

Reconciliation of adjusted segment operating income

<i>Three months ended September 30</i>	Civil Aviation		Defence		Healthcare		Total	
	Training Solutions	2020	and Security	2020	2021	2020	2021	2020
Operating income (loss)	\$ 49.9	\$ 15.5	\$ (8.9)	\$ 11.4	\$ (1.8)	\$ 1.3	\$ 39.2	\$ 28.2
Restructuring, integration and acquisition costs	15.4	36.4	35.6	12.8	0.5	1.9	51.5	51.1
Adjusted segment operating income (loss) (SOI)	\$ 65.3	\$ 51.9	\$ 26.7	\$ 24.2	\$ (1.3)	\$ 3.2	\$ 90.7	\$ 79.3
COVID-19 government support programs	—	17.7	—	16.9	—	0.6	—	35.2
Adjusted SOI excluding COVID-19 government support programs	\$ 65.3	\$ 34.2	\$ 26.7	\$ 7.3	\$ (1.3)	\$ 2.6	\$ 90.7	\$ 44.1

Reconciliation of adjusted net income and adjusted earnings per share

<i>(amounts in millions, except per share amounts)</i>	Three months ended	
	September 30	2020
	2021	2020
Net income (loss) attributable to equity holders of the Company	\$ 14.0	\$ (5.2)
Restructuring, integration and acquisition costs, after tax	39.2	39.4
Adjusted net income	\$ 53.2	\$ 34.2
COVID-19 government support programs, after tax	\$ —	\$ 25.8
Adjusted net income excluding COVID-19 government support programs	\$ 53.2	\$ 8.4
Average number of shares outstanding (diluted)	318.7	265.8
Adjusted EPS	\$ 0.17	\$ 0.13
Adjusted EPS excluding COVID-19 government support programs	\$ 0.17	\$ 0.03

Reconciliation of free cash flow

<i>(amounts in millions)</i>	Q2-2022	Q2-2021
Cash provided by operating activities*	\$ 78.2	\$ 103.9
Changes in non-cash working capital	(47.3)	(58.3)
Net cash provided by operating activities	\$ 30.9	\$ 45.6
Maintenance capital expenditures	(10.3)	(4.6)
Change in other assets	(8.0)	(0.6)
Proceeds from the disposal of property, plant and equipment	6.1	0.2
Net proceeds from equity accounted investees	0.1	0.4
Dividends received from equity accounted investees	0.6	3.9
Free cash flow	\$ 19.4	\$ 44.9

* before changes in non-cash working capital

Reconciliation of capital employed and net debt

<i>(amounts in millions)</i>	As at September 30 2021	As at March 31 2021
Use of capital:		
Current assets	\$ 2,156.6	\$ 3,378.6
Less: cash and cash equivalents	(340.4)	(926.1)
Current liabilities	(1,703.3)	(2,633.3)
Less: current portion of long-term debt	205.7	216.3
Non-cash working capital	\$ 318.6	\$ 35.5
Property, plant and equipment	2,111.9	1,969.4
Other long-term assets	4,884.1	3,400.4
Other long-term liabilities	(814.5)	(767.1)
Total capital employed	\$ 6,500.1	\$ 4,638.2
Source of capital:		
Current portion of long-term debt	\$ 205.7	\$ 216.3
Long-term debt	2,616.2	2,135.2
Less: cash and cash equivalents	(340.4)	(926.1)
Net debt	\$ 2,481.5	\$ 1,425.4
Equity attributable to equity holders of the Company	3,944.4	3,140.5
Non-controlling interests	74.2	72.3
Source of capital	\$ 6,500.1	\$ 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 September 30, 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 September 30		Six months ended September 30	
<i>(amounts in millions of Canadian dollars, except per share amounts)</i>	2021	2020	2021	2020
Revenue	\$ 814.9	\$ 704.7	\$ 1,567.6	\$ 1,255.2
Cost of sales	587.3	513.7	1,126.2	956.2
Gross profit	\$ 227.6	\$ 191.0	\$ 441.4	\$ 299.0
Research and development expenses	30.7	25.6	54.2	45.7
Selling, general and administrative expenses	122.1	88.2	228.0	182.1
Other (gains) and losses	(4.1)	(2.7)	(9.8)	93.9
Share of after-tax (profit) loss of equity accounted investees	(11.8)	0.6	(20.1)	8.3
Restructuring, integration and acquisition costs	51.5	51.1	63.7	51.1
Operating income (loss)	\$ 39.2	\$ 28.2	\$ 125.4	\$ (82.1)
Finance expense – net	35.0	35.2	63.6	70.3
Earnings (loss) before income taxes	\$ 4.2	\$ (7.0)	\$ 61.8	\$ (152.4)
Income tax recovery	(13.0)	(1.0)	(2.7)	(36.4)
Net income (loss)	\$ 17.2	\$ (6.0)	\$ 64.5	\$ (116.0)
Attributable to:				
Equity holders of the Company	\$ 14.0	\$ (5.2)	\$ 60.4	\$ (115.8)
Non-controlling interests	3.2	(0.8)	4.1	(0.2)
Earnings (loss) per share attributable to equity holders of the Company				
Basic and diluted	\$ 0.04	\$ (0.02)	\$ 0.20	\$ (0.44)

