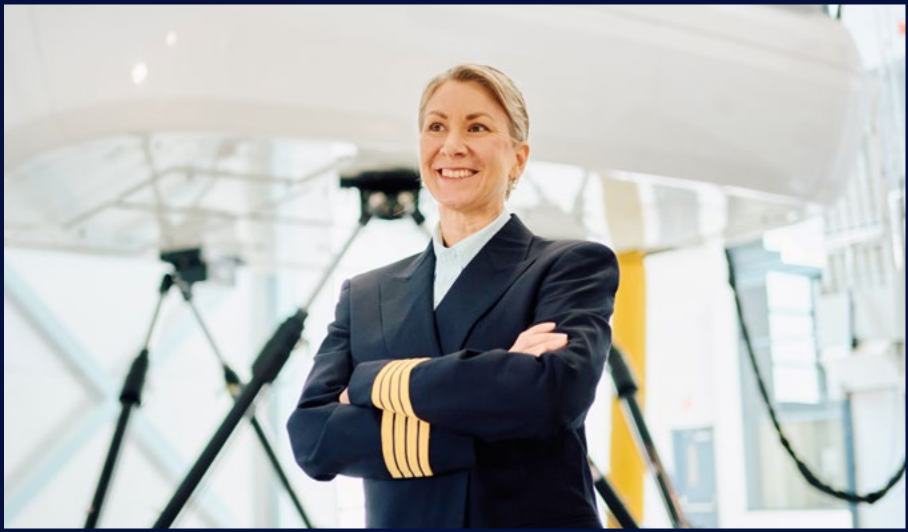




Second Quarter Report 2025

FINANCIAL REPORT FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024

CAE

Press Release

CAE reports second quarter fiscal 2025 results

- **Revenue of $1,136.6 million vs. $1,050.0 million in prior year**
- **Earnings per share (EPS) from continuing operations of $0.16 vs. $0.17 in prior year**
- **Adjusted EPS(1) of $0.24 vs. $0.26 in prior year**
- **Operating income of $118.1 million vs. $97.7 million in prior year**
- **Adjusted segment operating income(1) of $149.0 million vs. $135.6 million in prior year**
- **Free cash flow(1) of $140.0 million vs. $147.4 million in prior year**
- **Adjusted order intake(1) of $3.0 billion for a record $18.0 billion adjusted backlog(1)**
- **Successfully concludes AirCentre integration and enterprise-wide restructuring program**
- **Post quarter, CAE purchased a majority stake in SIMCOM for US$230 million and extend an exclusive business aviation training agreement with Flexjet and its affiliates to 15 years**
- **Company also announces CEO succession plan**

Montreal, Canada, November 12, 2024 - **(NYSE: CAE; TSX: CAE) -** CAE Inc. (CAE or the Company) today reported its financial results for the fiscal second quarter ended September 30, 2024. The Company also announced the conclusion of its integration of Sabre's AirCentre airline operations portfolio (AirCentre) and its enterprise-wide restructuring program to streamline CAE's operating model and portfolio, optimize its cost structure and create efficiencies.

“I am very pleased with our progress this quarter, which underscores our strong execution and the robust market demand for our Civil Aviation and Defense and Security solutions. In Defense, by leveraging our structural improvements and streamlined organization, we achieved notable growth and margin improvements,” said Marc Parent, CAE’s President and Chief Executive Officer. “We also made significant strides to retire risk by completing a Legacy Contract from our Defense backlog and to secure future growth with a $1.7 billion transformative award under Canada’s Future Aircrew Training Program.

“Despite the near-term supply chain challenges that have been impacting the airline industry, the long-term growth outlook for Civil remains strong, underscoring CAE’s compelling investment thesis. The important organic investment we announced last week to increase our stake in SIMCOM will strengthen our presence in the core business aviation training market, increase recurring revenue, and further our commitment to delivering world-class training solutions to an essential customer segment. Backed by $3.0 billion in consolidated adjusted order intake and a record $18.0 billion adjusted backlog this quarter, CAE's future is exceptionally bright.”

Consolidated results

Second quarter fiscal 2025 revenue was $1,136.6 million, compared with $1,050.0 million in the second quarter last year. Second quarter EPS from continuing operations was $0.16 compared to $0.17 last year. Adjusted EPS in the second quarter was $0.24 compared to $0.26 last year.

Operating income this quarter was $118.1 million (10.4% of revenue(1)), compared to $97.7 million (9.3% of revenue) last year. Second quarter adjusted segment operating income was $149.0 million (13.1% of revenue(1)) compared to $135.6 million (12.9% of revenue) last year. All financial information is in Canadian dollars and results are presented on a continuing operations basis, unless otherwise indicated. Comparative figures have been reclassified to reflect discontinued operations.

Summary of consolidated results

(amounts in millions, except per share amounts)		**Q2-2025**		Q2-2024	*Variance %*
Revenue	**$**	**1,136.6**	$	1,050.0	*8%*
Operating income	**$**	**118.1**	$	97.7	*21%*
Adjusted segment operating income[1]	**$**	**149.0**	$	135.6	*10%*
As a % of revenue[1]	***%***	***13.1***	*%*	*12.9*	
Net income attributable to equity holders of the Company	**$**	**52.5**	$	58.4	*(10%)*
Earnings per share (EPS) from continuing operations	**$**	**0.16**	$	0.17	*(6%)*
Adjusted EPS[1]	**$**	**0.24**	$	0.26	*(8%)*
Adjusted order intake[1]	**$**	**2,955.3**	$	1,145.1	*158%*
Adjusted backlog[1]	**$**	**18,041.2**	$	11,773.1	*53%*

[1] This press release includes non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures. These measures are not standardized financial measures prescribed under IFRS and therefore should not be confused with, or used as an alternative for, performance measures calculated according to IFRS. Furthermore, these measures should not be compared with similarly titled measures provided or used by other issuers. Refer to the *Non-IFRS and other financial measures* section of this press release for the definitions and a reconciliation of these measures to the most directly comparable measure under IFRS.

Civil Aviation (Civil)

Second quarter Civil revenue was $640.7 million vs. $572.6 million in the second quarter last year. Operating income was $94.7 million (14.8% of revenue) compared to $88.4 million (15.4% of revenue) in the same quarter last year. Adjusted segment operating income was $115.9 million (18.1% of revenue) compared to $114.3 million (20.0% of revenue) in the second quarter last year. During the quarter, Civil delivered 18 full-flight simulators (FFSs) to customers and second quarter Civil training centre utilization was 70%.

During the quarter, Civil signed training solutions contracts valued at $693.3 million, including a range of long-term commercial and business aviation training agreements, digital flight services contracts, and 16 FFS sales, including four involving the COMAC C919 narrow-body airliner.

The Civil book-to-sales ratio[1] was a 1.08 times for the quarter and 1.23 times for the last 12 months. The Civil adjusted backlog at the end of the quarter was $6.7 billion.

After the end of the quarter, CAE announced that it increased its ownership stake in its existing SIMCOM Aviation Training (SIMCOM) joint venture by purchasing a majority of SIMCOM shares from Volo Sicuro for US$230 million, subject to customary adjustments, to be financed with CAE's existing credit facility and cash on hand. As part of the transaction, Flexjet, LLC, a related party of Volo Sicuro, has retained a minority stake in SIMCOM. Additionally, CAE and SIMCOM have each extended their respective exclusive business aviation training services agreement with Flexjet and its affiliates by 5 years, resulting in a remaining exclusivity period of 15 years for both agreements.

Summary of Civil Aviation results

(amounts in millions)		**Q2-2025**		Q2-2024	*Variance %*
Revenue	**$**	**640.7**	$	572.6	*12%*
Operating income	**$**	**94.7**	$	88.4	*7%*
Adjusted segment operating income	**$**	**115.9**	$	114.3	*1%*
As a % of revenue	***%***	***18.1***	*%*	*20.0*	
Adjusted order intake	**$**	**693.3**	$	617.8	*12%*
Adjusted backlog	**$**	**6,663.1**	$	5,903.1	*13%*
Supplementary non-financial information					
Simulator equivalent unit		**276**		268	*3%*
FFSs in CAE's network		**355**		331	*7%*
FFS deliveries		**18**		11	*64%*
Utilization rate	%	**70**	%	71	*(1%)*

Defense and Security (Defense)

Second quarter Defense revenue was $495.9 million vs. $477.4 million in the second quarter last year. Operating income was $23.4 million (4.7% of revenue) compared to $9.3 million (1.9% of revenue) in the same quarter last year. Adjusted segment operating income was $33.1 million (6.7% of revenue), compared to $21.3 million (4.5% of revenue) in the second quarter last year.

Defense booked orders for $2.3 billion this quarter for a book-to-sales ratio of 4.56 times. The ratio for the last 12 months was 2.04 times. The Defense adjusted backlog, including unfunded contract awards and CAE's interest in joint ventures, at the end of the quarter was $11.4 billion, up from $10.4 billion at the end of the first quarter of fiscal 2025. During the second quarter of fiscal 2025, $1.7 billion was added to adjusted order intake following CAE's award of a 25-year subcontract from SkyAlyne to support Canada's Future Aircrew Training (FAcT) program. As part of this subcontract, CAE will initially develop and deliver a range of simulators and training devices for the various aircraft fleets being procured under the FAcT program. These training devices are expected to be delivered over the next 5 years. As announced, in addition to this initial approximately $1.7 billion sub-contract, CAE is also expected to sign a follow-on order in the near-term involving sustainment-related in-service support services. Notably for the Defense segment overall, the pipeline remains strong with some $7.2 billion of bids and proposals pending.

Summary of Defense and Security results

(amounts in millions)		**Q2-2025**		Q2-2024	*Variance %*
Revenue	**$**	**495.9**	$	477.4	*4%*
Operating income	**$**	**23.4**	$	9.3	*152%*
Adjusted segment operating income	**$**	**33.1**	$	21.3	*55%*
As a % of revenue	***%***	***6.7***	*%*	*4.5*	
Adjusted order intake	**$**	**2,262.0**	$	527.3	*329%*
Adjusted backlog	**$**	**11,378.1**	$	5,870.0	*94%*

Additional financial highlights

CAE incurred $5.1 million of costs related to the integration of AirCentre, which was completed this quarter, and $25.8 million in connection with its restructuring program to streamline CAE's operating model and portfolio, optimize its cost structure and create efficiencies. This restructuring program was completed in the second quarter of fiscal 2025 and no further restructuring expenses are expected. CAE expects to fully achieve annual run rate cost savings of approximately $20 million by the end of the next fiscal year.

Net finance expense this quarter amounted to $52.9 million, compared to $49.5 million in the preceding quarter and $47.1 million in the second quarter last year.

Income tax expense this quarter amounted to $10.4 million, representing an effective tax rate of 16%, compared to negative 16% for the second quarter last year. The adjusted effective tax rate(1), which is the income tax rate used to determine adjusted net income and adjusted EPS, was 18% this quarter as compared to 1% in the second quarter of last year. The increase in the adjusted effective tax rate was mainly attributable to the recognition, last year, of previously unrecognized deferred tax assets and the current year mix of income from various jurisdictions.

Net cash provided by operating activities was $162.1 million for the quarter, compared to $180.2 million in the second quarter last year. Free cash flow(1) was $140.0 million for the quarter compared to $147.4 million in the second quarter last year. The decrease was mainly due to a lower contribution from non-cash working capital.

Growth and maintenance capital expenditures(1) totaled $57.0 million this quarter.

Net debt(1) at the end of the quarter was $3,064.9 million for a net debt-to-adjusted EBITDA(1) of 3.25 times (2.97 times excluding Legacy Contracts(1)(2)). This compares to net debt of $3,129.7 million and a net debt-to-adjusted EBITDA of 3.41 times (3.11 times excluding Legacy Contracts) at the end of the preceding quarter.

Adjusted return on capital employed(1) was 5.5% this quarter compared to 5.7% last quarter and 7.1% in the second quarter last year.

During the quarter, CAE repurchased and cancelled a total of 392,730 common shares under its normal course issuer bid (NCIB), which began on May 30, 2024, at a weighted average price of $24.43 per common share, for a total consideration of $9.6 million.

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(2) Within Defense there are a number of fixed-price contracts which offer certain potential advantages and efficiencies but can also be negatively impacted by adverse changes to general economic conditions, including unforeseen supply chain disruptions, inflationary pressures, availability of labour, and execution difficulties. These risks can result in cost overruns and reduced profit margins or losses. While these risks can often be managed or mitigated, there are eight distinct legacy contracts entered into prior to the COVID-19 pandemic that are firm fixed price in structure, with little to no provision for cost escalation, and that have been more significantly impacted by these risks (the Legacy Contracts).

Sustainability

This quarter, CAE received approval from the Science Based Targets initiative (SBTi) for its decarbonization targets, committing to reduce Scope 1 and 2 emissions by 85.7% and Scope 3 emissions by 32.5% by FY33. This achievement underscores CAE’s commitment to sustainability and environmental stewardship. Central to this success is CAE's engagement with its value chain on its sustainability journey through the International Aerospace Environment Group (IAEG) and as one of the launch partners of Decarbone+, a non-profit aimed at accelerating decarbonization efforts of organizations across Quebec. These collaborative initiatives highlight CAE's leadership in fostering sustainable practices and change across its value chain.

Additionally, CAE was honored with the 2024 Altitude Award by the Black Aviation Professionals Network, recognizing its contributions and leadership in advancing diversity and inclusion within the Aerospace sector.

For more information on CAE’s sustainability roadmap and achievements, the report can be downloaded at https://www.cae.com/sustainability/.

Management outlook

Civil

The secular demand picture for aviation training solutions remains compelling and the Company continues to be well positioned. Aircraft OEM supply issues have affected airline training demand forecasts and remain a near-term headwind for a portion of CAE’s commercial training business. Notwithstanding the delays this causes to expected revenue from initial training of commercial pilots, Management still targets approximately 10 percent annual growth in Civil adjusted segment operating income, with stronger performance anticipated in the second half of the fiscal year. The positive elements that Management expects to help offset the impact of OEM supply issues, include accretion from its now larger stake in SIMCOM, the benefits of its cost savings initiatives, and positive seasonality in the second half of the fiscal year, which is customary for both commercial and business aviation. Also expected to drive stronger second-half performance are higher profitability in Flight Operations Solutions, and higher volume and profitability from full-flight simulator (FFS) deliveries. Annual Civil adjusted segment operating income margin is expected to be in the range of 22 to 23 percent, with ample room to grow beyond the current year on volume, efficiencies and mix.

Defense

Management believes CAE is well positioned for long-term growth and increased profitability in Defense, as the sector moves into a prolonged up-cycle with increased budgets across NATO and allied nations. Rising geopolitical tensions are driving a focus on near-peer threats, defence modernization, and readiness, fueling demand for the training and simulation solutions that CAE offers. Demand for CAE’s Defense training solutions remains strong, driven by a global shortage of uniformed personnel, prompting militaries to partner with CAE to support readiness. Having recently re-baselined the Defense business and substantially accounted for the previously identified programmatic risk, Management expects Defense annual revenue growth in the low- to mid-single-digit percentage range and annual Defense adjusted segment operating income margin to increase to the 6- to 7-percent range in fiscal 2025, also with room to grow beyond the current year. Similarly, Management expects annual Defense performance to be more heavily weighted to the second half. Furthermore, having successfully completed one of its Defense Legacy Contacts in the second quarter, Management expects to complete another two such contracts by the end of the fiscal year.

For CAE overall, Management continues to target three-year EPS growth (FY22-25) in the low- to mid-teens-percentage range.

Finance expense and tax expense
Management expects annual finance expense to be similar to fiscal 2024. The run-rate effective income tax rate is expected to be approximately 25%, considering the income expected from various jurisdictions and the implementation of global minimum tax policies.

Balanced capital allocation priorities, accretive growth investments
CAE now expects total CAPEX for fiscal 2025 to be slightly below Management's prior estimated range of $50 to $100 million higher than the fiscal 2024 amount, which was $329.8 million. Commensurate with CAE's ongoing success to capture market opportunities in training, approximately three-quarters of this relates to organic growth investments in simulator capacity to be deployed to CAE's global network of aviation-related training centres and backed by multiyear customer contracts.

Solid financial position
A tenet of CAE's capital management priorities includes the maintenance of a solid financial position, and it expects to continue to bolster its balance sheet through ongoing deleveraging, commensurate with its investment grade profile. CAE is targeting a leverage ratio of net-debt to adjusted EBITDA of below three-times (3x) by the end of the current fiscal year.

Current returns to shareholders
Given CAE's progress over the last year to strengthen its financial position, an NCIB was established as part of its capital management strategy and is currently intended to be used opportunistically over time with excess free cash flow. Given the Company's outlook and cash generative nature of its highly recurring business, CAE's Board of Directors will also continue to evaluate the possibility of reintroducing a shareholder dividend.

Caution concerning outlook
Management's outlook for fiscal 2025 and the above targets and expectations constitute forward-looking statements within the meaning of applicable securities laws, and are based on a number of assumptions, including in relation to prevailing market conditions, macroeconomic and geopolitical factors, supply chains and labor markets. Expectations are also subject to a number of risks and uncertainties and based on assumptions about customer receptivity to CAE's training solutions and operational support solutions as well as material assumptions contained in this press release, quarterly Management's Discussion and Analysis (MD&A) and in CAE's fiscal 2024 MD&A, all available on our website (www.cae.com), SEDAR+ (www.SEDARplus.ca) and EDGAR (www.sec.gov). Please see the sections below entitled: *"Caution concerning forward-looking statements", "Material assumptions"* and *"Material risks"*.

Detailed information

Readers are strongly advised to view a more detailed discussion of our results by segment in the MD&A and CAE's consolidated financial statements for the quarter ended September 30, 2024, which are available on our website (www.cae.com), SEDAR+ (www.SEDARplus.ca) and EDGAR (www.sec.gov). Holders of CAE's securities may also request a printed copy of the Company's consolidated financial statements and MD&A free of charge by contacting Investor Relations (investor.relations@cae.com).

Conference call Q2 FY2025

Marc Parent, CAE President and CEO; Constantino Malatesta, interim CFO; and Andrew Arnovitz, Senior Vice President, Investor Relations and Enterprise Risk Management, will conduct an earnings conference call tomorrow at 8:00 a.m. ET. The call is intended for analysts, institutional investors and the media. Participants can listen to the conference by dialing+ 1-844-763-8274 or +1-647-484-8814. The conference call will also be audio webcast live at www.cae.com.

About CAE

At CAE, we equip people in critical roles with the expertise and solutions to create a safer world. As a technology company, we digitalize the physical world, deploying software-based simulation training and critical operations support solutions. Above all else, we empower pilots, cabin crew, maintenance technicians, airlines, business aviation operators and defence and security forces to perform at their best every day and when the stakes are the highest. Around the globe, we're everywhere customers need us to be with approximately 13,000 employees in more than 240 sites and training locations in over 40 countries. CAE represents more than 75 years of industry firsts–the highest-fidelity flight and mission simulators as well as training programs powered by digital technologies. We embed sustainability in everything we do. Today and tomorrow, we'll make sure our customers are ready for the moments that matter.

Caution concerning limitations of summary earnings press release

This summary earnings press release contains limited information meant to assist the reader in assessing CAE's performance, but it is not a suitable source of information for readers who are unfamiliar with CAE and is not in any way a substitute for the Company's financial statements, notes to the financial statements, and MD&A reports.

Caution concerning forward-looking statements

This press release includes forward-looking statements about our activities, events and developments that we expect to or anticipate may occur in the future including, for example, statements about our vision, strategies, market trends and outlook, future revenues, earnings, cash flow growth, profit trends, growth capital spending, expansions and new initiatives, including initiatives that pertain to environmental, social and governance (ESG) matters, financial obligations, available liquidities, expected sales, general economic and political outlook, inflation trends, prospects and trends of an industry, expected annual recurring cost savings from operational excellence programs, our management of the supply chain, estimated addressable markets, demands for CAE's products and services, our access to capital resources, our financial position, the expected accretion in various financial metrics, the expected capital returns to shareholders, our business outlook, business opportunities, objectives, development, plans, growth strategies and other strategic priorities, and our competitive and leadership position in our markets, the expansion of our market shares, CAE's ability and preparedness to respond to demand for new technologies, the sustainability of our operations, our ability to retire the Legacy Contracts as expected and to manage and mitigate the risks associated therewith, the impact of the retirement of the Legacy Contracts, and other statements that are not historical facts.

