

Reconciliations and Calculations

Reconciliation of adjusted segment operating income (loss)

<i>(amounts in millions)</i>	Civil Aviation		Defense and Security		Healthcare		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<i>Three months ended December 31</i>								
Operating income (loss)	\$ 117.2	\$ 57.1	\$ 24.9	\$ 16.5	\$ 3.8	\$ (8.1)	\$ 145.9	\$ 65.5
Restructuring, integration and acquisition costs	11.2	26.3	(6.3)	15.5	—	5.4	4.9	47.2
Impairments and other gains and losses arising from significant strategic transactions or specific events:								
Impairment reversal of non-financial assets following their repurposing and optimization	3.0	—	6.8	—	—	—	9.8	—
Adjusted segment operating income (loss)	\$ 131.4	\$ 83.4	\$ 25.4	\$ 32.0	\$ 3.8	\$ (2.7)	\$ 160.6	\$ 112.7

Reconciliation of adjusted net income and adjusted EPS

<i>(amounts in millions, except per share amounts)</i>	Three months ended December 31	
	2022	2021
Net income attributable to equity holders of the Company	\$ 78.1	\$ 26.2
Restructuring, integration and acquisition costs, after tax	4.0	34.5
Impairments and other gains and losses arising from significant strategic transactions or specific events:		
Impairment reversal of non-financial assets following their repurposing and optimization, after tax	7.1	—
Adjusted net income	\$ 89.2	\$ 60.7
Average number of shares outstanding (diluted)	318.3	318.7
Adjusted EPS	\$ 0.28	\$ 0.19

Reconciliation of free cash flow

<i>(amounts in millions)</i>	Three months ended December 31	
	2022	2021
Cash provided by operating activities*	\$ 158.7	\$ 99.2
Changes in non-cash working capital	93.7	210.4
Net cash provided by operating activities	\$ 252.4	\$ 309.6
Maintenance capital expenditures	(16.1)	(18.1)
Change in ERP and other assets	(10.8)	(10.1)
Proceeds from the disposal of property, plant and equipment	0.3	0.2
Net payments to equity accounted investees	(2.0)	(19.5)
Dividends received from equity accounted investees	13.9	20.0
Free cash flow	\$ 237.7	\$ 282.1

* before changes in non-cash working capital

Reconciliation of EBITDA, adjusted EBITDA, net debt-to-EBITDA and net debt-to-adjusted EBITDA

	Last twelve months ended	
	December 31	
<i>(amounts in millions, except net debt-to-EBITDA ratios)</i>	2022	2021
Operating income	\$ 380.7	\$ 238.5
Depreciation and amortization	333.7	308.1
EBITDA	\$ 714.4	\$ 546.6
Restructuring, integration and acquisition costs	85.0	169.5
Impairments and other gains and losses arising from significant strategic transactions or specific events:		
Impairment reversal of non-financial assets following their repurposing and optimization	9.8	—
Cloud computing transition adjustment	13.4	—
Adjusted EBITDA	\$ 822.6	\$ 716.1
Net debt	\$ 3,073.0	\$ 2,310.5
Net debt-to-EBITDA	4.30	4.23
Net debt-to-adjusted EBITDA	3.74	3.23

Reconciliation of capital employed and net debt

<i>(amounts in millions)</i>	As at December 31 2022	As at March 31 2022
Use of capital:		
Current assets	\$ 2,178.8	\$ 2,148.6
Less: cash and cash equivalents	(191.6)	(346.1)
Current liabilities	(2,240.4)	(2,091.2)
Less: current portion of long-term debt	220.9	241.8
Non-cash working capital	\$ (32.3)	\$ (46.9)
Property, plant and equipment	2,352.8	2,129.3
Intangible assets	4,040.1	3,796.3
Other long-term assets	1,700.7	1,504.6
Other long-term liabilities	(533.5)	(596.6)
Capital employed	\$ 7,527.8	\$ 6,786.7
Source of capital:		
Current portion of long-term debt	\$ 220.9	\$ 241.8
Long-term debt	3,043.7	2,804.4
Less: cash and cash equivalents	(191.6)	(346.1)
Net debt	\$ 3,073.0	\$ 2,700.1
Equity attributable to equity holders of the Company	4,373.4	4,009.7
Non-controlling interests	81.4	76.9
Capital employed	\$ 7,527.8	\$ 6,786.7

For non-IFRS and other financial measures monitored by CAE, and a reconciliation of such measures to the most directly comparable measure under IFRS, please refer to Section 5 of CAE's MD&A for the quarter ended December 31, 2022 (which is incorporated by reference into this press release) available on our website (www.cae.com), SEDAR (www.sedar.com) and EDGAR (www.sec.gov).

Supplementary non-financial information definitions

Full-flight simulators (FFSs) in CAE's network

A FFS is a full-size replica of a specific make, model and series of an aircraft cockpit, including a motion system. In our count of FFSs in the network, we generally only include FFSs that are of the highest fidelity and do not include any fixed based training devices, or other lower-level devices, as these are typically used in addition to FFSs in the same approved training programs.

