

Reconciliation of adjusted segment operating income

<i>Three months ended December 31</i>	Civil Aviation		Defence		Healthcare		Total	
	Training Solutions	2020	and Security	2020	2021	2020	2021	2020
Operating income (loss)	\$ 57.1	\$ 48.4	\$ 16.5	\$ 21.8	\$ (8.1)	\$ 12.7	\$ 65.5	\$ 82.9
Restructuring, integration and acquisition costs	26.3	13.6	15.5	0.5	5.4	0.2	47.2	14.3
Adjusted segment operating income (loss) (SOI)	\$ 83.4	\$ 62.0	\$ 32.0	\$ 22.3	\$ (2.7)	\$ 12.9	\$ 112.7	\$ 97.2
COVID-19 government support programs	—	3.6	—	6.4	—	0.6	—	10.6
Adjusted SOI excluding COVID-19 government support programs	\$ 83.4	\$ 58.4	\$ 32.0	\$ 15.9	\$ (2.7)	\$ 12.3	\$ 112.7	\$ 86.6

Reconciliation of adjusted net income and adjusted earnings per share

<i>(amounts in millions, except per share amounts)</i>	Three months ended	
	December 31	2020
	2021	2020
Net income (loss) attributable to equity holders of the Company	\$ 26.2	\$ 48.8
Restructuring, integration and acquisition costs, after tax	34.5	11.2
Adjusted net income	\$ 60.7	\$ 60.0
COVID-19 government support programs, after tax	\$ —	\$ 7.8
Adjusted net income excluding COVID-19 government support programs	\$ 60.7	\$ 52.2
Average number of shares outstanding (diluted)	318.7	273.0
Adjusted EPS	\$ 0.19	\$ 0.22
Adjusted EPS excluding COVID-19 government support programs	\$ 0.19	\$ 0.19

Reconciliation of free cash flow

<i>(amounts in millions)</i>	Q3-2022	Q3-2021
Cash provided by operating activities*	\$ 99.2	\$ 125.7
Changes in non-cash working capital	210.4	109.1
Net cash provided by operating activities	\$ 309.6	\$ 234.8
Maintenance capital expenditures	(18.1)	(5.3)
Change in other assets	(10.1)	(9.2)
Proceeds from the disposal of property, plant and equipment	0.2	1.5
Net (payments to) proceeds from equity accounted investees	(19.5)	0.5
Dividends received from equity accounted investees	20.0	1.7
Free cash flow	\$ 282.1	\$ 224.0

* before changes in non-cash working capital

Reconciliation of capital employed and net debt

<i>(amounts in millions)</i>	As at December 31 2021	As at March 31 2021
Use of capital:		
Current assets	\$ 2,196.1	\$ 3,378.6
Less: cash and cash equivalents	(463.5)	(926.1)
Current liabilities	(1,861.7)	(2,633.3)
Less: current portion of long-term debt	195.9	216.3
Non-cash working capital	\$ 66.8	\$ 35.5
Property, plant and equipment	2,132.1	1,969.4
Other long-term assets	4,887.0	3,400.4
Other long-term liabilities	(760.9)	(767.1)
Total capital employed	\$ 6,325.0	\$ 4,638.2
Source of capital:		
Current portion of long-term debt	\$ 195.9	\$ 216.3
Long-term debt	2,578.1	2,135.2
Less: cash and cash equivalents	(463.5)	(926.1)
Net debt	\$ 2,310.5	\$ 1,425.4
Equity attributable to equity holders of the Company	3,938.5	3,140.5
Non-controlling interests	76.0	72.3
Source of capital	\$ 6,325.0	\$ 4,638.2

For non-GAAP and other financial measures monitored by CAE, and a reconciliation of such measures to the most directly comparable measure under GAAP, please refer to Section 5 of CAE's MD&A for the quarter ended December 31, 2021 filed with the Canadian Securities Administrators available on our website (www.cae.com) and on SEDAR (www.sedar.com).

Consolidated Income (Loss) Statement

<i>(Unaudited)</i>	Three months ended		Nine months ended	
	December 31		December 31	
<i>(amounts in millions of Canadian dollars, except per share amounts)</i>	2021	2020	2021	2020
Revenue	\$ 848.7	\$ 832.4	\$ 2,416.3	\$ 2,087.6
Cost of sales	606.2	603.5	1,732.4	1,559.7
Gross profit	\$ 242.5	\$ 228.9	\$ 683.9	\$ 527.9
Research and development expenses	31.7	36.5	85.9	82.2
Selling, general and administrative expenses	117.5	105.3	345.5	287.4
Other (gains) and losses	(6.3)	(1.5)	(16.1)	92.4
Share of after-tax profit of equity accounted investees	(13.1)	(8.6)	(33.2)	(0.3)
Restructuring, integration and acquisition costs	47.2	14.3	110.9	65.4
Operating income	\$ 65.5	\$ 82.9	\$ 190.9	\$ 0.8
Finance expense – net	34.5	33.3	98.1	103.6
Earnings (loss) before income taxes	\$ 31.0	\$ 49.6	\$ 92.8	\$ (102.8)
Income tax expense (recovery)	2.6	(0.1)	(0.1)	(36.5)
Net income (loss)	\$ 28.4	\$ 49.7	\$ 92.9	\$ (66.3)
Attributable to:				
Equity holders of the Company	\$ 26.2	\$ 48.8	\$ 86.6	\$ (67.0)
Non-controlling interests	2.2	0.9	6.3	0.7
Earnings (loss) per share attributable to equity holders of the Company				
Basic and diluted	\$ 0.08	\$ 0.18	\$ 0.28	\$ (0.25)

