the recoverable amount. The recoverable amount is defined as the higher of the fair value less costs of disposal, and its value in use on an annual basis. To the extent that the recoverable amount is less than the carrying value of the asset, an impairment exists and the asset is written down to its recoverable amount.

Fair value less costs of disposal is the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date. In order to determine the fair value less costs of disposal, the Company uses either a market or income approach. Under a market approach, the Company measures what an independent third party would pay to purchase the orbital slots by looking to actual market transactions for similar assets. Under an income approach, the fair value is determined to be the sum of the projected discounted cash flows over a discrete period of time.

The value in use amount is the present value of the future cash flows expected to be derived from the CGU. The determination of this amount includes projections of cash inflows from the continuing use of the asset and cash outflows that are required to generate the associated cash inflows. These cash flows are discounted at an appropriate discount rate.

Goodwill

In performing the goodwill impairment analysis, the Company assesses the recoverable amount of goodwill. The recoverable amount is the higher of the income approach and the market approach.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Under the income approach, the sum of the projected discounted cash flows for the next five years, or a longer period if justified by the most recent financial plan approved by management, in addition to a terminal value are used to determine the fair value at the entity level.

Under the market approach, the fair value at the entity level is determined based on market multiples derived from comparable public companies.

Under both approaches, all assumptions used are based on management's best estimates. The discount rates are consistent with external sources of information.

Trade Name

For the purposes of impairment testing, the fair value of the trade name is determined using an income approach, specifically the relief from royalties method.

The relief from royalties method is comprised of two major steps:

i) a determination of the hypothetical royalty rate; and

ii) the subsequent application of the royalty rate to projected revenue.

In determining the hypothetical royalty rate in the relief from royalties method, the Company considered comparable license agreements, operating earnings benchmarks, an excess earnings analysis to determine aggregate intangible asset earnings, and other qualitative factors.

Intellectual Property

In performing the intellectual property impairment analysis, the Company determines its recoverable amount. The recoverable amount is the fair value less costs of disposal. To the extent that the recoverable amount is less than the carrying value of the asset, an impairment exists and the asset is written down to its recoverable amount.

The Company measures value in use on the basis of the estimated future cash flows to be generated by an asset. These future cash flows are based on the Company's latest business plan information approved by senior management and are discounted using rates that best reflect the time value of money and the specific risks associated with the underlying asset.

Financial Instruments

Financial assets are initially recognized at fair value. Financial assets are measured using one of three measurement approaches (fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or amortized cost). A financial asset is measured at amortized cost if it is not designated as FVTPL, it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A debt investment is measured at FVTOCI if it is not designated at FVTPL, it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis. All financial assets not classified as measured at amortized cost or FVTOCI as described above are measured at FVTPL. Telesat does not have any financial assets measured at FVTOCI as at December 31, 2023 and 2022.

The following accounting policies apply to the subsequent measurement of the Company's financial assets:

- Amortized cost: The financial assets are subsequently measured at amortized cost in accordance with the effective interest method. The amortized cost is reduced by any impairment losses; and

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

- FVTPL: These financial assets are subsequently measured at fair value with changes in fair value recorded in the consolidated statement of income (loss) as part of gain (loss) on changes in fair value of financial instruments.

Financial liabilities are initially measured at fair value. Financial liabilities are classified as amortized cost or FVTPL. Financial liabilities that are classified as amortized cost are measured and recorded at amortized cost in accordance with the effective interest method. Financial liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value recorded in the consolidated statement of income (loss) as part of the gain (loss) on changes in fair value of financial instruments.

The Company has used derivative financial instruments to manage its exposure to foreign exchange risk associated with debt denominated in foreign currencies, as well as to reduce its exposure to interest rate risk associated with debt. Currently, the Company does not designate any of its derivative financial instruments as hedging instruments for accounting purposes. All realized and unrealized gains and losses on these derivative financial instruments are recorded in the consolidated statement of income (loss) as part of gain (loss) on changes in fair value of financial instruments.

Derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value on the consolidated balance sheet at inception and marked to market at each reporting period thereafter. Derivatives embedded in financial liabilities and other non-financial instrument contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is measured separately according to its characteristics. The Company accounts for embedded foreign currency derivatives and the related host contract as a single instrument where the contract requires payments denominated in the currency that is commonly used in contracts to procure non-financial items in the economic environment in which the Company transacts.

Transaction costs for instruments classified as FVTPL are expensed as incurred. Transaction costs that are directly attributable to the acquisition of financial assets and liabilities (other than FVTPL) are added or deducted from the fair value of the financial asset or financial liability on initial recognition.

The Company's financial assets classified as amortized cost and contract assets are subject to impairment requirements. The Company has elected to measure loss allowances for trade receivables and other contract assets at an amount equal to lifetime expected credit loss. The lifetime expected credit losses are the expected credit losses that result from possible default events over the expected life of the instrument.

Financing Costs

The debt issuance costs related to the Senior Secured Credit Facility, the 6.5% Senior Unsecured Notes ("Senior Unsecured Notes"), the 4.875% Senior Secured Notes ("Senior Secured Notes") and the 5.625% Senior Secured Notes ("2026 Senior Secured Notes") are included in current and long-term indebtedness and are amortized to interest expense using the effective interest method. All other debt issuance costs are accounted for as short-term and long-term deferred charges and are included in prepaid expenses and other current assets and other long-term assets. The deferred charges are amortized to interest expense on a straight-line basis over the term of the indebtedness to which they relate.

Employee Benefit Plans

Telesat Canada maintains one contributory and three non-contributory defined benefit pension plans which provide benefits based on length of service and rate of pay. Two of these defined-benefit plans were closed to new members in 2013. Effective January 1, 2024, the Pension Plan for Employees of Telesat Canada and the Pension Plan for Designated Employees of Telesat Canada were merged into one plan, the Pension Plan for Employees of Telesat

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Canada, subject to final regulatory filings and approvals. The combined plan is closed entirely to new members with respect to the defined benefit provisions. The merged plan offers a defined contribution pension to all employees of Telesat Canada and Telesat LEO Inc. effective January 1, 2024.

Telesat Canada also provides other post-employment and retirement benefits, including health care and life insurance benefits on retirement and various disability plans, worker's compensation and medical benefits to former or inactive employees of Telesat Canada, their beneficiaries and covered dependents, after employment but before retirement, under certain circumstances.

In addition, Telesat Canada provides defined contribution pension plans, under certain circumstances, for employees who are not eligible for the defined benefit pension plans.

Telesat also provides health care and life insurance benefits for certain retired employees. These benefits are funded primarily on a pay-as-you-go basis, with the retiree paying a portion of the cost through contributions, deductibles and co-insurance provisions. Commencing in 2015, as a result of an amendment to one of the plans, Telesat has contributed to a health reimbursement account instead of providing the health care and life insurance benefits directly to certain retired employees.

As a result of the Transaction, the Company has become responsible for the defined benefit plan and health and life insurance benefits for retired employees of Loral. Loral maintained a defined benefit pension plan for its employees. Loral pension plan is a qualified defined benefit pension plan in which only the employees hired prior to July 1, 2006 could participate. Benefits are based primarily on members' compensation and/or years of service. In addition to pension plan, certain health care and life insurance benefits are also provided to retired employees and dependents. Healthcare benefits end when the retiree reaches age 65.

The Company is responsible for adequately funding the defined benefit pension plans. Contributions are made based on actuarial cost methods that are permitted by pension regulatory bodies and reflect assumptions about future investment returns, salary projections and future service benefits.

Costs for defined contribution pension plans are recognized as an expense during the year in which the employees have rendered service entitling them to the Company's contribution.

The Company accrues the present value of its obligations under employee benefit plans and the related costs reduced by the fair value of plan assets. Pension costs and other retirement benefits are determined using the projected unit credit method prorated on service and management's best estimate of expected investment performance, salary escalation, retirement ages of employees and expected health care costs.

Pension plan assets are valued at fair value. The discount rate is based on the market interest rate of high quality bonds. Past service costs arising from plan amendments are recognized immediately to the extent that the benefits are already vested, and otherwise are amortized on a straight-line basis over the average remaining vesting period. A valuation is performed at least every three years to determine the present value of the accrued pension and other retirement benefits.

Remeasurements arising from defined benefit pension plans comprise actuarial gains and losses and the return on plan assets (excluding interest). The Company recognizes them immediately in other comprehensive income (loss), which is included in accumulated earnings, in the year in which they occur.

The current service costs and administration fees not related to asset management are included in operating expenses. The net interest expense (income) on the net defined benefit liability (asset) for the period is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability (asset) at the beginning of the year while considering any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. The net interest expense (income) is included in interest expense.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Share-Based Compensation Plans

The Company offers equity-settled share-based compensation plans for certain key employees under which it receives services from employees in exchange for equity instruments of the Company. The expense is based on the fair value of the awards granted using the Black-Scholes option pricing model. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over the respective vesting period with a significant higher proportionate amount of the total expense being recognized earlier in the vesting period.

Restricted Share Units, Performance Share Units and Deferred Share Units

For each restricted share unit ("RSU"), performance share unit ("PSU") or deferred share unit ("DSU") an expense is recorded over the vesting period equal to the fair value of the Non-Voting Participating Preferred shares prior to the close of the Transaction and equal to the fair value of the either Class A Common shares or Class B Variable Voting shares of Telesat Corporation after the close of the Transaction, with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over the respective vesting period with a significant higher proportionate amount of the total expense being recognized earlier in the vesting period. All RSU's, PSU's and DSU's, including those issued prior to the close of the Transaction, are expected to be settled in either Class A Common shares or Class B Variable Voting shares of Telesat Corporation.

Income Taxes

Income tax expense, comprising current and deferred income tax, is recognized in income except to the extent it relates to items recognized in other comprehensive income (loss) or equity, in which case the income tax expense is recognized in other comprehensive income (loss) or equity, respectively.

Current income tax is measured at the amount expected to be paid to the taxation authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted as at the balance sheet date.

Deferred taxes are the result of temporary differences arising between the tax bases of assets and liabilities and their carrying amount. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the deferred tax assets will be realized. Unrecognized deferred tax assets are reassessed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets are netted against the deferred tax liabilities when they relate to income taxes levied by the same taxation authority on either:

i) the same taxable entity; or

ii) different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Deferred tax liabilities are recognized for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination. For taxable temporary differences associated with investments in subsidiaries, a deferred tax liability is recognized unless the parent can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings Per Share

For periods prior to the close of the Transaction, basic earnings per share are computed based upon the weighted average number of Common Shares, Non-Voting Participating Preferred Shares and Voting Participating Preferred Shares of Telesat Canada. The quantity of these shares has been recalculated to take into effect the conversion of shares that have occurred during the Transaction. As there was no non-controlling interest in the period prior to the close of the Transaction, all converted amounts have been included as Class A Common Shares, Class B Variable Voting Shares, Class C Fully Voting Shares and Class C Limited Voting Shares of Telesat Corporation.

For periods subsequent to the close of the Transaction, basic earnings per share are computed based upon the weighted average number of Class A Common Shares, Class B Variable Voting Shares, Class C Fully Voting Shares and Class C Limited Voting Shares during each period. Variable Voting and Limited Voting shares are in all respects identical to and treated equally to voting common shares.

For periods prior to the close of the Transaction, diluted earnings per share are based on the weighted average number of common shares as calculated in the basic earnings per share, adjusted for the effect of unvested or unconverted RSUs and stock options that have a dilutive effect. The average market value of the Company's shares for the purpose of calculating the dilutive effect of the stock options was based on calculated share price of the shares of Telesat Canada, adjusted to consider the impact of the Transaction.

For periods subsequent to the close of the Transaction, diluted earnings per share are based on the weighted average number of Common, Limited Voting and Variable Voting shares outstanding during each period, adjusted for the effect of unvested or unconverted RSUs, PSUs, DSUs and stock options which have a dilutive effect. For 2021, the average market value of the Company's shares for the purposes of calculating the dilutive effect of the stock options was based on the quoted market prices for the period from November 19, 2021 through December 31, 2021.

Non-Controlling Interests

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

The Company reports non-controlling interests as equity, separately on the consolidated balance sheets. In addition, net income (loss) and each component of other comprehensive income (loss) is separately attributed to the non-controlling interests. Total comprehensive income (loss) is attributed to non-controlling interests even if it results in the non-controlling interest having a deficit balance. This is the case even without any existing obligation on the part of the non-controlling interests to make an additional investment to cover the losses. Allocation of net income (loss) and total comprehensive income (loss) is based only on existing ownership interests.

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont.)

Future Changes in Accounting Policies

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

Amendments to IAS 1

In October 2022, the 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.

The amendments will not have any impact on the financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Critical judgments in applying accounting policies

The following are the critical judgments made in applying the Company's accounting policies which have the most significant effect on the amounts reported in the financial statements:

Deferred revenue

The Company's accounting policy relating to deferred revenue is described in Note 4. Certain of the Company's revenue agreements were noted to include a significant financing component. Judgment by management is required to determine the discount rate used in the significant financing component calculation.

Lease liabilities

The Company's accounting policy relating to leases is described in Note 4. Judgment by management is required in the determination of the likelihood that the lease renewal periods will be exercised as well as the determination of the incremental borrowing rate.

Uncertain income tax positions

The Company operates in numerous jurisdictions and is subject to country-specific tax laws. Management uses significant judgment when determining the worldwide provision for tax, and estimates provisions for uncertain tax positions as the amounts expected to be paid based on a qualitative assessment of all relevant factors. In the assessment, management considers risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. Management reviews the provisions as at each balance sheet date.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

Software as a Service arrangements

The Company's accounting policy relating to SaaS is described in Note 4. Judgment by management is required to determine whether configuration or customization of a software results in an intangible asset for Telesat.

Critical accounting estimates and assumptions

The Company makes accounting estimates and assumptions that affect the carrying value of assets and liabilities, reported net income (loss) and disclosure of contingent assets and liabilities. Estimates and assumptions are based on historical experience, current events and other relevant factors, therefore, actual results may differ and differences could be material.

The accounting estimates and assumptions critical to the determination of the amounts reported in the financial statements were as follows:

Derivative financial instruments measured at fair value

As at December 31, 2023 and 2022, the balances of the derivative assets and liabilities were $Nil.