Simulator equivalent unit (SEU)

SEU is a measure we use to show the total average number of FFSs available to generate earnings during the period. For example, in the case of a 50/50 flight training joint venture, we will report only 50% of the FFSs under this joint venture as a SEU. If a FFS is being powered down and relocated, it will not be included as a SEU until the FFS is re-installed and available to generate earnings.

Utilization rate

Utilization rate is a measure we use to assess the performance of our Civil simulator training network. While utilization rate does not perfectly correlate to revenue recognized, we track it, together with other measures, because we believe it is an indicator of our operating performance. We calculate it by taking the number of training hours sold on our simulators during the period divided by the practical training capacity available for the same period.

Consolidated Income 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>	2022	2021	2022	2021
Revenue	\$ 1,020.3	\$ 848.7	\$ 2,946.8	\$ 2,416.3
Cost of sales	722.3	606.2	2,142.3	1,732.4
Gross profit	\$ 298.0	\$ 242.5	\$ 804.5	\$ 683.9
Research and development expenses	30.2	31.7	103.1	85.9
Selling, general and administrative expenses	138.1	117.5	411.2	345.5
Other (gains) and losses	(6.7)	(6.3)	(12.3)	(16.1)
Share of after-tax profit of equity accounted investees	(14.4)	(13.1)	(33.9)	(33.2)
Restructuring, integration and acquisition costs	4.9	47.2	49.0	110.9
Operating income	\$ 145.9	\$ 65.5	\$ 287.4	\$ 190.9
Finance expense – net	48.8	34.5	126.3	98.1
Earnings before income taxes	\$ 97.1	\$ 31.0	\$ 161.1	\$ 92.8
Income tax expense (recovery)	17.1	2.6	31.1	(0.1)
Net income	\$ 80.0	\$ 28.4	\$ 130.0	\$ 92.9
Attributable to:				
Equity holders of the Company	\$ 78.1	\$ 26.2	\$ 124.3	\$ 86.6
Non-controlling interests	1.9	2.2	5.7	6.3
Earnings per share attributable to equity holders of the Company				
Basic and diluted	\$ 0.25	\$ 0.08	\$ 0.39	\$ 0.28

Consolidated Statement of Comprehensive Income

<i>(Unaudited)</i>	Three months ended December 31		Nine months ended December 31	
<i>(amounts in millions of Canadian dollars)</i>	2022	2021	2022	2021
Net income	\$ 80.0	\$ 28.4	\$ 130.0	\$ 92.9
Items that may be reclassified to net income				
Foreign currency exchange differences on translation of foreign operations	\$ 18.6	\$ (22.7)	\$ 310.5	\$ (10.9)
Net gain (loss) on hedges of net investment in foreign operations	30.3	2.2	(113.0)	(5.3)
Reclassification to income of gains on foreign currency exchange differences	(3.8)	(1.1)	(6.2)	(4.3)
Net (loss) gain on cash flow hedges	(4.7)	9.5	(10.2)	(8.2)
Reclassification to income of losses (gains) on cash flow hedges	9.5	(12.1)	(11.5)	(12.0)
Income taxes	(0.2)	2.5	12.2	3.0
	\$ 49.7	\$ (21.7)	\$ 181.8	\$ (37.7)
Items that will never be reclassified to net income				
Remeasurement of defined benefit pension plan obligations	\$ 8.8	\$ (20.9)	\$ 55.7	\$ 15.2
Income taxes	(2.4)	5.6	(14.9)	(3.9)
	\$ 6.4	\$ (15.3)	\$ 40.8	\$ 11.3
Other comprehensive income (loss)	\$ 56.1	\$ (37.0)	\$ 222.6	\$ (26.4)
Total comprehensive income (loss)	\$ 136.1	\$ (8.6)	\$ 352.6	\$ 66.5
Attributable to:				
Equity holders of the Company	\$ 133.9	\$ (10.4)	\$ 343.1	\$ 60.4
Non-controlling interests	2.2	1.8	9.5	6.1

