

## Consolidated Balance Sheets

<i>(Unaudited)</i> <i>(amounts in millions of Canadian dollars)</i>	<b>As at June 30</b> <b>2010</b>	As at March 31 2010
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 200.5	\$ 312.9
Accounts receivable (Note 4)	260.9	237.5
Contracts in progress	237.7	220.6
Inventories (Note 5)	136.7	126.9
Prepaid expenses	33.6	33.7
Income taxes recoverable	30.1	24.3
Future income taxes	5.2	7.1
	<b>\$ 904.7</b>	<b>\$ 963.0</b>
Property, plant and equipment, net	1,164.7	1,147.2
Future income taxes	83.1	82.9
Intangible assets	139.7	125.4
Goodwill	182.5	161.9
Other assets	153.2	141.5
	<b>\$ 2,627.9</b>	<b>\$ 2,621.9</b>
<b>Liabilities and shareholders' equity</b>		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	\$ 415.1	\$ 467.8
Deposits on contracts	212.0	199.7
Current portion of long-term debt (Note 6)	53.6	51.1
Future income taxes	18.8	23.0
	<b>\$ 699.5</b>	<b>\$ 741.6</b>
Long-term debt (Note 6)	443.6	441.6
Deferred gains and other long-term liabilities	204.8	200.5
Future income taxes	88.8	82.4
	<b>\$ 1,436.7</b>	<b>\$ 1,466.1</b>
<b>Shareholders' equity</b>		
Capital stock	\$ 442.1	\$ 441.5
Contributed surplus	12.1	10.9
Retained earnings	950.5	918.8
Accumulated other comprehensive loss	(213.5)	(215.4)
	<b>\$ 1,191.2</b>	<b>\$ 1,155.8</b>
	<b>\$ 2,627.9</b>	<b>\$ 2,621.9</b>

The accompanying notes form an integral part of these Consolidated Financial Statements.

## Consolidated Statements of Earnings

*(Unaudited)*

*three months ended June 30*

*(amounts in millions of Canadian dollars, except per share amounts)*

	<b>2010</b>	2009
Revenue	\$ 366.7	\$ 383.0
Earnings before restructuring, interest and income taxes	\$ 62.2	\$ 72.3
Restructuring charge	–	27.2
Earnings before interest and income taxes (Note 10)	\$ 62.2	\$ 45.1
Interest expense, net (Note 6)	6.9	6.6
Earnings before income taxes	\$ 55.3	\$ 38.5
Income tax expense	15.9	11.3
<b>Net earnings</b>	<b>\$ 39.4</b>	<b>\$ 27.2</b>
Basic and diluted earnings per share	\$ 0.15	\$ 0.11
Weighted average number of shares outstanding (basic)	256.5	255.4
Weighted average number of shares outstanding (diluted) <sup>(1)</sup>	256.6	255.4

<sup>(1)</sup> For the three months ended June 30, 2009, the effect of stock options potentially exercisable was anti-dilutive; therefore, the basic and diluted weighted average number of shares outstanding are the same.

The accompanying notes form an integral part of these Consolidated Financial Statements.

## Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)  
three months ended June 30, 2010  
(amounts in millions of Canadian dollars, except number of shares)

	Number of Shares	Common Shares Stated Value	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, beginning of period	256,516,994	\$ 441.5	\$ 10.9	\$ 918.8	\$ (215.4)	\$ 1,155.8
Stock options exercised	39,200	0.3	–	–	–	0.3
Transfer upon exercise of stock options	–	0.2	(0.2)	–	–	–
Stock dividends	11,751	0.1	–	(0.1)	–	–
Stock-based compensation	–	–	1.4	–	–	1.4
Net earnings	–	–	–	39.4	–	39.4
Dividends	–	–	–	(7.6)	–	(7.6)
Other comprehensive income	–	–	–	–	1.9	1.9
Balance, end of period	256,567,945	\$ 442.1	\$ 12.1	\$ 950.5	\$ (213.5)	\$ 1,191.2

The total of *Retained earnings* and *Accumulated other comprehensive loss* for the three months ended June 30, 2010 was \$737.0 million (\$741.1 million as at June 30, 2009).