Quoted market values are unavailable for the Company's financial instruments and, in the absence of an active market, the Company determines fair value for financial instruments based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market-based inputs. The determination of fair value is significantly impacted by the assumptions used for the amount and timing of estimated future cash flows and discount rates. As a result, the fair value of financial assets and liabilities and the amount of gain/loss on changes in fair value of financial instruments recorded to net income (loss) could vary.

Impairment of goodwill

Goodwill represented $2,446.6 million of total assets as at December 31, 2023 and 2022. Determining whether goodwill is impaired requires an estimation of the Company's fair value which requires management to estimate the future cash flows expected to arise from operations and to make assumptions regarding the underlying business plan, discount rate, and growth rate assumptions. Actual operating results and the related cash flows of the Company could differ from the estimates used for the impairment analysis.

Impairment of intangible assets

Intangible assets represented $692.8 million of total assets as at December 31, 2023 (December 31, 2022 — $756.9 million). Impairment of intangible assets is tested annually or more frequently if indicators of impairment or reversal of a prior impairment loss exist. The impairment analysis requires the Company to estimate the future cash flows expected to arise from operations and to make assumptions regarding the underlying business plan, discount rates, growth rate assumptions and royalty rate. Significant judgments are made in establishing these assumptions. Actual operating results and the related cash flows of the Company could differ from the estimates used for the impairment analysis.

Employee benefits

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

Share-based compensation

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

Determination of useful life of satellites and finite life intangible assets

The estimated useful life and depreciation method for satellites and finite life intangible assets are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Any change in these estimates may have a significant impact on the amounts reported.

Income taxes

Management assesses the recoverability of deferred tax assets based upon an estimation of the Company's projected taxable income using enacted or substantively enacted tax laws, and its ability to utilize future tax deductions before they expire. Actual results could differ from expectations.

6. SEGMENT INFORMATION

Telesat operates in a single operating segment, in which it provides satellite-based services to its broadcast, enterprise and consulting customers around the world.

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:

For the years ended December 31,	2023	2022	2021
Broadcast	$ 331,842	$ 358,661	$ 390,815
Enterprise	359,740	388,985	354,126
Consulting and other	12,579	11,523	13,271
Revenue	$ 704,161	$ 759,169	$ 758,212

Equipment sales included within the various services were as follows:

For the years ended December 31,	2023	2022	2021
Broadcast	$ 16	$ 81	$ 67
Enterprise	12,630	28,071	10,023
Revenue	$ 12,646	$ 28,152	$ 10,090

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

6. SEGMENT INFORMATION (cont.)

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:

For the years ended December 31,	2023	2022	2021
Canada	$ 324,226	$ 330,533	$ 330,832
United States	245,328	289,946	292,474
Asia & Australia	50,651	45,082	38,266
Latin America & Caribbean	48,664	57,842	55,818
Europe, Middle East & Africa	35,292	35,766	40,822
Revenue	$ 704,161	$ 759,169	$ 758,212

For disclosure purposes, 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:

As at December 31,	2023	2022
Canada	$ 782,639	$ 784,261
United Kingdom	446,194	525,672
United States	18,035	36,612
Europe, Middle East & Africa (excluding United Kingdom)	11,395	15,344
All others	2,035	2,195
Satellites, property and other equipment	$ 1,260,298	$ 1,364,084

As at December 31,	2023	2022
Canada	$ 650,528	$ 698,336
United States	25,999	40,647
Latin America & Caribbean	11,963	12,754
All others	4,266	5,141
Intangible assets	$ 692,756	$ 756,878

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

As at December 31	2023	2022
Canada	$ 40,926	$ 47,977
Other long-term assets	$ 40,926	$ 47,977

Goodwill was not allocated to geographic regions.

Major Customers

For the years ended December 31, 2023, 2022 and 2021 there were two significant customers each representing more than 10% of consolidated revenue.

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

7. OPERATING EXPENSES

For the years ended December 31,	2023	2022	2021
Compensation and employee benefits[(a)]	$ 117,917	$ 152,154	$ 156,112
Other operating expenses[(b)]	48,120	52,831	50,622
Cost of sales[(c)]	38,515	54,004	30,215
Operating expenses	$ 204,552	$ 258,989	$ 236,949

(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 year ended December 31, 2023 included $1.7 million of leases not capitalized due to exemptions and variable lease payments not included in the measurement of the leases liabilities (December 31, 2022 — $1.7 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.

The cost of equipment sales included in the cost of sales is as follows:

For the years ended December 31,	2023	2022	2021
Cost of equipment sale	$ 7,546	$ 26,273	$ 6,210

8. OTHER OPERATING GAINS (LOSSES), NET

For the years ended December 31,	2023	2022	2021
Gain (loss) on disposal of assets	$ 59	$ 7	$ (848)
C-band clearing income	344,892	—	108,463
Impairment	(79,740)	—	—
Other	(212)	—	—
Other operating gains (losses), net	$ 264,999	$ 7	$ 107,615

C-Band Clearing

In 2020, the United States Federal Communications Commission ("FCC") adopted a Report and Order in connection with the clearing of a 300 MHz band of C-Band downlink spectrum between 3,700 and 4,000 MHz by December 5, 2025 to support the deployment of terrestrial 5G services in the United States ("Report and Order").

The Report and Order included a provision for an accelerated version of the C-Band spectrum clearing deadlines as follows:

- Phase I: to clear 120 megahertz (3.7 – 3.82 Ghz) by December 5, 2021; and
- Phase II: to clear remaining 180 megahertz (3.82 – 4.0 Ghz) by December 5, 2023.

The Report and Order also provided for reimbursement of reasonable relocation costs to those who are able to meet the deadline of December 5, 2025.

In May 2020, the Company officially committed to the accelerated version of the C-Band clearing program. An amount of $108.5 million (US$84.8 million) was recognized during the year ended December 31, 2021, relating to Phase I accelerated clearing of the C-band spectrum. Of this balance, $42.9 million was received in 2021 with the remaining payments received in 2022.

In June 2023, the Company filed certification of accelerated relocation relating to Phase II. The FCC received no challenges and on June 30, 2023, issued an order validating the certification. An amount of US$259.6 million was accrued and subsequently received during the year ended December 31, 2023, relating to Phase II accelerated clearing of the C-band spectrum. As of December 31, 2023, the Company fulfilled all requirements of the program and all clearing proceeds have been received.

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

8. OTHER OPERATING GAINS (LOSSES), NET (cont.)

Impairment

Indefinite life intangible assets are tested for impairment at the individual CGU level. In the case of orbital slots, the CGU is based on geography. During the year ended December 31, 2023, as a result of impairment testing of the geographical CGUs, there was an impairment of $66.0 million recorded against intangible assets (Note 17) and $13.8 million recorded against satellites, property and other equipment (Note 16).

9. INTEREST EXPENSE

For the years ended December 31,	2023	2022	2021
Interest on indebtedness	$ 252,257	$ 197,491	$ 151,462
Interest on derivative instruments	—	3,040	12,503
Interest on satellite performance incentive payments	1,464	1,797	2,236
Interest on significant financing component	15,713	17,229	18,854
Interest on employee benefit plans (Note 32)	(607)	588	1,440
Interest on leases	1,523	1,611	1,499
Interest expense	$ 270,350	$ 221,756	$ 187,994

10. INCOME TAXES

For the years ended December 31,	2023	2022 (Note 3)	2021 (Note 3)
Current tax expense (recovery)	$ 75,780	$ 77,645	$ 85,219
Deferred tax expense (recovery)	13,816	(26,236)	(14,184)
Tax expense (recovery)	$ 89,596	$ 51,409	$ 71,035

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:

For the years ended December 31,	2023	2022 (Note 3)	2021 (Note 3)
Net income (loss) before taxes	$ 672,866	$ (30,188)	$ 233,402
Multiplied by the statutory income tax rates	26.40%	26.44%	26.46%
	177,637	(7,982)	61,758
Income tax recorded at rates different from the Canadian tax rate	(11,518)	(11,774)	(38,060)
Permanent differences	(71,741)	35,298	8,826
Effect on deferred tax balances due to changes in income tax rates	(407)	1,870	—
Effect of temporary differences not recognized as deferred tax assets	(4,661)	32,654	44,591
Taxes related to prior periods	(2,152)	2,072	(4,769)
Impact of foreign exchange	2,436	(731)	(1,232)
Other	2	2	(79)
Tax expense (recovery)	$ 89,596	$ 51,409	$ 71,035
Effective income tax rate	13.32%	(170.30)%	30.43%

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

10. INCOME TAXES (cont.)

The tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes are presented below:

As at December 31,	2023	2022
Deferred tax assets		
Foreign tax credits	$ 2,999	$ 7,293
Corporate interest restriction	7,397	9,035
Financing charges	4,412	8,580
Deferred revenue	7,249	8,668
Loss carry forwards	32,330	34,201
Reserves	1,467	1,550
Other	1,268	2,117
Total deferred tax assets	$ 57,122	$ 71,444

As at December 31,	2023	2022
Deferred tax liabilities		
Capital assets	$ (76,224)	$ (105,021)
Intangible assets	(211,491)	(181,808)
Employee benefits	(1,700)	(5,877)
Total deferred tax liabilities	(289,415)	(292,706)
Deferred tax liabilities, net	$ (232,293)	$ (221,262)

As at December 31, 2023, deferred tax assets of $3.0 million on the balance sheet relate to Brazil tax jurisdictions (December 31, 2022 — $50.0 million related to Canada and Brazil tax jurisdictions).

Temporary differences, tax losses and tax credits

Foreign tax credit

The Company has Canadian foreign tax credits of $11.4 million which may only be used to offset taxes payable, of which $3.0 million has been recognized. The credits are due to expire between 2025 and 2033.

The Company has United Kingdom foreign tax credits of $9.2 million which have no expiry. No deferred tax asset has been recognized in respect of these foreign tax credits.

The Company has United States foreign tax credits of $145.1 million carried over from 2017. No deferred tax asset has been recognized in respect of these foreign tax credits.

Loss carry forwards and deductible temporary differences

The Company has tax losses in Canada of $90.5 million which will expire starting in 2038 for which a deferred tax asset of $10.6 million has been recognized. The Company also has $83.3 million of deductible temporary differences for which no deferred tax asset has been recognized.

The Company has tax losses in the United Kingdom of $125.1 million that can be carried forward indefinitely, subject to restrictions on their utilization. The use of the losses is limited to 50% of taxable income generated in a carry forward year. Notwithstanding, the Company will be entitled to a £5 million annual allowance of unrestricted taxable income not subject to the 50% limitation. A deferred tax asset of $31.3 million has been recognized in respect of the losses. The Company also has $329.6 million of unused interest deductions in the United Kingdom that can be carried forward indefinitely and a deferred tax asset of $7.4 million has been recognized in respect of these unused interest deductions.

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

10. INCOME TAXES (cont.)

The Company has tax losses of $7.7 million in the United States which can be carried forward indefinitely, and subject to restrictions on their utilization of up to 80% of taxable income generated in a carry forward year. No deferred tax asset has been recognized in respect of the losses. The Company also has $16.0 million of deductible temporary differences for which no deferred tax asset has been recognized.

The Company has tax losses of $3.1 million in Brazil that can be carried forward indefinitely, subject to restrictions on their utilization. The use of the losses is limited to 30% of taxable income generated in a carry forward year. As of December 31, 2023, the Company has cumulative pre-tax income for the last three years and expectation of future income in Brazil, demonstrating sufficient positive evidence to conclude that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. A deferred tax asset of $1.1 million has been recognized in respect of the losses.

Investments in subsidiaries

As at December 31, 2023, the Company had temporary differences of $602.3 million associated with investments in subsidiaries for which no deferred tax liabilities have been recognized, as the Company is able to control the timing of the reversal of these temporary differences and it is not probable that these differences will reverse in the foreseeable future.

11. TRADE AND OTHER RECEIVABLES

As at December 31,	2023	2022
Trade receivables	$ 54,024	$ 34,152
Less: allowance for doubtful accounts	(6,467)	(4,901)
Net trade receivables	47,557	29,251
Deferred receivables	3,347	5,038
Government grant receivable (Note 28)	20,697	2,457
Other receivables	6,688	4,502
Trade and other receivables	$ 78,289	$ 41,248

Allowance for doubtful accounts

The movement in the allowance for doubtful accounts was as follows:

Years ended December 31,	2023	2022
Allowance for doubtful accounts, beginning of year	$ 4,901	$ 5,216
Provisions (reversals) for impaired receivables	2,881	2,339
Receivables written off	(1,242)	(2,924)
Impact of foreign exchange	(73)	270
Allowance for doubtful accounts, end of year	$ 6,467	$ 4,901

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

12. OTHER CURRENT FINANCIAL ASSETS

As at December 31,	2023	2022
Security deposits	$ 631	$ 515
Other current financial assets	$ 631	$ 515

13. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at December 31,	2023	2022
Transaction costs[(a)]	$ 39,317	$ 33,695
Prepaid expenses	6,607	14,342
Inventory[(b)]	4,317	2,023
Deferred charges[(c)]	247	264
Other	1,681	—
Prepaid expenses and other current assets	$ 52,169	$ 50,324

(a) Transaction costs represent the incremental costs in connection with the debt and equity financing.

(b) As at December 31, 2023, inventory consisted of $2.8 million of work in progress (December 31, 2022 — $0.2 million) and $1.5 million of other inventory (December 31, 2022 — $1.8 million).

(c) Deferred charges included deferred financing charges relating to the Revolving Credit Facility.