Since forward-looking statements and information relate to future events or future performance and reflect current expectations or beliefs regarding future events, they are typically identified by words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “likely”, “may”, “plan”, “seek”, “should”, “will”, "strategy", "future" or the negative thereof or other variations thereon suggesting future outcomes or statements regarding an outlook. All such statements constitute "forward-looking statements" within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties associated with our business which may cause actual results in future periods to differ materially from results indicated in forward-looking statements. While these statements are based on management's expectations and assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that we believe are reasonable and appropriate in the circumstances, readers are cautioned not to place undue reliance on these forward-looking statements as there is a risk that they may not be accurate. The forward-looking statements contained in this press release describe our expectations as of November 12, 2024 and, accordingly, are subject to change after such date. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. The forward-looking information and statements contained in this press release are expressly qualified by this cautionary statement. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this press release. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. Except as otherwise indicated by CAE, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may occur after November 12, 2024. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements are presented in this press release for the purpose of assisting investors and others in understanding certain key elements of our expected fiscal 2025 financial results and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Material assumptions
The forward-looking statements set out in this press release are based on certain assumptions including, without limitation: the prevailing market conditions, geopolitical instability, the customer receptivity to our training and operational support solutions, the accuracy of our estimates of addressable markets and market opportunity, the realization of anticipated annual recurring cost savings and other intended benefits from restructuring initiatives and operational excellence programs, the ability to respond to anticipated inflationary pressures and our ability to pass along rising costs through increased prices, the actual impact to supply, production levels, and costs from global supply chain logistics challenges, the stability of foreign exchange rates, the ability to hedge exposures to fluctuations in interest rates and foreign exchange rates, the availability of borrowings to be drawn down under, and the utilization, of one or more of our senior credit agreements, our available liquidity from cash and cash equivalents, undrawn amounts on our revolving credit facility, the balance available under our receivable purchase facility, the assumption that our cash flows from operations and continued access to debt funding will be sufficient to meet financial requirements in the foreseeable future, access to expected capital resources within anticipated timeframes, no material financial, operational or competitive consequences from changes in regulations affecting our business, our ability to retain and attract new business, our ability to effectively execute and retire the Legacy Contracts while managing the risks associated therewith, our ability to defend our position in the dispute with the buyer of the CAE Healthcare business, and the realization of the expected strategic, financial and other benefits of the increase of our ownership stake in SIMCOM Aviation Training in the timeframe anticipated. Air travel is a major driver for CAE's business and management relies on analysis from the International Air Transport Association (IATA) to inform its assumptions about the rate and profile of recovery in its key civil aviation market. Accordingly, the assumptions outlined in this press release and, consequently, the forward-looking statements based on such assumptions, may turn out to be inaccurate.

Material risks
Important risks that could cause actual results or events to differ materially from those expressed in or implied by our forward-looking statements are set out in CAE's MD&A for the fiscal year ended March 31, 2024 and MD&A for the three months ended September 30, 2024, available on our website (www.cae.com), SEDAR+ (www.SEDARplus.ca) and EDGAR (www.sec.gov). Readers are cautioned that any of the disclosed risks could have a material adverse effect on our forward-looking statements. We caution that the disclosed list of risk factors is not exhaustive and other factors could also adversely affect our results.

Non-IFRS and other financial measures

This press release includes non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures. These measures are not standardized financial measures prescribed under IFRS and therefore should not be confused with, or used as an alternative for, performance measures calculated according to IFRS. Furthermore, these measures should not be compared with similarly titled measures provided or used by other issuers. Management believes that these measures provide additional insight into our operating performance and trends and facilitate comparisons across reporting periods.

Certain non-IFRS and other financial measures are provided on a consolidated basis and separately for each of our segments (Civil Aviation and Defense and Security) since we analyze their results and performance separately.

Reconciliations and calculations of non-IFRS measures to the most directly comparable measures under IFRS are also set forth below in the section *Reconciliations and Calculations* of this press release.

Performance measures

Operating income margin (or operating income as a % of revenue)
Operating income margin is a supplementary financial measure calculated by dividing our operating income by revenue for a given period. We track it because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods.

Adjusted segment operating income or loss
Adjusted segment operating income or loss is a non-IFRS financial measure that gives us an indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment's performance. We calculate adjusted segment operating income by taking operating income and adjusting for restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We track adjusted segment operating income because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods. Adjusted segment operating income on a consolidated basis is a total of segments measure since it is the profitability measure employed by management for making decisions about allocating resources to segments and assessing segment performance.

Adjusted segment operating income margin (or adjusted segment operating income as a % of revenue)
Adjusted segment operating income margin is a non-IFRS ratio calculated by dividing our adjusted segment operating income by revenue for a given period. We track it because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods.

Adjusted effective tax rate
Adjusted effective tax rate is a supplementary financial measure that represents the effective tax rate on adjusted net income or loss. It is calculated by dividing our income tax expense by our earnings before income taxes, adjusting for the same items used to determine adjusted net income or loss. We track it because we believe it provides an enhanced understanding of the impact of changes in income tax rates and the mix of income on our operating performance and facilitates the comparison across reporting periods.

Adjusted net income or loss
Adjusted net income or loss is a non-IFRS financial measure we use as an alternate view of our operating results. We calculate it by taking our net income attributable to equity holders of the Company from continuing operations and adjusting for restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events, after tax, as well as significant one-time tax items. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We track adjusted net income because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods.

Adjusted earnings or loss per share (EPS)
Adjusted earnings or loss per share is a non-IFRS ratio calculated by dividing adjusted net income or loss by the weighted average number of diluted shares. We track it because we believe it provides an enhanced understanding of our operating performance on a per share basis and facilitates the comparison across reporting periods.

EBITDA and Adjusted EBITDA
EBITDA is a non-IFRS financial measure which comprises net income or loss from continuing operations before income taxes, finance expense – net, depreciation and amortization. Adjusted EBITDA further adjusts for restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We use EBITDA and adjusted EBITDA to evaluate our operating performance, by eliminating the impact of non-operational or non-cash items.

Free cash flow
Free cash flow is a non-IFRS financial measure that shows us how much cash we have available to invest in growth opportunities, repay debt and meet ongoing financial obligations. We use it as an indicator of our financial strength and liquidity. We calculate it by taking the net cash generated by our continuing operating activities, subtracting maintenance capital expenditures, intangible assets expenditures excluding capitalized development costs, other investing activities not related to growth and dividends paid and adding proceeds from the disposal of property, plant and equipment, dividends received from equity accounted investees and proceeds, net of payments, from equity accounted investees.

Liquidity and Capital Structure measures

Adjusted return on capital employed (ROCE)
Adjusted ROCE is a non-IFRS ratio calculated over a rolling four-quarter period by taking net income attributable to equity holders of the Company from continuing operations adjusting for net finance expense, after tax, restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events divided by the average capital employed from continuing operations. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We use adjusted ROCE to evaluate the profitability of our invested capital.

Net debt
Net debt is a capital management measure we use to monitor how much debt we have after taking into account cash and cash equivalents. We use it as an indicator of our overall financial position, and calculate it by taking our total long-term debt, including the current portion of long-term debt, and subtracting cash and cash equivalents.

Net debt-to-EBITDA and net debt-to-adjusted EBITDA
Net debt-to-EBITDA and net debt-to-adjusted EBITDA are non-IFRS ratios calculated as net debt divided by the last twelve months EBITDA (or adjusted EBITDA). We use net debt-to-EBITDA and net debt-to-adjusted EBITDA because they reflect our ability to service our debt obligations.

Net debt-to-adjusted EBITDA excluding Legacy Contracts further excludes the impact from accelerated risk recognition on the Legacy Contracts recorded in the fourth quarter of fiscal 2024. Net debt-to-adjusted EBITDA excluding Legacy Contracts is also useful because it provides a better understanding of the specific and impact from accelerated risk recognition on the Legacy Contracts on our ability to service our debt obligations.

Maintenance and growth capital expenditures
Maintenance capital expenditure is a supplementary financial measure we use to calculate the investment needed to sustain the current level of economic activity. Growth capital expenditure is a supplementary financial measure we use to calculate the investment needed to increase the current level of economic activity. The sum of maintenance capital expenditures and growth capital expenditures represents our total property, plant and equipment expenditures.

Growth measures

Adjusted order intake

Adjusted order intake is a supplementary financial measure that represents the expected value of orders we have received:

- For the Civil Aviation segment, we consider an item part of our adjusted order intake when we have a legally binding commercial agreement with a client that includes enough detail about each party's obligations to form the basis for a contract. Additionally, expected future revenues from customers under short-term and long-term training contracts are included when these customers commit to pay us training fees, or when we reasonably expect the revenue to be generated;
- For the Defense and Security segment, we consider an item part of our adjusted order intake when we have a legally binding commercial agreement with a client that includes enough detail about each party's obligations to form the basis for a contract. Defense and Security contracts are usually executed over a long-term period but some of them must be renewed each year. For this segment, we only include a contract item in adjusted order intake when the customer has authorized the contract item and has received funding for it.

Adjusted backlog

Adjusted backlog is a supplementary financial measure that represents expected future revenues and includes obligated backlog, joint venture backlog and unfunded backlog and options:

- Obligated backlog represents the value of our adjusted order intake not yet executed and is calculated by adding the adjusted order intake of the current period to the balance of the obligated backlog at the end of the previous fiscal year, subtracting the revenue recognized in the current period and adding or subtracting backlog adjustments. If the amount of an order already recognized in a previous fiscal year is modified, the backlog is revised through adjustments;
- Joint venture backlog is obligated backlog that represents the expected value of our share of orders that our joint ventures have received but have not yet executed. Joint venture backlog is determined on the same basis as obligated backlog described above, but excludes any portion of orders that have been directly subcontracted to a CAE subsidiary, which are already reflected in the determination of obligated backlog;
- Unfunded backlog represents legally binding Defense and Security orders with the U.S. government that we have received but have not yet executed and for which funding authorization has not yet been obtained. The uncertainty relates to the timing of the funding authorization, which is influenced by the government's budget cycle, based on a September year-end. Options are included in adjusted backlog when there is a high probability of being exercised, which we define as at least 80% probable, but multi-award indefinite-delivery/indefinite-quantity (ID/IQ) contracts are excluded. When an option is exercised, it is considered adjusted order intake in that period, and it is removed from unfunded backlog and options.

Book-to-sales ratio

The book-to-sales ratio is a supplementary financial measure calculated by dividing adjusted order intake by revenue in a given period. We use it to monitor the level of future growth of the business over time.

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.

Reconciliations and Calculations

Reconciliation of adjusted segment operating income

(amounts in millions)	Civil Aviation		Defense and Security		Total	
Three months ended September 30	**2024**	2023	**2024**	2023	**2024**	2023
Operating income	**$ 94.7**	$ 88.4	**$ 23.4**	$ 9.3	**$ 118.1**	$ 97.7
Restructuring, integration and acquisition costs	**21.2**	25.9	**9.7**	12.0	**30.9**	37.9
Adjusted segment operating income	**$ 115.9**	$ 114.3	**$ 33.1**	$ 21.3	**$ 149.0**	$ 135.6

Reconciliation of adjusted net income and adjusted EPS

	Three months ended September 30	
(amounts in millions, except per share amounts)	**2024**	2023
Net income attributable to equity holders of the Company	**$ 52.5**	$ 58.4
Net income from discontinued operations	**—**	(2.2)
Restructuring, integration and acquisition costs, after tax	**23.7**	29.0
Adjusted net income	**$ 76.2**	$ 85.2
Average number of shares outstanding (diluted)	**319.1**	319.2
Adjusted EPS	**$ 0.24**	$ 0.26

Calculation of adjusted effective tax rate

	Three months ended September 30	
(amounts in millions, except effective tax rates)	**2024**	2023
Earnings before income taxes	**$ 65.2**	$ 50.6
Restructuring, integration and acquisition costs	**30.9**	37.9
Adjusted earnings before income taxes	**$ 96.1**	$ 88.5
Income tax expense (recovery)	**$ 10.4**	$ (8.3)
Tax impact on restructuring, integration and acquisition costs	**7.2**	8.9
Adjusted income tax expense	**$ 17.6**	$ 0.6
Effective tax rate	**% 16**	% (16)
Adjusted effective tax rate	**% 18**	**%** 1

Reconciliation of free cash flow

(amounts in millions)	Three months ended September 30 2024	2023
Cash provided by operating activities*	**$ 117.6**	$ 113.1
Changes in non-cash working capital	**44.5**	67.1
Net cash provided by operating activities	**$ 162.1**	$ 180.2
Maintenance capital expenditures	**(20.6)**	(22.9)
Change in ERP and other assets	**(7.7)**	(3.6)
Proceeds from the disposal of property, plant and equipment	**0.2**	0.2
Net proceeds from (payments to) equity accounted investees	**0.3**	(12.9)
Dividends received from equity accounted investees	**6.8**	10.5
Other investing activities	**(1.1)**	(4.0)
Impact of discontinued operations	**—**	(0.1)
Free cash flow	**$ 140.0**	$ 147.4

* before changes in non-cash working capital

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

(amounts in millions, except net debt-to-EBITDA ratios)	Last twelve months ended September 30 2024	2023
Operating (loss) income	**$ (184.7)**	$ 546.4
Depreciation and amortization	**388.4**	350.6
EBITDA	**$ 203.7**	$ 897.0
Restructuring, integration and acquisition costs	**135.0**	72.9
Impairments and other gains and losses arising from significant strategic transactions or specific events:		
Impairment of goodwill	**568.0**	—
Impairment of technology and other financial assets	**35.7**	—
Impairment reversal of non-financial assets following their repurposing and optimization	**—**	9.8
Adjusted EBITDA	**$ 942.4**	$ 979.7
Net debt	**$ 3,064.9**	$ 3,184.5
Net debt-to-EBITDA	**15.05**	3.55
Net debt-to-adjusted EBITDA	**3.25**	3.25

(amounts in millions, except net debt-to-EBITDA ratios)	Last twelve months ended September 30 2024	2023
Adjusted EBITDA	**$ 942.4**	$ 979.7
Impact from accelerated risk recognition on the Legacy Contracts	**90.3**	—
Adjusted EBITDA excluding Legacy Contracts	**$ 1,032.7**	$ 979.7
Net debt-to-adjusted EBITDA excluding Legacy Contracts	**2.97**	3.25

Reconciliation of capital employed and net debt

(amounts in millions)		**As at September 30 2024**		As at March 31 2024
Use of capital:				
Current assets	**$**	**2,113.6**	$	2,006.5
Less: cash and cash equivalents		**(179.7)**		(160.1)
Current liabilities		**(2,513.0)**		(2,358.4)
Less: current portion of long-term debt		**487.0**		308.9
Non-cash working capital	**$**	**(92.1)**	$	(203.1)
Property, plant and equipment		**2,623.0**		2,515.6
Intangible assets		**3,279.0**		3,271.9
Other long-term assets		**2,111.2**		2,040.1
Other long-term liabilities		**(392.0)**		(407.7)
Capital employed	**$**	**7,529.1**	$	7,216.8
Source of capital:				
Current portion of long-term debt	**$**	**487.0**	$	308.9
Long-term debt		**2,757.6**		2,765.4
Less: cash and cash equivalents		**(179.7)**		(160.1)
Net debt	**$**	**3,064.9**	$	2,914.2
Equity attributable to equity holders of the Company		**4,382.2**		4,224.9
Non-controlling interests		**82.0**		77.7
Capital employed	**$**	**7,529.1**	$	7,216.8

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 11 of CAE's MD&A for the quarter ended September 30, 2024 (which is incorporated by reference into this press release) available on our website (www.cae.com), SEDAR+ (www.SEDARplus.ca) and EDGAR (www.sec.gov).

Consolidated Income Statement

(Unaudited)		Three months ended September 30			Six months ended September 30			
(amounts in millions of Canadian dollars, except per share amounts)		**2024**		2023		**2024**		2023
Continuing operations								
Revenue	**$**	**1,136.6**	$	1,050.0	**$**	**2,209.1**	$	2,062.0
Cost of sales		**845.5**		765.3		**1,639.3**		1,491.6
Gross profit	**$**	**291.1**	$	284.7	**$**	**569.8**	$	570.4
Research and development expenses		**37.2**		33.3		**73.1**		70.0
Selling, general and administrative expenses		**127.6**		132.3		**261.1**		256.0
Other (gains) and losses		**(2.7)**		(2.2)		**(3.6)**		(3.6)
Share of after-tax profit of equity accounted investees		**(20.0)**		(14.3)		**(44.0)**		(30.9)
Restructuring, integration and acquisition costs		**30.9**		37.9		**56.5**		52.9
Operating income	**$**	**118.1**	$	97.7	**$**	**226.7**	$	226.0
Finance expense – net		**52.9**		47.1		**102.4**		100.2
Earnings before income taxes	**$**	**65.2**	$	50.6	**$**	**124.3**	$	125.8
Income tax expense (recovery)		**10.4**		(8.3)		**18.7**		(0.4)
Net income from continuing operations	**$**	**54.8**	$	58.9	**$**	**105.6**	$	126.2
Net income from discontinued operations		**—**		2.2		**—**		2.7
Net income	**$**	**54.8**	$	61.1	**$**	**105.6**	$	128.9
Attributable to:								
Equity holders of the Company	**$**	**52.5**	$	58.4	**$**	**100.8**	$	123.7
Non-controlling interests		**2.3**		2.7		**4.8**		5.2
Earnings per share attributable to equity holders of the Company								
Basic and diluted – continuing operations	**$**	**0.16**	$	0.17	**$**	**0.32**	$	0.38
Basic and diluted – discontinued operations		**—**		0.01		**—**		0.01

Consolidated Statement of Comprehensive Income

(Unaudited) (amounts in millions of Canadian dollars)	Three months ended September 30 **2024**	2023	Six months ended September 30 **2024**	2023
Net income from continuing operations	**$ 54.8**	$ 58.9	**$ 105.6**	$ 126.2
Items that may be reclassified to net income				
Foreign currency exchange differences on translation of foreign operations	**$ 15.4**	$ 68.7	**$ 66.9**	$ (27.5)
Net gain (loss) on hedges of net investment in foreign operations	**24.4**	(29.1)	**5.3**	(1.6)
Reclassification to income of gains on foreign currency exchange differences	**—**	—	**(0.1)**	(0.1)
Net gain (loss) on cash flow hedges	**5.7**	(14.3)	**(1.1)**	(0.9)
Reclassification to income of losses on cash flow hedges	**1.6**	2.5	**4.9**	3.1
Income taxes	**(1.1)**	3.3	**(2.1)**	(4.0)
	$ 46.0	$ 31.1	**$ 73.8**	$ (31.0)
Items that will never be reclassified to net income				
Remeasurement of defined benefit pension plan obligations	**$ (56.5)**	$ 33.4	**$ (54.2)**	$ 12.0
Income taxes	**15.0**	(8.9)	**14.4**	(3.2)
	$ (41.5)	$ 24.5	**$ (39.8)**	$ 8.8
Other comprehensive income (loss) from continuing operations	**$ 4.5**	$ 55.6	**$ 34.0**	$ (22.2)
Net income from discontinued operations	**—**	2.2	**—**	2.7
Other comprehensive income from discontinued operations	**—**	3.0	**—**	1.4
Total comprehensive income	**$ 59.3**	$ 119.7	**$ 139.6**	$ 108.1
Attributable to:				
Equity holders of the Company	**$ 56.9**	$ 116.0	**$ 134.2**	$ 103.2
Non-controlling interests	**2.4**	3.7	**5.4**	4.9