(Unaudited)  
three months ended June 30, 2009  
(amounts in millions of Canadian dollars, except number of shares)

	Number of Shares	Common Shares Stated Value	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, beginning of period	255,146,443	\$ 430.2	\$ 10.1	\$ 805.0	\$ (47.5)	\$ 1,197.8
Stock options exercised	401,745	2.1	–	–	–	2.1
Transfer upon exercise of stock options	–	1.1	(1.1)	–	–	–
Stock dividends	11,924	0.1	–	(0.1)	–	–
Stock-based compensation	–	–	0.8	–	–	0.8
Net earnings	–	–	–	27.2	–	27.2
Dividends	–	–	–	(7.6)	–	(7.6)
Other comprehensive loss	–	–	–	–	(35.9)	(35.9)
Balance, end of period	255,560,112	\$ 433.5	\$ 9.8	\$ 824.5	\$ (83.4)	\$ 1,184.4

The accompanying notes form an integral part of these Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income (Loss)

*(Unaudited)**three months ended June 30**(amounts in millions of Canadian dollars)*

	2010	2009
<b>Net earnings</b>	<b>\$ 39.4</b>	<b>\$ 27.2</b>
Other comprehensive income (loss), net of income taxes:		
<b>Foreign currency translation adjustment</b>		
Net foreign exchange gains (losses) on translation of financial statements of self-sustaining foreign operations	\$ 15.5	\$ (54.2)
Net change in losses on certain long-term debt denominated in foreign currency and designated as hedges on net investments in self-sustaining foreign operations	(4.2)	(1.9)
Reclassification to income	(0.3)	–
Income taxes	–	1.7
	<b>\$ 11.0</b>	<b>\$ (54.4)</b>
<b>Net changes in cash flow hedge</b>		
Net change in (losses) gains on derivative items designated as hedges of cash flows	\$ (4.4)	\$ 13.2
Reclassifications to income or to the related non-financial assets or liabilities	(8.4)	13.3
Income taxes	3.7	(8.0)
	<b>\$ (9.1)</b>	<b>\$ 18.5</b>
<b>Total other comprehensive income (loss)</b>	<b>\$ 1.9</b>	<b>\$ (35.9)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 41.3</b>	<b>\$ (8.7)</b>

The accompanying notes form an integral part of these Consolidated Financial Statements.

## Consolidated Statement of Accumulated Other Comprehensive Loss

<i>(Unaudited)</i> <i>as at June 30, 2010</i> <i>(amounts in millions of Canadian dollars)</i>	Foreign Currency Translation Adjustment	Cash Flow Hedge	Accumulated Other Comprehensive Loss
Balance in accumulated other comprehensive loss, beginning of period	\$ (226.4)	\$ 11.0	\$ (215.4)
Details of other comprehensive income:			
Net change in gains (losses)	11.3	(4.4)	6.9
Reclassification to income or to the related non-financial assets or liabilities	(0.3)	(8.4)	(8.7)
Income taxes	–	3.7	3.7
<b>Total other comprehensive income</b>	<b>\$ 11.0</b>	<b>\$ (9.1)</b>	<b>\$ 1.9</b>
Balance in accumulated other comprehensive loss, end of period	\$ (215.4)	\$ 1.9	\$ (213.5)

The accompanying notes form an integral part of these Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

(Unaudited)

three months ended June 30

(amounts in millions of Canadian dollars)

