

Reconciliation of adjusted segment operating income

Three months ended June 30	Civil Aviation Training Solutions		Defence and Security		Healthcare		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Operating income (loss)	\$ 59.0	\$ (97.9)	\$ 22.6	\$ (9.2)	\$ 4.6	\$ (3.2)	\$ 86.2	\$ (110.3)
Restructuring, integration and acquisition costs	10.7	—	1.1	—	0.4	—	12.2	—
Impairments and other gains and losses incurred in relation to the COVID-19 pandemic	—	81.7	—	26.5	—	—	—	108.2
Adjusted segment operating income (loss) (SOI)	\$ 69.7	\$ (16.2)	\$ 23.7	\$ 17.3	\$ 5.0	\$ (3.2)	\$ 98.4	\$ (2.1)
COVID-19 government support programs	5.2	22.6	8.0	20.6	0.4	1.2	13.6	44.4
Adjusted SOI excluding COVID-19 government support programs	\$ 64.5	\$ (38.8)	\$ 15.7	\$ (3.3)	\$ 4.6	\$ (4.4)	\$ 84.8	\$ (46.5)

Reconciliation of adjusted net income and adjusted earnings per share

(amounts in millions, except per share amounts)	Three months ended June 30	
	2021	2020
Net income (loss) attributable to equity holders of the Company	\$ 46.4	\$ (110.6)
Restructuring, integration and acquisition costs, after tax	9.2	—
Impairments and other gains and losses incurred in relation to the COVID-19 pandemic, after tax	—	80.3
Adjusted net income (loss)	\$ 55.6	\$ (30.3)
COVID-19 government support programs, after tax	\$ 10.0	\$ 32.6
Adjusted net income (loss) excluding COVID-19 government support programs	\$ 45.6	\$ (62.9)
Average number of shares outstanding (diluted)	295.8	265.7
Adjusted EPS	\$ 0.19	\$ (0.11)
Adjusted EPS excluding COVID-19 government support programs	\$ 0.15	\$ (0.24)

Reconciliation of free cash flow

(amounts in millions)	Q1-2022	Q1-2021
Cash provided by operating activities*	\$ 135.1	\$ 37.6
Changes in non-cash working capital	(264.2)	(126.0)
Net cash used in operating activities	\$ (129.1)	\$ (88.4)
Maintenance capital expenditures	(10.9)	(9.0)
Change in other assets	(8.9)	(1.9)
Proceeds from the disposal of property, plant and equipment	1.8	—
Net (payments to) proceeds from equity accounted investees	(0.5)	0.5
Dividends received from equity accounted investees	—	6.1
Free cash flow	\$ (147.6)	\$ (92.7)

* before changes in non-cash working capital

Reconciliation of capital employed and net debt

<i>(amounts in millions)</i>	As at June 30 2021	As at March 31 2021
Use of capital:		
Current assets	\$ 3,091.1	\$ 3,378.6
Less: cash and cash equivalents	(690.5)	(926.1)
Current liabilities	(2,378.4)	(2,633.3)
Less: current portion of long-term debt	229.6	216.3
Non-cash working capital	\$ 251.8	\$ 35.5
Property, plant and equipment	1,976.8	1,969.4
Other long-term assets	3,453.6	3,400.4
Other long-term liabilities	(764.6)	(767.1)
Total capital employed	\$ 4,917.6	\$ 4,638.2
Source of capital:		
Current portion of long-term debt	\$ 229.6	\$ 216.3
Long-term debt	2,130.1	2,135.2
Less: cash and cash equivalents	(690.5)	(926.1)
Net debt	\$ 1,669.2	\$ 1,425.4
Equity attributable to equity holders of the Company	3,178.1	3,140.5
Non-controlling interests	70.3	72.3
Source of capital	\$ 4,917.6	\$ 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 June 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

(Unaudited)