Consolidated Statement of Comprehensive Income (Loss)

<i>(Unaudited)</i>	Three months ended September 30		Six months ended September 30	
<i>(amounts in millions of Canadian dollars)</i>	2021	2020	2021	2020
Net income (loss)	\$ 17.2	\$ (6.0)	\$ 64.5	\$ (116.0)
Items that may be reclassified to net income (loss)				
Foreign currency exchange differences on translation of foreign operations	\$ 49.4	\$ (13.7)	\$ 11.8	\$ (119.6)
Net (loss) gain on hedges of net investment in foreign operations	(21.9)	25.1	(7.5)	72.2
Reclassification to income of foreign currency exchange differences	(1.0)	(10.7)	(3.2)	(16.5)
Net (loss) gain on cash flow hedges	(3.9)	13.1	(17.7)	43.4
Reclassification to income of losses (gains) on cash flow hedges	3.8	(7.4)	0.1	(12.4)
Income taxes	(5.6)	(3.6)	0.5	(11.0)
	\$ 20.8	\$ 2.8	\$ (16.0)	\$ (43.9)
Items that will never be reclassified to net income (loss)				
Remeasurement of defined benefit pension plan obligations	\$ 32.5	\$ 15.1	\$ 36.1	\$ (107.9)
Net gain on financial assets carried at fair value through OCI	—	0.1	—	—
Income taxes	(8.6)	(3.8)	(9.5)	28.5
	\$ 23.9	\$ 11.4	\$ 26.6	\$ (79.4)
Other comprehensive income (loss)	\$ 44.7	\$ 14.2	\$ 10.6	\$ (123.3)
Total comprehensive income (loss)	\$ 61.9	\$ 8.2	\$ 75.1	\$ (239.3)
Attributable to:				
Equity holders of the Company	\$ 58.0	\$ 9.4	\$ 70.8	\$ (236.3)
Non-controlling interests	3.9	(1.2)	4.3	(3.0)

Consolidated Statement of Financial Position

(Unaudited)

(amounts in millions of Canadian dollars)

September 30
2021

March 31
2021

	September 30 2021	March 31 2021
Assets		
Cash and cash equivalents	\$ 340.4	\$ 926.1
Restricted funds for subscription receipts deposit	—	700.1
Accounts receivable	559.1	518.6
Contract assets	588.9	461.9
Inventories	537.6	647.8
Prepayments	59.3	52.1
Income taxes recoverable	53.1	39.8
Derivative financial assets	18.2	32.2
Total current assets	\$ 2,156.6	\$ 3,378.6
Property, plant and equipment	2,111.9	1,969.4
Right-of-use assets	357.9	308.5
Intangible assets	3,431.1	2,055.8
Investment in equity accounted investees	445.0	422.2
Deferred tax assets	119.5	104.9
Derivative financial assets	7.2	13.2
Other non-current assets	523.4	495.8
Total assets	\$ 9,152.6	\$ 8,748.4
Liabilities and equity		
Accounts payable and accrued liabilities	\$ 796.1	\$ 945.6
Provisions	42.0	52.6
Income taxes payable	16.2	16.2
Contract liabilities	634.6	674.7
Current portion of long-term debt	205.7	216.3
Liabilities for subscription receipts	—	714.1
Derivative financial liabilities	8.7	13.8
Total current liabilities	\$ 1,703.3	\$ 2,633.3
Provisions	28.8	30.9
Long-term debt	2,616.2	2,135.2
Royalty obligations	149.3	141.8
Employee benefits obligations	198.1	222.2
Deferred tax liabilities	93.7	123.5
Derivative financial liabilities	2.9	3.1
Other non-current liabilities	341.7	245.6
Total liabilities	\$ 5,134.0	\$ 5,535.6
Equity		
Share capital	\$ 2,219.7	\$ 1,516.2
Contributed surplus	37.3	22.5
Accumulated other comprehensive income	56.7	58.1
Retained earnings	1,630.7	1,543.7
Equity attributable to equity holders of the Company	\$ 3,944.4	\$ 3,140.5
Non-controlling interests	74.2	72.3
Total equity	\$ 4,018.6	\$ 3,212.8
Total liabilities and equity	\$ 9,152.6	\$ 8,748.4

Consolidated Statement of Changes in Equity

(Unaudited)