Consolidated Statement of Comprehensive Income (Loss)

<i>(Unaudited)</i>	Three months ended December 31		Nine months ended December 31	
<i>(amounts in millions of Canadian dollars)</i>	2021	2020	2021	2020
Net income (loss)	\$ 28.4	\$ 49.7	\$ 92.9	\$ (66.3)
Items that may be reclassified to net income (loss)				
Foreign currency exchange differences on translation of foreign operations	\$ (22.7)	\$ (79.2)	\$ (10.9)	\$ (198.8)
Net gain (loss) on hedges of net investment in foreign operations	2.2	53.1	(5.3)	125.3
Reclassification to income of foreign currency exchange differences	(1.1)	(3.3)	(4.3)	(19.8)
Net gain (loss) on cash flow hedges	9.5	17.0	(8.2)	60.4
Reclassification to income of gains on cash flow hedges	(12.1)	(6.0)	(12.0)	(18.4)
Income taxes	2.5	(4.5)	3.0	(15.5)
	\$ (21.7)	\$ (22.9)	\$ (37.7)	\$ (66.8)
Items that will never be reclassified to net income (loss)				
Remeasurement of defined benefit pension plan obligations	\$ (20.9)	\$ 7.1	\$ 15.2	\$ (100.8)
Net loss on financial assets carried at fair value through OCI	—	(1.8)	—	(1.8)
Income taxes	5.6	(1.7)	(3.9)	26.8
	\$ (15.3)	\$ 3.6	\$ 11.3	\$ (75.8)
Other comprehensive loss	\$ (37.0)	\$ (19.3)	\$ (26.4)	\$ (142.6)
Total comprehensive (loss) income	\$ (8.6)	\$ 30.4	\$ 66.5	\$ (208.9)
Attributable to:				
Equity holders of the Company	\$ (10.4)	\$ 31.3	\$ 60.4	\$ (205.0)
Non-controlling interests	1.8	(0.9)	6.1	(3.9)

Consolidated Statement of Financial Position

<i>(Unaudited)</i>	December 31	March 31
<i>(amounts in millions of Canadian dollars)</i>	2021	2021
Assets		
Cash and cash equivalents	\$ 463.5	\$ 926.1
Restricted funds for subscription receipts deposit	—	700.1
Accounts receivable	522.5	518.6
Contract assets	538.4	461.9
Inventories	546.9	647.8
Prepayments	57.3	52.1
Income taxes recoverable	46.2	39.8
Derivative financial assets	21.3	32.2
Total current assets	\$ 2,196.1	\$ 3,378.6
Property, plant and equipment	2,132.1	1,969.4
Right-of-use assets	349.8	308.5
Intangible assets	3,428.9	2,055.8
Investment in equity accounted investees	454.8	422.2
Deferred tax assets	121.7	104.9
Derivative financial assets	6.7	13.2
Other non-current assets	525.1	495.8
Total assets	\$ 9,215.2	\$ 8,748.4
Liabilities and equity		
Accounts payable and accrued liabilities	\$ 890.9	\$ 945.6
Provisions	34.0	52.6
Income taxes payable	16.7	16.2
Contract liabilities	698.7	674.7
Current portion of long-term debt	195.9	216.3
Liabilities for subscription receipts	—	714.1
Derivative financial liabilities	25.5	13.8
Total current liabilities	\$ 1,861.7	\$ 2,633.3
Provisions	25.5	30.9
Long-term debt	2,578.1	2,135.2
Royalty obligations	145.7	141.8
Employee benefits obligations	216.7	222.2
Deferred tax liabilities	78.3	123.5
Derivative financial liabilities	1.4	3.1
Other non-current liabilities	293.3	245.6
Total liabilities	\$ 5,200.7	\$ 5,535.6
Equity		
Share capital	\$ 2,223.9	\$ 1,516.2
Contributed surplus	37.6	22.5
Accumulated other comprehensive income	35.4	58.1
Retained earnings	1,641.6	1,543.7
Equity attributable to equity holders of the Company	\$ 3,938.5	\$ 3,140.5
Non-controlling interests	76.0	72.3
Total equity	\$ 4,014.5	\$ 3,212.8
Total liabilities and equity	\$ 9,215.2	\$ 8,748.4

Consolidated Statement of Changes in Equity

(Unaudited)