Consolidated Statement of Financial Position

(Unaudited) *(amounts in millions of Canadian dollars)*		**September 30 2024**		March 31 2024
Assets				
Cash and cash equivalents	**$**	**179.7**	$	160.1
Accounts receivable		**577.6**		624.7
Contract assets		**555.5**		537.6
Inventories		**633.8**		573.6
Prepayments		**86.0**		68.0
Income taxes recoverable		**71.4**		35.3
Derivative financial assets		**9.6**		7.2
Total current assets	**$**	**2,113.6**	$	2,006.5
Property, plant and equipment		**2,623.0**		2,515.6
Right-of-use assets		**629.7**		545.8
Intangible assets		**3,279.0**		3,271.9
Investment in equity accounted investees		**622.2**		588.8
Employee benefits assets		**11.9**		65.7
Deferred tax assets		**256.3**		233.3
Derivative financial assets		**6.8**		4.2
Other non-current assets		**584.3**		602.3
Total assets	**$**	**10,126.8**	$	9,834.1
Liabilities and equity				
Accounts payable and accrued liabilities	**$**	**955.3**	$	1,035.3
Provisions		**47.3**		42.6
Income taxes payable		**29.5**		31.1
Contract liabilities		**978.0**		911.7
Current portion of long-term debt		**487.0**		308.9
Derivative financial liabilities		**15.9**		28.8
Total current liabilities	**$**	**2,513.0**	$	2,358.4
Provisions		**13.6**		14.0
Long-term debt		**2,757.6**		2,765.4
Royalty obligations		**65.8**		74.4
Employee benefits obligations		**116.4**		98.7
Deferred tax liabilities		**38.8**		36.6
Derivative financial liabilities		**0.8**		2.9
Other non-current liabilities		**156.6**		181.1
Total liabilities	**$**	**5,662.6**	$	5,531.5
Equity				
Share capital	**$**	**2,275.3**	$	2,252.9
Contributed surplus		**71.3**		55.4
Accumulated other comprehensive income		**227.2**		154.0
Retained earnings		**1,808.4**		1,762.6
Equity attributable to equity holders of the Company	**$**	**4,382.2**	$	4,224.9
Non-controlling interests		**82.0**		77.7
Total equity	**$**	**4,464.2**	$	4,302.6
Total liabilities and equity	**$**	**10,126.8**	$	9,834.1

Consolidated Statement of Changes in Equity

(Unaudited)	Attributable to equity holders of the Company							
Six months ended September 30, 2024	Common shares			Accumulated other				
(amounts in millions of Canadian dollars,	Number of	Stated	Contributed	comprehensive	Retained		Non-controlling	**Total**
except number of shares)	shares	value	surplus	income	earnings	Total	interests	**equity**
Balances as at March 31, 2024	318,312,233	$ 2,252.9	$ 55.4	$ 154.0	$ 1,762.6	$ 4,224.9	$ 77.7	**$ 4,302.6**
Net income	—	$ —	$ —	$ —	$ 100.8	$ 100.8	$ 4.8	**$ 105.6**
Other comprehensive income (loss)	—	—	—	73.2	(39.8)	33.4	0.6	**34.0**
Total comprehensive income	—	$ —	$ —	$ 73.2	$ 61.0	$ 134.2	$ 5.4	**$ 139.6**
Exercise of stock options	1,092,050	27.3	(3.5)	—	—	23.8	—	**23.8**
Settlement of equity-settled awards	42,086	1.2	(1.2)	—	—	—	—	**—**
Repurchase and cancellation of common shares	(856,230)	(6.1)	—	—	(15.2)	(21.3)	—	**(21.3)**
Equity-settled share-based payments expense	—	—	20.6	—	—	20.6	—	**20.6**
Transactions with non-controlling interests	—	—	—	—	—	—	(1.1)	**(1.1)**
Balances as at September 30, 2024	**318,590,139**	**$ 2,275.3**	**$ 71.3**	**$ 227.2**	**$ 1,808.4**	**$ 4,382.2**	**$ 82.0**	**$ 4,464.2**

	Attributable to equity holders of the Company							
Six months ended September 30, 2023	Common shares			Accumulated other				
(amounts in millions of Canadian dollars,	Number of	Stated	Contributed	comprehensive	Retained		Non-controlling	Total
except number of shares)	shares	value	surplus	income	earnings	Total	interests	equity
Balances as at March 31, 2023	317,906,290	$ 2,243.6	$ 42.1	$ 167.2	$ 2,054.8	$ 4,507.7	$ 81.2	$ 4,588.9
Net income	—	$ —	$ —	$ —	$ 123.7	$ 123.7	$ 5.2	$ 128.9
Other comprehensive (loss) income	—	—	—	(29.3)	8.8	(20.5)	(0.3)	(20.8)
Total comprehensive (loss) income	—	$ —	$ —	$ (29.3)	$ 132.5	$ 103.2	$ 4.9	$ 108.1
Exercise of stock options	364,268	8.2	(1.3)	—	—	6.9	—	6.9
Equity-settled share-based payments expense	—	—	15.1	—	—	15.1	—	15.1
Transactions with non-controlling interests	—	—	—	—	—	—	(3.1)	(3.1)
Balances as at September 30, 2023	318,270,558	$ 2,251.8	$ 55.9	$ 137.9	$ 2,187.3	$ 4,632.9	$ 83.0	$ 4,715.9

Consolidated Statement of Cash Flows

(Unaudited) *(amounts in millions of Canadian dollars)*	**Six months ended September 30** **2024**	2023
Operating activities		
Net income	**$ 105.6**	$ 128.9
Adjustments for:		
Depreciation and amortization	**197.9**	183.4
Share of after-tax profit of equity accounted investees	**(44.0)**	(30.9)
Deferred income taxes	**(8.0)**	(39.2)
Investment tax credits	**(8.7)**	(2.3)
Equity-settled share-based payments expense	**20.6**	15.1
Defined benefit pension plans	**17.2**	1.1
Other non-current liabilities	**(4.7)**	(4.8)
Derivative financial assets and liabilities – net	**(13.6)**	(18.2)
Other	**(17.5)**	10.4
Changes in non-cash working capital	**(95.6)**	(112.6)
Net cash provided by operating activities	**$ 149.2**	$ 130.9
Investing activities		
Property, plant and equipment expenditures	**$ (149.6)**	$ (152.5)
Proceeds from disposal of property, plant and equipment	**1.9**	3.6
Intangible assets expenditures	**(53.0)**	(72.3)
Net proceeds from (payments to) equity accounted investees	**0.4**	(25.6)
Dividends received from equity accounted investees	**17.3**	17.1
Other	**(0.8)**	(1.3)
Net cash used in investing activities	**$ (183.8)**	$ (231.0)
Financing activities		
Net proceeds from (repayment of) borrowing under revolving credit facilities	**$ 87.0**	$ (279.5)
Proceeds from long-term debt	**19.5**	417.5
Repayment of long-term debt	**(36.3)**	(33.5)
Repayment of lease liabilities	**(27.7)**	(44.7)
Net proceeds from the issuance of common shares	**23.8**	6.9
Repurchase and cancellation of common shares	**(21.3)**	—
Net cash provided by financing activities	**$ 45.0**	$ 66.7
Effect of foreign currency exchange differences on cash and cash equivalents	**$ 9.2**	$ (2.7)
Net increase (decrease) in cash and cash equivalents	**$ 19.6**	$ (36.1)
Cash and cash equivalents, beginning of period	**160.1**	217.6
Cash and cash equivalents, end of period	**$ 179.7**	$ 181.5

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Management's Discussion and Analysis

for the three months ended September 30, 2024

1. HIGHLIGHTS

FINANCIAL

SECOND QUARTER OF FISCAL 2025

(amounts in millions, except per share amounts, adjusted ROCE and book-to-sales ratio)		**Q2-2025**		Q2-2024		*Variance $*	*Variance %*
Performance							
Revenue	**$**	**1,136.6**	$	1,050.0	*$*	*86.6*	*8 %*
Operating income	**$**	**118.1**	$	97.7	*$*	*20.4*	*21 %*
Adjusted segment operating income[1]	**$**	**149.0**	$	135.6	*$*	*13.4*	*10 %*
Net income attributable to equity holders of the Company	**$**	**52.5**	$	58.4	*$*	*(5.9)*	*(10 %)*
Basic and diluted earnings per share (EPS) – continuing operations	**$**	**0.16**	$	0.17	*$*	*(0.01)*	*(6 %)*
Adjusted EPS[1]	**$**	**0.24**	$	0.26	*$*	*(0.02)*	*(8 %)*
Net cash provided by operating activities	**$**	**162.1**	$	180.2	*$*	*(18.1)*	*(10 %)*
Free cash flow[1]	**$**	**140.0**	$	147.4	*$*	*(7.4)*	*(5 %)*
Liquidity and Capital Structure							
Capital employed[1]	**$**	**7,529.1**	$	7,900.4	*$*	*(371.3)*	*(5 %)*
Adjusted return on capital employed (ROCE)[1]	**%**	**5.5**	%	7.1			
Total debt	**$**	**3,244.6**	$	3,366.0	*$*	*(121.4)*	*(4 %)*
Net debt[1]	**$**	**3,064.9**	$	3,184.5	*$*	*(119.6)*	*(4 %)*
Growth							
Adjusted order intake[1]	**$**	**2,955.3**	$	1,145.1	*$*	*1,810.2*	*158 %*
Adjusted backlog[1]	**$**	**18,041.2**	$	11,773.1	*$*	*6,268.1*	*53 %*
Book-to-sales ratio[1]		**2.60**		1.09			
Book-to-sales ratio for the last 12 months		**1.57**		1.11			

FISCAL 2025 YEAR TO DATE

(amounts in millions, except per share amounts)		**Q2-2025**		Q2-2024		*Variance $*	*Variance %*
Performance							
Revenue	**$**	**2,209.1**	$	2,062.0	*$*	*147.1*	*7 %*
Operating income	**$**	**226.7**	$	226.0	*$*	*0.7*	*— %*
Adjusted segment operating income	**$**	**283.2**	$	278.9	*$*	*4.3*	*2 %*
Net income attributable to equity holders of the Company	**$**	**100.8**	$	123.7	*$*	*(22.9)*	*(19 %)*
Basic and diluted EPS – continuing operations	**$**	**0.32**	$	0.38	*$*	*(0.06)*	*(16 %)*
Adjusted EPS	**$**	**0.45**	$	0.51	*$*	*(0.06)*	*(12 %)*
Net cash provided by operating activities	**$**	**149.2**	$	130.9	*$*	*18.3*	*14 %*
Free cash flow	**$**	**114.7**	$	37.1	*$*	*77.6*	*209 %*

Comparative figures have been reclassified to reflect discontinued operations.

EVENT AFTER THE REPORTING PERIOD

On November 5, 2024, we increased our ownership stake in our existing SIMCOM Aviation Training (SIMCOM) joint venture by purchasing an additional interest from Volo Sicuro for a cash consideration of US$230 million, subject to customary adjustments, financed with our existing credit facility and cash on hand. As a result, we obtained control over SIMCOM's four training centres located in the U.S. providing pilot training across multiple business aviation aircraft platforms. Additionally, CAE and SIMCOM have extended their current exclusive business aviation training services agreement with Flexjet, LLC, a related party of Volo Sicuro, and its affiliates by five years, bringing the remaining exclusivity period to 15 years.

[1] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

2. INTRODUCTION

In this management's discussion and analysis (MD&A), *we, us, our, CAE* and *Company* refer to CAE Inc. and its subsidiaries. Unless we have indicated otherwise:

– *This year* and *2025* mean the fiscal year ending March 31, 2025;
– *Last year, prior year* and *a year ago* mean the fiscal year ended March 31, 2024;
– Dollar amounts are in Canadian dollars.

This MD&A was prepared as of November 12, 2024. It is intended to enhance the understanding of our unaudited consolidated interim financial statements and notes for the second quarter ended September 30, 2024 and should therefore be read in conjunction with this document and our annual audited consolidated financial statements for the year ended March 31, 2024. We have prepared it to help you understand our business, performance and financial condition for the second quarter of fiscal 2025. Except as otherwise indicated, all financial information has been reported in accordance with IFRS Accounting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and based on unaudited figures.

For additional information, please refer to our annual MD&A for the year ended March 31, 2024 which provides you with a view of CAE as seen through the eyes of management and helps you understand the Company from a variety of perspectives:

– Our mission;
– Our vision;
– Our strategy;
– Our operations;
– Foreign exchange;
– Consolidated results;
– Results by segment;
– Consolidated cash movements and liquidity;
– Consolidated financial position;
– Discontinued operations;
– Business risk and uncertainty;
– Related party transactions;
– Non-IFRS and other financial measures and supplementary non-financial information;
– Changes in accounting policies;
– Internal control over financial reporting;
– Oversight role of Audit Committee and Board of Directors (the Board).

You will find our most recent financial report and Annual Information Form (AIF) on our website (www.cae.com), SEDAR+ (www.sedarplus.ca) and EDGAR (www.sec.gov). Holders of CAE's securities may also request a printed copy of the Company's consolidated financial statements and MD&A free of charge by contacting Investor Relations (investor.relations@cae.com).

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A includes non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures. These measures are not standardized financial measures prescribed under IFRS and therefore should not be confused with, or used as an alternative for, performance measures calculated according to IFRS. Furthermore, these measures should not be compared with similarly titled measures provided or used by other issuers. Management believes that these measures provide additional insight into our operating performance and trends and facilitate comparisons across reporting periods.

Performance Measures

– Gross profit margin (or gross profit as a % of revenue);
– Operating income margin (or operating income as a % of revenue);
– Adjusted segment operating income or loss;
– Adjusted segment operating income margin (or adjusted segment operating income as a % of revenue);
– Adjusted effective tax rate;
– Adjusted net income or loss;
– Adjusted earnings or loss per share (EPS);
– EBITDA and Adjusted EBITDA;
– Free cash flow.

Liquidity and Capital Structure Measures
– Non-cash working capital;
– Capital employed;
– Adjusted return on capital employed (ROCE);
– Net debt;
– Net debt-to-capital;
– Net debt-to-EBITDA and net debt-to-adjusted EBITDA;
– Maintenance and growth capital expenditures.

Growth Measures
– Adjusted order intake;
– Adjusted backlog;
– Book-to-sales ratio.

Definitions of all non-IFRS and other financial measures are provided in Section 11.1 *"Non-IFRS and other financial measure definitions"* of this MD&A to give the reader a better understanding of the indicators used by management. In addition, when applicable, we provide a quantitative reconciliation of the non-IFRS and other financial measures to the most directly comparable measure under IFRS. Refer to Section 11.1 *"Non-IFRS and other financial measure definitions"* for references to where these reconciliations are provided.

ABOUT MATERIAL INFORMATION

This MD&A includes the information we believe is material to investors after considering all circumstances, including potential market sensitivity. We consider something to be material if:
– It results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares; or
– It is likely that a reasonable investor would consider the information to be important in making an investment decision.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements about our activities, events and developments that we expect to or anticipate may occur in the future including, for example, statements about our vision, strategies, market trends and outlook, future revenues, earnings, cash flow growth, profit trends, growth capital spending, expansions and new initiatives, including initiatives that pertain to environmental, social and governance (ESG) matters, financial obligations, available liquidities, expected sales, general economic and political outlook, inflation trends, prospects and trends of an industry, expected annual recurring cost savings from operational excellence programs, our management of the supply chain, estimated addressable markets, demands for CAE's products and services, our access to capital resources, our financial position, the expected accretion in various financial metrics, the expected capital returns to shareholders, our business outlook, business opportunities, objectives, development, plans, growth strategies and other strategic priorities, and our competitive and leadership position in our markets, the expansion of our market shares, CAE's ability and preparedness to respond to demand for new technologies, the sustainability of our operations, our ability to retire the Legacy Contracts (as defined in Section 6.2 "*Defense and Security*" of this MD&A) as expected and to manage and mitigate the risks associated therewith, the impact of the retirement of the Legacy Contracts and other statements that are not historical facts. Since forward-looking statements and information relate to future events or future performance and reflect current expectations or beliefs regarding future events, they are typically identified by words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "likely", "may", "plan", "seek", "should", "will", "strategy", "future" or the negative thereof or other variations thereon suggesting future outcomes or statements regarding an outlook. All such statements constitute "forward-looking statements" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties associated with our business which may cause actual results in future periods to differ materially from results indicated in forward-looking statements. While these statements are based on management's expectations and assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that we believe are reasonable and appropriate in the circumstances, readers are cautioned not to place undue reliance on these forward-looking statements as there is a risk that they may not be accurate.

Important risks that could cause such differences include, but are not limited to, strategic risks, such as geopolitical uncertainty, global economic conditions, competitive business environment, original equipment manufacturer (OEM) leverage and encroachment, inflation, international scope of our business, level and timing of defence spending, constraints within the civil aviation industry, our ability to penetrate new markets, research and development (R&D) activities, evolving standards and technology innovation and disruption, length of sales cycle, business development and awarding of new contracts, strategic partnerships and long-term contracts, risk that we cannot assure investors that we will effectively manage our growth, estimates of market opportunity and competing priorities; operational risks, such as supply chain disruptions, program management and execution, mergers and acquisitions, business continuity, subcontractors, fixed price and long-term supply contracts, our continued reliance on certain parties and information, and health and safety; cybersecurity risks; talent risks, such as recruitment, development and retention, ability to attract, recruit and retain key personnel and management, corporate culture and labour relations; financial risks, such as availability of capital, customer credit risk, foreign exchange, effectiveness of internal controls over financial reporting, liquidity risk, interest rate volatility, returns to shareholders, shareholder activism, estimates used in accounting, impairment risk, pension plan funding, indebtedness, acquisition and integration costs, sales of additional common shares, market price and volatility of our common shares, seasonality, taxation matters and adjusted backlog; legal and regulatory risks, such as data rights and governance, U.S. foreign ownership, control or influence mitigation measures, compliance with laws and regulations, insurance coverage potential gaps, product-related liabilities, environmental laws and regulations, government audits and investigations, protection of our intellectual property and brand, third-party intellectual property, foreign private issuer status, and enforceability of civil liabilities against our directors and officers; ESG risks, such as extreme climate events and the impact of natural or other disasters (including effects of climate change) and more acute scrutiny and perception gaps regarding ESG matters; reputational risks; and technological risks, such as information technology (IT) and reliance on third-party providers for information technology systems and infrastructure management. The foregoing list is not exhaustive and other unknown or unpredictable factors could also have a material adverse effect on the performance or results of CAE. Additionally, differences could arise because of events announced or completed after the date of this MD&A. You will find more information about the risks and uncertainties affecting our business in Section 10 *"Business risk and uncertainty"* of this MD&A and in our 2024 financial report. Readers are cautioned that any of the disclosed risks could have a material adverse effect on CAE's forward-looking statements. Readers are also cautioned that the risks described above and elsewhere in this MD&A are not necessarily the only ones we face; additional risks and uncertainties that are presently unknown to us or that we may currently deem immaterial may adversely affect our business.

Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. The forward-looking information and statements contained in this MD&A are expressly qualified by this cautionary statement.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this MD&A. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

MATERIAL ASSUMPTIONS

The forward-looking statements set out in this MD&A are based on certain assumptions including, without limitation: the prevailing market conditions, geopolitical instability, the customer receptivity to our training and operational support solutions, the accuracy of our estimates of addressable markets and market opportunity, the realization of anticipated annual recurring cost savings and other intended benefits from restructuring initiatives and operational excellence programs, the ability to respond to anticipated inflationary pressures and our ability to pass along rising costs through increased prices, the actual impact to supply, production levels, and costs from global supply chain logistics challenges, the stability of foreign exchange rates, the ability to hedge exposures to fluctuations in interest rates and foreign exchange rates, the availability of borrowings to be drawn down under, and the utilization, of one or more of our senior credit agreements, our available liquidity from cash and cash equivalents, undrawn amounts on our revolving credit facility, the balance available under our receivable purchase facility, the assumption that our cash flows from operations and continued access to debt funding will be sufficient to meet financial requirements in the foreseeable future, access to expected capital resources within anticipated timeframes, no material financial, operational or competitive consequences from changes in regulations affecting our business, our ability to retain and attract new business, our ability to effectively execute and retire the Legacy Contracts while managing the risks associated therewith, our ability to defend our position in the dispute with the buyer of the CAE Healthcare business, and the realization of the expected strategic, financial and other benefits of the increase of our ownership stake in SIMCOM Aviation Training in the timeframe anticipated. Air travel is a major driver for CAE's business and management relies on analysis from the International Air Transport Association (IATA) to inform its assumptions about the rate and profile of recovery in its key civil aviation market. Accordingly, the assumptions outlined in this MD&A and, consequently, the forward-looking statements based on such assumptions, may turn out to be inaccurate. For more information, including with respect to other assumptions underlying the forward-looking statements made in this MD&A, refer to Section 10 *"Business risk and uncertainty"* of this MD&A and our annual MD&A for the year ended March 31, 2024.

