

Reconciliation of adjusted segment operating income

Three months ended June 30	Civil Aviation		Defense and Security		Healthcare		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Operating income (loss)	\$ 75.4	\$ 59.0	\$ (30.3)	\$ 22.6	\$ (5.7)	\$ 4.6	\$ 39.4
Restructuring, integration and acquisition costs	11.2	10.7	9.1	1.1	1.2	0.4	21.5	12.2
Adjusted segment operating income (loss)	\$ 86.6	\$ 69.7	\$ (21.2)	\$ 23.7	\$ (4.5)	\$ 5.0	\$ 60.9	\$ 98.4
COVID-19 government support programs	—	5.2	—	8.0	—	0.4	—	13.6
Adjusted SOI excluding COVID-19 government support programs	\$ 86.6	\$ 64.5	\$ (21.2)	\$ 15.7	\$ (4.5)	\$ 4.6	\$ 60.9	\$ 84.8

Reconciliation of adjusted net income and adjusted earnings per share

(amounts in millions, except per share amounts)	Three months ended June 30	
	2022	2021
Net income attributable to equity holders of the Company	\$ 1.7	\$ 46.4
Restructuring, integration and acquisition costs, after tax	15.9	9.2
Adjusted net income	\$ 17.6	\$ 55.6
COVID-19 government support programs, after tax	\$ —	\$ 10.0
Adjusted net income excluding COVID-19 government support programs	\$ 17.6	\$ 45.6
Average number of shares outstanding (diluted)	318.2	295.8
Adjusted EPS	\$ 0.06	\$ 0.19
Adjusted EPS excluding COVID-19 government support programs	\$ 0.06	\$ 0.15

Reconciliation of free cash flow

(amounts in millions)	Q1-2023	Q1-2022
Cash provided by operating activities*	\$ 67.7	\$ 135.1
Changes in non-cash working capital	(230.3)	(264.2)
Net cash used in operating activities	\$ (162.6)	\$ (129.1)
Maintenance capital expenditures	(16.9)	(10.9)
Change in ERP and other assets	(14.4)	(8.9)
Proceeds from the disposal of property, plant and equipment	4.0	1.8
Net proceeds from (payments to) equity accounted investees	1.1	(0.5)
Dividends received from equity accounted investees	6.4	—
Free cash flow	\$ (182.4)	\$ (147.6)

* before changes in non-cash working capital

Reconciliation of capital employed and net debt

<i>(amounts in millions)</i>	As at June 30 2022	As at March 31 2022
Use of capital:		
Current assets	\$ 2,169.1	\$ 2,148.6
Less: cash and cash equivalents	(206.0)	(346.1)
Current liabilities	(2,051.0)	(2,091.2)
Less: current portion of long-term debt	228.8	241.8
Non-cash working capital	\$ 140.9	\$ (46.9)
Property, plant and equipment	2,170.8	2,129.3
Intangible assets	3,872.5	3,796.3
Other long-term assets	1,543.6	1,504.6
Other long-term liabilities	(547.8)	(596.6)
Total capital employed	\$ 7,180.0	\$ 6,786.7
Source of capital:		
Current portion of long-term debt	\$ 228.8	\$ 241.8
Long-term debt	3,003.1	2,804.4
Less: cash and cash equivalents	(206.0)	(346.1)
Net debt	\$ 3,025.9	\$ 2,700.1
Equity attributable to equity holders of the Company	4,079.4	4,009.7
Non-controlling interests	74.7	76.9
Source of capital	\$ 7,180.0	\$ 6,786.7

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 June 30, 2022 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	
<i>(amounts in millions of Canadian dollars, except per share amounts)</i>	June 30	
	2022	2021
Revenue	\$ 933.3	\$ 752.7
Cost of sales	700.4	538.9
Gross profit	\$ 232.9	\$ 213.8
Research and development expenses	40.7	23.5
Selling, general and administrative expenses	145.1	105.9
Other (gains) and losses	(2.4)	(5.7)
Share of after-tax profit of equity accounted investees	(11.4)	(8.3)
Restructuring, integration and acquisition costs	21.5	12.2
Operating income	\$ 39.4	\$ 86.2
Finance expense – net	36.2	28.6
Earnings before income taxes	\$ 3.2	\$ 57.6
Income tax (recovery) expense	(0.5)	10.3
Net income	\$ 3.7	\$ 47.3
Attributable to:		
Equity holders of the Company	\$ 1.7	\$ 46.4
Non-controlling interests	2.0	0.9
Earnings per share attributable to equity holders of the Company		
Basic and diluted	\$ 0.01	\$ 0.16