	2010	2009
<b>Operating activities</b>		
Net earnings	\$ 39.4	\$ 27.2
Adjustments to reconcile earnings to cash flows from operating activities:		
Depreciation	18.0	19.3
Financing cost amortization	0.2	0.2
Amortization of intangible and other assets	4.9	4.0
Future income taxes	4.2	7.0
Investment tax credits	(1.1)	(1.7)
Stock-based compensation plans	5.7	0.8
Employee future benefits, net	1.3	(0.7)
Amortization of other long-term liabilities	(1.8)	(1.8)
Other	(4.2)	(6.2)
Changes in non-cash working capital (Note 7)	(110.9)	(68.0)
<b>Net cash used in operating activities</b>	<b>\$ (44.3)</b>	<b>\$ (19.9)</b>
<b>Investing activities</b>		
Business acquisitions, net of cash and cash equivalents acquired (Note 2)	\$ (18.1)	\$ (17.7)
Joint venture, net of cash and cash equivalents acquired	(1.9)	–
Capital expenditures	(22.3)	(32.0)
Proceeds from disposal of property, plant and equipment	–	7.6
Deferred development costs	(3.0)	(3.1)
Other	(5.0)	(1.5)
<b>Net cash used in investing activities</b>	<b>\$ (50.3)</b>	<b>\$ (46.7)</b>
<b>Financing activities</b>		
Proceeds from long-term debt, net of transaction costs and hedge accounting adjustment	\$ 5.4	\$ 145.2
Repayment of long-term debt	(7.1)	(84.5)
Proceeds from capital lease	–	16.9
Repayments of capital lease	(1.2)	(0.4)
Dividends paid	(7.6)	(7.6)
Common stock issuance	0.3	2.1
Other	(8.0)	(1.4)
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (18.2)</b>	<b>\$ 70.3</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>\$ 0.4</b>	<b>\$ (5.9)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (112.4)</b>	<b>\$ (2.2)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>312.9</b>	<b>195.2</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 200.5</b>	<b>\$ 193.0</b>

The accompanying notes form an integral part of these Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements (Unaudited)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of operations

CAE Inc. (or the Company) designs, manufactures and supplies simulation equipment and services and develops integrated training solutions for the military, commercial airlines, business aircraft operators, aircraft manufacturers, healthcare education and service providers and the mining industry. CAE's flight simulators replicate aircraft performance in normal and abnormal operations as well as a comprehensive set of environmental conditions utilizing visual systems that contain an extensive database of airports, other landing areas, flying environments, motion and sound cues to create a fully immersive training environment. The Company offers a range of flight training devices based on the same software used on its simulators. The Company also operates a global network of training centres in locations around the world.

The Company's operations are managed through four segments:

- (i) Simulation Products/Civil – Designs, manufactures and supplies civil flight simulators, training devices and visual systems;
- (ii) Simulation Products/Military – Designs, manufactures and supplies advanced military training equipment and software tools for air forces, armies and navies;
- (iii) Training & Services/Civil – Provides business and commercial aviation training for all flight and ground personnel and all associated services;
- (iv) Training & Services/Military – Supplies turnkey training services, support services, systems maintenance and modelling and simulation solutions.

#### Seasonality and cyclicity of the business

The Company's business operating segments are affected in varying degrees by market cyclicity and/or seasonality. As such, operating performance over a given interim period should not necessarily be considered indicative of full fiscal year performance.

The Simulation Products/Civil segment sells equipment directly to airlines and to the extent that the entire commercial airline industry is affected by cycles of expansion and contraction, the Company's performance will also be affected. The Training & Services/Civil segment activities are affected by the seasonality of its industry – in times of peak travel (such as holidays), airline and business jet pilots are generally occupied flying aircraft rather than attending training sessions. The opposite also holds true – slower travel periods tend to be more active training periods for pilots. Therefore, the Company has historically experienced greater demand for training services in the first and fourth quarters of the fiscal year and lower demand during the second and third quarters.

Order intake for the Military segments can be impacted by the unique nature of military contracts and the irregular timing in which they are awarded.

#### Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires CAE's management (management) to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses for the period reported. Management reviews its estimates on an ongoing basis, particularly as they relate to accounting for long-term contracts, useful lives, employee future benefits, income taxes, impairment of long-lived assets, asset retirement obligations, fair value of certain financial instruments, goodwill and intangible assets, based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates.

#### Generally accepted accounting principles and financial statement presentation

These interim unaudited consolidated financial statements have been prepared in accordance with GAAP.

These consolidated financial statements comply with GAAP applicable to interim financial statements and have been prepared on a basis consistent with the Company's annual consolidated financial statements for the year ended March 31, 2010.