3. ABOUT CAE

3.1 Who we are

At CAE, we equip people in critical roles with the expertise and solutions to create a safer world. As a technology company, we digitalize the physical world, deploying software-based simulation training and critical operations support solutions. Above all else, we empower pilots, cabin crew, maintenance technicians, airlines, business aviation operators and defence and security forces to perform at their best every day and when the stakes are the highest. Around the globe, we're everywhere customers need us to be with approximately 13,000 employees in more than 240 sites and training locations in over 40 countries. CAE represents more than 75 years of industry firsts–the highest-fidelity flight and mission simulators as well as training programs powered by digital technologies. We embed sustainability in everything we do. Today and tomorrow, we'll make sure our customers are ready for the moments that matter.

CAE's common shares are listed on the Toronto and New York stock exchanges (TSX / NYSE) under the symbol CAE.

3.2 Our mission

To lead at the frontier of digital immersion with high-tech training and operational support solutions to make the world a safer place.

3.3 Our vision

To be the worldwide partner of choice in civil aviation and defence and security by revolutionizing our customers' training and critical operations with digitally immersive solutions to elevate safety, efficiency and readiness.

3.4 Our strategy

CAE's four strategic pillars

There are four fundamental pillars that underpin our strategy and investment thesis:

– Efficient growth;
– Technology and market leadership;
– Revolutionizing training and critical operations;
– Skills and culture.

For further details, refer to Section 3.4 *"Our strategy"* of CAE's MD&A for the year ended March 31, 2024 available on our website (www.cae.com), SEDAR+ (www.sedarplus.ca) and EDGAR (www.sec.gov).

3.5 Our operations

Our operations are managed through two segments:

– Civil Aviation – We provide comprehensive training solutions for flight, cabin, maintenance and ground personnel in commercial, business and helicopter aviation, a complete range of flight simulation training devices, ab initio pilot training and crew sourcing services, as well as aircraft flight operations solutions. The civil aviation market includes major commercial airlines, regional airlines, business aircraft operators, civil helicopter operators, aircraft manufacturers, third-party training centres, flight training organizations, maintenance, repair and overhaul organizations (MRO) and aircraft finance leasing companies;
– Defense and Security – We are a global training and simulation provider delivering scalable, platform-independent solutions that enable and enhance force readiness and security. The defence and security market includes defence forces, OEMs, government agencies and public safety organizations worldwide.

There have been no significant changes to our operations since the end of fiscal 2024. For further details, refer to Section 3.5 *"Our operations"* of CAE's MD&A for the year ended March 31, 2024 available on our website (www.cae.com), SEDAR+ (www.sedarplus.ca) and EDGAR (www.sec.gov).

4. FOREIGN EXCHANGE

We report all dollar amounts in Canadian dollars. We value assets, liabilities and transactions that are measured in foreign currencies using various exchange rates as required by IFRS.

The tables below show the variations of the closing and average exchange rates for the three main currencies in which we operate.

We used the closing foreign exchange rates below to value our assets, liabilities and adjusted backlog in Canadian dollars at the end of each of the following periods:

	September 30 2024	June 30 2024	Increase / (decrease)	March 31 2024	Increase / (decrease)
U.S. dollar (US$ or USD)	**1.35**	1.37	*(1 %)*	1.35	*— %*
Euro (€ or EUR)	**1.51**	1.47	*3 %*	1.46	*3 %*
British pound (£ or GBP)	**1.81**	1.73	*5 %*	1.71	*6 %*

We used the average quarterly and year to date foreign exchange rates below to value our revenues and expenses throughout the following periods:

	Three months ended September 30			**Six months ended September 30**		
	2024	2023	Increase / (decrease)	**2024**	2023	Increase / (decrease)
U.S. dollar (US$ or USD)	**1.36**	1.34	*1 %*	**1.37**	1.34	*2 %*
Euro (€ or EUR)	**1.50**	1.46	*3 %*	**1.49**	1.46	*2 %*
British pound (£ or GBP)	**1.77**	1.70	*4 %*	**1.75**	1.69	*3 %*

The effect of translating the results of our foreign operations into Canadian dollars resulted in an increase in this quarter's revenue of $15.4 million and an increase in adjusted segment operating income of $1.4 million when compared to the second quarter of fiscal 2024. For the first six months of fiscal 2025, the effect of translating the results of our foreign operations into Canadian dollars resulted in an increase in revenue of $27.9 million and an increase in adjusted segment operating income of $2.8 million when compared to the first six months of fiscal 2024. We calculated this by translating the current quarter foreign currency revenue and adjusted segment operating income of our foreign operations using the average monthly exchange rates from the prior year's second quarter and comparing these adjusted amounts to our current quarter reported results. You will find more details about our foreign exchange exposure and hedging strategies in Section 10 "*Business Risk and Uncertainty*" in our MD&A for the year ended March 31, 2024.

5. CONSOLIDATED RESULTS

5.1 Results from operations – second quarter of fiscal 2025

(amounts in millions, except per share amounts)		**Q2-2025**	Q1-2025	Q4-2024	Q3-2024	Q2-2024
Continuing operations						
Revenue	$	**1,136.6**	1,072.5	1,126.3	1,094.5	1,050.0
Cost of sales	$	**845.5**	793.8	844.8	791.9	765.3
Gross profit	$	**291.1**	278.7	281.5	302.6	284.7
As a % of revenue[2]	%	***25.6***	*26.0*	*25.0*	*27.6*	*27.1*
Research and development expenses	$	**37.2**	35.9	41.7	38.1	33.3
Selling, general and administrative expenses	$	**127.6**	133.5	138.1	140.9	132.3
Other (gains) and losses	$	**(2.7)**	(0.9)	36.3	(4.8)	(2.2)
After-tax share in profit of equity accounted investees	$	**(20.0)**	(24.0)	(24.6)	(16.7)	(14.3)
Restructuring, integration and acquisition costs	$	**30.9**	25.6	55.0	23.5	37.9
Impairment of goodwill	$	**—**	—	568.0	—	—
Operating income (loss)	$	**118.1**	108.6	(533.0)	121.6	97.7
As a % of revenue[2]	%	***10.4***	*10.1*	*—*	*11.1*	*9.3*
Finance expense – net	$	**52.9**	49.5	52.4	52.4	47.1
Earnings (loss) before income taxes	$	**65.2**	59.1	(585.4)	69.2	50.6
Income tax expense (recovery)	$	**10.4**	8.3	(80.6)	8.2	(8.3)
As a % of earnings (loss) before income taxes (effective tax rate)	%	***16***	*14*	*14*	*12*	*(16)*
Net income (loss) from continuing operations	$	**54.8**	50.8	(504.8)	61.0	58.9
Net income (loss) from discontinued operations	$	**—**	—	20.5	(1.9)	2.2
Net income (loss)	$	**54.8**	50.8	(484.3)	59.1	61.1
Attributable to:						
Equity holders of the Company	$	**52.5**	48.3	(484.2)	56.5	58.4
Non-controlling interests	$	**2.3**	2.5	(0.1)	2.6	2.7
	$	**54.8**	50.8	(484.3)	59.1	61.1
EPS attributable to equity holders of the Company						
Basic and diluted – continuing operations	$	**0.16**	0.15	(1.58)	0.18	0.17
Basic and diluted – discontinued operations	$	**—**	—	0.06	(0.01)	0.01
Adjusted segment operating income[2]	$	**149.0**	134.2	125.7	145.1	135.6
Adjusted net income[2]	$	**76.2**	67.8	38.7	76.6	85.2
Adjusted EPS[2]	$	**0.24**	0.21	0.12	0.24	0.26

[2] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

Revenue was 8% higher compared to the second quarter of fiscal 2024
Revenue was $1,136.6 million this quarter, $86.6 million or 8% higher compared to the second quarter of fiscal 2024. For the first six months of fiscal 2025, revenue was $2,209.1 million, $147.1 million or 7% higher than the same period last year.

Revenue variances by segment were as follows:

(amounts in millions)

Three months ended September 30	**2024**	2023	*Variance $*	*Variance %*
Civil Aviation	**$ 640.7**	$ 572.6	*$ 68.1*	*12 %*
Defense and Security	**495.9**	477.4	*18.5*	*4 %*
Revenue	**$ 1,136.6**	$ 1,050.0	*$ 86.6*	*8 %*

Six months ended September 30	**2024**	2023	*Variance $*	*Variance %*
Civil Aviation	**$ 1,228.3**	$ 1,112.9	*$ 115.4*	*10 %*
Defense and Security	**980.8**	949.1	*31.7*	*3 %*
Revenue	**$ 2,209.1**	$ 2,062.0	*$ 147.1*	*7 %*

You will find more details in Section 6 "*Results by segment*" of this MD&A.

Gross profit was 2% higher compared to the second quarter of fiscal 2024
Gross profit was $291.1 million this quarter (25.6% of revenue) compared to $284.7 million (27.1% of revenue) in the second quarter of fiscal 2024. The increase in gross profit compared to the second quarter of fiscal 2024 was driven by higher gross profit in Defense and Security, partially offset by lower gross profit in Civil Aviation. The increase in Defense and Security was mainly due to higher activity and profitability on our North American and European programs. The decrease in Civil Aviation was mainly due to a lower contribution from commercial training services on a less favourable sales mix and lower utilization on reduced initial training demand, partially offset by a higher contribution recognized from simulator sales, driven by higher deliveries.

For the first six months of fiscal 2025, gross profit was $569.8 million (25.8% of revenue) compared to $570.4 million (27.7% of revenue) last year. The decrease in gross profit compared to the first six months of fiscal 2024 was driven by lower gross profit in Civil Aviation, offset by higher gross profit in Defense and Security. The decrease in Civil Aviation was mainly due to a lower contribution from commercial training services on a less favourable sales mix and lower utilization on reduced initial training demand, and a lower contribution from flight operations solutions on a higher level of software as a service (SaaS) conversions, partially offset by a higher contribution from simulator sales, driven by higher deliveries, and a higher contribution from business training services on increased volume from recently deployed simulators in our network. The increase in Defense and Security was mainly due to higher profitability on our European and North American programs.

Operating income was 21% higher compared to the second quarter of fiscal 2024
Operating income this quarter was $118.1 million (10.4% of revenue), compared to $97.7 million (9.3% of revenue) in the second quarter of fiscal 2024. For the first six months of fiscal 2025, operating income was $226.7 million (10.3% of revenue), compared to $226.0 million (11.0% of revenue) last year.

Operating income variances by segment were as follows:

(amounts in millions)

Three months ended September 30	**2024**	2023	*Variance $*	*Variance %*
Civil Aviation	**$ 94.7**	$ 88.4	*$ 6.3*	*7 %*
Defense and Security	**23.4**	9.3	*14.1*	*152 %*
Operating income	**$ 118.1**	$ 97.7	*$ 20.4*	*21 %*

Six months ended September 30	**2024**	2023	*Variance $*	*Variance %*
Civil Aviation	**$ 184.5**	$ 194.0	*$ (9.5)*	*(5 %)*
Defense and Security	**42.2**	32.0	*10.2*	*32 %*
Operating income	**$ 226.7**	$ 226.0	*$ 0.7*	*— %*

You will find more details in Section 6 "*Results by segment*" of this MD&A.

Adjusted segment operating income was 10% higher compared to the second quarter of fiscal 2024
Adjusted segment operating income was $149.0 million this quarter (13.1% of revenue), compared to $135.6 million (12.9% of revenue) in the second quarter of fiscal 2024. For the first six months of fiscal 2025, adjusted segment operating income was $283.2 million (12.8% of revenue) compared to $278.9 million (13.5% of revenue) last year.

Adjusted segment operating income variances by segment were as follows:

(amounts in millions)							
Three months ended September 30		**2024**		2023		*Variance $*	*Variance %*
Civil Aviation	**$**	**115.9**	$	114.3	*$*	*1.6*	*1 %*
Defense and Security		**33.1**		21.3		*11.8*	*55 %*
Adjusted segment operating income	**$**	**149.0**	$	135.6	*$*	*13.4*	*10 %*

Six months ended September 30		**2024**		2023		*Variance $*	*Variance %*
Civil Aviation	**$**	**222.3**	$	233.3	*$*	*(11.0)*	*(5 %)*
Defense and Security		**60.9**		45.6		*15.3*	*34 %*
Adjusted segment operating income	**$**	**283.2**	$	278.9	*$*	*4.3*	*2 %*

You will find more details in Section 6 "*Results by segment*" of this MD&A.

Finance expense - net was 12% higher compared to the second quarter of fiscal 2024
Finance expense - net was $52.9 million this quarter, compared to $47.1 million in the second quarter of fiscal 2024. The increase was mainly due to higher finance expense on lease liabilities in support of training network expansions, partially offset by lower finance expense on long-term debt due to a decreased level of borrowings during the period.

For the first six months of fiscal 2025, finance expense - net was $102.4 million, $2.2 million higher compared to the same period last year. The increase was mainly due to higher finance expense on lease liabilities in support of training network expansions, partially offset by lower finance expense on long-term debt due to a decreased level of borrowings during the period.

Effective tax rate was 16% this quarter
Income tax expense this quarter amounted to $10.4 million, representing an effective tax rate of 16%, compared to an effective tax rate of negative 16% for the second quarter of fiscal 2024. The adjusted effective tax rate[3] on our adjusted net income was 18% this quarter compared to 1% in the second quarter of fiscal 2024. The increase in the adjusted effective tax rate was mainly attributable to the recognition, last year, of previously unrecognized deferred tax assets in relation to the statutory combination of certain foreign operations and the current year mix of income from various jurisdictions.

For the first six months of fiscal 2025, the income tax expense amounted to $18.7 million, representing an effective tax rate of 15% compared to an effective tax rate of nil for the same period last year. The adjusted effective tax rate on our adjusted net income was 18% for the first six months of fiscal 2025 compared to 7% for the same period last year. The increase in the adjusted effective tax rate was mainly attributable to the recognition of previously unrecognized deferred tax assets in relation to the statutory combination of certain foreign operations and the income tax benefit from the tax court decision in the prior year, partially offset by the current year mix of income from various jurisdictions.

As at September 30, 2024, various countries where CAE operates have enacted the global minimum top-up income tax under Pillar Two tax legislation into domestic tax legislation. This enactment had no material impact on our overall income tax expense nor on the effective tax rate.

[3] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

5.2 Restructuring, integration and acquisition costs

		Three months ended September 30				Six months ended September 30		
(amounts in millions)		**2024**		2023		**2024**		2023
Integration and acquisition costs	**$**	**2.2**	$	26.9	**$**	**11.5**	$	41.9
Severances and other employee related costs		**23.0**		11.0		**33.9**		11.0
Impairment of non-financial assets – net		**2.9**		—		**5.2**		—
Other costs		**2.8**		—		**5.9**		—
Total restructuring, integration and acquisition costs	**$**	**30.9**	$	37.9	**$**	**56.5**	$	52.9

During the fourth quarter of fiscal 2024, we announced that we would streamline our operating model and portfolio, optimize our cost structure and create efficiencies. For the three months ended September 30, 2024, costs related to this restructuring program totalled $25.8 million and included $20.6 million of severances and other employee related costs and $2.9 million of impairment of non-financial assets. For the six months ended September 30, 2024, costs related to this restructuring program totalled $40.6 million and included $29.4 million of severances and other employee related costs and $5.2 million of impairment of non-financial assets. Impairment of non-financial assets primarily included the impairment of property, plant and equipment, intangible assets and right-of-use assets related to the termination of certain product offerings within the Civil Aviation segment. This restructuring program was completed in the second quarter of fiscal 2025.

For the three and six months ended September 30, 2024, restructuring, integration and acquisition costs associated with the fiscal 2022 acquisition of Sabre's AirCentre airline operations portfolio (AirCentre) amounted to $5.1 million and $15.9 million (2023 - $25.6 million and $38.5 million), respectively. The integration costs related mainly to IT infrastructure migration. The integration activities associated with the AirCentre acquisition were completed in the second quarter of fiscal 2025.

5.3 Consolidated adjusted order intake and adjusted backlog

Adjusted backlog[4] was up 6% compared to last quarter

(amounts in millions)	Three months ended September 30, 2024	Six months ended September 30, 2024
Obligated backlog, beginning of period	$ 9,722.7	$ 9,515.3
+ adjusted order intake[4]	2,955.3	4,147.3
- revenue	(1,136.6)	(2,209.1)
+ / - adjustments	(8.9)	79.0
Obligated backlog, end of period	$ 11,532.5	$ 11,532.5
Joint venture backlog (all obligated)	4,252.5	4,252.5
Unfunded backlog and options	2,256.2	2,256.2
Adjusted backlog	$ 18,041.2	$ 18,041.2

Adjustments this quarter were mainly due to foreign exchange movements and the revaluation of prior year contracts.

The book-to-sales ratio[4] for the quarter was 2.60x. The ratio for the last 12 months was 1.57x.

This quarter, $220.1 million was added to the unfunded backlog and $70.3 million was transferred to obligated backlog.

Canada's Future Aircrew Training (FAcT) Program
During the first quarter of fiscal 2025, $4.7 billion was added to joint venture backlog in relation to CAE's share of the award of a 25-year contract for Canada's Future Aircrew Training (FAcT) program to SkyAlyne, a joint venture between CAE and KF Aerospace, to design, develop, and deliver a comprehensive training and support system, including live flying, simulation, ground school training, and a suite of in-service support functions.

During the second quarter of fiscal 2025, $1.7 billion was added to adjusted order intake following CAE's award of a 25-year subcontract from SkyAlyne to support the FAcT program. As part of this subcontract, CAE will initially develop and deliver a range of simulators and training devices for the various aircraft fleets being procured under the FAcT program. These training devices are expected to be delivered over the next 5 years.

Joint venture backlog is adjusted to exclude any portion of orders that have been directly subcontracted to a CAE subsidiary, which are already reflected in the determination of obligated backlog. Therefore, approximately $850 million was removed from joint venture backlog as a result of the $1.7 billion subcontract awarded to CAE by its joint venture, SkyAlyne, this quarter.

You will find more details in Section 6 "*Results by segment*" of this MD&A.

[4] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

6. RESULTS BY SEGMENT

We manage our business and report our results in two segments:
– Civil Aviation;
– Defense and Security.

The method used for the allocation of assets jointly used by the operating segments and costs and liabilities jointly incurred (mostly corporate costs) between operating segments is based on the level of utilization when determinable and measurable, otherwise the allocation is based on a proportion of each segment's cost of sales and revenue.

Unless otherwise indicated, elements within our segment revenue and adjusted segment operating income analysis are presented in order of magnitude.