14. OTHER LONG-TERM FINANCIAL ASSETS

As at December 31,	2023	2022
Deferred receivables	$ 5,635	$ 8,893
Security deposits	998	816
Other long-term receivables	—	767
Other long-term financial assets	$ 6,633	$ 10,476

15. OTHER LONG-TERM ASSETS

As at December 31,	2023	2022
Pension benefits (Note 32)	$ 40,624	$ 47,312
Other	302	302
Prepaid expenses	—	116
Deferred charges (Note 13)	—	247
Other long-term assets	$ 40,926	$ 47,977

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

16. SATELLITES, PROPERTY AND OTHER EQUIPMENT

	Satellites	Antennas, satellite control & communication equipment	Building, equipment & other	Right-of-use assets[1]	Assets under construction	Total
Cost as at January 1, 2022	$ 3,378,510	$ 171,785	$ 85,735	$ 43,380	$ 390,540	$ 4,069,950
Additions	—	56	865	921	54,570	56,412
Disposals/retirements	—	(1,415)	(2,464)	(932)	—	(4,811)
Transfers from assets under construction	—	1,862	1,526	—	(3,388)	—
Impact of foreign exchange	55,463	2,296	558	983	28,513	87,813
Cost as at December 31, 2022	3,433,973	174,584	86,220	44,352	470,235	4,209,364
Additions	—	52	615	1,473	114,090	116,230
Disposals/retirements	—	(4,433)	(2,880)	(156)	—	(7,469)
Transfers from assets under construction	9,598	4,890	3,530	—	(18,018)	—
Impact of foreign exchange	(18,810)	(612)	(103)	(316)	(12,166)	(32,007)
Cost as at December 31, 2023	$ 3,424,761	$ 174,481	$ 87,382	$ 45,353	$ 554,141	$ 4,286,118
Accumulated depreciation and impairment as at January 1, 2022	$ (2,445,367)	$ (129,864)	$ (57,689)	$ (7,342)	$ —	$ (2,640,262)
Depreciation	(172,331)	(8,786)	(4,313)	(3,325)	—	(188,755)
Disposals/retirements	—	1,414	2,296	462	—	4,172
Impact of foreign exchange	(18,734)	(945)	(517)	(239)	—	(20,435)
Accumulated depreciation and impairment as at December 31, 2022	(2,636,432)	(138,181)	(60,223)	(10,444)	—	(2,845,280)
Depreciation	(167,393)	(7,996)	(4,118)	(3,162)	—	(182,669)
Impairment	(13,787)	—	—	—	—	(13,787)
Disposals/retirements	—	4,497	2,921	156	—	7,574
Impact of foreign exchange	8,053	296	(114)	107	—	8,342
Accumulated depreciation and impairment as at December 31, 2023	$ (2,809,559)	$ (141,384)	$ (61,534)	$ (13,343)	$ —	$ (3,025,820)
Net carrying values						
As at December 31, 2022	$ 797,541	$ 36,403	$ 25,997	$ 33,908	$ 470,235	$ 1,364,084
As at December 31, 2023	$ 615,202	$ 33,097	$ 25,848	$ 32,010	$ 554,141	$ 1,260,298

(1) Right-of-use assets consisted primarily of property leases.

Substantially all of the Company's satellites, property and other equipment, excluding satellites, property and other equipment held in unrestricted subsidiaries, have been pledged as security as a requirement of the Company's Senior Secured Credit Facilities, Senior Secured Notes and 2026 Senior Secured Notes as at December 31, 2023 (Note 24).

Borrowing costs

For the year ended December 31, 2023 and 2022 there were no borrowing costs capitalized.

Impairment

Indefinite life intangible assets are tested for impairment at the individual CGU level. In the case of orbital slots, the CGU is based on geography. During the year ended December 31, 2023, as a result of impairment testing of the geographical CGUs, there was an impairment of $13.8 million recorded against satellites, property and other equipment. The impairment resulted from changes to the underlying assumptions associated with the related business plan.

There was no impairment recognized for the year ended December 31, 2022.

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

16. SATELLITES, PROPERTY AND OTHER EQUIPMENT (cont.)

Joint arrangements

Telesat International Limited ("TIL") and APT entered into agreements relating to the Telstar 18 VANTAGE satellite, which are accounted for as a joint operation, whereby TIL's interest is 42.5%. Telesat (IOM) Limited ("TIOM") and Viasat Inc. entered into agreements relating to the ViaSat-1 satellite, which are accounted for as a joint operation, whereby TIOM owns the Canadian payload on the ViaSat-1 satellite.

17. INTANGIBLE ASSETS

The intangible assets are split between assets with finite and indefinite lives.

The indefinite life intangible assets are summarized below.

	Orbital slots	Trade name	Intellectual property	Total indefinite life intangible assets
Cost as at January 1, 2022	$ 606,945	$ 17,000	$ 64,392	$ 688,337
Impact of foreign exchange	2,797	—	4,673	7,470
Cost as at December 31, 2022	609,742	17,000	69,065	695,807
Additions	—	—	16,416	16,416
Impact of foreign exchange	(949)	—	(1,585)	(2,534)
Cost as at December 31, 2023	$ 608,793	$ 17,000	$ 83,896	$ 709,689
Accumulated impairment as at January 1, 2022	$ (1,100)	$ —	$ —	$ (1,100)
Impairment	—	—	—	—
Accumulated impairment as at December 31, 2022	(1,100)	—	—	(1,100)
Impairment	(65,953)	—	—	(65,953)
Impact of foreign exchange	173	—	—	173
Accumulated impairment as at December 31, 2023	$ (66,880)	$ —	$ —	$ (66,880)
Net carrying values				
As at December 31, 2022	$ 608,642	$ 17,000	$ 69,065	$ 694,707
As at December 31, 2023	$ 541,913	$ 17,000	$ 83,896	$ 642,809

There were no disposals or retirements in the years ended December 31, 2023 and 2022 and no additions for the year ended December 31, 2022.

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

17. INTANGIBLE ASSETS (cont.)

The finite life intangible assets are summarized below.

	Revenue backlog	Customer relationships	Customer contracts	Transponder rights	Concession rights	Software	Other	Total finite life intangible assets
Cost as at January 1, 2022	$ 223,664	$ 194,526	$ 12,618	$ 16,718	$ 21,077	$ 1,193	$ 59	$ 469,855
Additions	—	—	—	—	71	—	—	71
Impact of foreign exchange	—	201	—	—	2,720	—	—	2,921
Cost as at December 31, 2022	223,664	194,727	12,618	16,718	23,868	1,193	59	472,847
Additions	—	—	—	—	56	—	—	56
Impact of foreign exchange	—	(68)	—	—	1,575	—	—	1,507
Cost as at December 31, 2023	$ 223,664	$ 194,659	$ 12,618	$ 16,718	$ 25,499	$ 1,193	$ 59	$ 474,410
Accumulated amortization and impairment as at January 1, 2022	$ (214,571)	$ (147,772)	$ (8,390)	$ (15,100)	$ (8,434)	$ (119)	$ (47)	$ (394,433)
Amortization	(4,375)	(6,872)	(844)	(1,079)	(1,568)	(238)	(3)	(14,979)
Impact of foreign exchange	—	(153)	—	—	(1,111)	—	—	(1,264)
Accumulated amortization and impairment as at December 31, 2022	(218,946)	(154,797)	(9,234)	(16,179)	(11,113)	(357)	(50)	(410,676)
Amortization	(2,916)	(6,879)	(845)	(539)	(1,672)	(239)	(3)	(13,093)
Impact of foreign exchange	—	57	—	—	(751)	—	—	(694)
Accumulated amortization and impairment as at December 31, 2023	$ (221,862)	$ (161,619)	$ (10,079)	$ (16,718)	$ (13,536)	$ (596)	$ (53)	$ (424,463)
Net carrying values								
As at December 31, 2022	$ 4,718	$ 39,930	$ 3,384	$ 539	$ 12,755	$ 836	$ 9	$ 62,171
As at December 31, 2023	$ 1,802	$ 33,040	$ 2,539	$ —	$ 11,963	$ 597	$ 6	$ 49,947

There were no disposals/retirements in the years ended December 31, 2023 and 2022.

The total combined indefinite and finite life intangible assets are summarized below.

	As at December 31, 2023			As at December 31, 2022		
	Cost	Accumulated amortization and impairment	Net carrying value	Cost	Accumulated amortization and impairment	Net carrying value
Indefinite life intangibles	$ 709,689	$ (66,880)	$ 642,809	$ 695,807	$ (1,100)	$ 694,707
Finite life intangibles	474,410	(424,463)	49,947	472,847	(410,676)	62,171
Total intangibles	$ 1,184,099	$ (491,343)	$ 692,756	$ 1,168,654	$ (411,776)	$ 756,878

The orbital slots represent a right to operate satellites in a given longitudinal coordinate in space, where geostationary orbit may be achieved. They are limited in availability and represent a scarce resource. Usage of orbital slots is licensed through the International Telecommunications Union. Satellite operators can generally expect, with a relatively high level of certainty, continued occupancy of an assigned orbital slot either during the operational life of an existing orbiting satellite or upon replacement by a new satellite once the operational life of the existing orbiting satellite is over. As a result of the expectancy right to maintain the once awarded orbital slots, an indefinite life is typically associated with orbital slots.

The Company's trade name has a long and established history, a strong reputation and has been synonymous with quality and growth within the satellite industry. It has been assigned an indefinite life because of expected ongoing future use.

The Company's intellectual property relates to development of the planned Telesat Lightspeed constellation. It has been assigned an indefinite life because of anticipated ongoing future use.

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

17. INTANGIBLE ASSETS (cont.)

The following are the remaining useful lives of the intangible assets:

	Years
Revenue backlog	1
Customer relationships	3 to 5
Customer contracts	3
Concession rights	1 to 14
Software	2
Patent	2

All of the Company's intangible assets, excluding the intangible assets held in unrestricted subsidiaries, have been pledged as security as a requirement of the Company's Senior Secured Credit Facilities, Senior Secured Notes and 2026 Senior Secured Notes (Note 24).

Impairment

Finite life intangible assets are assessed for impairment at the Company's CGU level. With the exception of trade name, which is tested for impairment at the asset level, the indefinite life intangible assets are tested for impairment at the individual CGU level. In the case of orbital slots, the CGU is based on geography. The annual impairment tests for these assets were performed in the fourth quarters of 2023 and 2022 in accordance with the policy described in Note 4.

Subsequent to the annual impairment tests, the Company identified indicators of impairment as of December 31, 2023, requiring additional impairment tests of the geographical CGUs. This resulted in an impairment of $64.0 million recorded against the North American CGU and $15.8 million relating to the international CGU. The full amount of the impairment for the North American CGU was recorded against intangible assets. For the international CGU, the impairment was split between $2.0 million being recorded against intangible assets and $13.8 million being recorded against satellites, property and other equipment (Note 16). The impairment resulted from changes to the underlying assumptions associated with the related business plan, particularly related to the revenue forecasts as a result of intensifying competition.

Apart from the orbital slots, there were no other impairments recognized in the year ended December 31, 2023 tied to intangible assets. There was no impairment recognized for the year ended December 31, 2022.

Orbital slots

The orbital slots were valued using an income approach.

The income approach is most sensitive to the following assumptions:

- Movements in the underlying business plan;
- Discount rate; and
- Growth rate assumptions.

Movements in the underlying business plan

The business plans reflect the most up-to-date assumptions concerning the markets and development and trends in the business. For the provision of satellite capacity, the business plan will take into account the following factors:

- The expected developments in sale of satellite capacity;
- Any changes in the expected capital expenditure cycle; and
- Any changes in satellite procurement, launch or cost assumptions.

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

17. INTANGIBLE ASSETS (cont.)

Discount rates

Discount rates reflect management's estimates of the specific risks. Management uses a weighted average cost of capital as a discount rate. The discount rates used was 9.0% and 9.5% in 2023 (9.0% in 2022).

Growth rate assumptions

Growth rate assumptions used to extrapolate the cash flows beyond the business planning period are based on commercial experience and the expectations for the development of the markets which they serve.

Trade name

Relief from royalty method was used to calculate the fair value of the Telesat trade name. The relief from royalty analysis requires determining a hypothetical royalty rate and subsequent application of the rate to projected revenue.

The relief from royalties method is most sensitive to the following assumptions:

- Movements in the underlying business plan;
- Royalty rate;
- Discount rate; and
- Growth rate assumptions.

Movements in the underlying business plan

The business plans reflect the most up-to-date assumptions concerning the markets and development and trends in the business. For the provision of satellite capacity, the business plan will take into account the expected developments in sale of satellite capacity.

Royalty rate

The determination of the hypothetical royalty rate used in the relief from royalty approach will consider comparable license agreements and other qualitative factors. The royalty rate used for 2023 and 2022 was 0.25% of revenue.

Discount rates

Discount rates reflect management's estimates of the specific risks. Management uses a weighted average cost of capital as a discount rate. The discount rates used was the following:

	2023	**2022**
GEO royalties	9.5%	9.0%
LEO royalties	Midpoint between 15% and 20%	Midpoint between 15% and 20%

Growth rate assumptions

Growth rate assumptions used to extrapolate the cash flows beyond the business planning period are based on commercial experience and the expectations for the development of the markets which they serve. The long-term growth rate was the following:

	2023	**2022**
GEO	—%	—%
LEO	2.0%	2.0%

Some of the more sensitive assumptions used in the quantitative analysis, including the forecasted cash flows and the discount rate, could have yielded different estimates of the recoverable amount. Actual operating results and the related cash flows of the Company could differ from the estimated operating results and related cash flows used in the impairment analysis, and had different estimates been used, it could have resulted in a different fair value.

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

18. GOODWILL

The Company carries goodwill at its cost of $2,446.6 million with no accumulated impairment losses since acquisition.

Impairment

Goodwill is tested for impairment at the entity level because that represents the lowest level at which goodwill supports the Company's operations and is monitored internally. The annual impairment test on goodwill was performed in the fourth quarters of 2023 and 2022 in accordance with the policy described in Note 4.

In 2023 and 2022, the Company's recoverable amount exceeded the carrying value therefore, no impairment was recognized.

The calculation of the recoverable amount is most sensitive to the following assumptions:

- Movements in the underlying business plan;
- Discount rate; and
- Growth rate assumptions.

Movements in the underlying business plan

The business plans reflect the most up-to-date assumptions concerning the markets and development and trends in the business. For the provision of satellite capacity, the business plan will take into account the following factors:

- The expected developments in sale of satellite capacity and the development of the Telesat Lightspeed market;
- Any changes in the expected capital expenditure cycle, including estimated costs on the development of the Telesat Lightspeed constellation; and
- Any changes in satellite procurement, launch or cost assumptions.