These consolidated statements do not include all of the disclosures applicable to annual consolidated financial statements; for a full description of the Company's accounting policies, refer to the Company's annual consolidated financial statements for the year ended March 31, 2010 available on-line at [www.sedar.com](http://www.sedar.com), at [www.sec.gov](http://www.sec.gov), as well as on the Company's website at [www.cae.com](http://www.cae.com). While management believes that the disclosures presented are adequate and that the disclosures highlight all material changes during the quarter, these interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements.

Except where otherwise noted, all amounts in these consolidated financial statements are expressed in Canadian dollars.

**Basis of consolidation**

The consolidated financial statements include the accounts of CAE Inc. and all majority-owned subsidiaries, and variable interest entities for which the Company is the primary beneficiary. They also include the Company's proportionate share of assets, liabilities and earnings of joint ventures in which the Company has an interest (refer to Note 3). All significant intercompany accounts and transactions have been eliminated. The investments over which the Company exercises significant influence are accounted for using the equity method and portfolio investments are accounted at fair value unless there is no quoted price in an active market.

**NOTE 2 – BUSINESS ACQUISITIONS****Datamine Corporate Limited**

In April 2010, the Company acquired Datamine Corporate Limited (Datamine) for a total cost, including acquisition costs and excluding working capital adjustments, of \$23.9 million settled in cash and an additional consideration of \$2.7 million to be paid. Datamine is a supplier of mining optimization software tools and services. The allocation of the purchase price is preliminary and is expected to be completed in the near future.

**Academia Aeronautica de Evora S.A.**

In June 2010, the Company acquired the remaining non-controlling interest of Academia Aeronautica de Evora S.A. for a total cost of \$0.4 million settled in cash.

Goodwill recognized for these transactions amounts to \$16.3 million, which is not deductible for tax purposes. As well, a customer relationship intangible asset in the amount of \$3.4 million, a technology intangible asset in the amount of \$3.4 million and a tradename intangible asset in the amount of \$0.8 million have been recognized regarding these transactions. These transactions were accounted for under the purchase method and the operating results have been included in the consolidated results of the Company since the date of each respective acquisition. The net assets of these acquisitions are included in the Training & Services/Civil segment.

**NOTE 3 – INVESTMENTS IN JOINT VENTURES**

The Company's consolidated balance sheets and consolidated statements of earnings and cash flows include, on a proportionate consolidation basis, the impact of its joint venture companies of Zhuhai Xiang Yi Aviation Technology Company Limited – 49%, Helicopter Training Media International GmbH – 50%, Helicopter Flight Training Services GmbH – 25%, the Emirates-CAE Flight Training centre – 50%, Embraer CAE Training Services LLC – 49%, HATSOFF Helicopter Training Private Limited – 50%, National Flying Training Institute Private Limited – 51%, CAE Bangalore training centre – 50%, Rotorsim S.r.l. – 50% (starting fiscal 2010), Embraer CAE Training Services (U.K.) Limited – 49% (starting fiscal 2010) and China Southern West Australia Flying College – 47% (starting fiscal 2011).

Except for the Helicopter Training Media International GmbH joint venture, whose operations are essentially focused on designing, manufacturing and supplying advanced helicopter military training product applications, the other joint venture companies' operations are focused on providing civil and military aviation training and related services.

The impact on the Company's consolidated financial statements from all joint ventures is as follows:

<i>(Unaudited)</i> <i>(amounts in millions)</i>	<b>As at June 30</b> <b>2010</b>	As at March 31 2010
<b>Assets</b>		
Current assets	<b>\$ 52.1</b>	\$ 54.0
Property, plant and equipment and other non-current assets	<b>261.4</b>	238.6
<b>Liabilities</b>		
Current liabilities	<b>35.0</b>	33.4
Long-term debt (including current portion)	<b>115.8</b>	117.2
Deferred gains and other long-term liabilities	<b>8.0</b>	7.3

<i>(Unaudited)</i> <i>three months ended June 30</i> <i>(amounts in millions)</i>	<b>2010</b>	2009
<b>Earnings</b>		
Revenue	<b>\$ 19.8</b>	\$ 21.5
Net earnings	<b>4.8</b>	4.2
Segmented operating income		
Simulation Products/Military	<b>0.6</b>	1.5
Training and Services/Civil	<b>3.5</b>	3.8
Training and Services/Military	<b>2.7</b>	0.1
<b>Cash flows provided by (used in):</b>		
Operating activities	<b>\$ 1.1</b>	\$ (3.4)
Investing activities	<b>(9.0)</b>	(9.4)
Financing activities	<b>(3.5)</b>	(1.0)