6.1 Civil Aviation

SECOND QUARTER OF FISCAL 2025

FINANCIAL RESULTS

(amounts in millions)		**Q2-2025**	Q1-2025	Q4-2024	Q3-2024	Q2-2024
Revenue	$	**640.7**	587.6	700.8	622.1	572.6
Operating income	$	**94.7**	89.8	147.0	101.0	88.4
Adjusted segment operating income	$	**115.9**	106.4	191.4	124.2	114.3
As a % of revenue[5]	%	***18.1***	*18.1*	*27.3*	*20.0*	*20.0*
Depreciation and amortization	$	**74.7**	73.3	69.9	70.7	65.2
Property, plant and equipment expenditures	$	**37.0**	71.7	58.0	65.9	37.5
Intangible asset expenditures	$	**17.2**	22.7	33.1	21.9	22.7
Capital employed[5]	$	**5,143.0**	5,086.0	4,871.7	4,774.6	4,778.8
Adjusted backlog	$	**6,663.1**	6,585.3	6,440.4	6,119.8	5,903.1

Supplementary non-financial information						
Simulator equivalent unit		**276**	279	279	275	268
FFSs in CAE's network		**355**	349	343	336	331
Utilization rate	%	**70**	76	78	76	71
FFS deliveries		**18**	8	17	13	11

Revenue up 12% compared to the second quarter of fiscal 2024
The increase compared to the second quarter of fiscal 2024 was mainly due to higher revenue recognized from simulator sales, driven by higher deliveries, and higher revenue from business training services, driven by a more favourable sales mix.

Revenue year to date was $1,228.3 million, $115.4 million or 10% higher than the same period last year. The increase was mainly due to higher revenue recognized from simulator sales, driven by higher deliveries, higher revenue from business training services, driven by a more favourable sales mix and an increased volume from recently deployed simulators in our network, and the foreign exchange impact on the translation of our foreign operations. The increase was partially offset by lower revenue from flight operations solutions on a higher level of SaaS conversions.

Operating income up 7% compared to the second quarter of fiscal 2024
Operating income was $94.7 million (14.8% of revenue) this quarter, compared to $88.4 million (15.4% of revenue) in the second quarter of fiscal 2024. This quarter's operating income included restructuring, integration and acquisition costs of $21.2 million compared to $25.9 million in the second quarter of fiscal 2024.

The increase compared to the second quarter of fiscal 2024 was mainly due to higher contribution recognized from simulator sales, driven by higher deliveries, a higher contribution from business training services driven by a more favourable sales mix and lower restructuring, integration, and acquisition costs. The increase was partially offset by a lower contribution from commercial training services, driven by a less favourable sales mix and lower utilization on reduced initial training demand.

[5] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

Operating income for the first six months of the year was $184.5 million (15.0% of revenue), $9.5 million or 5% lower than the same period last year. This period's operating income included restructuring, integration and acquisition costs of $37.8 million compared to $39.3 million in the same period last year.

The decrease compared to the first six months of fiscal 2024 was mainly due to a lower contribution from commercial training services, driven by a less favourable sales mix and lower utilization on reduced initial training demand, and a lower contribution from flight operations solutions on a higher level of SaaS conversions. The decrease was partially offset by a higher contribution from simulator sales, driven by higher deliveries, a higher contribution from business training services on increased volume from recently deployed simulators in our network, the foreign exchange impact on the translation of our foreign operations and lower restructuring, integration, and acquisition costs.

Adjusted segment operating income stable compared to the second quarter of fiscal 2024
Adjusted segment operating income was $115.9 million (18.1% of revenue) this quarter, compared to $114.3 million (20.0% of revenue) in the second quarter of fiscal 2024.

Higher contribution recognized from simulator sales, driven by higher deliveries, and higher contribution from business training services, driven by a more favourable sales mix were offset by the lower contribution from commercial training services, driven by a less favourable sales mix and lower utilization on reduced initial training demand.

Adjusted segment operating income for the first six months of the year was $222.3 million (18.1% of revenue), $11.0 million or 5% lower than the same period last year. The decrease was mainly due to a lower contribution from commercial training services, driven by a less favourable sales mix and lower utilization on reduced initial training demand, and a lower contribution from flight operations solutions on a higher level of SaaS conversions. The decrease was partially offset by a higher contribution from simulator sales, driven by higher deliveries, a higher contribution from business training services on increased volume from recently deployed simulators in our network, and the foreign exchange impact on the translation of our foreign operations.

Property, plant and equipment expenditures at $37.0 million this quarter
Growth capital expenditures were $19.1 million for the quarter and maintenance capital expenditures were $17.9 million.

Capital employed increased by $57.0 million compared to last quarter
The increase compared to last quarter was mainly due to movements in foreign exchange rates and a higher investment in non-cash working capital.

Adjusted backlog stable compared to last quarter

(amounts in millions)	Three months ended September 30, 2024	Six months ended September 30, 2024
Obligated backlog, beginning of period	$ 6,344.7	$ 6,107.5
+ adjusted order intake	693.3	1,463.8
- revenue	(640.7)	(1,228.3)
+ / - adjustments	(5.8)	48.5
Obligated backlog, end of period	$ 6,391.5	$ 6,391.5
Joint venture backlog (all obligated)	271.6	271.6
Adjusted backlog	$ 6,663.1	$ 6,663.1

Adjusted order intake included contracts for 16 full-flight simulators (FFSs) sold in the quarter, bringing the FFS order intake for the first six months of the fiscal year to 27 FFSs.

Adjustments this quarter were mainly due to foreign exchange movements.

This quarter's book-to-sales ratio was 1.08x. The ratio for the last 12 months was 1.23x.

6.2 Defense and Security

SECOND QUARTER OF FISCAL 2025

FINANCIAL RESULTS

(amounts in millions)		**Q2-2025**	Q1-2025	Q4-2024	Q3-2024	Q2-2024
Revenue	$	**495.9**	484.9	425.5	472.4	477.4
Operating income (loss)	$	**23.4**	18.8	(680.0)	20.6	9.3
Adjusted segment operating income (loss)	$	**33.1**	27.8	(65.7)	20.9	21.3
As a % of revenue	%	**6.7**	*5.7*	—	*4.4*	*4.5*
Depreciation and amortization	$	**25.4**	24.5	26.3	23.6	23.2
Property, plant and equipment expenditures	$	**20.0**	20.9	33.3	19.3	23.9
Intangible asset expenditures	$	**7.2**	5.9	8.0	5.2	6.7
Capital employed	$	**2,035.1**	2,110.0	2,041.2	2,627.0	2,697.4
Adjusted backlog	$	**11,378.1**	10,392.6	5,743.5	5,626.5	5,870.0

Revenue up 4% compared to the second quarter of fiscal 2024
The increase in revenue compared to the second quarter of fiscal 2024 was mainly due to higher revenue from our North American and European programs and the foreign exchange impact on the translation of our foreign operations.

Revenue year to date was $980.8 million, $31.7 million or 3% higher than the same period last year. The increase was mainly due to higher revenue on our European programs and the foreign exchange impact on the translation of our foreign operations.

Operating income up 152% compared to the second quarter of fiscal 2024
Operating income was $23.4 million (4.7% of revenue) this quarter, compared to $9.3 million (1.9% of revenue) in the second quarter of fiscal 2024. This quarter's operating income included restructuring, integration and acquisition costs of $9.7 million compared to $12.0 million in the second quarter of fiscal 2024.

The increase compared to the second quarter of fiscal 2024 was mainly due to higher activity and profitability on our North American and European programs and lower restructuring, integration and acquisition costs.

Operating income for the first six months of the year was $42.2 million (4.3% of revenue), $10.2 million higher than the same period last year. This period's operating income included restructuring, integration and acquisition costs of $18.7 million compared to $13.6 million in the same period last year.

The increase compared to the first six months of fiscal 2024 was mainly due to higher profitability on our European and North American programs and in our joint ventures, partially offset by higher restructuring, integration and acquisition costs.

Adjusted segment operating income up 55% compared to the second quarter of fiscal 2024
Adjusted segment operating income was $33.1 million (6.7% of revenue) this quarter, compared to $21.3 million (4.5% of revenue) in the second quarter of fiscal 2024.

The increase compared to the second quarter of fiscal 2024 was mainly due to higher activity and profitability on our North American and European programs.

Adjusted segment operating income for the first six months of the year was $60.9 million (6.2% of revenue), $15.3 million higher than the same period last year. The increase was mainly due to higher profitability on our European and North American programs and in our joint ventures.

Property, plant and equipment expenditures at $20.0 million this quarter
Growth capital expenditures were $17.3 million for the quarter and maintenance capital expenditures were $2.7 million.

Capital employed decreased by $74.9 million compared to last quarter
The decrease compared to last quarter was mainly due to a lower investment in non-cash working capital, primarily resulting from higher contract liabilities and lower contract assets and inventories, in addition to movements in foreign exchange rates.

Additional information pertaining to Defense and Security contracts

Within the Defense and Security segment, we have a number of fixed-price contracts which offer certain potential advantages and efficiencies but can also be negatively impacted by adverse changes to general economic conditions, including unforeseen supply chain disruptions, inflationary pressures, availability of labour and execution difficulties. These risks can result in cost overruns and reduced profit margins or losses. For further details, refer to Section 10 *"Business risk and uncertainty"* of our annual MD&A for the year ended March 31, 2024. While these risks can often be managed or mitigated, there were eight distinct legacy contracts entered into prior to the COVID-19 pandemic that are fixed-price in structure, with little to no provision for cost escalation, and that have been more significantly impacted by these risks (the Legacy Contracts). During the second quarter of fiscal 2025, we have completed one of the Legacy Contracts, and we expect to complete two additional Legacy Contracts before the end of the current fiscal year.

For the second quarter of fiscal 2025, the ongoing execution of the Legacy Contracts had a dilutive impact of approximately 0.3% on the Defense and Security adjusted segment operating income margin. Management is continuing to monitor the remaining Legacy Contracts as a separate group and will take appropriate measures as may be necessary in the future to mitigate the cost pressures associated with them.

Adjusted backlog up 9% compared to last quarter

(amounts in millions)	Three months ended September 30, 2024	Six months ended September 30, 2024
Obligated backlog, beginning of period	$ 3,378.0	$ 3,407.8
+ adjusted order intake	2,262.0	2,683.5
- revenue	(495.9)	(980.8)
+ / - adjustments	(3.1)	30.5
Obligated backlog, end of period	$ 5,141.0	$ 5,141.0
Joint venture backlog (all obligated)	3,980.9	3,980.9
Unfunded backlog and options	2,256.2	2,256.2
Adjusted backlog	$ 11,378.1	$ 11,378.1

Adjustments this quarter were mainly due to the revaluation of prior year contracts.

This quarter's book-to-sales ratio was 4.56x. The ratio for the last 12 months was 2.04x.

This quarter, $220.1 million was added to the unfunded backlog and $70.3 million was transferred to obligated backlog.

Canada's Future Aircrew Training (FAcT) Program

During the first quarter of fiscal 2025, $4.7 billion was added to joint venture backlog in relation to CAE's share of the award of a 25-year contract for the FAcT program to SkyAlyne, a joint venture between CAE and KF Aerospace, to design, develop, and deliver a comprehensive training and support system, including live flying, simulation, ground school training, and a suite of in-service support functions.

During the second quarter of fiscal 2025, $1.7 billion was added to adjusted order intake following CAE's award of a 25-year subcontract from SkyAlyne to support the FAcT program. As part of this subcontract, CAE will initially develop and deliver a range of simulators and training devices for the various aircraft fleets being procured under the FAcT program. These training devices are expected to be delivered over the next 5 years.

Joint venture backlog is adjusted to exclude any portion of orders that have been directly subcontracted to a CAE subsidiary, which are already reflected in the determination of obligated backlog. Therefore, approximately $850 million was removed from joint venture backlog as a result of the $1.7 billion subcontract awarded to CAE by its joint venture, SkyAlyne, this quarter.

7. CONSOLIDATED CASH MOVEMENTS AND LIQUIDITY

We manage liquidity and regularly monitor the factors that could affect it, including:

– Cash generated from operations, including timing of milestone payments and management of working capital;
– Capital expenditure requirements;
– Scheduled repayments of long-term debt obligations, our credit capacity and expected future debt market conditions.

7.1 Consolidated cash movements

	Three months ended September 30		Six months ended September 30	
(amounts in millions)	**2024**	2023	**2024**	2023
Cash provided by operating activities*	**$ 117.6**	$ 113.1	**$ 244.8**	$ 243.5
Changes in non-cash working capital	**44.5**	67.1	**(95.6)**	(112.6)
Net cash provided by operating activities	**$ 162.1**	$ 180.2	**$ 149.2**	$ 130.9
Maintenance capital expenditures[6]	**(20.6)**	(22.9)	**(40.5)**	(58.6)
Intangible assets expenditures excluding capitalized development costs	**(7.7)**	(3.6)	**(12.8)**	(20.8)
Proceeds from the disposal of property, plant and equipment	**0.2**	0.2	**1.9**	3.6
Net proceeds from (payments to) equity accounted investees	**0.3**	(12.9)	**0.4**	(25.6)
Dividends received from equity accounted investees	**6.8**	10.5	**17.3**	17.1
Other investing activities	**(1.1)**	(4.0)	**(0.8)**	(4.0)
Impact of discontinued operations	**—**	(0.1)	**—**	(5.5)
Free cash flow[6]	**$ 140.0**	$ 147.4	**$ 114.7**	$ 37.1
Growth capital expenditures[6]	**(36.4)**	(39.0)	**(109.1)**	(93.9)
Capitalized development costs	**(16.7)**	(28.9)	**(40.2)**	(51.5)
Net proceeds from the issuance of common shares	**2.6**	3.5	**23.8**	6.9
Repurchase and cancellation of common shares	**(9.6)**	—	**(21.3)**	—
Other cash movements, net	**—**	2.7	**—**	2.7
Effect of foreign exchange rate changes on cash and cash equivalents	**5.3**	1.1	**9.2**	(2.7)
Impact of discontinued operations	**—**	0.1	**—**	5.5
Net change in cash before proceeds and repayment of long-term debt	**$ 85.2**	$ 86.9	**$ (22.9)**	$ (95.9)

* before changes in non-cash working capital

Net cash from operating activities was $162.1 million this quarter
Net cash from operating activities was $18.1 million lower compared to the second quarter of fiscal 2024. The decrease was mainly due to a lower contribution from non-cash working capital.

Net cash from operating activities for the first six months of the year was $149.2 million, $18.3 million higher than the same period last year. The increase was mainly due to a lower investment in non-cash working capital.

Free cash flow was $140.0 million this quarter
Free cash flow was $7.4 million lower compared to the second quarter of fiscal 2024. The decrease was mainly due to lower contribution from non-cash working capital, partially offset by lower payments to equity accounted investees.

Free cash flow for the first six months of the year was $114.7 million, $77.6 million higher than the same period last year. The increase was mainly due to lower payments to equity accounted investees, lower maintenance capital expenditures, a lower investment in non-cash working capital, and lower intangible assets expenditures excluding capitalized development costs.

[6] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

8. CONSOLIDATED FINANCIAL POSITION

8.1 Consolidated capital employed

(amounts in millions)	**As at September 30 2024**	As at June 30 2024	As at March 31 2024
Use of capital[7]:			
Current assets	**$ 2,113.6**	$ 2,054.9	$ 2,006.5
Less: cash and cash equivalents	**(179.7)**	(143.2)	(160.1)
Current liabilities	**(2,513.0)**	(2,310.8)	(2,358.4)
Less: current portion of long-term debt	**487.0**	312.1	308.9
Non-cash working capital[7]	**$ (92.1)**	$ (87.0)	$ (203.1)
Property, plant and equipment	**2,623.0**	2,579.6	2,515.6
Intangible assets	**3,279.0**	3,294.1	3,271.9
Other long-term assets	**2,111.2**	2,128.3	2,040.1
Other long-term liabilities	**(392.0)**	(376.6)	(407.7)
Capital employed	**$ 7,529.1**	$ 7,538.4	$ 7,216.8
Source of capital[7]:			
Current portion of long-term debt	**$ 487.0**	$ 312.1	$ 308.9
Long-term debt	**2,757.6**	2,960.8	2,765.4
Less: cash and cash equivalents	**(179.7)**	(143.2)	(160.1)
Net debt[7]	**$ 3,064.9**	$ 3,129.7	$ 2,914.2
Equity attributable to equity holders of the Company	**4,382.2**	4,328.0	4,224.9
Non-controlling interests	**82.0**	80.7	77.7
Capital employed	**$ 7,529.1**	$ 7,538.4	$ 7,216.8

Adjusted return on capital employed (ROCE)[7]
Adjusted ROCE was 5.5% this quarter, which compares to 7.1% in the second quarter of last year and 5.7% last quarter.

Non-cash working capital decreased by $5.1 million compared to last quarter
The decrease was mainly due to higher contract liabilities, partially offset by lower derivative financial liabilities.

Property, plant and equipment increased by $43.4 million from last quarter
The increase was mainly due to recently deployed simulators in support of a previously announced training network expansion, movements in foreign exchange rates and capital expenditures in excess of depreciation.

Intangible assets decreased by $15.1 million from last quarter
The decrease was mainly due to depreciation in excess of capital expenditures and movements in foreign exchange rates.

Other long-term assets decreased by $17.1 million compared to last quarter
The decrease was mainly due to lower employee benefits assets, partially offset by higher deferred tax assets and higher right-of-use assets.

Other long-term liabilities increased by $15.4 million compared to last quarter
The increase was mainly due to higher employee benefits obligations resulting primarily from revised actuarial experience assumptions and a decrease in the discount rate used to determine our defined benefit pension plan obligations.

Total debt decreased by $28.3 million compared to last quarter
The decrease in total debt was mainly due to net repayments of borrowings, partially offset by additions and remeasurements of lease liabilities in support of training network expansions.

[7] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

Net debt decreased by $64.8 million compared to last quarter

(amounts in millions)		Three months ended September 30, 2024		Six months ended September 30, 2024
Net debt, beginning of period	$	3,129.7	$	2,914.2
Impact of cash movements on net debt (see table in the consolidated cash movements section 7.1)		(85.2)		22.9
Effect of foreign exchange rate changes on long-term debt		(18.9)		2.4
Non-cash lease liability movements		30.9		108.5
Other		8.4		16.9
Change in net debt during the period	$	(64.8)	$	150.7
Net debt, end of period	$	3,064.9	$	3,064.9

Liquidity measures		**As at September 30 2024**		As at September 30 2023
Net debt-to-capital[8]	**%**	**40.7**	%	40.3
Net debt-to-EBITDA[8]		**15.05**		3.55
Net debt-to-adjusted EBITDA[8]		**3.25**		3.25

We have a US$1.0 billion committed unsecured revolving credit facility at floating rates, provided by a syndicate of lenders. In September 2024, we extended the maturity date of our US$1.0 billion unsecured revolving credit facility until September 2028. We and some of our subsidiaries can borrow funds directly from this credit facility to cover operating and general corporate expenses and to issue letters of credit. We manage an uncommitted receivable purchase facility of up to US$400.0 million, in which we sell interests in certain of our accounts receivable to third parties for cash consideration. This facility is renewed annually.

We have certain debt agreements which require the maintenance of standard financial covenants. As at September 30, 2024, we are compliant with all our financial covenants.

Credit rating
On November 5, 2024, S&P Global Ratings affirmed CAE's BBB- credit rating but adjusted the outlook from 'stable' to 'negative'.

Total equity increased by $55.5 million this quarter
The increase in equity was mainly due to net income realized this quarter.

Outstanding share data
Our articles of incorporation authorize the issue of an unlimited number of common shares and an unlimited number of preferred shares issued in series. We had a total of 318,590,139 common shares issued and outstanding as at September 30, 2024 with total share capital of $2,275.3 million. In addition, we had 5,807,423 options outstanding. As at October 31, 2024, we had a total of 318,593,484 common shares issued and outstanding and 5,735,315 options outstanding.

Repurchase and cancellation of common shares
On May 27, 2024, we received regulatory approval for a normal course issuer bid program (NCIB) to purchase, for cancellation, up to 15,932,187 of our common shares. The NCIB began on May 30, 2024 and will end on May 29, 2025 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. These purchases may be made through the facilities of the TSX or the NYSE, or in such other manner as may be permitted under applicable stock exchange rules and securities laws, at the prevailing market price at the time of acquisition, plus brokerage fees. All common shares purchased pursuant to the NCIB will be cancelled.