Discount rates

Discount rates reflect management's estimates of the specific risks. Management uses a weighted average cost of capital as a discount rate. The discount rates used in the calculation are presented below:

	2023	2022
GEO	9.5%	9.0%
LEO	Midpoint between 15% and 20%	Midpoint between 15% and 20%
U.S. C-band clearing proceeds	N/A	9.0%

Growth rate assumptions

Growth rate assumptions used to extrapolate the cash flows beyond the business planning period are based on commercial experience and the expectations for the development of the markets which they serve. Growth rate assumptions were built into the GEO and LEO calculations.

Some of the more sensitive assumptions used in the quantitative analysis, including the underlying business plans, discount rates, and the growth rate assumptions, could have yielded different estimates of the recoverable amount. Actual operating results and the related cash flows of the Company could differ from the estimated operating results and related cash flows used in the impairment analysis, and had different estimates been used, it could have resulted in a different fair value.

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

19. TRADE AND OTHER PAYABLES

As at December 31,	2023	2022
Trade payables	$ 4,570	$ 1,976
Other payables and accrued liabilities[(a)]	39,056	41,579
Trade and other payables	$ 43,626	$ 43,555

(a) Other payables and accrued liabilities included payables that are not trade in nature as well as various operating and capital accruals.

20. OTHER CURRENT FINANCIAL LIABILITIES

As at December 31,	2023	2022
Security deposits	$ 623	$ 632
Satellite performance incentive payments	4,522	6,567
Interest payable[(a)]	21,719	38,536
Other	2,197	2,662
Other current financial liabilities	$ 29,061	$ 48,397

(a) Interest payable included interest payable on indebtedness and satellite performance incentive payments.

21. OTHER CURRENT LIABILITIES

As at December 31,	2023	2022
Deferred revenue (Note 23)	$ 55,111	$ 66,828
Decommissioning liabilities (Note 23)	231	975
Uncertain tax positions	1,315	1,315
Lease liabilities	2,217	2,120
Other	4,245	4,730
Other current liabilities	$ 63,119	$ 75,968

22. OTHER LONG-TERM FINANCIAL LIABILITIES

As at December 31,	2023	2022
Security deposits	$ 1,189	$ 1,106
Satellite performance incentive payments	13,749	18,557
Other long-term financial liabilities	$ 14,938	$ 19,663

23. OTHER LONG-TERM LIABILITIES

As at December 31,	2023	2022
Deferred revenue[(b)]	$ 224,329	$ 259,579
Accrued benefit liabilities (Note 32)	32,352	32,862
Uncertain tax positions	175	175
Decommissioning liabilities[(a)]	2,463	2,453
Lease liabilities[(c)]	31,122	31,986
Other long-term liabilities	$ 290,441	$ 327,055

(a) The current and long-term decommissioning liabilities on property and equipment were $2.7 million (December 31, 2022 — $3.4 million). The decommissioning liabilities are for the restoration of leased buildings and teleports. During the years ended December 31, 2023 and 2022 there was $Nil interest expense recorded. During the year ended December 31, 2023 there were $0.9 million decommissioning liabilities derecognized (December 31, 2022 — $Nil). It is expected that the decommissioning liabilities will mature between 2024 and 2062.

23. OTHER LONG-TERM LIABILITIES (cont.)

(b) Remaining performance obligations, which the Company also refers to as contract revenue backlog (“backlog”) represents the expected future revenue under existing customer contracts, includes both cancellable and non-cancellable contracts, and any deferred revenue that will be recognized in the future in respect to cash already received. The Company does not include revenue beyond the stated expiration of the contract regardless of potential for renewal.

The Company expects the backlog as at December 31, 2023 to be recognized as follows (in millions of Canadian dollars):

2024	2025	2026	2027	2028	Thereafter	Total
$ 454	$ 277	$ 202	$ 131	$ 68	$ 216	$ 1,348

(c) The expected undiscounted contractual cash flows of the lease liabilities as at December 31, 2023 were as follows:

2024	2025	2026	2027	2028	Thereafter	Total
$ 3,785	$ 3,710	$ 3,067	$ 2,886	$ 2,917	$ 30,841	$ 47,206

The undiscounted contractual cash flows included $13.4 million of interest payments.

24. INDEBTEDNESS

As at December 31,	2023	2022
Senior Secured Credit Facilities		
Revolving Credit Facility	$ —	$ —
Term Loan B – U.S. Facility (December 31, 2023 – US$1,421,767 and December 31, 2022 – US$1,552,815)	1,882,846	2,104,685
Senior Unsecured Notes (December 31, 2023 – US$295,000 and December 31, 2022 – US$390,000)	390,669	528,606
2026 Senior Secured Notes (December 31, 2023 – US$399,040 and December 31, 2022 – US$500,000)	528,449	677,700
Senior Secured Notes (December 31, 2023 – US$299,995 and December 31, 2022 – US$400,000)	397,283	542,160
	3,199,247	3,853,151
Deferred financing costs, prepayment options and loss on repayment	(2,228)	(3,070)
	3,197,019	3,850,081
Less: current indebtedness	—	—
Long-term indebtedness	$ 3,197,019	$ 3,850,081

Term Loan B — U.S. Facility and Revolving Credit Facility

On December 6, 2019, Telesat Canada entered into a new amended and restated Credit Agreement (“2019 Amendment”) 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, have two tranches which are described below:

(i) A Revolving Credit Facility (“Revolving Facility”) of up to $200.0 million U.S. dollars (or Canadian dollar equivalent) is available to Telesat Canada maturing in December 2024. This Revolving Facility is available to be drawn at any time in U.S. funds or Canadian dollar equivalent funds. Loans under the Revolving Facility bore 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

24. INDEBTEDNESS (cont.)

either the BA interest rate or LIBOR. The rates on the Revolving Facility vary depending upon the results of the first lien leverage ratio. The Revolving Facility has an unused commitment fee that ranges from 25.0 to 37.5 basis points per annum, depending upon the result of the total leverage ratio.

On May 9, 2023, Telesat Canada entered into a seventh amendment to the Credit Agreement. The seventh amendment amends the Credit Agreement to replace LIBOR-based benchmark rates with Secured Overnight Financing Rate ("SOFR")-based benchmark rates and to make certain other conforming changes. Following the seventh 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 US 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%. As at December 31, 2023, other than $0.2 million (December 31, 2022 — $0.2 million) in drawings related to letters of credit, there were no borrowings under this facility.

(ii) The U.S. TLB Facility is a US$1,908.5 million facility maturing in December 2026 ("U.S. TLB Facility"). The borrowings under the U.S. TLB Facility bore interest at a floating rate of either: (i) LIBOR as periodically determined for interest rate periods selected by Telesat Canada 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 repayment is equal to 0.25% of the original aggregate principal amount, payable on the last day of each quarter, commencing on March 31, 2020. As a result of the prepayment made in December 2020, mandatory quarterly principal repayments are no longer be required.

On May 9, 2023, Telesat Canada entered into a seventh amendment to the Credit Agreement. The seventh 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 seventh amendment, loans under the Term Loan B Facility 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 benchmarked against 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.

Debt issue costs of $16.0 million were incurred in connection with the 2019 Amendment, inclusive of $1.3 million relating to the revolving credit facility. As at December 31, 2023, the debt costs had a carrying value of $6.1 million (December 31, 2022 — $8.6 million). The Senior Secured Credit Facilities are secured by substantially all of Telesat Canada's assets, excluding those in the unrestricted subsidiaries. All obligations under the Credit Agreement are guaranteed by Telesat Canada and certain existing subsidiaries ("Guarantors"). The obligations under the Credit Agreement and the guarantees of those obligations are secured, subject to certain exceptions, by first priority liens and security interest in the assets of Telesat Canada and the Guarantors. The Credit Agreement contains total leverage ratio covenants that restrict, with certain exceptions, the ability of Telesat Canada and the Guarantors to take specified actions, including, among other things and subject to certain significant exceptions: creating liens, incurring indebtedness, making investments, engaging in mergers, selling property, paying dividends, entering into sale-leaseback transactions, creating subsidiaries, repaying subordinated debt or amending organizational documents. If the Revolving Credit Facility is drawn by more than 35% of the Credit Facility amount, the Credit Agreement requires Telesat Canada 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. As at December 31, 2023, the total leverage ratio was 5.32:1.00, which is more than the maximum test ratio of 4.50:1.00 (December 31, 2022 — 6.17:1.00).

In December 2020, the Company made a US$341.4 million prepayment on the Term Loan B — U.S. Facility. The prepayment was applied to all mandatory future quarterly principal repayments, with the remaining balance of the prepayment being applied towards the principal amount outstanding on maturity. The prepayment resulted in the

24. INDEBTEDNESS (cont.)

recognition of a loss of $2.3 million, which was recorded against interest and other income and indebtedness. The loss recorded against the indebtedness is subsequently amortized to interest expense using the effective interest method and had a carrying value of $1.1 million as at December 31, 2023 (December 31, 2022 — $1.6 million).

During the year ended December 31, 2023, Telesat Canada repurchased a portion of Term Loan B — U.S. Facility with a principal amount of $177.6 million (US$131.0 million) in exchange for $133.8 million (US$98.8 million). The repurchase resulted in a write-off of the related debt issue costs and loss on repayment in the amount of $0.5 million (US$0.4 million), and a gain on repurchase of debt of $43.8 million (US$32.3 million).

The weighted average effective interest rate for the year ended December 31, 2023 was 8.08% (December 31, 2022 — 4.64%).

Senior Unsecured Notes

On October 11, 2019, Telesat Canada issued, through a private placement, US$550 million of Senior Unsecured Notes which mature in October 2027. The Senior Unsecured Notes bear interest at an annual rate of 6.5% with interest payments payable in April and October, annually, which commenced in April 2020. Debt issue costs of $7.4 million were incurred in connection with the issuance of the Senior Unsecured Notes and had a carrying value of $2.5 million as at December 31, 2023 (December 31, 2022 — $3.7 million).

The Senior Unsecured Notes include covenants or terms that restrict the Company's ability to, among other things: (i) incur or guarantee additional indebtedness, or issue disqualified stock or preferred shares, (ii) incur liens, (iii) pay dividends, or make certain restricted payments or investments, (iv) enter into certain transactions with affiliates, (v) modify or cancel satellite insurance, (vi) consolidate, merge, sell or otherwise dispose of substantially all assets, (vii) create restrictions on the ability to pay dividends, make loans, and sell assets, and (viii) designate subsidiaries as unrestricted subsidiaries.

The Senior Unsecured Notes are structurally subordinated to Telesat Canada's existing and future secured indebtedness, including obligations under its Senior Secured Credit Facilities and Senior Secured Notes. The Senior Unsecured Notes are governed by the Senior Unsecured Notes Indenture.

The indenture agreement for the Senior Unsecured Notes contained provisions for certain prepayment options which were fair valued at the time of debt issuance. The initial fair value impact, as at October 11, 2019, of the prepayment option related to the Senior Unsecured Notes was a $17.8 million increase to the indebtedness. This liability is subsequently amortized using the effective interest method and had a carrying amount of $6.0 million as at December 31, 2023 (December 31, 2022 — $8.8 million).

During the year ended December 31, 2023, Telesat Canada repurchased Senior Unsecured Notes with a principal amount of $128.9 million (US$95.0 million) in exchange for $53.7 million (US$39.5 million). The repurchase resulted in a write-off of the related debt issue costs and prepayment options in the amount of $0.8 million (US$0.6 million), and a gain on repurchase of debt of $75.3 million (US$55.5 million).

During the year ended December 31, 2022, Telesat Canada repurchased for retirement Senior Unsecured Notes with a principal amount of $202.1 million (US$160.0 million) in exchange for $97.2 million (US$77.0 million). The repurchase resulted in a write-off of the related debt issue costs and prepayment options in the amount of $1.9 million (US$1.5 million), and a gain on extinguishment of debt of $106.9 million (US$84.5 million).

The weighted average effective interest rate for the year ended December 31, 2023 was 6.25% (December 31, 2022 — 6.27%).

Senior Secured Notes

On December 6, 2019, Telesat Canada issued, through private placement, US$400 million of Senior Secured Notes, which mature in June 2027. The Senior Secured Notes bear interest at an annual rate of 4.875% with interest payable on June 1 and December 1, annually, which commenced in June 2020. Debt issue costs of $6.6 million were incurred in connection with the issuance of the Senior Secured Notes and had a carrying value of $2.6 million as at December 31, 2023 (December 31, 2022 — $4.2 million).

24. INDEBTEDNESS (cont.)

The Senior Secured Notes are guaranteed by the Company and certain Guarantors. The Senior Secured Notes are governed by the Senior Secured Notes Indenture. The obligations under the Senior Secured Notes Indenture are secured, subject to certain exceptions, by first priority liens and security interest in the assets of Telesat Canada and the Guarantors. The Senior Secured Notes include covenants or terms that restricts the Company's ability to, among other things: (i) incur or guarantee additional indebtedness, or issue disqualified stock or preferred shares, (ii) incur liens, (iii) pay dividends, or make certain restricted payments or investments, (iv) enter into certain transactions with affiliates, (v) modify or cancel satellite insurance, (vi) consolidate, merge, sell or otherwise dispose of substantially all assets, (vii) create restrictions on the ability to pay dividends, make loans, and sell assets, and (viii) designate subsidiaries as unrestricted subsidiaries.

The indenture agreement for the Senior Secured Notes contained provisions for certain prepayment options which were fair valued at the time of debt issuance. The initial fair value impact, as at December 6, 2019, of the prepayment option related to the Senior Secured Notes was a $10.6 million increase to the indebtedness. This liability is subsequently amortized using the effective interest method and had a carrying amount of $4.1 million as at December 31, 2023 (December 31, 2022 — $6.7 million).

During the year ended December 31, 2023, Telesat Canada repurchased Senior Secured Notes with a principal amount of $133.6 million (US$100.0 million) in exchange for $77.0 million (US$57.6 million). The repurchase resulted in a write-off of the related debt issue costs and prepayment options in the amount of $0.5 million (US$0.4 million), and a gain on repurchase of debt of $56.7 million (US$42.4 million).