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are carried net of an allowance for doubtful accounts. This provision is established based on the Company's best estimates regarding the ultimate recovery of balances for which collection is uncertain. Uncertainty of ultimate collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client and delay in collection beyond the contractually agreed upon payment terms. Management regularly reviews accounts receivable, monitors past due balances and assesses the appropriateness of the allowance for doubtful accounts.

Details of accounts receivable were as follows:

<i>(Unaudited)</i> <i>(amounts in millions)</i>	<b>As at June 30</b> <b>2010</b>	As at March 31 2010
Past due trade receivables		
1-30 days	\$ 31.0	\$ 18.2
31-60 days	17.1	11.8
61-90 days	12.0	9.3
Greater than 90 days	21.3	16.8
Total	\$ 81.4	\$ 56.1
Allowance for doubtful accounts	(7.0)	(5.6)
Current trade receivables	103.3	84.9
Accrued receivables	31.7	31.7
Derivative assets	15.6	27.9
Other receivables	35.9	42.5
Total accounts receivable	\$ 260.9	\$ 237.5

Changes in the allowance for doubtful accounts were as follows:

<i>(Unaudited)</i> <i>three months ended June 30</i> <i>(amounts in millions)</i>	<b>2010</b>	2009
Allowance for doubtful accounts, beginning of period	\$ (5.6)	\$ (8.2)
Additions	(1.7)	(1.2)
Amounts charged off	0.4	2.1
Foreign exchange	(0.1)	0.4
Allowance for doubtful accounts, end of period	\$ (7.0)	\$ (6.9)

**NOTE 5 – INVENTORIES**

<i>(Unaudited)</i> <i>(amounts in millions)</i>	<b>As at June 30</b> <b>2010</b>	As at March 31 2010
Work in progress	\$ 97.1	\$ 87.8
Raw materials, supplies and manufacturing products	39.6	39.1
	\$ 136.7	\$ 126.9

The amount of inventory recognized as cost of sales was as follows:

<i>(Unaudited)</i> <i>three months ended June 30</i> <i>(amounts in millions)</i>	<b>2010</b>	2009
Work in progress	\$ 24.0	\$ 17.4
Raw materials, supplies and manufacturing products	5.5	6.8
	\$ 29.5	\$ 24.2

**NOTE 6 – DEBT FACILITIES AND INTEREST EXPENSE, NET****Credit facility refinancing**

During the quarter, the Company refinanced its existing credit facility which was due to expire in July 2010. The agreement is a committed three-year revolving credit facility of US\$450.0 million with an option to increase to a total amount of up to US\$650.0 million maturing in April 2013. The facility has covenants requiring a minimum fixed charge coverage and a maximum debt coverage. The applicable interest rate on this revolving term credit facility is at the option of the Company, based on the bank's prime rate, bankers' acceptance rates or LIBOR plus a spread which depends on the credit rating assigned by Standard & Poor's Rating Services. As at June 30, 2010, there were no draw downs.

**Interest expense, net**

Details of interest expense (income) are as follows:

*(Unaudited)*

*three months ended June 30*

*(amounts in millions)*

	2010	2009
Long-term debt interest expense	\$ 7.1	\$ 7.1
Amortization of deferred financing costs and other	0.7	0.8
Interest capitalized	(1.0)	(1.2)
Interest on long-term debt	\$ 6.8	\$ 6.7
Interest income	\$ (1.0)	\$ (0.6)
Other interest expense (income), net	1.1	0.5
Interest expense (income), net	\$ 0.1	\$ (0.1)
Interest expense, net	\$ 6.9	\$ 6.6