Three months ended June 30

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

	2021	2020
Revenue	\$ 752.7	\$ 550.5
Cost of sales	538.9	442.5
Gross profit	\$ 213.8	\$ 108.0
Research and development expenses	23.5	20.1
Selling, general and administrative expenses	105.9	93.9
Other (gains) and losses	(5.7)	96.6
Share of after-tax (profit) loss of equity accounted investees	(8.3)	7.7
Restructuring, integration and acquisition costs	12.2	—
Operating income (loss)	\$ 86.2	\$ (110.3)
Finance expense – net	28.6	35.1
Earnings (loss) before income taxes	\$ 57.6	\$ (145.4)
Income tax expense (recovery)	10.3	(35.4)
Net income (loss)	\$ 47.3	\$ (110.0)
Attributable to:		
Equity holders of the Company	\$ 46.4	\$ (110.6)
Non-controlling interests	0.9	0.6
Earnings (loss) per share attributable to equity holders of the Company		
Basic and diluted	\$ 0.16	\$ (0.42)

Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

Three months ended June 30

(amounts in millions of Canadian dollars)

	2021	2020
Net income (loss)	\$ 47.3	\$ (110.0)
Items that may be reclassified to net income (loss)		
Foreign currency exchange differences on translation of foreign operations	\$ (37.6)	\$ (105.9)
Net gain on hedges of net investment in foreign operations	14.4	47.1
Reclassification to income of foreign currency exchange differences	(2.2)	(5.8)
Net (loss) gain on cash flow hedges	(13.8)	30.3
Reclassification to income of losses on cash flow hedges	(3.7)	(5.0)
Income taxes	6.1	(7.4)
	\$ (36.8)	\$ (46.7)
Items that will never be reclassified to net income (loss)		
Remeasurement of defined benefit pension plan obligations	\$ 3.6	\$ (123.0)
Net loss on financial assets carried at fair value through OCI	—	(0.1)
Income taxes	(0.9)	32.3
	\$ 2.7	\$ (90.8)
Other comprehensive loss	\$ (34.1)	\$ (137.5)
Total comprehensive income (loss)	\$ 13.2	\$ (247.5)
Attributable to:		
Equity holders of the Company	\$ 12.8	\$ (245.7)
Non-controlling interests	0.4	(1.8)

Consolidated Statement of Financial Position

<i>(Unaudited)</i>	June 30	March 31
<i>(amounts in millions of Canadian dollars)</i>	2021	2021
Assets		
Cash and cash equivalents	\$ 690.5	\$ 926.1
Restricted funds for subscription receipts deposit	700.4	700.1
Accounts receivable	532.2	518.6
Contract assets	487.1	461.9
Inventories	558.9	647.8
Prepayments	53.3	52.1
Income taxes recoverable	42.4	39.8
Derivative financial assets	26.3	32.2
Total current assets	\$ 3,091.1	\$ 3,378.6
Property, plant and equipment	1,976.8	1,969.4
Right-of-use assets	334.2	308.5
Intangible assets	2,067.2	2,055.8
Investment in equity accounted investees	423.3	422.2
Deferred tax assets	118.6	104.9
Derivative financial assets	12.5	13.2
Other non-current assets	497.8	495.8
Total assets	\$ 8,521.5	\$ 8,748.4
Liabilities and equity		
Accounts payable and accrued liabilities	\$ 766.3	\$ 945.6
Provisions	49.7	52.6
Income taxes payable	18.0	16.2
Contract liabilities	569.6	674.7
Current portion of long-term debt	229.6	216.3
Liabilities for subscription receipts	714.4	714.1
Derivative financial liabilities	30.8	13.8
Total current liabilities	\$ 2,378.4	\$ 2,633.3
Provisions	29.6	30.9
Long-term debt	2,130.1	2,135.2
Royalty obligations	145.4	141.8
Employee benefits obligations	225.3	222.2
Deferred tax liabilities	123.1	123.5
Derivative financial liabilities	3.3	3.1
Other non-current liabilities	237.9	245.6
Total liabilities	\$ 5,273.1	\$ 5,535.6
Equity		
Share capital	\$ 1,539.5	\$ 1,516.2
Contributed surplus	24.0	22.5
Accumulated other comprehensive income	21.8	58.1
Retained earnings	1,592.8	1,543.7
Equity attributable to equity holders of the Company	\$ 3,178.1	\$ 3,140.5
Non-controlling interests	70.3	72.3
Total equity	\$ 3,248.4	\$ 3,212.8
Total liabilities and equity	\$ 8,521.5	\$ 8,748.4