The weighted average effective interest rate for the year ended December 31, 2023 was 4.75% (December 31, 2022 — 4.76%).

2026 Senior Secured Notes

On April 27, 2021, Telesat Canada, as issuer, and Telesat LLC, as co-issuer, issued US$500 million in aggregate principal amount of 2026 Senior Secured Notes maturing on December 6, 2026. The 2026 Senior Secured Notes bear interest at an annual rate of 5.625% with interest payable on June 1 and December 1, which commenced in December 2021 to holders of record on the immediately preceding May 15 or November 15, as the case may be. Debt issue costs of $6.8 million were incurred in connection with the issuance of the 2026 Senior Secured Notes and had a carrying value of $3.1 million as at December 31, 2023 (December 31, 2022 — $5.0 million).

The 2026 Senior Secured Notes are guaranteed by the Company and certain Guarantors. The 2026 Senior Secured Notes are governed by the 2026 Senior Secured Notes Indenture. The obligations under the 2026 Senior Secured Notes Indenture are secured, subject to certain exceptions, by first priority liens and security interest in the assets of Telesat Canada and the Guarantors. The 2026 Senior Secured Notes include covenants or terms that restricts the Company's ability to, among other things: (i) incur or guarantee additional indebtedness, or issue disqualified stock or preferred shares, (ii) incur liens, (iii) pay dividends, or make certain restricted payments or investments, (iv) enter into certain transactions with affiliates, (v) modify or cancel satellite insurance, (vi) consolidate, merge, sell or otherwise dispose of substantially all assets, (vii) create restrictions on the ability to pay dividends, make loans, and sell assets, and (viii) designate subsidiaries as unrestricted subsidiaries.

The indenture agreement for the 2026 Senior Secured Notes contained provisions for certain prepayment options which were fair valued at the time of debt issuance. The initial fair value impact, as at April 27, 2021, of the prepayment option related to the 2026 Senior Secured Notes was a $1.9 million increase to the indebtedness. This liability is subsequently amortized using the effective interest method and had a carrying amount of $0.9 million as at December 31, 2023 (December 31, 2022–$1.4 million).

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

24. INDEBTEDNESS (cont.)

During the year ended December 31, 2023, Telesat Canada repurchased 2026 Senior Secured Notes with a principal amount of $134.5 million (US$101.0 million) in exchange for $79.6 million (US$59.7 million). The repurchase resulted in a write-off of the related debt issue costs and prepayment options in the amount of $0.6 million (US$0.5 million), and a gain on repurchase of debt of $55.0 million (US$41.2 million).

The weighted average effective interest rate for year ended December 31, 2023 and 2022 was 5.79%.

The U.S. TLB Facility, Senior Unsecured Notes, Senior Secured Notes and 2026 Senior Secured Notes were presented on the balance sheet net of related deferred financing costs. The deferred financing costs are amortized using the effective interest method. The short-term and long-term portions of deferred financing costs, prepayment options and loss on repayment were as follows:

As at December 31,	2023	2022
Short-term deferred financing costs	$ —	$ —
Long-term deferred financing costs	14,298	21,470
	$ 14,298	$ 21,470
Short-term prepayment options	$ —	$ —
Long-term prepayment options	(10,961)	(16,832)
	$ (10,961)	$ (16,832)
Short-term loss on repayment	$ —	$ —
Long-term loss on repayment	(1,109)	(1,568)
	$ (1,109)	$ (1,568)
Deferred financing costs, prepayment options and loss on repayment	$ 2,228	$ 3,070

25. SHARE CAPITAL

The authorized capital of the Corporation consists of the following:

- An unlimited number of Class A Common shares,
- An unlimited number of Class B Variable Voting shares,
- An unlimited number of Class C Fully Voting shares,
- An unlimited number of Class C Limited Voting shares,
- Class A Special Voting shares,
- Class B Special Voting shares,
- Class C Special Voting shares,
- Golden Share, and
- An unlimited number of Class A Preferred shares.

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 shall represent Telesat Corporation Shares ("Telesat Corporation Shares"). Class A Special Voting Share, Class B Special Voting Share and Class C Special Voting Share together are referred as ("Special Voting Shares").

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

25. SHARE CAPITAL (cont.)

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

	December 31, 2023		December 31, 2022	
	Number of shares	Stated value	Number of shares	Stated value
Telesat Public Shares	13,497,501	$ 44,912	12,692,450	$ 40,214
Class C Shares	112,841	6,340	112,841	6,340
	13,610,342	$ 51,252	12,805,291	$ 46,554

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

Telesat Public shares	
Class A Common shares	1,242,656
Class B Variable Voting shares	12,254,845
Total Telesat Public shares	13,497,501

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 December 31, 2023.

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 December 31, 2023 and 2022.

In September 2021, 600 stock options were exercised in exchange for 600 Non-Voting Participating Preferred shares of Telesat Canada.

In November 2021, dividends were declared and paid on the Director Voting Preferred Shares of Telesat Canada.

During the year ended December 31, 2022, 411,146 RSUs were settled for 210,978 Telesat Public Shares, on a net settlement basis.

During the year ended December 31, 2022, 574,226 Telesat Public Shares were issued in exchange for an equal number of Class B LP Units in the Partnership.

During the year ended December 31, 2023, 532,473 Telesat Public Shares were issued in exchange for an equal number of Class B LP Units in the Partnership.

During the year ended December 31, 2023, 532,122 RSUs were settled for 271,578 Telesat Public Shares, on a net settlement basis.

During the year ended December 31, 2023, 1,000 options were exercised in exchange for an equal number of Telesat Public Shares.

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

25. SHARE CAPITAL (cont.)

The number and stated value of the outstanding Limited Partnership units ("LP Units") of Telesat Partnership LP were as follows:

	December 31, 2023		December 31, 2022	
	Number of units	Stated value	Number of units	Stated value
Class A and Class B LP Units	18,321,792	$ 50,141	18,854,265	$ 51,598
Class C LP Units	18,098,362	38,893	18,098,362	38,893
	36,420,154	$ 89,034	36,952,627	$ 90,491

The breakdown of the number of Class A and Class B LP units, as at December 31, 2023, was as follows:

Class A and Class B LP Units	
Class A LP Units	12,500
Class B LP Units	18,309,292
Total Class A and Class B LP Units	18,321,792

The stated value of Class C LP units as of December 31, 2022, was reduced by an adjustment amount of $20.8 million (US$15.3 million) (Note 26).

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

All of the Corporation Shares have equivalent economic rights. The Special Voting Shares and the Golden Share have no material economic rights.

The holders of Class A Common Shares, Class B Variable Voting Shares, Class C Shares, Special Voting Shares and the Golden Share are generally entitled to receive notice of and attend meetings of Telesat Corporation's shareholders and receive copies of all proxy materials, information statements and other written communications, including from third parties, given in respect of Telesat Public Shares. Holders of Telesat Corporation Shares shall have one vote for each Telesat Corporation Share held at all meetings of the shareholders of Telesat Corporation, except meetings at which only holders of another class or of a particular series shall have the right to vote, provided that holders of Class C Limited Voting Shares will not be entitled to vote on the election of directors of Telesat Corporation. The Telesat Corporation Articles provide that the holders of the Telesat Corporation Shares will vote together as a single class with the Telesat Partnership Units (via the Special Voting Shares), and the Golden Share, with a simple majority of votes required to pass the majority of matters (other than the election of directors of Telesat Corporation, which shall be decided by a plurality of votes cast). Until the occurrence of an Unwind Transaction, a simple majority of votes cast by the holders of Telesat Corporation Shares and Special Voting Shares, voting together as a single class, will be required to approve a Second Tabulation Matter, as defined and described below.

25. SHARE CAPITAL (cont.)

The following table summarizes the voting power of the different classes of Telesat Corporation Shares.

Class	Voting for Directors	All Other Votes	Second Tabulation Votes
Class A Common Shares	One vote per share	One vote per share	One vote per share
Class B Variable Voting Shares	One vote per share, provided that any voting power of a single holder in excess of one-third of the outstanding voting power of Telesat Corporation Shares and Telesat Partnership Units (via the Special Voting Shares) and the Golden Share Canadian Votes will effectively be transferred to the Golden Share		One vote per share
Class C Fully Voting Shares	One vote per share	One vote per share	One vote per share
Class C Limited Voting Shares	No votes	One vote per share	One vote per share
Class A Units (voted via the Class A Special Voting Share)	One vote per unit	One vote per unit	One vote per unit
Class B Units (voted via the Class B Special Voting Share)	One vote per unit; provided that any voting power of a single holder in excess of one-third of the outstanding voting power of the Telesat Corporation Shares and Telesat Partnership Units (via the Special Voting Shares) and the Golden Share Canadian Votes will effectively be transferred to the Golden Share		One vote per unit
Class C Units (voted via the Class C Special Voting Share)	Limited votes to ensure compliance with restrictions applicable to PSP Investments pursuant to the constating legislation		One vote per unit
Golden Share	A number of votes equal to the sum of: A number of votes such that the votes cast by the holders of Class A Common Shares and Class A Units, Class C shares and Class C Units, and the Golden Share represent a simple majority of votes cast; and the number of votes transferred from the Class B Variable Voting Shares and Class B Units, if applicable		No votes

Second tabulation matters mean a resolution to effect:

- An increase or decrease of the maximum number of authorized shares of Telesat Corporation shares, or an increase in the maximum number of authorized shares of another class or type with special rights or restrictions equal to superior to the Telesat Corporation shares;
- An exchange, reclassification or cancellation of all or part of Telesat Corporation Shares;
- An addition, change or removal of the special rights or restrictions attached to the Telesat Corporation Shares;
- An increase in the rights or privileges of any class of shares in the capital of Telesat Corporation that has rights or privileges equal or superior to the Telesat Corporation Shares;
- The creation of a new class of Telesat Corporation Shares equal or superior to the Telesat Corporation Shares;
- The making of any class of shares in the capital of Telesat Corporation with rights or privileges inferior to the Telesat Corporation Shares equal or superior to the Telesat Corporation Shares;

25. SHARE CAPITAL (cont.)

- An exchange or creation of a right of exchange of all or part of another class of shares in the capital of Telesat Corporation into Telesat Corporation Shares;
- A constraining of the issuance, transfer or ownership of the Telesat Corporation Shares or a change or removal of such constraint;
- A change to the Telesat Corporation Articles;
- The taking of any step to wind up, dissolve, reorganize or terminate Telesat Corporation;
- A sale, lease, exchange, transfer or other disposition of all or substantially all of Telesat Corporation's assets;
- The removal of a director of Telesat Corporation from office; or
- The taking of action to effect an amalgamation, merger or other combination of Telesat Corporation with another person or to consolidate, recapitalize or reorganize Telesat Corporation or to continue Telesat Corporation under the laws of another jurisdiction.

26. NON-CONTROLLING INTEREST

Non-controlling interests represent equity interests in the Partnership that are not attributable to the Company. As of December 31, 2023, the Corporation held a general partnership interest representing approximately 27% economic interest in the Partnership (December 31, 2022 — approximately 26%). The remaining 73% economic interest represents exchangeable units held by the limited partnership unit holders (December 31, 2022 — 74%).

Pursuant to the terms of the partnership agreement, Partnership exchangeable units are entitled to distributions from Partnership in an amount equal to any dividends or distributions that are declared and paid with respect to the Telesat Public Shares and Class C Shares of the Company. Additionally, each holder of a Partnership exchangeable unit is entitled to vote in respect of matters on which holders of the Company's common shares are entitled to vote through a special voting share of the Company. Any time after the one year anniversary of the Transaction's effective date, the holder of a Partnership exchangeable unit will have the right to require the Partnership to exchange all or any portion of such holder's Partnership exchangeable units for the Company's common shares at a ratio of one common share for each Partnership exchangeable unit, subject to the Company's right as the general partner of the Partnership, in its sole discretion, to deliver a cash payment in lieu of its common shares.

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

During the fourth quarter of 2021, a third-party was engaged to perform a formal valuation of the fair value of the RSUs issued in the second quarter of 2021. The valuation resulted in an increase in compensation and employee benefits of $6.9 million and $9.5 million in the second and third quarter of 2021, respectively, with corresponding decrease of $16.4 million in the fourth quarter of 2021. The decrease in compensation and employee benefits in the fourth quarter of 2021 resulted in higher proportion of net income being attributed to the non-controlling interest.

In connection with the Transaction, a final adjustment amount was required to be made. The adjustment amount is defined within the Transaction agreement and represents any portion of the inducement payment that was unpaid by Loral, combined with the calculated negative net asset value of Loral. During the year ended December 31, 2022, a payment of $20.8 million (US$15.3 million) was made to Red Isle Private Investment Inc. ("Red Isle") as an adjustment amount, resulting in a reduction in the value of the Class C Partnership Units in the Partnership. Upon consolidation, the reduction in value of the Class C Partnership Units was included in the non-controlling interest.

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

27. 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 year.

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:

For the years ended December 31,	2023	2022	2021
Net income (loss) attributable to Telesat Corporation Shares	$ 157,118	$ (23,764)	$ 92,532
Effect of diluted securities	15,486	—	—
Diluted net income (loss) attributable to Telesat Corporation Shares	$ 172,604	$ (23,764)	$ 92,532

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

	2023	2022	2021
Basic total weighted average number of Telesat Public Shares and Class C Shares (Telesat Canada Common Shares) outstanding	13,417,290	12,311,264	45,168,650
Effect of diluted securities			
Stock options	51,617	—	422,326
RSUs	1,435,113	—	1,029,519
DSUs	91,587	—	—
PSUs	292,614	—	—
Diluted total weighted average number of Telesat Public Shares and Class C Shares (Telesat Canada Common Shares) outstanding	15,288,221	12,311,264	46,620,495

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

For the periods prior to the close of the Transaction, for the purposes of earnings per share, the Common Shares, Non-Voting Participating Preferred Shares and Voting Participating Preferred Shares of Telesat Canada have equivalent economic rights. The quantity of shares of Telesat Canada, have been converted to take into account the impact of the conversion which occurred in the Transaction.