**NOTE 7 – SUPPLEMENTARY CASH FLOWS AND EARNINGS INFORMATION**

*(Unaudited)*

*three months ended June 30*

*(amounts in millions)*

	2010	2009
<i>Cash (used in) provided by non-cash working capital:</i>		
Accounts receivable	\$ (22.7)	\$ 34.6
Contracts in progress	(9.9)	(26.5)
Inventories	0.4	(2.7)
Prepaid expenses	(1.6)	0.9
Income taxes recoverable	(3.8)	(2.4)
Accounts payable and accrued liabilities	(68.0)	(72.7)
Deposits on contracts	(5.3)	0.8
Changes in non-cash working capital	\$ (110.9)	\$ (68.0)
<i>Supplemental cash flow disclosure:</i>		
Interest paid	\$ 11.3	\$ 8.4
Income taxes paid (received)	3.3	5.2
<i>Supplemental statements of earnings disclosure:</i>		
Foreign exchange gain (loss)	\$ 3.7	\$ (1.2)

**NOTE 8 – GOVERNMENT ASSISTANCE****Project Phoenix, Project Falcon and Project New Core Markets**

The following table provides information regarding contributions recognized and amounts not yet received for the aggregate projects Phoenix, Falcon and New Core Markets:

<i>(Unaudited)</i> <i>three months ended June 30</i> <i>(amounts in millions)</i>		<b>2010</b>
Outstanding contribution receivable, beginning of period		\$ 14.7
Contributions		10.1
Payments received		(13.2)
Outstanding contribution receivable, end of period		\$ 11.6

**Aggregate information about programs**

The following table provides information on the aggregate contributions recognized and aggregate royalty expenditures recognized for all programs:

<i>(Unaudited)</i> <i>three months ended June 30</i> <i>(amounts in millions)</i>	<b>2010</b>	<b>2009</b>
Contributions credited to capitalized expenditures:		
Project Phoenix	\$ –	\$ 1.5
Project Falcon	1.1	0.8
Project New Core Markets	2.6	–
Contributions credited to income:		
Project Phoenix	–	12.5
Project Falcon	6.4	2.1
Project New Core Markets	–	–
Total contributions:		
Project Phoenix	\$ –	\$ 14.0
Project Falcon	7.5	2.9
Project New Core Markets	2.6	–
Royalty expenses:	\$ 1.2	\$ 2.8

**NOTE 9 – EMPLOYEE FUTURE BENEFITS**

The following summarizes the components of the total benefit cost:

<i>(Unaudited)</i> <i>three months ended June 30</i> <i>(amounts in millions)</i>	<b>2010</b>	<b>2009</b>
Current service cost	\$ 2.1	\$ 1.9
Interest cost on projected pension obligations	3.9	3.8
Expected return on plan assets	(3.3)	(2.7)
Amortization of net actuarial loss	0.5	0.3
Amortization of past service costs	0.1	0.1
Net pension expense	\$ 3.3	\$ 3.4

**NOTE 10 – OPERATING SEGMENTS AND GEOGRAPHIC INFORMATION****Results by segment**

The profitability measure employed by the Company for making decisions about allocating resources to segments and assessing segment performance is earnings before other income (expense), interest, income taxes and discontinued operations (hereinafter referred to as segment operating income). The accounting principles used to prepare the information by operating segment are the same as those used to prepare the Company's consolidated financial statements. Transactions between operating segments are mainly simulator transfers from the Simulation Products/Civil segment to the Training & Services/Civil segment, which are recorded at cost. The method used for the allocation of assets jointly used by operating segments and costs and liabilities jointly incurred (mostly corporate costs) between operating segments is based on the level of utilization when determinable and measurable, otherwise the allocation is made based on a proportion of each segment's cost of sales.