Nine months ended December 31, 2021 (amounts in millions of Canadian dollars, except number of shares)	Attributable to equity holders of the Company								Total equity
	Common shares			Accumulated other		Retained earnings	Total	Non-controlling interests	
	Number of shares	Stated value	Contributed surplus	comprehensive income					
Balances as at March 31, 2021	293,355,463	\$ 1,516.2	\$ 22.5	\$ 58.1	\$ 1,543.7	\$ 3,140.5	\$ 72.3	\$ 3,212.8	
Net income	—	\$ —	\$ —	\$ —	\$ 86.6	\$ 86.6	\$ 6.3	\$ 92.9	
Other comprehensive (loss) income	—	—	—	(37.5)	11.3	(26.2)	(0.2)	(26.4)	
Total comprehensive (loss) income	—	\$ —	\$ —	\$ (37.5)	\$ 97.9	\$ 60.4	\$ 6.1	\$ 66.5	
Issuance of common shares upon conversion of									
subscription receipts	22,400,000	677.2	12.5	—	—	689.7	—	689.7	
Exercise of stock options	1,227,885	30.5	(4.0)	—	—	26.5	—	26.5	
Share-based payments expense	—	—	6.6	—	—	6.6	—	6.6	
Transfer of realized cash flow hedge losses related									
to business combinations	—	—	—	14.8	—	14.8	—	14.8	
Transactions with non-controlling interests	—	—	—	—	—	—	(2.4)	(2.4)	
Balances as at December 31, 2021	316,983,348	\$ 2,223.9	\$ 37.6	\$ 35.4	\$ 1,641.6	\$ 3,938.5	\$ 76.0	\$ 4,014.5	

Nine months ended December 31, 2020 (amounts in millions of Canadian dollars, except number of shares)	Attributable to equity holders of the Company								Total equity
	Common shares			Accumulated other		Retained earnings	Total	Non-controlling interests	
	Number of shares	Stated value	Contributed surplus	comprehensive income					
Balances as at March 31, 2020	265,619,627	\$ 679.5	\$ 26.9	\$ 193.2	\$ 1,590.1	\$ 2,489.7	\$ 88.6	\$ 2,578.3	
Net (loss) income	—	\$ —	\$ —	\$ —	\$ (67.0)	\$ (67.0)	\$ 0.7	\$ (66.3)	
Other comprehensive loss	—	—	—	(64.0)	(74.0)	(138.0)	(4.6)	(142.6)	
Total comprehensive loss	—	\$ —	\$ —	\$ (64.0)	\$ (141.0)	\$ (205.0)	\$ (3.9)	\$ (208.9)	
Issuance of common shares under an equity offering	16,594,126	478.8	—	—	—	478.8	—	478.8	
Exercise of stock options	547,025	11.1	(1.4)	—	—	9.7	—	9.7	
Share-based payments expense	—	—	8.8	—	—	8.8	—	8.8	
Transactions with non-controlling interests	—	—	—	—	—	—	(5.8)	(5.8)	
Balances as at December 31, 2020	282,760,778	\$ 1,169.4	\$ 34.3	\$ 129.2	\$ 1,449.1	\$ 2,782.0	\$ 78.9	\$ 2,860.9	

Consolidated Statement of Cash Flows

(Unaudited)

Nine months ended December 31

(amounts in millions of Canadian dollars)

	2021	2020
Operating activities		
Net income (loss)	\$ 92.9	\$ (66.3)
Adjustments for:		
Depreciation and amortization	229.6	241.0
Impairment of non-financial assets	33.7	137.6
Share of after-tax profit of equity accounted investees	(33.2)	(0.3)
Deferred income taxes	(18.1)	(39.5)
Investment tax credits	(21.4)	(22.6)
Share-based payments expense	3.3	2.5
Defined benefit pension plans	10.0	11.8
Other non-current liabilities	(32.8)	(15.0)
Derivative financial assets and liabilities – net	8.1	(27.5)
Other	40.4	44.8
Changes in non-cash working capital	(101.1)	(74.5)
Net cash provided by operating activities	\$ 211.4	\$ 192.0
Investing activities		
Business combinations, net of cash acquired	\$ (1,384.8)	\$ (134.7)
Acquisition of investment in equity accounted investees	(4.3)	—
Additions to property, plant and equipment	(197.5)	(57.1)
Proceeds from disposal of property, plant and equipment	8.1	1.7
Additions to intangible assets	(64.4)	(45.0)
Net (payments to) proceeds from equity accounted investees	(19.9)	1.4
Dividends received from equity accounted investees	20.6	11.7
Other	(2.4)	(5.1)
Net cash used in investing activities	\$ (1,644.6)	\$ (227.1)
Financing activities		
Net repayment of borrowing under revolving credit facilities	\$ —	\$ (705.6)
Proceeds from long-term debt	422.4	23.3
Repayment of long-term debt	(60.9)	(18.4)
Repayment of lease liabilities	(75.5)	(59.9)
Net proceeds from the issuance of common shares	695.5	482.6
Other	(3.0)	(0.7)
Net cash provided by (used in) financing activities	\$ 978.5	\$ (278.7)
Effect of foreign currency exchange differences on cash and cash equivalents	\$ (7.9)	\$ (12.8)
Net decrease in cash and cash equivalents	\$ (462.6)	\$ (326.6)
Cash and cash equivalents, beginning of period	926.1	946.5
Cash and cash equivalents, end of period	\$ 463.5	\$ 619.9

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