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

28. 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 year ended December 31, 2023, the Company recorded $19.5 million relating to the agreement (December 31, 2022 — $8.8 million).

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

28. GOVERNMENT GRANT (cont.)

Of the amount recorded during 2023, $15.0 million was recorded as a reduction to satellites, property and other equipment and $4.5 million was recorded as a reduction to operating expenses (2022 — $3.5 million was recorded as a reduction in satellites, property and other equipment, $0.1 million as a reduction to prepaid expenses and $5.2 million as a reduction to operating expenses).

29. CAPITAL DISCLOSURES

The Company's financial strategy is designed to maintain compliance with the financial covenant under its Senior Secured Credit Facilities (Note 24), and to maximize returns to its shareholders and other stakeholders. The Company meets these objectives through regular monitoring of the financial covenant and operating results on a quarterly basis. The Company's overall financial strategy remains unchanged from 2022.

The Company defines its capital as Telesat Corporation's shareholders' equity (comprising issued share capital, accumulated earnings and excluding reserves), non-controlling interest and debt financing (comprising indebtedness and excluding deferred financing costs, prepayment options and loss on repayment as defined in Note 24).

The Company's capital was as follows:

As at December 31,	2023	2022
Shareholders' equity (excluding reserves)	$ 585,310	$ 402,827
Non-controlling interest	$ 1,737,065	$ 1,358,716
Debt financing (excluding deferred financing costs, prepayment options and loss on repayment)	$ 3,199,247	$ 3,853,151

If the Revolving Facility is drawn by more than 35% of the credit facility amount, the Senior Secured Credit Facilities require the Company to comply with a first lien net leverage ratio test. As at December 31, 2023, the first lien net leverage ratio was 4.65:1.00 (December 31, 2022 — 5.30:1.00), which was less than the maximum test ratio of 5.75:1.00.

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

30. 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 December 31, 2023.

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 December 31, 2023, the maximum exposure to credit risk is equal to the carrying value of the financial assets which totaled $1,754.6 million (December 31, 2022 — $1,730.0 million).

The following table provides breakdown by maturity of financial assets as at December 31, 2023:

	Carrying amount	Contractual cash flows					
		2024	2025	2026	2027	2028	Thereafter
Cash and cash equivalents	$ 1,669,089	$ 1,669,089	$ —	$ —	$ —	$ —	$ —
Trade and other receivables, excluding deferred receivables	74,942	74,942	—	—	—	—	—
Deferred receivables	8,982	3,347	1,308	1,411	664	549	1,703
Other financial assets	1,629	631	—	—	—	—	998
	$ 1,754,642	$ 1,748,009	$ 1,308	$ 1,411	$ 664	$ 549	$ 2,701

30. FINANCIAL INSTRUMENTS (cont.)

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 December 31, 2023, North American and International customers made up 49% and 51% of the outstanding trade receivable balance, respectively (December 31, 2022 — 48% and 52%, respectively). Anticipated bad debt losses have been provided for in the allowance for doubtful accounts. The allowance for doubtful accounts as at December 31, 2023 was $6.5 million (December 31, 2022 — $4.9 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 December 31, 2023 and 2022, the entire indebtedness was denominated in U.S. dollars, with the Canadian dollar equivalent of the U.S. dollar denominated indebtedness equaling $3,199.2 million and $3,853.2 million, respectively, before netting of deferred financing costs, prepayment options and loss on repayment.

As at December 31, 2023, the impact of a 5 percent increase (decrease) in the value of the Canadian dollar against the U.S. dollar on financial assets and liabilities would have decreased (increased) net income (loss) by $146.4 million (December 31, 2022 — $172.1 million) and increased (decreased) other comprehensive income (loss) by $68.6 million (December 31, 2022 — $57.5 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

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

In October 2017, the Company 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%. As the final interest rate swap matured in 2022, there were no outstanding interest rate swaps as at December 31, 2023 or 2022.

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 $5.1 million for the year ended December 31, 2023 (December 31, 2022 — $4.3 million).

Liquidity risk

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

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

30. FINANCIAL INSTRUMENTS (cont.)

The contractual maturities of financial liabilities as at December 31, 2023 were as follows:

	Carrying amount	Contractual cash flows (undiscounted)	2024	2025	2026	2027	2028	Thereafter
Trade and other payables	$ 43,626	$ 43,626	$ 43,626	$ —	$ —	$ —	$ —	$ —
Customer and other deposits	1,620	1,620	623	634	50	—	163	150
Satellite performance incentive payments	18,367	22,457	5,549	3,255	3,316	2,533	2,422	5,382
Other financial liabilities	2,389	2,389	2,389	—	—	—	—	—
Indebtedness(1)	3,220,870	3,943,253	249,822	234,839	2,635,564	823,028	—	—
	$ 3,286,872	$ 4,013,345	$ 302,009	$ 238,728	$ 2,638,930	$ 825,561	$ 2,585	$ 5,532

(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	$ 96	$ 4,186
Indebtedness	$ 21,623	$ 744,006

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

As at December 31, 2022	Amortized cost	Fair value	Fair value hierarchy
Cash and cash equivalents	$ 1,677,792	$ 1,677,792	Level 1
Trade and other receivables	41,248	41,248	(1)
Other current financial assets	515	515	Level 1
Other long-term financial assets	10,476	10,476	Level 1
Trade and other payables	(43,555)	(43,555)	(1)
Other current financial liabilities	(48,397)	(49,500)	Level 2
Other long-term financial liabilities	(19,663)	(19,164)	Level 2
Indebtedness(2)	(3,853,151)	(1,684,897)	Level 2
	$ (2,234,735)	$ (67,085)	

(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.

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

30. FINANCIAL INSTRUMENTS (cont.)

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 December 31, 2023, cash and cash equivalents included $245.2 million (December 31, 2022 — $8.5 million) of short-term investments.

The fair value of the satellite performance incentive payments, included in other current and long-term financial liabilities, was determined using a discounted cash flow methodology. The calculation is performed on a recurring basis. As at December 31, 2023 and 2022, the discount rate used was 7.4% and 6.6%, respectively.

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 were as follows:

As at December 31	**2023**	**2022**
U.S. TLB Facility	63.75%	45.63%
Senior Unsecured Notes	47.31%	29.90%
Senior Secured Notes	59.42%	45.71%
2026 Senior Secured Notes	62.38%	47.02%

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

30. FINANCIAL INSTRUMENTS (cont.)

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 December 31, 2023 ranged from 4.06% to 5.59% (December 31, 2022 — 4.00% to 5.16%).

31. SHARE-BASED COMPENSATION PLANS

The share-based compensation expense included in the consolidated statements of income (loss) was as follows:

For the years ended December 31,	2023	2022	2021
Operating expenses	$ 33,015	$ 67,428	$ 73,723

Telesat Canada Stock Incentive Plans

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

The purpose of the Historic Plan was to promote the interests of Telesat and its shareholders by providing certain key employees of Telesat and its affiliates with an appropriate incentive to encourage them to continue in the employ of, or engagement with, Telesat or an affiliate and to improve Telesat’s growth and profitability.

The 2008 Telesat Plan reserved a total of 8,824,646 Telesat Canada Non-Voting Participating Preferred Shares for issuance upon due exercise of Telesat Canada Options. In connection with the completion of the Transaction, no further Telesat Canada Options will be granted under the 2008 Telesat Plan. Prior to the close of the Transaction, 738,667 Telesat Canada stock options were issued and outstanding. Upon the completion of the Transaction the 738,667 Telesat Canada stock options were converted into 305,499 Telesat Corporation stock options.

The 2013 Telesat Plan reserved a total of 8,680,399 Telesat Canada Non-Voting Participating Preferred Shares for issuance upon due exercise of Telesat Canada Options. In connection with the completion of the Transaction, no further Telesat Canada Options will be granted under the 2013 Telesat Plan. Prior to the close of the Transaction, 1,446,797 Telesat Canada stock options were issued and outstanding. Upon the completion of the Transaction the 1,446,797 Telesat Canada stock options were converted into 595,290 Telesat Corporation stock options.

In each case, the Telesat Options were convertible at the option of the holder into Telesat Public Shares (provided that the holder complied with the constrained share provisions in the Telesat Corporation Articles).

Under the stock incentive plans, two different types of stock options could be granted: time-vesting options and performance-vesting options. The time-vesting options generally become vested and exercisable over a five-year period by 20% annual increments. The performance-vesting options become vested and exercisable over a five-year period, provided that the Company has achieved or exceeded an annual or cumulative target consolidated EBITDA established by the Board of Directors. The exercise period of the stock options expires 10 years from the grant date. The exercise price of each share underlying the options was the higher of a fixed price, established by the Board of Directors on the grant date, and the fair market value of a Non-Voting Participating Preferred Share on the grant date. Both plans authorized the Board of Directors to grant tandem SARs, at their discretion.

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

31. SHARE-BASED COMPENSATION PLANS (cont.)

The Company expenses the fair value of stock options that are expected to vest over the vesting period using the Black-Scholes option pricing model. The share-based compensation expense is included in operating expenses.

In April 2021, 6,197,776 issued and outstanding, vested and unvested stock options were cancelled. This resulted in a non-cash operating expense recorded in the year ended December 31, 2021 of $8.5 million.

In April 2021, a total of 3,660,000 Non-Voting Participating Preferred Shares are reserved for issuance upon vesting of the RSUs awarded under the RSU Plan, provided that the aggregate number of Non-Voting Participating Preferred Shares issuable under the RSU Plan (and under all other share compensation arrangements) does not exceed 10% of the total number of Non-Voting Participating Preferred Shares outstanding from time to time (on a non-diluted basis). A total of 3,530,000 Telesat Canada RSUs were issued in connection with the plan. Upon completion of the Transaction the 3,530,000 Telesat Canada RSUs were converted into 1,460,008 Telesat Corporation RSUs.

Telesat Corporation Stock Incentive Plans

In connection with the Transaction, the holders of Telesat Canada Tandem SARs, Telesat Canada Options and Telesat Canada RSUs were offered the opportunity to enter into exchange agreements with Telesat Corporation in respect of their Telesat Canada Tandem SARs, Telesat Canada Options and Telesat Canada RSUs, pursuant to which, upon the Closing, they exchanged such instruments for corresponding instruments in Telesat Corporation. The stock options, share appreciation rights and RSUs will have similar vesting terms, however, the quantity and exercise prices have been adjusted.

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, PSUs and DSUs. The stock options, RSUs, PSUs and DSUs 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.

The maximum number of Public Shares reserved for issuance under the Omnibus Plan is 2,972,816.

Historic Plan

The change in number of stock options outstanding and their weighted average exercise price for the Historic Plan were summarized below:

	Telesat Corporation time vesting options	
	Number of options	Weighted average exercise price
Outstanding at December 31, 2021 and January 1, 2022	900,789	$ 48.77
Forfeited	(107,122)	
Outstanding at December 31, 2022	793,667	$ 50.30
Exercised	(1,000)	
Expired	(579,459)	
Forfeited	(13,574)	
Outstanding at December 31, 2023	199,634	$ 38.76

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

31. SHARE-BASED COMPENSATION PLANS (cont.)

The quantity of stock options that are exercisable and the weighted average remaining life were as follows:

As at December 31,	2023	2022
Telesat Corporation time vesting options	195,295	782,229
Weighted average remaining life	1 year	1 year

The weighted average assumptions used to determine the share-based compensation expense for stock options using the Black-Scholes option pricing model were as follows:

As at December 31,	2021
Dividend yield	—%
Expected volatility	35.0%
Risk-free interest rate	1.85%
Expected life (years)	10

The expected volatility is based on the historical volatility of comparable publicly listed entities.

There were no stock options granted under the Historic Plan during 2022 or 2023.

The movement in the number of RSUs under the Historic Plan were as follows:

	RSUs with time criteria	RSUs with time and performance criteria
Outstanding, December 31, 2021 and January 1, 2022	1,363,501	124,080
Settled	(390,163)	—
Outstanding, December 31, 2022 and January 1, 2023	973,338	124,080
Forfeited	(47,564)	—
Settled	(408,086)	—
Outstanding, December 31, 2023	517,688	124,080

As at December 31, 2023, there were 103,400 RSUs (December 31, 2022 — 82,720) that were vested but not settled.

Omnibus Plan

The change in number of stock options outstanding and their weighted average exercise price for the Omnibus Plan were summarized below:

	Telesat Corporation time vesting options	
	Number of options	Weighted average exercise price
Outstanding at December 31, 2021 and January 1, 2022	—	
Granted	285,149	
Outstanding at December 31, 2022 and January 1, 2023	285,149	$ 16.64
Forfeited	(32,403)	
Granted	550,519	
Outstanding at December 31, 2023	803,265	$ 13.38

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

31. SHARE-BASED COMPENSATION PLANS (cont.)

There are no stock options exercisable as of December 31, 2023. The weighted average remaining life is 9 years.

The weighted average assumptions used to determine the share-based compensation expense for stock options using the Black-Scholes option pricing model were as follows:

	2023	2022
Dividend yield	—%	—%
Expected volatility	50.0%	50.0%
Risk-free interest rate	3.75%	2.85%
Expected life (years)	10	10

The expected volatility is based on the historical volatility of comparable publicly listed entities.

The movement in the number of RSUs, PSUs and DSUs under the Omnibus Plan was as follows:

	RSUs with time criteria	PSUs with time and performance criteria	DSUs
Outstanding, December 31, 2021 and January 1, 2022	—	—	—
Granted	382,364	140,583	46,576
Settled	(20,983)	—	—
Forfeited	(10,310)	—	—
Outstanding, December 31, 2022 and January 1, 2023	351,071	140,583	46,576
Granted	577,536	281,683	78,040
Settled	(124,036)	—	—
Forfeited	(19,846)	(47,129)	—
Outstanding, December 31, 2023	784,725	375,137	124,616

32. EMPLOYEE BENEFIT PLANS

The Company maintains defined benefit pension plans for Telesat Canada employees (“Canadian Pension Plans”). In October 2013, the Company ceased to allow new employees to join certain defined benefit plans, except under certain circumstances, and commenced a defined contribution pension plan for new employees.