During the three months ended September 30, 2024, we repurchased and cancelled a total of 392,730 common shares under the NCIB, at a weighted average price of $24.43 per common share, for a total consideration of $9.6 million. During the six months ended September 30, 2024, we repurchased and cancelled a total of 856,230 common shares under the NCIB, at a weighted average price of $24.85 per common share, for a total consideration of $21.3 million.

[8] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 11 "*Non-IFRS and other financial measures and supplementary non-financial information*" of this MD&A for the definitions and reconciliation of these measures to the most directly comparable measure under IFRS.

8.2 Contingencies

Dispute relating to final price adjustments for the sale of CAE's Healthcare business
During the fourth quarter of fiscal 2024, we closed the sale of our Healthcare business to Madison Industries. The total consideration is subject to post-closing price adjustments, including on account of working capital. At the time of issuance of the consolidated interim financial statements, we are engaged in a dispute with Madison Industries, which is claiming up to approximately $60 million in final price adjustments.

While there can be no assurance whether any amount will be payable as a result of the dispute, no amount has been recognized in our financial statements for any potential losses arising from this dispute as at September 30, 2024, as we believe that there are strong grounds for defence and will vigorously defend our position.

Class action proceeding
On July 16, 2024, the Company was served with an Application for authorization to bring an action pursuant to Section 225.4 of the *Securities Act* (Québec) and application for authorization to institute a class action before the Superior Court of Québec in the district of Montréal against the Company and certain of the Company's officers. The application and action are sought on behalf of purchasers of our common shares, and are based upon allegations that the defendants made false and/or misleading statements to the public and seek unspecified damages.

We have strong legal defences to the proceeding and intend to defend the case vigorously. Based on the preliminary nature of the proceeding and the inherent uncertainty of litigation, it is not possible to predict the final outcome or the timing of the proceeding or to determine the amount of any potential losses resulting therefrom, if any. As such, no amounts have been provisioned in our financial statements with respect to the proceeding.

Also on July 16, 2024, the Company and certain of the Company's officers were named as defendants in a proposed securities class action brought in the U.S. District Court for the Southern District of New York based upon similar allegations. That action was voluntarily dismissed by the plaintiff on September 13, 2024.

9. DISCONTINUED OPERATIONS

During the fourth quarter of fiscal 2024, we closed the sale of our Healthcare business to Madison Industries. At the time of issuance of the consolidated interim financial statements, we are engaged in a dispute with Madison Industries, which is claiming up to approximately $60 million in final price adjustments. For additional information, refer to Section 8.2 "*Contingencies*" of this MD&A.

The net income and other comprehensive income from discontinued operations are as follows:

	Three months ended September 30		**Six months ended September 30**	
(amounts in millions)	**2024**	2023	**2024**	2023
Revenue	**$** —	$ 38.5	**$** —	$ 80.9
Expenses	—	35.6	—	76.2
Operating income	**$** —	$ 2.9	**$** —	$ 4.7
Finance expense	—	0.9	—	1.9
Earnings before income taxes	**$** —	$ 2.0	**$** —	$ 2.8
Income tax (recovery) expense	—	(0.2)	—	0.1
Net income from discontinued operations	**$** —	$ 2.2	**$** —	$ 2.7

	Three months ended September 30		**Six months ended September 30**	
(amounts in millions)	**2024**	2023	**2024**	2023
Foreign currency exchange differences on translation of foreign operations	**$** —	$ 3.0	**$** —	$ 1.4
Other comprehensive income from discontinued operations	**$** —	$ 3.0	**$** —	$ 1.4

No amount of net income and other comprehensive income from discontinued operations are attributable to non-controlling interest.

The net cash flows from discontinued operations are as follows:

	Six months ended September 30	
(amounts in millions)	**2024**	2023
Operating activities	**$ —**	$ 5.9
Investing activities	**—**	(5.4)
Financing activities	**—**	(0.7)
Net cash flows used in discontinued operations	**$ —**	$ (0.2)

10. BUSINESS RISK AND UNCERTAINTY

We operate in several industry segments which present a variety of risks and uncertainties, many of which could materially and adversely affect our business, financial condition and results of operation and could cause actual events to differ materially from those described in our forward-looking statements. These risks and uncertainties can be found in Section 10 of CAE's MD&A for the year ended March 31, 2024, available on our website (www.cae.com), SEDAR+ (www.sedarplus.ca) and EDGAR (www.sec.gov). These risks and uncertainties, which management reviews on a quarterly basis, have not materially changed in the period since March 31, 2024, except that the *"Market price and volatility of our common shares"* risk in Section 10.5 *"Financial risks"* is revised as follows.

Market price and volatility of our common shares

The market price of our common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control and are unrelated to our performance. There can be no assurance that the market price of the common shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to our performance.

Following a significant decline in the market price of a company's securities, there may be instances of securities class action litigation being instituted against such company. The Company is currently a defendant in a shareholder-instituted class action proceeding, alleging such a decline in the market price of our common shares during the first quarter of fiscal 2025. We cannot provide any assurance that similar litigation will not occur in the future. The existing proceeding and any future similar proceedings could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on our business, operating results, and financial condition. Due to the inherent uncertainties of litigation, it is not possible to (a) predict the final outcome of the existing proceeding and other related proceedings generally or (b) determine the amount of potential losses, if any, that may be incurred in connection with any final judgment on these matters.

We maintain insurance coverage for various aspects of our business and operations, including for litigation. Our insurance programs have varying coverage limits and maximums, and insurance companies may deny claims we might make. Please refer to *"Insurance coverage potential gaps"* under Section 10.6 *"Legal and regulatory risks"* of CAE's MD&A for the year ended March 31, 2024 for more detail regarding the risks associated with our insurance coverage.

11. NON-IFRS AND OTHER FINANCIAL MEASURES AND SUPPLEMENTARY NON-FINANCIAL INFORMATION

11.1 Non-IFRS and other financial measure definitions

This MD&A includes non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures. These measures are not standardized financial measures prescribed under IFRS and therefore should not be confused with, or used as an alternative for, performance measures calculated according to IFRS. Furthermore, these measures should not be compared with similarly titled measures provided or used by other issuers. Management believes that these measures provide additional insight into our operating performance and trends and facilitate comparisons across reporting periods.

A non-IFRS financial measure is a financial measure that depicts our financial performance, financial position, or cash flow and either excludes an amount that is included in or includes an amount that is excluded from the composition of the most directly comparable financial measures disclosed in our financial statements.

A non-IFRS ratio is a financial measure disclosed in the form of a ratio, fraction, percentage, or similar representation, that has a non-IFRS financial measure as one or more of its components.

A total of segments measure is a financial measure that is a subtotal or total of two or more reportable segments and is disclosed within the notes to our consolidated financial statements, but not in our primary financial statements.

A capital management measure is a financial measure intended to enable an individual to evaluate our objectives, policies and processes for managing our capital and is disclosed within the notes to our consolidated financial statements, but not in our primary financial statements.

A supplementary financial measure is a financial measure that depicts our historical or expected future financial performance, financial position or cash flow and is not disclosed within our primary financial statements, nor does it meet the definition of any of the above measures.

Certain non-IFRS and other financial measures are provided on a consolidated basis and separately for each of our segments (Civil Aviation and Defense and Security) since we analyze their results and performance separately.

PERFORMANCE MEASURES

Gross profit margin (or gross profit as a % of revenue)
Gross profit margin is a supplementary financial measure calculated by dividing our gross profit by revenue for a given period. We track it because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods.

Operating income margin (or operating income as a % of revenue)
Operating income margin is a supplementary financial measure calculated by dividing our operating income by revenue for a given period. We track it because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods.

Adjusted segment operating income or loss
Adjusted segment operating income or loss is a non-IFRS financial measure that gives us an indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment's performance. We calculate adjusted segment operating income by taking operating income and adjusting for restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We track adjusted segment operating income because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods. Adjusted segment operating income on a consolidated basis is a total of segments measure since it is the profitability measure employed by management for making decisions about allocating resources to segments and assessing segment performance. Refer to Section 11.3 "*Non-IFRS measure reconciliations*" of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

Adjusted segment operating income margin (or adjusted segment operating income as a % of revenue)
Adjusted segment operating income margin is a non-IFRS ratio calculated by dividing our adjusted segment operating income by revenue for a given period. We track it because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods.

Adjusted effective tax rate
Adjusted effective tax rate is a supplementary financial measure that represents the effective tax rate on adjusted net income or loss. It is calculated by dividing our income tax expense by our earnings before income taxes, adjusting for the same items used to determine adjusted net income or loss. We track it because we believe it provides an enhanced understanding of the impact of changes in income tax rates and the mix of income on our operating performance and facilitates the comparison across reporting periods. Refer to Section 11.3 "*Non-IFRS measure reconciliations*" of this MD&A for a calculation of this measure.

Adjusted net income or loss
Adjusted net income or loss is a non-IFRS financial measure we use as an alternate view of our operating results. We calculate it by taking our net income attributable to equity holders of the Company from continuing operations and adjusting for restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events, after tax, as well as significant one-time tax items. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We track adjusted net income because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods. Refer to Section 11.3 "*Non-IFRS measure reconciliations*" of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

Adjusted earnings or loss per share (EPS)
Adjusted earnings or loss per share is a non-IFRS ratio calculated by dividing adjusted net income or loss by the weighted average number of diluted shares. We track it because we believe it provides an enhanced understanding of our operating performance on a per share basis and facilitates the comparison across reporting periods. Refer to Section 11.3 "*Non-IFRS measure reconciliations*" of this MD&A for a calculation of this measure.

EBITDA and Adjusted EBITDA
EBITDA is a non-IFRS financial measure which comprises net income or loss from continuing operations before income taxes, finance expense – net, depreciation and amortization. Adjusted EBITDA further adjusts for restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We use EBITDA and adjusted EBITDA to evaluate our operating performance, by eliminating the impact of non-operational or non-cash items. Refer to Section 11.3 "*Non-IFRS measure reconciliations*" of this MD&A for a reconciliation of these measures to the most directly comparable measure under IFRS.

Free cash flow
Free cash flow is a non-IFRS financial measure that shows us how much cash we have available to invest in growth opportunities, repay debt and meet ongoing financial obligations. We use it as an indicator of our financial strength and liquidity. We calculate it by taking the net cash generated by our continuing operating activities, subtracting maintenance capital expenditures, intangible assets expenditures excluding capitalized development costs, other investing activities not related to growth and dividends paid and adding proceeds from the disposal of property, plant and equipment, dividends received from equity accounted investees and proceeds, net of payments, from equity accounted investees. Refer to Section 7.1 "*Consolidated cash movements*" of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

LIQUIDITY AND CAPITAL STRUCTURE MEASURES

Non-cash working capital
Non-cash working capital is a non-IFRS financial measure we use to monitor how much money we have committed in the day-to-day operation of our business. We calculate it by taking current assets (not including cash and cash equivalents and assets held for sale) and subtracting current liabilities (not including the current portion of long-term debt and liabilities held for sale). Refer to Section 8.1 "*Consolidated capital employed*" of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

Capital employed
Capital employed is a non-IFRS financial measure we use to evaluate and monitor how much we are investing in our business. We measure it from two perspectives:

Use of capital:
- For the Company as a whole, we take total assets (not including cash and cash equivalents), and subtract total liabilities (not including long-term debt and the current portion of long-term debt);
- For each segment, we take the total assets (not including cash and cash equivalents, tax accounts, employee benefits assets and other non-operating assets), and subtract total liabilities (not including tax accounts, long-term debt and the current portion of long-term debt, royalty obligations, employee benefit obligations and other non-operating liabilities).

Source of capital:
- In order to understand our source of capital, we add net debt to total equity.

Refer to Section 8.1 "*Consolidated capital employed*" of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

Adjusted return on capital employed (ROCE)
Adjusted ROCE is a non-IFRS ratio calculated over a rolling four-quarter period by taking net income attributable to equity holders of the Company from continuing operations adjusting for net finance expense, after tax, restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events divided by the average capital employed from continuing operations. Impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We use adjusted ROCE to evaluate the profitability of our invested capital.

Net debt
Net debt is a capital management measure we use to monitor how much debt we have after taking into account cash and cash equivalents. We use it as an indicator of our overall financial position, and calculate it by taking our total long-term debt, including the current portion of long-term debt, and subtracting cash and cash equivalents. Refer to Section 8.1 "*Consolidated capital employed*" of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

Net debt-to-capital
Net debt-to-capital is a capital management measure calculated as net debt divided by the sum of total equity plus net debt. We use this to manage our capital structure and monitor our capital allocation priorities.

Net debt-to-EBITDA and net debt-to-adjusted EBITDA
Net debt-to-EBITDA and net debt-to-adjusted EBITDA are non-IFRS ratios calculated as net debt divided by the last twelve months EBITDA (or adjusted EBITDA). We use net debt-to-EBITDA and net debt-to-adjusted EBITDA because they reflect our ability to service our debt obligations. Refer to Section 11.3 "*Non-IFRS measure reconciliations*" of this MD&A for a calculation of these measures.

Maintenance and growth capital expenditures
Maintenance capital expenditure is a supplementary financial measure we use to calculate the investment needed to sustain the current level of economic activity.

Growth capital expenditure is a supplementary financial measure we use to calculate the investment needed to increase the current level of economic activity.

The sum of maintenance capital expenditures and growth capital expenditures represents our total property, plant and equipment expenditures.

GROWTH MEASURES

Adjusted order intake
Adjusted order intake is a supplementary financial measure that represents the expected value of orders we have received:
- For the Civil Aviation segment, we consider an item part of our adjusted order intake when we have a legally binding commercial agreement with a client that includes enough detail about each party's obligations to form the basis for a contract. Additionally, expected future revenues from customers under short-term and long-term training contracts are included when these customers commit to pay us training fees, or when we reasonably expect the revenue to be generated;
- For the Defense and Security segment, we consider an item part of our adjusted order intake when we have a legally binding commercial agreement with a client that includes enough detail about each party's obligations to form the basis for a contract. Defense and Security contracts are usually executed over a long-term period but some of them must be renewed each year. For this segment, we only include a contract item in adjusted order intake when the customer has authorized the contract item and has received funding for it.

Adjusted backlog
Adjusted backlog is a supplementary financial measure that represents expected future revenues and includes obligated backlog, joint venture backlog and unfunded backlog and options:
- Obligated backlog represents the value of our adjusted order intake not yet executed and is calculated by adding the adjusted order intake of the current period to the balance of the obligated backlog at the end of the previous fiscal year, subtracting the revenue recognized in the current period and adding or subtracting backlog adjustments. If the amount of an order already recognized in a previous fiscal year is modified, the backlog is revised through adjustments;
- Joint venture backlog is obligated backlog that represents the expected value of our share of orders that our joint ventures have received but have not yet executed. Joint venture backlog is determined on the same basis as obligated backlog described above, but excludes any portion of orders that have been directly subcontracted to a CAE subsidiary, which are already reflected in the determination of obligated backlog;
- Unfunded backlog represents legally binding Defense and Security orders with the U.S. government that we have received but have not yet executed and for which funding authorization has not yet been obtained. The uncertainty relates to the timing of the funding authorization, which is influenced by the government's budget cycle, based on a September year-end. Options are included in adjusted backlog when there is a high probability of being exercised, which we define as at least 80% probable, but multi-award indefinite-delivery/indefinite-quantity (ID/IQ) contracts are excluded. When an option is exercised, it is considered adjusted order intake in that period, and it is removed from unfunded backlog and options.

Book-to-sales ratio
The book-to-sales ratio is a supplementary financial measure calculated by dividing adjusted order intake by revenue in a given period. We use it to monitor the level of future growth of the business over time.

11.2 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.

11.3 Non-IFRS measure reconciliations

Reconciliation of adjusted segment operating income

(amounts in millions)	Civil Aviation		Defense and Security		Total	
Three months ended September 30	**2024**	2023	**2024**	2023	**2024**	2023
Operating income	**$ 94.7**	$ 88.4	**$ 23.4**	$ 9.3	**$ 118.1**	$ 97.7
Restructuring, integration and acquisition costs	**21.2**	25.9	**9.7**	12.0	**30.9**	37.9
Adjusted segment operating income	**$ 115.9**	$ 114.3	**$ 33.1**	$ 21.3	**$ 149.0**	$ 135.6

(amounts in millions)	Civil Aviation		Defense and Security		Total	
Six months ended September 30	**2024**	2023	**2024**	2023	**2024**	2023
Operating income	**$ 184.5**	$ 194.0	**$ 42.2**	$ 32.0	**$ 226.7**	$ 226.0
Restructuring, integration and acquisition costs	**37.8**	39.3	**18.7**	13.6	**56.5**	52.9
Adjusted segment operating income	**$ 222.3**	$ 233.3	**$ 60.9**	$ 45.6	**$ 283.2**	$ 278.9

Reconciliation of adjusted net income and adjusted EPS

	Three months ended September 30		**Six months ended September 30**	
(amounts in millions, except per share amounts)	**2024**	2023	**2024**	2023
Net income attributable to equity holders of the Company	**$ 52.5**	$ 58.4	**$ 100.8**	$ 123.7
Net income from discontinued operations	**—**	(2.2)	**—**	(2.7)
Restructuring, integration and acquisition costs, after tax	**23.7**	29.0	**43.2**	40.5
Adjusted net income	**$ 76.2**	$ 85.2	**$ 144.0**	$ 161.5
Average number of shares outstanding (diluted)	**319.1**	319.2	**319.0**	318.9
Adjusted EPS	**$ 0.24**	$ 0.26	**$ 0.45**	$ 0.51

Calculation of adjusted effective tax rate

		Three months ended September 30				Six months ended September 30		
(amounts in millions, except effective tax rates)		**2024**		2023		**2024**		2023
Earnings before income taxes	**$**	**65.2**	$	50.6	**$**	**124.3**	$	125.8
Restructuring, integration and acquisition costs		**30.9**		37.9		**56.5**		52.9
Adjusted earnings before income taxes	**$**	**96.1**	$	88.5	**$**	**180.8**	$	178.7
Income tax expense (recovery)	**$**	**10.4**	$	(8.3)	**$**	**18.7**	$	(0.4)
Tax impact on restructuring, integration and acquisition costs		**7.2**		8.9		**13.3**		12.4
Adjusted income tax expense	**$**	**17.6**	$	0.6	**$**	**32.0**	$	12.0
Effective tax rate	**%**	**16**	%	(16)	**%**	**15**	%	—
Adjusted effective tax rate	**%**	**18**	%	1	**%**	**18**	%	7

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

		Last twelve months ended September 30		
(amounts in millions, except net debt-to-EBITDA ratios)		**2024**		2023
Operating (loss) income	**$**	**(184.7)**	$	546.4
Depreciation and amortization		**388.4**		350.6
EBITDA	**$**	**203.7**	$	897.0
Restructuring, integration and acquisition costs		**135.0**		72.9
Impairments and other gains and losses arising from significant strategic transactions or specific events:				
Impairment of goodwill		**568.0**		—
Impairment of technology and other financial assets		**35.7**		—
Impairment reversal of non-financial assets following their repurposing and optimization		**—**		9.8
Adjusted EBITDA	**$**	**942.4**	$	979.7
Net debt	**$**	**3,064.9**	$	3,184.5
Net debt-to-EBITDA		**15.05**		3.55
Net debt-to-adjusted EBITDA		**3.25**		3.25

12. EVENT AFTER THE REPORTING PERIOD

On November 5, 2024, we increased our ownership stake in our existing SIMCOM Aviation Training (SIMCOM) joint venture by purchasing an additional interest from Volo Sicuro for a cash consideration of US$230 million, subject to customary adjustments, financed with our existing credit facility and cash on hand.

As a result, we obtained control over SIMCOM's four training centres located in the U.S. providing pilot training across multiple business aviation aircraft platforms. Additionally, CAE and SIMCOM have extended their current exclusive business aviation training services agreement with Flexjet, LLC, a related party of Volo Sicuro, and its affiliates by five years, bringing the remaining exclusivity period to 15 years.

Before the transaction, our 50% ownership in SIMCOM was accounted for using the equity method.