Six months ended September 30, 2021 (amounts in millions of Canadian dollars, except number of shares)	Attributable to equity holders of the Company							
	Common shares		Contributed surplus	Accumulated other		Retained earnings	Non-controlling interests	Total equity
	Number of shares	Stated value		comprehensive income	Total			
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	—	\$ —	\$ —	\$ —	\$ 60.4	\$ 60.4	\$ 4.1	\$ 64.5
Other comprehensive (loss) income	—	—	—	(16.2)	26.6	10.4	0.2	10.6
Total comprehensive (loss) income	—	\$ —	\$ —	\$ (16.2)	\$ 87.0	\$ 70.8	\$ 4.3	\$ 75.1
Issuance of common shares upon conversion of subscription receipts	22,400,000	677.2	12.5	—	—	689.7	—	689.7
Exercise of stock options	1,032,293	26.3	(3.5)	—	—	22.8	—	22.8
Share-based payments expense	—	—	5.8	—	—	5.8	—	5.8
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 September 30, 2021	316,787,756	\$ 2,219.7	\$ 37.3	\$ 56.7	\$ 1,630.7	\$ 3,944.4	\$ 74.2	\$ 4,018.6

Six months ended September 30, 2020 (amounts in millions of Canadian dollars, except number of shares)	Attributable to equity holders of the Company							
	Common shares		Contributed surplus	Accumulated other		Retained earnings	Non-controlling interests	Total equity
	Number of shares	Stated value		comprehensive income	Total			
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	—	\$ —	\$ —	\$ —	\$ (115.8)	\$ (115.8)	\$ (0.2)	\$ (116.0)
Other comprehensive loss	—	—	—	(41.1)	(79.4)	(120.5)	(2.8)	(123.3)
Total comprehensive loss	—	\$ —	\$ —	\$ (41.1)	\$ (195.2)	\$ (236.3)	\$ (3.0)	\$ (239.3)
Exercise of stock options	167,500	2.8	(0.4)	—	—	2.4	—	2.4
Share-based payments expense	—	—	7.5	—	—	7.5	—	7.5
Balances as at September 30, 2020	265,787,127	\$ 682.3	\$ 34.0	\$ 152.1	\$ 1,394.9	\$ 2,263.3	\$ 85.6	\$ 2,348.9

Consolidated Statement of Cash Flows

(Unaudited)

Six months ended September 30

(amounts in millions of Canadian dollars)

	2021	2020
Operating activities		
Net income (loss)	\$ 64.5	\$ (116.0)
Adjustments for:		
Depreciation and amortization	149.7	161.8
Impairment of non-financial assets	11.3	128.3
Share of after-tax (profit) loss of equity accounted investees	(20.1)	8.3
Deferred income taxes	(8.9)	(46.1)
Investment tax credits	(13.3)	(8.6)
Share-based payments expense	(1.8)	12.9
Defined benefit pension plans	11.9	9.6
Other non-current liabilities	(15.8)	(9.2)
Derivative financial assets and liabilities – net	15.6	(30.1)
Other	20.2	29.9
Changes in non-cash working capital	(311.5)	(183.6)
Net cash used in operating activities	\$ (98.2)	\$ (42.8)
Investing activities		
Business combinations, net of cash acquired	\$ (1,376.4)	\$ —
Acquisition of investment in equity accounted investees	(4.3)	—
Additions to property, plant and equipment	(120.6)	(33.2)
Proceeds from disposal of property, plant and equipment	7.9	0.2
Additions to intangible assets	(38.9)	(28.7)
Net (payments to) proceeds from equity accounted investees	(0.4)	0.9
Dividends received from equity accounted investees	0.6	10.0
Other	(2.4)	(0.1)
Net cash used in investing activities	\$ (1,534.5)	\$ (50.9)
Financing activities		
Net repayment of borrowing under revolving credit facilities	\$ —	\$ (555.4)
Proceeds from long-term debt	414.5	17.3
Repayment of long-term debt	(21.9)	(11.7)
Repayment of lease liabilities	(32.4)	(39.0)
Net proceeds from the issuance of common shares	691.8	2.4
Other	(1.1)	(0.7)
Net cash provided by (used in) financing activities	\$ 1,050.9	\$ (587.1)
Effect of foreign currency exchange differences on cash and cash equivalents	\$ (3.9)	\$ (7.7)
Net decrease in cash and cash equivalents	\$ (585.7)	\$ (688.5)
Cash and cash equivalents, beginning of period	926.1	946.5
Cash and cash equivalents, end of period	\$ 340.4	\$ 258.0

Contacts

Investor Relations:

Andrew Arnovitz, Senior Vice President, Investor Relations and Enterprise Risk Management
1-514-734-5760, andrew.arnovitz@cae.com

Media:

Hélène V. Gagnon, Senior Vice President, Public Affairs, Global Communications and Corporate Social Responsibility 1-514-340-5536, helene.v.gagnon@cae.com