Consolidated Statement of Comprehensive Income (Loss)

<i>(Unaudited)</i>	Three months ended	
<i>(amounts in millions of Canadian dollars)</i>	June 30	
	2022	2021
Net income	\$ 3.7	\$ 47.3
Items that may be reclassified to net income		
Foreign currency exchange differences on translation of foreign operations	\$ 56.3	\$ (37.6)
Net (loss) gain on hedges of net investment in foreign operations	(43.6)	14.4
Reclassification to income of foreign currency exchange differences	(0.2)	(2.2)
Net gain (loss) on cash flow hedges	8.3	(13.8)
Reclassification to income of gains on cash flow hedges	(15.9)	(3.7)
Income taxes	3.5	6.1
	\$ 8.4	\$ (36.8)
Items that will never be reclassified to net income		
Remeasurement of defined benefit pension plan obligations	\$ 62.1	\$ 3.6
Income taxes	(16.5)	(0.9)
	\$ 45.6	\$ 2.7
Other comprehensive income (loss)	\$ 54.0	\$ (34.1)
Total comprehensive income	\$ 57.7	\$ 13.2
Attributable to:		
Equity holders of the Company	\$ 54.9	\$ 12.8
Non-controlling interests	2.8	0.4

Consolidated Statement of Financial Position

<i>(Unaudited)</i>	June 30	March 31
<i>(amounts in millions of Canadian dollars)</i>	2022	2022
Assets		
Cash and cash equivalents	\$ 206.0	\$ 346.1
Accounts receivable	658.1	556.9
Contract assets	612.0	608.3
Inventories	550.4	519.8
Prepayments	71.3	56.7
Income taxes recoverable	42.8	33.2
Derivative financial assets	28.5	27.6
Total current assets	\$ 2,169.1	\$ 2,148.6
Property, plant and equipment	2,170.8	2,129.3
Right-of-use assets	363.9	373.0
Intangible assets	3,872.5	3,796.3
Investment in equity accounted investees	463.9	454.0
Employee benefits assets	29.9	—
Deferred tax assets	111.2	117.4
Derivative financial assets	15.6	10.5
Other non-current assets	559.1	549.7
Total assets	\$ 9,756.0	\$ 9,578.8
Liabilities and equity		
Accounts payable and accrued liabilities	\$ 895.0	\$ 975.1
Provisions	31.8	36.7
Income taxes payable	27.8	22.7
Contract liabilities	833.8	788.3
Current portion of long-term debt	228.8	241.8
Derivative financial liabilities	33.8	26.6
Total current liabilities	\$ 2,051.0	\$ 2,091.2
Provisions	20.7	20.6
Long-term debt	3,003.1	2,804.4
Royalty obligations	121.1	126.0
Employee benefits obligations	81.7	109.7
Deferred tax liabilities	96.1	93.7
Derivative financial liabilities	1.4	1.0
Other non-current liabilities	226.8	245.6
Total liabilities	\$ 5,601.9	\$ 5,492.2
Equity		
Share capital	\$ 2,237.9	\$ 2,224.7
Contributed surplus	40.2	38.6
Accumulated other comprehensive income	(23.6)	(31.2)
Retained earnings	1,824.9	1,777.6
Equity attributable to equity holders of the Company	\$ 4,079.4	\$ 4,009.7
Non-controlling interests	74.7	76.9
Total equity	\$ 4,154.1	\$ 4,086.6
Total liabilities and equity	\$ 9,756.0	\$ 9,578.8

Consolidated Statement of Changes in Equity

(Unaudited)

Three months ended June 30, 2022

(amounts in millions of Canadian dollars,
except number of shares)