Consolidated Statement of Changes in Equity

(Unaudited)

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		Retained earnings	Non-controlling interests	
	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	—	\$ —	\$ —	\$ —	\$ 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

Three months ended June 30, 2020 (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		Retained earnings	Non-controlling interests	
	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) income	—	\$ —	\$ —	\$ —	\$ (110.6)	\$ (110.6)	\$ 0.6	\$ (110.0)
Other comprehensive loss	—	—	—	(44.4)	(90.7)	(135.1)	(2.4)	(137.5)
Total comprehensive loss	—	\$ —	\$ —	\$ (44.4)	\$ (201.3)	\$ (245.7)	\$ (1.8)	\$ (247.5)
Exercise of stock options	149,850	2.5	(0.3)	—	—	2.2	—	2.2
Share-based payments expense	—	—	6.3	—	—	6.3	—	6.3
Balances as at June 30, 2020	265,769,477	\$ 682.0	\$ 32.9	\$ 148.8	\$ 1,388.8	\$ 2,252.5	\$ 86.8	\$ 2,339.3

Consolidated Statement of Cash Flows

(Unaudited)

Three months ended June 30

(amounts in millions of Canadian dollars)

	2021	2020
Operating activities		
Net income (loss)	\$ 47.3	\$ (110.0)
Adjustments for:		
Depreciation and amortization	71.1	85.6
Impairment of non-financial assets	2.3	98.7
Share of after-tax (profit) loss of equity accounted investees	(8.3)	7.7
Deferred income taxes	(1.3)	(37.1)
Investment tax credits	(9.5)	(5.2)
Share-based payments expense	(8.7)	4.6
Defined benefit pension plans	6.8	4.9
Other non-current liabilities	(2.3)	1.0
Derivative financial assets and liabilities – net	20.3	(34.6)
Other	17.4	22.0
Changes in non-cash working capital	(264.2)	(126.0)
Net cash used in operating activities	\$ (129.1)	\$ (88.4)
Investing activities		
Business combinations, net of cash acquired	\$ (16.0)	\$ —
Additions to property, plant and equipment	(73.9)	(18.0)
Proceeds from disposal of property, plant and equipment	1.8	—
Additions to intangible assets	(19.3)	(17.8)
Net (payments to) proceeds from equity accounted investees	(0.5)	0.5
Dividends received from equity accounted investees	—	6.1
Other	(2.4)	(0.1)
Net cash used in investing activities	\$ (110.3)	\$ (29.3)
Financing activities		
Net repayment from borrowing under revolving credit facilities	\$ —	\$ (439.0)
Proceeds from long-term debt	6.7	6.3
Repayment of long-term debt	(7.9)	(5.7)
Repayment of lease liabilities	(12.6)	(19.2)
Net proceeds from the issuance of common shares	20.2	2.2
Other	—	(0.7)
Net cash provided by (used in) financing activities	\$ 6.4	\$ (456.1)
Effect of foreign currency exchange differences on cash and cash equivalents	\$ (2.6)	\$ (9.4)
Net decrease in cash and cash equivalents	\$ (235.6)	\$ (583.2)
Cash and cash equivalents, beginning of period	926.1	946.5
Cash and cash equivalents, end of period	\$ 690.5	\$ 363.3

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