On completion of the Transaction, the Company also took over the defined benefit pension plans for certain former employees of Loral (“US Pension Plans”). Under the US Pension Plans, certain former Loral employees hired prior to July 1, 2006 contributed until November 18, 2021 in order to receive enhanced pension benefits.

Effective January 1, 2024, the Pension Plan for Employees of Telesat Canada and the Pension Plan for Designated Employees of Telesat Canada were merged into one plan, the Pension Plan for Employees of Telesat Canada, subject to final regulatory filings and approvals. The combined plan is closed entirely to new members with respect to the defined benefit provisions. The merged plan offers a defined contribution pension to certain pre-existing and all new employees of Telesat Canada and Telesat LEO Inc.

In addition to the pension plans, the Company provides certain health care and life insurance benefits for some of Telesat Canada’s retired employees and their dependents (“Canadian Other Post-employment Benefit Plans”). Participants are eligible for these benefits generally when they retire from active service and meet the eligibility requirements for the pension plan. These benefits are funded primarily on a pay-as-you-go basis, with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions.

The Company also provides medical coverage for certain of its retired employees and dependents including certain retired Loral employees (“US Other Post-employment Benefit Plans”). Under the US Other Post-employment Benefit Plans, an annual subsidy is provided to cover for medical benefits to the retired employees and their dependents. For the Loral retired employees, the coverage ends when the retiree reaches age 65.

32. EMPLOYEE BENEFIT PLANS (cont.)

The Company's funding policy is to make contributions to its defined benefit pension funds based on actuarial cost methods as permitted and required by pension regulatory bodies. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. Plan assets are represented primarily by equity securities, fixed income instruments and short-term investments.

The defined benefit plans typically expose the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Investment risk is managed by specifying allowable investment types, setting diversification strategies and determining target asset allocations. The investment objectives of the fund are to optimize the return on investments, taking into account the risks associated with the securities for the protection of the pension benefits of the members of the plan.

As part of the risk management process, for Canadian Plans, the Investment Committee establishes a Statement of Investment Policies and Procedures which includes a diversification strategy and processes to manage foreign currency, credit and other risks. Given the long-term nature of plan liabilities, it is considered appropriate to invest a reasonable portion of the plan assets in equity securities and thus ensure higher return. The Statement of Investment Policies and Procedures is reviewed on an annual basis by the Management Level Pension Fund Investment Committee with approval of the policy being provided by the Audit Committee.

As regards the US Pension Plans, the funding policy is to fund the qualified pension plan in accordance with the Internal Revenue Code and regulations thereon. Plan assets are generally invested in equity, fixed income and other investments. The expected long-term rate of return on pension plan assets is selected by taking into account the expected duration of the plan's projected benefit obligation, asset mix and the fact that its assets are actively managed to mitigate risk.

A decrease in interest rate will increase the plan liability. However, it will be partially offset by an increase in the return on fixed income instruments. The present value of the plan liabilities is calculated by reference to the best estimates of the mortality and the future salaries of plan participants. Accordingly, an increase in life expectancy or salary will increase the plan liability.

Assets-liability matching strategies are geared towards maintaining an appropriate asset mix to ensure that liquid assets are available to discharge the liabilities as and when they become due. Any potential liquidity issue arising from mismatching of plan assets and benefit obligations is compensated by a broadly diversified investment portfolio, including cash and short-term investments, and cash flows from dividends and interest.

For Canadian Pension Plans, the pension expense for 2023 was determined based on membership data as at December 31, 2021. The accrued benefit obligation as at December 31, 2023 was determined based on the membership data as at December 31, 2022, and extrapolated one year based on December 31, 2023 assumptions. For US Pension Plans, the pension expense for 2023 was determined based on membership data as at December 31, 2022. The accrued benefit obligation as at December 31, 2023 was determined based on the membership data as at December 31, 2022, and extrapolated one year based on December 31, 2023 assumptions.

For Canadian Post-employment Benefit Plans, the expense for 2023 was based on membership and eligibility data as at September 30, 2021 and the accrued benefit obligations as at December 31, 2023 was based on membership data as at September 30, 2021. The accrued benefit obligation for US Post-employment Benefit Plans as at December 31, 2023, related to certain retired Loral employees, was determined based on membership data as at December 31, 2022. For other US Post-employment Benefit Plans, the accrued benefit obligation as at December 31, 2023 was determined based on membership data as at December 31, 2022 and extrapolated, based on December 31, 2023 assumptions.

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

32. EMPLOYEE BENEFIT PLANS (cont.)

The most recent valuation of the pension plans for funding purposes was as of December 31, 2022. Valuations will be performed for the pension plans as of December 31, 2023.

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

	Pension Plans			Other Post-employment Benefit Plans		
For the year ended December 31, 2023	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Consolidated statements of income (loss)						
Operating expenses	$ 4,524	$ 684	$ 5,208	$ 466	$ —	$ 466
Interest expense (income)	$ (2,294)	$ 567	$ (1,727)	$ 927	$ 193	$ 1,120
Consolidated statements of comprehensive income (loss)						
Actuarial (gains) losses on employee benefit plans	$ 4,753	$ (1,224)	$ 3,529	$ 1,364	$ 157	$ 1,521

	Pension Plans			Other Post-employment Benefit Plans		
For the year ended December 31, 2022	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Consolidated statements of income (loss)						
Operating expenses	$ 6,337	$ 540	$ 6,877	$ 710	$ —	$ 710
Interest expense	$ (799)	$ 533	$ (266)	$ 731	$ 123	$ 854
Consolidated statements of comprehensive income (loss)						
Actuarial (gains) losses on employee benefit plans	$ (19,560)	$ (7,348)	$ (26,908)	$ (5,346)	$ (1,028)	$ (6,374)

	Pension Plans			Other Post-employment Benefit Plans		
For the year ended December 31, 2021	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Consolidated statements of income (loss)						
Operating expenses	$ 7,893	$ 74	$ 7,967	$ 166	$ —	$ 166
Interest expense	$ 743	$ 53	$ 796	$ 552	$ 92	$ 644
Consolidated statements of comprehensive income (loss)						
Actuarial (gains) losses on employee benefit plans	$ (55,582)	$ (798)	$ (56,380)	$ 987	$ (29)	$ 958

The Company made contributions of $3.1 million for various defined contribution arrangements during the year ended December 31, 2023 (December 31, 2022 — $2.6 million).

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

32. EMPLOYEE BENEFIT PLANS (cont.)

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

As at December 31,	**2023**	**2022**
Included in other long-term liabilities		
Pension benefits	$ 8,633	$ 11,117
Other post-employment benefits	23,719	21,745
Accrued benefit liabilities (Note 23)	$ 32,352	$ 32,862
Included in other long-term assets		
Pension benefits (Note 15)	$ 40,624	$ 47,312

The amounts recognized in the balance sheets and the funded statuses of the benefit plans were as follows:

	Pension Plans			**Other Post-employment Benefit Plans**		
As at December 31, 2023	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Present value of funded obligations	$ 306,251	$ 58,546	$ 364,797	$ —	$ —	$ —
Fair value of plan assets	(348,170)	(49,913)	(398,083)	—	—	—
	(41,919)	8,633	(33,286)	—	—	—
Present value of unfunded obligations	1,295	—	1,295	19,999	3,720	23,719
(Pension benefits) accrued benefit liabilities	$ (40,624)	$ 8,633	$ (31,991)	$ 19,999	$ 3,720	$ 23,719

	Pension Plans			**Other Post-employment Benefit Plans**		
As at December 31, 2022	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Present value of funded obligations	$ 275,581	$ 58,835	$ 334,416	$ —	$ —	$ —
Fair value of plan assets	(324,069)	(47,718)	(371,787)	—	—	—
	(48,488)	11,117	(37,371)	—	—	—
Present value of unfunded obligations	1,176	—	1,176	17,888	3,857	21,745
(Pension benefits) accrued benefit liabilities	$ (47,312)	$ 11,117	$ (36,195)	$ 17,888	$ 3,857	$ 21,745

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

32. EMPLOYEE BENEFIT PLANS (cont.)

The changes in the benefit obligations and in the fair value of plan assets were as follows:

	Pension Plans			Other Post-employment Benefit Plans		
As at December 31, 2023	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Change in benefits obligations						
Benefit obligation, January 1, 2023	$ 276,757	$ 58,835	$ 335,592	$ 17,888	$ 3,857	$ 21,745
Current service cost	4,013	684	4,697	466	—	466
Interest expense	14,172	3,010	17,182	927	193	1,120
Remeasurements						
Actuarial gains arising from plan experience	6,341	(353)	5,988	—	122	122
Actuarial gains from change in demographic assumptions	—	—	—	—	—	—
Actuarial gains from changes in financial assumptions	18,911	1,182	20,093	1,364	35	1,399
Benefits paid	(13,768)	(3,457)	(17,225)	(646)	(403)	(1,049)
Contributions by plan participants	928	—	928	—	—	—
Foreign exchange & other	192	(1,355)	(1,163)	—	(84)	(84)
Benefit obligation, December 31, 2023	307,546	58,546	366,092	19,999	3,720	23,719
Change in fair value of plan assets						
Fair value of plan assets, January 1, 2023	(324,069)	(47,718)	(371,787)	—	—	—
Contributions by plan participants	(928)	—	(928)	—	—	—
Contributions by employer (net of transfer to other plans)	(487)	(2,275)	(2,762)	(646)	(403)	(1,049)
Interest income	(16,466)	(2,443)	(18,909)	—	—	—
Benefits paid	13,768	3,457	17,225	646	403	1,049
Remeasurements						
Return on plan assets, excluding interest income	(20,499)	(2,053)	(22,552)	—	—	—
Administrative costs	511	—	511	—	—	—
Foreign exchange & other	—	1,119	1,119	—	—	—
Fair value of plan assets, December 31, 2023	(348,170)	(49,913)	(398,083)	—	—	—
(Pension benefits) accrued benefit liabilities, December 31, 2023	$ (40,624)	$ 8,633	$ (31,991)	$ 19,999	$ 3,720	$ 23,719

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

32. EMPLOYEE BENEFIT PLANS (cont.)

	Pension Plans			Other Post-employment Benefit Plans		
As at December 31, 2022	**Canadian**	**US**	**Total**	**Canadian**	**US**	**Total**
Change in benefits obligations						
Benefit obligation, January 1, 2022	$ 349,635	$ 72,906	$ 422,541	$ 22,429	$ 4,865	$ 27,294
Current service cost	5,902	540	6,442	710	—	710
Interest expense	11,238	2,108	13,346	731	123	854
Remeasurements						
Actuarial gains arising from plan experience	9,258	(123)	9,135	—	(111)	(111)
Actuarial gains from change in demographic assumptions	—	—	—	—	—	—
Actuarial gains from changes in financial assumptions	(86,378)	(18,751)	(105,129)	(5,346)	(917)	(6,263)
Benefits paid	(14,073)	(3,116)	(17,189)	(636)	(437)	(1,073)
Contributions by plan participants	935	—	935	—	—	—
Foreign exchange & other	240	5,271	5,511	—	334	334
Benefit obligation, December 31, 2022	276,757	58,835	335,592	17,888	3,857	21,745
Change in fair value of plan assets						
Fair value of plan assets, January 1, 2022	(379,740)	(54,979)	(434,719)	—	—	—
Contributions by plan participants	(935)	—	(935)	—	—	—
Contributions by employer	(3,348)	(1,807)	(5,155)	(636)	(437)	(1,073)
Interest income	(12,037)	(1,575)	(13,612)	—	—	—
Benefits paid	14,073	3,116	17,189	636	437	1,073
Remeasurements						
Return on plan assets, excluding interest income	57,560	11,526	69,086	—	—	—
Administrative costs	435	—	435	—	—	—
Foreign exchange & other	(77)	(3,999)	(4,076)	—	—	—
Fair value of plan assets, December 31, 2022	(324,069)	(47,718)	(371,787)	—	—	—
(Pension benefits) accrued benefit liabilities, December 31, 2022	$ (47,312)	$ 11,117	$ (36,195)	$ 17,888	$ 3,857	$ 21,745

For the Canadian Pension Plans, the weighted average duration of the defined benefit obligation and weighted average duration of the current service cost as at December 31, 2023 are 12 years and 19 years, respectively. For the Canadian Other Post-employment Benefit Plans, the weighted average duration of the defined benefit obligation and weighted average duration of the current service cost as at December 31, 2023 are 12 years and 21 years, respectively. For the US Pension Plans, the weighted average duration of the defined benefit obligation as at December 31, 2023 is 10 years.

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

32. EMPLOYEE BENEFIT PLANS (cont.)

The estimated future benefit payments for the defined benefit pension plans and other post-employment benefit plans until 2033 are as follows:

	Pension Plans	Other Post-employment Benefit Plans
2024	$ 18,207	$ 1,177
2025	$ 19,284	$ 1,310
2026	$ 20,244	$ 1,333
2027	$ 20,985	$ 1,418
2028	$ 21,615	$ 1,473
2029 to 2033	$ 113,881	$ 7,669

Benefit payments include obligations to 2033 only as obligations beyond this date are not quantifiable.

The fair value of the plan assets were allocated as follows between the various types of investments:

Canadian Pension Plans

As at December 31,	2023	2022
Equity securities		
Canada	22.0%	22.5%
United States	13.8%	13.7%
International (other than United States)	13.6%	15.5%
Emerging markets	4.7%	5.0%
Fixed income instruments		
Canada	43.8%	40.6%
Cash and cash equivalents	2.1%	2.7%

US Pension Plans

As at December 31,	2023	2022
Equity securities		
United States	25.9%	24.2%
Canada	1.0%	—
International	18.7%	20.6%
Fixed income instruments		
United States	27.4%	32.2%
Canada	0.1%	0.5%
International	5.2%	7.1%
Other investments		
United States	14.2%	10.5%
Canada	0.4%	—
International	7.1%	4.9%

Plan assets are valued at the measurement date of December 31 each year.