Consolidated Statement of Financial Position

<i>(Unaudited)</i>	December 31	March 31
<i>(amounts in millions of Canadian dollars)</i>	2022	2022
Assets		
Cash and cash equivalents	\$ 191.6	\$ 346.1
Accounts receivable	616.0	556.9
Contract assets	629.2	608.3
Inventories	598.8	519.8
Prepayments	74.4	56.7
Income taxes recoverable	57.6	33.2
Derivative financial assets	11.2	27.6
Total current assets	\$ 2,178.8	\$ 2,148.6
Property, plant and equipment	2,352.8	2,129.3
Right-of-use assets	393.6	373.0
Intangible assets	4,040.1	3,796.3
Investment in equity accounted investees	515.2	454.0
Employee benefits assets	28.9	—
Deferred tax assets	119.1	117.4
Derivative financial assets	12.3	10.5
Other non-current assets	631.6	549.7
Total assets	\$ 10,272.4	\$ 9,578.8
Liabilities and equity		
Accounts payable and accrued liabilities	\$ 917.3	\$ 975.1
Provisions	26.1	36.7
Income taxes payable	38.2	22.7
Contract liabilities	971.9	788.3
Current portion of long-term debt	220.9	241.8
Derivative financial liabilities	66.0	26.6
Total current liabilities	\$ 2,240.4	\$ 2,091.2
Provisions	20.0	20.6
Long-term debt	3,043.7	2,804.4
Royalty obligations	125.6	126.0
Employee benefits obligations	89.6	109.7
Deferred tax liabilities	106.1	93.7
Derivative financial liabilities	7.6	1.0
Other non-current liabilities	184.6	245.6
Total liabilities	\$ 5,817.6	\$ 5,492.2
Equity		
Share capital	\$ 2,242.7	\$ 2,224.7
Contributed surplus	41.2	38.6
Accumulated other comprehensive income	146.8	(31.2)
Retained earnings	1,942.7	1,777.6
Equity attributable to equity holders of the Company	\$ 4,373.4	\$ 4,009.7
Non-controlling interests	81.4	76.9
Total equity	\$ 4,454.8	\$ 4,086.6
Total liabilities and equity	\$ 10,272.4	\$ 9,578.8

Consolidated Statement of Changes in Equity

(Unaudited)

Nine months ended December 31, 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 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	—	\$ —	\$ —	\$ —	\$ 124.3	\$ 124.3	\$ 5.7	\$ 130.0
Other comprehensive income	—	—	—	178.0	40.8	218.8	3.8	222.6
Total comprehensive income	—	\$ —	\$ —	\$ 178.0	\$ 165.1	\$ 343.1	\$ 9.5	\$ 352.6
Exercise of stock options	835,392	18.0	(2.5)	—	—	15.5	—	15.5
Share-based payments expense	—	—	5.1	—	—	5.1	—	5.1
Transactions with non-controlling interests	—	—	—	—	—	—	(5.0)	(5.0)
Balances as at December 31, 2022	317,859,515	\$ 2,242.7	\$ 41.2	\$ 146.8	\$ 1,942.7	\$ 4,373.4	\$ 81.4	\$ 4,454.8

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		Contributed surplus	Accumulated other comprehensive income		Retained earnings	Non-controlling 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	—	\$ —	\$ —	\$ —	\$ 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

Consolidated Statement of Cash Flows

(Unaudited)

Nine months ended December 31

(amounts in millions of Canadian dollars)

	2022	2021
Operating activities		
Net income	\$ 130.0	\$ 92.9
Adjustments for:		
Depreciation and amortization	252.8	229.6
Impairment (reversal) of non-financial assets – net	(4.0)	33.7
Share of after-tax profit of equity accounted investees	(33.9)	(33.2)
Deferred income taxes	(0.3)	(18.1)
Investment tax credits	0.4	(21.4)
Share-based payments expense	(5.7)	3.3
Defined benefit pension plans	6.2	10.0
Other non-current liabilities	(13.5)	(32.8)
Derivative financial assets and liabilities – net	9.4	8.1
Other	23.0	40.4
Changes in non-cash working capital	(136.6)	(101.1)
Net cash provided by operating activities	\$ 227.8	\$ 211.4
Investing activities		
Business combinations, net of cash acquired	\$ (6.4)	\$ (1,384.8)
Acquisition of investment in equity accounted investees	—	(4.3)
Property, plant and equipment expenditures	(205.9)	(197.5)
Proceeds from disposal of property, plant and equipment	4.8	8.1
Advance payments for property, plant and equipment	(30.1)	—
Intangible assets expenditures	(89.9)	(64.4)
Net payments to equity accounted investees	(10.5)	(19.9)
Dividends received from equity accounted investees	20.3	20.6
Other	(5.0)	(2.4)
Net cash used in investing activities	\$ (322.7)	\$ (1,644.6)
Financing activities		
Net proceeds from borrowing under revolving credit facilities	\$ 8.6	\$ —
Proceeds from long-term debt	22.1	422.4
Repayment of long-term debt	(55.7)	(60.9)
Repayment of lease liabilities	(62.1)	(75.5)
Net proceeds from the issuance of common shares	15.5	695.5
Other	(1.8)	(3.0)
Net cash (used in) provided by financing activities	\$ (73.4)	\$ 978.5
Effect of foreign currency exchange differences on cash and cash equivalents	\$ 13.8	\$ (7.9)
Net decrease in cash and cash equivalents	\$ (154.5)	\$ (462.6)
Cash and cash equivalents, beginning of period	346.1	926.1
Cash and cash equivalents, end of period	\$ 191.6	\$ 463.5

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