<i>(Unaudited)</i> three months ended June 30 <i>(amounts in millions)</i>	Simulation Products		Training & Services		Total	
	2010	2009	2010	2009	2010	2009
<b>Civil</b>						
External revenue	\$ 66.9	\$ 83.1	\$ 117.6	\$ 114.7	\$ 184.5	\$ 197.8
Segment operating income	8.2	16.7	22.2	20.8	30.4	37.5
Depreciation and amortization						
Property, plant and equipment	1.2	1.1	13.0	15.0	14.2	16.1
Intangible and other assets	0.3	0.4	3.0	1.9	3.3	2.3
Capital expenditures	1.4	1.3	11.5	23.7	12.9	25.0
<b>Military</b>						
External revenue	\$ 115.8	\$ 118.5	\$ 66.4	\$ 66.7	\$ 182.2	\$ 185.2
Segment operating income	18.0	22.2	13.8	12.6	31.8	34.8
Depreciation and amortization						
Property, plant and equipment	1.5	1.5	2.3	1.7	3.8	3.2
Intangible and other assets	1.0	1.1	0.6	0.6	1.6	1.7
Capital expenditures	1.8	1.5	7.6	5.5	9.4	7.0
<b>Total</b>						
External revenue	\$ 182.7	\$ 201.6	\$ 184.0	\$ 181.4	\$ 366.7	\$ 383.0
Segment operating income	26.2	38.9	36.0	33.4	62.2	72.3
Depreciation and amortization						
Property, plant and equipment	2.7	2.6	15.3	16.7	18.0	19.3
Intangible and other assets	1.3	1.5	3.6	2.5	4.9	4.0
Capital expenditures	3.2	2.8	19.1	29.2	22.3	32.0

**Earnings before interest and income taxes**

The following table provides a reconciliation between total Segment Operating Income and earnings before interest and income taxes:

*(Unaudited)*

*three months ended June 30*

*(amounts in millions)*

	<b>2010</b>	2009
Total segment operating income	<b>\$ 62.2</b>	\$ 72.3
Restructuring charge	-	(27.2)
Earnings before interest and income taxes	<b>\$ 62.2</b>	\$ 45.1

**Assets employed by segment**

The Company uses assets employed to assess resources allocated to each segment. Assets employed include accounts receivable, contracts in progress, inventories, prepaid expenses, property, plant and equipment, goodwill, intangible assets and other assets. Assets employed exclude cash, income tax accounts and assets of certain non-operating subsidiaries.

*(Unaudited)*

*(amounts in millions)*

	<b>As at June 30 2010</b>	As at March 31 2010
Simulation Products/Civil	<b>\$ 245.5</b>	\$ 236.6
Simulation Products/Military	<b>434.0</b>	424.5
Training & Services/Civil	<b>1,208.3</b>	1,150.3
Training & Services/Military	<b>324.4</b>	300.1
Total assets employed	<b>\$ 2,212.2</b>	\$ 2,111.5
Assets not included in assets employed	<b>\$ 415.7</b>	\$ 510.4
Total assets	<b>\$ 2,627.9</b>	\$ 2,621.9

**Geographic information**

The Company markets its products and services in over 20 countries. Sales are attributed to countries based on the location of customers.

*(Unaudited)*

*three months ended June 30*

*(amounts in millions)*

	<b>2010</b>	2009
Revenue from external customers		
Canada	<b>\$ 45.0</b>	\$ 31.2
United States	<b>108.5</b>	117.9
United Kingdom	<b>38.1</b>	43.6
Germany	<b>30.3</b>	39.3
Netherlands	<b>15.0</b>	15.7
Other European countries	<b>36.7</b>	45.4
China	<b>14.7</b>	13.9
United Arab Emirates	<b>17.7</b>	28.2
Other Asian countries	<b>32.8</b>	22.4
Australia	<b>16.1</b>	13.2
Other countries	<b>11.8</b>	12.2
	<b>\$ 366.7</b>	\$ 383.0

*(Unaudited)*

*(amounts in millions)*

	<b>As at June 30 2010</b>	As at March 31 2010
Property, plant and equipment, goodwill and intangible assets		
Canada	<b>\$ 285.8</b>	\$ 268.7
United States	<b>358.4</b>	355.1
South America	<b>58.8</b>	55.8
United Kingdom	<b>182.7</b>	156.2
Spain	<b>79.5</b>	85.4
Germany	<b>67.6</b>	72.5
Belgium	<b>67.8</b>	72.1
Netherlands	<b>89.5</b>	96.7
Other European countries	<b>67.8</b>	71.0
United Arab Emirates	<b>77.2</b>	68.4
Other Asian countries	<b>131.0</b>	119.2
Other countries	<b>20.8</b>	13.4
	<b>\$ 1,486.9</b>	\$ 1,434.5