13. CHANGES IN ACCOUNTING POLICIES

New and amended standards adopted

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, IASB issued a narrow-scope amendment to IAS 1 – *Presentation of Financial Statements*, which clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. Classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In October 2022, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements*, which specify that for long-term debt with covenants to be complied with after the reporting date, such covenants do not affect the classification of debt as current or non-current at the reporting date, but do require disclosures in the notes to the financial statements.

Amendments to IFRS 16 – Leases

In September 2022, IASB issued amendments to IFRS 16 – *Leases*, which requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

Amendments to IAS 7 – Statement of Cash Flows, and IFRS 7 – Financial Instruments: disclosures

In May 2023, IASB issued amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: disclosure*, which introduces disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments provide a transition relief whereby an entity is not required to provide the disclosures, otherwise required by the amendments, for any interim period in the year of initial application of the amendments. We have elected to apply the transition relief to our consolidated interim financial statements.

These amendments to accounting standards were applied for the first time on April 1, 2024, but did not have a significant impact on our consolidated interim financial statements.

14. INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has established and maintains disclosure controls and procedures designed to provide reasonable assurance that material information relating to the Company is communicated to the President and Chief Executive Officer and the Interim Chief Financial Officer by others, particularly during the period in which annual and interim filings are prepared, and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by the Company under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws and the related rules.

As of September 30, 2024, management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Interim Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as defined under National Instrument 52-109 adopted by the Canadian Securities Administrators and in Rule 13(a)-15(e) under the U.S. Securities Exchange Act of 1934, as amended, and have concluded that the Company's disclosure controls and procedures were effective.

The Company has also established and maintains internal control over financial reporting, as defined under National Instrument 52-109 and in Rule 13(a)-15(f) under the U.S. Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed, under the supervision of the President and Chief Executive Officer as well as the Interim Chief Financial Officer, and effected by management and other key CAE personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with IFRS as issued by the IASB. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There were no changes in the Company's internal control over financial reporting that occurred during the second quarter of fiscal 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

15. SELECTED QUARTERLY FINANCIAL INFORMATION

(amounts in millions, except per share amounts)		Q1	Q2	Q3	Q4	Year to date
Fiscal 2025						
Revenue	**$**	**1,072.5**	**1,136.6**	(1)	(1)	**2,209.1**
Net income	**$**	**50.8**	**54.8**	(1)	(1)	**105.6**
Equity holders of the Company	**$**	**48.3**	**52.5**	(1)	(1)	**100.8**
Non-controlling interests	**$**	**2.5**	**2.3**	(1)	(1)	**4.8**
Basic and diluted EPS attributable to equity holders of the Company	**$**	**0.15**	**0.16**	(1)	(1)	**0.32**
Adjusted EPS	**$**	**0.21**	**0.24**	(1)	(1)	**0.45**
Average number of shares outstanding (basic)		**318.6**	**318.7**	(1)	(1)	**318.7**
Average number of shares outstanding (diluted)		**318.8**	**319.1**	(1)	(1)	**319.0**
Fiscal 2024						
Revenue	$	1,012.0	1,050.0	1,094.5	1,126.3	4,282.8
Net income	$	67.8	61.1	59.1	(484.3)	(296.3)
Equity holders of the Company						
Continuing operations	$	64.8	56.2	58.4	(504.7)	(325.3)
Discontinued operations	$	0.5	2.2	(1.9)	20.5	21.3
Non-controlling interests	$	2.5	2.7	2.6	(0.1)	7.7
Basic and diluted EPS attributable to equity holders of the Company	$	0.20	0.18	0.17	(1.52)	(0.95)
Continuing operations	$	0.20	0.17	0.18	(1.58)	(1.02)
Discontinued operations	$	—	0.01	(0.01)	0.06	0.07
Adjusted EPS	$	0.24	0.26	0.24	0.12	0.87
Average number of shares outstanding (basic)		318.0	318.2	318.3	318.3	318.2
Average number of shares outstanding (diluted)		318.8	319.2	319.1	318.3	318.2
Fiscal 2023						
Revenue	$	893.7	949.6	969.9	1,197.4	4,010.6
Net income	$	3.7	46.3	80.0	101.9	231.9
Equity holders of the Company						
Continuing operations	$	6.8	44.2	76.0	93.6	220.6
Discontinued operations	$	(5.1)	0.3	2.1	4.8	2.1
Non-controlling interests	$	2.0	1.8	1.9	3.5	9.2
Basic and diluted EPS attributable to equity holders of the Company	$	—	0.14	0.25	0.31	0.70
Continuing operations	$	0.02	0.14	0.24	0.29	0.69
Discontinued operations	$	(0.02)	—	0.01	0.02	0.01
Adjusted EPS	$	0.07	0.19	0.27	0.33	0.87
Average number of shares outstanding (basic)		317.1	317.8	317.9	317.9	317.7
Average number of shares outstanding (diluted)		318.2	318.4	318.3	318.7	318.4

(1) Not available.

Consolidated Income Statement

(Unaudited) *(amounts in millions of Canadian dollars, except per share amounts)*	Notes	Three months ended September 30 **2024**	2023	Six months ended September 30 **2024**	2023
Continuing operations					
Revenue	3	**$ 1,136.6**	$ 1,050.0	**$ 2,209.1**	$ 2,062.0
Cost of sales		**845.5**	765.3	**1,639.3**	1,491.6
Gross profit		**$ 291.1**	$ 284.7	**$ 569.8**	$ 570.4
Research and development expenses		**37.2**	33.3	**73.1**	70.0
Selling, general and administrative expenses		**127.6**	132.3	**261.1**	256.0
Other (gains) and losses	4	**(2.7)**	(2.2)	**(3.6)**	(3.6)
Share of after-tax profit of equity accounted investees	3	**(20.0)**	(14.3)	**(44.0)**	(30.9)
Restructuring, integration and acquisition costs	5	**30.9**	37.9	**56.5**	52.9
Operating income		**$ 118.1**	$ 97.7	**$ 226.7**	$ 226.0
Finance expense – net	6	**52.9**	47.1	**102.4**	100.2
Earnings before income taxes		**$ 65.2**	$ 50.6	**$ 124.3**	$ 125.8
Income tax expense (recovery)		**10.4**	(8.3)	**18.7**	(0.4)
Net income from continuing operations		**$ 54.8**	$ 58.9	**$ 105.6**	$ 126.2
Net income from discontinued operations	2	**—**	2.2	**—**	2.7
Net income		**$ 54.8**	$ 61.1	**$ 105.6**	$ 128.9
Attributable to:					
Equity holders of the Company		**$ 52.5**	$ 58.4	**$ 100.8**	$ 123.7
Non-controlling interests		**2.3**	2.7	**4.8**	5.2
Earnings per share attributable to equity holders of the Company					
Basic and diluted – continuing operations	8	**$ 0.16**	$ 0.17	**$ 0.32**	$ 0.38
Basic and diluted – discontinued operations	8	**—**	0.01	**—**	0.01

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Comprehensive Income

(Unaudited)		Three months ended September 30		Six months ended September 30	
(amounts in millions of Canadian dollars)	Notes	**2024**	2023	**2024**	2023
Net income from continuing operations		**$ 54.8**	$ 58.9	**$ 105.6**	$ 126.2
Items that may be reclassified to net income					
Foreign currency exchange differences on translation of foreign operations		**$ 15.4**	$ 68.7	**$ 66.9**	$ (27.5)
Net gain (loss) on hedges of net investment in foreign operations		**24.4**	(29.1)	**5.3**	(1.6)
Reclassification to income of gains on foreign currency exchange differences		**—**	—	**(0.1)**	(0.1)
Net gain (loss) on cash flow hedges		**5.7**	(14.3)	**(1.1)**	(0.9)
Reclassification to income of losses on cash flow hedges		**1.6**	2.5	**4.9**	3.1
Income taxes		**(1.1)**	3.3	**(2.1)**	(4.0)
		$ 46.0	$ 31.1	**$ 73.8**	$ (31.0)
Items that will never be reclassified to net income					
Remeasurement of defined benefit pension plan obligations		**$ (56.5)**	$ 33.4	**$ (54.2)**	$ 12.0
Income taxes		**15.0**	(8.9)	**14.4**	(3.2)
		$ (41.5)	$ 24.5	**$ (39.8)**	$ 8.8
Other comprehensive income (loss) from continuing operations		**$ 4.5**	$ 55.6	**$ 34.0**	$ (22.2)
Net income from discontinued operations	2	**—**	2.2	**—**	2.7
Other comprehensive income from discontinued operations	2	**—**	3.0	**—**	1.4
Total comprehensive income		**$ 59.3**	$ 119.7	**$ 139.6**	$ 108.1
Attributable to:					
Equity holders of the Company		**$ 56.9**	$ 116.0	**$ 134.2**	$ 103.2
Non-controlling interests		**2.4**	3.7	**5.4**	4.9

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

(Unaudited) *(amounts in millions of Canadian dollars)*	**September 30 2024**	March 31 2024
Assets		
Cash and cash equivalents	**$ 179.7**	$ 160.1
Accounts receivable	**577.6**	624.7
Contract assets	**555.5**	537.6
Inventories	**633.8**	573.6
Prepayments	**86.0**	68.0
Income taxes recoverable	**71.4**	35.3
Derivative financial assets	**9.6**	7.2
Total current assets	**$ 2,113.6**	$ 2,006.5
Property, plant and equipment	**2,623.0**	2,515.6
Right-of-use assets	**629.7**	545.8
Intangible assets	**3,279.0**	3,271.9
Investment in equity accounted investees	**622.2**	588.8
Employee benefits assets	**11.9**	65.7
Deferred tax assets	**256.3**	233.3
Derivative financial assets	**6.8**	4.2
Other non-current assets	**584.3**	602.3
Total assets	**$ 10,126.8**	$ 9,834.1
Liabilities and equity		
Accounts payable and accrued liabilities	**$ 955.3**	$ 1,035.3
Provisions	**47.3**	42.6
Income taxes payable	**29.5**	31.1
Contract liabilities	**978.0**	911.7
Current portion of long-term debt	**487.0**	308.9
Derivative financial liabilities	**15.9**	28.8
Total current liabilities	**$ 2,513.0**	$ 2,358.4
Provisions	**13.6**	14.0
Long-term debt	**2,757.6**	2,765.4
Royalty obligations	**65.8**	74.4
Employee benefits obligations	**116.4**	98.7
Deferred tax liabilities	**38.8**	36.6
Derivative financial liabilities	**0.8**	2.9
Other non-current liabilities	**156.6**	181.1
Total liabilities	**$ 5,662.6**	$ 5,531.5
Equity		
Share capital	**$ 2,275.3**	$ 2,252.9
Contributed surplus	**71.3**	55.4
Accumulated other comprehensive income	**227.2**	154.0
Retained earnings	**1,808.4**	1,762.6
Equity attributable to equity holders of the Company	**$ 4,382.2**	$ 4,224.9
Non-controlling interests	**82.0**	77.7
Total equity	**$ 4,464.2**	$ 4,302.6
Total liabilities and equity	**$ 10,126.8**	$ 9,834.1

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity

(Unaudited)		Attributable to equity holders of the Company							
Six months ended September 30, 2024		Common shares							
(amounts in millions of Canadian dollars, except number of shares)	Notes	Number of shares	Stated value	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	**Total equity**
Balances as at March 31, 2024		318,312,233	$ 2,252.9	$ 55.4	$ 154.0	$ 1,762.6	$ 4,224.9	$ 77.7	**$ 4,302.6**
Net income		—	$ —	$ —	$ —	$ 100.8	$ 100.8	$ 4.8	**$ 105.6**
Other comprehensive income (loss)		—	—	—	73.2	(39.8)	33.4	0.6	**34.0**
Total comprehensive income		—	$ —	$ —	$ 73.2	$ 61.0	$ 134.2	$ 5.4	**$ 139.6**
Exercise of stock options		1,092,050	27.3	(3.5)	—	—	23.8	—	**23.8**
Settlement of equity-settled awards		42,086	1.2	(1.2)	—	—	—	—	**—**
Repurchase and cancellation of common shares	8	(856,230)	(6.1)	—	—	(15.2)	(21.3)	—	**(21.3)**
Equity-settled share-based payments expense		—	—	20.6	—	—	20.6	—	**20.6**
Transactions with non-controlling interests		—	—	—	—	—	—	(1.1)	**(1.1)**
Balances as at September 30, 2024		**318,590,139**	**$ 2,275.3**	**$ 71.3**	**$ 227.2**	**$ 1,808.4**	**$ 4,382.2**	**$ 82.0**	**$ 4,464.2**

	Attributable to equity holders of the Company							
Six months ended September 30, 2023	Common shares							
(amounts in millions of Canadian dollars, except number of shares)	Number of shares	Stated value	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balances as at March 31, 2023	317,906,290	$ 2,243.6	$ 42.1	$ 167.2	$ 2,054.8	$ 4,507.7	$ 81.2	$ 4,588.9
Net income	—	$ —	$ —	$ —	$ 123.7	$ 123.7	$ 5.2	$ 128.9
Other comprehensive (loss) income	—	—	—	(29.3)	8.8	(20.5)	(0.3)	(20.8)
Total comprehensive (loss) income	—	$ —	$ —	$ (29.3)	$ 132.5	$ 103.2	$ 4.9	$ 108.1
Exercise of stock options	364,268	8.2	(1.3)	—	—	6.9	—	6.9
Equity-settled share-based payments expense	—	—	15.1	—	—	15.1	—	15.1
Transactions with non-controlling interests	—	—	—	—	—	—	(3.1)	(3.1)
Balances as at September 30, 2023	318,270,558	$ 2,251.8	$ 55.9	$ 137.9	$ 2,187.3	$ 4,632.9	$ 83.0	$ 4,715.9

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

(Unaudited) *Six months ended September 30* *(amounts in millions of Canadian dollars)*	Notes		**2024**		2023
Operating activities					
Net income		**$**	**105.6**	$	128.9
Adjustments for:					
Depreciation and amortization	3		**197.9**		183.4
Share of after-tax profit of equity accounted investees			**(44.0)**		(30.9)
Deferred income taxes			**(8.0)**		(39.2)
Investment tax credits			**(8.7)**		(2.3)
Equity-settled share-based payments expense			**20.6**		15.1
Defined benefit pension plans			**17.2**		1.1
Other non-current liabilities			**(4.7)**		(4.8)
Derivative financial assets and liabilities – net			**(13.6)**		(18.2)
Other			**(17.5)**		10.4
Changes in non-cash working capital	9		**(95.6)**		(112.6)
Net cash provided by operating activities		**$**	**149.2**	$	130.9
Investing activities					
Property, plant and equipment expenditures	3	**$**	**(149.6)**	$	(152.5)
Proceeds from disposal of property, plant and equipment			**1.9**		3.6
Intangible assets expenditures	3		**(53.0)**		(72.3)
Net proceeds from (payments to) equity accounted investees			**0.4**		(25.6)
Dividends received from equity accounted investees			**17.3**		17.1
Other			**(0.8)**		(1.3)
Net cash used in investing activities		**$**	**(183.8)**	$	(231.0)
Financing activities					
Net proceeds from (repayment of) borrowing under revolving credit facilities		**$**	**87.0**	$	(279.5)
Proceeds from long-term debt			**19.5**		417.5
Repayment of long-term debt			**(36.3)**		(33.5)
Repayment of lease liabilities			**(27.7)**		(44.7)
Net proceeds from the issuance of common shares			**23.8**		6.9
Repurchase and cancellation of common shares	8		**(21.3)**		—
Net cash provided by financing activities		**$**	**45.0**	$	66.7
Effect of foreign currency exchange differences on cash and cash equivalents		**$**	**9.2**	$	(2.7)
Net increase (decrease) in cash and cash equivalents		**$**	**19.6**	$	(36.1)
Cash and cash equivalents, beginning of period			**160.1**		217.6
Cash and cash equivalents, end of period		**$**	**179.7**	$	181.5

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

Notes to the Consolidated Interim Financial Statements

(Unaudited)
(Unless otherwise stated, all tabular amounts are in millions of Canadian dollars)

The consolidated interim financial statements were authorized for issue by the board of directors on November 12, 2024.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES

Nature of operations

CAE equips people in critical roles with the expertise and solutions to create a safer world. As a technology company, CAE digitalizes the physical world, deploying software-based simulation training and critical operations support solutions.

CAE Inc. and its subsidiaries' (CAE or the Company) operations are managed through two segments:

(i) Civil Aviation – Provides comprehensive training solutions for flight, cabin, maintenance and ground personnel in commercial, business and helicopter aviation, a complete range of flight simulation training devices, ab initio pilot training and crew sourcing services, as well as aircraft flight operations solutions;

(ii) Defense and Security – A global training and simulation provider delivering scalable, platform-independent solutions that enable and enhance force readiness and security.

CAE Inc. is incorporated and domiciled in Canada with its registered and main office located at 8585 Côte-de-Liesse, Saint-Laurent, Québec, Canada, H4T 1G6. CAE common shares are traded on the Toronto Stock Exchange (TSX) and on the New York Stock Exchange (NYSE).

Seasonality and cyclicality of the business

The Company's business operating segments are affected in varying degrees by market cyclicality and/or seasonality. As such, operating performance over a given interim period should not necessarily be considered indicative of full fiscal year performance.

The Company's business, revenues and cash flows are affected by certain seasonal trends. In the Civil Aviation segment, the level of training delivered is driven by the availability of pilots to train, which tends to be lower in the second quarter as pilots are flying more and training less, thus, driving lower revenues. In the Defense and Security segment, revenue and cash collection is not as consistent across quarters throughout the year as contract awards and availability of funding are influenced by customers' budget cycles.

Basis of preparation

The material accounting policies applied in the preparation of these consolidated interim financial statements are consistent with those disclosed in Note 1 of the Company's consolidated financial statements for the year ended March 31, 2024. These policies have been consistently applied to all periods presented. These condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended March 31, 2024.

The consolidated interim financial statements have been prepared in accordance with Part I of the CPA Canada Handbook - Accounting, IFRS Accounting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, IAS 34, Interim Financial Reporting.

CAE Inc.'s consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency.

Comparative figures

Comparative amounts in the consolidated income statement and consolidated statement of comprehensive income have been reclassified as a result of the Healthcare segment being presented as discontinued operations (Note 2).

New and amended standards adopted by the Company

Amendments to IAS 1 - Presentation of Financial Statements

In January 2020, IASB issued a narrow-scope amendment to IAS 1 – *Presentation of Financial Statements*, which clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. Classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In October 2022, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements*, which specify that for long-term debt with covenants to be complied with after the reporting date, such covenants do not affect the classification of debt as current or non-current at the reporting date, but do require disclosures in the notes to the financial statements.

Amendments to IFRS 16 – Leases

In September 2022, IASB issued amendments to IFRS 16 – *Leases*, which requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

Amendments to IAS 7 – Statement of Cash Flows, and IFRS 7 – Financial Instruments: disclosures

In May 2023, IASB issued amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: disclosure*, which introduces disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments provide a transition relief whereby an entity is not required to provide the disclosures, otherwise required by the amendments, for any interim period in the year of initial application of the amendments. The Company has elected to apply the transition relief to its consolidated interim financial statements.

These amendments to accounting standards were applied for the first time on April 1, 2024, but did not have a significant impact on the consolidated interim financial statements of the Company.

Use of judgements, estimates and assumptions

The preparation of the consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and disclosures at the date of the consolidated interim financial statements, as well as the reported amounts of revenues and expenses for the period reported. Actual results could differ from those estimates. Changes will be reported in the period in which they are identified. In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the year ended March 31, 2024.

NOTE 2 – DISCONTINUED OPERATIONS

During the fourth quarter of fiscal 2024, the Company closed the sale of its Healthcare business to Madison Industries. At the time of issuance of the consolidated interim financial statements, the Company is engaged in a dispute with Madison Industries, which is claiming up to approximately $60 million in final price adjustments. For additional information, refer to Note 10.