	Attributable to equity holders of the Company							Total equity
	Common shares		Contributed surplus	Accumulated other comprehensive income		Retained earnings	Non-controlling Total interests	
	Number of shares	Stated value						
Balances as at March 31, 2022	317,024,123	\$ 2,224.7	\$ 38.6	\$ (31.2)	\$ 1,777.6	\$ 4,009.7	\$ 76.9	\$ 4,086.6
Net income	—	\$ —	\$ —	\$ —	\$ 1.7	\$ 1.7	\$ 2.0	\$ 3.7
Other comprehensive income	—	—	—	7.6	45.6	53.2	0.8	54.0
Total comprehensive income	—	\$ —	\$ —	\$ 7.6	\$ 47.3	\$ 54.9	\$ 2.8	\$ 57.7
Exercise of stock options	645,277	13.2	(1.7)	—	—	11.5	—	11.5
Share-based payments expense	—	—	3.3	—	—	3.3	—	3.3
Transactions with non-controlling interests	—	—	—	—	—	—	(5.0)	(5.0)
Balances as at June 30, 2022	317,669,400	\$ 2,237.9	\$ 40.2	\$ (23.6)	\$ 1,824.9	\$ 4,079.4	\$ 74.7	\$ 4,154.1

Three months ended June 30, 2021

(amounts in millions of Canadian dollars,
except number of shares)

	Attributable to equity holders of the Company							Total equity
	Common shares		Contributed surplus	Accumulated other comprehensive income		Retained earnings	Non-controlling Total interests	
	Number of shares	Stated value						
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	—	\$ —	\$ —	\$ —	\$ 46.4	\$ 46.4	\$ 0.9	\$ 47.3
Other comprehensive (loss) income	—	—	—	(36.3)	2.7	(33.6)	(0.5)	(34.1)
Total comprehensive (loss) income	—	\$ —	\$ —	\$ (36.3)	\$ 49.1	\$ 12.8	\$ 0.4	\$ 13.2
Exercise of stock options	933,943	23.3	(3.1)	—	—	20.2	—	20.2
Share-based payments expense	—	—	4.6	—	—	4.6	—	4.6
Transactions with non-controlling interests	—	—	—	—	—	—	(2.4)	(2.4)
Balances as at June 30, 2021	294,289,406	\$ 1,539.5	\$ 24.0	\$ 21.8	\$ 1,592.8	\$ 3,178.1	\$ 70.3	\$ 3,248.4

Consolidated Statement of Cash Flows

(Unaudited)

Three months ended June 30

(amounts in millions of Canadian dollars)

	2022	2021
Operating activities		
Net income	\$ 3.7	\$ 47.3
Adjustments for:		
Depreciation and amortization	82.6	71.1
Impairment of non-financial assets	3.2	2.3
Share of after-tax profit of equity accounted investees	(11.4)	(8.3)
Deferred income taxes	(8.5)	(1.3)
Investment tax credits	(0.9)	(9.5)
Share-based payments expense	(4.8)	(8.7)
Defined benefit pension plans	4.3	6.8
Other non-current liabilities	(5.3)	(2.3)
Derivative financial assets and liabilities – net	(6.0)	20.3
Other	10.8	17.4
Changes in non-cash working capital	(230.3)	(264.2)
Net cash used in operating activities	\$ (162.6)	\$ (129.1)
Investing activities		
Business combinations, net of cash acquired	\$ —	\$ (16.0)
Additions to property, plant and equipment	(73.9)	(73.9)
Proceeds from disposal of property, plant and equipment	4.0	1.8
Additions to intangible assets	(25.4)	(19.3)
Net proceeds from (payments to) equity accounted investees	1.1	(0.5)
Dividends received from equity accounted investees	6.4	—
Other	(5.0)	(2.4)
Net cash used in investing activities	\$ (92.8)	\$ (110.3)
Financing activities		
Net proceeds from borrowing under revolving credit facilities	\$ 133.3	\$ —
Proceeds from long-term debt	8.9	6.7
Repayment of long-term debt	(23.6)	(7.9)
Repayment of lease liabilities	(12.3)	(12.6)
Net proceeds from the issuance of common shares	11.5	20.2
Net cash provided by financing activities	\$ 117.8	\$ 6.4
Effect of foreign currency exchange differences on cash and cash equivalents	\$ (2.5)	\$ (2.6)
Net decrease in cash and cash equivalents	\$ (140.1)	\$ (235.6)
Cash and cash equivalents, beginning of period	346.1	926.1
Cash and cash equivalents, end of period	\$ 206.0	\$ 690.5

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