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

32. EMPLOYEE BENEFIT PLANS (cont.)

The following are the significant assumptions adopted in measuring the Company's pension and other benefit obligations:

Pension plans

	Canadian		US	
As at December 31,	**2023**	**2022**	**2023**	**2022**
Actuarial benefit obligation				
Discount rate	5.15%	3.20%	5.10%	5.30%
Benefit costs for the year ended				
Discount rate	5.20%	3.40%	5.30%	2.85%
Future salary growth	2.50%	2.50%	N/A	N/A

Other Post-employment Benefit Plans

	Canadian		US	
As at December 31,	**2023**	**2022**	**2023**	**2022**
Benefit costs for the year ended				
Discount rate	5.20%	3.40%	5.30%	2.50% to 2.85%
Health care cost trend rate	4.04% to 6.04%	4.04% to 6.04%	N/A	N/A
Other medical trend rates	4.00% to 5.11%	4.00% to 5.11%	N/A	N/A

For certain Canadian Post-retirement Plans the above trend rates are applicable for 2023 to 2026 which will decrease linearly to 4.75% in 2029 and grading down to an ultimate rate of 3.57% per annum in 2040 and thereafter.

Sensitivity of assumptions

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation as at December 31, 2023 and 2022 would have increased or decreased as a result of the change in the respective assumptions by one percent.

Pension plans

	Canadian		US	
As at December 31, 2023	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	$ (35,279)	$ 40,962	$ (5,472)	$ 6,504
Future salary growth	$ 3,676	$ (5,305)	N/A	N/A

	Canadian		US	
As at December 31, 2022	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	$ (30,894)	$ 38,220	$ (5,577)	$ 6,641
Future salary growth	$ 4,875	$ (4,024)	N/A	N/A

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

32. EMPLOYEE BENEFIT PLANS (cont.)

Other Post-employment Benefit Plans

	Canadian		US	
As at December 31, 2023	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	$ (2,300)	$ 2,842	$ (241)	$ 273
Medical and dental trend rates	$ 476	$ (456)	N/A	N/A

	Canadian		US	
As at December 31, 2022	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	$ (2,008)	$ 2,477	$ (261)	$ 296
Medical and dental trend rates	$ 1,654	$ (1,392)	N/A	N/A

The above sensitivities are hypothetical and should be used with caution. Changes in amounts based on a one percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in amounts may not be linear. The sensitivities have been calculated independently of changes in other key variables. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities.

The Company expects to make contributions of $1.1 million to the Canadian defined benefit plans, $3.6 million to the U.S. defined benefit plans and $1.6 million to the defined contribution plan during the next fiscal year.

33. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents were comprised of the following:

As at December 31,	**2023**	**2022**	**2021**
Cash	$ 1,423,902	$ 1,669,257	$ 1,368,559
Short-term investments[(1)]	245,187	8,535	81,034
Cash and cash equivalents	$ 1,669,089	$ 1,677,792	$ 1,449,593

(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:

For the years ended December 31,	**2023**	**2022**	**2021**
Income taxes paid	$ (67,342)	$ (98,787)	$ (94,290)
Income taxes received	501	644	48
	$ (66,841)	$ (98,143)	$ (94,242)

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

For the years ended December 31,	**2023**	**2022**	**2021**
Interest paid	$ (271,925)	$ (184,776)	$ (158,806)
Interest received	62,664	21,663	4,373
	$ (209,261)	$ (163,113)	$ (154,433)

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

33. SUPPLEMENTAL CASH FLOW INFORMATION (cont.)

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

	Indebtedness	Satellite performance incentive payments	Lease liabilities
Balance as at January 1, 2023	$ 3,850,081	$ 25,124	$ 34,106
Cash outflows	(344,014)	(6,385)	(2,171)
Amortization of deferred financing costs, prepayment options and loss on repayment	1,028	—	—
Gain on repurchase of debt	(230,080)	—	—
Non-cash additions	—	—	1,473
Interest paid	—	—	(1,523)
Interest accrued	—	—	1,523
Non-cash disposals	—	—	—
Impact of foreign exchange	(79,996)	(468)	(69)
Balance as at December 31, 2023	$ 3,197,019	$ 18,271	$ 33,339

	Indebtedness	Satellite performance incentive payments	Lease liabilities
Balance as at January 1, 2022	$ 3,792,597	$ 30,344	$ 35,678
Cash outflows	(97,234)	(6,667)	(2,498)
Amortization of deferred financing costs, prepayment options and loss on repayment	842	—	—
Gain on repurchase of debt	(106,916)	—	—
Non-cash additions	—	—	376
Interest paid	—	—	(1,611)
Interest accrued	—	—	1,611
Non-cash disposals	—	—	(558)
Impact of foreign exchange	260,792	1,447	1,108
Balance as at December 31, 2022	$ 3,850,081	$ 25,124	$ 34,106

	Indebtedness	Satellite performance incentive payments	Lease liabilities
Balance as at January 1, 2021	$ 3,187,152	$ 37,574	$ 29,051
Cash outflows	—	(6,914)	(2,178)
Cash inflows	619,900	—	—
Debt issue costs	(6,834)	—	—
Prepayment option at inception – 2026 Senior Secured Notes	1,896	—	—
Amortization of deferred financing costs, prepayment options and loss on repayment	558	—	—
Non-cash additions	—	—	10,074
Interest paid	—	—	(1,499)
Interest accrued	—	—	1,499
Non-cash disposals	—	—	(939)
Impact of foreign exchange	(10,075)	(316)	(330)
Balance as at December 31, 2021	$ 3,792,597	$ 30,344	$ 35,678

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

33. SUPPLEMENTAL CASH FLOW INFORMATION (cont.)

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

For the years ended December 31,	2023	2022	2021
Trade and other receivables	$ (24,431)	$ 2,298	$ (55,426)
Financial assets	3,437	4,946	3,206
Other assets	(7,322)	(6,395)	(21,017)
Trade and other payables	(4,085)	(7,068)	14,071
Financial liabilities	(639)	(2,028)	4,210
Other liabilities	(6,172)	1,503	(3,669)
	$ (39,212)	$ (6,744)	$ (58,625)

Non-cash investing activities were comprised of:

For the years ended December 31,	2023	2022	2021
Satellite, property and other equipment	$ (5,921)	$ 3,187	$ 10,406
Intangible assets	$ 3,204	$ —	$ —
C-band clearing proceeds	$ —	$ —	$ (64,289)

34. COMMITMENTS AND CONTINGENT LIABILITIES

The following were the Company's off-balance sheet contractual obligations as at December 31, 2023:

	2024	2025	2026	2027	2028	Thereafter	Total
Property leases	$ 1,110	$ 1,120	$ 1,119	$ 980	$ 966	$ 10,226	$ 15,521
Capital commitments	76,938	55,091	5,297	5,959	—	—	143,285
Other operating commitments	31,486	14,076	9,379	8,346	18,749	68,021	150,057
	$ 109,534	$ 70,287	$ 15,795	$ 15,285	$ 19,715	$ 78,247	$ 308,863

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 total outstanding commitments as at December 31, 2023 were included in capital commitments.

The Company has agreements with various customers for prepaid revenue on several service agreements which take effect when the satellite is placed in service. The Company is responsible for operating and controlling these satellites. As at December 31, 2023, customer prepayments of $279.4 million (December 31, 2022 — $326.4 million), a portion of which is refundable under certain circumstances, were reflected in other current and long-term liabilities.

34. COMMITMENTS AND CONTINGENT LIABILITIES (cont.)

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

Telesat Corporation and Telesat CanHold Corporation have entered into an indemnification agreement with PSP Investments where they will indemnify PSP Investments on a grossed-up basis for PSP Investment's pro rata share of the costs relating to: (a) certain losses and litigation proceedings related to the Transaction, (b) certain losses with regard to Loral and out-of-pocket expenses of Loral and (c) certain tax matters.

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

Legal Proceedings

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

Telesat previously received assessments from Brazilian tax authorities alleging that additional taxes are owed on revenue earned for the period 2003 to 2018. The total disputed amount for the period 2003 to 2018, including interest and penalties, is now $111.7 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.

In Canada, the tax authorities previously reassessed $13.1 million relating to transfer pricing issues for the years 2009 to 2014. All disputes relate to Canadian tax authorities' repricing of certain transactions between Telesat and its subsidiaries. The Company had challenged the reassessments and paid 50% of the outstanding amounts in order to formally object. In late 2023, the Minister of National Revenue rendered a decision in Telesat's favor and reversed the taxes previously assessed. In March 2024, we received a refund of the taxes paid with interest.

The Canadian tax authorities have reassessed the Company for $11.6 million relating to its Scientific Research and Experimental Development claims for the years 2016 and 2017. The Company has challenged the reassessments and paid 50% of the outstanding amounts in order to formally object. 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, the Company is not aware of any proceedings outstanding or threatened as of the date hereof by or against it or relating to its business which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

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

35. SUBSIDIARIES

The list of significant companies included in the scope of consolidation as at December 31, 2023 and 2022 was as follows:

Company	Country	Method of Consolidation	% voting rights[(1)]
Infosat Communications LP	Canada	Fully consolidated	100
Telesat Spectrum General Partnership	Canada	Fully consolidated	100
Telesat LEO Holdings Inc.	Canada	Fully consolidated	100
Telesat Technology Corporation	Canada	Fully consolidated	100
Telesat Spectrum Corporation	Canada	Fully consolidated	100
Telesat Spectrum Holdings Corporation	Canada	Fully consolidated	100
Skynet Satellite Corporation	United States	Fully consolidated	100
Telesat Network Services, Inc.	United States	Fully consolidated	100
The SpaceConnection Inc.	United States	Fully consolidated	100
Telesat Satellite LP	United States	Fully consolidated	100
Telesat LEO Inc.	United States	Fully consolidated	100
Telesat U.S. Services, LLC	United States	Fully consolidated	100
Infosat Able Holdings, Inc.	United States	Fully consolidated	100
Telesat Brasil Capacidade de Satélites Ltda.	Brazil	Fully consolidated	100
Telesat (IOM) Limited	Isle of Man	Fully consolidated	100
Telesat International Limited	United Kingdom	Fully consolidated	100
Loral Skynet Corporation	United States	Fully consolidated	100
Loral Space & Communications Inc.	United States	Fully consolidated	100
Telesat Can ULC	Canada	Fully consolidated	100
Telesat CanHold Corporation	Canada	Fully consolidated	100
Telesat Canada	Canada	Fully consolidated	100
Telesat Partnership LP	Canada	Fully consolidated	100

(1) Details of the non-controlling interest are described in Note 26.

36. 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

For the years ended December 31,	2023	2022	2021
Short-term benefits (including salaries)	$ 17,014	$ 16,586	$ 15,465
Special payments[(1)]	—	—	597
Post-employment benefits	1,790	2,114	2,514
Share-based payments	31,551	65,314	73,090
	$ 50,355	$ 84,014	$ 91,666

(1) Balance relates to the special cash distribution effective January 25, 2017.

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

36. RELATED PARTY TRANSACTIONS (cont.)

Key management personnel — stock options

In April 2021, 6,197,776 issued and outstanding, vested and unvested stock options were cancelled. This resulted in a non-cash operating expense recorded in the year ended December 31, 2021 of $8.5 million.

In April 2021, the Company approved the adoption of an RSU plan. A total of 3,660,000 Non-Voting Participating Preferred Shares were reserved for issuance upon vesting of the RSUs awarded under the RSU Plan, provided that the aggregate number of Non-Voting Participating Preferred Shares issuable under the RSU Plan (and under all other share compensation arrangements) did not exceed 10% of the total number of Non-Voting Participating Preferred Shares outstanding from time to time (on a non-diluted basis). A total of 3,530,000 RSUs were issued in connection with the plan. Upon completion of the Transaction the 3,530,000 Telesat Canada RSUs were converted into 1,460,008 Telesat Corporation RSUs.

During the year ended December 2022, 362,590 of the RSUs were settled, on a net settlement basis, in exchange for 186,847 Public shares of Telesat Corporation.

During the year ended December 31, 2023, 408,086 of the RSUs were settled, on a net settlement basis, in exchange for 206,081 Public shares of Telesat Corporation as well as 47,564 RSUs were forfeited. In addition, 517,616 stock options from the Historic Plan expired.

On November 19, 2021, Telesat Corporation adopted the Omnibus Plan. The Omnibus Plan allows for a variety of equity-based awards including stock options, RSUs, PSUs and DSUs.

The following Awards were issued under the Omnibus Plan:

For the years ended December 31,	2023	2022
DSUs issued to certain members of the Board of Directors	78,040	46,576
RSUs to key management personnel, which vest over a three-year period	464,834	230,048
PSUs to key management personnel, which include both a time and performance condition on vesting	281,683	140,583
Stock options to key management personnel	550,519	285,149

Of the Awards that were issued under the Omnibus Plan, the following Awards have been settled.

For the year ended December 31, 2023	Forfeited	Awards Settled	Public Shares issued
DSUs issued to certain members of the Board of Directors	—	—	—
RSUs to key management personnel, which vest over a three-year period[(1)]	17,426	77,593	39,672
PSUs to key management personnel, which include both a time and performance condition on vesting	47,129	—	—
Stock options to key management personnel	32,403	—	—

(1) RSUs were settled on a net settlement basis

Transactions with related parties

The Company and certain of its subsidiaries regularly engage in transactions with related parties. The Company's related parties included Loral and Red Isle until November 18, 2021 at which point under the Transaction Agreement Loral became a fully consolidated subsidiary (Note 35). Any transactions entered into with Loral have been entered into over the normal course of operations. Following the Transaction Agreement related parties included Red Isle and MHR. There were no transactions or balances with Red Isle or MHR during any of the years presented.

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

36. RELATED PARTY TRANSACTIONS (cont.)

During the year ended December 31, 2022, $20.8 million (US$15.3 million) was paid to Red Isle in respect of the adjustment amount as per the terms of the Transaction Agreement (Note 26).

Prior to the close of the Transaction, the Company and its subsidiaries entered into the following transactions with Loral.

Sale of goods and services

For the years ended December 31,	2021
Revenue	$ 105

Purchase of goods and services

For the years ended December 31,	2021
Operating expenses	$ 5,230

The amounts outstanding were unsecured and were settled in cash.

Other related party transactions

The Company funds certain defined benefit pension plans. Contributions made to the plans for the year ended December 31, 2023 were $2.8 million (December 31, 2022 — $5.2 million).