The net income and other comprehensive income from discontinued operations are as follows:

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Revenue	**$ —**	$ 38.5	**$ —**	$ 80.9
Expenses	**—**	35.6	**—**	76.2
Operating income	**$ —**	$ 2.9	**$ —**	$ 4.7
Finance expense	**—**	0.9	**—**	1.9
Earnings before income taxes	**$ —**	$ 2.0	**$ —**	$ 2.8
Income tax (recovery) expense	**—**	(0.2)	**—**	0.1
Net income from discontinued operations	**$ —**	$ 2.2	**$ —**	$ 2.7

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Foreign currency exchange differences on translation of foreign operations	**$ —**	$ 3.0	**$ —**	$ 1.4
Other comprehensive income from discontinued operations	**$ —**	$ 3.0	**$ —**	$ 1.4

No amount of net income and other comprehensive income from discontinued operations are attributable to non-controlling interest.

The net cash flows from discontinued operations are as follows:

	Six months ended September 30	
	2024	2023
Operating activities	**$ —**	$ 5.9
Investing activities	**—**	(5.4)
Financing activities	**—**	(0.7)
Net cash flows used in discontinued operations	**$ —**	$ (0.2)

NOTE 3 – OPERATING SEGMENTS AND GEOGRAPHIC INFORMATION

The Company elected to organize its operating segments principally on the basis of its customer markets. The Company manages its operations through its two segments: Civil Aviation and Defense and Security. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Company has decided to disaggregate revenue from contracts with customers by segment, by products and services and by geographic regions as the Company believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

Results by segment

The profitability measure employed by the Company for making decisions about allocating resources to segments and assessing segment performance is adjusted segment operating income. Adjusted segment operating income is calculated by taking operating income and adjusting for restructuring, integration and acquisition costs, and impairments and other gains and losses arising from significant strategic transactions or specific events, which gives an indication of the profitability of each segment because it does not include the impact of items not specifically related to the segment's performance.

The accounting principles used to prepare the information by operating segments are the same as those used to prepare the Company's consolidated financial statements. The method used for the allocation of assets jointly used by operating segments and costs and liabilities jointly incurred (mostly corporate costs) between operating segments is based on the level of utilization when determinable and measurable, otherwise the allocation is based on a proportion of each segment's cost of sales and revenue.

	Civil Aviation		Defense and Security		Total	
Three months ended September 30	**2024**	2023	**2024**	2023	**2024**	2023
External revenue	**$ 640.7**	$ 572.6	**$ 495.9**	$ 477.4	**$ 1,136.6**	$ 1,050.0
Depreciation and amortization	**74.7**	65.2	**25.4**	23.2	**100.1**	88.4
Share of after-tax profit of equity accounted investees	**15.8**	11.2	**4.2**	3.1	**20.0**	14.3
Operating income	**95.1**	88.4	**23.0**	9.3	**118.1**	97.7
Adjusted segment operating income	**115.9**	114.3	**33.1**	21.3	**149.0**	135.6

	Civil Aviation		Defense and Security		Total	
Six months ended September 30	**2024**	2023	**2024**	2023	**2024**	2023
External revenue	**$ 1,228.3**	$ 1,112.9	**$ 980.8**	$ 949.1	**$ 2,209.1**	$ 2,062.0
Depreciation and amortization	**148.0**	131.4	**49.9**	46.8	**197.9**	178.2
Share of after-tax profit of equity accounted investees	**34.1**	24.9	**9.9**	6.0	**44.0**	30.9
Operating income	**184.9**	194.0	**41.8**	32.0	**226.7**	226.0
Adjusted segment operating income	**222.3**	233.3	**60.9**	45.6	**283.2**	278.9

Reconciliation of adjusted segment operating income is as follows:

	Civil Aviation		Defense and Security		Total	
Three months ended September 30	**2024**	2023	**2024**	2023	**2024**	2023
Operating income	**$ 94.7**	$ 88.4	**$ 23.4**	$ 9.3	**$ 118.1**	$ 97.7
Restructuring, integration and acquisition costs (Note 5)	**21.2**	25.9	**9.7**	12.0	**30.9**	37.9
Adjusted segment operating income	**$ 115.9**	$ 114.3	**$ 33.1**	$ 21.3	**$ 149.0**	$ 135.6

	Civil Aviation		Defense and Security		Total	
Six months ended September 30	**2024**	2023	**2024**	2023	**2024**	2023
Operating income	**$ 184.5**	$ 194.0	**$ 42.2**	$ 32.0	**$ 226.7**	$ 226.0
Restructuring, integration and acquisition costs (Note 5)	**37.8**	39.3	**18.7**	13.6	**56.5**	52.9
Adjusted segment operating income	**$ 222.3**	$ 233.3	**$ 60.9**	$ 45.6	**$ 283.2**	$ 278.9

Capital expenditures by segment, which consist of property, plant and equipment expenditures and intangible assets expenditures (excluding those acquired in business combinations), are as follows:

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Civil Aviation	**$ 54.2**	$ 60.2	**$ 148.6**	$ 156.5
Defense and Security	**27.2**	30.6	**54.0**	62.9
Discontinued operations (Note 2)	**—**	3.6	**—**	5.4
Total capital expenditures	**$ 81.4**	$ 94.4	**$ 202.6**	$ 224.8

Assets and liabilities employed by segment

The Company uses assets employed and liabilities employed to assess resources allocated to each segment. Assets employed include accounts receivable, contract assets, inventories, prepayments, property, plant and equipment, right-of-use assets, intangible assets, investment in equity accounted investees, derivative financial assets and other non-current assets. Liabilities employed include accounts payable and accrued liabilities, provisions, contract liabilities, derivative financial liabilities and other non-current liabilities.

Assets and liabilities employed by segment are reconciled to total assets and liabilities as follows:

	September 30 2024	March 31 2024
Assets employed		
Civil Aviation	**$ 6,423.2**	$ 6,131.8
Defense and Security	**2,824.3**	2,869.3
Assets not included in assets employed by segment	**879.3**	833.0
Total assets	**$ 10,126.8**	$ 9,834.1
Liabilities employed		
Civil Aviation	**$ 1,280.2**	$ 1,260.1
Defense and Security	**789.2**	828.1
Liabilities not included in liabilities employed by segment	**3,593.2**	3,443.3
Total liabilities	**$ 5,662.6**	$ 5,531.5

Products and services information

The Company's revenue from external customers for its products and services are as follows:

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Products	**$ 460.4**	$ 377.8	**$ 872.2**	$ 693.3
Training, software and services	**676.2**	672.2	**1,336.9**	1,368.7
Total external revenue	**$ 1,136.6**	$ 1,050.0	**$ 2,209.1**	$ 2,062.0

Geographic information

The Company markets its products and services globally. Revenues are attributed to geographical regions based on the location of customers. Non-current assets other than financial instruments, deferred tax assets and employee benefits assets are attributed to geographical regions based on the location of the assets, excluding goodwill. Goodwill is presented by geographical regions based on the Company's allocation of the related purchase price.

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
External revenue				
Canada	**$ 108.2**	$ 98.9	**$ 211.5**	$ 210.7
United States	**534.8**	517.5	**1,073.8**	1,002.8
United Kingdom	**71.3**	63.2	**139.5**	125.4
Rest of Americas	**48.0**	22.4	**74.6**	46.4
Europe	**152.1**	157.0	**302.6**	319.6
Asia	**194.2**	152.6	**327.7**	281.0
Oceania and Africa	**28.0**	38.4	**79.4**	76.1
	$ 1,136.6	$ 1,050.0	**$ 2,209.1**	$ 2,062.0

	September 30	March 31
	2024	2024
Non-current assets other than financial instruments, deferred tax assets and employee benefits assets		
Canada	**$ 1,545.7**	$ 1,527.7
United States	**3,629.3**	3,623.5
United Kingdom	**392.6**	360.5
Rest of Americas	**191.9**	201.9
Europe	**1,044.7**	985.5
Asia	**564.8**	532.0
Oceania and Africa	**196.0**	108.9
	$ 7,565.0	$ 7,340.0

NOTE 4 – OTHER (GAINS) AND LOSSES

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Net (gain) loss on foreign currency exchange differences	**$ (1.2)**	$ (0.4)	**$ (2.0)**	$ 1.6
Settlement gain on annuity purchase transaction	**—**	—	**—**	(5.2)
Other	**(1.5)**	(1.8)	**(1.6)**	—
Other (gains) and losses	**$ (2.7)**	$ (2.2)	**$ (3.6)**	$ (3.6)

NOTE 5 – RESTRUCTURING, INTEGRATION AND ACQUISITION COSTS

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Integration and acquisition costs	**$ 2.2**	$ 26.9	**$ 11.5**	$ 41.9
Severances and other employee related costs	**23.0**	11.0	**33.9**	11.0
Impairment of non-financial assets – net	**2.9**	—	**5.2**	—
Other costs	**2.8**	—	**5.9**	—
Total restructuring, integration and acquisition costs	**$ 30.9**	$ 37.9	**$ 56.5**	$ 52.9

During the fourth quarter of fiscal 2024, the Company announced that it would streamline its operating model and portfolio, optimize its cost structure and create efficiencies. For the three months ended September 30, 2024, costs related to this restructuring program totalled $25.8 million and included $20.6 million of severances and other employee related costs and $2.9 million of impairment of non-financial assets. For the six months ended September 30, 2024, costs related to this restructuring program totalled $40.6 million and included $29.4 million of severances and other employee related costs and $5.2 million of impairment of non-financial assets. Impairment of non-financial assets primarily included the impairment of property, plant and equipment, intangible assets and right-of-use assets related to the termination of certain product offerings within the Civil Aviation segment. This restructuring program was completed in the second quarter of fiscal 2025.

For the three and six months ended September 30, 2024, restructuring, integration and acquisition costs associated with the fiscal 2022 acquisition of Sabre's AirCentre airline operations portfolio (AirCentre) amounted to $5.1 million and $15.9 million (2023 - $25.6 million and $38.5 million), respectively. The integration activities associated with the AirCentre acquisition were completed in the second quarter of fiscal 2025.

NOTE 6 – DEBT FACILITIES AND FINANCE EXPENSE – NET

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Finance expense:				
Long-term debt (other than lease liabilities)	**$ 38.8**	$ 41.1	**$ 75.8**	$ 80.9
Lease liabilities	**10.4**	5.8	**19.0**	11.7
Royalty obligations	**1.5**	1.7	**2.9**	3.3
Employee benefits obligations	**0.2**	0.5	**0.3**	0.8
Other	**8.7**	4.0	**17.4**	15.2
Borrowing costs capitalized	**(1.6)**	(1.6)	**(3.0)**	(3.3)
Finance expense	**$ 58.0**	$ 51.5	**$ 112.4**	$ 108.6
Finance income:				
Loans and investment in finance leases	**$ (3.5)**	$ (2.5)	**$ (6.9)**	$ (5.2)
Other	**(1.6)**	(1.9)	**(3.1)**	(3.2)
Finance income	**$ (5.1)**	$ (4.4)	**$ (10.0)**	$ (8.4)
Finance expense – net	**$ 52.9**	$ 47.1	**$ 102.4**	$ 100.2

Revolving credit facility extension

In September 2024, the Company extended the maturity date of its US$1.0 billion unsecured revolving credit facility until September 2028.

NOTE 7 – GLOBAL MINIMUM TAX (PILLAR TWO)

As at September 30, 2024, various countries where the Company operates have enacted the global minimum top-up income tax under Pillar Two tax legislation into domestic tax legislation. The top-up income tax relates to the Company's operations in the United Arab Emirates and Hungary where the statutory income tax rates are below the 15% determined by the Pillar Two rules. For the three and six months ended September 30, 2024, the Company recognized a current income tax expense related to the Pillar Two tax of $0.6 million and $1.3 million, respectively. The Company has applied a temporary mandatory exception to recognize and disclose information about deferred income tax assets and liabilities arising from jurisdictions implementing the global minimum tax rules.

NOTE 8 – SHARE CAPITAL AND EARNINGS PER SHARE

Share capital

Repurchase and cancellation of common shares

On May 27, 2024, the Company received regulatory approval for a normal course issuer bid program (NCIB) to purchase, for cancellation, up to 15,932,187 of its common shares. The NCIB began on May 30, 2024 and will end on May 29, 2025 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. These purchases may be made through the facilities of the TSX or the NYSE, or in such other manner as may be permitted under applicable stock exchange rules and securities laws, at the prevailing market price at the time of acquisition, plus brokerage fees. All common shares purchased pursuant to the NCIB will be cancelled.

During the three months ended September 30, 2024, the Company repurchased and cancelled a total of 392,730 common shares under the NCIB, at a weighted average price of $24.43 per common share, for a total consideration of $9.6 million. During the six months ended September 30, 2024, the Company repurchased and cancelled a total of 856,230 common shares under the NCIB, at a weighted average price of $24.85 per common share, for a total consideration of $21.3 million.

Earnings per share computation

The denominators for the basic and diluted earnings per share computations are as follows:

	Three months ended September 30		Six months ended September 30	
	2024	2023	**2024**	2023
Weighted average number of common shares outstanding	**318,675,947**	318,186,798	**318,653,178**	318,090,913
Effect of dilutive stock options and other equity-settled share-based payments	**385,375**	978,796	**336,715**	836,098
Weighted average number of common shares outstanding for diluted earnings per share calculation	**319,061,322**	319,165,594	**318,989,893**	318,927,011

For the three months ended September 30, 2024, stock options to acquire 4,250,579 common shares (2023 – 2,091,379) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect. For the six months ended September 30, 2024, stock options to acquire 3,498,598 common shares (2023 – 2,091,379) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect.

NOTE 9 – SUPPLEMENTARY CASH FLOWS INFORMATION

Changes in non-cash working capital are as follows:

	Six months ended September 30	
	2024	2023
Accounts receivable	**$ 67.3**	$ (31.9)
Contract assets	**(4.4)**	37.9
Inventories	**(52.1)**	(82.2)
Prepayments	**(19.5)**	(17.0)
Income taxes	**(38.1)**	4.7
Accounts payable and accrued liabilities	**(106.1)**	(30.2)
Provisions	**4.3**	(2.3)
Contract liabilities	**53.0**	8.4
	$ (95.6)	$ (112.6)

Supplemental information:

	Six months ended September 30	
	2024	2023
Interest paid	**$ 104.8**	$ 97.0
Interest received	**9.6**	8.3
Income taxes paid	**58.8**	39.6

NOTE 10 – CONTINGENCIES

Dispute relating to final price adjustments for the sale of CAE's Healthcare business
During the fourth quarter of fiscal 2024, the Company closed the sale of its Healthcare business to Madison Industries. The total consideration is subject to post-closing price adjustments, including on account of working capital. At the time of issuance of the consolidated interim financial statements, the Company is engaged in a dispute with Madison Industries, which is claiming up to approximately $60 million in final price adjustments.

While there can be no assurance whether any amount will be payable by the Company as a result of the dispute, no amount has been recognized in the Company's financial statements for any potential losses arising from this dispute as at September 30, 2024, as the Company believes that there are strong grounds for defence and will vigorously defend its position.

Class action proceeding
On July 16, 2024, the Company was served with an Application for authorization to bring an action pursuant to Section 225.4 of the *Securities Act* (Québec) and application for authorization to institute a class action before the Superior Court of Québec in the district of Montréal against the Company and certain of the Company's officers. The application and action are sought on behalf of purchasers of the Company's common shares, and are based upon allegations that the defendants made false and/or misleading statements to the public and seek unspecified damages.

The Company has strong legal defences to the proceeding and intends to defend the case vigorously. Based on the preliminary nature of the proceeding and the inherent uncertainty of litigation, it is not possible to predict the final outcome or the timing of the proceeding or to determine the amount of any potential losses resulting therefrom, if any. As such, no amounts have been provisioned in the Company's financial statements with respect to the proceeding.

Also on July 16, 2024, the Company and certain of the Company's officers were named as defendants in a proposed securities class action brought in the U.S. District Court for the Southern District of New York based upon similar allegations. That action was voluntarily dismissed by the plaintiff on September 13, 2024.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is determined by reference to the available market information at the reporting date. When no active market exists for a financial instrument, the Company determines the fair value of that instrument based on valuation methodologies as discussed below. In determining assumptions required under a valuation model, the Company primarily uses external, readily observable market data inputs. Assumptions or inputs that are not based on observable market data incorporate the Company's best estimates of market participant assumptions. Counterparty credit risk and the Company's own credit risk are taken into account in estimating the fair value of financial assets and financial liabilities.

The following assumptions and valuation methodologies have been used to measure the fair value of financial instruments:
(i) The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities;
(ii) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately and is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and forward foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instruments reflect the estimated amounts that the Company would receive or pay to settle the contracts at the reporting date;
(iii) The fair value of the equity investments, which does not have a readily available market value, is estimated using a discounted cash flow model, which includes some assumptions that are not based on observable market prices or rates;
(iv) The fair value of non-current receivables is estimated based on discounted cash flows using current interest rates for instruments with similar risks and remaining maturities;
(v) The fair value of long-term debts, royalties obligations and other non-current liabilities are estimated based on discounted cash flows using current interest rates for instruments with similar risks and remaining maturities.

Fair value hierarchy
The fair value hierarchy reflects the significance of the inputs used in making the measurements and has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices in markets that are not active) or indirectly (i.e. quoted prices for similar assets or liabilities);

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The carrying values and fair values of financial instruments, by category, are as follows:

			September 30		March 31
			2024		2024
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets (liabilities) measured at FVTPL					
Cash and cash equivalents	Level 1	**$ 179.7**	**$ 179.7**	$ 160.1	$ 160.1
Equity swap agreements	Level 2	**(8.0)**	**(8.0)**	(15.8)	(15.8)
Forward foreign currency contracts	Level 2	**0.5**	**0.5**	(0.6)	(0.6)
Derivative assets (liabilities) designated in a hedge relationship					
Foreign currency and interest rate swap agreements	Level 2	**6.3**	**6.3**	4.8	4.8
Forward foreign currency contracts	Level 2	**0.9**	**0.9**	(8.7)	(8.7)
Financial assets (liabilities) measured at amortized cost					
Accounts receivable[(1)]	Level 2	**520.9**	**520.9**	570.8	570.8
Investment in finance leases	Level 2	**141.7**	**138.5**	147.9	140.3
Other non-current assets[(2)]	Level 2	**46.6**	**46.6**	47.0	47.0
Accounts payable and accrued liabilities[(3)]	Level 2	**(761.3)**	**(761.3)**	(775.8)	(775.8)
Total long-term debt[(4)]	Level 2	**(2,611.3)**	**(2,643.3)**	(2,529.9)	(2,524.4)
Other non-current liabilities[(5)]	Level 2	**(80.4)**	**(75.2)**	(87.1)	(78.0)
Financial assets measured at FVOCI					
Equity investments	Level 3	**1.4**	**1.4**	1.4	1.4
		$ (2,563.0)	**$ (2,593.0)**	$ (2,485.9)	$ (2,478.9)

(1) Includes trade receivables, accrued receivables and certain other receivables.
(2) Includes non-current receivables and certain other non-current assets.
(3) Includes trade accounts payable, accrued liabilities, interest payable and current royalty obligations.
(4) Excludes lease liabilities. The carrying value of long-term debt excludes transaction costs.
(5) Includes non-current royalty obligations and other non-current liabilities.

During the six months ended September 30, 2024, there were no significant changes in level 3 financial instruments.

NOTE 12 – EVENT AFTER THE REPORTING PERIOD

On November 5, 2024, the Company increased its ownership stake in its existing SIMCOM Aviation Training (SIMCOM) joint venture by purchasing an additional interest from Volo Sicuro for a cash consideration of US$230 million, subject to customary adjustments, financed with the Company's existing credit facility and cash on hand.

As a result, the Company obtained control over SIMCOM's four training centres located in the U.S. providing pilot training across multiple business aviation aircraft platforms. Additionally, CAE and SIMCOM have extended their current exclusive business aviation training services agreement with Flexjet, LLC, a related party of Volo Sicuro, and its affiliates by five years, bringing the remaining exclusivity period to 15 years.

Before the transaction, the Company's 50% ownership in SIMCOM was accounted for using the equity method.

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